

**AMERICAN CIVIL LIBERTIES
UNION OF MARYLAND, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
MARCH 31, 2019**

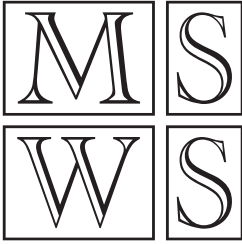


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1 - 2
Financial statements	
Consolidated statement of financial position	3
Consolidated statement of activities	4
Consolidated statement of functional expenses	5
Consolidated statement of cash flows	6
Notes to financial statements	7 - 19
Supplementary information	
Consolidating schedule of financial position	20 - 21
Consolidating schedule of activities	22 - 23
Consolidating schedule of expenses	24 - 25



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

2553 Housley Road • Suite 200 • Annapolis, Maryland 21401

INDEPENDENT AUDITOR'S REPORT

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

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, 2019, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

American Civil Liberties Union
of Maryland, Inc.

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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Civil Liberties Union of Maryland, Inc. and American Civil Liberties Union Foundation of Maryland, Inc., as of March 31, 2019, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating schedules on pages 20 - 25 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 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 2018 consolidated financial statements, and our report dated September 18, 2018, expressed an unmodified audit opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2018 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
September 10, 2019

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2019

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 306,884	\$ 595,556
Investments	8,621,432	7,539,437
Contributions receivable	95,667	215,000
Due from National Affiliate	1,747,123	829,314
Prepaid expenses	52,194	36,139
Total current assets	10,823,300	9,215,446
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	25,111	41,082
OTHER ASSETS		
Deposits	15,849	9,757
Total assets	\$ 10,864,260	\$ 9,266,285

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 63,736	\$ 51,484
Accrued expenses	132,398	117,664
Accrued pension expense	238,966	155,649
Total current liabilities	435,100	324,797
NET ASSETS		
Without donor restrictions	10,101,381	8,300,008
With donor restrictions	327,779	641,480
Total net assets	10,429,160	8,941,488
Total liabilities and net assets	\$ 10,864,260	\$ 9,266,285

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

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended March 31, 2019
With Summarized Financial Information for the Year Ended March 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
REVENUES, GAINS AND OTHER SUPPORT				
Received directly:				
Donations	\$ 1,806,893	\$ -	\$ 1,806,893	\$ 1,134,312
Grants	411,500	460,000	871,500	770,500
Bequests	152,396	-	152,396	93,825
	<u>2,370,789</u>	<u>460,000</u>	<u>2,830,789</u>	<u>1,998,637</u>
Donated legal services	<u>4,150,804</u>	<u>-</u>	<u>4,150,804</u>	<u>2,531,061</u>
Total direct support	<u>6,521,593</u>	<u>460,000</u>	<u>6,981,593</u>	<u>4,529,698</u>
Other revenue:				
Membership dues	1,568,245	-	1,568,245	1,179,628
Realized and unrealized gain on investments	179,259	-	179,259	342,664
Net investment return	175,928	-	175,928	130,146
Attorney fees	128,716	-	128,716	196,299
Other revenue	-	-	-	46
Total other revenue	<u>2,052,148</u>	<u>-</u>	<u>2,052,148</u>	<u>1,848,783</u>
Net assets released from restrictions	<u>773,701</u>	<u>(773,701)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>9,347,442</u>	<u>(313,701)</u>	<u>9,033,741</u>	<u>6,378,481</u>
EXPENSES				
Program services	7,020,102	-	7,020,102	4,832,528
Supporting services:				
Management and general	399,300	-	399,300	270,083
Fundraising	126,667	-	126,667	206,861
Total supporting services	<u>525,967</u>	<u>-</u>	<u>525,967</u>	<u>476,944</u>
Total expenses	<u>7,546,069</u>	<u>-</u>	<u>7,546,069</u>	<u>5,309,472</u>
Change in net assets	1,801,373	(313,701)	1,487,672	1,069,009
Net assets, beginning of the year	<u>8,300,008</u>	<u>641,480</u>	<u>8,941,488</u>	<u>7,872,479</u>
Net assets, end of the year	<u>\$ 10,101,381</u>	<u>\$ 327,779</u>	<u>\$ 10,429,160</u>	<u>\$ 8,941,488</u>

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

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2019
With Summarized Financial Information for the Year Ended March 31, 2018

	Supporting Services			Total		
	Program Services	Management and General	Fundraising	Total Supporting Services	2019	2018
Donated legal services	\$ 4,150,804	\$ -	\$ -	\$ -	\$ 4,150,804	\$ 2,531,061
Payroll and related expenses	1,991,463	301,966	86,140	388,106	2,379,569	1,992,194
Professional fees	222,585	33,751	9,628	43,379	265,964	167,009
Occupancy	185,721	28,160	8,034	36,194	221,915	209,752
Legislative	155,407	-	-	-	155,407	113,393
Travel and meetings	103,060	8,357	2,384	10,741	113,801	103,544
Office expense	77,245	11,713	3,341	15,054	92,299	50,069
Printing and publications	53,573	4,738	1,352	6,090	59,663	48,300
Telephone and communications	38,313	5,809	1,657	7,466	45,779	39,086
Depreciation	16,026	2,430	693	3,123	19,149	19,075
Postage	12,518	1,898	542	2,440	14,958	2,247
Fundraising and membership events	-	-	10,229	10,229	10,229	8,908
Library and dues	9,645	25	7	32	9,677	16,309
Miscellaneous	2,985	453	129	582	3,567	3,802
Bank service charges	-	-	2,531	2,531	2,531	3,077
Litigation	757	-	-	-	757	1,646
Total expenses	<u>\$ 7,020,102</u>	<u>\$ 399,300</u>	<u>\$ 126,667</u>	<u>\$ 525,967</u>	<u>\$ 7,546,069</u>	<u>\$ 5,309,472</u>

