

**American Civil Liberties Union of
Southern California**

Financial Statements

March 31, 2020



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
American Civil Liberties Union of Southern California
Los Angeles, California

We have audited the accompanying financial statements of American Civil Liberties Union of Southern California (a California nonprofit corporation) (the "Union"), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Civil Liberties Union of Southern California as of March 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independent firm
associated with Moore
Global Network Limited

Change in Accounting Principle

As described in Note 2 to the financial statements, the Union has adopted ASU 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to that matter.

Emphasis of Matter

As discussed in Note 12 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.



Armanino^{LLP}
Los Angeles, California

December 18, 2020

American Civil Liberties Union of Southern California
Statement of Financial Position
March 31, 2020

ASSETS

Cash and cash equivalents	\$ 2,172,651
Investments	1,774,605
Accounts receivable, net	29,623
Contributions and grants receivable, net	336,260
Prepaid expenses and other assets	71,390
Due from related parties	<u>1,295,652</u>
 Total assets	 <u><u>\$ 5,680,181</u></u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 73,814
Accrued expenses	<u>378,193</u>
Total liabilities	<u>452,007</u>
 Net assets	
Without donor restrictions	4,327,085
With donor restrictions	<u>901,089</u>
Total net assets	<u>5,228,174</u>
 Total liabilities and net assets	 <u><u>\$ 5,680,181</u></u>

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

American Civil Liberties Union of Southern California
Statement of Activities
For the Year Ended March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Grants and contributions	\$ 421,264	\$ 842,129	\$ 1,263,393
Membership contributions	3,477,446	-	3,477,446
Special events, net of expenses of \$3,258	282,902	-	282,902
In-kind contributions	19,581	-	19,581
Miscellaneous	401	-	401
Total revenues and support	4,201,594	842,129	5,043,723
Investment income, net	32,074	(5,407)	26,667
Net assets released from restriction	56,029	(56,029)	-
Total revenues, gains, and other support	4,289,697	780,693	5,070,390
Functional expenses			
Program services	2,542,775	-	2,542,775
Support services			
Fundraising	373,319	-	373,319
Management and general	664,078	-	664,078
Total support services	1,037,397	-	1,037,397
Total functional expenses	3,580,172	-	3,580,172
Change in net assets	709,525	780,693	1,490,218
Net assets, beginning of year	3,617,560	120,396	3,737,956
Net assets, end of year	\$ 4,327,085	\$ 901,089	\$ 5,228,174

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

American Civil Liberties Union of Southern California
Statement of Functional Expenses
For the Year Ended March 31, 2020

	Program Services							Support Services			
	Criminal Justice	Police Practices	Economic Justice	Educational Equity	LGBT/Gender/Repro	Immigrant Rights	Activist Engagement	Total Program Services	Fundraising	Management and General	Total
Salaries and wages	\$ 94,646	\$ 95,019	\$ 242,664	\$ 153,145	\$ -	\$ 31,322	\$ 395,083	\$ 1,011,879	\$ 183,833	\$ 335,413	\$ 1,531,125
Payroll taxes & employee benefits	28,609	33,209	85,109	33,303	-	7,489	135,416	323,135	69,171	108,710	501,016
Contracted services	29,431	16,544	54,424	37,642	-	8,250	188,134	334,425	21,258	56,405	412,088
Professional services	176	152	500	346	-	75	1,189	2,438	-	63,428	65,866
Lobby expenses	76,458	23,986	93,887	48,397	6,635	10,385	182,965	442,713	174	452	443,339
Grants	127,000	-	-	-	-	-	-	127,000	-	-	127,000
Facilities	12,709	11,480	33,669	22,917	-	4,641	72,093	157,509	18,963	34,481	210,953
Program expenses	2,906	786	9,181	11,692	3,750	372	12,289	40,976	-	65	41,041
Equipment & software	197	317	558	512	-	84	5,154	6,822	500	3,945	11,267
Insurance	126	109	358	248	-	54	854	1,749	278	9,368	11,395
Meetings & conferences	589	3,070	3,117	548	300	119	8,755	16,498	3,605	3,698	23,801
Travel	2,859	3,947	4,057	1,285	651	362	7,632	20,793	990	6,298	28,081
Other administrative expenses	1,084	1,118	2,237	1,507	-	355	31,010	37,311	77,805	22,234	137,350
Development	-	-	-	-	-	-	19,527	19,527	-	-	19,527
In-kind expense	-	-	-	-	-	-	-	-	-	19,581	19,581
Total expenses	<u>376,790</u>	<u>189,737</u>	<u>529,761</u>	<u>311,542</u>	<u>11,336</u>	<u>63,508</u>	<u>1,060,101</u>	<u>2,542,775</u>	<u>376,577</u>	<u>664,078</u>	<u>3,583,430</u>
Less: expenses included with revenues on the statement of activities											
Cost of direct benefits to donors	-	-	-	-	-	-	-	-	(3,258)	-	(3,258)
	<u>\$ 376,790</u>	<u>\$ 189,737</u>	<u>\$ 529,761</u>	<u>\$ 311,542</u>	<u>\$ 11,336</u>	<u>\$ 63,508</u>	<u>\$ 1,060,101</u>	<u>\$ 2,542,775</u>	<u>\$ 373,319</u>	<u>\$ 664,078</u>	<u>\$ 3,580,172</u>

