

AMERICAN CIVIL LIBERTIES UNION OF
TENNESSEE FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
MARCH 31, 2019 AND MARCH 31, 2018

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combined financial statements of American Civil Liberties Union of Tennessee Foundation, Inc., and American Civil Liberties Union of Tennessee, Inc., which comprise the combined statements of financial position as of March 31, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows, for the years then ended and the related notes to the combined financial statements (the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of American Civil Liberties Union of Tennessee Foundation, Inc. and American Civil Liberties Union of Tennessee, Inc., as of March 31, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. Schedules of revenues and support and expenses on pages 16 – 17, are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

CPA Consulting Group, PLLC

Nashville, Tennessee
December 11, 2019

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND 2018**

ASSETS			
		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash	\$	1,555,488	\$ 1,399,437
Investments		240,078	234,821
Due from National ACLU		24,868	26,496
Due from National Foundation		-	1,800
Prepaid expenses		<u>1,333</u>	<u>1,611</u>
Total current assets		<u>1,821,767</u>	<u>1,664,165</u>
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET		12,565	16,482
INTANGIBLE ASSETS, NET		9,557	15,065
OTHER ASSETS			
Security deposits		4,555	4,555
Investment in Bill of Rights Trust		<u>242,408</u>	<u>237,058</u>
Total other assets		<u>246,963</u>	<u>241,613</u>
Total assets		<u><u>\$ 2,090,852</u></u>	<u><u>\$ 1,937,325</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$	6,059	\$ 5,280
Accrued pension liability		11,142	51,889
Payroll accrual		5,799	6,784
Payroll liabilities		2,489	-
Deferred rent		6,518	5,421
Other current liabilities		<u>372</u>	<u>1,581</u>
Total current liabilities		<u>32,379</u>	<u>70,955</u>
NET ASSETS			
Net assets without donor restrictions			
Operating		1,520,213	1,343,524
Board designated - Bill of Rights Trust		242,408	241,058
Net assets with donor restrictions		<u>295,852</u>	<u>281,788</u>
Total net assets		<u>2,058,473</u>	<u>1,866,370</u>
Total liabilities and net assets		<u><u>\$ 2,090,852</u></u>	<u><u>\$ 1,937,325</u></u>

See accompanying notes to financial statements and independent auditors' report.

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>			<u>2018</u>		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT						
Shared revenue	\$ 300,000	\$ -	\$ 300,000	\$ 300,000	\$ -	\$ 300,000
Contributions	307,970	35,500	343,470	221,549	67,500	289,049
Grants	53,000	-	53,000	272,368	49,000	321,368
Event revenue	84,305	-	84,305	72,790	-	72,790
Other income	371,677	-	371,677	368,984	-	368,984
Investment return	14,914	-	14,914	39,034	-	39,034
Net assets released from restriction	<u>21,436</u>	<u>(21,436)</u>	<u>-</u>	<u>23,643</u>	<u>(23,643)</u>	<u>-</u>
Total revenue and support	<u>1,153,302</u>	<u>14,064</u>	<u>1,167,365</u>	<u>1,298,368</u>	<u>92,857</u>	<u>1,391,225</u>
EXPENSES						
Program services	583,724	-	583,724	698,547	-	698,547
General and administrative	292,258	-	292,258	128,449	-	128,449
Fundraising	<u>99,280</u>	<u>-</u>	<u>99,280</u>	<u>66,294</u>	<u>-</u>	<u>66,294</u>
Total expenses	<u>975,262</u>	<u>-</u>	<u>975,262</u>	<u>893,290</u>	<u>-</u>	<u>893,290</u>
CHANGES IN NET ASSETS	178,040	14,064	192,104	405,078	92,857	497,935
NET ASSETS, BEGINNING OF YEAR	<u>1,584,582</u>	<u>281,788</u>	<u>1,866,370</u>	<u>1,179,504</u>	<u>188,931</u>	<u>1,368,435</u>
NET ASSETS, END OF YEAR	<u>\$ 1,762,622</u>	<u>\$ 295,852</u>	<u>\$ 2,058,473</u>	<u>\$ 1,584,582</u>	<u>\$ 281,788</u>	<u>\$ 1,866,370</u>

See accompanying notes to financial statements and independent auditors' report.

