American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Financial Report
March 31, 2018

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Contents

Independent Auditor's Report

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

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of American Civil Liberties Union Foundation, Inc. and Subsidiary (collectively, the Foundation), which comprise the consolidated statement of financial position as of March 31, 2018, the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 the Foundation as of March 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited the Foundation's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2017 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the 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 consolidating information has been subjected to the auditing procedures applied in the audit of the 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 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 financial statements as a whole.

RSM US LLP

New York, New York
September 28, 2018

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position
March 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	**$ 8,415,554**	$ 10,658,698
Pledges and contributions receivable, net	**36,694,730**	31,674,829
Investments	**362,071,702**	318,554,405
Other assets	**4,418,881**	5,367,130
Due from affiliates	**5,869,533**	3,318,802
Beneficial interest in trusts	**1,665,262**	1,599,841
Property and equipment, net of accumulated depreciation and amortization	**33,331,187**	29,200,572
Total assets	**$ 452,466,849**	$ 400,374,277
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 7,870,702**	$ 5,758,784
Due to American Civil Liberties Union, Inc.:		
Accrued pension liability	**1,762,674**	2,184,720
Allocated share of pension liability	**11,040,952**	10,282,836
Others	**15,891,586**	7,660,162
Due to affiliates	**26,937,318**	32,116,572
Liabilities under split-interest agreements	**13,571,591**	14,934,675
Bill of Rights Trust held for affiliates	**33,105,485**	30,210,580
Total liabilities	**110,180,308**	103,148,329
Commitments and Contingencies		
Net assets:		
Unrestricted:		
Board-designated	**152,101,407**	136,873,621
Undesignated	**63,468,003**	47,225,059
Total unrestricted	**215,569,410**	184,098,680
Temporarily restricted:		
Bill of Rights Trust and other endowments	**22,897,822**	19,579,749
Other time and purpose restrictions	**47,862,596**	43,533,492
Total temporarily restricted	**70,760,418**	63,113,241
Permanently restricted – Bill of Rights Trust and other endowments	**55,956,713**	50,014,027
Total net assets	**342,286,541**	297,225,948
Total liabilities and net assets	**$ 452,466,849**	$ 400,374,277

See notes to consolidated financial statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended March 31, 2018
(With Summarized Comparative Information for the Year Ended March 31, 2017)

	2018				2017
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Total
Support and revenue:					
Support:					
Grants and contributions	**$ 75,201,759**	**$ 37,959,345**	**$ 5,033,340**	**$ 118,194,444**	$ 125,796,744
Donated legal services	**9,780,957**	**-**	**-**	**9,780,957**	2,202,732
Bequests	**14,212,808**	**561,535**	**909,346**	**15,683,689**	14,256,901
Total support	**99,195,524**	**38,520,880**	**5,942,686**	**143,659,090**	142,256,377
Revenue:					
Rental income	**1,309,887**	**-**	**-**	**1,309,887**	1,106,258
Merchandise and book sales	**581,161**	**-**	**-**	**581,161**	1,169,918
Other income	**138,575**	**-**	**-**	**138,575**	23,995
Total revenue	**2,029,623**	**-**	**-**	**2,029,623**	2,300,171
Net assets released from restrictions	**36,750,546**	**(36,750,546)**	**-**	**-**	-
Total support and revenue	**137,975,693**	**1,770,334**	**5,942,686**	**145,688,713**	144,556,548
Expenses:					
Program services:					
Legislative	**385,231**	**-**	**-**	**385,231**	764,868
Legal	**53,769,544**	**-**	**-**	**53,769,544**	36,415,387
Public education	**13,096,065**	**-**	**-**	**13,096,065**	11,890,802
Civil liberties policy formulation	**473,162**	**-**	**-**	**473,162**	593,724
Affiliate support	**43,253,923**	**-**	**-**	**43,253,923**	60,011,761
Total program services	**110,977,925**	**-**	**-**	**110,977,925**	109,676,542
Supporting services:					
Management and general	**3,853,507**	**-**	**-**	**3,853,507**	4,266,984
Fund-raising	**10,413,690**	**-**	**-**	**10,413,690**	9,220,671
Total supporting services	**14,267,197**	**-**	**-**	**14,267,197**	13,487,655
Total expenses	**125,245,122**	**-**	**-**	**125,245,122**	123,164,197
Change in net assets before other changes	**12,730,571**	**1,770,334**	**5,942,686**	**20,443,591**	21,392,351
Other changes in net assets:					
Legal expenses awarded, net	**2,695,991**	**-**	**-**	**2,695,991**	4,139,323
Net investment income, gains and losses	**13,497,147**	**6,152,348**	**-**	**19,649,495**	23,262,638
Changes in value of split-interest agreements	**1,534,882**	**(275,505)**	**-**	**1,259,377**	(1,352,270)
Recognition of affiliates' share of minimum pension liability adjustment	**1,012,139**	**-**	**-**	**1,012,139**	4,135,119
Total other changes in net assets	**18,740,159**	**5,876,843**	**-**	**24,617,002**	30,184,810
Change in net assets	**31,470,730**	**7,647,177**	**5,942,686**	**45,060,593**	51,577,161
Net assets:					
Beginning	**184,098,680**	**63,113,241**	**50,014,027**	**297,225,948**	245,648,787
Ending	**$ 215,569,410**	**$ 70,760,418**	**$ 55,956,713**	**$ 342,286,541**	$ 297,225,948

See notes to consolidated financial statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended March 31, 2018
(With Summarized Comparative Information for the Year Ended March 31, 2017)

