

**AMERICAN CIVIL LIBERTIES UNION OF  
TENNESSEE FOUNDATION, INC.  
INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS  
MARCH 31, 2011 AND MARCH 31, 2010**

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.

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(INDEPENDENT AUDITORS' REPORT)

To the Board of Directors  
**American Civil Liberties Union of Tennessee Foundation, Inc.**  
Nashville, Tennessee

We have audited the accompanying statements of financial position of **American Civil Liberties Union of Tennessee Foundation, Inc.** (a nonprofit organization) as of March 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **American Civil Liberties Union of Tennessee Foundation, Inc.** as of March 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*CPA Consulting Group, PLLC*

December 12, 2011

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 334,898	\$ 314,516
Investments in Marketable Securities	313,292	282,901
Accounts receivable	14,474	-
Prepaid expenses	-	5,663
Due From ACLU of Tennessee (Affiliate)	21,273	20,781
<b>TOTAL CURRENT ASSETS</b>	<u>683,937</u>	<u>623,861</u>
<b>FIXED ASSETS</b>		
Leasehold Improvements	21,050	21,050
Office Furniture and Equipment	40,344	43,015
Less: Accumulated Depreciation	(14,375)	(23,528)
<b>TOTAL FIXED ASSETS</b>	<u>47,019</u>	<u>40,537</u>
<b>OTHER ASSETS</b>		
Security Deposits	4,555	4,555
<b>TOTAL ASSETS</b>	<u>\$ 735,511</u>	<u>\$ 668,953</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 22,601	\$ 12,523
Accrued Payroll	-	11,072
Deferred rent	6,508	-
<b>TOTAL CURRENT LIABILITIES</b>	<u>29,109</u>	<u>23,595</u>
<b>NET ASSETS</b>		
Net Assets - Unrestricted	500,802	556,377
Net Assets – Temporarily restricted	205,600	88,981
<b>TOTAL NET ASSETS</b>	<u>706,402</u>	<u>645,358</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 735,511</u>	<u>\$ 668,953</u>

See Independent Auditors' Report and Notes to Financial Statements.

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	<b>2011</b>			<b>2010</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE &amp; SUPPORT</b>						
Attorney Fees	\$ 30,975	\$ -	\$ 30,975	\$ 2,500	\$ -	\$ 2,500
Contributions	38,674	-	38,674	34,902	-	34,902
Shared Revenues	183,855	-	183,855	106,344	-	106,344
Event Revenue	53,933	-	53,933	66,384	-	66,384
Grant Revenue	-	178,662	178,662	181,164	88,981	270,145
Other Income	18,009	-	18,009	33,683	-	33,683
Investment return	30,882	-	30,882	65,943	-	65,943
In-Kind Donations	63,831	-	63,831	73,093	-	73,093
Net Assets Released From Restriction	62,043	(62,043)	-	20,823	(20,823)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>482,202</u>	<u>116,619</u>	<u>598,821</u>	<u>584,836</u>	<u>68,158</u>	<u>652,994</u>
<b>EXPENSES</b>						
Program Services:						
Legal	242,185	-	242,185	261,421	-	261,421
Public Education	200,765	-	200,765	172,346	-	172,346
Total Program Services	<u>442,950</u>	<u>-</u>	<u>442,950</u>	<u>433,767</u>	<u>-</u>	<u>433,767</u>
Supporting Services:						
Management and General	58,123	-	58,123	61,600	-	61,600
Fundraising	36,704	-	36,704	20,972	-	20,972
Total Support Services	<u>94,827</u>	<u>-</u>	<u>94,827</u>	<u>82,572</u>	<u>-</u>	<u>82,572</u>
<b>TOTAL EXPENSES</b>	<u>537,777</u>	<u>-</u>	<u>537,777</u>	<u>516,339</u>	<u>-</u>	<u>516,339</u>
<b>CHANGE IN NET ASSETS</b>	<u>(55,575)</u>	<u>116,619</u>	<u>61,044</u>	<u>68,497</u>	<u>68,158</u>	<u>136,655</u>
<b>NET ASSETS:</b>						
<b>BEGINNING OF YEAR</b>	<u>556,377</u>	<u>88,981</u>	<u>645,358</u>	<u>487,880</u>	<u>20,823</u>	<u>508,703</u>
<b>END OF YEAR</b>	<u>\$ 500,802</u>	<u>\$ 205,600</u>	<u>\$ 706,402</u>	<u>\$ 556,377</u>	<u>\$ 88,981</u>	<u>\$ 645,358</u>

See Independent Auditors' Report and Notes to Financial Statements.

