

**AMERICAN CIVIL LIBERTIES UNION OF
TENNESSEE FOUNDATION, INC.
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
MARCH 31, 2014 AND MARCH 31, 2013**

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.

Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1
Financial Statements:	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Functional Expenses.....	4-5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 15



INDEPENDENT AUDITORS' REPORT

To the Board of Directors

American Civil Liberties Union of Tennessee Foundation, Inc.

Nashville, Tennessee

We have audited the accompanying financial statements of American Civil Liberties Union of Tennessee Foundation, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CPA Consulting Group, PLLC

Nashville, Tennessee

January 13, 2015

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 474,193	\$ 589,075
Investments	194,711	341,634
Accounts receivable	-	75
Due From ACLU of Tennessee (Affiliate)	3,530	44,909
Due from National ACLU	<u>23,783</u>	<u>14,342</u>
Total current assets	<u>696,217</u>	<u>990,035</u>
PROPERTY AND EQUIPMENT		
Leasehold improvements	21,050	21,050
Office equipment and furniture	<u>46,187</u>	<u>46,187</u>
	67,237	67,237
Less accumulated depreciation	<u>(41,157)</u>	<u>(33,341)</u>
Net property and equipment	<u>26,080</u>	<u>33,896</u>
OTHER ASSETS		
Security deposits	4,555	4,555
Investment in Bill of Rights Trust	<u>196,486</u>	<u>-</u>
Total other assets	<u>201,041</u>	<u>4,555</u>
Total assets	<u><u>\$ 923,338</u></u>	<u><u>\$ 1,028,486</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,226	\$ 34,961
Accrued pension liability	24,685	-
Deferred rent	<u>9,818</u>	<u>5,661</u>
Total current liabilities	<u>37,729</u>	<u>40,622</u>
NET ASSETS		
Unrestricted		
Operating	676,532	975,273
Board designated - Bill of Rights Trust	196,486	-
Net assets - temporarily restricted	<u>12,591</u>	<u>12,591</u>
Total net assets	<u>885,609</u>	<u>987,864</u>
Total liabilities and net assets	<u><u>\$ 923,338</u></u>	<u><u>\$ 1,028,486</u></u>

See independent auditors' report and notes to financial statements

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED NET ASSETS		
Support and revenue		
Shared revenues	\$ 172,104	\$ 172,104
Contributions	110,822	93,858
Event revenue	65,346	65,495
Other income	24,355	41,131
Investment return	21,168	21,377
Attorney fees	685	87,797
In-kind donations	-	9,825
Net assets released from restriction	185,152	187,464
	<u>579,632</u>	<u>679,051</u>
Total support and revenue		
Operating expenses		
Program services		
Legal	228,741	196,285
Public education	278,212	206,081
	<u>506,953</u>	<u>402,366</u>
Total program services		
Supporting services		
Management and general	97,361	65,353
Fundraising	77,573	46,023
	<u>174,934</u>	<u>111,376</u>
Total supporting services		
Total operating expenses	<u>681,887</u>	<u>513,742</u>
Change in unrestricted net assets	<u>(102,255)</u>	<u>165,309</u>
TEMPORARILY RESTRICTED NET ASSETS		
Support and revenue		
Grant revenue	185,152	189,407
Net assets released from restriction	(185,152)	(187,464)
	<u>-</u>	<u>1,943</u>
Total support and revenue		
Change in temporarily restricted net assets	<u>-</u>	<u>1,943</u>
Changes in net assets	(102,255)	167,252
Net unrestricted assets at beginning of year	<u>987,864</u>	<u>820,612</u>
Net unrestricted assets at end of year	<u><u>\$ 885,609</u></u>	<u><u>\$ 987,864</u></u>

