

**ACLU Foundation of Southern California
and Subsidiary**

Consolidated Financial Statements

March 31, 2024 and 2023



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INDEPENDENT AUDITOR'S REPORT

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

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, 2024 and 2023, 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, 2024 and 2023, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Foundation has adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 326, *Financial Instruments - Credit Losses*, as of April 1, 2023, which alters the impairment recognition of financial assets from an "incurred loss" model to an "expected credit loss" model. Our opinion is not modified with respect to that matter.

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}
Los Angeles, California

November 18, 2024

ACLU Foundation of Southern California and Subsidiary
Consolidated Statements of Financial Position
March 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 2,965,296	\$ 6,134,960
Receivables, net	6,165,666	6,292,805
Investments	27,129,403	25,277,681
Property and equipment, net	7,564,723	8,071,935
Right of use assets - operating leases	456,669	369,764
Right of use assets - finance leases	14,507	18,970
Prepaid and other assets	422,139	313,371
Total assets	\$ 44,718,403	\$ 46,479,486
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 524,476	\$ 177,178
Accrued expenses	864,890	904,794
Due to related parties	2,004,003	2,258,782
Right of use liability - operating leases	483,617	413,295
Right of use liability - financing leases	15,471	19,497
Obligations under split-interest agreements	489,753	548,330
Deferred revenue	873,436	390,167
Total liabilities	5,255,646	4,712,043
Net assets		
Without donor restrictions		
Board-designated	7,929,415	8,529,995
Undesignated	20,631,033	22,019,667
Total without donor restrictions	28,560,448	30,549,662
With donor restrictions	10,902,309	11,217,781
Total net assets	39,462,757	41,767,443
Total liabilities and net assets	\$ 44,718,403	\$ 46,479,486

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support			
Public support			
Contributions	\$ 2,903,713	\$ 1,484,487	\$ 4,388,200
Grants	629,137	793,750	1,422,887
Bequests	328,983	189,847	518,830
Special events, net of expenses \$439,667	182,738	-	182,738
Donated professional services	<u>15,688,521</u>	-	<u>15,688,521</u>
Total public support	19,733,092	2,468,084	22,201,176
Legal awards	1,042,104	-	1,042,104
Rental income, net of allocated expenses of \$704,642	(97,644)	-	(97,644)
Other revenue	93,406	-	93,406
Net assets released from restriction	<u>3,288,615</u>	<u>(3,288,615)</u>	<u>-</u>
Total revenues, gains, and other support	<u>24,059,573</u>	<u>(820,531)</u>	<u>23,239,042</u>
Functional expenses			
Program services	<u>23,290,253</u>	-	<u>23,290,253</u>
Support services			
Fundraising	1,711,642	-	1,711,642
Management and general	<u>2,640,219</u>	-	<u>2,640,219</u>
Total support services	<u>4,351,861</u>	-	<u>4,351,861</u>
Total functional expenses	<u>27,642,114</u>	-	<u>27,642,114</u>
Change in net assets from operations	<u>(3,582,541)</u>	<u>(820,531)</u>	<u>(4,403,072)</u>
Non-operating income			
Change in value - split interest agreements	-	(126,434)	(126,434)
Other expense	(701,910)	-	(701,910)
Net investment income (loss)	<u>2,295,237</u>	<u>631,493</u>	<u>2,926,730</u>
Total non-operating income	<u>1,593,327</u>	<u>505,059</u>	<u>2,098,386</u>
Change in net assets	(1,989,214)	(315,472)	(2,304,686)
Net assets, beginning of year	<u>30,549,662</u>	<u>11,217,781</u>	<u>41,767,443</u>
Net assets, end of year	<u>\$ 28,560,448</u>	<u>\$ 10,902,309</u>	<u>\$ 39,462,757</u>

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	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			
Change in value - split interest agreements	-	61,044	61,044
Net investment income (loss)	(893,128)	(292,259)	(1,185,387)
Total non-operating	(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 Functional Expenses
For the Year Ended March 31, 2024

