

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, 2018 AND MARCH 31, 2017

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, 2018 and 2017, and the related combined statements of activities, 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, 2018 and 2017, 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. The combined schedules of functional expenses on pages 14 – 15 and the 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
October 31, 2018

**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2018 AND 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash	\$ 1,399,437	\$ 1,147,787
Investments	234,821	218,305
Due from National ACLU	26,496	20,665
Due from National Foundation	1,800	-
Prepaid expenses	<u>1,611</u>	<u>3,511</u>
Total current assets	<u>1,664,165</u>	<u>1,390,268</u>
EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET	16,482	20,767
INTANGIBLE ASSETS, NET	15,065	1,350
OTHER ASSETS		
Security deposits	4,555	4,555
Investment in Bill of Rights Trust	<u>237,058</u>	<u>218,399</u>
Total other assets	<u>241,613</u>	<u>222,954</u>
Total assets	<u><u>\$ 1,937,325</u></u>	<u><u>\$ 1,635,339</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 5,280	\$ 6,201
Accrued pension liability	51,889	43,491
Payroll accrual	6,784	-
Deferred rent	5,421	2,344
Due to National ACLU	<u>1,581</u>	<u>214,868</u>
Total current liabilities	<u>70,955</u>	<u>266,904</u>
NET ASSETS		
Unrestricted		
Operating	1,343,524	961,105
Board designated - Bill of Rights Trust	241,058	218,399
Temporarily restricted net assets	<u>281,788</u>	<u>188,931</u>
Total net assets	<u>1,866,370</u>	<u>1,368,435</u>
Total liabilities and net assets	<u><u>\$ 1,937,325</u></u>	<u><u>\$ 1,635,339</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, 2018 AND 2017**

	2018			2017		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT						
Shared revenue	\$ 300,000	\$ -	\$ 300,000	\$ 250,000	\$ -	\$ 250,000
Contributions	221,549	67,500	289,049	227,755	87,671	315,426
Grants	272,368	49,000	321,368	119,768	12,000	131,768
Event revenue	72,790	-	72,790	64,745	-	64,745
Other income	368,984	-	368,984	102,242	-	102,242
Investment return	39,034	-	39,034	46,570	-	46,570
Attorney fees	-	-	-	15,000	-	15,000
Net assets released from restriction	<u>23,643</u>	<u>(23,643)</u>	<u>-</u>	<u>37,708</u>	<u>(37,708)</u>	<u>-</u>
Total revenue and support	<u>1,298,368</u>	<u>92,857</u>	<u>1,391,225</u>	<u>863,788</u>	<u>61,963</u>	<u>925,751</u>
EXPENSES						
Program services	698,547	-	698,547	554,925	-	554,925
General and administrative	128,449	-	128,449	111,180	-	111,180
Fundraising	<u>66,294</u>	<u>-</u>	<u>66,294</u>	<u>58,283</u>	<u>-</u>	<u>58,283</u>
Total expenses	<u>893,290</u>	<u>-</u>	<u>893,290</u>	<u>724,388</u>	<u>-</u>	<u>724,388</u>
CHANGES IN NET ASSETS	405,078	92,857	497,935	139,400	61,963	201,363
NET ASSETS, BEGINNING OF YEAR	<u>1,179,504</u>	<u>188,931</u>	<u>1,368,435</u>	<u>1,040,104</u>	<u>126,968</u>	<u>1,167,072</u>
NET ASSETS, END 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>

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, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 497,935	\$ 201,363
Adjustments to reconcile increase (decrease) in net assets to net cash flows provided (used) by operating activities:		
Depreciation	5,294	5,409
Realized and unrealized gains on investments	(16,516)	(21,140)
Change in carrying value of beneficial interest in trust	(18,659)	(22,987)
(Increase) decrease in operating assets:		
Prepaid expenses	1,900	(1,285)
Due from National ACLU	(5,831)	(287)
Increase (decrease) in operating liabilities:		
Accounts payable	(921)	(9,509)
Accrued pension liability	8,398	5,285
Payroll accrual	6,784	-
Deferred rent	3,077	(1,104)
Due to National ACLU	(213,287)	214,868
Due to Foundation	<u>(1,800)</u>	<u>-</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>266,374</u>	<u>370,613</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(131,216)	(74,885)
Proceeds from sale of investments	131,216	74,886
Purchase of equipment	<u>(14,724)</u>	<u>(9,716)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(14,724)</u>	<u>(9,715)</u>
NET INCREASE (DECREASE) IN CASH	251,650	360,898
BEGINNING CASH	<u>1,147,787</u>	<u>786,889</u>
ENDING CASH	<u><u>\$ 1,399,437</u></u>	<u><u>\$ 1,147,787</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, 2018 AND 2017**

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

The combined financial statements include American Civil Liberties Union of Tennessee Foundation, Inc. and American Civil Liberties Union of Tennessee, Inc. (collectively, the "Organization"). The accompanying combined financial statements are presented in accordance with FASB ASC 958-205, Not-for-Profit Entities - Presentation of Financial Statements. Under FASB ASC 958-205, the Organization is required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - 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.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets 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, 2018 AND 2017**

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, 2018 and 2017, was \$4,285 and \$4,959, respectively.