	2018										
	Program Services						Supporting Services				
	Legislative	**Legal**	**Public Education**	**Civil Liberties Policy Formulation**	**Affiliate Support**	**Total Program Services**	**Management and General**	**Fund-raising**	**Total Supporting Services**	**Total Expenses**	2017 Summarized Comparative Information
Salaries	**$ 195,610**	**$ 17,324,819**	**$ 3,957,159**	**$ 236,030**	**$ 4,966,043**	**$ 26,679,661**	**$ 1,782,765**	**$ 4,569,563**	**$ 6,352,328**	**$ 33,031,989**	$ 30,357,855
Employee benefits	**58,847**	**4,947,152**	**1,068,615**	**96,139**	**1,789,267**	**7,960,020**	**1,014,635**	**1,290,533**	**2,305,168**	**10,265,188**	9,668,971
Rent and occupancy	**-**	**1,838,863**	**499,485**	**-**	**401,829**	**2,740,177**	**-**	**398,803**	**398,803**	**3,138,980**	3,094,025
Books	**8,669**	**221,247**	**65,333**	**1,784**	**59,211**	**356,244**	**5,358**	**127,868**	**133,226**	**489,470**	413,224
Building depreciation	**97,832**	**708,036**	**287,592**	**10,870**	**155,966**	**1,260,296**	**102,005**	**237,917**	**339,922**	**1,600,218**	1,981,977
Other depreciation and amortization	**-**	**1,447,632**	**237,317**	**-**	**261,048**	**1,945,997**	**-**	**427,170**	**427,170**	**2,373,167**	2,057,775
Equipment rental and maintenance	**20**	**1,466,630**	**446,816**	**6,137**	**323,049**	**2,242,652**	**79,793**	**669,944**	**749,737**	**2,992,389**	2,452,897
Grants to affiliates	**-**	**1,493,580**	**90,000**	**-**	**3,754,676**	**5,338,256**	**-**	**-**	**-**	**5,338,256**	6,718,882
Shared portion of contributions	**-**	**7,545,529**	**-**	**-**	**18,342,420**	**25,887,949**	**-**	**-**	**-**	**25,887,949**	41,945,868
Shared portion of bequest	**-**	**575,956**	**-**	**-**	**3,530,592**	**4,106,548**	**-**	**-**	**-**	**4,106,548**	1,613,405
Meetings/conferences	**4,044**	**217,884**	**62,581**	**8,818**	**897,227**	**1,190,554**	**55,645**	**70,179**	**125,824**	**1,316,378**	298,843
Legal fees	**-**	**409,431**	**-**	**8,121**	**54,064**	**471,616**	**105,569**	**-**	**105,569**	**577,185**	193,515
Donated legal services	**-**	**9,780,957**	**-**	**-**	**-**	**9,780,957**	**-**	**-**	**-**	**9,780,957**	2,202,732
Accounting fees	**-**	**-**	**-**	**-**	**-**	**-**	**177,682**	**-**	**177,682**	**177,682**	160,172
Professional fundraising services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**294,019**	**294,019**	**294,019**	311,031
Other professional services	**8,903**	**2,254,063**	**3,889,424**	**50,288**	**851,322**	**7,054,000**	**186,917**	**533,475**	**720,392**	**7,774,392**	7,887,360
Interest expense	**-**	**978**	**217**	**-**	**199**	**1,394**	**-**	**416**	**416**	**1,810**	196,133
Postage and supplies	**500**	**34,286**	**463,300**	**1,411**	**22,782**	**522,279**	**11,952**	**386,531**	**398,483**	**920,762**	408,214
Publishing, printing and outreach	**322**	**31,128**	**999,405**	**114**	**6,519**	**1,037,488**	**459**	**233,627**	**234,086**	**1,271,574**	1,003,102
Special affiliate subsidies	**-**	**-**	**-**	**-**	**6,339,500**	**6,339,500**	**-**	**-**	**-**	**6,339,500**	5,226,911
Telephone	**-**	**387,826**	**57,152**	**2**	**74,126**	**519,106**	**31**	**114,303**	**114,334**	**633,440**	786,039
Telemarketing	**-**	**-**	**15,677**	**-**	**-**	**15,677**	**-**	**141,094**	**141,094**	**156,771**	24,327
Travel	**10,484**	**1,236,799**	**247,783**	**23,437**	**324,709**	**1,843,212**	**86,259**	**272,285**	**358,544**	**2,201,756**	1,559,749
Other grants and awards	**-**	**107,400**	**1,935**	**882**	**570,482**	**680,699**	**2,646**	**1,771**	**4,417**	**685,116**	75,000
Other expenses	**-**	**1,739,348**	**706,274**	**29,129**	**528,892**	**3,003,643**	**241,791**	**644,192**	**885,983**	**3,889,626**	2,526,190
Total - 2018	**$ 385,231**	**$ 53,769,544**	**$ 13,096,065**	**$ 473,162**	**$43,253,923**	**$ 110,977,925**	**$ 3,853,507**	**$ 10,413,690**	**$ 14,267,197**	**$ 125,245,122**	
Total - 2017	$ 764,868	$ 36,415,387	$ 11,890,802	$ 593,724	$60,011,761	$ 109,676,542	$ 4,266,984	$ 9,220,671	$ 13,487,655		$ 123,164,197

See notes to consolidated financial statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended March 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ 45,060,593**	$ 51,577,161
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**3,973,385**	4,039,752
Discount on pledges receivable	**214,893**	(701,689)
Changes in value of split-interest agreements	**(1,259,377)**	1,352,270
Net realized and unrealized gains on investments, net of adjustments for affiliate holdings	**(12,592,682)**	(18,004,125)
Affiliates' allocated share of pension liability adjustment	**(1,012,139)**	(4,135,119)
Cash received on contributions restricted for endowment	**(6,042,983)**	(4,455,829)
Contributions subject to split-interest agreements	**(1,379,811)**	(668,776)
Changes in operating assets and liabilities:		
(Increase) decrease in due from/to affiliates	**(6,109,460)**	25,679,134
(Increase) decrease in pledges and contributions receivable	**(5,234,794)**	8,169,852
Decrease (increase) other assets	**948,249**	(3,713,946)
Increase in accounts payable and accrued expenses	**2,111,918**	2,060,121
(Decrease) increase in due to American Civil Liberties Union, Inc. - accrued pension liability	**(422,046)**	168,552
Increase (decrease) in due to American Civil Liberties Union, Inc. - other	**8,231,424**	(5,365,199)
Increase in bill of Rights Trust held for affiliates	**1,059,162**	928,724
Net cash provided by operating activities	**27,546,332**	56,930,883
Cash flows from investing activities:		
Proceeds from sale of investments	**261,778,121**	103,215,245
Purchase of investments	**(290,866,993)**	(156,877,928)
Purchase of property and equipment	**(8,104,000)**	(3,992,998)
Net cash used in investing activities	**(37,192,872)**	(57,655,681)
Cash flows from financing activities:		
Cash received on contributions restricted for endowment	**6,042,983**	4,455,829
Contributions subject to split-interest agreements	**1,379,811**	668,776
Payments on split-interest agreements	**(1,609,940)**	(1,584,026)
New annuities	**1,590,542**	927,822
Principal payments on IDA bond	**-**	(14,220,000)
Net cash provided by (used in) financing activities	**7,403,396**	(9,751,599)
Net change in cash and cash equivalents	**(2,243,144)**	(10,476,397)
Cash and cash equivalents:		
Beginning	**10,658,698**	21,135,095
Ending	**$ 8,415,554**	$ 10,658,698
Supplemental disclosures of cash flow information		
Interest paid	**$ 1,810**	$ 196,133
Change in investments for Bill of Rights Trust held for affiliates	**$ 1,835,743**	$ 2,505,218

See notes to consolidated financial statements.

Note 1. Organization

The American Civil Liberties Union Foundation, Inc. (the ACLU Foundation) was established as nonprofit corporation to preserve and promote individual civil rights and civil liberties as guaranteed by the United States Constitution and the nation's civil rights laws.

The ACLU Foundation is affiliated with the American Civil Liberties Union, Inc. (the Union), an organization that is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code.

The ACLU Foundation and the Union are collectively referred to as the “ACLU.”

