

# **American Civil Liberties Union Foundation, Inc. and Subsidiary**

Consolidated Financial Report

March 31, 2012

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## Independent Auditor's Report

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

We have audited the accompanying consolidated statement of financial position of the American Civil Liberties Union Foundation, Inc. and Subsidiary (collectively, the "Foundation") (an organization that is consolidated into the financial statements of the American Civil Liberties Union, Inc. and Consolidated Entities for accounting purposes) as of March 31, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the Foundation's 2011 financial statements and, in our report dated October 19, 2011 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Civil Liberties Union Foundation, Inc. and Subsidiary as of March 31, 2012, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated 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 consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole. The consolidating information as of and for the year ended March 31, 2011 was derived from the Foundation's 2011 consolidated financial statements and, in our report dated October 19, 2011, we expressed an unqualified opinion on such information in relation to the basic consolidated financial statements as a whole.

*McGladrey LLP*

New York, New York  
September 28, 2012

**American Civil Liberties Union Foundation, Inc. and Subsidiary**

**Consolidated Statements of Financial Position  
March 31, 2012 and 2011**

	2012	2011
<b>ASSETS</b>		
Cash and Cash Equivalents (including cash and cash equivalents restricted for the Bill of Rights Trust of \$1,938,993 and \$2,136,907 at March 31, 2012 and 2011, respectively)	\$ 22,673,191	\$ 24,482,600
Pledges and Contributions Receivable, net	14,379,873	35,807,376
Investments	263,742,852	275,040,871
Other Assets	1,829,640	1,739,786
Due From Affiliates	5,316,637	3,847,659
Beneficial Interest in Trusts	545,490	555,174
Office Buildings, Furniture, Fixtures and Office Equipment, net of accumulated depreciation	<u>32,576,710</u>	<u>34,650,633</u>
<b>Total assets</b>	<u><u>\$ 341,064,393</u></u>	<u><u>\$ 376,124,099</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,848,315	\$ 2,490,487
Due to American Civil Liberties Union, Inc.:		
Accrued pension liability	1,401,251	1,646,650
Other	5,879,412	12,986,969
Due to other affiliates	5,887,442	12,665,536
Liabilities under split-interest agreements	11,895,316	11,203,259
IDA bond	16,170,000	17,865,000
Mortgage payable	-	3,908,089
Bill of Rights Trust held for affiliates	<u>24,109,829</u>	<u>24,521,136</u>
<b>Total liabilities</b>	<u><u>68,191,565</u></u>	<u><u>87,287,126</u></u>
Commitments and Contingency		
Net Assets:		
Unrestricted:		
Board-designated	125,528,433	134,446,550
Undesignated	<u>47,281,821</u>	<u>49,694,545</u>
<b>Total unrestricted</b>	<u><u>172,810,254</u></u>	<u><u>184,141,095</u></u>
Temporarily restricted:		
Bill of Rights Trust and other endowment	12,667,820	14,002,225
Other time and purpose restrictions	<u>47,041,419</u>	<u>51,691,444</u>
<b>Total temporarily restricted</b>	<u><u>59,709,239</u></u>	<u><u>65,693,669</u></u>
Permanently restricted - Bill of Rights Trust and other endowment	<u>40,353,335</u>	<u>39,002,209</u>
<b>Total net assets</b>	<u><u>272,872,828</u></u>	<u><u>288,836,973</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 341,064,393</u></u>	<u><u>\$ 376,124,099</u></u>

See Notes to Consolidated Financial Statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statements of Activities

Year Ended March 31, 2012

(with summarized comparative information for the year ended March 31, 2011)

	2012			2011	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenue:					
Support:					
Grants and contributions	\$ 25,915,150	\$ 20,500,183	\$ 151,126	\$ 46,566,459	\$ 51,463,447
Donated legal services	7,960,818	-	-	7,960,818	10,581,619
Bequests	11,220,614	287,500	-	11,508,114	13,258,989
<b>Total support</b>	<b>45,096,582</b>	<b>20,787,683</b>	<b>151,126</b>	<b>66,035,391</b>	<b>75,304,055</b>
Revenue:					
Rental income	1,643,309	-	-	1,643,309	1,470,865
Pamphlet and book sales	8,482	-	-	8,482	14,816
Other income	40,224	-	-	40,224	36,836
<b>Total revenue</b>	<b>1,692,015</b>	<b>-</b>	<b>-</b>	<b>1,692,015</b>	<b>1,522,517</b>
Net Assets Released From Restrictions	25,693,339	(25,693,339)	-	-	-
<b>Total support and revenue</b>	<b>72,481,936</b>	<b>(4,905,656)</b>	<b>151,126</b>	<b>67,727,406</b>	<b>76,826,572</b>
Expenses:					
Program services:					
Legislative	3,204,850	-	-	3,204,850	691,755
Legal	31,398,046	-	-	31,398,046	33,150,521
Public education	7,114,989	-	-	7,114,989	8,952,579
Civil liberties policy formulation	550,751	-	-	550,751	1,379,528
Affiliate support	25,909,717	-	-	25,909,717	26,534,567
<b>Total program services</b>	<b>68,178,353</b>	<b>-</b>	<b>-</b>	<b>68,178,353</b>	<b>70,708,950</b>
Supporting services:					
Management and general	4,265,069	-	-	4,265,069	3,832,824
Fund-raising	7,052,902	-	-	7,052,902	5,955,561
<b>Total supporting services</b>	<b>11,317,971</b>	<b>-</b>	<b>-</b>	<b>11,317,971</b>	<b>9,788,385</b>
<b>Total expenses</b>	<b>79,496,324</b>	<b>-</b>	<b>-</b>	<b>79,496,324</b>	<b>80,497,335</b>
<b>Change in net assets before other changes</b>	<b>(7,014,388)</b>	<b>(4,905,656)</b>	<b>151,126</b>	<b>(11,768,918)</b>	<b>(3,670,763)</b>
Other Changes in Net Assets:					
Legal expenses awarded, net	2,374,888	-	-	2,374,888	2,189,804
Net investment income, gains and losses	(5,927,455)	275,076	-	(5,652,379)	28,938,821
Changes in value of split-interest agreements	(763,886)	(153,850)	-	(917,736)	(225,626)
Loss on uncollectible pledge	-	-	-	-	(250,000)
Reclassification of net assets	-	(1,200,000)	1,200,000	-	-
<b>Total other changes in net assets</b>	<b>(4,316,453)</b>	<b>(1,078,774)</b>	<b>1,200,000</b>	<b>(4,195,227)</b>	<b>30,652,999</b>
<b>Change in net assets</b>	<b>(11,330,841)</b>	<b>(5,984,430)</b>	<b>1,351,126</b>	<b>(15,964,145)</b>	<b>26,982,236</b>
Net Assets:					
Beginning	184,141,095	65,693,669	39,002,209	288,836,973	261,854,737
Ending	\$ 172,810,254	\$ 59,709,239	\$ 40,353,335	\$ 272,872,828	\$ 288,836,973

See Notes to Consolidated Financial Statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statements of Functional Expenses

Year Ended March 31, 2012

(with summarized comparative information for the year ended March 31, 2011)

