

**American Civil Liberties Union
of Southern California**

Financial Statements

March 31, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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, 2023 and 2022, and the changes in its net assets and its 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 American Civil Liberties Union of Southern California and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about American Civil Liberties Union of Southern California's ability to continue as a going concern within one year after the date that the 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 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 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 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 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 American Civil Liberties Union 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Civil Liberties Union 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

October 20, 2023

American Civil Liberties Union of Southern California
 Statements of Financial Position
 March 31, 2023 and 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 4,115,175	\$ 3,929,626
Investments	3,240,316	3,310,047
Accounts receivable, net	973	-
Contributions and grants receivable, net	58,364	29,789
Prepaid expenses and other assets	128,586	110,809
Due from related parties	2,126,584	2,416,241
Total assets	\$ 9,669,998	\$ 9,796,512
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 83,265	\$ 44,173
Accrued expenses	271,011	306,886
Total liabilities	354,276	351,059
Net assets		
Without donor restrictions		
Board-designated	790,754	573,869
Undesignated	7,041,726	6,979,098
Total without donor restrictions	7,832,480	7,552,967
With donor restrictions	1,483,242	1,892,486
Total net assets	9,315,722	9,445,453
Total liabilities and net assets	\$ 9,669,998	\$ 9,796,512

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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and support			
Support			
Grants and contributions	\$ 210,877	\$ 151,618	\$ 362,495
Membership contributions	3,748,145	-	3,748,145
Bequests	187,360	-	187,360
Special events	279,560	-	279,560
Miscellaneous income	24	-	24
In-kind contributions	1,475	-	1,475
Net assets released from restriction	<u>555,500</u>	<u>(555,500)</u>	<u>-</u>
Total support	4,982,941	(403,882)	4,579,059
Investment income (loss), net	<u>(62,053)</u>	<u>(5,362)</u>	<u>(67,415)</u>
Total revenues and support	<u>4,920,888</u>	<u>(409,244)</u>	<u>4,511,644</u>
Functional expenses			
Program services	<u>3,144,701</u>	<u>-</u>	<u>3,144,701</u>
Support services			
Fundraising	402,622	-	402,622
Management and general	<u>1,094,052</u>	<u>-</u>	<u>1,094,052</u>
Total support services	<u>1,496,674</u>	<u>-</u>	<u>1,496,674</u>
Total functional expenses	<u>4,641,375</u>	<u>-</u>	<u>4,641,375</u>
Change in net assets	279,513	(409,244)	(129,731)
Net assets, beginning of year	<u>7,552,967</u>	<u>1,892,486</u>	<u>9,445,453</u>
Net assets, end of year	<u><u>\$ 7,832,480</u></u>	<u><u>\$ 1,483,242</u></u>	<u><u>\$ 9,315,722</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Support			
Grants and contributions	\$ 102,185	\$ 1,028,945	\$ 1,131,130
Membership contributions	3,833,822	-	3,833,822
Bequests	304,860	30,000	334,860
Special events	283,355	-	283,355
Miscellaneous income	738	-	738
In-kind contributions	428	-	428
Net assets released from restriction	<u>404,899</u>	<u>(404,899)</u>	<u>-</u>
Total support	4,930,287	654,046	5,584,333
Investment income (loss), net	<u>(41,655)</u>	<u>2,596</u>	<u>(39,059)</u>
Total revenues and support	<u>4,888,632</u>	<u>656,642</u>	<u>5,545,274</u>
Functional expenses			
Program services	<u>2,871,159</u>	<u>-</u>	<u>2,871,159</u>
Support services			
Fundraising	388,901	-	388,901
Management and general	<u>978,775</u>	<u>-</u>	<u>978,775</u>
Total support services	<u>1,367,676</u>	<u>-</u>	<u>1,367,676</u>
Total functional expenses	<u>4,238,835</u>	<u>-</u>	<u>4,238,835</u>
Change in net assets	649,797	656,642	1,306,439
Net assets, beginning of year	<u>6,903,170</u>	<u>1,235,844</u>	<u>8,139,014</u>
Net assets, end of year	<u><u>\$ 7,552,967</u></u>	<u><u>\$ 1,892,486</u></u>	<u><u>\$ 9,445,453</u></u>