	Program Services								Support Services			Total
	First Amendment and Democracy	Criminal Justice	Police Practices	Economic Justice	Education Equity	LGBTQ, Gender, Reproductive Justice	Immigrants' Rights	Activist Engagement	Total Program Services	Fundraising	Management and General	
Personnel expenses	\$ 715,444	\$ 1,325,130	\$ 851,253	\$ 408,371	\$ 491,291	\$ 815,463	\$ 1,413,875	\$ 66,224	\$ 6,087,051	\$ 1,071,506	\$ 1,801,869	\$ 8,960,426
Litigation expenses	12,948	30,085	19,783	17,059	3,056	8,995	30,214	227	122,367	-	-	122,367
Contracted services	7,533	15,146	10,280	4,456	7,318	7,864	15,550	730	68,877	10,804	125,913	205,594
Special event expenses	-	-	-	-	-	-	-	-	-	913,667	-	913,667
Facilities	84,029	168,186	110,234	51,289	66,780	97,017	177,614	8,190	763,339	100,310	949,343	1,812,992
Other program expenses	29,138	99,601	43,995	19,406	112,181	33,521	66,936	3,035	407,813	5,539	3,017	416,369
Equipment & software/IT	6,292	13,411	9,219	4,133	5,098	7,274	14,264	765	60,456	19,144	57,210	136,810
Insurance	5,955	12,566	8,932	3,959	4,724	6,986	13,814	649	57,585	1,875	94,409	153,869
Meetings & conferences	798	3,383	2,442	1,570	1,911	2,056	3,661	78	15,899	1,961	13,983	31,843
Travel	3,681	11,521	5,461	2,617	3,465	5,040	16,268	175	48,228	1,982	2,795	53,005
Other administrative expenses	5,781	36,100	7,490	2,325	2,017	6,049	17,330	517	77,609	24,521	188,830	290,960
Donated professional services expense	138,030	4,390,337	3,528,564	2,918,317	300,542	15,746	4,289,492	1	15,581,029	-	107,492	15,688,521
	<u>1,009,629</u>	<u>6,105,466</u>	<u>4,597,653</u>	<u>3,433,502</u>	<u>998,383</u>	<u>1,006,011</u>	<u>6,059,018</u>	<u>80,591</u>	<u>23,290,253</u>	<u>2,151,309</u>	<u>3,344,861</u>	<u>28,786,423</u>
Less: expenses included with revenues on the statement of activities												
Direct costs for special events	-	-	-	-	-	-	-	-	-	(439,667)	-	(439,667)
Facilities expense allocated to tenants	-	-	-	-	-	-	-	-	-	-	(704,642)	(704,642)
	<u>\$ 1,009,629</u>	<u>\$ 6,105,466</u>	<u>\$ 4,597,653</u>	<u>\$ 3,433,502</u>	<u>\$ 998,383</u>	<u>\$ 1,006,011</u>	<u>\$ 6,059,018</u>	<u>\$ 80,591</u>	<u>\$23,290,253</u>	<u>\$ 1,711,642</u>	<u>\$ 2,640,219</u>	<u>\$27,642,114</u>

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			Total
	First Amendment and Democracy	Criminal Justice	Police Practices	Economic Justice	Education Equity	LGBTQ, Gender, Reproductive Justice	Immigrants' Rights	Activist Engagement	Total Program Services	Fundraising	Management and General	
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)
	<u>\$ 678,584</u>	<u>\$ 3,354,682</u>	<u>\$ 1,308,558</u>	<u>\$ 1,768,514</u>	<u>\$ 1,192,470</u>	<u>\$ 1,114,626</u>	<u>\$ 5,005,783</u>	<u>\$ 119,115</u>	<u>\$14,542,332</u>	<u>\$ 1,567,834</u>	<u>\$ 2,763,083</u>	<u>\$18,873,249</u>