	2012						2011				Summarized Comparative Information
	Program Services			Supporting Services			Supporting Services		Total Expenses		
	Legislative	Legal	Public Education	Civil Liberties Policy Formulation	Affiliate Support	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	Total Expenses	
Salaries	\$1,791,585	\$ 11,153,433	\$ 2,881,525	\$ 257,823	\$ 2,190,925	\$ 18,275,291	\$ 1,639,629	\$3,119,833	\$ 4,759,462	\$ 23,034,753	\$ 21,484,192
Employee benefits	600,809	4,105,111	895,872	81,519	756,094	6,439,405	551,252	997,896	1,549,148	7,988,553	6,646,261
Rent and occupancy	246,802	1,210,847	271,233	14,418	162,230	1,905,530	309,396	245,243	554,639	2,460,169	2,979,242
Books	49,399	164,091	44,709	1,066	5,720	264,985	4,160	29,645	33,805	298,790	261,078
Building depreciation	37,909	860,153	509,013	29,968	290,395	1,727,438	607,971	426,243	1,034,214	2,761,652	2,702,511
Equipment depreciation	11,404	258,748	153,119	9,014	87,355	519,640	69,577	128,221	197,798	717,438	520,286
Equipment rental and maintenance	68,094	190,426	70,263	3,984	37,614	370,381	32,233	54,122	86,355	456,736	357,108
Grants to affiliates	-	1,273,733	-	-	4,186,781	5,460,514	-	-	-	5,460,514	4,367,815
Shared portion of contributions	-	548,458	-	-	6,665,676	7,214,134	-	-	-	7,214,134	8,342,057
Shared portion of bequest	-	40,000	-	-	5,359,053	5,399,053	-	-	-	5,399,053	6,217,796
Meetings/conferences	18,005	46,898	18,945	4,618	273,428	361,894	14,314	44,928	59,242	421,136	787,834
Legal fees	763	10,000	16,766	27,206	50,850	105,585	128,905	38,510	167,415	273,000	1,024,884
Donated legal services	-	7,960,818	-	-	-	7,960,818	-	-	-	7,960,818	10,581,619
Accounting fees	-	-	-	-	-	-	164,991	-	164,991	164,991	160,356
Professional fund-raising services	-	-	-	-	-	-	-	722,147	722,147	722,147	859,458
Other professional services	103,801	1,409,779	1,170,809	58,504	404,683	3,147,576	494,774	89,113	583,887	3,731,463	2,924,470
Interest expense	9,639	64,963	23,762	1,474	17,963	117,801	18,225	25,067	43,292	161,093	548,710
Postage and supplies	12,824	128,551	164,691	3,691	24,681	334,438	29,515	327,878	357,393	691,831	720,254
Publishing, printing and outreach	2,268	63,705	497,862	1,131	11,508	576,474	3,394	263,188	266,582	843,056	815,899
Special affiliate subsidies	-	-	-	-	5,087,340	5,087,340	-	-	-	5,087,340	4,929,928
Telephone	103,612	361,199	105,872	4,647	63,066	638,396	31,730	80,094	111,824	750,220	635,639
Telemarketing	-	-	4,577	-	-	4,577	-	41,196	41,196	45,773	75,861
Travel	89,637	923,604	158,464	43,134	141,421	1,356,260	136,403	167,249	303,652	1,659,912	1,601,491
Other expenses	58,299	623,529	127,507	8,554	92,934	910,823	28,600	252,329	280,929	1,191,752	952,586
<b>Total - 2012</b>	<b>\$3,204,850</b>	<b>\$ 31,398,046</b>	<b>\$ 7,114,989</b>	<b>\$ 550,751</b>	<b>\$ 25,909,717</b>	<b>\$ 68,178,353</b>	<b>\$ 4,265,069</b>	<b>\$7,052,902</b>	<b>\$ 11,317,971</b>	<b>\$ 79,496,324</b>	
<b>Total - 2011</b>	<b>\$ 691,755</b>	<b>\$ 33,150,521</b>	<b>\$ 8,952,579</b>	<b>\$ 1,379,528</b>	<b>\$ 26,534,567</b>	<b>\$ 70,708,950</b>	<b>\$ 3,832,824</b>	<b>\$5,955,561</b>	<b>\$ 9,788,385</b>		<b>\$ 80,497,335</b>

See Notes to Consolidated Financial Statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows  
Years Ended March 31, 2012 and 2011

	2012	2011
Cash Flows From Operating Activities:		
Change in net assets	\$ (15,964,145)	\$ 26,982,236
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,479,090	3,222,797
Loss on uncollectible pledge	-	250,000
Discount on pledges receivable	(51,886)	(105,832)
Changes in value of split-interest agreements	1,036,437	1,022,605
Net realized and unrealized loss (gains) on investments, net of adjustments for affiliate holdings	11,760,249	(23,088,079)
Contributions restricted for endowment	(151,126)	(214,555)
Contributions subject to split-interest agreements	(857,595)	(560,442)
Changes in operating assets and liabilities:		
Due from/to affiliates	(8,247,072)	974,063
Pledges and contributions receivable	21,479,389	(6,614,093)
Other assets	(89,854)	578,236
Beneficial interest in trusts	9,684	(267,690)
Accounts payable and accrued expenses	357,828	66,651
Due to American Civil Liberties Union, Inc.	(7,107,557)	5,791,173
Accrued pension liability	(245,399)	(344,363)
Bill of Rights Trust held for affiliates	(283,810)	23,819
<b>Net cash provided by operating activities</b>	<b>5,124,233</b>	<b>7,716,526</b>
Cash Flows From Investing Activities:		
Proceeds from sale of investments	432,806,344	6,645,521
Purchase of investments	(433,396,071)	(9,735,360)
Purchase of office buildings, furniture, fixtures and office equipment	(1,405,167)	(1,602,712)
<b>Net cash used in investing activities</b>	<b>(1,994,894)</b>	<b>(4,692,551)</b>
Cash Flows From Financing Activities:		
Contributions restricted for endowment	151,126	214,555
Contributions subject to split-interest agreements	857,595	560,442
Payments on split-interest agreements	(1,533,673)	(1,427,956)
New annuities	1,317,678	876,385
Terminated split-interest agreements	(128,385)	(529,289)
Mortgage payments	(3,908,089)	(68,474)
Principal payments on IDA bonds	(1,695,000)	(425,000)
<b>Net cash used in financing activities</b>	<b>(4,938,748)</b>	<b>(799,337)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(1,809,409)</b>	<b>2,224,638</b>
Cash and Cash Equivalents:		
Beginning	24,482,600	22,257,962
Ending	\$ 22,673,191	\$ 24,482,600
Supplemental Disclosures of Cash Flow Information:		
Interest paid	\$ 161,093	\$ 548,710
Change in investments for Bill of Rights Trust held for affiliates	\$ (127,497)	\$ 2,002,027

See Notes to Consolidated Financial Statements.

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 1. Organization

The American Civil Liberties Union Foundation, Inc. (the "Foundation") was established as a nonprofit corporation to preserve and promote individual civil rights and civil liberties as guaranteed by the United States Constitution. The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The 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 American Civil Liberties Union Foundation, Inc. and the American Civil Liberties Union, Inc. are collectively referred to as the "ACLU."

Both the Foundation and the Union are affiliated with 50 nonprofit, tax-exempt organizations in several states in the United States, all of which include reference to the "American Civil Liberties Union" or some variation thereof in their names (the "affiliates"). Each affiliate also operates 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 fund-raise and work together on certain programs, and the ACLU, through either the Union or 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.

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 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 financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Investments and Related Income, Gains and Losses: Investments are reported at fair value in the consolidated statements of financial position. The consolidated statements 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.



## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Fair Value Measurements: The Foundation follows Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 provides a framework for measuring fair value under accounting principles generally accepted in the United States of America, and applies to all financial instruments that are being measured and reported on a fair value basis. FASB ASC 820 sets out a fair value hierarchy and defines fair value as 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. The fair value hierarchy is defined as follows:

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

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.

In accordance with Accounting Standards Update ("ASU") No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, the Foundation estimates the fair value of certain investments in investment companies using the reported net asset value per share and classifying those investments within the fair value hierarchy.