Both the ACLU Foundation and the Union are affiliated with 50 nonprofit, tax-exempt organizations in every state in the United States, the District of Columbia and Puerto Rico. All affiliates include reference to the "American Civil Liberties Union" or some variation thereof in their names (the affiliates). The affiliates also operate through related Section 501(c)(3) and Section 501(c)(4) organizations. The affiliates share the same overall mission and purpose as the ACLU, but their programs focus more on local or regional issues, while the ACLU's program activities are focused on overarching civil liberties issues and initiatives. Although the ACLU plays no direct role in the governance of and, except in very limited instances, does not share employees with, the affiliates, the organizations jointly fundraise and work together on certain programs and the ACLU, through either the Union or the ACLU Foundation, as appropriate, at its sole discretion provides targeted financial and other support to the affiliates.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of consolidation: The accompanying consolidated financial statements include the accounts and activities of the American Civil Liberties Union Foundation, Inc. and its subsidiary, 915 15th Street, LLC (the LLC) (collectively referred to as the Foundation). The LLC is a single-member limited liability company of which the ACLU Foundation is the sole member. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

The accounts and activities of the Union and the affiliates are not included in these consolidated financial statements.

Use of estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents: The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held temporarily in the investments portfolio are included in investments.

Investments and related income, gains and losses: Investments are reported at fair value in the consolidated statements of financial position. The consolidated statement of activities include net investment income consisting of interest and dividend income, realized and unrealized gains and losses. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses on sale of investments are calculated on the basis of specific identification of the securities sold. Purchases and sales of securities are recognized on a trade-date basis.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value measurements: Assets and liabilities recorded at fair value in the consolidated statements of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Pursuant to Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 820, Fair Value Measurement*,* level inputs are defined as follows:

Level 1: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the ACLU Foundation has the ability to access at the measurement date. The types of investments in Level 1 generally include listed equities, mutual funds and exchange-traded funds.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active. Investments in this category generally include corporate debt, U.S. government debt, and less liquid securities such as securities traded on certain foreign exchanges. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3: Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates. Investments in this category generally include equity and debt positions in private companies.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Fair value of financial instruments: The following methods and assumptions were used in estimating the fair values of significant financial instruments:

Cash and cash equivalents: The carrying amount approximates fair value because the instruments are liquid in nature and have short-term maturities.

Investments: The fair value is determined as described in Note 5.

Pledges and contributions receivable: The carrying amount is based on estimated present value of the anticipated cash inflows and allowances for doubtful accounts on contributions receivable, if any, and approximates fair value.

Other assets, due to/from affiliates, and accounts payable and accrued expenses: The carrying amounts approximate fair values because of the short-term nature of the instruments.

Note 2. Summary of Significant Accounting Policies (Continued)

Beneficial interest in trusts: The carrying amount is based on estimated present value of the anticipated cash inflows and approximates fair value.

Liabilities under split-interest agreements: The carrying amount is based on estimated present value of the expected payments to beneficiaries and approximates fair value.

Concentration of market and credit risk: The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments.

Exposure to credit risk is reduced by the placement of such funds in high credit quality financial institutions and financial instruments. At March 31, 2018, the majority of the Foundation's money market accounts were in funds that invest in short-term direct government obligations, such as U.S. Treasury Bills, that are backed by the full faith and credit of the U.S. government.

In order to control market risk, the Foundation has an investment committee that reviews and updates investment policy statements for the organization's various investment portfolios, oversees its investment portfolio and engages the services of investment advisors and managers to invest and manage the assets within the guidelines of the respective investment policy statements and perform ongoing due diligence and reporting. The Foundation monitors the market risk of its investment portfolio via ongoing review of asset allocation formulas and analysis of investment values as reported by investment custodians and managers.

The clearing and depository operations for the Foundation's portfolio of investments held in managed accounts are provided principally by two financial institutions that held approximately 99% and 100% of the total portfolio at March 31, 2018 and 2017, respectively.

Property and equipment: Property and equipment (consisting of office buildings, furniture, fixtures, office equipment and intangible assets) are carried at cost, less accumulated depreciation or amortization. Depreciation and amortization are provided for using the straight-line method over the estimated useful lives of the respective assets.

Impairment of long-lived assets: The Foundation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of any asset may not be recoverable and, if so, the carrying value is reduced to the estimated fair value.

Net assets: The Foundation reports information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets consist of amounts that can be spent at the discretion of the Foundation and have no donor restrictions associated with them. A portion of unrestricted net assets has been designated by the board of directors for certain purposes. Temporarily restricted net assets consist of contributions that are restricted by donors for a specific time period and/or purpose. Permanently restricted net assets consist of endowment funds to be held in perpetuity.

Note 2. Summary of Significant Accounting Policies (Continued)

Endowment: When the ACLU Foundation receives a contribution and the donor restricts the ACLU Foundation from spending the principal, the contribution is classified as an endowment, with the amount of the gift recorded as permanently restricted. The majority of the ACLU Foundation's endowment funds are held pursuant to the terms of the agreement for the establishment of the Bill of Rights Trust.

The ACLU Foundation is subject to the New York Prudent Management of Institutional Funds Act (NYPMIFA), and has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The remaining portion of the endowment fund that is not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the ACLU Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Contributions and related receivables: The ACLU Foundation reports contributions as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give are recorded as pledges and contributions receivable in the period the promise is received. Payments received in subsequent periods on unconditional promises to give, such as payments on multi-year gifts, are not recognized as revenue; rather, these are recorded as decreases in the corresponding pledges receivable balance. Pledges and contributions receivable due within one year are recorded at their net realizable value. Pledges and contributions receivable due in more than one year are recorded at the present value of their net realizable value, using applicable risk-adjusted interest rates to discount the amounts. Allowances for doubtful pledges and contributions receivable are provided by management based on the ACLU Foundation's experience with the donors and their ability to pay.

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 consolidated statement of activities as net assets released from restrictions.

Contributions that are to be maintained in perpetuity are recorded as permanently restricted support.

Contributions of noncash assets are recorded at fair value in the period received.

Certain contributions and bequests revenue are subject to revenue sharing agreements with affiliates. The ACLU Foundation's sharing rules specify the circumstances under which revenue shall be shared and the methodology for determining the specific portion of various categories of revenue that will be shared among the ACLU Foundation and the affiliates. Shared revenues are reported at gross amounts and the affiliates' share of the revenues are included as affiliate support expense in the consolidated statement of activities. The ACLU Foundation reports the affiliates' share of revenues as expenses when cash is received from the donor.

Donated services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills.

Note 2. Summary of Significant Accounting Policies (Continued)

A number of individuals have made a contribution of their time to serve on the ACLU Foundation's board. The value of their contributed time is not reflected in these consolidated financial statements inasmuch as those services would not typically be purchased had they not been provided by donation.

Bequests: The ACLU Foundation is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not determinable at present. The ACLU Foundation's share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

Donor concentration: Approximately 9% of the total grants, contributions and bequests revenue for the year ended March 31, 2018 were provided by three donors and approximately 9% were due by three donors for the year ended March 31, 2017. In addition, approximately 53% of the gross pledges and contributions receivable at March 31, 2018 were due from three donors and approximately 61% were due from three donors at March 31, 2017.