Intangible Assets

Intangible assets consist of computer software being amortized on a straight-line basis. Total amortization for years ended March 31, 2018 and 2017, was \$1,009 and \$450, 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, 2018 and 2017.

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, 2018 AND 2017**

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 temporarily restricted support 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted contributions.

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, 2018, 2017, and 2016 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, 2018 AND 2017**

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 October 31, 2018, 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).

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

**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, 2018 AND 2017**

NOTE B – FAIR VALUE MEASUREMENT (CONTINUED)

asset. The Organization did not hold any Level 2 assets at March 31, 2018 or 2017.

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, 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>

The fair value of the Organization's investments at March 31, 2017, is as follows:

	<u>Level 1</u>	<u>Level 3</u>
Mutual Funds	\$ 218,305	\$ -
Bill of Rights Trust	<u>-</u>	<u>218,399</u>
Total	<u>\$ 218,305</u>	<u>\$ 218,399</u>

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

	<u>Bill of Rights Trust</u>	
	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Beginning	\$ 218,399	\$ 195,412
Gains (losses)	<u>18,659</u>	<u>22,987</u>
Ending	<u>\$ 237,058</u>	<u>\$ 218,399</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, 2018 AND 2017**

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, 2018 and 2017, was \$51,889 and \$43,491, 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, 2018 and 2017. Employer 401(k) contribution expense reported by the Organization for the years ended March 31, 2018 and 2017, was \$12,831 and \$10,769 respectively.

NOTE D – EQUIPMENT AND LEASEHOLD IMPROVEMENTS

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

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 21,050	\$ 21,050
Equipment	51,597	51,597
Less: Accumulated depreciation	<u>(56,165)</u>	<u>(51,880)</u>
Total fixed assets	<u>\$ 16,482</u>	<u>\$ 20,767</u>

**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, 2018 AND 2017**

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, 2018 and 2017 totaled \$300,000 and \$250,000, respectively.

At March 31, 2018 and 2017, respectively, \$20,910 and \$15,421 represented income receivable from the national organization to be paid to the Foundation. Associated fees of \$1,127 and \$656 at March 31, 2018 and 2017, respectively, represented fees owed to the national organization by the Foundation.

At March 31, 2018 and 2017, respectively, \$5,586 and \$6,391 represented income receivable from the national organization to be paid to the TN affiliate organization. Associated fees of \$454 and \$492 at March 31, 2018 and 2017, 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 \$5,962 through October 31, 2018, and \$6,141 through October 31, 2019. 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>	
2019	\$ 72,437
2020	74,606
2021	76,836
2022	<u>45,592</u>
Total	<u>\$ 269,471</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, 2018, The Organization had \$752,413 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, 2018 and 2017, that comprised 68% and 52% of total grants, respectively.

**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, 2018 AND 2017**

NOTE H – TEMPORARILY RESTRICTED GRANTS

The Organization received various restricted contributions and grants intended for the Criminal Justice Reform and the Juvenile Justice Reform Programs, totaling \$116,500. At March 31, 2018, the cumulative total of temporarily restricted funds for the Criminal Justice Reform and Juvenile Justice Reform Programs was \$281,788, which includes contributions from previous fiscal years.

The Organization also received a restricted grant for the creation of the "Know Your Rights, Know Your Role" summit for college students in the amount of \$4,000. As of March 31, 2018, this amount remained restricted.

NOTE I – BOARD DESIGNATED FUNDS

The Organization has earmarked certain unrestricted net assets for a specific purpose. These net assets have no donor-imposed restrictions; therefore, they have been appropriately classified as a sub-category of unrestricted net assets - "Board Designated". They include the Investment in Bill of Rights Trust and certain unrestricted contributions.