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019**

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Legal	Public Education	Policy	Total Program Service	Management and General	Events & Fundraising	Total Supporting Services	Total Expenses
Board meetings	\$ -	\$ -	\$ -	\$ -	\$ 1,060	\$ -	\$ 1,060	\$ 1,060
Credit card fees	-	-	-	-	1,555	-	1,555	1,555
Depreciation and amortization	-	-	-	-	9,424	-	9,424	9,424
Event expenses	-	-	-	-	289	20,485	20,774	20,774
Fundraising	-	13,664	-	13,664	5,223	-	5,223	18,887
Health insurance	25,506	17,776	1,225	44,507	18,324	-	18,324	62,831
Investment fees	-	-	-	-	689	-	689	689
Litigation	23,457	-	-	23,457	-	-	-	23,457
Lobbying	-	739	4,775	5,514	-	-	-	5,514
Management and general	-	-	-	-	2,852	-	2,852	3,027
Miscellaneous	-	-	-	-	2,398	-	2,398	36,781
National shared database	-	-	349	349	1,570	-	1,570	1,919
Office insurance	-	-	-	-	3,146	-	3,146	3,146
Payroll processing	-	-	-	-	704	-	704	704
Payroll taxes	15,208	6,092	7,300	28,600	11,901	-	11,901	40,501
Pension	7,551	894	12,078	20,523	2,345	-	2,345	22,868
Postage	-	6,530	-	6,530	2,005	132	2,137	8,667
Printing	-	7,682	-	7,682	3,849	115	3,964	11,646
Professional development	12,304	3,649	-	15,953	10,535	-	10,535	26,488
Professional services	-	-	-	-	23,216	-	23,216	23,216
Program support	5,142	40	-	5,182	1,448	-	1,448	6,630
Public education	-	2,508	-	2,508	-	-	-	2,508
Rent	2,113	40,013	6,602	48,728	18,521	9,633	28,154	76,882
Repairs and maintenance	-	-	-	-	9,096	-	9,096	9,096
Salaries	203,427	102,704	64,994	371,125	72,453	78,345	150,798	521,923
Supplies	-	878	-	878	17,859	203	18,062	18,940
Telephone	-	-	-	-	11,388	-	11,388	11,388
Travel	441	-	140	581	12	-	12	593
Workers' compensation	-	-	-	-	4,148	-	4,148	4,148
Total	\$ 295,818	\$ 234,419	\$ 100,102	\$ 630,339	\$ 236,010	\$ 108,913	\$ 344,923	\$ 975,262

See accompanying notes to financial statements and independent auditors' report.

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018**

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Legal	Public Education	Legislative	Total Program Service	Management and General	Events & Fundraising	Total Supporting Services	Total Expenses
Board meetings	\$ -	\$ -	\$ -	\$ -	\$ 1,091	\$ -	\$ 1,091	\$ 1,091
Credit card fees	-	-	-	-	-	2,005	2,005	2,005
Depreciation & amortization	-	-	-	-	5,294	-	5,294	5,294
Event expenses	-	-	-	-	-	19,396	19,396	19,396
Fundraising	-	-	-	-	-	3,145	3,145	3,145
Health insurance	19,301	19,301	2,240	40,842	6,987	2,413	9,400	50,242
Investment fees	-	-	-	-	2,663	-	2,663	2,663
Litigation	9,204	-	-	9,204	-	-	-	9,204
Lobbying	-	389	6,264	6,653	-	-	-	6,653
Membership recruitment	-	-	-	-	-	1,053	1,053	1,053
National shared database	-	-	-	-	-	6,761	6,761	6,761
Office insurance	852	852	630	2,334	165	95	260	2,594
Payroll processing	582	582	154	1,318	235	73	308	1,626
Payroll taxes	13,720	13,720	2,756	30,196	5,451	1,715	7,166	37,362
Pension	-	49,098	12,386	61,484	3,236	-	3,236	64,720
Postage	573	573	7	1,153	143	143	286	1,439
Printing	1,240	1,240	400	2,880	354	310	664	3,544
Professional development	6,589	6,589	-	13,178	732	732	1,464	14,642
Professional services	-	-	-	-	24,842	-	24,842	24,842
Program support	2,161	2,667	-	4,828	507	436	943	5,771
Public education	-	47,920	-	47,920	-	-	-	47,920
Rent	30,339	30,339	6,717	67,395	4,117	3,371	7,488	74,883
Repairs and maintenance	1,892	1,892	397	4,181	754	236	990	5,171
Salaries	176,220	176,220	30,590	383,030	69,481	22,028	91,509	474,539
Supplies	5,846	5,846	700	12,392	1,210	1,461	2,671	15,063
Telephone	3,605	3,605	994	8,204	1,012	901	1,913	10,117
Travel	22	22	-	44	5	-	5	49
Workers' compensation	161	161	989	1,311	170	20	190	1,501
Total	\$ 272,307	\$ 361,016	\$ 65,224	\$ 698,547	\$ 128,449	\$ 66,294	\$ 194,743	\$ 893,290

See accompanying notes to financial statements and independent auditors' report.