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, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ (2,304,686)	\$ (3,471,688)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	542,248	522,646
Reduction in right-of-use assets - operating	140,462	186,947
Reinvested interest and dividends income, net of fees	(718,420)	(582,511)
Realized and unrealized loss (gains) on investments	(2,032,523)	1,767,898
Changes in operating assets and liabilities		
Receivables, net	127,139	832,156
Prepaid and other assets	(108,768)	(3,848)
Accounts payable	347,298	20,123
Accrued expenses	(39,904)	(960,834)
Due to related parties	(254,779)	2,207,646
Operating lease liabilities	(157,045)	(149,258)
Obligations under split-interest agreements	(58,577)	(107,887)
Deferred revenue	483,269	(92,456)
Net cash provided by (used in) operating activities	(4,034,286)	168,934
Cash flows from investing activities		
Purchases of investments	(26,614,383)	(13,799,980)
Proceeds from sales of investments	27,513,604	14,305,605
Purchase of property and equipment	(30,573)	(518,029)
Net cash provided by (used in) investing activities	868,648	(12,404)
Cash flows from financing activities		
Right-of-use liability principal payments	(4,026)	(33,795)
Net cash used in financing activities	(4,026)	(33,795)
Net increase (decrease) in cash and cash equivalents	(3,169,664)	122,735
Cash and cash equivalents, beginning of year	6,134,960	6,012,225
Cash and cash equivalents, end of year	\$ 2,965,296	\$ 6,134,960

Supplemental schedule of noncash investing and financing activities

Right-of-use asset acquired through operating lease	\$ 227,367	\$ 191,910
Right-of-use asset acquired through finance lease	\$ -	\$ 22,317

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

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

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") (collectively hereafter, the "Foundation"). Foundation LLC is a single member limited liability company and the Foundation is its sole member. 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.

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

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.

Change in accounting principle

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 326, *Financial Instruments - Credit Losses* ("FASB ASC 326"), which significantly changed how entities measure credit losses for most financial assets and certain other instruments that are not measure at fair value through net income. The most significant change in the standard is a shift from an "incurred loss" model to an "expected credit loss" model. Under the standard, disclosures are required to provide users of financial statements with useful information in analyzing the entity's exposure to credit risk and the measurement of credit losses.

The Organization adopted FASB ASC 326 effective April 1, 2023. The impact of the adoption was not considered material to the financial statements.

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, 2024 and 2023, 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.

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations (continued)

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.

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. Three grantors comprised 89% (40%, 37% and 12%) of contributions and grants receivable as of March 31, 2024. 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.

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, 2024 or 2023.

Receivables have been recorded at the present value of expected future cash flows, utilizing an imputed discount rate of 3%.

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.

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

FASB 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.
- *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.

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.

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, 2024 or 2023.

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

During the years ended March 31, 2024 and 2023, the Foundation received contributions of legal services with a fair value of \$15,688,521 and \$7,038,309, 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.

ACLU Foundation of Southern California and Subsidiary
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

ACLU Foundation of Southern California and Subsidiary
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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 is treated as a disregarded entity 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 November 18, 2024, 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.

3. RECEIVABLES, NET

Receivables consisted of the following:

	<u>2024</u>	<u>2023</u>
Contributions and grants receivable	\$ 3,367,436	\$ 4,550,645
Bequests receivable	2,599,850	2,126,107
Other receivables	459,490	164,343
Litigation fees receivable	<u>75,000</u>	<u>15,665</u>
	6,501,776	6,856,760
Unamortized discount	<u>(336,110)</u>	<u>(563,955)</u>
	<u>\$ 6,165,666</u>	<u>\$ 6,292,805</u>

The following table summarizes the expected collection of receivables:

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 3,801,776	\$ 1,476,513
Due in one to five years	1,800,000	2,055,000
Due after five years	<u>900,000</u>	<u>3,325,247</u>
	6,501,776	6,856,760
Less unamortized discount	<u>(336,110)</u>	<u>(563,955)</u>
	<u>\$ 6,165,666</u>	<u>\$ 6,292,805</u>

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
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3. RECEIVABLES, NET (continued)

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

	2024	2023
Amounts due in one to five years	\$ -	\$ 77,988
	\$ -	\$ 77,988

Bequests receivable consist of the estimated value of a split-interest asset that became irrevocable upon the death of the original donor. The Organization received payment in April 2024.

