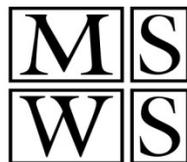


**AMERICAN CIVIL LIBERTIES
UNION OF MARYLAND, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
MARCH 31, 2022**

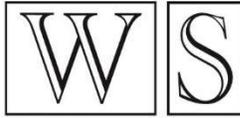


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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MULLEN & SONDBERG
WIMBISH & STONE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

888 Bestgate Road • Suite 310 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
American Civil Liberties Union of Maryland, Inc.
Baltimore, Maryland

Opinion

We have audited the accompanying consolidated financial statements of American Civil Liberties Union of Maryland, Inc. and American Civil Liberties Union Foundation of Maryland, Inc. (non-profit organizations), which comprise the consolidated statement of financial position as of March 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year 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 American Civil Liberties Union of Maryland, Inc. and American Civil Liberties Union Foundation of Maryland, Inc., as of March 31, 2022, and the changes in their net assets and their cash flows for the year 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 Consolidated Financial Statements section of our report. We are required to be independent of American Civil Liberties Union of Maryland, Inc. and American Civil Liberties Union Foundation of Maryland, Inc. 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.

To the Board of Directors of
American Civil Liberties Union of Maryland, Inc.

Responsibilities of Management for the Consolidated 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; this includes 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 American Civil Liberties Union of Maryland, Inc. and American Civil Liberties Union Foundation of Maryland, Inc.'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 Consolidated 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 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 American Civil Liberties Union of Maryland, Inc. and American Civil Liberties Union Foundation of Maryland, Inc.'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about American Civil Liberties Union of Maryland, Inc. and American Civil Liberties Union Foundation of Maryland, Inc.'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.

To the Board of Directors of
American Civil Liberties Union of Maryland, Inc.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 19 - 24 are presented for purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited American Civil Liberties Union of Maryland, Inc. and American Civil Liberties Union Foundation of Maryland, Inc.'s 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 25, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



MULLEN, SONDBERG, WIMBISH & STONE, P.A.

Annapolis, Maryland
November 8, 2022

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2022

ASSETS		
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,587,046	\$ 741,044
Investments	11,943,942	10,538,016
Contributions receivable	60,000	325,000
Due from National Affiliate	1,749,920	1,477,782
Prepaid expenses	76,564	64,738
Total current assets	15,417,472	13,146,580
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	14,897	23,188
OTHER ASSETS		
Deposits	14,314	15,849
Total assets	\$ 15,446,683	\$ 13,185,617
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 31,324	\$ 44,955
Accrued expenses	506,733	215,403
Accrued pension expense	192,683	174,979
Due to National Affiliate	5,630	-
Total current liabilities	736,370	435,337
NET ASSETS		
Without donor restrictions	14,497,191	12,219,117
With donor restrictions	213,122	531,163
Total net assets	14,710,313	12,750,280
Total liabilities and net assets	\$ 15,446,683	\$ 13,185,617

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

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended March 31, 2022
With Summarized Financial Information for the Year Ended March 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
REVENUES, GAINS AND OTHER SUPPORT				
Direct support:				
Donations	\$ 2,398,081	\$ 116,205	\$ 2,514,286	\$ 1,690,367
Grants	481,770	80,000	561,770	791,000
Bequests	563,645	-	563,645	142,951
	<u>3,443,496</u>	<u>196,205</u>	<u>3,639,701</u>	<u>2,624,318</u>
Donated legal services	<u>5,234,038</u>	<u>-</u>	<u>5,234,038</u>	<u>1,334,019</u>
Total direct support	<u>8,677,534</u>	<u>196,205</u>	<u>8,873,739</u>	<u>3,958,337</u>
Other revenue:				
Membership dues	1,686,400	-	1,686,400	1,649,470
Legal awards	1,454,637	-	1,454,637	103,500
Realized and unrealized gain on investments	317,953	-	317,953	2,518,735
Net investment return	201,887	-	201,887	166,502
Other revenue	9,233	-	9,233	150
Total other revenue	<u>3,670,110</u>	<u>-</u>	<u>3,670,110</u>	<u>4,438,357</u>
Net assets released from restrictions	<u>514,246</u>	<u>(514,246)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>12,861,890</u>	<u>(318,041)</u>	<u>12,543,849</u>	<u>8,396,694</u>
EXPENSES				
Program services	9,340,323	-	9,340,323	5,006,625
Supporting services:				
Management and general	763,102	-	763,102	815,117
Fundraising	480,391	-	480,391	294,831
Total supporting services	<u>1,243,493</u>	<u>-</u>	<u>1,243,493</u>	<u>1,109,948</u>
Total expenses	<u>10,583,816</u>	<u>-</u>	<u>10,583,816</u>	<u>6,116,573</u>
Change in net assets	2,278,074	(318,041)	1,960,033	2,280,121
NET ASSETS AT BEGINNING OF YEAR	<u>12,219,117</u>	<u>531,163</u>	<u>12,750,280</u>	<u>10,470,159</u>
NET ASSETS AT END OF YEAR	<u>\$14,497,191</u>	<u>\$ 213,122</u>	<u>\$14,710,313</u>	<u>\$12,750,280</u>

