ACLU Foundation of Southern California and Subsidiary

Consolidated Financial Statements

March 31, 2023 and 2022

armanino

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ACLU Foundation of Southern California and Subsidiary
Los Angeles, California

Opinion

We have audited the accompanying consolidated financial statements of ACLU Foundation of Southern California (a California nonprofit corporation) and Subsidiary (the "Foundation"), which comprise the consolidated statements of financial position as of March 31, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ACLU Foundation of Southern California and Subsidiary as of March 31, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ACLU Foundation of Southern California and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ACLU Foundation of Southern California's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ACLU Foundation of Southern California's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ACLU Foundation of Southern California's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Armanino LLP

Armanino LLP
Los Angeles, California

October 20, 2023

ACLU Foundation of Southern California and Subsidiary
Consolidated Statements of Financial Position
March 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 6,134,960	$ 6,012,225
Receivables, net	6,292,805	7,124,961
Investments	25,277,681	26,968,693
Property and equipment, net	8,071,935	8,047,282
Right of use assets - operating leases	369,764	364,801
Right of use assets - finance leases	18,970	25,923
Prepaid and other assets	313,371	309,523
Total assets	$ 46,479,486	$ 48,853,408
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 177,178	$ 157,055
Accrued expenses	904,794	1,865,628
Due to related parties	2,258,782	51,136
Right of use liability - operating leases	413,295	370,643
Right of use liability - financing leases	19,497	30,975
Obligations under split-interest agreements	548,330	656,217
Deferred revenue	390,167	482,623
Total liabilities	4,712,043	3,614,277
Net assets		
Without donor restrictions		
Board-designated	8,529,995	6,888,457
Undesignated	22,019,667	27,426,527
Total without donor restrictions	30,549,662	34,314,984
With donor restrictions	11,217,781	10,924,147
Total net assets	41,767,443	45,239,131
Total liabilities and net assets	$ 46,479,486	$ 48,853,408

The accompanying notes are an integral part of these consolidated financial statements.

ACLU Foundation of Southern California and Subsidiary
Consolidated Statement of Activities
For the Year Ended March 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Public support			
Contributions	$ 3,136,112	$ 2,646,086	$ 5,782,198
Grants	279,750	1,186,200	1,465,950
Bequests	687,101	(44,515)	642,586
Special events, net of expenses $229,249	444,715	-	444,715
Donated professional services	7,038,309	-	7,038,309
Total public support	11,585,987	3,787,771	15,373,758
Legal awards	1,167,967	-	1,167,967
Rental income, net of allocated expenses of $743,723	(102,417)	-	(102,417)
Other revenue	86,596	-	86,596
Net assets released from restriction	3,262,922	(3,262,922)	-
Total revenues, gains, and other support	16,001,055	524,849	16,525,904
Functional expenses			
Program services	14,542,332	-	14,542,332
Support services			
Fundraising	1,567,834	-	1,567,834
Management and general	2,763,083	-	2,763,083
Total support services	4,330,917	-	4,330,917
Total functional expenses	18,873,249	-	18,873,249
Change in net assets from operations	(2,872,194)	524,849	(2,347,345)
Non-operating income			
Change in value - split interest agreements	-	61,044	61,044
Net investment loss	(893,128)	(292,259)	(1,185,387)
Total non-operating income	(893,128)	(231,215)	(1,124,343)
Change in net assets	(3,765,322)	293,634	(3,471,688)
Net assets, beginning of year	34,314,984	10,924,147	45,239,131
Net assets, end of year	$ 30,549,662	$ 11,217,781	$ 41,767,443

The accompanying notes are an integral part of these consolidated financial statements.

ACLU Foundation of Southern California and Subsidiary
Consolidated Statement of Activities
For the Year Ended March 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Public support			
Contributions	$ 4,740,997	$ 3,684,226	$ 8,425,223
Grants	286,667	771,964	1,058,631
Bequests	2,527,473	27,609	2,555,082
Special events	485,627	-	485,627
Donated professional services	4,467,794	-	4,467,794
Realized gain from sale of HI Park, LLC property, net of National portion	379,849	7,733	387,582
Total public support	12,888,407	4,491,532	17,379,939
Legal awards	2,022,600	-	2,022,600
Rental income, net of allocated expenses of $721,776	(94,747)	-	(94,747)
Other revenue	90,423	-	90,423
Net assets released from restriction	3,001,573	(3,001,573)	-
Total revenues, gains, and other support	17,908,256	1,489,959	19,398,215
Functional expenses			
Program services	11,450,991	-	11,450,991
Support services			
Fundraising	1,578,716	-	1,578,716
Management and general	2,476,527	-	2,476,527
Total support services	4,055,243	-	4,055,243
Total functional expenses	15,506,234	-	15,506,234
Change in net assets from operations	2,402,022	1,489,959	3,891,981
Non-operating			
Change in value - split interest agreements	-	(58,179)	(58,179)
Net investment gain	565,547	180,470	746,017
Total non-operating	565,547	122,291	687,838
Change in net assets	2,967,569	1,612,250	4,579,819
Net assets, beginning of year	31,347,415	9,311,897	40,659,312
Net assets, end of year	$ 34,314,984	$ 10,924,147	$ 45,239,131

The accompanying notes are an integral part of these consolidated financial statements.