Functional expenses: The cost of providing the various program and supporting services of the Foundation have been summarized on a functional basis in the accompanying consolidated financial statements. Certain costs and expenses have been allocated between program services and supporting services on a reasonable basis as determined by management.

Grants to affiliates: The ACLU Foundation recognizes grants to affiliates as expense when a formal agreement has been signed by both the ACLU Foundation and the affiliate, and any conditions set forth are met by the affiliate.

Legal awards: Pursuant to the Civil Rights Attorneys Fee Awards Act of 1976 and similar laws, legal fees and expenses may be awarded in certain legal actions. The amounts of these awards are the result of court determinations and/or negotiations between the parties to the matters. Management anticipates that the ACLU Foundation will be the recipient of legal awards of a substantial amount, but is unable to determine the amounts receivable with any degree of accuracy. Accordingly, the ACLU Foundation's accounting policy is to accrue an award only when, in management's judgment, the amount appears relatively certain of collection.

Income taxes: The ACLU Foundation is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is subject to taxes on unrelated business income, as applicable. The LLC is treated as a disregarded (tax) entity.

The ACLU Foundation files tax and information returns with the Internal Revenue Service (the IRS) and with various states.

Management evaluated the Foundation's tax positions and concluded that the organization had taken no uncertain tax positions that require additional adjustment or disclosure to the accompanying consolidated financial statements. Generally, the Foundation is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for tax years before 2015, which is the standard statute of limitations look-back period.

Prior-year summarized comparative information: The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset or by functional expense classifications. Such information does not include sufficient detail to constitute a presentation in accordance with U.S. GAAP. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements as of and for the year ended March 31, 2017, from which the summarized information was derived.

Note 2. Summary of Significant Accounting Policies (Continued)

Evaluation of subsequent events: The Foundation evaluates events occurring after the date of the consolidated financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the consolidated financial statements. Such evaluation is performed through the date the consolidated financial statements are issued, which is September 28, 2018.

Recently issued accounting pronouncements: In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU 2018-08 clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The new standard is effective for fiscal years beginning after December 15, 2018. The Foundation is currently evaluating the effect that the standard will have on the consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 addresses how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will be required to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Employers will present the other components of the net periodic benefit cost separately from the line item that includes the service cost and outside of any subtotal of operating income, if one is presented. The standard is effective for the Foundation for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Adoption of ASU 2017-07 will require the Foundation to include the service cost component of net periodic benefit cost related to its defined benefit plan and other postretirement benefit plan within salaries and wages expense on the consolidated statements of activities and to present all other components in a separate line item excluded from the subtotal for other changes in net assets.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force),* which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. These amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. ASU 2016-18 will be effective for the Foundation for the year ending March 31, 2020. ASU 2016-18 must be applied using a retrospective transition method with early adoption permitted. The Foundation has not evaluated the impact that adoption will have on the consolidated statements of cash flows.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. ASU 2016-15 is effective for annual periods beginning after December 15, 2018 and, therefore, is expected to be adopted by the Foundation for the year ending March 31, 2020. Early adoption is permitted. The Foundation has not evaluated the impact that adoption will have on the consolidated statements of cash flows.

Note 2. Summary of Significant Accounting Policies (Continued)

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier application is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. Management has not evaluated the impact of this ASU on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expenses recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Foundation is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

In January 2016, FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. ASU 2016-01 includes a number of amendments that address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. One of the amendments eliminates the requirements to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The amendments in this update are effective for the Foundation for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Foundation has not yet determined the effect on the consolidated financial statements of adopting the other amendments included in ASU 2016-01.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 by one year making it effective for annual reporting periods beginning after December 15, 2018. The Foundation has not yet selected a transition method and is currently evaluating the effect that the standard will have on the consolidated financial statements.

Note 3. Related Party Transactions

Amounts due from and to affiliates represent receivables and payables related to affiliate support and revenue sharing.

Amounts due to affiliates include the portion of contributions that are shared in accordance with the Foundation's sharing rules and payments related to certain affiliate subsidy programs.

During the years ended March 31, 2018 and 2017, the Foundation received approximately $377,000 and $346,000, respectively, from the New York Civil Liberties Union, Inc. and the New York Civil Liberties Union Foundation, Inc. in payments for the use of space occupied at the Foundation's offices at 125 Broad Street. These payments include charges for cleaning and other customary services.

Note 3. Related Party Transactions (Continued)

Certain expenses, predominantly salaries and employee benefits, are shared between the Union and the Foundation. Expenses paid by the Union and allocated to the Foundation and recognized in the accompanying consolidated financial statements amounted to $8,382,257 and $9,780,337 during the years ended March 31, 2018 and 2017, respectively. The Foundation also recognized rental income from the Union of approximately $469,000 and $469,000 for the years ended March 31, 2018 and 2017, respectively.

Note 4. Pledges and Contributions Receivable

Pledges and contributions receivable which are expected to be collected after one year have been discounted to net present value at rates ranging from 2.71% to 4.10% and are reflected in the consolidated financial statements at their net realizable value.

Pledges and contributions receivable are comprised of the following at March 31:

	2018	2017
Receivable due within one year or less	$ 16,557,765	$ 14,680,984
Receivable due in more than one year to five years	21,739,115	18,132,222
Receivable due in over five years	-	500,000
	38,296,880	33,313,206
Less provision for uncollectable accounts	-	(251,120)
Less discount to present value	(1,602,150)	(1,387,257)
	$ 36,694,730	$ 31,674,829

The provision for uncollectible pledges and contributions receivable is recognized in the accompanying consolidated statements of financial positions and included in pledges and contributions receivable, net.

Approximately $32,000,000 and $13,600,000 of pledges and contributions receivable as of March 31, 2018 and 2017, respectively, are the affiliates' share of these revenues which are based on the ACLU Foundation's revenue sharing rules. These amounts will be recognized as expenses by the ACLU Foundation upon the receipt of cash from donors.

In addition to the pledges and contributions receivable recognized in the consolidated financial statements, in fiscal year 2016 a certain donor confirmed his intention of contributing $5,000,000 over a period of five years from a donor-advised fund. Through March 31, 2018, the ACLU Foundation has received $3,000,000 in contributions (from donor-advised fund) towards the intention. The ACLU Foundation recognized as revenue for the year ended March 31, 2018 the $1,000,000 received during the year. The remaining anticipated contributions have not been recognized in the accompanying consolidated financial statements as they do not meet the criteria for recognition of contributions revenue under U.S. GAAP until payments from the donor-advised fund are received.

As of March 31, 2018, the ACLU Foundation has received approximately $21,200,000 of conditional commitments to make matching grants and contributions that have not been recognized in these consolidated financial statements. Approximately $5,900,000 of these conditions have been met and recognized as support during the year ended March 31, 2018. Revenues on these grants and contributions will be recognized by the ACLU Foundation in future periods as the matching requirements are met.

Note 5. Investments and Fair Value Measurements

The following tables present the Foundation's investments that are measured at fair value on a recurring basis.