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 192,104	\$ 497,935
Adjustments to reconcile increase (decrease) in net assets to net cash flows provided (used) by operating activities:		
Depreciation	9,424	5,294
Realized and unrealized gains on investments	(5,256)	(16,516)
Change in carrying value of beneficial interest in trust	(5,350)	(18,659)
(Increase) decrease in operating assets:		
Prepaid expenses	278	1,900
Due from National ACLU	1,628	(5,831)
Increase (decrease) in operating liabilities:		
Accounts payable	778	(921)
Accrued pension liability	(40,747)	8,398
Payroll accrual	(984)	6,784
Payroll liabilities	2,489	-
Deferred rent	1,096	3,077
Due to National ACLU	1,800	(213,287)
Due to Foundation	-	(1,800)
Other current liabilities	(1,207)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>156,053</u>	<u>266,374</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(235,809)	(131,216)
Proceeds from sale of investments	235,809	131,216
Purchase of equipment	-	(14,724)
NET CASH USED BY INVESTING ACTIVITIES	<u>-</u>	<u>(14,724)</u>
NET INCREASE (DECREASE) IN CASH	156,051	251,650
BEGINNING CASH	<u>1,399,437</u>	<u>1,147,787</u>
ENDING CASH	<u><u>\$ 1,555,488</u></u>	<u><u>\$ 1,399,437</u></u>

See accompanying notes to financial statements and independent auditors' report.

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The American Civil Liberties Union of Tennessee Foundation, Inc. (a nonprofit organization) and The American Civil Liberties Union of Tennessee, Inc. (a nonprofit organization) are incorporated under the laws of the state of Tennessee. Their missions are to protect and expand individual liberties through public education and provide legal assistance to aggrieved persons in litigation for the purpose of providing Bill of Rights protection.

Basis of Accounting

The combined financial statements 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.

Basis of Presentation

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three to two: net assets with donor restrictions and net assets without donor restrictions. The ASU also changes the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending June 30, 2019 and there after and must be applied on a retrospective basis. The Organization adopted the ASU effective July 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions.

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash

For purposes of the combined statement 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.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost at the date of purchase or fair value at the date of donation. 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 equipment and leasehold improvement 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 exist that are other than temporary. Depreciation expense for the years ended March 31, 2019 and 2018, was \$3,917 and \$4,285, respectively.

Intangible Assets

Intangible assets consist of computer software being amortized on a straight-line basis. Total amortization for years ended March 31, 2019 and 2018, was \$5,508 and \$1,009, respectively.

Compensated Absences

Employees of the Organization are entitled to paid vacation time, depending on job classification, length of service, and other factors. The Organization's policy is to recognize the time cost of compensated absences when actually paid to employees. The Organization cannot reasonably estimate accrued compensated absences at March 31, 2019 and 2018.

Bill of Rights Trust

The Bill of Rights Trust represents the Organization's unit holdings in the National Endowment held by the National Foundation, which is a separate organization holding a common investment pool in which the Organization and other affiliated foundations may participate. The National Endowment's underlying investments are primarily mutual funds, exchange-traded funds, structured notes, hedge funds, and money market savings accounts, all of which are publicly traded.

Investment income includes interest and distribution of investments which are recorded when earned or declared. Realized gains and losses on investment transactions are recorded based on the average cost method.

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, as well as nominal advisory fees, are included in the change in net assets.

Support and Expenses

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restriction.

Income Taxes

The American Civil Liberties Union of Tennessee 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 American Civil Liberties Union of Tennessee is a not-for-profit organization that is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, Returns of Organizations Exempt from Income Tax for the years ending March 31, 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after filing.

Management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that require additional adjustment or disclosure to the accompanying combined financial statements.

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 schedules of functional expenses. Accordingly, management has allocated certain costs among the programs and supporting services benefited, based upon various methods deemed to justify the benefits received by those programs and services.

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major Revenue Sources

The Organization's primary source of revenue is base renewable income (shared revenues).

Estimates

The preparation of combined 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.

Contributed Services and Supplies

Certain individuals, including members of the board of directors, donate substantial time to the operations of the Organization. Revenues and expenses related to these services are not reflected in the combined 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.

Subsequent Events

Management has evaluated subsequent events through December 11, 2019, the date the combined financial statements were available to be issued.