ACLU Foundation of Southern California and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended March 31, 2023

	Program Services									Support Services		
	First-Amendment	Criminal Justice	Police Practices	Economic Justice	Educational Equality	LGBT/Gender Reproductive Rights	Immigrant Rights	Activist Engagement	Total Program Services	Fundraising	Management and General	Total
Personnel expenses	$ 490,006	$ 1,219,622	$ 916,234	$ 502,456	$ 629,237	$ 704,221	$ 1,249,793	$ 66,601	$ 5,778,170	$ 980,680	$ 1,726,689	$ 8,485,539
Litigation expenses	51,238	22,541	21,344	19,482	4,412	56,630	37,988	229	213,864	-	-	213,864
Contracted services	14,364	21,115	17,206	10,014	13,170	22,982	31,739	35,669	166,259	16,776	160,382	343,417
Special event expenses	-	-	-	-	-	-	-	-	-	643,801	-	643,801
Facilities	59,839	142,064	115,463	62,822	80,513	86,736	161,138	10,373	718,948	90,714	979,093	1,788,755
Other program expenses	48,293	92,691	175,499	47,361	123,494	37,760	84,828	3,795	613,721	4,754	3,322	621,797
Equipment & software/IT	4,096	11,621	8,536	5,193	6,377	6,588	14,692	1,277	58,380	20,713	65,135	144,228
Insurance	4,000	10,582	8,171	5,018	6,036	6,438	14,197	583	55,025	1,982	96,693	153,700
Meetings & conferences	1,026	1,990	1,033	627	527	8,390	1,981	36	15,610	1,839	9,787	27,236
Travel	1,045	6,104	4,483	2,344	1,392	2,097	10,267	94	27,826	2,951	1,665	32,442
Other administrative expenses	4,643	13,747	10,184	5,249	4,370	8,217	27,537	453	74,400	32,873	245,858	353,131
Donated professional services expense	34	1,812,605	30,405	1,107,948	322,942	174,567	3,371,623	5	6,820,129	-	218,182	7,038,311
	678,584	3,354,682	1,308,558	1,768,514	1,192,470	1,114,626	5,005,783	119,115	14,542,332	1,797,083	3,506,806	19,846,221
Less: expenses included with revenues on the statement of activities												
Direct costs for special events	-	-	-	-	-	-	-	-	-	(229,249)	-	(229,249)
Facilities expense allocated to tenants	-	-	-	-	-	-	-	-	-	-	(743,723)	(743,723)
	$ 678,584	$ 3,354,682	$ 1,308,558	$ 1,768,514	$ 1,192,470	$ 1,114,626	$ 5,005,783	$ 119,115	$14,542,332	$ 1,567,834	$ 2,763,083	$18,873,249

The accompanying notes are an integral part of these consolidated financial statements.

ACLU Foundation of Southern California and Subsidiary
Consolidated Statement of Functional Expenses
For the Year Ended March 31, 2022

	Program Services										Support Services		
	First-Amendment	Criminal Justice	Police Practices	Economic Justice	Educational Equality	LGBT/Gender Reproductive Rights	Immigrant Rights	Activist Engagement	Fiscal Sponsorship	Total Program Services	Fundraising	Management and General	Total
Personnel expenses	$ 586,519	$ 1,004,204	$ 984,484	$ 356,842	$ 516,302	$ 706,045	$ 1,381,690	$ 62,748	$ -	$ 5,598,834	$ 1,043,901	$ 1,512,004	$ 8,154,739
Litigation expenses	26,506	4,648	32,020	22,556	4,430	10,155	39,972	168	-	140,455	-	-	140,455
Contracted services	15,576	11,408	9,825	4,441	5,495	11,018	61,080	597	-	119,440	21,883	360,255	501,578
Special event expenses	-	-	-	-	-	-	-	-	-	-	356,961	-	356,961
Facilities	70,679	113,431	116,188	48,705	69,850	81,486	170,639	8,467	87	679,532	97,102	943,868	1,720,502
Other program expenses	16,828	93,388	29,867	23,378	111,121	24,952	58,312	1,798	-	359,644	3,115	1,800	364,559
Equipment & software/IT	9,552	9,928	12,081	5,536	6,999	7,938	17,743	866	-	70,643	20,154	28,854	119,651
Insurance	4,900	6,880	8,283	3,903	4,829	5,500	12,432	525	-	47,252	1,153	97,313	145,718
Meetings & conferences	382	2,890	785	312	2,851	2,603	778	28	29	10,658	607	333	11,598
Travel	667	600	394	235	221	4,588	373	13	99	7,190	1,281	461	8,932
Other administrative expenses	5,440	9,823	8,284	4,667	5,498	7,701	15,762	626	1,162	58,963	32,559	144,001	235,523
Donated professional services expense	-	1,402,200	-	733,249	-	229,961	1,992,970	-	-	4,358,380	-	109,414	4,467,794
	737,049	2,659,400	1,202,211	1,203,824	727,596	1,091,947	3,751,751	75,836	1,377	11,450,991	1,578,716	3,198,303	16,228,010
Less: expenses included with revenues on the statement of activities													
Facilities expense allocated to tenants	-	-	-	-	-	-	-	-	-	-	-	(721,776)	(721,776)
	$ 737,049	$ 2,659,400	$ 1,202,211	$ 1,203,824	$ 727,596	$ 1,091,947	$ 3,751,751	$ 75,836	$ 1,377	$11,450,991	$ 1,578,716	$ 2,476,527	$15,506,234

The accompanying notes are an integral part of these consolidated financial statements.