The Foundation assesses the 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 in accordance with its accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. There were no significant transfers among Levels 1, 2 and 3 during the year.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. Generally Accepted Accounting Principles and International Financial Reporting Standards*. This ASU represents the converged guidance of the FASB and the International Accounting Standards Board ("IASB") on fair value measurement. The amendments in ASU 2011-04 are effective to the Foundation's consolidated financial statements for annual periods beginning after December 15, 2011.

Fair Value of Financial Instruments: The estimated fair values of the Foundation's financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts. The following methods and assumptions were used in estimating the fair values of significant financial instruments at March 31, 2012:

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.

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

Pledges and contributions receivable - The carrying amount is based on estimated present value of the anticipated cash inflows 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.

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.

IDA bond - The carrying amount approximates fair value because the interest rates are variable and reflect market conditions.

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.

The Foundation maintains its cash and cash equivalents in bank deposits and money market accounts. All of the Foundation's bank deposits are held in "noninterest-bearing transaction accounts" that are insured in full by the Federal Deposit Insurance Corporation (the "FDIC") from December 31, 2010, through December 31, 2012. This temporary unlimited coverage is in addition to, and separate from, the coverage of at least \$250,000 available to depositors under the FDIC's general deposit insurance rules.

Exposure to credit risk is also reduced by the placement of such funds in high credit quality financial institutions and financial instruments. At March 31, 2012, 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 independent investment advisors and consultants to perform due diligence services and ongoing evaluation of investment managers. 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.

The clearing and depository operations for the Foundation's portfolio of investments held in managed accounts are provided principally by two financial institutions that hold approximately 93% of the total portfolio at March 31, 2012. Notwithstanding a change in custodial arrangements implemented during fiscal year 2012, two financial institutions held approximately 93% of the organization's investment portfolio as of March 31, 2011 as well.

Office Buildings, Furniture, Fixtures and Office Equipment: Office buildings, furniture, fixtures and office equipment are carried at cost, less accumulated depreciation. Depreciation is 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.

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

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.

Endowment: When the Foundation receives a contribution and the donor restricts the Foundation from spending the principal, the contribution is classified as an endowment, with the amount of the gift recorded as permanently restricted. The Foundation historically recorded investment returns as temporarily restricted or unrestricted based on the purpose for which the endowment was created. The majority of the Foundation's endowment funds are held pursuant to the terms of the agreement for the establishment of the Bill of Rights Trust. During 2012, the Foundation reclassified approximately \$1,700,000 in temporarily restricted net assets as endowment net assets to more accurately reflect a donor's intention.

On September 17, 2010, the State of New York enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Foundation is subject to the enacted version of New York UPMIFA ("NYPMIFA"). The Foundation 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 is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA. As a result of this interpretation, the Foundation reclassified \$9,616,373 of accumulated income from unrestricted net assets to temporarily restricted net assets during 2011.

Contributions and Related Receivables: The 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 when the promise is received. 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 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 statements of activities as net assets released from restrictions.

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

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

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.

Due to the nature of the Foundation's operations, in-kind professional services are from time to time provided on a pro bono basis by outside attorneys. These services are recorded as revenue and expenses at fair value based on the attorneys' records of time spent and applicable billing rates.

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 2. Summary of Significant Accounting Policies (Continued)

A number of individuals have made a contribution of their time to serve on the 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 Foundation is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not determinable at present. The 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 35% of the total grants, contributions and bequests revenue for the year ended March 31, 2012 were provided by five donors. In addition, approximately 50% of the pledges and contributions receivable at March 31, 2012 were due from three donors.

Approximately 19% of the total grants, contributions and bequests revenue for the year ended March 31, 2011 were provided by one donor. In addition, approximately 68% of the pledges and contributions receivable at March 31, 2011 were due from two donors.

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.

In addition, 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 during the years ended March 31, 2012 and 2011 amounted to \$5,225,480 and \$6,314,047, respectively.

Legal Awards: Pursuant to the Civil Rights Attorneys Fee Awards Act of 1976, 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 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 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 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. The LLC is treated as a disregarded (tax) entity.

The 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 adjustment to the 2012 consolidated financial statements to comply with the provisions of this guidance. Generally, the Foundation is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for tax years before 2008, which is the standard statute of limitations look-back period.

During 2012, the Foundation implemented a settlement agreement with the IRS in connection with unrecognized tax benefits in previous periods (see Note 8).

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### **Note 2. Summary of Significant Accounting Policies (Continued)**

Reclassifications: Certain accounts and amounts reported in the 2011 consolidated financial statements have been reclassified to conform to the 2012 consolidated financial statement presentation. The reclassifications had no effect on the reported assets, liabilities, net assets and changes in net assets as of and for the year ended March 31, 2011.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements as of and for the year ended March 31, 2011, from which the summarized information was derived.

Evaluation of Subsequent Events: The Foundation evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the consolidated financial statements are available for issuance, which was September 28, 2012.

#### **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 specifying the circumstances under which income shall be shared and the methodology for determining the specific portion of various categories of revenue that will be shared by the Foundation and the affiliates. Also included in amounts due to affiliates are payments related to certain affiliate subsidy programs.

Also included in the amounts due from affiliates at March 31, 2012, is a note receivable of \$1,605,308 due from a certain affiliate. The note matures on December 31, 2017 and accrues interest at prime rate.

During the years ended March 31, 2012 and 2011, the Foundation received approximately \$256,000 and \$252,000, 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 the use of certain building services, such as issuance of one-time visitor passes and acceptance of deliveries. The Foundation also recognized rental income of approximately \$638,000 and \$946,000 for space occupied by the Union at the Foundation's offices during the years ended March 31, 2012 and 2011, 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 3.0% to 8.0% and are reflected in the consolidated financial statements at their net realizable value.

**American Civil Liberties Union Foundation, Inc. and Subsidiary**

**Notes to Consolidated Financial Statements**

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**Note 4. Pledges and Contributions Receivable (Continued)**

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

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	<b>\$ 9,935,796</b>	\$ 32,999,228
Receivable in one to five years	<b>4,786,000</b>	3,451,957
	<b>14,721,796</b>	36,451,185
Less loss on uncollectible pledge	-	(250,000)
Less discount to present value	<b>(341,923)</b>	(393,809)
<b>Total</b>	<b><u>\$ 14,379,873</u></b>	<b><u>\$ 35,807,376</u></b>

In addition to the contributions receivable noted above, a certain donor has confirmed his intentions to recommend annual contributions aggregating approximately \$10,000,000 at March 31, 2011 over a period of two to eight years from donor-advised funds. These 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 FASB ASC 958-605. During the year ended March 31, 2012, the Foundation received \$2,000,000 in contributions (from donor-advised funds) towards this commitment of support.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments and Cash Equivalents

The following tables present the fair value hierarchy of the Foundation's investments and cash equivalents that are measured on a recurring basis.