See independent auditors' report and notes to financial statements

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2014

	Program Services			Supporting Services			
	Legal	Public Education	Total	General	Fundraising	Total	Total Expenses
Board meetings	\$ -	\$ -	\$ -	\$ 577	\$ -	\$ 577	\$ 577
Credit card and bank fees	-	-	-		999	999	999
Event expenses	-	-	-	-	16,050	16,050	16,050
Fundraising	-	-	-		3,447	3,447	3,447
Health insurance	13,073	11,620	24,693	7,263	4,358	11,621	36,314
Litigation	12,788	-	12,788		-	-	12,788
National shared database	-	-	-	-	3,756	3,756	3,756
Office insurance	778	778	1,556	86	86	172	1,728
Payroll processing	1,180	1,180	2,360	131	131	262	2,622
Payroll taxes	12,438	12,438	24,876	1,382	1,382	2,764	27,640
Pension	20,491	20,491	40,982	2,277	2,277	4,554	45,536
Postage and delivery	969	969	1,938	108	108	216	2,154
Printing abd reproduction	1,427	1,427	2,854	159	159	318	3,172
Professional development	6,330	6,330	12,660	703	703	1,406	14,066
Professional fees	-	-	-	41,407	-	41,407	41,407
Public education	-	40,609	40,609		-	-	40,609
Rent	27,443	27,444	54,887	3,049	3,049	6,098	60,985
Repairs and maintenance	2,217	2,218	4,435	246	246	492	4,927
Salaries	118,465	141,501	259,966	29,616	39,488	69,104	329,070
Supplies	5,042	5,042	10,084	560	560	1,120	11,204
Telephone	5,714	5,715	11,429	635	635	1,270	12,699
Travel	-	-	-	1,250	-	1,250	1,250
Worker's compensation	386	450	836	96	139	235	1,071
Total expenses before depreciation	228,741	278,212	506,953	89,545	77,573	167,118	674,071
Depreciation	-	-	-	7,816	-	7,816	7,816
Total expenses	\$ 228,741	\$ 278,212	\$ 506,953	\$ 97,361	\$ 77,573	\$ 174,934	\$ 681,887

See independent auditors' financial report and notes to financial statements

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED MARCH 31, 2013

	Program Services			Supporting Services			
	Legal	Public Education	Total	Management and General	Fundraising	Total	Total Expenses
Board meetings	\$ -	\$ -	\$ -	\$ 294	\$ -	\$ 294	\$ 294
Credit card fees	-	-	-	659	-	659	659
Donated services	9,825	-	9,825	-	-	-	9,825
Employer benefits	12,706	12,706	25,412	2,766	58	2,824	28,236
Event expenses	-	-	-	-	20,295	20,295	20,295
Fundraising	-	-	-	868	3,474	4,342	4,342
Health insurance	10,085	10,085	20,170	1,121	1,121	2,242	22,412
Litigation	11,569	-	11,569	609	-	609	12,178
National shared database	-	-	-	-	3,756	3,756	3,756
Office insurance	-	-	-	1,514	-	1,514	1,514
Payroll processing	992	992	1,984	110	110	220	2,204
Payroll taxes	8,885	8,885	17,770	987	987	1,974	19,744
Postage and delivery	-	879	879	98	-	98	977
Printing and reproduction	2,371	2,371	4,742	527	-	527	5,269
Professional development	6,604	6,604	13,208	1,468	-	1,468	14,676
Professional fees	-	-	-	15,484	-	15,484	15,484
Public education	-	17,565	17,565	924	-	924	18,489
Rent	24,261	24,261	48,522	2,696	2,696	5,392	53,914
Repairs and maintenance	-	-	-	1,193	-	1,193	1,193
Salaries	101,964	114,710	216,674	25,491	12,746	38,237	254,911
Supplies	1,855	1,855	3,710	206	206	412	4,122
Telephone	5,168	5,168	10,336	574	574	1,148	11,484
Travel	-	-	-	281	-	281	281
Total expenses before depreciation	196,285	206,081	402,366	57,870	46,023	103,893	506,259
Depreciation	-	-	-	7,483	-	7,483	7,483
Total expenses	\$ 196,285	\$ 206,081	\$ 402,366	\$ 65,353	\$ 46,023	\$ 111,376	\$ 513,742

See independent auditors' financial report and notes to financial statements

AMERICAN CIVIL LIBERTIES UNION OF TENNESSEE FOUNDATION, INC.