ACLU Foundation of Southern California and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	$ (3,471,688)	$ 4,579,819
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	522,646	500,358
Reduction in right-of-use assets - operating	186,947	136,512
Realized gain on sale from sale of HI Park, LLC property, net of National portion	-	387,582
Reinvested interest and dividends income, net of fees	(582,511)	(308,222)
Realized and unrealized loss (gains) on investments	1,767,898	(437,795)
Changes in operating assets and liabilities		
Receivables, net	832,156	(4,093,366)
Prepaid and other assets	(3,848)	(113,518)
Accounts payable	20,123	15,024
Accrued expenses	(960,834)	818,176
Due to related parties	2,207,646	(1,472,478)
Operating lease liabilities	(149,258)	(157,310)
Obligations under split-interest agreements	(107,887)	(63,629)
Deferred revenue	(92,456)	129,713
Net cash provided by (used in) operating activities	168,934	(79,134)
Cash flows from investing activities		
Purchases of investments	(13,799,980)	(13,978,003)
Proceeds from sales of investments	14,305,605	15,874,449
Purchase of property and equipment	(518,029)	(139,633)
Net cash provided by (used in) investing activities	(12,404)	1,756,813
Cash flows from financing activities		
Right-of-use liability principal payments	(33,795)	(36,645)
Net cash used in financing activities	(33,795)	(36,645)
Net increase in cash and cash equivalents	122,735	1,641,034
Cash and cash equivalents, beginning of year	6,012,225	4,371,191
Cash and cash equivalents, end of year	$ 6,134,960	$ 6,012,225

Supplemental schedule of noncash investing and financing activities

Right-of-use asset acquired through operating lease	$ 191,910	$ -
Right-of-use asset acquired through finance lease	$ 22,317	$ -

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

The ACLU Foundation of Southern California (the "Foundation") is a non-profit organization located in Los Angeles, California. The Foundation is affiliated with the American Civil Liberties Union of Southern California (the "Union") and with the American Civil Liberties Union, Inc. and the American Civil Liberties Union Foundation, Inc. (collectively, the "National Office"). The Foundation shares the same general mission and purpose as the National Office, which is to defend and preserve the individual rights and liberties guaranteed by the Constitution and laws of the United States. As regional affiliates, the Union and the Foundation focus on civil liberties issues and initiatives in Southern California, through the Union's legislative lobbying, community education and engagement and media advocacy, and the Foundation's community education and engagement, media advocacy, policy research and advocacy and litigation efforts.

The ACLU Foundation of Southern California is a tax-exempt organization for both federal and state purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The accompanying consolidated financial statements include the accounts of the ACLU Foundation of Southern California and its wholly owned subsidiary, ACLU Foundation of Southern California, LLC ("Foundation LLC") and, through December 31, 2022, ACLU HI Park LLC ("HI Park LLC") (collectively hereafter, the "Foundation"). Foundation LLC is a single member limited liability company and the Foundation is its sole member, as was also the case for HI Park LLC until its dissolution. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

Basis of accounting and financial statement presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

The Foundation reports information regarding its consolidated financial position and activities based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions - undesignated* - Include contributions, grants, bequests, fees and other forms of revenue without donor restrictions, and expenditures related to the general operations and fundraising efforts of the Foundation.
- *Net asset without donor restrictions - board designated* - Include net assets without donor restrictions the Foundation's Board of Directors has segregated for reserves.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *Net assets with donor restrictions* (See Note 12) - Include net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Cash and cash equivalents

The Foundation considers all financial instruments purchased with an original maturity of three months or less to be cash equivalents. As of March 31, 2023 and 2022, the Foundation held cash equivalents only within its investment accounts (See Note 4).

Concentrations

Certain financial instruments held by the Foundation potentially subject the Foundation to concentrations of credit risk. These financial instruments include cash and cash equivalents, receivables and investments.

The Foundation maintains its cash and cash equivalents accounts with high credit, quality financial institutions; accounts at each institution are guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At times during the year, cash in these accounts may exceed the federally insured amounts. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations (continued)

Substantially all of the Foundation's receivables are from individuals, businesses, or nonprofit organizations in Southern California or from foundations and ACLU affiliates across the country. Collectability of these receivables may be affected by changes in the economic or other conditions of the geographical area. One grantor comprised 16% of the Foundation's total financial contributions and grants for the year ended March 31, 2023. Three grantors comprised 85% (39%, 31% and 15%) of contributions and grants receivable as of March 31, 2023. Two grantors comprised 34% (26% and 8%) of the Foundation's total financial contributions and grants for the year ended March 31, 2022. Three grantors comprised 93% (40%, 30% and 23%) of contributions and grants receivable as of March 31, 2022.

Contributions and grants receivables, net

The Foundation records contributions and grants receivable, net of allowances for uncollectible amounts, whenever there is sufficient evidence in the form of verifiable documentation that an unconditional promise was made and received. The provision for allowances for uncollectible amounts is based on management's estimate of uncollectible accounts. Management believes all contributions and grants receivable will be collected and an allowance for doubtful accounts has not been established as of March 31, 2023 or 2022.

Receivables have been recorded at the present value of expected future cash flows, utilizing an imputed discount rate of 4%.

Investments

Investments consist primarily of mutual funds investing in bonds, US Treasury notes, and equities and are stated at fair value. Investments without readily determinable fair values are stated at the lower of cost or estimated net realizable value. Unrealized gains and losses are recognized aggregately. Realized gains and losses are recognized at the time of sale and are calculated using the specific identification method.

Fair value measurements

Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- *Level 1* - Quoted prices are available in active markets for identical instruments as of the reporting date. As the Foundation's investments are comprised of investments in marketable securities with readily determinable fair values and debt securities, these would generally be classified as Level 1 inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 2* - Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date but are other than quoted prices in active markets as in Level 1.
- *Level 3* - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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. There were no significant transfers among Levels 1, 2 and 3 during the year.

The Net Asset Value ("NAV") may be used as a practical expedient to determine the fair value of investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. 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 using the NAV as a practical expedient are not categorized in the fair value hierarchy, pursuant to Accounting Standards Update ("ASU") 2015-07, *Fair Value Measurement*.