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 61,044	\$ 136,655
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	8,241	3,346
Unrealized gains on investments	(19,053)	(50,774)
Realized (gain)/loss	(513)	(5,687)
(Increase) Decrease in Operating Assets		
Accounts Receivable	(14,474)	8,500
Prepaid Expense	5,663	(5,663)
Security Deposit	-	(4,055)
Due from Affiliate	(491)	(20,781)
Increase (Decrease) in Operating Liabilities		
Accounts Payable	10,078	(5,625)
Accrued Payroll	(11,071)	2,631
Deferred rent	6,508	-
Due to Affiliate	-	(4,267)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>45,932</u>	<u>54,280</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment Purchases	(21,361)	(178,421)
Proceeds from Investment Sales	10,535	170,284
Stock Gift Received	-	(992)
Purchase of Equipment	(14,724)	(40,081)
<b>NET CASH (USED) IN INVESTING ACTIVITIES</b>	<u>(25,550)</u>	<u>(49,210)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	20,382	5,070
<b>BEGINNING CASH</b>	<u>314,516</u>	<u>309,446</u>
<b>ENDING CASH</b>	<u>\$ 334,898</u>	<u>\$ 314,516</u>

See Independent Auditors' Report and Notes to Financial Statement

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2011**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Legal</u>	<u>Public Education</u>	<u>Total</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	
Banking Fees	\$ -	\$ -	\$ -	\$ 82	\$ -	\$ 82	\$ 82
Board Meetings	-	-	-	473	-	473	473
Credit Card Fees	-	-	-	804	-	804	804
Donated attorney services	63,831	-	63,831	-	-	-	63,831
Employee Benefits	10,249	10,249	20,498	2,218	60	2,278	22,776
Event Expenses	-	-	-	-	14,070	14,070	14,070
Fundraising	-	-	-	445	1,780	2,225	2,225
Grant Expenses	-	14,429	14,429	-	-	-	14,429
Health Insurance	7,555	7,555	15,110	839	839	1,678	16,788
Insurance	-	-	-	1,015	-	1,015	1,015
Litigation Services	14,108	-	14,108	743	-	743	14,851
National Shared Database	-	-	-	-	3,432	3,432	3,432
Office Expense	-	-	-	1,160	-	1,160	1,160
Payroll Processing Fees	1,087	1,087	2,174	121	121	242	2,416
Payroll Taxes	8,323	8,323	16,646	925	925	1,850	18,496
Postage	-	986	986	110	-	110	1,096
Printing & Reproduction	5,912	5,912	11,824	1,314	-	1,314	13,138
Professional Development	3,662	3,662	7,324	814	-	814	8,138
Professional Fees	-	-	-	9,200	-	9,200	9,200
Public Education	-	9,268	9,268	488	-	488	9,756
Rent	25,738	25,738	51,476	2,860	2,860	5,720	57,196
Repairs & Maintenance	-	-	-	630	-	630	630
Salaries	94,689	106,525	201,214	23,672	11,836	35,508	236,722
Staff & Volunteer Events	-	-	-	706	-	706	706
Supplies	2,354	2,354	4,708	262	262	524	5,232
Telephone	4,677	4,677	9,354	519	519	1,038	10,392
Travel	-	-	-	322	-	322	322
Website	-	-	-	160	-	160	160
Total Expense Before Depreciation	242,185	200,765	442,950	49,882	36,704	86,586	529,536
Depreciation	-	-	-	8,241	-	8,241	8,241
Total Expenses	<u>\$242,185</u>	<u>\$ 200,765</u>	<u>\$ 442,950</u>	<u>\$ 58,123</u>	<u>\$ 36,704</u>	<u>\$ 94,827</u>	<u>\$ 537,777</u>

See Independent Auditors' Report and Notes to Financial Statements.