	Total	Fair Value Measurements at March 31, 2012 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 10,745,304	\$ 10,745,304	\$ -	\$ -
Corporate Bonds (by S&P rating):				
AAA	1,513,590	-	1,513,590	-
AA+	2,458,982	-	2,458,982	-
AA	347,586	-	347,586	-
AA-	1,458,093	-	1,458,093	-
A+	1,000,165	-	1,000,165	-
A	4,807,168	-	4,807,168	-
A-	7,037,901	-	7,037,901	-
BBB+	3,522,966	-	3,522,966	-
BBB	1,413,474	-	1,413,474	-
BBB-	1,125,624	-	1,125,624	-
BB+	700,402	-	700,402	-
BB	528,748	-	528,748	-
BB-	799,140	-	799,140	-
B+	480,325	-	480,325	-
B	322,569	-	322,569	-
B-	202,713	-	202,713	-
<b>Total corporate bonds</b>	<b>27,719,446</b>	<b>-</b>	<b>27,719,446</b>	<b>-</b>
U.S. Treasury Notes, agency and related	9,436,793	-	9,436,793	-
Mutual Funds:				
Large-cap U.S. equity	25,126,376	25,126,376	-	-
Small-/mid-cap U.S. equity	643,692	643,692	-	-
International equity	11,145,687	11,145,687	-	-
Balanced fund	2,025,831	2,025,831	-	-
Short-term bond	66,623,693	66,623,693	-	-
Intermediate-term bond	41,490,335	41,490,335	-	-
U.S. bond fund	3,008,166	3,008,166	-	-
High-yield bond	4,349,346	4,349,346	-	-
International fixed income	14,363,333	14,363,333	-	-
Other bond	4,884,531	4,884,531	-	-
Real estate	510,913	510,913	-	-
<b>Total mutual funds</b>	<b>174,171,903</b>	<b>174,171,903</b>	<b>-</b>	<b>-</b>

(continued)

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments and Cash Equivalents (Continued)

	<u>Fair Value Measurements at March 31, 2012 Using</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common Trust Funds:				
Large-cap U.S. equity	\$ 6,327,169	\$ -	\$ 6,327,169	\$ -
Small-/mid-cap U.S. equity	1,368,225	-	1,368,225	-
International equity	1,390,017	-	1,390,017	-
Intermediate-term bond	4,654,344	-	4,654,344	-
<b>Total common trust funds</b>	<b>13,739,755</b>	<b>-</b>	<b>13,739,755</b>	<b>-</b>
Exchange-Traded Funds:				
Large-cap U.S. equity	991,901	991,901	-	-
Small-/mid-cap U.S. equity	2,232,659	2,232,659	-	-
International equity	1,772,848	1,772,848	-	-
Short-term bond	19,693,732	19,693,732	-	-
Hard assets (commodities)	986,636	986,636	-	-
<b>Total exchange-traded funds</b>	<b>25,677,776</b>	<b>25,677,776</b>	<b>-</b>	<b>-</b>
Structured Notes	2,251,875	-	2,251,875	-
<b>Total investments</b>	<b>263,742,852</b>	<b>210,594,983</b>	<b>53,147,869</b>	<b>-</b>
Money market accounts held in investment accounts and reported as cash and cash equivalents	5,521,934	5,521,934	-	-
<b>Total</b>	<b>\$ 269,264,786</b>	<b>\$ 216,116,917</b>	<b>\$ 53,147,869</b>	<b>\$ -</b>



American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

Note 5. Investments and Cash Equivalents (Continued)

	Total	Fair Value Measurements at March 31, 2011 Using		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 2,583,385	\$ 2,583,385	\$ -	\$ -
Corporate Bonds (by S&P rating):				
AAA	1,274,430	-	1,274,430	-
AA+	529,410	-	529,410	-
AA	251,538	-	251,538	-
A+	365,621	-	365,621	-
A	1,555,718	-	1,555,718	-
A-	502,415	-	502,415	-
BBB+	1,009,202	-	1,009,202	-
<b>Total corporate bonds</b>	<b>5,488,334</b>	<b>-</b>	<b>5,488,334</b>	<b>-</b>
U.S. Treasury Notes, agency and related	18,584,695	-	18,584,695	-
Mutual Funds:				
Large-cap U.S. equity	118,430,834	118,430,834	-	-
Small-/mid-cap U.S. equity	17,125,832	17,125,832	-	-
International equity	30,263,286	30,263,286	-	-
World stock	6,385,223	6,385,223	-	-
Balanced fund	1,288,658	1,288,658	-	-
Intermediate-term bond	38,761,779	38,761,779	-	-
Short-term bond	15,523,480	15,523,480	-	-
<b>Total mutual funds</b>	<b>227,779,092</b>	<b>227,779,092</b>	<b>-</b>	<b>-</b>
Common Trust Funds:				
Large-cap U.S. equity	5,862,739	-	5,862,739	-
Small-/mid-cap U.S. equity	1,448,882	-	1,448,882	-
International equity	1,801,351	-	1,801,351	-
Intermediate-term bond	4,846,610	-	4,846,610	-
<b>Total common trust funds</b>	<b>13,959,582</b>	<b>-</b>	<b>13,959,582</b>	<b>-</b>
Exchange-Traded Funds:				
Large-cap U.S. equity	964,708	964,708	-	-
Small-/mid-cap U.S. equity	227,738	227,738	-	-
International equity	280,453	280,453	-	-
Short-term bond	5,172,884	5,172,884	-	-
<b>Total exchange-traded funds</b>	<b>6,645,783</b>	<b>6,645,783</b>	<b>-</b>	<b>-</b>
<b>Total investments</b>	<b>275,040,871</b>	<b>237,008,260</b>	<b>38,032,611</b>	<b>-</b>
Money market accounts held in investment accounts and reported as cash and cash equivalents	6,111,363	6,111,363	-	-
<b>Total</b>	<b>\$ 281,152,234</b>	<b>\$ 243,119,623</b>	<b>\$ 38,032,611</b>	<b>\$ -</b>

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 5. Investments and Cash Equivalents (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. 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.

Investments in equity securities traded on a national securities exchange are stated at the last reported sales price on the day of valuation. Securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. U.S. government debt, corporate bonds and structured notes are valued based on the last reported bid price provided by broker-dealers.

Investments in mutual funds and exchange traded funds are stated at fair value based on quoted market or bid prices.

Investments in common trust funds are valued at fair value based on the applicable percentage ownership of the underlying net assets as of the measurement date, as determined by the Foundation. In determining fair value, the Foundation utilizes valuations provided by the underlying common trust funds. The underlying common trust funds value securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the underlying common trust 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 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. The fair value of the Foundation's investments in common trust funds generally represents the amount the Foundation would expect to receive if it were to liquidate its investment in the common trust fund excluding any redemption charges that may apply. In accordance with ASU 2009-12, the Foundation categorizes its investments in common trust funds as a Level 2 fair value measurement because the Foundation has the ability to redeem the investments daily or monthly.

The investments and cash equivalents are held for the following purposes:

	<u>2012</u>	<u>2011</u>
Bill of Rights Trust, inclusive of endowments of \$39,153,335 and \$39,002,209 at March 31, 2012 and 2011, respectively (Note 10)	<b>\$ 75,314,042</b>	\$ 77,136,877
Split-interest agreements (Note 7)	<b>18,736,298</b>	18,111,298
Other endowment, special projects, program support and operating reserves	<b><u>175,214,446</u></b>	<u>185,904,059</u>
	<b><u>\$269,264,786</u></b>	<b><u>\$281,152,234</u></b>

**American Civil Liberties Union Foundation, Inc. and Subsidiary**

**Notes to Consolidated Financial Statements**

**Note 5. Investments and Cash Equivalents (Continued)**

Net investment gains and losses reported in the accompanying consolidated statements of activities consist of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 6,472,282	\$ 6,337,451
Net realized and unrealized gains (losses) on investments	<u>(11,919,212)</u>	<u>25,021,749</u>
Total	<b>(5,446,930)</b>	31,359,200
Adjustment for allocation to affiliates holding units in the Trust for the Bill of Rights	<u>(205,449)</u>	<u>(2,420,379)</u>
Net investment income, gains and losses	<u><b>\$ (5,652,379)</b></u>	<u><b>\$ 28,938,821</b></u>

Investment management and custodial fees amounted to approximately \$303,500 for 2012 and \$222,000 for 2011, and are included as professional fees in the consolidated statement of functional expenses.