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

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2022
With Summarized Financial Information for the Year Ended March 31, 2021

	Supporting Services			Total		
	Program Services	Management and General	Fundraising	Total Supporting Services	2022	2021
Donated legal services	\$ 5,234,038	\$ -	\$ -	\$ -	\$ 5,234,038	\$ 1,334,019
Payroll and related expenses	3,014,917	597,887	367,811	965,698	3,980,615	3,464,966
Professional fees	405,649	80,444	49,488	129,932	535,581	459,684
Occupancy	194,381	38,547	23,714	62,261	256,642	256,701
Office expense	113,228	22,455	13,815	36,270	149,498	143,519
Litigation	105,511	-	-	-	105,511	7,575
Telephone and communications	75,043	14,882	9,154	24,036	99,079	77,271
Legislative	85,617	-	-	-	85,617	110,648
Printing and publications	51,887	1,781	1,096	2,877	54,764	180,395
Travel and meetings	29,658	2,099	1,291	3,390	33,048	36,987
Depreciation	11,503	2,281	1,403	3,684	15,187	17,480
Miscellaneous	7,519	1,491	917	2,408	9,927	12,354
Fundraising and membership events	-	-	8,310	8,310	8,310	1,374
Postage	5,937	1,177	725	1,902	7,839	8,041
Library and dues	5,435	58	36	94	5,529	2,655
Bank service charges	-	-	2,631	2,631	2,631	2,904
Total expenses	\$ 9,340,323	\$ 763,102	\$ 480,391	\$ 1,243,493	\$ 10,583,816	\$ 6,116,573

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

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended March 31, 2022

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,960,033	\$ 2,280,121
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	15,187	17,480
Realized and unrealized gain on investments	(317,953)	(2,518,735)
(Increase) decrease in operating assets:		
Contributions receivable	265,000	(172,500)
Due from National Affiliate	(272,138)	237,857
Prepaid expenses	(11,826)	(15,838)
Deposits	1,535	-
Increase (decrease) in operating liabilities:		
Accounts payable	(13,631)	3,475
Accrued expenses	291,330	77,662
Accrued pension expense	17,704	(12,583)
Due to National Affiliate	5,630	-
Net cash rovided by (used in) operating activities	1,940,871	(103,061)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and reinvested dividends	(1,809,363)	(1,226,825)
Proceeds from sale of investments	721,390	558,178
Purchase of equipment	(6,896)	(7,922)
Net cash used in investing activities	(1,094,869)	(676,569)
Net change in cash and cash equivalents	846,002	(779,630)
Cash and cash equivalents at beginning of year	741,044	1,520,674
Cash and cash equivalents at end of year	\$ 1,587,046	\$ 741,044

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

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2022

Note 1 - Summary of Significant Accounting Policies

Nature of Organization

The American Civil Liberties Union of Maryland, Inc. (the ACLU) is a non-profit organization that provides education and lobbies regarding civil rights and liberties. The ACLU is funded by membership dues and public support. Membership dues are forwarded to the National ACLU office and allocations are made to the various affiliates in accordance with revenue sharing policies.

The American Civil Liberties Union Foundation of Maryland, Inc. (the ACLU Foundation) is a non-profit organization that provides legal services for persons threatened with, or involved in civil or criminal litigation in which questions of civil liberties or civil rights have arisen, as well as provides public education and advocacy regarding civil rights and liberties. The ACLU Foundation is funded by public support and legal awards.