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2010**

	<b>Program Services</b>			<b>Supporting Services</b>			<b>Total Expenses</b>
	<u>Legal</u>	<u>Public Education</u>	<u>Total</u>	<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Total</u>	
Banking Fees	\$ -	\$ -	\$ -	\$ 174	\$ -	\$ 174	\$ 174
Board Meetings	-	-	-	555	-	555	555
Computer Services	-	-	-	230	-	230	230
Credit Card Fees	-	-	-	926	-	926	926
Employee Benefits	5,048	5,048	10,096	1,122	-	1,122	11,218
Event Expenses	-	-	-	-	20,135	20,135	20,135
Fundraising	-	-	-	209	837	1,046	1,046
Grant Expenses	-	12,524	12,524	1,392	-	1,392	13,916
Insurance	-	-	-	969	-	969	969
Litigation Services	18,368	-	18,368	2,040	-	2,040	20,408
Salaries	112,631	112,631	225,262	25,029	-	25,029	250,291
Miscellaneous	-	-	-	589	-	589	589
Donated services	73,093	-	73,093	-	-	-	73,093
Office Move	-	-	-	4,564	-	4,564	4,564
Payroll Processing Fees	956	956	1,912	212	-	212	2,124
Payroll Taxes	10,095	10,095	20,190	2,243	-	2,243	22,433
Postage	-	1,501	1,501	167	-	167	1,668
Professional Fees	-	-	-	9,025	-	9,025	9,025
Professional Development	1,041	1,040	2,081	231	-	231	2,312
Public Education	11,640	-	11,640	1,294	-	1,294	12,934
Repairs & Maintenance	-	-	-	620	-	620	620
Rent	17,400	17,401	34,801	3,867	-	3,867	38,668
Health Insurance	4,729	4,729	9,458	1,051	-	1,051	10,509
Staff & Volunteer Events	-	-	-	149	-	149	149
Supplies	2,389	2,389	4,778	531	-	531	5,309
Telephone	4,031	4,032	8,063	896	-	896	8,959
Travel	-	-	-	169	-	169	169
Total Expense Before Depreciation	265,988	176,914	442,902	58,254	20,972	79,226	512,993
Depreciation	-	-	-	3,346	-	3,346	3,346
Total Expenses	<u>\$261,421</u>	<u>\$ 172,346</u>	<u>\$ 433,767</u>	<u>\$ 61,600</u>	<u>\$ 20,972</u>	<u>\$ 82,572</u>	<u>\$ 516,339</u>

**See Independent Auditors' Report and Notes to Financial Statements.**



**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MARCH 31, 2011 AND 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

The American Civil Liberties Union of Tennessee Foundation, Inc. (The Foundation) is a private, non-profit organization incorporated under the laws of the state of Tennessee. Its mission is to protect and expand individual liberties through public education and to provide legal assistance to aggrieved persons in litigation for the purpose of providing Bill of Rights protection.

**Income Taxes**

The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, Return of Organization Exempt from Income Tax for the years ending March 31, 2011, 2010, and 2009 are subject to examination by the IRS, generally for three years after they were filed.

**Basis of Presentation**

The financial statements of The Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. . Revenue is recognized when earned and expenses are recorded when incurred.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

**Fixed Assets**

Fixed assets are recorded at cost at the date of purchase or fair value at the date of donation less accumulated depreciation. Depreciation is taken on a straight-line basis over the estimated useful life of the assets. Expenditures that substantially increase the useful lives of existing property and equipment items are capitalized, while expenditures for maintenance, repairs, and minor improvements are expensed as paid. Management periodically reviews the values assigned to long-lived assets to determine if any impairments are other than temporary. Depreciation expense for the years ended March 31, 2011 and 2010 was \$8,241 and \$3,346, respectively.