**Note 6. Office Buildings, Furniture, Fixtures and Office Equipment**

Office buildings, furniture, fixtures and office equipment consist of the following:

	<u>2012</u>	<u>2011</u>	<u>Range of Estimated Useful Life</u>
Office buildings and office condominium	\$ 47,908,200	\$ 47,239,622	10 to 50 years
Furniture, fixtures and office equipment	<u>3,168,221</u>	<u>2,431,632</u>	3 to 15 years
	<b>51,076,421</b>	49,671,254	
Less accumulated depreciation	<u>(18,499,711)</u>	<u>(15,020,621)</u>	
	<u><b>\$ 32,576,710</b></u>	<u><b>\$ 34,650,633</b></u>	

**Note 7. Split-Interest Agreements**

The Foundation receives contributions through its charitable gift annuity program whereby in exchange for gifts of cash or securities, the 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 donor is recognized as contribution revenue.

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

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 7. Split-Interest Agreements (Continued)

The Foundation has received gifts under this program on which it is obligated to make annual annuity payments of approximately \$1,484,000 in accordance with the agreements.

In addition, the Foundation has nine 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 Foundation for its general purposes.

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

	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 233,666	\$ 274,921
Investments	<u>18,502,632</u>	<u>17,836,377</u>
<b>Total assets</b>	<b>18,736,298</b>	18,111,298
Liabilities under split-interest agreements	<u>11,895,316</u>	<u>11,203,259</u>
<b>Net assets</b>	<b><u>\$ 6,840,982</u></b>	<b><u>\$ 6,908,039</u></b>

Asset balances at March 31, 2012 and 2011 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 Foundation issues gift annuities. Reserves are included in liabilities under split-interest agreements in the accompanying consolidated statements of financial position.

The present value of obligations under split-interest agreements was calculated using interest rates ranging from 1.60% to 9.50% and the 1983A and 2000 Annuity Mortality Tables.

Beneficial interests in trusts ("BITs") are recorded based on the present value of the estimated future receipts from the trust discounted at 5%. This rate approximates the rates of return on U.S. government securities of similar duration and is commensurate with the risk that management associates with the ultimate collection of the trust. 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 Foundation programs.

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

#### Note 8. IDA Bond Financing

In June 1997, the Foundation received financing of \$6,000,000 as a result of the IDA's issuance of bonds in that amount, which money 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 Foundation in order for the Foundation to pay for the redemption of the 1997 bonds, to purchase the 19th floor condominium unit and a proportional

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 8. IDA Bond Financing (Continued)

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.

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 a portion of the interest on the 2005 IDA bonds. Interest on the bonds is variable, 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. Interest and other charges related to the 2005 IDA bonds were approximately \$164,000 and \$242,000 for the years ended March 31, 2012 and 2011, respectively.

The letter of credit agreement, as amended, includes various covenants which, among other matters, require the Foundation to maintain a specified debt service coverage ratio, maintain a specified level of unrestricted net assets, maintain a specified ratio of cash and cash equivalents to total commitment, and not incur any new indebtedness except as defined. The Foundation is currently in compliance with these covenants. The Foundation has agreed to various additional covenants and entered into various guarantees and pledges in connection with the issuance of the 2005 IDA bonds and the letter of credit.

In connection with the issuance of the 2005 IDA bonds, the Foundation entered into a lease agreement to lease the Premises to the IDA. Concurrently with the execution of the lease agreement, the IDA agreed to sell and assign its leasehold interest in the Premises to the Foundation on an installment basis as the Foundation makes payments due on the bonds. A failure by the Foundation to pay principal and interest as due under the terms of the 2005 IDA bonds and to pay amounts due under the letter of credit could lead to the Foundation being required to surrender the Premises.

In November 2011, the Foundation redeemed \$1,250,000 of the 2005 IDA bonds outstanding to implement a settlement with the IRS and to ensure that the portion of the New York premises used to conduct Section 501(c)(4) activities, including spaces occupied by the Union and the New York Civil Liberties Union, that are in excess of permissible limits are not financed by tax-exempt bond proceeds. The settlement also involved the payment of a penalty in the amount of approximately \$19,000, the estimated value of taxes that the IRS would have collected from bondholders over a three-year period in connection with the impermissible use of the premises for nontax-exempt purposes. The value of the IDA bonds redeemed exceed the minimum amount required to address the current use of space in support of Section 501(c)(4) activities and was intended to ensure that the Foundation would remain in full compliance with rules and bond covenants in the event that the use of space in connection with Section 501(c)(4) activities were to increase.

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 8. IDA Bond Financing (Continued)

Principal payments under the above obligation in each of the five years subsequent to March 31, 2012 and thereafter are as follows:

<u>Year ending March 31,</u>	<u>Amount</u>
2013	\$ 460,000
2014	480,000
2015	495,000
2016	515,000
2017	530,000
Thereafter	<u>13,690,000</u>
	<u>\$ 16,170,000</u>

#### Note 9. Mortgage Payable

The LLC, of which the Foundation is the sole member, assumed a mortgage payable to a financial institution for the purchase of property in Washington, D.C. at 915 15th Street. The mortgage was collateralized by the property in Washington, D.C. and was payable in monthly installments of \$31,249, including interest at 7.66%. On April 1, 2011, the Foundation made a final payment of \$3,934,699 on this mortgage, consisting of the principal balance of \$3,908,089 and interest of \$26,610. Interest expense for the year ended March 31, 2011 was \$307,000.

#### Note 10. The Bill of Rights Trust Endowment

In 1997, the Foundation and the Section 501(c)(3) arms of the affiliates (the "Affiliate Foundations") established the Bill of Rights Trust (the "Trust"). The purpose of the Trust, a portion of which is an endowment fund of the 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. The Trust has 100,000,000 authorized units, which are issued to or among the Foundation and Affiliate Foundations based upon their respective interests in the Trust. Unit shares held by the affiliates have a unit value based upon the fair value of the net assets of the Trust divided by the total number of unit shares outstanding. The Trust provides for annual distributions to the Foundation and Affiliate Foundations in accordance with the 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, 2012 and 2011, the approved distribution amount was equal to 4% of the average month-end value of total funds over the preceding 36 months through December 31, 2011 and 2010.

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

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 10. The Bill of Rights Trust Endowment (Continued)

At March 31, 2012 and 2011, the Trust was comprised of the following accounts and amounts that are included in the consolidated statements of financial position:

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and cash equivalents	\$ 1,938,993	\$ 2,136,907
Investments	73,375,049	74,999,970
Pledges and contributions receivable	-	152,548
Other assets	<u>112,416</u>	<u>236,145</u>
	<u>\$ 75,426,458</u>	<u>\$ 77,525,570</u>
Liabilities and Net Assets:		
Held for Affiliate Foundations	\$ 24,109,829	\$ 24,521,136
Temporarily restricted net assets (Note 2)	12,163,294	14,002,225
Permanently restricted net assets	<u>39,153,335</u>	<u>39,002,209</u>
	<u>\$ 75,426,458</u>	<u>\$ 77,525,570</u>

## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

#### Note 10. The Bill of Rights Trust Endowment (Continued)

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

	2012			2011			
	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	<b>\$14,002,225</b>	<b>\$ 39,002,209</b>	<b>\$53,004,434</b>	\$ 9,616,373	\$ -	\$38,787,654	\$ 48,404,027
Investment Return:							
Interest and dividends	<b>1,438,404</b>	-	<b>1,438,404</b>	-	1,251,539	-	1,251,539
Net realized and unrealized (losses) gains on investments	<b>(1,307,416)</b>	-	<b>(1,307,416)</b>	-	4,972,293	-	4,972,293
Investment fees and expenses	<b>(151,712)</b>	-	<b>(151,712)</b>	-	(81,277)	-	(81,277)
Net investment return	<b>(20,724)</b>	-	<b>(20,724)</b>	-	6,142,555	-	6,142,555
Other changes during the year:							
Contributions	-	<b>151,126</b>	<b>151,126</b>	-	-	214,555	214,555
Transfer from non-endowment net assets (Note 2)	<b>532,888</b>	<b>1,200,000</b>	<b>1,732,888</b>	-	-	-	-
Appropriation of endowment assets for expenditures	<b>(1,846,569)</b>	-	<b>(1,846,569)</b>	-	(1,756,703)	-	(1,756,703)
Effect of NYPMIFA enactment - reclassification of unappropriated earnings on endowment (Note 2)	-	-	-	(9,616,373)	9,616,373	-	-
Total	<b>(1,313,681)</b>	<b>1,351,126</b>	<b>37,445</b>	(9,616,373)	7,859,670	214,555	(1,542,148)
Endowment net assets, end of year	<b>\$12,667,820</b>	<b>\$ 40,353,335</b>	<b>\$53,021,155</b>	\$ -	\$ 14,002,225	\$39,002,209	\$ 53,004,434

#### Note 11. Commitments and Contingency

The Foundation leases office space in various locations under various operating leases.