Consolidation of Related Entity

The ACLU has adopted the provision of *FASB ASC 958-810 "Not-for-Profit Entities – Consolidation."* The ACLU has included its related entity, the ACLU Foundation, in its consolidated financial statements for the years ended March 31, 2022 and 2021. *FASB ASC 958-810* states that a not-for-profit organization should consolidate another not-for-profit organization if the reported not-for-profit organization has both control of the other not-for-profit organization, as evidenced by either majority ownership or a majority voting interest in the Board of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

The ACLU Foundation is a tax-exempt not-for-profit entity incorporated in the State of Maryland. The ACLU Foundation qualifies as a related entity of the ACLU under *FASB ASC 958-810* and, accordingly, the accompanying consolidated financial statements present the financial information of both the ACLU and the ACLU Foundation (the Organization).

The Organization is also required to comply with the provisions of *FASB ASC 850 "Related Party Disclosure."* Under this provision, all material related party transactions have been eliminated in the consolidating process and substantive disclosure of these amounts is not required.

Basis of Accounting

The Organization prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2022

Note 1 - Summary of Significant Accounting Policies (Cont.)

Basis of Presentation

The consolidated financial statements of the Organization have been prepared in accordance with U.S Generally Accepted Accounting Principles, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to restrictions imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. The prior year information included in the consolidated statement of financial position, statement of activities, statement of functional expenses, statement of cash flows and footnote disclosures are included for comparative purposes only. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended March 31, 2021, from which the summarized information was derived.

Revenue Recognition – Contributions and Fundraising

Contributions are reported as revenue in the year received and/or when the unconditional promises are made. The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. When a donor restriction expires, that is, when the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions, including donor-restricted conditional contributions, whose restrictions (and conditions, if applicable) are met in the same year are reported as support without donor restrictions.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2022

Note 1 - Summary of Significant Accounting Policies (Cont.)

Revenue Recognition – Contributions and Fundraising (Cont.)

Promises to give with a measurable performance or other barrier and a right of return are considered conditional promises to give and are not recognized until the conditions on which they depend have been met. There were no conditional promises to give for the years ended March 31, 2022 and 2021.

Membership dues are used to provide benefits to the general public and benefits to members are negligible. Membership dues have been evaluated and accounted for as contributions.

Legal awards are settlements awarded to the Organization for the attorney fees incurred in a case. Legal awards have been evaluated and accounted for as contributions.

Revenue Recognition - Grants

Grants are reported as revenue based on the terms and conditions of each specific grant agreement with the grantor. Grants that are earned based on the expenditure of specific expenses are recorded as revenue when the expenses are incurred and the Organization has an unconditional right to the grant funds. Unexpended grant awards under these arrangements are classified as refundable advances in the statement of financial position until they are earned. Grants that are received with grantor restrictions or stipulations regarding the use of the grant funds are classified as grants with donor restrictions. When a donor restriction expires, that is, when the restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted grants whose restrictions are met in the same year are reported as support without donor restrictions.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the consolidated statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2022

Note 1 - Summary of Significant Accounting Policies (Cont.)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents except those held in an investment portfolio.

Concentration of Cash Balances

At March 31, 2022 and 2021, and at various times during the fiscal years then ended, the Organization maintained cash balances in excess of the federally insured limit. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Investments

Investments are presented in the financial statements at fair value. The net realized and unrealized gain (loss) in the fair value of investments is reflected in the consolidated statement of activities. Investments consist of cash and cash equivalents, certificates of deposit, and mutual funds held by a broker.

Contributions Receivable

Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the rate and circumstances applicable to each of the contributions receivable. Amortization of the discounts is included in contribution revenue. Conditional contributions receivable are not included as support until the conditions are substantially met. The Organization uses the allowance method to determine uncollectible contributions receivable which is based on prior years' experience and management's analysis of specific contributions made. The Organization has not established an allowance for any bad debts associated with these accounts as management believes that all contributions receivable are fully collectible.

Property and Equipment

Property and equipment acquisitions over \$3,000 are capitalized and recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2022

Note 1 - Summary of Significant Accounting Policies (Cont.)

Income Taxes

The ACLU is exempt from income tax under Section 501(c)(4) of the Internal Revenue Code. The ACLU Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. It is exempt from paying federal income tax on any income except unrelated business income.

The Organization follows the guidance of *ASC 740-10, "Accounting for Uncertainty in Income Taxes"* which clarifies the accounting for the recognition and measurement of the benefits of individual tax positions in the financial statements, including those of non-profit organizations. Tax positions must meet a recognition threshold of more-likely-than not in order for the benefit of those tax positions to be recognized in the Organization's financial statements.