Investment in the Bill of Rights Trust are valued at fair value based on the applicable percentage of ownership of the underlying assets on the measurement date. In determining fair value, the Foundation uses the NAV or equivalent, as provided by the underlying trust. The trust values securities and other financial instruments on the fair value basis of accounting. The estimated fair values of certain investments of the underlying trust, which may include private placements and other securities for which prices are not readily available, are determined by the trustee of the trust and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. The fair value of the Foundation's investment in the Bill of Rights Trust generally represents the amount the Foundation would expect to receive if it were to liquidate its investment excluding any redemption charges that may apply. As discussed above, investments valued using the NAV are not included in the fair value hierarchy.

Property and equipment, net

Property and equipment are stated at cost for purchased property and at market value at contribution date for contributed property. Right-of-use assets acquired through finance leases are recorded at market value at lease inception.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment, net (continued)

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings	25 years
Furniture and equipment	5 years
Capital leased assets	5 years
Leasehold improvements	Shorter of initial lease period or useful life of asset

Replacements, maintenance and repairs are charged to expense when incurred. Major additions and improvements that extend the useful lives of property and equipment are capitalized. When property and equipment are sold or otherwise disposed of, the asset accounts and related accumulated depreciation accounts are reduced, and any gain or loss is included in income.

Impairment of long-lived assets

Management reviews each asset or asset group for impairment annually, or whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. No impairment loss was recorded by the Foundation during the year ended March 31, 2023 or 2022.

Contributions and special events revenue recognition

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The Foundation recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The Foundation recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place. With the exception of goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time.

Contributed professional services

Contributed 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed professional services (continued)

During the years ended March 31, 2023 and 2022, the Foundation received contributions of legal services with a fair value of $7,038,309 and $4,467,794, respectively. The contributed legal services are valued at the estimated fair value based on current billing rates from the contributing attorneys for the services. The amounts are reflected in donated professional services and program and supporting services expenses in the accompanying statement of activities.

Legal awards

Pursuant to the Civil Rights Attorneys Fee Awards Act of 1976, legal fees and expenses may be awarded in certain court cases. The amounts of these awards are the result of court determinations and appellate decisions, or negotiations between the parties to the actions. 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 a reasonable 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.

Deferred revenue

As discussed in Note 6, interests in split-interest agreements for which the Foundation is the trustee but for which the donor has retained the right to change the remainder beneficiary from the Foundation to another organization are deferred and included in income at the date of death of the donor and/or the designated income beneficiary.

Deferred revenue also includes payments received for future Foundation events and fellowships, which will be included in income when the events and fellowship period occurs, respectively.

Split-interest agreements

The Foundation is a remainder beneficiary, and in certain cases the trustee, of various charitable remainder trusts and other life-income arrangements, referred to as Split-Interest Agreements ("Agreements"). The Agreements typically provide for the periodic payment, over the remaining life of the donor, to the donor or named beneficiaries of amounts either fixed or based upon the income earned by the trust assets or a percentage of the market value of those assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Split-interest agreements (continued)

At the date of death of the life-income beneficiary, the balance held in the trust is distributed to the charitable remainder beneficiary or beneficiaries. Interests in irrevocable split-interest agreements are recognized at the time a gift to a trust is made, in cases where the Foundation is the trustee, or at the time the Foundation is notified by the trustee that a gift has been made. Assets received are recorded at their estimated fair value and liabilities are recognized based upon the present value of payments expected to be made to other beneficiaries using discount rates commensurate with the risks involved. During the term of the Agreements, the amortization of the discount associated with the contribution and revaluations of expected future payments to beneficiaries based upon changes in life expectancies are recognized in the statement of activities as changes in split-interest agreements.

Revenue sharing

As discussed in Note 16, certain revenues are subject to a revenue sharing agreement with the National Office. The National Office'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 with the Foundation. Shared revenues are reported at net of the National Office's share in the accompanying consolidated Statements of Activities.

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 probate courts declare the testamentary instrument valid and the proceeds are measurable.

Functional expenditures

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. Expenses have been charged directly to program and supporting services based on direct expenses incurred. Any expenses not directly chargeable are allocated to program and supporting services based on management's analysis of which program or supporting service was benefited by the expense. Management's analysis primarily includes estimates of employee time incurred.

In addition, certain expenses, predominantly salaries and employee benefits, are shared between the Foundation and the Union.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Foundation is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and corresponding state provisions. The Foundation LLC and HI Park LLC are treated as disregarded entities for tax reporting purposes. The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Foundation believes that it has appropriate support for the tax positions taken and, as such does not have any uncertain tax positions that result in a material impact on the Foundation's financial position or statement of activities.

Subsequent events

The Foundation has evaluated subsequent events through October 20, 2023, the date the consolidated financial statements were available to be issued. No subsequent events have occurred, other than as disclosed below, that would have a material impact on the presentation of the Foundation's financial statements.

In June 2023, the Foundation entered into a settlement agreement to settle a lawsuit (See Note 15).

In May 2023, the Foundation entered into a second amendment to lease to extend the lease term of a sublease (See Note 9).

3. RECEIVABLES, NET

Receivables consisted of the following:

	2023	2022
Contributions and grants receivable	$ 4,550,645	$ 3,408,586
Bequests receivable	2,126,107	2,297,247
Other receivables	164,343	113,622
Litigation fees receivable	15,665	1,748,976
	6,856,760	7,568,431
Unamortized discount	(563,955)	(443,470)
	$ 6,292,805	$ 7,124,961

3. RECEIVABLES, NET (continued)

The following table summarizes the expected collection of receivables:

	2023	2022
Due within one year	$ 1,476,513	$ 2,420,517
Due in one to five years	2,055,000	1,370,000
Due after five years	3,325,247	3,777,914
	6,856,760	7,568,431
Less unamortized discount	(563,955)	(443,470)
	$ 6,292,805	$ 7,124,961

Contributions receivable include an interest in a remainder trust for which the Foundation is not the trustee and include the following:

	2023	2022
Amounts due in one to five years	$ 77,988	$ 77,988
Unamortized discount	-	(4,414)
	$ 77,988	$ 73,574

Bequests receivable consist of the estimated value of a split-interest asset that became irrevocable upon the death of the original donor. The timing of realization is uncertain.

4. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of March 31, 2023:

	Level 1	Level 2	Level 3	Fair Value
Cash and money funds	$ 127,616	$ -	$ -	$ 127,616
US Treasury note	7,271,291	-	-	7,271,291
Bond funds	4,161,646	-	-	4,161,646
Equity funds	9,975,132	-	-	9,975,132
Fixed income	735,571	-	-	735,571
Multi-asset blend	241,022	-	-	241,022
Benchmark equity	1,501,752	-	-	1,501,752
Mutual funds	39,565	-	-	39,565
	$ 24,053,595	$ -	$ -	24,053,595
Investments measured at net asset value (Bill of Rights Trust)*				1,224,086
				$ 25,277,681

The following table sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of March 31, 2022:

	Level 1	Level 2	Level 3	Fair Value
Cash and money funds	$ 7,363,122	$ -	$ -	$ 7,363,122
Bond funds	4,303,057	-	-	4,303,057
Equity funds	12,904,161	-	-	12,904,161
Fixed income	1,021,226	-	-	1,021,226
Mutual funds	48,020	-	-	48,020
	$ 25,639,586	$ -	$ -	25,639,586
Investments measured at net asset value (Bill of Rights Trust)*				1,329,107
				$ 26,968,693

*Investments measured using the NAV as a practical expedient are not included in the fair value hierarchy. These amounts are presented here to facilitate reconciliation of the fair value hierarchy to the accompanying consolidated Statements of Financial Position.

4. INVESTMENTS (continued)

The following table summarizes investments measured at fair value based on the NAV per unit as of March 31, 2023:

	Fair Value	Unfunded Commitments	Redemption Terms (If Currently Eligible)	Redemption Notice Period
Bill of Rights trust	$ 1,224,086	N.A.	Monthly	30 days

The following table summarizes investments measured at fair value based on the NAV per unit as of March 31, 2022:

	Fair Value	Unfunded Commitments	Redemption Terms (If Currently Eligible)	Redemption Notice Period
Bill of Rights trust	$ 1,329,107	N.A.	Monthly	30 days

The Foundation's investments are held for the following purposes:

	2023	2022
The Bill of Rights Trust (Note 7)	$ 1,224,086	$ 1,329,107
Split-interest agreements (Note 6)	1,115,200	1,380,758
Special projects, program support, and general operating reserves	22,938,395	24,258,828
	$ 25,277,681	$ 26,968,693

Approximately 82% and 86% of the Foundation's investments at March 31, 2023 and March 31, 2022, respectively, are held by two financial institutions.

Net investment income reported in the accompanying consolidated statement of activities consisted of the following:

	2023	2022
Interest and dividends	$ 656,189	$ 402,402
Investment custodial fees	(73,678)	(94,180)
Realized gains	310,495	1,576,591
Unrealized losses	(2,078,393)	(1,138,796)
	$ (1,185,387)	$ 746,017

4. INVESTMENTS (continued)

The Foundation previously held an investment in a general partnership. In October 2021, the owners of the general partnership sold the associated land in the amount of $27,250,000. The Foundation owned 12.5% of the property, and was the remainder beneficiary of a trust that also owned 12.5% of the property. Upon sale of the property, the Foundation recognized a $968,954 realized gain, of which $581,372 was due to ACLU National. Historically the property's change in value was included in total investment income, however, this transaction has been reflected separately on the accompanying statement of activities for the year ended March 31, 2022.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2023	2022
Land	$ 3,358,057	$ 3,358,057
Buildings	10,333,910	10,142,863
Furniture and equipment	501,791	174,808
Leasehold improvements	636,939	636,939
	14,830,697	14,312,667
Accumulated depreciation and amortization	(6,758,762)	(6,265,385)
	$ 8,071,935	$ 8,047,282

Depreciation and amortization expense for the years ended March 31, 2023 and 2022 was $514,808 and $500,358, respectively. Included in these amounts, $29,270 and $19,259 was related to right of use assets under finance leases for the years ended March 31, 2023 and 2022, respectively.

6. SPLIT-INTEREST AGREEMENTS

Investments and obligations related to remainder trusts, pooled income funds, and annuities for which the Foundation is the trustee are reported at fair value and include the following:

	2023	2022
Cash and money market funds	$ 25,798	$ 29,863
Fixed income	160,826	188,576
Equity funds	631,462	805,924
Bond funds	257,549	308,375
Mutual funds	39,565	48,020
	1,115,200	1,380,758
National Office share of split-interest agreements, at fair value	(213,920)	(284,529)
Obligation under split-interest agreements	(548,330)	(656,217)
Deferred revenue from split-interest agreements	(166,417)	(200,623)
	(928,667)	(1,141,369)
	$ 186,533	$ 239,389

Asset balances at March 31, 2023 and 2022 exceeded the reserve requirements of the California State Insurance Commission.