SUPPLEMENTARY SCHEDULES

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

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Legal	Public Education	Legislative	Total Program Service	Management and General	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

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**AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE, INC.
COMBINED SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2017**

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Legal	Public Education	Legislative	Total Program Service	Management and General	Fundraising	Total Supporting Services	Total Expenses
Board meetings	\$ -	\$ -	\$ -	\$ -	\$ 501	\$ -	\$ 501	\$ 501
Credit card fees	-	-	-	-	-	1,959	1,959	1,959
Depreciation & amortization	-	-	-	-	5,408	-	5,408	5,408
Event expenses	-	-	-	-	-	18,560	18,560	18,560
Fundraising	-	-	-	-	-	4,300	4,300	4,300
Health insurance	14,368	14,368	5,004	33,740	7,585	-	7,585	41,325
Investment fees	-	-	-	-	2,572	-	2,572	2,572
Litigation	6,862	-	-	6,862	-	-	-	6,862
Lobbying	-	-	4,263	4,263	-	-	-	4,263
Membership recruitment	-	-	-	-	-	370	370	370
Miscellaneous	-	-	104	104	3,035	-	3,035	3,139
National shared database	-	-	-	-	-	8,587	8,587	8,587
Office insurance	813	813	321	1,947	126	90	216	2,163
Payroll processing	420	420	269	1,109	187	52	239	1,348
Payroll taxes	10,449	10,449	2,460	23,358	4,192	1,306	5,498	28,856
Pension	16,932	16,932	11,180	45,044	9,833	-	9,833	54,877
Postage	795	795	2	1,592	199	199	398	1,990
Printing	865	865	210	1,940	240	216	456	2,396
Professional development	4,253	4,253	-	8,506	698	246	944	9,450
Program support	1,336	1,719	-	3,055	382	382	764	3,819
Professional services	-	-	-	-	13,369	-	13,369	13,369
Public education	-	33,941	-	33,941	-	-	-	33,941
Rent	26,890	27,089	5,603	59,582	3,610	3,010	6,620	66,202
Repairs and maintenance	1,953	1,953	382	4,288	531	488	1,019	5,307
Salaries	136,786	136,786	34,992	308,564	55,194	17,098	72,292	380,856
Supplies	3,670	3,670	543	7,883	915	371	1,286	9,169
Telephone	3,832	3,832	843	8,507	1,052	958	2,010	10,517
Travel	207	207	1	415	46	-	46	461
Workers' compensation	728	728	1	1,457	273	91	364	1,821
Total	\$ 231,159	\$ 258,820	\$ 66,178	\$ 556,157	\$ 109,948	\$ 58,283	\$ 168,231	\$ 724,388

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 FOUNDATION, INC.
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Shared revenue	\$ 235,000	\$ -	\$ 235,000	\$ 185,000	\$ -	\$ 185,000
Contributions	221,549	67,500	289,049	213,605	87,671	301,276
Grants	272,368	34,000	306,368	119,768	-	119,768
Event revenue	72,790	-	72,790	64,745	-	64,745
Other income	344,987	-	344,987	102,242	-	102,242
Investment return	39,018	-	39,018	46,568	-	46,568
Attorney fees	-	-	-	15,000	-	15,000
Net assets released from restriction	23,643	(23,643)	-	30,820	(30,820)	-
Total revenue and support	<u>1,209,355</u>	<u>77,857</u>	<u>1,287,212</u>	<u>777,748</u>	<u>56,851</u>	<u>834,599</u>
EXPENSES						
Program services	633,321	-	633,321	488,747	-	488,747
General and administrative	117,261	-	117,261	102,987	-	102,987
Fundraising	63,551	-	63,551	57,913	-	57,913
Total expenses	<u>814,133</u>	<u>-</u>	<u>814,133</u>	<u>649,647</u>	<u>-</u>	<u>649,647</u>
CHANGES IN NET ASSETS	<u>\$ 395,222</u>	<u>\$ 77,857</u>	<u>\$ 473,079</u>	<u>\$ 128,101</u>	<u>\$ 56,851</u>	<u>\$ 184,952</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, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Shared revenue	\$ 65,000	\$ -	\$ 65,000	\$ 65,000	\$ -	\$ 65,000
Other income	23,440	-	23,440	14,150	-	14,150
Grants	-	15,000	15,000	-	12,000	12,000
Investment return	16	-	16	2	-	2
Net assets released from restriction	-	-	-	6,888	(6,888)	-
Total revenue and support	<u>88,456</u>	<u>15,000</u>	<u>103,456</u>	<u>86,040</u>	<u>5,112</u>	<u>91,152</u>
EXPENSES						
Program services	65,224	-	65,224	66,178	-	66,178
General and administrative	11,190	-	11,190	8,193	-	8,193
Fundraising	<u>2,743</u>	<u>-</u>	<u>2,743</u>	<u>370</u>	<u>-</u>	<u>370</u>
Total expenses	<u>79,157</u>	<u>-</u>	<u>79,157</u>	<u>74,741</u>	<u>-</u>	<u>74,741</u>
CHANGES IN NET ASSETS	<u>\$ 9,299</u>	<u>\$ 15,000</u>	<u>\$ 24,299</u>	<u>\$ 11,299</u>	<u>\$ 5,112</u>	<u>\$ 16,411</u>

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