The Organization analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as a tax-exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. The Organization does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Organization's financial position or changes in net assets as a result of analyzing its tax positions.

Reclassifications of Prior Year Balances

Certain reclassifications of the prior year balances have been made to conform to current year presentation.

Donated Services, Materials, and Equipment

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements included in donations are offset by like amounts included in expenses or additions to property and equipment. The amount of services contributed for the years ending March 31, 2022 and 2021 were \$5,234,038 and \$1,334,019, respectively. There were no donated materials or equipment for years ending March 31, 2022 and 2021, respectively.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2022

Note 1 - Summary of Significant Accounting Policies (Cont.)

Allocation of Functional Expenses

Accounting principles generally accepted in the United States of America require all non-profit organizations to present their expenses on a functional basis, separating program services from management and general and fundraising expense. Expenses are either charged directly to program services as incurred or allocated based on estimates of time and effort or usage. The expenses that have been allocated based on estimates of time and effort include the following: salaries and related expenses, purchase of service, interest, maintenance and equipment, utilities, supplies, insurance, gas, oil, repairs, staff development, and telephone. Depreciation expense has been allocated based on usage.

The costs of providing various program and supporting services has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 - Availability and Liquidity

The following represents the Organization's financial assets at March 31:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 1,587,046	\$ 741,044
Investments	11,943,942	10,538,016
Contributions receivable	60,000	325,000
Due from National Affiliate	1,749,920	1,477,782
Prepaid expenses	76,564	64,738
Total financial assets	15,417,472	13,146,580
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	213,122	484,546
Financial assets available to meet general expenditures over the next twelve months	\$ 15,204,350	\$ 12,662,034

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$5.2 million). As part of its liquidity plan, excess cash is invested in short term investments, including money market accounts and certificates of deposit as well as longer term investments in the wider markets.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2022

Note 3 - Fair Value Measurement

ASC 820-10 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) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under *FASB ASC820* are as described as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Organization. The Organization considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization's perceived risk of that instrument.

Investments whose values are based on quoted market prices in active markets, and are, therefore classified as Level 1, include cash and cash equivalents and active listed mutual funds.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2022

Note 3 - Fair Value Measurement (Cont.)

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified with Level 2. These include certificates of deposit. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect liquidity and/or non-transferability, which are generally based on available market information.

The table below presents the fair value of financial instruments carried on the statement of financial position and by level within the hierarchy as of year-end:

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 10,852,728	\$ -	\$ -	\$ 10,852,728
Cash and cash equivalents	972,602	-	-	972,602
Certificates of deposit	-	118,612	-	118,612
Total investments	\$ 11,825,330	\$ 118,612	\$ -	\$ 11,943,942
	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 10,364,816	\$ -	\$ -	\$ 10,364,816
Certificates of deposit	-	118,381	-	118,381
Cash and cash equivalents	54,819	-	-	54,819
Total investments	\$ 10,419,635	\$ 118,381	\$ -	\$ 10,538,016

Note 4 - Contributions Receivable

Contributions receivable consist of unconditional promises to give for \$60,000 and \$325,000 for the years ended March 31, 2022 and 2021, respectively. All contributions receivable are due in one year or less.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2022

Note 5 - Property and Equipment

The carrying values of each class of property and equipment were as follows at March 31:

	Estimated Lives	2022	2021
Furniture and equipment	3-7 years	\$ 57,222	\$ 79,115
Leasehold improvements	2.5 years	29,500	29,500
		86,722	108,615
Less: accumulated depreciation		(71,825)	(85,427)
Net property and equipment		\$ 14,897	\$ 23,188

Depreciation expense for the years ended March 31, 2022 and 2021 was \$15,187 and \$17,480, respectively.