The Foundation is involved in 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.



## American Civil Liberties Union Foundation, Inc. and Subsidiary

### Notes to Consolidated Financial Statements

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#### Note 12. Retirement Plans

The Foundation participates in the American Civil Liberties Union Retirement Plan (the "Pension Plan"), a multi-employer 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 Foundation'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").

For the years ended March 31, 2012 and 2011, the cost incurred by the Foundation in connection with the Pension Plan amounted to \$1,401,251 and \$1,646,650, respectively.

The Union implemented a "soft freeze" of the Pension Plan effective March 31, 2009. Employees hired on or after April 1, 2009 by the National Office and the 44 affiliates which elected to participate in the soft freeze will be 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 on or before March 31, 2009 but not yet in the plan. The Foundation contributed \$273,606 in 2012 and \$125,247 in 2011 to this new DC Plan.

Eligible Foundation employees may also participate in the ACLU 401(k) plan (the "401(k) Plan"), which is a defined contribution 401(k) salary-reduction plan covering substantially all employees of the Foundation, the Union and their affiliates. Under the 401(k) Plan, employees may voluntarily contribute up to 20% of their pretax compensation to the 401(k) Plan subject to Internal Revenue Service 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.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Notes to Consolidated Financial Statements

**Note 13. Net Assets**

Net assets are comprised of the following:

	<u>2012</u>	<u>2011</u>
Unrestricted:		
Undesignated	<u>\$ 47,281,821</u>	<u>\$ 49,694,545</u>
Board-designated:		
Litigation Fund	13,251,800	13,901,824
California Annuity Fund	494,131	550,176
Annuity Reserve	5,359,561	5,658,584
Development Fund	20,612,122	19,217,521
Jacobs Affiliate Development Fund	12,326,718	14,402,269
Dividend Distribution Fund	62,125,195	69,198,208
John Adams Fund	<u>11,358,906</u>	<u>11,517,968</u>
<b>Total board-designated</b>	<u>125,528,433</u>	<u>134,446,550</u>
<b>Total unrestricted</b>	<u>172,810,254</u>	<u>184,141,095</u>
Temporarily Restricted:		
Bill of Rights Trust and other endowment	12,667,820	14,002,225
Trusts	1,532,779	1,251,239
Other time and purpose restrictions	<u>45,508,640</u>	<u>50,440,205</u>
<b>Total temporarily restricted</b>	<u>59,709,239</u>	<u>65,693,669</u>
Permanently Restricted - Bill of Rights Trust and other endowment	<u>40,353,335</u>	<u>39,002,209</u>
<b>Total net assets</b>	<u><u>\$ 272,872,828</u></u>	<u><u>\$ 288,836,973</u></u>

**American Civil Liberties Union Foundation, Inc. and Subsidiary**

**Notes to Consolidated Financial Statements**

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**Note 14. Net Assets Released From Restrictions**

Net assets were released from donor restrictions during the year ended March 31, 2012 by incurring expenses satisfying restricted purposes or by the occurrence of other events specified by donors as follows:

Special projects:	
Capital Punishment Project	\$ 59,504
Prisoners' Rights	631,138
Immigrants' Rights	2,768,506
Reproductive Freedom	1,411,805
Women's Rights	79,132
Drug Litigation Reform	677,059
Gay Rights	1,672,365
Voting Rights	887,833
Other special projects	<u>6,940,010</u>
Total special projects	15,127,352
Bill of Rights Trust	1,796,569
Time-restricted gifts	<u>8,769,418</u>
Total released from restrictions	<u><u>\$ 25,693,339</u></u>

American Civil Liberties Union Foundation, Inc. and Subsidiary

Supplementary Information

Consolidating Statement of Financial Position

March 31, 2012

See Independent Auditor's Report

	American Civil Liberties Union Foundation, Inc.	915 15th Street, LLC	Eliminations	Consolidated
<b>ASSETS</b>				
Cash and Cash Equivalents (including cash and cash equivalents restricted for the Bill of Rights Trust of \$1,938,993)	\$ 22,306,393	\$ 366,798	\$ -	\$ 22,673,191
Pledges and Contributions Receivable, net	14,379,873	-	-	14,379,873
Investments	263,742,852	-	-	263,742,852
Other Assets	1,829,640	-	-	1,829,640
Due From Affiliates	5,316,637	-	-	5,316,637
Due from 915 15th Street LLC	9,652,123	-	(9,652,123)	-
Investment in 915 15th Street, LLC	(556,162)	-	556,162	-
Beneficial Interest in Trusts	545,490	-	-	545,490
Office Buildings, Furniture, Fixtures and Office Equipment, net of accumulated depreciation	23,758,712	8,817,998	-	32,576,710
<b>Total assets</b>	<b>\$ 340,975,558</b>	<b>\$ 9,184,796</b>	<b>\$ (9,095,961)</b>	<b>\$ 341,064,393</b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable and accrued expenses Due to the American Civil Liberties Union, Inc.:	\$ 2,759,480	\$ 88,835	\$ -	\$ 2,848,315
Accrued pension liability	1,401,251	-	-	1,401,251
Other	5,879,412	-	-	5,879,412
Due to the Foundation	-	9,652,123	(9,652,123)	-
Due to other affiliates	5,887,442	-	-	5,887,442
Liabilities under split-interest agreements	11,895,316	-	-	11,895,316
IDA bond	16,170,000	-	-	16,170,000
Mortgage payable	-	-	-	-
Bill of Rights Trust held for affiliates	24,109,829	-	-	24,109,829
<b>Total liabilities</b>	<b>68,102,730</b>	<b>9,740,958</b>	<b>(9,652,123)</b>	<b>68,191,565</b>
Commitments and Contingency				
Net Assets:				
Unrestricted:				
Board-designated	125,528,433	-	-	125,528,433
Undesignated	47,281,821	(556,162)	556,162	47,281,821
<b>Total unrestricted</b>	<b>172,810,254</b>	<b>(556,162)</b>	<b>556,162</b>	<b>172,810,254</b>
Temporarily restricted:				
Bill of Rights Trust and other endowment	12,667,820	-	-	12,667,820
Other time and purpose restrictions	47,041,419	-	-	47,041,419
<b>Total temporarily restricted</b>	<b>59,709,239</b>	<b>-</b>	<b>-</b>	<b>59,709,239</b>
Permanently restricted - Bill of Rights Trust and other endowment				
	40,353,335	-	-	40,353,335
<b>Total net assets</b>	<b>272,872,828</b>	<b>(556,162)</b>	<b>556,162</b>	<b>272,872,828</b>
<b>Total liabilities and net assets</b>	<b>\$ 340,975,558</b>	<b>\$ 9,184,796</b>	<b>\$ (9,095,961)</b>	<b>\$ 341,064,393</b>