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

American Civil Liberties Union of Southern California
Statement of Cash Flows
For the Year Ended March 31, 2020

Cash flows from operating activities	
Change in net assets	\$ 1,490,218
Adjustments to reconcile change in net assets to net cash used in operating activities	
Reinvested interest and dividends	(33,516)
Net realized and unrealized losses from investments	6,849
Changes in operating assets and liabilities	
Accounts receivable, net	(10,960)
Contributions and grants receivable, net	(335,860)
Other assets	(20,415)
Accounts payable	(55,579)
Accrued liabilities	(148,197)
Due from national office	<u>(1,116,000)</u>
Net cash used in operating activities	<u>(223,460)</u>
Cash flows from investing activities	
Proceeds from the sale of investments	14,243
Purchase of investments	<u>(11,474)</u>
Net cash provided by investing activities	<u>2,769</u>
Net decrease in cash	(220,691)
Cash, beginning of year	<u>2,393,342</u>
Cash, end of year	<u><u>\$ 2,172,651</u></u>

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

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2020

1. NATURE OF OPERATIONS

The American Civil Liberties Union of Southern California (the "Union") is a nonprofit organization located in Los Angeles, California. The Union is affiliated with the American Civil Liberties Union Inc. (the "National Office") and the ACLU Foundation of Southern California (the "Foundation"). The Union 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 Union is a tax-exempt organization for both federal and state purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements of the Union 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").

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor-imposed restrictions.
- *Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors and grantors. Some donor 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, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment funds that are not required to be maintained in perpetuity, but are restricted until such funds are appropriated for expenditure by the Union. 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 was restricted has been fulfilled, or both.

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

The Union has implemented Financial Accounting Standards Board Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The Union has implemented ASU 2014-09 with a date of initial application of April 1, 2019, using the full retrospective method. The implementation of ASU 2014-09 had no impact on the financial statements for the year ended March 31, 2020.

The Union has also implemented Financial Accounting Standards Board ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. That standard clarifies guidance about whether funds received from contracts and grants are contributions or exchange transactions. The standard further provides that when both a barrier to be overcome and a right of return exist, a donor imposed condition exists and contribution revenue should not be recognized until the condition has been met. A probability assessment about whether the recipient is likely to meet the stipulation is not a factor when determining whether an agreement is a barrier. The Union has implemented the standard on a modified prospective basis, meaning that it has been applied to all arrangements that were not completed as of January 1, 2019, or were entered into after that date. The Union has implemented ASU 2018-08 with a date of initial application of April 1, 2019, using the full retrospective method. The implementation of ASU 2018-08 had no impact on the financial statements for the year ended March 31, 2020.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statement of cash flows, the Union considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and equivalents held temporarily in the investment portfolio are included in investments.