Note 6 - Donated Legal Services

The ACLU Foundation received the following donated legal services benefiting all aspects of the mission for the years ended March 31:

	2022	2021
Donated hours	7,942	1,764
Donated value	\$ 5,234,038	\$ 1,334,019

Note 7 - Net Assets with Donor Restrictions

Net assets with donor restrictions consists of amounts received for a specific purpose that have not been spent as of the fiscal year end. Net assets with donor restrictions consisted of the following at March 31:

	2022	2021
Voting Rights	\$ 143,034	\$ 183,575
LGBT Rights	35,500	700
Equity, Diversity, & Inclusion	25,000	-
Immigrants' Rights	3,775	261,375
Legal Justice	3,228	46,617
Reproductive Freedom	2,355	7,649
COVID	180	5,000
Police Practices	50	2,500
Capacity Building	-	23,000
Racial Justice Project	-	638
Women's Rights	-	109
	\$ 213,122	\$ 531,163

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2022

Note 8 - Operating Lease

The ACLU Foundation entered into a lease agreement starting September 2018 to lease office space under an agreement expiring February 2022. The base monthly rent is \$16,007 and increases by approximately 3% every year. In January 2022, ACLU Foundation extended the lease until February 2024.

Total rent expense was \$214,362 and \$219,100 for the years ended March 31, 2022 and 2021, respectively. Future minimum lease payments are as follows for years ended March 31:

2023	\$ 219,841
2024	<u>207,049</u>
	<u>\$ 426,890</u>

Note 9 - Affiliated Organizations

The ACLU and the ACLU Foundation are local affiliates of the National American Civil Liberties Union, Inc. and the National American Civil Liberties Union Foundation, Inc., respectively. Contributions are allocated between the national headquarters and affiliates in accordance with revenue sharing policies determined by the national office. The ACLU forwards membership dues to the National American Civil Liberties Union, Inc. office and allocations are made to the various affiliates in accordance with revenue sharing policies.

The amount due from the National American Civil Liberties Union Foundation, Inc. was \$1,632,577 and \$1,169,461 at March 31, 2022 and 2021, respectively.

The amount due from the National American Civil Liberties Union, Inc. was \$117,343 and \$308,321 at March 31, 2022 and 2021, respectively.

The Organization has not established an allowance for any bad debts associated with these accounts as management believes that all amounts due from the National American Civil Liberties Union, Inc. and the National American Civil Liberties Union Foundation, Inc. are fully collectible.

Note 10 - Related Party Transactions

The ACLU paid for transactions on behalf of the ACLU Foundation. Additionally, the ACLU made contributions to the ACLU Foundation. Intercompany receivables and payables totaled \$2,052,795 and \$3,378,299 as of March 31, 2022 and 2021, respectively. The intercompany accounts and transactions have been eliminated in consolidation.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2022

Note 11 - Retirement Plan

A defined benefit pension plan (the Pension Plan) was provided through the National American Civil Liberties Union (ACLU-National) for all employees hired on or before March 31, 2010 who were 21 years of age and had one year and 1,000 hours of service. The Pension Plan is made available by ACLU-National to its participating affiliated agencies, with ACLU-National as the plan sponsor and administrator. Accumulated plan benefits and plan net assets information is not available as it pertains to the Organization since financial information of the Pension Plan reported by ACLU-National are consolidated and separate accounts are not kept for each affiliate. The Organization reimburses ACLU-National for a share of the cost of the plan each year under a cost sharing agreement between the organizations. The Organization's total expense for reimbursements paid to ACLU-National for the Pension Plan was \$196,969 and \$174,979 for the years ended March 31, 2022 and 2021, respectively.

Effective April 1, 2009, new employees are no longer eligible to participate in the defined benefit pension plan. A new defined contribution plan was started in which all employees 21 year and older are eligible to participate. The Organization will match 100% of contributions up to 1% of salary plus 50% of contributions from 1% to 6% of salary. Employer matching contributions were \$93,824 and \$88,679 for the years ended March 31, 2022 and 2021, respectively.

Note 12 - Subsequent Events

The Organization has evaluated the impact of subsequent events. Except as disclosed below, there have been no subsequent events through November 8, 2022, the day the Organization's financial statements were available to be issued, that require recognition or disclosure.

Recent market conditions have resulted in an unusually high degree of volatility and increased the risk and may affect the short-term liquidity associated with certain investments held by the Organization which could impact the value of investments after the date of these financial statements. Because the values of individual investments fluctuate with market conditions, the amount of gain or losses that will be recognized in subsequent periods, if any, cannot be determined.