American Civil Liberties Union Foundation, Inc. and Subsidiary

Supplementary Information

Consolidating Statement of Financial Position

March 31, 2011

See Independent Auditor's Report

	American Civil Liberties Union Foundation, Inc.	915 15th Street, LLC	Eliminations	Consolidated
<b>ASSETS</b>				
Cash and Cash Equivalents (including cash and cash equivalents restricted for the Bill of Rights Trust of \$2,136,907)	\$ 24,355,649	\$ 126,951	\$ -	\$ 24,482,600
Pledges and Contributions Receivable, net	35,807,376	-	-	35,807,376
Investments	275,040,871	-	-	275,040,871
Other Assets	1,739,786	-	-	1,739,786
Due From Affiliates	3,847,659	-	-	3,847,659
Investment in 915 15th Street, LLC	(1,129,221)	-	1,129,221	-
Beneficial Interest in Trusts	555,174	-	-	555,174
Office Buildings, Furniture, Fixtures and Office Equipment, net of accumulated depreciation	25,458,040	9,192,593	-	34,650,633
<b>Total assets</b>	<b>\$ 365,675,334</b>	<b>\$ 9,319,544</b>	<b>\$ 1,129,221</b>	<b>\$ 376,124,099</b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable and accrued expenses	\$ 2,443,283	\$ 47,204	\$ -	\$ 2,490,487
Due to the American Civil Liberties Union, Inc.:				
Accrued pension liability	1,646,650	-	-	1,646,650
Other	6,493,497	6,493,472	-	12,986,969
Due to other affiliates	12,665,536	-	-	12,665,536
Liabilities under split-interest agreements	11,203,259	-	-	11,203,259
IDA bond	17,865,000	-	-	17,865,000
Mortgage payable	-	3,908,089	-	3,908,089
Bill of Rights Trust held for affiliates	24,521,136	-	-	24,521,136
<b>Total liabilities</b>	<b>76,838,361</b>	<b>10,448,765</b>	<b>-</b>	<b>87,287,126</b>
Commitments and Contingency				
Net Assets:				
Unrestricted:				
Board-designated	134,446,550	-	-	134,446,550
Undesignated	49,694,545	(1,129,221)	1,129,221	49,694,545
<b>Total unrestricted</b>	<b>184,141,095</b>	<b>(1,129,221)</b>	<b>1,129,221</b>	<b>184,141,095</b>
Temporarily restricted:				
Bill of Rights Trust	14,002,225	-	-	14,002,225
Other time and purpose restrictions	51,691,444	-	-	51,691,444
<b>Total temporarily restricted</b>	<b>65,693,669</b>	<b>-</b>	<b>-</b>	<b>65,693,669</b>
Permanently restricted - Bill of Rights Trust	39,002,209	-	-	39,002,209
<b>Total net assets</b>	<b>288,836,973</b>	<b>(1,129,221)</b>	<b>1,129,221</b>	<b>288,836,973</b>
<b>Total liabilities and net assets</b>	<b>\$ 365,675,334</b>	<b>\$ 9,319,544</b>	<b>\$ 1,129,221</b>	<b>\$ 376,124,099</b>

American Civil Liberties Union Foundation, Inc. and Subsidiary

Supplementary Information

Consolidating Statement of Activities

Year Ended March 31, 2012

See Independent Auditor's Report

	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	\$ 25,915,150	\$ 20,500,183	\$ 151,126	\$ 46,566,459	\$ -	\$ -	\$ 25,915,150	\$ 20,500,183	\$ 151,126	\$ 46,566,459
Donated legal services	7,960,818	-	-	7,960,818	-	-	7,960,818	-	-	7,960,818
Bequests	11,220,614	287,500	-	11,508,114	-	-	11,220,614	287,500	-	11,508,114
<b>Total support</b>	<b>45,096,582</b>	<b>20,787,683</b>	<b>151,126</b>	<b>66,035,391</b>	<b>-</b>	<b>-</b>	<b>45,096,582</b>	<b>20,787,683</b>	<b>151,126</b>	<b>66,035,391</b>
Revenue:										
Rental income	792,523	-	-	792,523	1,155,234	(304,448)	1,643,309	-	-	1,643,309
Pamphlet and book sales	8,482	-	-	8,482	-	-	8,482	-	-	8,482
Other income	40,224	-	-	40,224	-	-	40,224	-	-	40,224
<b>Total revenue</b>	<b>841,229</b>	<b>-</b>	<b>-</b>	<b>841,229</b>	<b>1,155,234</b>	<b>(304,448)</b>	<b>1,692,015</b>	<b>-</b>	<b>-</b>	<b>1,692,015</b>
Net Assets Released										
From Restrictions	25,693,339	(25,693,339)	-	-	-	-	25,693,339	(25,693,339)	-	-
<b>Total support and revenue</b>	<b>71,631,150</b>	<b>(4,905,656)</b>	<b>151,126</b>	<b>66,876,620</b>	<b>1,155,234</b>	<b>(304,448)</b>	<b>72,481,936</b>	<b>(4,905,656)</b>	<b>151,126</b>	<b>67,727,406</b>
Expenses:										
Program services:										
Legislative	3,345,627	-	-	3,345,627	-	(140,777)	3,204,850	-	-	3,204,850
Legal	31,517,481	-	-	31,517,481	-	(119,435)	31,398,046	-	-	31,398,046
Public education	7,159,225	-	-	7,159,225	-	(44,236)	7,114,989	-	-	7,114,989
Civil liberties policy formulation	550,751	-	-	550,751	-	-	550,751	-	-	550,751
Affiliate support	25,909,717	-	-	25,909,717	-	-	25,909,717	-	-	25,909,717
<b>Total program services</b>	<b>68,482,801</b>	<b>-</b>	<b>-</b>	<b>68,482,801</b>	<b>-</b>	<b>(304,448)</b>	<b>68,178,353</b>	<b>-</b>	<b>-</b>	<b>68,178,353</b>
Supporting services:										
Management and general	3,682,894	-	-	3,682,894	582,175	-	4,265,069	-	-	4,265,069
Fund-raising	7,052,902	-	-	7,052,902	-	-	7,052,902	-	-	7,052,902
<b>Total supporting services</b>	<b>10,735,796</b>	<b>-</b>	<b>-</b>	<b>10,735,796</b>	<b>582,175</b>	<b>-</b>	<b>11,317,971</b>	<b>-</b>	<b>-</b>	<b>11,317,971</b>
<b>Total expenses</b>	<b>79,218,597</b>	<b>-</b>	<b>-</b>	<b>79,218,597</b>	<b>582,175</b>	<b>(304,448)</b>	<b>79,496,324</b>	<b>-</b>	<b>-</b>	<b>79,496,324</b>
<b>Change in net assets before other changes</b>	<b>(7,587,447)</b>	<b>(4,905,656)</b>	<b>151,126</b>	<b>(12,341,977)</b>	<b>573,059</b>	<b>-</b>	<b>(7,014,388)</b>	<b>(4,905,656)</b>	<b>151,126</b>	<b>(11,768,918)</b>
Other Changes in Net Assets:										
Legal expenses awarded, net	2,374,888	-	-	2,374,888	-	-	2,374,888	-	-	2,374,888
Net investment income, gains and losses	(5,927,455)	275,076	-	(5,652,379)	-	-	(5,927,455)	275,076	-	(5,652,379)
Changes in value of split-interest agreements	(763,886)	(153,850)	-	(917,736)	-	-	(763,886)	(153,850)	-	(917,736)
Net gain/loss on investment in 915 15th Street, LLC	573,059	-	-	573,059	-	(573,059)	-	-	-	-
Reclassification of net assets	-	(1,200,000)	1,200,000	-	-	-	-	(1,200,000)	1,200,000	-
<b>Total other changes in net assets</b>	<b>(3,743,394)</b>	<b>(1,078,774)</b>	<b>1,200,000</b>	<b>(3,622,168)</b>	<b>-</b>	<b>(573,059)</b>	<b>(4,316,453)</b>	<b>(1,078,774)</b>	<b>1,200,000</b>	<b>(4,195,227)</b>
<b>Change in net assets</b>	<b>(11,330,841)</b>	<b>(5,984,430)</b>	<b>1,351,126</b>	<b>(15,964,145)</b>	<b>573,059</b>	<b>(573,059)</b>	<b>(11,330,841)</b>	<b>(5,984,430)</b>	<b>1,351,126</b>	<b>(15,964,145)</b>
Net Assets:										
Beginning	184,141,095	65,693,669	39,002,209	288,836,973	(1,129,221)	1,129,221	184,141,095	65,693,669	39,002,209	288,836,973
Ending	\$ 172,810,254	\$ 59,709,239	\$ 40,353,335	\$ 272,872,828	\$ (556,162)	\$ 556,162	\$ 172,810,254	\$ 59,709,239	\$ 40,353,335	\$ 272,872,828