STATEMENT OF CASH FLOWS
YEARS ENDED MARCH 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (102,255)	\$ 167,252
Adjustment to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	7,816	7,483
Unrealized gains on investments	(2,060)	(6,758)
Realized (gain) loss	1,505	(3,545)
Change in carrying value of beneficial interest in trust	(6,486)	-
(Increase) decrease in operating assets		
Accounts receivable	75	175
Due From ACLU of Tennessee (Affiliate)	41,379	(5,152)
Due from National ACLU	(9,441)	132
Increase (Decrease) in operating liabilities		
Accounts payable	(31,735)	2,028
Accrued pension liability	24,685	-
Deferred rent	4,157	201
Net cash provided (used) by operating activities	<u>(72,360)</u>	<u>161,816</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(412,683)	(75,055)
Proceeds from sales of investments	370,161	59,581
Purchase of equipment	<u>-</u>	<u>(2,335)</u>
Net cash used by investing activities	<u>(42,522)</u>	<u>(17,809)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(114,882)	144,007
Beginning cash	<u>589,075</u>	<u>445,068</u>
Ending cash	<u><u>\$ 474,193</u></u>	<u><u>\$ 589,075</u></u>

See independent auditors' report and notes to financial statements

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The American Civil Liberties Union of Tennessee Foundation, Inc. (“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.

Basis of Accounting

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.

Basis of Presentation

The accompanying 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 Foundation is required to report information regarding its 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 Foundation 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.

Contributions

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

Cash

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

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables

All receivables are considered to be fully collectible by management.

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, 2014 and 2013 was \$7,816 and \$7,483, respectively.

Compensated Absences

Employees of the Foundation are entitled to paid vacations, depending on job classification, length of service, and other factors. The Foundation's policy is to recognize the cost of compensated absences when actually paid to employees. The Foundation cannot reasonably estimate accrued compensated absences at March 31, 2014 and 2013.

Bill of Rights Trust

The Bill of Rights Trust represents the Foundation'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 Foundation 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.

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.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 Foundation's Forms 990, Return of Organization Exempt from Income Tax for the years ending March 31, 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

Management has evaluated the Foundation's tax positions and concluded that the organization has taken no uncertain tax positions that require additional adjustment or disclosure to the accompanying 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 statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Major Revenue Sources

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

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.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Subsequent Events

Management has evaluated subsequent events through January 13, 2015, the date the financial statements were available to be issued.

NOTE 2 –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 Foundation (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 asset. The Foundation did not hold any Level 2 assets at March 31, 2014 or 2013.

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.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013**

NOTE 2 – FAIR VALUE MEASUREMENT (Continued)

The fair value of the Foundation’s investments at March 31, 2014, is as follows:

	<u>Level 1</u>	<u>Level 3</u>
Mutual Funds	\$ 194,711	-
Bill of Rights Trust	<u>-</u>	<u>196,486</u>
Total	<u>\$ 194,711</u>	<u>\$ 196,486</u>

The fair value of the Foundation’s investments at March 31, 2013, is as follows:

	<u>Level 1</u>	<u>Level 3</u>
Mutual Funds	\$ 341,634	\$ -
Bill of Rights Trust	<u>-</u>	<u>-</u>
Total	<u>\$ 341,634</u>	<u>\$ -</u>

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

	<u>Bill of Rights Trust</u>
April 1, 2013	\$ -
Purchases	190,000
Gains	<u>6,486</u>
March 31, 2014	<u>\$ 196,486</u>