7. THE BILL OF RIGHTS TRUST

In 1997, the National Office and the 501(c)(3) arms of affiliated nonprofit tax-exempt organizations in several states in the United States (the "Affiliate Foundations"') established the Bill of Rights Trust (the "Trust"). The purpose of the Trust is to build an enduring endowment to carry out the work of the National Office and its affiliates in protecting, preserving and expanding the civil liberties of all persons in the United States. The Trust has 100,000,000 authorized units which are issued to or among the Foundation and other Affiliate Foundations based upon their respective interests in the Trust. Unit shares 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 other Affiliate Foundations in accordance with the respective Foundation's and other Affiliate Foundation's approved spending policy, prorated in accordance with the percentage of the fair value of each unit share.

The investment goals of the Trust are to invest assets in a prudent manner that will balance a reasonable distribution to the Foundation and other Affiliate Foundations and a long-term growth in the value of the assets of the Trust. The Foundation's share of the net assets in the Trust is included in the net assets with donor restrictions in the consolidated statements of financial position.

8. LINE OF CREDIT

The Foundation had a revolving line of credit that matured on November 15, 2022 and had a maximum borrowing of $1,300,000. The revolving line of credit bore interest at the Wall Street Journal Rate plus 0.5% (4.0% at March 31, 2022). The Foundation was the sole guarantor and the loan was collateralized by a deed of trust on real property belonging to the Foundation LLC (Los Angeles, CA headquarters) plus an assignment of rents and is guaranteed by the Foundation. The agreement required the Foundation to maintain, on a quarterly basis, liquid assets of not less than $2.6 million. The Foundation had no borrowings on the revolving line of credit as of March 31, 2022.

In November 2022, the Foundation entered into a revolving line of credit ("LOC") agreement that matures on November 1, 2024 and allows for maximum borrowings of $1,500,000. The LOC bears interest at the Bank's Prime Rate, as defined, minus 0.5% (7.25% at March 31, 2023). The LOC agreement prohibits the Foundation from filing a mortgage, deed of trust, security agreement, pledge, and other lien, or encumbrances on real property belonging to Foundation LLC (Los Angeles, CA headquarters). The Foundation had no borrowings on the LOC as of March 31, 2023.

9. COMMITMENTS

Foundation as lessee

The Foundation leases office space as lessee under four non-cancelable operating leases which expire through January 2028. These operating leases have renewal options that do not create a significant economic incentive for the Foundation to extend the lease term. Therefore, payments during the renewal option periods are excluded in the right-of-use assets under operating lease assets and operating lease liabilities.

The Foundation has one remaining equipment lease which expires in June 2027. The discount rate associated with the operating lease as of March 31, 2023 is 6.5%.

Property and equipment include the following right-of-use assets under finance leases consisted of the following:

	2023	2022
Right-of-use assets under finance leases	$ 140,416	$ 189,737
Accumulated amortization	(121,446)	(163,814)
	$ 18,970	$ 25,923

9. COMMITMENTS (continued)

Foundation as lessee (continued)

The components of lease costs and additional lease information are as follows:

	2023	2022
Operating leases, including short-term leases and common area maintenance	$ 122,081	$ 112,087
Finance leases:		
Amortization of right-of-use assets under finance leases	29,270	17,773
Interest on finance lease liabilities	1,622	1,229
	30,892	19,002
	$ 152,973	$ 131,089

Cash paid for amounts included in the measurement of lease liabilities:

	2023	2022
Operating cash flows from operating leases	$ 160,802	$ 171,014
Operating cash flows from finance leases	1,622	1,229
Financing cash flows from finance leases	33,795	36,645
	$ 196,219	$ 208,888

Weighted-average remaining lease term:

	2023	2022
Operating leases	3 years	1 - 3 years
Finance leases	4 years	1 year

9. COMMITMENTS (continued)

Foundation as lessee (continued)

Maturities of lease liabilities as of March 31, 2023 are as follows:

Year ending March 31,	Operating Leases	Finance Leases
2024	$ 180,301	$ 5,405
2025	142,724	5,405
2026	47,836	5,405
2027	49,278	5,405
2028	42,067	1,351
	462,206	22,971
Less: interest	(48,911)	(3,474)
	$ 413,295	$ 19,497

Supplemental noncash information and noncash activities related to the Foundation's operating and finance leases are included on the accompanying statements of cash flows.

Foundation as lessor

During the years ended March 31, 2023 and 2022, the Foundation leased a portion of its building as office space under two non-cancelable operating leases which expire between April 2023 and December 2024. The non-cancelable operating leases also require the payment of common area operating expenses. In May 2023, the Foundation entered into a second amendment to the lease expiring in April 2023. Under terms of the second amendment, the lease was extended five years through April 30, 2028.

The aggregate future minimum lease income receivable under non-cancelable operating leases, inclusive of leases executed subsequent to year-end, are as follows:

Year ending March 31,	
2024	$ 377,121
2025	383,066
2026	374,435
2027	385,668
2028	414,553
Thereafter	34,630
	$ 1,969,473

Rental income was $641,306 and $627,029, which was shown net of related expenses of $743,723 and $721,776, for the years ended March 31, 2023 and 2022, respectively.

9. COMMITMENTS (continued)

Collective Bargaining Agreement

ACLU employees unionized and chose National Organization of Legal Services Workers ("NOLSW"), UAW Local 2320 as their exclusive representative. ACLU has negotiated a collective bargaining agreement with its employees and NOLSW which was ratified on September 20, 2022. The agreement is effective through September 30, 2025. As of March 31, 2023, 67% of ACLU employees are part of the union.

10. RETIREMENT BENEFITS

The Foundation participates in the American Civil Liberties Union Retirement Plan (the "Pension Plan"), a retirement plan covering eligible employees of the National Office and its affiliates, including the Union and the Foundation. The Pension Plan is a defined benefit plan covering 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 contribution of at least the minimum amount required by the Employee Retirement Income Security Act of 1974 ("ERISA").