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4. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of March 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and money funds	\$ 111,573	\$ -	\$ -	\$ 111,573
Bond funds	4,475,014	-	-	4,475,014
Equity funds	11,399,196	-	-	11,399,196
Fixed income	7,177,577	-	-	7,177,577
Mutual funds	43,082	-	-	43,082
Investments held by the National Office in Screened Funds	-	-	2,602,633	2,602,633
Investments held by the National Office in Bill of Rights Trust	-	-	1,320,328	1,320,328
	<u>\$ 23,206,442</u>	<u>\$ -</u>	<u>\$ 3,922,961</u>	<u>\$ 27,129,403</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Cash and money funds	\$ 127,615	\$ -	\$ -	\$ 127,615
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	160,826	-	-	160,826
Mutual funds	39,565	-	-	39,565
Investments held by the National Office in Screened Funds	-	-	2,317,519	2,317,519
Investments held by the National Office in Bill of Rights Trust	-	-	1,224,087	1,224,087
	<u>\$ 21,736,075</u>	<u>\$ -</u>	<u>\$ 3,541,606</u>	<u>25,277,681</u>

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
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4. INVESTMENTS (continued)

Investments held by the National Office are valued based upon valuations provided by the National Office in conjunction with the value of underlying securities maintained and valued by the investment custodian. The Foundation's investments are calculated by the National Office based on the Foundation's percentage interest in the National Office's investment. The Level 3 investments were previously classified as either Level 1 based on the underlying investments or disclosed as valued using net asset value in the 2023 audited consolidated financial statements; however, management has determined these are Level 3 investments as the fair value is based on unobservable inputs. Dividends earned during the year of \$63,269 were reinvested into the fund.

A reconciliation of Level 3 investments is as follows:

	2024	2023
Beginning balance	\$ 3,541,606	\$ 3,855,242
Total gains (losses) for the year included in change in net assets	381,355	(313,636)
	\$ 3,922,961	\$ 3,541,606

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

	2024	2023
The Bill of Rights Trust (Note 7)	\$ 1,320,326	\$ 1,224,086
Split-interest agreements (Note 6)	1,044,619	1,115,200
Special projects, program support, and general operating reserves	24,764,458	22,938,395
	\$ 27,129,403	\$ 25,277,681

Approximately 82% of the Foundation's investments at March 31, 2024 and March 31, 2023, respectively, are held by two financial institutions.

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

4. INVESTMENTS (continued)

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

	2024	2023
Interest and dividends on investments	\$ 807,997	\$ 656,189
Investment custodial fees	(89,577)	(73,678)
Realized gains	342,349	310,495
Unrealized gains (loss)	1,690,084	(2,078,393)
	2,750,853	(1,185,387)
Interest on savings account	175,877	-
	\$ 2,926,730	\$ (1,185,387)

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2024	2023
Land	\$ 3,358,057	\$ 3,358,057
Buildings	10,333,910	10,333,910
Furniture and equipment	532,364	501,791
Leasehold improvements	636,939	636,939
	14,861,270	14,830,697
Accumulated depreciation and amortization	(7,296,547)	(6,758,762)
	\$ 7,564,723	\$ 8,071,935

Depreciation and amortization expense for the years ended March 31, 2024 and 2023 was \$542,248 and \$514,808, respectively. Included in these amounts, \$4,464 and \$29,270 was related to right of use assets under finance leases for the years ended March 31, 2024 and 2023, respectively.

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
March 31, 2024 and 2023

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:

	2024	2023
Cash and money market funds	\$ 29,265	\$ 25,798
Fixed income	133,687	160,826
Equity funds	599,761	631,462
Bond funds	238,824	257,549
Mutual funds	43,082	39,565
	1,044,619	1,115,200
National Office share of split-interest agreements, at fair value	(211,143)	(213,920)
Obligation under split-interest agreements	(489,753)	(548,330)
Deferred revenue from split-interest agreements	(156,562)	(166,417)
	(857,458)	(928,667)
	\$ 187,161	\$ 186,533

Asset balances at March 31, 2024 and 2023 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.

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8. LINE OF CREDIT

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% (8.00% at March 31, 2024). 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, 2024 and 2023.

9. COMMITMENTS

Foundation as lessee

The Foundation leases office space as lessee under three non-cancelable operating leases which expire through October 2029. One lease was amended in November 2023 and included an option to extend the lease term an additional three years. The Foundation has included the option to extend as part of the lease term. The remaining 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 weighted average discount rate for the operating leases as of March 31, 2024 is 4.9%.

The Foundation has one remaining equipment lease which expires in June 2027. The discount rate associated with the finance lease as of March 31, 2024 is 6.5%.