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

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013**

NOTE 3 – 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 Foundation for the years ended March 31, 2014 and 2013, was \$24,685 and \$23,466 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 additional contributions by the Foundation for the years ended March 31, 2014 and 2013. The Foundation had \$1,362 in forfeiture funds available and used all of these for employer contributions during the year ended March 31, 2014. Employer 401(k) contribution expense reported by the Foundation for the year ended March 31, 2014 and 2013, was \$8,169 and \$3,618 respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 21,050	\$ 21,050
Office furniture and equipment	46,187	46,187
Accumulated depreciation	<u>(41,157)</u>	<u>(33,341)</u>
Total fixed assets	<u><u>\$ 26,080</u></u>	<u><u>\$ 33,896</u></u>

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013**

NOTE 5 – RELATED PARTY TRANSACTIONS

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, 2014 and 2013, there was \$172,104 and \$172,104, respectively in shared contributions from the ACLU national organization.

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:

	<u>2014</u>	<u>2013</u>
Foundation	\$ 681,887	\$ 513,742
Affiliate	<u>73,670</u>	<u>70,540</u>
Total	<u>\$ 755,557</u>	<u>\$ 584,282</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, 2014 and 2013, the Foundation was due \$8,145 and \$44,909 respectively from the Affiliate.

NOTE 6 - LEASE COMMITMENTS

The Affiliate is the named lessee on an office lease under a non-cancelable operating lease agreement. The Foundation and the Affiliate share the costs of the lease. The lease requires monthly payments of \$5,147 through October 31, 2014. 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.

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

	<u>2014</u>	<u>2013</u>
Foundation	\$ 60,984	\$ 53,914
Affiliate	<u>6,017</u>	<u>6,599</u>
Total	<u>\$ 67,001</u>	<u>\$ 60,513</u>

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013**

NOTE 6 - LEASE COMMITMENTS (Continued)

Future minimum lease obligations are as follows:

<u>For the years ending March 31,</u>	
2015	\$ 62,602
2016	64,651
2017	<u>38,422</u>
Total	<u>\$ 165,675</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, 2014, The Foundation had \$222,977 in excess of FDIC insured limits. The Foundation has not experienced any losses in such accounts.

NOTE 8 – DONATED SERVICES AND EXPENSES

The Foundation recognizes contribution revenue for certain services received at their fair value. Those services include donated professional attorney services used in the Foundation's program services and amounted to \$0 and \$9,825 for the years ending March 31, 2014 and 2013, respectively. These amounts are reported as both in-kind donation revenue and in the donated services expense on the Statement of Functional Expenses.

NOTE 9 – CONCENTRATIONS

The Foundation received grant income from one funding source during the year ending March 31, 2014 that comprised 59% of total contributions and grants.

**AMERICAN CIVIL LIBERTIES UNION
OF TENNESSEE FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2014 AND 2013**

NOTE 10 – TEMPORARILY RESTRICTED GRANTS

The Foundation received a \$174,322 grant from the National American Civil Liberties Union Foundation. The grant is restricted and was used to support strategic growth of the ACLU Foundation of Tennessee by funding staff positions and operational costs associated with those hires. As of March 31, 2014, there were no funds remaining to be used for its specific purpose.

The Foundation received a \$1,080 grant from the Community Foundation of Middle Tennessee. The grant is restricted and was used for the Nashville Students' Rights Conference, a public education event which educates youth about their constitutional rights and responsibilities, and conference-related materials. As of March 31, 2014, there were no funds remaining to be used for its specific purpose.

The Foundation received a \$9,750 grant from the National American Civil Liberties Union Foundation. The grant is restricted and supported reproductive justice work by focusing on building a network of clergy to support women's access to reproductive health care. As of March 31, 2014, the Foundation had \$6,191 remaining from this grant to be used for its specified purpose.

The Foundation received a \$25,000 grant from the National American Civil Liberties Union Foundation in 2010. The grant is restricted and supported efforts to combat racial profiling of immigrants in Tennessee. As of March 31, 2014, the Foundation had \$6,579 remaining from this grant to be used for its specified purpose.