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of credit risk

The Federal Deposit Insurance Corporation insures cash in checking, money market and saving accounts up to \$250,000. The Union has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk for cash and cash equivalents.

Investments are exposed to various risks, such as interest rate, credit and overall market volatility. To address these risks, the Union maintains an investment policy that sets out performance criteria, as well as investment and asset allocation guidelines.

Contributions, grants and other receivables, net

Unconditional promises to give are recorded at their net realizable value in the year made by the donor. Unconditional promises to give that are expected to be collected in future years are discounted to their estimated present values using a risk-free interest rate. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promises are recognized when the conditions on which they depend are substantially met.

Receivables are written off when they are determined to be uncollectable. Management believes that all receivables are fully collectable. Accordingly, there has been no allowance for doubtful accounts established as of March 31, 2020.

The following table summarizes the expected collection of contributions and grants receivable at March 31, 2020:

Due within one year	\$ 242,000
Due within one to five years	100,000
Discount	<u>(5,740)</u>
	<u>\$ 336,260</u>

Investments

Investments are carried at fair value as determined by quoted market prices or based on quotations of similar securities, or other estimates where market quotes are not available. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Gains and losses on investments resulting from market fluctuations are recorded in the statement of activities in the period that such fluctuations occur. Realized gains or losses on sales of investments are calculated on an adjusted cost basis. Dividend and interest income are accrued when earned.

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2020

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 follow:

- *Level 1* - Quoted prices are available in active markets for identical instruments as of the reporting date. As the Union'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.

Revenue recognition

Contributions are recognized as revenues when they are received or unconditionally pledged. The Union reports gifts of cash and other assets as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as net assets released from restriction.

Revenue sharing

As discussed in Note 7, certain revenues are subject to a revenue sharing agreement with the National Office. Revenues subject to this agreement include certain membership renewals, special appeals, and bequests. 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 Union. Shared revenues are reported net of the National Office's share in the Statement of Activities.

Functional expenses

The cost of providing the various program and supporting services of the Union have been summarized on a functional basis in the accompanying 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.

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Union is exempt from income taxes under Section 501(c)(4) of the U.S. Internal Revenue Code and is subject to taxes on unrelated business income. The Union recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Union 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 Union's financial position or statement of activities.

Subsequent events

The Union has evaluated subsequent events through December 7, 2020, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Union's financial statements.

3. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Union's assets at fair value as of March 31, 2020:

	Level 1	Level 2	Level 3	Fair Value
Money market funds	\$ 1,724,699	\$ -	\$ -	\$ 1,724,699
Bond funds	14,157	-	-	14,157
Equity funds	35,749	-	-	35,749
	\$ 1,774,605	\$ -	\$ -	\$ 1,774,605

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purposes	
Protection of civil liberties and advocacy	\$ 850,964
Endowment funds to be retained in perpetuity	50,125
	\$ 901,089

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2020

5. DONOR RESTRICTED ENDOWMENT

The Union's endowment consists of one fund 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 Union'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 Union 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 Union 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 Union 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 Union
- (7) The investment policies of the Union

Strategies employed for achieving objectives

To satisfy its long-term rate of return objectives, the Union 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 Union'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 Union believes that a balanced approach to portfolio management is required to reduce volatility and prudently maximize total return for the long term. The Union recognizes that economic and security market conditions are not constant but everchanging and, as a result, continuous portfolio adjustments will be required.

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2020

5. DONOR RESTRICTED ENDOWMENT (continued)

Return objectives and risk parameters

The Union 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 Union must hold in perpetuity or for a donor-specified period(s). 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

The Union 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 30, 2020). All earnings of the endowment funds not withdrawn shall be reinvested. This is consistent with the Union'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, 2020 is as follows:

Balance, beginning of year	\$ 58,281
Investment return	
Interest and dividends, net of fees	1,442
Realized gains	2,253
Unrealized losses	(9,102)
	<u>(5,407)</u>
Appropriation for expenditure	<u>(2,749)</u>
Balance, end of year	<u>\$ 50,125</u>