		Fair Value Measurements at March 31, 2018 Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 33,638,638	$ 33,638,638	$ -	$ -
Equities	23,235,825	23,235,825	-	-
Corporate Bonds (by S&P rating):				
AAA - A-	12,697,314	-	12,697,314	-
BBB+ - B-	11,726,067	-	11,726,067	-
Total corporate bonds	24,423,381	-	24,423,381	-
U.S. Treasury Notes, agency and related	8,562,176	-	8,562,176	-
Mutual funds				
Large-cap U.S. equity	48,976,322	48,976,322	-	-
Small-/mid-cap U.S. equity	10,130,850	10,130,850	-	-
International equity	52,214,325	52,214,325	-	-
Short-term bond	29,344,323	29,344,323	-	-
Intermediate-term bond	24,397,233	24,397,233	-	-
High-yield bond	5,075,396	5,075,396	-	-
International fixed income	768,173	768,173	-	-
Other bond	14,261,905	14,261,905	-	-
Real estate and commodities	12,975,286	12,975,286	-	-
Total mutual funds	198,143,813	198,143,813	-	-
Common trust funds[1]				
Large-cap U.S. equity	4,148,087	-	-	-
Small-/mid-cap U.S. equity	1,695,380	-	-	-
International equity	4,293,558	-	-	-
Intermediate-term bond	1,887,030	-	-	-
High-yield and other bonds	1,536,626	-	-	-
Real estate and hard assets (commodities)	1,276,003	-	-	-
Total common trust funds	14,836,684	-	-	-
Exchange-traded funds				
Large-cap U.S. equity	2,752,147	2,752,147	-	-
Small-/mid-cap U.S. equity	1,493,799	1,493,799	-	-
International equity	16,037,824	16,037,824	-	-
Short-term, long-term and intermediate-term bonds	33,154	33,154	-	-
Real estate and hard assets (commodities)	8,235,146	8,235,146	-	-
Total exchange-traded funds	28,552,070	28,552,070	-	-
Hedge Funds[1]	30,679,115	-	-	-
	$ 362,071,702	$ 283,570,346	$ 32,985,557	$ -

Note 5. Investments and Fair Value Measurements (Continued)

	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	$ 24,106,316	$ 24,106,316	$ -	$ -
Equities	21,810,217	21,810,217	-	-
Corporate Bonds (by S&P rating):				
AAA - A-	15,154,405	-	15,154,405	-
BBB+ - B-	10,643,876	-	10,643,876	-
Total corporate bonds	25,798,281	-	25,798,281	-
U.S. Treasury Notes, agency and related	8,014,952	-	8,014,952	-
Mutual funds				
Large-cap U.S. equity	20,788,894	20,788,894	-	-
Small-/mid-cap U.S. equity	12,708,547	12,708,547	-	-
International equity	43,523,767	43,523,767	-	-
Short-term bond	33,096,918	33,096,918	-	-
Intermediate-term bond	21,156,494	21,156,494	-	-
High-yield bond	10,986,946	10,986,946	-	-
International fixed income	917,763	917,763	-	-
Other bond	7,774,958	7,774,958	-	-
Real estate and commodities	1,961,710	1,961,710	-	-
Total mutual funds	152,915,997	152,915,997	-	-
Common trust funds(1)				
Large-cap U.S. equity	3,904,470	-	-	-
Small-/mid-cap U.S. equity	1,718,779	-	-	-
International equity	3,586,594	-	-	-
Intermediate-term bond	1,463,469	-	-	-
High-yield and other bonds	1,578,233	-	-	-
Real estate and hard assets (commodities)	1,235,270	-	-	-
Total common trust funds	13,486,815	-	-	-
Exchange-traded funds				
Large-cap U.S. equity	20,109,165	20,109,165	-	-
Small-/mid-cap U.S. equity	7,906,364	7,906,364	-	-
International equity	8,977,830	8,977,830	-	-
Short-term, long-term and intermediate-term bonds	5,740,058	5,740,058	-	-
Real estate and hard assets (commodities)	10,765,950	10,765,950	-	-
Total exchange-traded funds	53,499,367	53,499,367	-	-
Hedge Funds(1)	18,922,460	-	-	-
	$ 318,554,405	$ 252,331,897	$ 33,813,233	$ -

(1) In accordance with the guidance provided by FASB ASU 2015-07, Subtopic 820-10, certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Note 5. Investments and Fair Value Measurements (Continued)

Below are the valuation techniques used by the Foundation to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

Equities, money market funds, and exchange-traded funds listed on a national securities exchange or reported on the Nasdaq global market are stated at the last reported sales or trade price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

U.S. government debt and corporate bonds are valued based on the last reported bid price provided by broker-dealers, and are reported as Level 2 in the fair value hierarchy.

Investments in mutual funds are stated at fair value based on the last quoted evaluation price or net asset value. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified as Level 1 in the fair value hierarchy.

Investments in common trust funds and hedge funds are valued at fair value based on the applicable percentage ownership of the underlying net assets on the measurement date. In determining fair value, the Foundation utilizes, as a practical expedient, the net asset value (NAV) (or equivalent) provided by the fund managers (NAV of funds). The underlying common trust funds and hedge funds value securities and other financial instruments on a fair value. The estimated fair values of certain investments of the underlying common trust funds or hedge funds, which may include private placements and other securities for which prices are not readily available, are determined by the trustee of the common trust funds or sponsor of the hedge funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Investments that use the practical expedient are not classified within the fair value hierarchy.

The Foundation assesses the fair value hierarchy levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no significant transfers among Levels 1, 2 and 3 during fiscal 2018 or 2017.

The Foundation has the ability to redeem its investments in common trust funds on a daily or monthly basis. The objectives of the investments in common trust funds are to approximate as closely as practicable or to provide total investment returns that are in excess of the performance of the following benchmarks over time with certain risk parameters:

	Benchmark
Large-cap U.S. Equity	S&P 500 Index
Small-/mid-cap U.S. equity	Russell 2000 Index, S&P MidCap 400 Index
International equity	MSCI EAFE Index, MSCI Emerging Markets
Intermediate-term bond	Barclays U.S. Aggregate Bond Index, Barclays U.S. Intermediate Bond Index
High-yield and other bonds	Barclays U.S. Treasury Inflation Protected Securities Index, Barclays Corporate High Yield 2% Issuer Cap Index
Real estate and hard assets (commodities)	Dow Jones U.S. Select REIT Index, Dow Jones-UBS Commodity Total Return Index

Note 5. Investments and Fair Value Measurements (Continued)

The investment in hedge funds include two funds for which the Foundation does not have the ability to redeem the investments on March 31, 2018 or in the near term, which is defined as 90 days or less from March 31, 2018. The investment objective of the hedge fund is to generate consistent capital appreciation over the long term, with relatively low volatility and a low correlation with traditional equity and fixed income markets. The Foundation has no unfunded commitments on these investments as of March 31, 2018.