The Pension Plan, as amended and restated on January 1, 2015, provides that in the event an employer ceases to be an employer or, with the consent of the National Office (the "Primary Employer"), freezes additional accruals with respect to its employees, an additional, "Withdrawal Contribution" will be due from such employer or former employer on the accrued benefits for each of the participants associated with the employer or former employer. The additional Withdrawal Contribution will be 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 on which the withdrawal is calculated. Disclosures regarding the funded status of the Pension Plan are included in the consolidated financial statements of the Primary Employer. As management of the Foundation has no intention of ceasing to be an employer or, with the consent of the National Office, freezing additional accruals with respect to its employees, no accrual for an additional Withdrawal Contribution has been calculated or provided for in the accompanying consolidated financial statements. Effective March 31, 2009, a "soft freeze" was implemented and employees hired after that date do not participate in the plan.

Employees hired on or after April 1, 2009 may participate in the ACLU Defined Contribution Plan (the "DC Plan"), which is a defined contribution 401(k) salary reduction plan covering substantially all employees of the Union, the Foundation and their affiliates. The DC Plan provides for 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%.

For the years ended March 31, 2023 and 2022 , the costs incurred by the Foundation in connection with the Pension Plan amounted to $407,632 and $409,154, respectively. Of these costs, the amounts included as a reduction of event revenue was $36,762 and $36,455 as of March 31, 2023 and 2022, respectively.

10. RETIREMENT BENEFITS (continued)

For the years ended March 31, 2023 and 2022, total employer matching contributions amounted to $276,565 and $273,900, respectively. Of these costs, the amounts included as a reduction of event revenue was $745 and $2,440 as of March 31, 2023 and 2022, respectively.

11. NET ASSET WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

The Board of Directors established policies to set aside certain funds for repairs and maintenance, emergency cash needs, and surpluses to support future operations ("Board Designated Funds"). The Foundation has earmarked approximately $4 million from its operating reserve for the budget year ending March 31, 2024.

The activities in these Board Designated Funds at March 31, 2023 are as follows:

	Building Repairs and Maintenance Fund	Operating Reserve Fund	IT Reserve Fund	Total
Balance at March 31, 2022	$ 636,918	$ 5,653,233	$ 598,306	$ 6,888,457
Additions	-	4,669,257	100,000	4,769,257
Funds used	(198,396)	(2,609,508)	(319,815)	(3,127,719)
Balance at March 31, 2023	$ 438,522	$ 7,712,982	$ 378,491	$ 8,529,995

The activities in these Board Designated Funds at March 31, 2022 are as follows:

	Building Repairs and Maintenance Fund	Operating Reserve Fund	IT Reserve Fund	Total
Balance at March 31, 2021	$ 231,281	$ 4,297,141	$ 398,306	$ 4,926,728
Additions	405,637	1,356,092	200,000	1,961,729
Balance at March 31, 2022	$ 636,918	$ 5,653,233	$ 598,306	$ 6,888,457

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2023	2022
Subject to expenditure for specified purpose:		
Voting Rights	$ 1,223,935	$ 1,662,469
Criminal Justice	555,329	379,739
Police Practices	507,383	93,960
Economic Justice	448,287	37,771
Immigrant Rights	247,729	571,849
First Amendment	90,000	-
LGBT / Gender / Reproductive rights	50,000	267,502
Educational Equity	25,000	130,489
Support Functions	12,162	16,600
	3,159,825	3,160,379
Split-interest agreements	225,527	276,177
Time restricted	4,290,823	3,632,349
Endowment Funds:		
Lesbian and gay rights matters	1,320,433	1,439,294
Protection of civil liberties	2,221,173	2,415,948
	3,541,606	3,855,242
	$ 11,217,781	$ 10,924,147

13. DONOR RESTRICTED ENDOWMENTS

The Foundation's endowment consists of several individual funds established for a variety of purposes. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law

The Foundation's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") 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. As a result of this interpretation, the Foundation retains the original value of all gifts to the donor restricted endowment plus unspent accumulated earnings in accordance with the applicable donor gift instrument.

13. DONOR RESTRICTED ENDOWMENTS (continued)

Interpretation of relevant law (continued)

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the Foundation and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation's general policy is to diversify investments within both equity and fixed-income securities to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category. The Foundation believes that a balanced approach to portfolio management is required to reduce volatility and prudently maximize total return for the long term. The Foundation recognizes that economic and security market conditions are not constant but everchanging and, as a result, continuous portfolio adjustments will be required.

Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce total returns (net of inflation) in excess of the endowment spend out rate, thus allowing for real growth of endowment assets while assuming a moderate level of investment risk.

13. DONOR RESTRICTED ENDOWMENTS (continued)

Spending policy and how investment objectives relate to spending policy

The Foundation has a policy to distribute the trailing three-year rolling average of the endowment's total invested asset value each year, with the spending target being recommended annually by the Finance Committee and approved by the board of directors (4.5% at March 31, 2023 and 2022). All earnings of the endowment funds not withdrawn shall be reinvested. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment asset held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment composition

Endowment net asset composition by type of fund as of March 31, 2023 is as follows:

Original Donor-restricted gifts and amount required to be maintained in perpetuity	$ 2,295,554
Unspent appreciation of endowment funds which must be appropriated for expenditure	1,246,052
	$ 3,541,606

Endowment net asset composition by type of fund as of March 31, 2022 is as follows:

Original Donor-restricted gifts and amount required to be maintained in perpetuity	$ 2,295,554
Unspent appreciation of endowment funds which must be appropriated for expenditure	1,559,688
	$ 3,855,242

13. DONOR RESTRICTED ENDOWMENTS (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended March 31, 2023 is as follows:

	With Donor Restrictions
Balance, March 31, 2022	$ 3,855,242
Investment return	
Interest and dividends, net of fees	51,443
Realized and unrealized net loss	(232,008)
Total investment return	(180,565)
Contributions	14,615
Appropriation of net assets	(147,686)
	(313,636)
Balance, March 31, 2023	$ 3,541,606

Changes in endowment net assets for the fiscal year ended March 31, 2022 is as follows:

	With Donor Restrictions
Balance, March 31, 2021	$ 3,859,072
Investment return	
Interest and dividends, net of fees	35,218
Realized and unrealized, net gains	104,949
Total investment return	140,167
Appropriation of net assets	(143,997)
	(3,830)
Balance, March 31, 2022	$ 3,855,242

14. LIQUIDITY

The Foundation is significantly supported by contributions with donor restrictions. The Foundation maintains sufficient resources to meet its responsibilities to its donors. The Foundation's liquidity management policy is designed to provide that its remaining financial assets are available for operations as its general expenditures, liabilities, and other obligations come due.

14. LIQUIDITY (continued)

The following reflects the Foundation's financial assets reported on the statement of financial position, reduced by amounts not available for general use within one year because of contractual or donor imposed restrictions.

Liquidity of financial assets as adjusted for purposes restricted net assets and split interest obligations is as follows:

	2023	2022
Cash and cash equivalents	$ 6,134,960	$ 6,012,225
Receivables due within one year	1,476,513	2,420,517
Investments	25,277,681	26,968,693
	32,889,154	35,401,435
Less: endowments with donor restrictions	(3,541,606)	(3,855,242)
Less: split interest agreement obligations	(225,527)	(276,177)
Less: net assets with donor restrictions (purpose restricted)	(3,159,825)	(3,060,379)
Less: board designated net assets	(3,860,738)	(3,678,949)
	$ 22,101,458	$ 24,530,688

To help manage unanticipated liquidity needs, the Foundation could draw $1.5 million from the LOC as discussed in Note 8. In addition, the Foundation has Purpose and Time Restricted Funds of $7,450,648 and Board Designated Funds, as described in Note 11. The Foundation does not intend to spend from the Purpose Restricted and Board Designated Funds until appropriated for general expenditure as part of its annual budget approval and appropriation process. However, the Foundation has appropriated the board-designated net asset amount of $4,669,257 to be used in operations next year.

15. RISKS AND UNCERTAINTIES

The Foundation was a defendant in a lawsuit initiated by a former employee in June 2020, alleging wrongful termination. In June 2023, the Foundation entered into a settlement agreement to settle the lawsuit. The Foundation was responsible to pay for $25,000 and the Foundation's insurer paid the remaining amount.

16. RELATED PARTY TRANSACTIONS

ACLU National

The Foundation has entered into an agreement with the National Office whereby certain revenues are shared according to set formulas. Revenues subject to this agreement include unrestricted contributions, multi-year pledges, net event revenues, net bequests and certain restricted contributions. As of March 31, 2023, the amount due from the National Office for collected shared revenues in relation to the revenue sharing agreement was $223,135, while the Foundation owed the National Office $1,546,900 on shared revenue receivables. This includes $213,920 which represents management's estimate of the amount that will become due to the National Office based on the Foundation's interests in remainder trusts.

As of March 31, 2022, the amount due from the National Office for collected shared revenues in relation to the revenue sharing agreement was $2,493,799, while the Foundation owed the National Office $1,736,528 on shared revenue receivables. This includes $284,529 which represents management's estimate of the amount that will become due to the National Office based on the Foundation's interests in remainder trusts.

In addition, during the year ended March 31, 2023, the Foundation received contributions of $275,000 from ACLU National. During the year ended March 31, 2022, the Foundation received contributions of $256,964 from ACLU National.

The Foundation's pension plan payable to the National Office was $102,244 and $104,910 as of March 31, 2023 and 2022, respectively.

Union

The Foundation shares the cost of common workspace, personnel and other operating expenses with the Union. To address the financial and other issues arising from this arrangement, the Foundation entered into a Resource Sharing Agreement (the "Agreement") with the Union, effective April 1, 2019. The Agreement shall remain in force until terminated by mutual written consent of the Foundation and Union, by 90 days' written notice to the other party with or without cause, or in the event of a material and continuing breach of the Agreement. As part of this agreement, shared expenses which were apportioned to the Union totaled $4,166,188 for the year ended March 31, 2023 and totaled $3,669,231 for the year ended March 31, 2022. There was $1,164,432 due to the Union as of March 31, 2023 and $901,125 as of March 31, 2022.

The Union leases the Foundation's office space on a month-to-month basis. The Foundation recognized rental income of $130,327 during the year ended March 31, 2023 and $126,531 during the year ended March 31, 2022.

16. RELATED PARTY TRANSACTIONS (continued)

ACLU-NC, ACLU-SDIC and ACLU-California Action

During the year ended March 31, 2023, the Foundation received no contributions from ACLU Foundation of Northern California ("ACLU-NC"). The Foundation made subgrants of $111,884 to ACLU-NC and paid them $41,685 for shared program costs during the year ended March, 31, 2023. The Foundation paid ACLU-NC $13,333 for litigation settlement fees on a case the Foundation jointly worked on with ACLU-NC. During the year ended March 31, 2022, the Foundation paid ACLU Foundation of San Diego and Imperial Counties ("ACLU-SDIC") $30,721 for litigation settlement fees on a case the Foundation jointly worked on with ACLU-SDIC.

ACLU-California Action is a 501(c)(4) organization jointly formed by the ACLU affiliates in California to achieve policy change on a statewide level. The Foundation paid ACLU-California Action $300,300 and $150,000 during the years ended March 31, 2023 and 2022, respectively.