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, 2023

	Program Services								Support Services			
	First Amendment	Criminal Justice	Police Practices	Economic Justice	Educational Equity	LGBT/ Gender/ Repro	Immigrant Rights	Activist Engagement	Total Program Services	Fundraising	Management and General	Total
Personnel expenses	\$ 89,389	\$ 334,593	\$ 142,310	\$ 275,663	\$ 87,146	\$ 104,674	\$ 68,624	\$ 571,066	\$1,673,465	\$ 135,387	\$ 792,793	\$ 2,601,645
Contracted services	3,498	13,295	6,576	10,229	9,971	24,055	3,100	78,976	149,700	11,064	72,623	233,387
Special event expense	-	-	-	-	-	-	-	-	-	224,566	-	224,566
Lobbying expenses	47,829	175,863	76,879	138,817	52,738	64,296	41,978	321,388	919,788	9,780	-	929,568
Facilities	8,520	31,382	13,460	25,184	9,006	11,118	7,132	54,024	159,826	10,056	49,487	219,369
Program expenses	1,070	35,173	4,326	11,013	29,293	50,358	1,611	7,801	140,645	3,268	13,022	156,935
Equipment & software	451	1,025	455	797	316	325	263	16,050	19,682	748	17,703	38,133
Insurance	312	1,109	497	912	335	412	276	2,065	5,918	850	73,299	80,067
Meetings & conferences	110	838	370	807	10,202	803	950	892	14,972	459	7,081	22,512
Travel	455	1,868	2,300	3,390	6,352	361	1,871	1,310	17,907	333	563	18,803
Other administrative expenses	1,725	7,523	3,302	5,812	2,014	3,174	2,229	17,019	42,798	6,111	66,006	114,915
In-kind expense	-	-	-	-	-	-	-	-	-	-	1,475	1,475
	<u>\$ 153,359</u>	<u>\$ 602,669</u>	<u>\$ 250,475</u>	<u>\$ 472,624</u>	<u>\$ 207,373</u>	<u>\$ 259,576</u>	<u>\$ 128,034</u>	<u>\$ 1,070,591</u>	<u>\$3,144,701</u>	<u>\$ 402,622</u>	<u>\$ 1,094,052</u>	<u>\$ 4,641,375</u>

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, 2022

	Program Services								Support Services			
	First Amendment	Criminal Justice	Police Practices	Economic Justice	Educational Equity	LGBT/ Gender/ Repro	Immigrant Rights	Activist Engagement	Total Program Services	Fundraising	Management and General	Total
Personnel expenses	\$ 54,877	\$ 343,971	\$ 137,495	\$ 239,628	\$ 126,468	\$ 140,032	\$ 62,351	\$ 516,120	\$1,620,942	\$ 132,773	\$ 646,371	\$ 2,400,086
Contracted services	3,059	14,791	30,830	9,789	6,118	9,185	3,181	52,291	129,244	13,983	163,174	306,401
Special event expense	-	-	-	-	-	-	-	-	-	218,522	-	218,522
Lobbying expenses	34,987	171,730	70,682	116,960	69,975	70,075	36,448	273,339	844,196	-	-	844,196
Facilities	6,548	33,508	13,676	22,390	13,806	14,678	6,949	50,652	162,207	11,172	46,182	219,561
Program expenses	426	2,385	1,979	1,364	20,617	16,631	443	10,170	54,015	1,957	1,879	57,851
Equipment & software	424	860	392	548	586	335	155	8,910	12,210	608	5,697	18,515
Insurance	96	438	182	306	191	191	99	745	2,248	348	62,673	65,269
Meetings & conferences	61	1,037	291	726	2,832	122	213	1,120	6,402	72	225	6,699
Travel	21	116	40	89	484	111	22	164	1,047	218	192	1,457
Other administrative expenses	1,061	6,453	2,280	3,867	2,526	2,677	1,269	18,403	38,536	9,248	52,067	99,851
In-kind expense	-	112	-	-	-	-	-	-	112	-	315	427
	<u>\$ 101,560</u>	<u>\$ 575,401</u>	<u>\$ 257,847</u>	<u>\$ 395,667</u>	<u>\$ 243,603</u>	<u>\$ 254,037</u>	<u>\$ 111,130</u>	<u>\$ 931,914</u>	<u>\$2,871,159</u>	<u>\$ 388,901</u>	<u>\$ 978,775</u>	<u>\$ 4,238,835</u>