The investments are held for the following purposes:

	2018	2017
Bill of Rights Trust, inclusive of endowments held in perpetuity of $49,586,713 and $48,543,730 at March 31, 2018 and 2017, respectively (Note 9)	$104,645,859	$ 97,313,992
Split-interest agreements (Note 7)	25,384,279	22,354,025
Other endowment, special projects, program support and operating reserves	232,041,564	198,886,388
	$362,071,702	$318,554,405

Net investment income, gains and losses reported in the accompanying consolidated statement of activities consist of the following:

	2018	2017
Interest and dividends	$ 7,976,448	$ 5,961,473
Net realized and unrealized gains on investments	14,428,425	20,509,343
Total	22,404,873	26,470,816
Adjustment for allocation to affiliates holding units in the Trust for the Bill of Rights	(2,755,378)	(3,208,178)
Net investment income, gains and losses	$ 19,649,495	$ 23,262,638

Investment management and custodial fees amounted to approximately $555,000 for 2018 and $611,000 for 2017, and are included as other professional services in the consolidated statement of functional expenses.

Note 6. Property and Equipment

Property and equipment consist of the following:

	2018	2017	Range of Estimated Useful Life
Land, office buildings and office condominium	$ 53,891,864	$ 52,477,749	10 to 50 years
Furniture, fixtures and office equipment	5,463,294	4,588,073	3 to 5 years
Software	14,094,187	5,536,045	3 to 15 years
Software, work-in-process	1,685,799	4,429,277	N/A
	75,135,144	67,031,144	
Less accumulated depreciation and amortization	(41,803,957)	(37,830,572)	
	$ 33,331,187	$ 29,200,572	

Note 7. Split-Interest Agreements

The ACLU Foundation receives contributions through its charitable gift annuity program whereby in exchange for gifts of cash or securities, the ACLU Foundation promises to pay a fixed annual amount for life to the annuitant.

The difference between the fair value of the assets received and the present value of the future distributions to the annuitant is recognized as contribution revenue.

Upon the death of the annuitant, any balance of the amount in the split-interest account reverts to the ACLU Foundation.

The ACLU Foundation has received gifts under this program on which it is obligated to make annual annuity payments of approximately $1,617,000 in accordance with the agreements as of March 31, 2018.

In addition, the ACLU Foundation has eight unitrust agreements, on which the income is paid to the donor for life. Upon the death of the donor, the balance in the trust account shall be distributed to the ACLU Foundation for its general purposes.

Assets and liabilities related to the ACLU Foundation's split-interest agreements are as follows:

	2018	2017
Assets – investments	$ 25,384,279	$ 22,354,025
Liabilities under split-interest agreements	13,571,591	14,934,674
	$ 11,812,688	$ 7,419,351

Asset balances at March 31, 2018 and 2017, exceeded the reserve requirements of the New York State Insurance Commission as well as the reserve requirements of the relevant regulatory bodies in all other states that require a reserve fund and in which the ACLU Foundation issues gift annuities. Reserves are included in liabilities under split-interest agreements on the accompanying consolidated statements of financial position.

Note 7. Split-Interest Agreements (Continued)

The present value of obligations under split-interest agreements was calculated using interest rates ranging from 2.5% to 8.5% and applicable Annuity Mortality Tables (either 1983A, 2000 or 2012AR).

Beneficial interests in trusts (BITs) are recorded based on the present value of the estimated future receipts from the trusts, using discount rates ranging from 1.32% to 5.34%. These rates approximate the rates of return on the assets held in the trusts, and are commensurate with the risks that management associates with the ultimate collection of the trusts. The initial gift and any subsequent adjustments to the non-perpetual BITs' carrying value are recognized as temporarily restricted contributions. The temporary restriction relates to the extended time period over which the gift is expected to be received and may also include purpose restrictions to benefit specific ACLU Foundation programs.

Adjustments to reflect revaluations of the present value of estimated future payments and changes in actuarial assumptions are recognized in the consolidated statement of activities as changes in value of split-interest agreements.

Note 8. IDA Bond Financing

In June 1997, the ACLU Foundation received financing of $6,000,000 as a result of the New York City Industrial Development Agency's (IDA) issuance of bonds in that amount, which was used to finance a portion of the cost of the acquisition, renovation, improvement, equipping and furnishing of its office building condominium units constituting the 17th and 18th floors of 125 Broad Street, New York, New York, which units are collateral for the debt (the 1997 IDA bonds). On January 5, 2005, the 1997 IDA bonds were redeemed and new bonds in the amount of $20,000,000 were issued by the IDA, the proceeds of which were delivered to the ACLU Foundation in order for the ACLU Foundation to pay for the redemption of the 1997 bonds, to purchase the 19th floor condominium unit and a proportional common interest in the land associated with the 17th, 18th and 19th floor condominium units at 125 Broad Street, New York, New York (together with the 17th and 18th floor condominium units, the Realty) and to finance renovation, improvements, equipping and furnishing of the 19th floor condominium unit (the Realty and all property financed with the 2005 IDA bonds are referred to herein as the Premises). The 2005 IDA bonds mature on June 1, 2035. In November 2011, the ACLU Foundation redeemed $1,250,000 of IDA bonds.

Pursuant to the 2005 IDA bond agreements, an irrevocable direct pay letter of credit was established with a bank in order to secure payments of principal and interest on the 2005 IDA bonds on the scheduled due dates and on redemption, and to provide a facility for payment of the purchase price of the bonds upon the mandatory or optional tender thereof. Among other agreements, the ACLU Foundation also entered into a remarketing agreement with a certain financial institution to act as exclusive remarketing agent in connection with the offering and sale from time to time of the bonds in the secondary market after the initial offering, issuance and sale of the bonds.

Note 8. IDA Bond Financing (Continued)

Interest on the bonds is variable, and is computed based on predetermined factors set forth in the 2005 IDA bond agreements, and may not exceed a maximum rate of 10% per annum. The letter of credit was amended March 1, 2010, to terminate on the earlier of January 4, 2013, or upon the occurrence of certain events set forth in the letter of credit agreement, including redemption of the 2005 IDA bonds. On July 1, 2013, the letter of credit was amended and restated to terminate on the earlier of July 4, 2016 or upon the occurrence of certain events set forth in the letter of credit agreement, including the redemption of the 2005 IDA bonds. On December 1, 2013, the letter of credit was amended for certain financial reporting requirements and covenants. On May 26, 2016, the letter of credit was amended and restated to terminate on the earlier of July 1, 2018 or upon the occurrence of certain events set forth in the letter of credit agreement, including the redemption of the 2005 IDA bonds. Interest and other charges including letter of credit charges related to the 2005 IDA bonds were approximately $0 and $245,000 for the years ended March 31, 2018 and 2017, respectively.

In March 2017, the Foundation paid off the remaining balance on the 2005 IDA bonds, which terminated the letter of credit requirements and agreements.