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

	2024	2023
Right-of-use assets under finance leases	\$ 140,416	\$ 140,416
Accumulated amortization	(125,909)	(121,446)
	\$ 14,507	\$ 18,970

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
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9. COMMITMENTS (continued)

Foundation as lessee (continued)

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

	<u>2024</u>	<u>2023</u>
Operating leases, including short-term leases and common area maintenance	\$ 140,458	\$ 122,081
Finance leases:		
Amortization of right-of-use assets under finance leases	4,464	29,270
Interest on finance lease liabilities	<u>1,379</u>	<u>1,622</u>
	<u>5,843</u>	<u>30,892</u>
	<u>\$ 146,301</u>	<u>\$ 152,973</u>

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

	<u>2024</u>	<u>2023</u>
Operating cash flows from operating leases	\$ 197,144	\$ 160,802
Operating cash flows from finance leases	1,379	1,622
Financing cash flows from finance leases	<u>4,026</u>	<u>33,795</u>
	<u>\$ 202,549</u>	<u>\$ 196,219</u>

Weighted-average remaining lease term:

	<u>2024</u>	<u>2023</u>
Operating leases	4 years	3 years
Finance leases	3 years	4 years

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
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9. COMMITMENTS (continued)

Foundation as lessee (continued)

Maturities of lease liabilities as of March 31, 2024 are as follows:

<u>Year ending March 31,</u>	<u>Operating Leases</u>	<u>Finance Leases</u>
2025	\$ 183,654	\$ 5,405
2026	89,993	5,405
2027	92,700	5,405
2028	86,792	1,351
2029	46,067	-
Thereafter	<u>27,337</u>	<u>-</u>
	526,543	17,566
Less: interest	<u>(42,926)</u>	<u>(2,095)</u>
	<u>\$ 483,617</u>	<u>\$ 15,471</u>

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, 2024 and 2023, 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. In February 2024, the Foundation terminated the tenant lease due to expire in December 2024 due to tenant's inability to pay rent.

The aggregate future minimum lease income receivable under non-cancelable operating leases are as follows:

<u>Year ending March 31,</u>	
2025	\$ 363,529
2026	374,435
2027	386,156
2028	414,553
2029	<u>34,630</u>
	<u>\$ 1,573,303</u>

ACLU Foundation of Southern California and Subsidiary
Notes to Consolidated Financial Statements
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9. COMMITMENTS (continued)

Foundation as lessor (continued)

Rental income was \$606,998 and \$641,306, which was shown net of related expenses of \$704,642 and \$743,723, for the years ended March 31, 2024 and 2023, respectively.

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, 2024, 64% 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%.

ACLU Foundation of Southern California and Subsidiary
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10. RETIREMENT BENEFITS (continued)

For the years ended March 31, 2024 and 2023, the costs incurred by the Foundation in connection with the Pension Plan amounted to \$354,780 and \$407,632, respectively. Of these costs, the amounts included as a reduction of event revenue was \$27,970 and \$36,762 as of March 31, 2024 and 2023, respectively.

For the years ended March 31, 2024 and 2023, total employer matching contributions amounted to \$309,254 and \$276,565, respectively. Of these costs, the amounts included as a reduction of event revenue was \$569 and \$745 as of March 31, 2024 and 2023, 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 \$1.7 million from its operating reserve for the budget year ending March 31, 2024.

The activities in these Board Designated Funds at March 31, 2024 are as follows:

	Building Repairs and Maintenance Fund	Operating Reserve Fund	IT Reserve Fund	Total
Balance at March 31, 2023	\$ 438,522	\$ 7,712,982	\$ 378,491	\$ 8,529,995
Additions	-	1,717,551	-	1,717,551
Funds used	<u>(21,156)</u>	<u>(2,243,519)</u>	<u>(53,456)</u>	<u>(2,318,131)</u>
Balance at March 31, 2024	<u>\$ 417,366</u>	<u>\$ 7,187,014</u>	<u>\$ 325,035</u>	<u>\$ 7,929,415</u>

ACLU Foundation of Southern California and Subsidiary
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11. NET ASSET WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED (continued)

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
	<u>Fund</u>	<u>Reserve Fund</u>	<u>Fund</u>	<u>Total</u>
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	<u>(198,396)</u>	<u>(2,609,508)</u>	<u>(319,815)</u>	<u>(3,127,719)</u>
Balance at March 31, 2023	<u>\$ 438,522</u>	<u>\$ 7,712,982</u>	<u>\$ 378,491</u>	<u>\$ 8,529,995</u>

12. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Voting Rights	\$ 826,387	\$ 1,223,935
Criminal Justice	571,185	555,329
Police Practices	624,635	507,383
Economic Justice	25,000	448,287
Immigrant Rights	344,565	247,729
First Amendment	39,585	90,000
LGBT / Gender / Reproductive rights	84,406	50,000
Educational Equity	149,379	25,000
Support Functions	94,143	12,162
	<u>2,759,285</u>	<u>3,159,825</u>
Split-interest agreements	<u>187,161</u>	<u>225,527</u>
Time restricted	<u>4,032,902</u>	<u>4,290,823</u>
Endowment Funds:		
Lesbian and gay rights matters	1,482,880	1,320,433
Protection of civil liberties	2,440,081	2,221,173
	<u>3,922,961</u>	<u>3,541,606</u>
	<u>\$ 10,902,309</u>	<u>\$ 11,217,781</u>

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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.

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.

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13. DONOR RESTRICTED ENDOWMENTS (continued)

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.

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, 2024 and 2023). 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, 2024 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	<u>1,627,407</u>
	<u><u>\$ 3,922,961</u></u>

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	<u>1,246,052</u>
	<u><u>\$ 3,541,606</u></u>

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13. DONOR RESTRICTED ENDOWMENTS (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended March 31, 2024 is as follows:

	With Donor Restrictions
Balance, March 31, 2023	\$ <u>3,541,606</u>
Investment return	
Interest and dividends, net of fees	53,937
Realized and unrealized net gain	<u>477,335</u>
Total investment return	531,272
Appropriation of net assets	<u>(149,917)</u>
	<u>381,355</u>
Balance, March 31, 2024	<u><u>\$ 3,922,961</u></u>

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

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

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.

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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:

	2024	2023
Cash and cash equivalents	\$ 2,965,296	\$ 6,134,960
Receivables due within one year	3,801,777	1,476,513
Investments	27,129,403	25,277,681
	33,896,476	32,889,154
Less: endowments with donor restrictions	(3,922,961)	(3,541,606)
Less: split interest agreement obligations	(187,161)	(225,527)
Less: net assets with donor restrictions (purpose restricted)	(2,759,285)	(3,159,825)
Less: board designated net assets	(7,929,415)	(3,860,738)
	\$ 19,097,654	\$ 22,101,458

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 \$6,792,188 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 \$1,717,551 to be used in operations next year.

15. RISKS AND UNCERTAINTIES

From time to time, the Foundation is involved in various disputes and litigation matters, which arise in the ordinary course of business. The litigation process is inherently uncertain and it is possible that the resolution of these disputes and lawsuits may adversely affect the Foundation. Management believes, however, that the ultimate resolution of such matters will not have a material adverse impact on the Foundation's financial position, results of operations or cash flows.

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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, 2024, the amount due from the National Office for collected shared revenues in relation to the revenue sharing agreement was \$650,385, while the Foundation owed the National Office \$1,801,673 on shared revenue receivables. This includes \$211,143 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, 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.

In addition, during the year ended March 31, 2024, the Foundation received contributions of \$640,000 from ACLU National. During the year ended March 31, 2023, the Foundation received contributions of \$275,000 from ACLU National.

The Foundation's pension plan payable to the National Office was \$69,519 and \$102,244 as of March 31, 2024 and 2023, 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 \$4,708,895 for the year ended March 31, 2024 and totaled \$4,166,188 for the year ended March 31, 2023. There was \$853,128 due to the Union as of March 31, 2024 and \$1,164,432 as of March 31, 2023.

The Union leases the Foundation's office space on a month-to-month basis. The Foundation recognized rental income of \$134,237 during the year ended March 31, 2024 and \$130,327 during the year ended March 31, 2023.

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16. RELATED PARTY TRANSACTIONS (continued)

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

During the year ended March 31, 2024, the Foundation received no contributions from ACLU Foundation of Northern California ("ACLU-NC"). The Foundation received \$27,248 for shared attorney fees from a case. The Foundation also made subgrants of \$86,884 to ACLU-NC and paid them \$399 for shared program costs during the year ended March 31, 2024. 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 also 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, 2023.

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 \$250,000 and \$300,300 during the years ended March 31, 2024 and 2023, respectively.