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

American Civil Liberties Union of Southern California
 Statements of Cash Flows
 For the Years Ended March 31, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (129,731)	\$ 1,306,439
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Reinvested interest and dividends, net of fees	(50,272)	(17,018)
Net realized and unrealized losses from investments	117,687	56,077
Changes in operating assets and liabilities		
Accounts receivable, net	(973)	33,735
Contributions and grants receivable, net	(28,575)	284,743
Prepaid expenses and other assets	(17,777)	(30,122)
Due from related parties	289,657	(268,256)
Accounts payable	39,092	3,245
Accrued expenses	(35,875)	18,796
Net cash provided by operating activities	183,233	1,387,639
Cash flows from investing activities		
Proceeds from the sale of investments	8,183	276,450
Purchase of investments	(5,867)	(1,900,841)
Net cash provided by (used in) investing activities	2,316	(1,624,391)
Net increase (decrease) in cash and cash equivalents	185,549	(236,752)
Cash and cash equivalents, beginning of year	3,929,626	4,166,378
Cash and cash equivalents, end of year	\$ 4,115,175	\$ 3,929,626

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

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2023 and 2022

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").

The Union reports information regarding its financial position and activities based on the existence or absence of donor imposed restrictions. 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 asset without donor restrictions - board designated* - Include net assets without donor restrictions the Union's Board of Directors has segregated for reserves.
- *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, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Concentrations

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.

Substantially all of the Union's receivables are from individuals, businesses, or nonprofit organizations in Southern California or from foundations and ACLU affiliates across the country. Collectability of these receivables may be affected by changes in the economic or other conditions of the geographical area. One grantor comprised 15% of contributions and grants receivable as of March 31, 2023. One grantor comprised 19% of Union's total financial contributions and grants for the year ended March 31, 2022. Three grantors comprised 95% (49%, 34% and 12%) of contributions and grants receivable as of March 31, 2022.

Contributions and grants 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, consisting of agreements with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions have been 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, 2023 or 2022.

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and grants receivables, net (continued)

The following table summarizes the expected collection of contributions and grants receivable:

	<u>2023</u>	<u>2022</u>
Due within one year	<u>\$ 58,364</u>	<u>\$ 29,789</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.

Fair value measurements

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

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 9, 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 accompanying statements of activities.

In-kind contributions

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, 2023 and 2022, the Union received contributions of legal services with a fair value of \$1,475 and \$428, 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 contribution revenue and program and supporting services expenses.

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, 2023 and 2022

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 October 20, 2023, the date the 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 Union's financial statements.

In June 2023, the Union entered into a settlement agreement to settle a lawsuit (See Note 11).

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Union's assets 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 market funds	\$ 1,483,800	\$ -	\$ -	\$ 1,483,800
Benchmark equity	1,106,370	-	-	1,106,370
Fixed income	410,647	-	-	410,647
Multi-asset blend	179,870	-	-	179,870
Equity funds	42,127	-	-	42,127
Bond funds	<u>17,502</u>	<u>-</u>	<u>-</u>	<u>17,502</u>
	<u>\$ 3,240,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,240,316</u>

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2023 and 2022

3. INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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

	Level 1	Level 2	Level 3	Fair Value
Money market funds	\$ 1,466,096	\$ -	\$ -	\$ 1,466,096
Equity funds	1,239,632	-	-	1,239,632
Fixed income	586,249	-	-	586,249
Bond funds	18,070	-	-	18,070
	<u>\$ 3,310,047</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,310,047</u>

4. NET ASSET WITHOUT DONOR RESTRICTIONS - BOARD DESIGNATED

The Board of Directors established policies to set aside certain funds for general and emergency cash needs ("Board Designated Funds"). Although \$573,869 was earmarked for the budget year ending March 31, 2023, the Union only used \$223,869 during the year ended March 31, 2023. The entire amount designated during the year is earmarked for the budget year ending March 31, 2024.

The activities in these Board Designated Funds are as follows:

	2023	2022
Balance, beginning of year	\$ 573,869	\$ -
Additions	440,754	573,869
Funds used	(223,869)	-
Balance, end of year	<u>\$ 790,754</u>	<u>\$ 573,869</u>

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2023 and 2022

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	2023	2022
Subject to expenditure for specified purposes		
Voting Rights	\$ 1,088,715	\$ 1,360,897
Police Practices	192,656	239,656
LGBT / Gender / Reproductive rights	76,565	109,442
Economic Justice	5,000	-
Support Functions	2,000	-
Activist Engagement	-	100,000
	1,364,936	1,809,995
Time restricted	58,364	14,871
Endowment funds to be retained in perpetuity	59,942	67,620
	\$ 1,483,242	\$ 1,892,486

6. 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 U.S. 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.