Note 9. The Bill of Rights Trust and Other Endowments

In 1997, the ACLU Foundation and the Section 501(c)(3) arms of the affiliates (the Affiliate Foundations) established the Bill of Rights Trust (BORT). The purpose of BORT, a portion of which is an endowment fund of the ACLU Foundation, is to build an enduring endowment to carry out the work of the ACLU and its affiliates in protecting, preserving and expanding the civil liberties of all persons in the United States of America. BORT has 100,000,000 authorized units, which are issued to or among the ACLU Foundation and Affiliate Foundations based upon their respective interests in BORT. Unit shares have a unit value based upon the fair value of the net assets of BORT divided by the total number of unit shares outstanding. BORT permits for annual distributions to the ACLU Foundation and Affiliate Foundations in accordance with the ACLU Foundation's approved spending policy, prorated in accordance with the percentage of the fair value of each unit share. For the years ended March 31, 2018 and 2017, BORT allowed for a potential distribution amount equal to 4% of the average month-end value of total funds over the preceding 36 months through December 31, 2017 and 2016, respectively. Each unit holder, including the ACLU Foundation and the participating Affiliate Foundations, must establish that it has determined the appropriation to be prudent before the distribution is disbursed. There were no actual distributions during the years ended March 31, 2017 and 2018.

The investment goal of the endowment fund is to invest assets in a prudent manner that will balance reasonable annual distributions to the ACLU Foundation and Affiliate Foundations with long-term growth in the value of the assets of BORT.

Note 9. The Bill of Rights Trust and Other Endowments (Continued)

At March 31, 2018 and 2017, BORT comprised the following accounts and amounts that are included in the consolidated statements of financial position:

	2018	2017
Assets:		
Investments	$104,645,859	$ 97,313,992
Other assets	70,248	209,023
	$104,716,107	$ 97,523,015
Liabilities and net assets:		
Held for Affiliate Foundations	$ 33,105,485	$ 30,210,580
Temporarily restricted net assets	22,023,909	18,768,705
Permanently restricted net assets	49,586,713	48,543,730
	$104,716,107	$ 97,523,015

The endowment-related activities of the ACLU Foundation, which are comprised principally of the endowment-related activities of BORT, are summarized below.

	2018			2017		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 19,579,749	$ 49,913,730	$ 69,493,479	$ 12,382,636	$45,457,901	$ 57,840,537
Investment return						
Interest and dividends	2,060,905	-	2,060,905	1,557,662	-	1,557,662
Net realized and unrealized gains on investments	4,014,082	-	4,014,082	5,723,565	-	5,723,565
Investment fees and expenses	(134,914)	-	(134,914)	(14,114)	-	(14,114)
Net investment return	5,940,073	-	5,940,073	7,267,113	-	7,267,113
Other changes during the year						
Contributions	-	6,042,983	6,042,983	-	4,455,829	4,455,829
Appropriation of endowment assets for expenditures	(2,622,000)	-	(2,622,000)	(70,000)	-	(70,000)
Total	(2,622,000)	6,042,983	3,420,983	(70,000)	4,455,829	4,385,829
Endowment net assets, end of year	$ 22,897,822	$ 55,956,713	$ 78,854,535	$ 19,579,749	$49,913,730	$ 69,493,479

Note 10. Commitments and Contingencies

The Foundation leases office space in various locations under various short-term operating leases.

The Foundation is involved in other legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the consolidated financial position of the Foundation or the consolidated results of its activities.

Note 11. Retirement Plans

The Foundation participates in the American Civil Liberties Union Retirement Plan (the Pension Plan), a retirement plan covering eligible employees of the Union, the Foundation and their affiliates.

The Pension Plan is a defined benefit plan covering those employees who have at least one year of service, or at least 1,000 hours worked per year, and are at least 21 years of age. Benefits are based on service to date on an average of career earnings. The Union's policy is to fund pension costs by contributing at least the minimum amount required by the Employee Retirement Income Security Act of 1974 (ERISA). The Union charges the Foundation its share of the net periodic pension costs. For the years ended March 31, 2018 and 2017, the cost incurred by the Foundation in connection with the Pension Plan amounted to $1,762,674 and $2,184,720, respectively.

On January 1, 2015, the Pension Plan was amended and restated to include, among other things, a provision for additional contribution due on withdrawal or freezing of benefits by an employer. The liability attributed to the employer or former employer is determined based upon the sum of the present value of the accrued benefits for each of the participants associated with the employer or former employer determined as of the last day of the plan year preceding the date as of which the withdrawal contribution is calculated. Accordingly, as of March 31, 2018 and 2017, the Foundation recognized $9,278,278 and $8,098,116, respectively, of withdrawal contribution liability due to the Union. Disclosures on the funded status and other information on the Pension Plan are included in the consolidated financial statements of the ACLU.

The Union implemented a "soft freeze" of the Pension Plan effective March 31, 2009. Employees hired on or after April 1, 2009 enrolled in a new Defined Contribution (DC) 401(k) plan. The new DC plan includes an employer contribution of 2% and an employer match of 100% of the first 1% of the employee's contribution and 50% of the next 5% of an employee's contribution, for a total match of 3.5% and a total employer contribution of 5.5%. The soft freeze applies only to employees hired on or after April 1, 2009, and does not affect current plan participants, or employees hired before March 31, 2009 but not yet in the plan. The Foundation contributed $1,064,639 in 2018 and $800,742 in 2017.

Eligible Foundation employees may also participate in the ACLU 401(k) plan (the 401(k) Plan), which is a 401(k) salary-reduction plan covering substantially all employees of the Union, the Foundation, and their affiliates, hired on or before March 31, 2009. Under the 401(k) Plan, employees may voluntarily contribute up to 80% of their pre-tax compensation to the 401(k) Plan subject to IRS dollar limits. There is no employer match or other contributions.

Effective April 8, 2011, eligible employees of the Foundation can participate in the unfunded, nonqualified 457(b) plan maintained by the Union.

Note 12. Net Assets

Net assets comprise the following as of March 31:

	2018	2017
Unrestricted:		
Undesignated	$ 63,468,003	$ 47,225,059
Board-designated:		
Litigation Fund	17,167,517	14,471,526
California Annuity Fund	1,898,202	887,728
Annuity Reserve	9,699,623	5,901,053
Organizational Fund	21,042,105	20,554,975
Jacobs Affiliate Development Fund	5,422,572	6,402,699
Dividend Distribution Fund	89,357,810	80,263,128
John Adams Fund	7,513,578	8,392,512
Total board-designated	152,101,407	136,873,621
Total unrestricted	215,569,410	184,098,680
Temporarily restricted:		
Bill of Rights Trust and other endowments	22,897,822	19,579,749
Trusts	2,869,820	2,833,158
Other time and purpose restrictions	44,992,776	40,700,334
Total temporarily restricted	70,760,418	63,113,241
Permanently restricted – Bill of Rights Trust and other endowments	55,956,713	50,014,027
	$ 342,286,541	$ 297,225,948

Note 13. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the year ended March 31, 2018, by incurring expenses satisfying restricted purposes, or by the occurrence of other events specified by donors as follows:

	2018
Special projects:	
Speech, Privacy and Technology and National Security	$ 1,238,470
Prisoners' Rights and Smart Justice	506,600
Immigrants' Rights	4,750,110
Reproductive Freedom	3,767,840
Women's Rights	334,869
Criminal Law Reform	1,695,214
LGBT/Marriage Equality	4,768,565
Voting Rights	1,932,924
Racial Justice	830,586
Other special projects	6,972,952
Total special projects	26,798,130
Bill of Rights Trust and other endowments	2,622,000
Time-restricted gifts	7,330,416
Total released from restrictions	$ 36,750,546

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidating Statement of Financial Position
March 31, 2018

	American Civil Liberties Union Foundation, Inc.	915 15th Street, LLC	Eliminations	Consolidated
Assets				
Cash and cash equivalents	$ 8,176,965	$ 238,589	$ -	$ 8,415,554
Pledges and contributions receivable, net	36,694,730	-	-	36,694,730
Investments	362,071,702	-	-	362,071,702
Other assets	4,418,881	-	-	4,418,881
Due from affiliates	5,869,533	-	-	5,869,533
Due from the LLC	10,107,813	-	(10,107,813)	-
Investment in 915 15th Street, LLC	(2,101,533)	-	2,101,533	-
Beneficial interest in trusts	1,665,262	-	-	1,665,262
Property and equipment, net of accumulated depreciation and amortization	25,497,719	7,833,468	-	33,331,187
Total assets	$ 452,401,072	$ 8,072,057	$ (8,006,280)	$ 452,466,849
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$ 7,804,925	$ 65,777	$ -	$ 7,870,702
Due to the ACLU Foundation	-	10,107,813	(10,107,813)	-
Due to the American Civil Liberties Union, Inc.:				
Accrued pension liability	1,762,674	-	-	1,762,674
Allocated share of pension liability	11,040,952	-	-	11,040,952
Others	15,891,586	-	-	15,891,586
Due to affiliates	26,937,318	-	-	26,937,318
Liabilities under split-interest agreements	13,571,591	-	-	13,571,591
IDA bond	-	-	-	-
Bill of Rights Trust held for affiliates	33,105,485	-	-	33,105,485
Total liabilities	110,114,531	10,173,590	(10,107,813)	110,180,308
Commitments and Contingencies				
Net assets:				
Unrestricted:				
Board-designated	152,101,407	-	-	152,101,407
Undesignated	63,468,003	(2,101,533)	2,101,533	63,468,003
Total unrestricted	215,569,410	(2,101,533)	2,101,533	215,569,410
Temporarily restricted:				
Bill of Rights Trust and other endowments	22,897,822	-	-	22,897,822
Other time and purpose restrictions	47,862,596	-	-	47,862,596
Total temporarily restricted	70,760,418	-	-	70,760,418
Permanently restricted – Bill of Rights Trust and other endowments	55,956,713	-	-	55,956,713
Total net assets	342,286,541	(2,101,533)	2,101,533	342,286,541
Total liabilities and net assets	$ 452,401,072	$ 8,072,057	$ (8,006,280)	$ 452,466,849

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidating Statement of Activities
Year Ended March 31, 2018

	American Civil Liberties Union Foundation, Inc.				915 15th Street, LLC		Consolidated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:										
Support:										
Grants and contributions	$ 75,201,759	$ 37,959,345	$ 5,033,340	$ 118,194,444	$ -	$ -	$ 75,201,759	$ 37,959,345	$ 5,033,340	$ 118,194,444
Donated legal services	9,780,957	-	-	9,780,957	-	-	9,780,957	-	-	9,780,957
Bequests	14,212,808	561,535	909,346	15,683,689	-	-	14,212,808	561,535	909,346	15,683,689
Total support	99,195,524	38,520,880	5,942,686	143,659,090	-	-	99,195,524	38,520,880	5,942,686	143,659,090
Revenue:										
Rental income	383,316	-	-	383,316	926,571	-	1,309,887	-	-	1,309,887
Merchandise and book sales	581,161	-	-	581,161	-	-	581,161	-	-	581,161
Other income	138,575	-	-	138,575	-	-	138,575	-	-	138,575
Total revenue	1,103,052		-	1,103,052	926,571	-	2,029,623	-	-	2,029,623
Net assets released from restrictions	36,750,546	(36,750,546)	-	-	-	-	36,750,546	(36,750,546)	-	-
Total support and revenue	137,049,122	1,770,334	5,942,686	144,762,142	926,571	-	137,975,693	1,770,334	5,942,686	145,688,713
Expenses:										
Program services:										
Legislative	385,231	-	-	385,231	-	-	385,231	-	-	385,231
Legal	53,769,544	-	-	53,769,544	-	-	53,769,544	-	-	53,769,544
Public education	13,096,065	-	-	13,096,065	-	-	13,096,065	-	-	13,096,065
Civil liberties policy formulation	473,162	-	-	473,162	-	-	473,162	-	-	473,162
Affiliate support	43,253,923	-	-	43,253,923	-	-	43,253,923	-	-	43,253,923
Total program services	110,977,925	-	-	110,977,925	-	-	110,977,925	-	-	110,977,925
Supporting services:										
Management and general	3,018,966	-	-	3,018,966	834,541	-	3,853,507	-	-	3,853,507
Fund-raising	10,413,690	-	-	10,413,690	-	-	10,413,690	-	-	10,413,690
Total supporting services	13,432,656	-	-	13,432,656	834,541	-	14,267,197	-	-	14,267,197
Total expenses	124,410,581	-	-	124,410,581	834,541	-	125,245,122	-	-	125,245,122
Change in net assets before other changes	12,638,541	1,770,334	5,942,686	20,351,561	92,030	-	12,730,571	1,770,334	5,942,686	20,443,591
Other changes in net assets:										
Legal expenses awarded, net	2,695,991	-	-	2,695,991	-	-	2,695,991	-	-	2,695,991
Net investment income, gains and losses	13,497,147	6,152,348	-	19,649,495	-	-	13,497,147	6,152,348	-	19,649,495
Changes in value of split-interest agreements	1,534,882	(275,505)	-	1,259,377	-	-	1,534,882	(275,505)	-	1,259,377
Net loss on investment in 915 15th Street, LLC	92,030	-	-	92,030	-	(92,030)	-	-	-	-
Affiliates' allocation share of pension liability adjustment	1,012,139	-	-	1,012,139	-	-	1,012,139	-	-	1,012,139
Total other changes in net assets	18,832,189	5,876,843	-	24,709,032	-	(92,030)	18,740,159	5,876,843	-	24,617,002
Change in net assets	31,470,730	7,647,177	5,942,686	45,060,593	92,030	(92,030)	31,470,730	7,647,177	5,942,686	45,060,593
Net assets:										
Beginning	184,098,680	63,113,241	50,014,027	297,225,948	(2,193,563)	2,193,563	184,098,680	63,113,241	50,014,027	297,225,948
Ending	$ 215,569,410	$ 70,760,418	$ 55,956,713	$ 342,286,541	$ (2,101,533)	$ 2,101,533	$ 215,569,410	$ 70,760,418	$ 55,956,713	$ 342,286,541