SUPPLEMENTARY INFORMATION

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF FINANCIAL POSITION
March 31, 2022

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 847,865	\$ 739,181	\$ -	\$ 1,587,046
Investments	10,472,631	1,471,311	-	11,943,942
Contributions receivable	-	2,025,000	(1,965,000)	60,000
Due from National Affiliate	117,343	1,632,577	-	1,749,920
Due from ACLU Foundation of Maryland, Inc.	87,795	-	(87,795)	-
Prepaid expenses	-	76,564	-	76,564
	<u>11,525,634</u>	<u>5,944,633</u>	<u>(2,052,795)</u>	<u>15,417,472</u>
Total current assets				
	11,525,634	5,944,633	(2,052,795)	15,417,472
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	-	14,897	-	14,897
OTHER ASSETS				
Deposits	247	14,067	-	14,314
	<u>247</u>	<u>14,067</u>	<u>-</u>	<u>14,314</u>
Total assets	<u>\$ 11,525,881</u>	<u>\$ 5,973,597</u>	<u>\$ (2,052,795)</u>	<u>\$ 15,446,683</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 1,965,000	\$ 31,324	\$ (1,965,000)	\$ 31,324
Accrued expenses	30,148	476,585	-	506,733
Accrued pension expense	11,561	181,122	-	192,683
Due to National Affiliate	5,630	-	-	5,630
Due to ACLU of Maryland, Inc.	-	87,795	(87,795)	-
	<u>2,012,339</u>	<u>776,826</u>	<u>(2,052,795)</u>	<u>736,370</u>
Total current liabilities				
	2,012,339	776,826	(2,052,795)	736,370
NET ASSETS				
Without donor restrictions	9,510,314	4,986,877	-	14,497,191
With donor restrictions	3,228	209,894	-	213,122
	<u>9,513,542</u>	<u>5,196,771</u>	<u>-</u>	<u>14,710,313</u>
Total net assets				
	9,513,542	5,196,771	-	14,710,313
Total liabilities and net assets	<u>\$ 11,525,881</u>	<u>\$ 5,973,597</u>	<u>\$ (2,052,795)</u>	<u>\$ 15,446,683</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF FINANCIAL POSITION (Cont.)
March 31, 2021

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Eliminations	Consolidated Total
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 305,904	\$ 435,140	\$ -	\$ 741,044
Investments	10,097,384	440,632	-	10,538,016
Contributions receivable	-	3,590,000	(3,265,000)	325,000
Due from National Affiliate	308,321	1,169,461	-	1,477,782
Due from ACLU of Maryland, Inc.	-	113,299	(113,299)	-
Prepaid expenses	-	64,738	-	64,738
Total current assets	10,711,609	5,813,270	(3,378,299)	13,146,580
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	-	23,188	-	23,188
OTHER ASSETS				
Deposits	247	15,602	-	15,849
Total assets	<u>\$ 10,711,856</u>	<u>\$ 5,852,060</u>	<u>\$ (3,378,299)</u>	<u>\$ 13,185,617</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 3,265,000	\$ 44,955	\$ (3,265,000)	\$ 44,955
Accrued expenses	12,280	203,123	-	215,403
Accrued pension expense	6,936	168,043	-	174,979
Due to ACLU Foundation of Maryland, Inc.	113,299	-	(113,299)	-
Total current liabilities	3,397,515	416,121	(3,378,299)	435,337
NET ASSETS				
Without donor restrictions	7,267,724	4,951,393	-	12,219,117
With donor restrictions	46,617	484,546	-	531,163
Total net assets	7,314,341	5,435,939	-	12,750,280
Total liabilities and net assets	<u>\$ 10,711,856</u>	<u>\$ 5,852,060</u>	<u>\$ (3,378,299)</u>	<u>\$ 13,185,617</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF ACTIVITIES
March 31, 2022

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
REVENUES, GAINS AND OTHER SUPPORT			
Direct support:			
Donations	\$ 20,012	\$ 2,494,274	\$ 2,514,286
Grants	-	561,770	561,770
Bequests	377,106	186,539	563,645
	<u>397,118</u>	<u>3,242,583</u>	<u>3,639,701</u>
Donated legal services	-	5,234,038	5,234,038
Total direct support	<u>397,118</u>	<u>8,476,621</u>	<u>8,873,739</u>
Other revenue:			
Membership dues	1,686,400	-	1,686,400
Legal awards	-	1,454,637	1,454,637
Realized and unrealized gain (loss) on investments	357,440	(39,487)	317,953
Investment return, net	192,808	9,079	201,887
Other revenue	-	9,233	9,233
Total other revenue	<u>2,236,648</u>	<u>1,433,462</u>	<u>3,670,110</u>
Total revenues, gains, and other support	<u>2,633,766</u>	<u>9,910,083</u>	<u>12,543,849</u>
EXPENSES			
Program services	349,811	8,990,512	9,340,323
Supporting services:			
Management and general	52,471	710,631	763,102
Fundraising	32,283	448,108	480,391
Total supporting services	<u>84,754</u>	<u>1,158,739</u>	<u>1,243,493</u>
Total expenses	<u>434,565</u>	<u>10,149,251</u>	<u>10,583,816</u>
Change in net assets	<u>2,199,201</u>	<u>(239,168)</u>	<u>1,960,033</u>
NET ASSETS AT BEGINNING OF YEAR	<u>7,314,341</u>	<u>5,435,939</u>	<u>12,750,280</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,513,542</u>	<u>\$ 5,196,771</u>	<u>\$ 14,710,313</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF ACTIVITIES (Cont.)
March 31, 2021