American Civil Liberties Union of Southern California
Notes to Financial Statements
March 31, 2023 and 2022

6. DONOR RESTRICTED ENDOWMENT (continued)

Interpretation of relevant law (continued)

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 ever-changing and, as a result, continuous portfolio adjustments will be required.

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.

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6. DONOR RESTRICTED ENDOWMENT (continued)

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 31, 2023 and 2022). 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 is as follows:

	2023	2022
Balance, beginning of year	\$ 67,620	\$ 67,968
Investment return (loss)		
Interest and dividends, net of fees	1,259	1,246
Realized gains	2,033	3,318
Unrealized gains (losses)	(8,674)	(1,968)
	(5,382)	2,596
Appropriation for expenditure	(2,296)	(2,944)
Balance, end of year	\$ 59,942	\$ 67,620

7. COMMITMENTS

Collective Bargaining Agreement

Union employees unionized and chose National Organization of Legal Services Workers (NOLSW), UAW Local 2320 as their exclusive representative. ACLU 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.

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8. 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").

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 Union 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 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 years ended March 31, 2023 and 2022, the costs incurred by the Union in connection with the Pension Plan amounted to \$174,798 and \$168,021, respectively. Of these costs, the amounts included as a reduction of event revenue was \$21,216 and \$21,038 as of March 31, 2023 and 2022, respectively.

For the years ended March 31, 2023 and 2022, total employer matching contributions amounted to \$70,452 and \$64,004, respectively. Of these costs, the amounts included as a reduction of event revenue was \$319 and \$271 as of March 31, 2023 and 2022, respectively.

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9. 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 consisting of the following:

	2023	2022
Revenue sharing due from National Office	\$ 159,428	\$ 1,239,050
Receivable from National Office for membership contributions	802,725	276,065
	\$ 962,153	\$ 1,515,115

The Union's pension plan payable to the National Office was \$43,823 and \$42,996 as of March 31, 2023 and 2022, respectively.

Foundation

The Union shares common workspace, personnel and other operating expenses with the Foundation. 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. Shared expenses which were apportioned to the Union totaled \$4,166,188 for the year ended March 31, 2023 and totaled \$3,669,231 for the year ended March 31, 2022. There was \$1,164,431 due from the Foundation as of March 31, 2023 and \$901,125 as of March 31, 2022.

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

ACLU-NC

During the year ended, March 31, 2023, the Union received no contribution from ACLU of Northern California ("ACLU-NC"). The Union paid ACLU-NC \$26,241 for shared program costs.

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9. RELATED PARTY TRANSACTIONS (continued)

ACLU California Action

ACLU California Action is a 501(c)(4) organization jointly formed by the ACLU affiliates in CA to achieve policy change on a statewide level at the end of FY 20-21. The Union paid ACLU-California Action \$793,246 during the year ended March 31, 2023 and \$613,810 in the year ended March 31, 2022. ACLU-California Action conducts legislative activities in Sacramento for the California ACLU affiliates that were previously funded by ACLU-Northern California.

10. 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 statements 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 purpose restricted net assets is as follows:

	2023	2022
Cash and cash equivalents	\$ 4,115,175	\$ 3,929,626
Investments	3,240,316	3,310,047
Accounts receivable, net	973	-
Contributions and grants receivable, net	58,364	29,789
	7,414,828	7,269,462
Less: net assets with donor restrictions	(1,423,300)	(1,824,866)
Less: endowments with donor restrictions	(59,942)	(67,620)
	\$ 5,931,586	\$ 5,376,976

In addition, the Union has Purpose Restricted Funds of \$1,423,302 and Board Designated Funds, as described in Note 4. The Union 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 Union has appropriated the entire board-designated net asset amount of \$790,754 to be used in operations next year.

11. RISK AND UNCERTAINTIES

The Union was a defendant in a lawsuit initiated by a former employee in June 2020, alleging wrongful termination. In June 2023, ACLU entered into a settlement agreement to settle the lawsuit. The Foundation and ACLU's insurer paid the settlement amount.