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2011 AND 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Allocation of Expenses**

The costs of providing the programs and support services have been summarized on a functional basis in the statements of activities and statements of functional expenses. The statement of functional expenses has been prepared by allocating expenses between programs and supporting services.

**Contributed Services and Supplies**

Certain individuals, including members of the Board of Directors, donate substantial time to the operations of the Foundation. Revenues and expenses related to these services are not reflected in the financial statements. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Investments**

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**Receivables**

All receivables are considered to be fully collectible by management.

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2011 AND 2010**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events**

Management has evaluated subsequent events through December 12, 2011, the date the financial statements were available to be issued.

**NOTE 2 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts reported in the statement of financial position for cash and cash equivalents approximate fair values because of the short maturities of these instruments.

Investments as of March 31, 2011 and 2010 are summarized as follows:

	Fair Value		Carrying Value	
	3/31/11	3/31/10	3/31/11	3/31/10
Unrestricted:				
Mutual Funds	\$ 313,293	\$ 282,901	\$ 313,293	\$ 282,901

  

	3/31/11			3/31/10		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Interest & dividends	\$ 11,317	-	-	\$ 9,483	-	-
Net realized and unrealized Gain (Loss)	19,565	-	-	56,460	-	-
<b>Total Investment Return</b>	<b>\$ 30,882</b>	<b>-</b>	<b>-</b>	<b>\$ 65,943</b>	<b>-</b>	<b>-</b>

Fair values of the mutual funds are based on quoted market prices in active markets for identical assets (Level 1).

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2011 AND 2010**

**NOTE 3 – PENSION & 401(K) PLAN**

A defined benefit pension plan is provided by the National ACLU for employees hired before March 31, 2009. Contributions are actuarially determined each year by an independent consulting actuary enrolled with the IRS, and satisfy all minimum funding requirements established by the IRS and other governmental agencies. There is no cost to the employees for this benefit. Pension expense reported by Foundation for the years ended March 31, 2011 and 2010 was \$21,583 and \$10,053 respectively.

A 401(k) plan is also provided by the National ACLU for employees hired before March 31, 2009. Employees may choose to contribute up to 80% of their pay up to IRS legal limits and are always 100% vested in the contributions they choose to defer. There is no employer matching to this plan.

As of April 1, 2009, a new 401(k) plan was established for all employees hired on or after April 1, 2009 who are not covered under any other qualified profit sharing or pension plan to which the employer contributes. This plan provides an automatic contribution arrangement. Employees are automatically enrolled to defer 3% of pay with an increase of 1% per year up to 10% of pay unless they choose to defer a different percentage or elect not to participate in the plan. The ACLU will match 100% of employee contributions up to 1% of pay and 50% of employee contributions up to the next 5% of pay. The ACLU will also make an additional contribution equal to 2% of pay for each pay period. Employer contributions become 100% vested after two years of service. There were no contributions by the Foundation for the years ended March 31, 2010 and 2011. Employer 401(k) contribution expense reported by the Affiliate for the year ended March 31, 2011 was \$1,939.

**NOTE 4 – RELATED PARTY TRANSACTIONS**

The American Civil Liberties Union of Tennessee Foundation Inc. (The Foundation) is an affiliate of the American Civil Liberties Union national organization, with principal offices in New York, New York. Under the affiliation agreement, the local and national organizations are each required to share certain types of contribution revenue with each other. During the years ended March 31, 2011 and 2010, there was \$183,855 and \$106,344, respectively in shared contributions from the ACLU national organization.