NOTE B – FAIR VALUE MEASUREMENT

FASB ASC 820-10, *Fair Value Measurements*, defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach, as specified by FASB ASC 820-10, are used to measure fair value. The fair value hierarchy prioritizes valuation techniques used to measure fair value into three broad levels:

Level 1 investments - Valuation based on unadjusted quoted prices within active markets for identical assets accessible by the Organization (e.g., prices derived from New York Stock Exchange, NASDAQ or Chicago Board of Trade).

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018**

NOTE B – FAIR VALUE MEASUREMENT (CONTINUED)

Level 2 investments - Valuation based on quoted market prices for similar assets within active or inactive markets or information other than quoted market prices observable through market data for substantially the full term of the asset. The Organization did not hold any Level 2 assets at March 31, 2019 or 2018.

Level 3 investments - Valuation based on inputs other than quoted market prices that reflect assumptions about the asset that market participants would use when performing the valuation based on the best information available in the circumstances.

The fair value of the Organization's investments at March 31, 2019, is as follows:

	<u>Level 1</u>	<u>Level 3</u>
Mutual Funds	\$ 240,078	\$ -
Bill of Rights Trust	<u>-</u>	<u>242,408</u>
Total	<u>\$ 240,078</u>	<u>\$ 242,408</u>

The fair value of the Organization's investments at March 31, 2018, is as follows:

	<u>Level 1</u>	<u>Level 3</u>
Mutual Funds	\$ 234,821	\$ -
Bill of Rights Trust	<u>-</u>	<u>237,058</u>
Total	<u>\$ 234,821</u>	<u>\$ 237,058</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Bill of Rights Trust</u>	
	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Beginning	\$ 237,058	\$ 218,399
Gains (losses)	<u>5,350</u>	<u>18,659</u>
Ending	<u>\$ 242,408</u>	<u>\$ 237,058</u>

The Bill of Rights Trust ("Trust") is a non-endowment restricted voluntary investment holding. The value of the Trust is based on the value of the underlying assets held. Those assets are valued using fair value measurements. The total value of the Trust is reported to the Organization at a net asset value.

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018**

NOTE C – RETIREMENT PLANS

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 the Organization for the years ended March 31, 2019 and 2018, was \$11,142 and \$51,889, 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.

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 for an automatic contribution. 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 Organization will match 100% of employee contributions up to 1% of pay and 50% of employee contributions up to the next 5% of pay. The Organization may 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 additional contributions by the Organization for the years ended March 31, 2019 and 2018. Employer 401(k) contribution expense reported by the Organization for the years ended March 31, 2019 and 2018, was \$11,725 and \$12,831 respectively.

NOTE D – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Equipment and leasehold improvements consisted of the following at March 31:

	<u>2019</u>	<u>2018</u>
Leasehold improvements	\$ 21,050	\$ 21,050
Equipment	51,597	51,597
Less: Accumulated depreciation	<u>(60,082)</u>	<u>(56,165)</u>
Total fixed assets	<u>\$ 12,565</u>	<u>\$ 16,482</u>

NOTE E – RELATED PARTY TRANSACTIONS

The Organization 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. Shared contributions from the ACLU national organization for years ending March 31, 2019 and 2018 totaled \$300,000 in both years..

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2019 AND 2018**

NOTE E – RELATED PARTY TRANSACTIONS (CONTINUED)

At March 31, 2019 and 2018, respectively, \$18,758 and \$20,910 represented income receivable from the national organization to be paid to the Foundation. Associated fees of \$0 and \$1,127 at March 31, 2019 and 2018, respectively, represented fees owed to the national organization by the Foundation.

At March 31, 2019 and 2018, respectively, \$6,565 and \$5,586 represented income receivable from the national organization to be paid to the TN affiliate organization. Associated fees of \$454 and \$454 at March 31, 2019 and 2018, respectively, represented fees owed to the national organization by the TN affiliate organization.

NOTE F – LEASE COMMITMENTS

The current lease expired on October 31, 2016 but the Organization exercised their one, five-year option to renew and extend it. The extended lease requires monthly payments of \$6,141 through October 31, 2019, and \$6,324 through October 31, 2020. The monthly payments increase by 3% per lease year, which occurs annually on November 1. The lease expires on October 31, 2021.

Future minimum lease obligations are as follows:

<u>For the year ending March 31,</u>	
2020	74,606
2021	76,836
2022	<u>45,592</u>
Total	<u>\$ 197,034</u>

NOTE G – CONCENTRATION OF CREDIT RISK

The Organization 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, 2019, The Organization had \$1,305,488 in excess of FDIC insured limits. The Organization has not experienced any losses in such accounts.