American Civil Liberties Union Foundation, Inc. and Subsidiary

Supplementary Information

Consolidating Statement of Activities

Year Ended March 31, 2011

See Independent Auditor's Report

	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	\$ 26,794,604	\$ 24,454,288	\$ 214,555	\$ 51,463,447	\$ -	\$ -	\$ 26,794,604	\$ 24,454,288	\$ 214,555	\$ 51,463,447
Donated legal services	10,581,619	-	-	10,581,619	-	-	10,581,619	-	-	10,581,619
Bequests	12,191,491	1,067,498	-	13,258,989	-	-	12,191,491	1,067,498	-	13,258,989
<b>Total support</b>	<b>49,567,714</b>	<b>25,521,786</b>	<b>214,555</b>	<b>75,304,055</b>	<b>-</b>	<b>-</b>	<b>49,567,714</b>	<b>25,521,786</b>	<b>214,555</b>	<b>75,304,055</b>
Revenue:										
Rental income	969,565	-	-	969,565	1,299,944	(798,644)	1,470,865	-	-	1,470,865
Pamphlet and book sales	14,816	-	-	14,816	-	-	14,816	-	-	14,816
Other income	36,836	-	-	36,836	-	-	36,836	-	-	36,836
<b>Total revenue</b>	<b>1,021,217</b>	<b>-</b>	<b>-</b>	<b>1,021,217</b>	<b>1,299,944</b>	<b>(798,644)</b>	<b>1,522,517</b>	<b>-</b>	<b>-</b>	<b>1,522,517</b>
Net Assets Released From Restrictions	20,208,139	(20,208,139)	-	-	-	-	20,208,139	(20,208,139)	-	-
<b>Total support and revenue</b>	<b>70,797,070</b>	<b>5,313,647</b>	<b>214,555</b>	<b>76,325,272</b>	<b>1,299,944</b>	<b>(798,644)</b>	<b>71,298,370</b>	<b>5,313,647</b>	<b>214,555</b>	<b>76,826,572</b>
Expenses:										
Program services:										
Legislative	697,252	-	-	697,252	-	(5,497)	691,755	-	-	691,755
Legal	33,559,963	-	-	33,559,963	-	(409,442)	33,150,521	-	-	33,150,521
Public education	9,207,006	-	-	9,207,006	-	(254,427)	8,952,579	-	-	8,952,579
Civil liberties policy formulation	1,389,344	-	-	1,389,344	-	(9,816)	1,379,528	-	-	1,379,528
Affiliate support	26,579,400	-	-	26,579,400	-	(44,833)	26,534,567	-	-	26,534,567
<b>Total program services</b>	<b>71,432,965</b>	<b>-</b>	<b>-</b>	<b>71,432,965</b>	<b>-</b>	<b>(724,015)</b>	<b>70,708,950</b>	<b>-</b>	<b>-</b>	<b>70,708,950</b>
Supporting services:										
Management and general	2,320,863	-	-	2,320,863	1,529,267	(17,306)	3,832,824	-	-	3,832,824
Fund-raising	6,012,884	-	-	6,012,884	-	(57,323)	5,955,561	-	-	5,955,561
<b>Total supporting services</b>	<b>8,333,747</b>	<b>-</b>	<b>-</b>	<b>8,333,747</b>	<b>1,529,267</b>	<b>(74,629)</b>	<b>9,788,385</b>	<b>-</b>	<b>-</b>	<b>9,788,385</b>
<b>Total expenses</b>	<b>79,766,712</b>	<b>-</b>	<b>-</b>	<b>79,766,712</b>	<b>1,529,267</b>	<b>(798,644)</b>	<b>80,497,335</b>	<b>-</b>	<b>-</b>	<b>80,497,335</b>
<b>Change in net assets before other changes</b>	<b>(8,969,642)</b>	<b>5,313,647</b>	<b>214,555</b>	<b>(3,441,440)</b>	<b>(229,323)</b>	<b>-</b>	<b>(9,198,965)</b>	<b>5,313,647</b>	<b>214,555</b>	<b>(3,670,763)</b>
Other Changes in Net Assets:										
Legal expenses awarded, net	2,189,804	-	-	2,189,804	-	-	2,189,804	-	-	2,189,804
Net investment income, gains and losses	22,527,214	6,411,607	-	28,938,821	-	-	22,527,214	6,411,607	-	28,938,821
Changes in value of split-interest agreements	(262,586)	36,960	-	(225,626)	-	-	(262,586)	36,960	-	(225,626)
Net loss on investment in 915 15th Street, LLC	(229,323)	-	-	(229,323)	-	229,323	-	-	-	-
Loss on uncollectible pledge	-	(250,000)	-	(250,000)	-	-	-	(250,000)	-	(250,000)
<b>Total other changes in net assets</b>	<b>24,225,109</b>	<b>6,198,567</b>	<b>-</b>	<b>30,423,676</b>	<b>-</b>	<b>229,323</b>	<b>24,454,432</b>	<b>6,198,567</b>	<b>-</b>	<b>30,652,999</b>
<b>Change in net assets before the effect of NYPMIFA enactment</b>	<b>15,255,467</b>	<b>11,512,214</b>	<b>214,555</b>	<b>26,982,236</b>	<b>(229,323)</b>	<b>229,323</b>	<b>15,255,467</b>	<b>11,512,214</b>	<b>214,555</b>	<b>26,982,236</b>
Effect of NYPMIFA enactment - reclassification of unappropriated earnings on endowment (Note 2)	(9,616,373)	9,616,373	-	-	-	-	(9,616,373)	9,616,373	-	-
<b>Change in net assets</b>	<b>5,639,094</b>	<b>21,128,587</b>	<b>214,555</b>	<b>26,982,236</b>	<b>(229,323)</b>	<b>229,323</b>	<b>5,639,094</b>	<b>21,128,587</b>	<b>214,555</b>	<b>26,982,236</b>
Net Assets:										
Beginning	178,502,001	44,565,082	38,787,654	261,854,737	(899,898)	899,898	178,502,001	44,565,082	38,787,654	261,854,737
Ending	<u>\$ 184,141,095</u>	<u>\$ 65,693,669</u>	<u>\$ 39,002,209</u>	<u>\$ 288,836,973</u>	<u>\$ (1,129,221)</u>	<u>\$ 1,129,221</u>	<u>\$ 184,141,095</u>	<u>\$ 65,693,669</u>	<u>\$ 39,002,209</u>	<u>\$ 288,836,973</u>