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2011 AND 2010**

**NOTE 4 – RELATED PARTY TRANSACTIONS (CONTINUED)**

The Foundation is a related organization of the American Civil Liberties Union of Tennessee Inc. (The Affiliate) which performs various functions related to lobbying through legal efforts. Expenses of the overall organization are allocated between the Foundation and The Affiliate as follows:

	2011	2010
Foundation	\$ 537,777	\$ 516,339
Affiliate	61,395	52,320
Total	<u>\$ 599,172</u>	<u>\$ 568,659</u>

The Affiliate pays out all salaries and payroll expenses for the Affiliate and The Foundation. As a result, the Foundation transfers funds to cover their portion of salary and payroll expenses to the Affiliate. During the years ended March 31, 2011 and 2010 the Foundation was due \$21,273 and \$20,781 respectively from the Affiliate.

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at March 31:

	2011	2010
Leasehold improvements	\$ 21,050	\$ 21,050
Office furniture & equipment	40,344	43,015
Accumulated depreciation	(14,375)	(23,528)
Total Fixed Assets	<u>\$ 47,019</u>	<u>\$ 40,537</u>

**NOTE 6 - LEASE COMMITMENTS**

The Organizations lease office space under a non-cancelable operating lease agreement. The lease requires monthly payments of \$4,678 through October 31, 2011. The lease includes an increase of 3.2% per lease year, which commences November 1 of each year. The lease expires October 31, 2016 with one five-year option to renew.

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2011 AND 2010**

**NOTE 6 - LEASE COMMITMENTS (CONTINUED)**

Lease expense is included in the Statement of Activities and is allocated between the Foundation and the Affiliate as follows:

	2011	2010
Foundation	\$57,194	\$ 38,668
Affiliate	6,018	4,530
Total	<u>\$63,212</u>	<u>\$ 43,198</u>

Future minimum lease obligations of the overall organizations are as follows:

For the year ending March 31, 2012	\$ 56,897
March 31, 2013	58,734
March 31, 2014	60,632
March 31, 2015	62,602
March 31, 2016	64,651
thereafter	38,422
<b>TOTAL</b>	<u>\$ 341,938</u>

**NOTE 7 – CASH IN EXCESS OF FDIC INSURED LIMITS**

The Foundation maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Accounts are guaranteed by the FDIC up to \$250,000. At March 31, 2011, The Foundation had \$58,350 in excess of FDIC insured limits. The Foundation has not experienced any losses in such accounts.

**NOTE 8 – TEMPORARILY RESTRICTED GRANTS**

The Foundation received a \$3,289 grant from the National American Civil Liberties Union Foundation to cover expenses related to the salary of the lawyer for the Southeastern Regional Lesbian Gay Bisexual Transgender and HIV program. The grant covers salary, benefit, rent, and other various office-related expenses and was used for the stated purpose.

The Foundation received a \$175,373 grant from the National American Civil Liberties Union Foundation. The grant is restricted and was used for the Strategic Affiliate Initiative program which was established to support the administrative and programmatic growth of key ACLU affiliates.

**AMERICAN CIVIL LIBERTIES UNION  
OF TENNESSEE FOUNDATION, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
YEARS ENDED MARCH 31, 2011 AND 2010**

**NOTE 9 - DONATED SERVICES AND EXPENSES**

The Organization recognizes contribution revenue for certain services received at their fair value. Those services include donated professional attorney services used in the Organization's program services and amounted to \$63,831 and \$73,093 for the years ending March 31, 2011 and 2010, respectively. These amounts are reported as both in-kind donation revenue and in the donated services expense on the Statement of Functional Expenses.

**NOTE 10 – CONCENTRATIONS**

The Foundation received grant income from one funding source during the year ending March 31, 2011 that comprised 81% of total contributions and grants.

**NOTE 11 - RESTRICTIONS ON NET ASSETS**

Net assets were released from donor restrictions by incurring the expenses required for the intended purpose that was specified by the grantors during the years ending March 31, 2011 and March 31, 2010.

**NOTE 12 – SUBSEQUENT EVENTS**

The Foundation received \$104,534 in restricted grants for use in the Strategic Affiliate Initiative Program. They received \$49,086 in May 2011 and \$55,448 in July 2011.

The Foundation received \$35,371 from the National ACLU in August 2011 as part of the national reconciliation income.

An individual donor made a \$10,000 contribution in July 2011 and another \$20,000 contribution in November 2011.