The Organization received grant income from one funding source during the years ended March 31, 2019 and 2018, that comprised 85% and 68% of total grants, respectively.

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
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YEARS ENDED MARCH 31, 2019 AND 2018**

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

The Organization received various restricted contributions and grants intended for the Criminal Justice Reform and the Juvenile Justice Reform Programs, totaling \$27,500. At March 31, 2019, the cumulative total of Net Assets With Donor Restrictions for the Criminal Justice Reform and Juvenile Justice Reform Programs was \$309,288, which includes contributions from previous fiscal years.

The Organization also received a restricted grant for the creation of the "Rapid Respond to Defeat HB2620" in the amount of \$8,000. As of March 31, 2019, this amount remained restricted.

NOTE I – BOARD DESIGNATED FUNDS

The Organization has earmarked certain net assets without donor restriction for a specific purpose. These net assets have no donor-imposed restrictions; therefore, they have been appropriately classified as a sub-category of net assets without donor restrictions - "Board Designated". They include the Investment in Bill of Rights Trust and certain contributions.

NOTE J – LIQUIDITY OF ORGANIZATION

At June 30, 2019, the Organization had \$1,555,488 cash and equivalents available to meet needs for general expenditures. Accordingly, all funds without restrictions are available to meet the cash needs of the Organization for the next 12 months. As of the date of this report, the Organization does not have a specific policy for how much cash needs to be in reserve at any given point, nor does it have a policy as to what can be done with any surplus funds. The Organization manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the Organization are expected to be met on a monthly basis from its various sources of support as reported on its statement of activities.

SUPPLEMENTARY SCHEDULES

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
SCHEDULE OF REVENUE AND SUPPORT AND EXPENSES FOR
AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	2019			2018		
	Net assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT						
Shared revenue	\$ 225,000	\$ -	\$ 225,000	\$ 235,000	\$ -	\$ 235,000
Contributions	315,970	27,500	343,469	221,549	67,500	289,049
Grants	45,000	-	45,000	272,368	34,000	306,368
Event revenue	84,305	-	84,305	72,790	-	72,790
Other income	230,970	-	230,970	344,987	-	344,987
Investment return	14,232	-	14,232	39,018	-	39,018
Net assets released from restriction	<u>6,436</u>	<u>(6,436)</u>	<u>-</u>	<u>23,643</u>	<u>(23,643)</u>	<u>-</u>
Total revenue and support	<u>921,913</u>	<u>21,064</u>	<u>942,976</u>	<u>1,209,355</u>	<u>77,857</u>	<u>1,287,212</u>
EXPENSES						
Program services	541,951	-	541,951	633,321	-	633,321
General and administrative	279,578	-	279,578	117,261	-	117,261
Fundraising	<u>99,216</u>	<u>-</u>	<u>99,216</u>	<u>63,551</u>	<u>-</u>	<u>63,551</u>
Total expenses	<u>920,745</u>	<u>-</u>	<u>920,745</u>	<u>814,133</u>	<u>-</u>	<u>814,133</u>
CHANGES IN NET ASSETS	<u>\$ 1,168</u>	<u>\$ 21,064</u>	<u>\$ 22,232</u>	<u>\$ 395,222</u>	<u>\$ 77,857</u>	<u>\$ 473,079</u>

See independent auditors' report.

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
SCHEDULE OF REVENUE AND SUPPORT AND EXPENSES FOR
AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

	2019			2018		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUE AND SUPPORT						
Shared revenue	\$ 75,000	\$ -	\$ 75,000	\$ 65,000	\$ -	\$ 65,000
Other income	140,706	-	140,706	23,440	-	23,440
Grants	-	8,000	8,000	-	15,000	15,000
Investment return	682	-	682	16	-	16
Net assets released from restriction	15,000	(15,000)	-	-	-	-
Total revenue and support	<u>231,388</u>	<u>(7,000)</u>	<u>224,388</u>	<u>88,456</u>	<u>15,000</u>	<u>103,456</u>
EXPENSES						
Program services	41,774	-	41,774	65,224	-	65,224
General and administrative	12,678	-	12,678	11,190	-	11,190
Fundraising	64	-	64	2,743	-	2,743
Total expenses	<u>54,516</u>	<u>-</u>	<u>54,516</u>	<u>79,157</u>	<u>-</u>	<u>79,157</u>
CHANGES IN NET ASSETS	<u>\$ 176,872</u>	<u>\$ (7,000)</u>	<u>\$ 169,872</u>	<u>\$ 9,299</u>	<u>\$ 15,000</u>	<u>\$ 24,299</u>

See independent auditors' report.