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
REVENUES, GAINS AND OTHER SUPPORT			
Direct support:			
Donations	\$ 23,186	\$ 1,667,181	\$ 1,690,367
Grants	100,000	691,000	791,000
Bequests	110,799	32,152	142,951
	<u>233,985</u>	<u>2,390,333</u>	<u>2,624,318</u>
Donated legal services	-	1,334,019	1,334,019
	<u>233,985</u>	<u>3,724,352</u>	<u>3,958,337</u>
Other revenue:			
Realized and unrealized gain on investments	2,516,841	1,894	2,518,735
Membership dues	1,649,470	-	1,649,470
Investment return, net	161,293	5,209	166,502
Legal awards	-	103,500	103,500
Other revenue	-	150	150
	<u>4,327,604</u>	<u>1,341,122</u>	<u>5,668,726</u>
Total other revenue	<u>4,327,604</u>	<u>1,341,122</u>	<u>5,668,726</u>
Total revenues, gains, and other support	<u>4,561,589</u>	<u>3,835,105</u>	<u>8,396,694</u>
EXPENSES			
Program services	405,596	4,601,029	5,006,625
Supporting services:			
Management and general	69,176	745,941	815,117
Fundraising	24,657	270,174	294,831
Total supporting services	<u>93,833</u>	<u>1,016,115</u>	<u>1,109,948</u>
Total expenses	<u>499,429</u>	<u>5,617,144</u>	<u>6,116,573</u>
Change in net assets	4,062,160	(1,782,039)	2,280,121
NET ASSETS AT BEGINNING OF YEAR	<u>3,252,181</u>	<u>7,217,978</u>	<u>10,470,159</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,314,341</u>	<u>\$ 5,435,939</u>	<u>\$ 12,750,280</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF EXPENSES
March 31, 2022

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
Donated legal services	\$ -	\$ 5,234,038	\$ 5,234,038
Payroll and payroll related expenses	268,232	3,712,383	3,980,615
Professional fees	41,007	494,574	535,581
Occupancy	16,121	240,521	256,642
Office expense	9,627	139,871	149,498
Litigation	-	105,511	105,511
Telephone and communications	6,358	92,721	99,079
Legislative	85,217	400	85,617
Printing and publications	7,509	47,255	54,764
Travel and meetings	-	33,048	33,048
Depreciation	-	15,187	15,187
Miscellaneous	-	9,927	9,927
Fundraising and membership events	-	8,310	8,310
Postage	106	7,733	7,839
Library and dues	388	5,141	5,529
Bank service charges	-	2,631	2,631
	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 434,565</u>	<u>\$ 10,149,251</u>	<u>\$ 10,583,816</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF EXPENSES (Cont.)
March 31, 2021

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
Payroll and payroll related expenses	\$ 201,790	\$ 3,263,176	\$ 3,464,966
Donated legal services	-	1,334,019	1,334,019
Professional fees	30,534	429,150	459,684
Occupancy	14,008	242,693	256,701
Printing and publications	130,758	49,637	180,395
Office expense	7,685	135,834	143,519
Legislative	110,142	506	110,648
Telephone and communications	4,277	72,994	77,271
Travel and meetings	-	36,987	36,987
Depreciation	-	17,480	17,480
Miscellaneous	-	12,354	12,354
Postage	125	7,916	8,041
Litigation	-	7,575	7,575
Bank service charges	-	2,904	2,904
Library and dues	110	2,545	2,655
Fundraising and membership events	-	1,374	1,374
Total expenses	<u>\$ 499,429</u>	<u>\$ 5,617,144</u>	<u>\$ 6,116,573</u>