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2020

6. RETIREMENT BENEFITS

The Union 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 Union records expense related to the Pension Plan when the contribution is due. The Pension Plan is a defined benefit plan covering employees who had at least one year of service, or at least 1,000 hours worked per year, and were at least 21 years of age. Benefits are based on service to date on an average of career earnings. The Union's policy is to fund pension costs by contribution of at least the minimum amount required by the Employee Retirement Income Security Act of 1974 ("ERISA"). For the year ended March 31, 2020, the cost incurred by the Union in connection with the Pension Plan amounted to \$118,624, of which \$10,952 is included as a reduction of event revenue.

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 contribution of 2% and an employer match of 100% of the first 1% of the employee's contribution and 50% of the next 5% of an employee's contribution, for a total match of 3.5% and a total employer contribution of 5.5%. For the year ended March 31, 2020, total employer matching contributions amounted to \$37,136, of which \$584 is included as a reduction of event revenue.

7. RELATED PARTY TRANSACTIONS

National office

Amounts due from the National Office represent the Union's share of membership contributions, special appeals, and bequests that were collected by the National Office for the Union.

In relation to the revenue sharing agreement, the Union has a net receivable from the National Office at March 31, 2020, which consists of:

Revenue sharing due from National Office	\$ 630,994
Receivable from National Office for membership contributions	<u>270,665</u>
	<u>\$ 901,659</u>

Accounts payable and accrued expenses include reimbursement to the National Office for contributions payable to the pension plan for the Union's employees, which amounted to \$26,376 as of March 31, 2020.

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2020

7. RELATED PARTY TRANSACTIONS (continued)

Foundation

The Union shares common workspace, personnel and other operating expenses with the Foundation. These expenses are apportioned between the Union and the Foundation based on management's estimates. Shared expenses which were apportioned to the Union totaled \$2,521,943 for the year ended March 31, 2020. There was \$393,993 due from the Foundation as of March 31, 2020.

The Union leases the Foundation's office space on a month-to-month basis. Monthly rent during the year ended March 31, 2020 was \$9,939.

ACLU-NC

The Union shares the expenses of the Sacramento legislative office with the ACLU of Northern California ("ACLU-NC") and ACLU of San Diego and Imperial Counties ("ACLU- SDIC"). Expenses of the Sacramento legislative office are paid by ACLU-NC and reimbursed by the Union on a monthly basis. Included on the accompanying Statement of Activities is \$443,339 of lobbying expenses which includes a grant of \$247,000, representing the Union's share of Sacramento legislative expenses for the year ended March 31, 2020.

ACLU-NC also provided a grant to the Union for \$300,000 for activist engagement and development and a grant for \$42,000 for program collaboration.

8. LIQUIDITY

The Union is significantly supported by contributions without donor restrictions. The Union maintains sufficient resources to meet its responsibilities to its donors. The Union'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.

The following reflects the Union'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.

The Union's financial assets available within one year of March 31, 2020 to meet general expenditures include:

Cash and cash equivalents	\$ 2,172,651
Investments	1,774,605
Accounts receivable, net	29,623
Contributions and grants receivable, net	<u>336,260</u>
	4,313,139
Less: net assets with donor restrictions	<u>(901,089)</u>
	<u><u>\$ 3,412,050</u></u>

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2020

9. RISK AND UNCERTAINTIES

The Union is a defendant in a lawsuit initiated by a former employee in June 2020, alleging wrongful termination. The Union intends to defend the case vigorously and anticipates a favorable outcome.

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter-in-place orders. In response, the U.S. Government enacted the Coronavirus Aid, Relief and Economic Security (CARES) Act, which includes significant provisions to provide relief and assistance to affected organizations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter-in-place orders and the ultimate impact of the CARES Act and other governmental initiatives. It is at least reasonably possible that this matter will negatively impact the Union. While the ultimate financial impact and duration cannot be reasonably estimated at this time, as of the date the financial statements were available to be issued, there has not been a material decrease in operations. To the contrary, the pandemic has increased the demand for the Union's services as well as support for their work.