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

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended March 31, 2019

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,487,672	\$ 1,069,009
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	19,149	19,075
Realized and unrealized gain on investments	(176,463)	(342,664)
(Increase) decrease in operating assets:		
Contributions receivable	119,333	245,000
Due from National Affiliate	(917,809)	99,975
Prepaid expenses	(16,055)	(21,519)
Deposits	(6,092)	-
Increase (decrease) in operating liabilities:		
Accounts payable	12,252	(15,739)
Accrued expenses	14,734	6,678
Accrued pension expense	83,317	(44,330)
	<u>620,038</u>	<u>1,015,485</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and reinvested dividends	(1,920,116)	(3,322,191)
Proceeds from sale of investments	1,014,584	1,876,962
Purchase of equipment	(3,178)	(19,489)
	<u>(908,710)</u>	<u>(1,464,718)</u>
Net cash used by investing activities		
	<u>(908,710)</u>	<u>(1,464,718)</u>
Net change in cash and cash equivalents	(288,672)	(449,233)
Cash and cash equivalents at beginning of year	595,556	1,044,789
	<u>595,556</u>	<u>1,044,789</u>
Cash and cash equivalents at end of year	<u>\$ 306,884</u>	<u>\$ 595,556</u>

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

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2019

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 attorney fees.

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 financial statements for the years ended March 31, 2019 and 2018. 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 financial statements present the financial information of both entities.

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 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, 2019

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

Basis of Presentation

The 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 stipulations 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, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended March 31, 2018, from which the summarized information was derived.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Nonoperating activities are limited to resources from other activities considered to be of a more unusual or nonrecurring nature.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2019

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

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor-imposed restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Unexpended grant awards are classified as refundable advances until expended for the purposes of the grants since they are considered conditional promises to give.

Use of Estimates

The preparation of 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 statement of financial position date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

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.

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.

Classification of Net Assets

Net assets without donor restrictions represent the portion of expendable net assets that are available for support of operations.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2019

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

Concentration of Cash Balances

At March 31, 2019 and 2018, 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. The amounts held in excess of FDIC insurance coverage as of March 31, 2019 and 2018 were approximately \$0 and \$90,000, respectively.

Investments

Investments are presented in the financial statements at quoted fair value. The net realized and unrealized appreciation (depreciation) in market value of investments is reflected in the 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.

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.

Income Tax Status

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.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2019

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

Income Tax Position

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. Fiscal years ending on or after March 31, 2016 remain subject to examination by Federal and State authorities.

Donated Services

The ACLU and the ACLU Foundation recognize donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

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 expenses and fundraising expenses. Functional expenses are either charged directly to program services as incurred or allocated based on usage for items such as depreciation and administrative salaries.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2019

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

New Accounting Pronouncement

On August 18, 2016, FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 985) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. *ASU 2016-14* has been applied retrospectively to all periods presented with the exception of the presentation of the statement of functional expenses, which has only been presented for the year ending March 31, 2019, as allowed under *ASU 2016-14*. As a result of the implementation of *ASU 2016-14*, net assets have been reclassified in the accompanying financial statements as follows as of the beginning of the year ending March 31, 2018:

Net Asset Classification	Prior to the Adoption of ASU 2016- 14	After Adoption of ASU 2016- 14
Unrestricted net assets	\$ 8,300,008	\$ -
Net assets without donor restrictions	-	8,300,008
Temporary restricted net assets	641,480	-
Net assets with donor restrictions	-	641,480
	\$ 8,941,488	\$ 8,941,488

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2019

Note 2 - Availability and Liquidity

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

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 306,884	\$ 595,556
Investments	8,621,432	7,539,437
Contributions receivable	95,667	215,000
Due from National Affiliate	1,747,123	829,314
Prepaid expenses	<u>52,194</u>	<u>36,139</u>
Total financial assets	10,823,300	9,215,446
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>327,779</u>	<u>641,480</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 10,495,521</u>	<u>\$ 8,573,966</u>

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$4 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, 2019

Note 3 - Investments

Investments, carried at fair market value are summarized as follows:

	March 31, 2019		
	Cost	Fair Market Value	Gross Unrealized Gain
Cash and cash equivalents	\$ 470,215	\$ 470,215	\$ -
Certificates of deposit	327,344	327,344	-
Mutual funds	6,722,571	7,823,873	1,101,302
	\$ 7,520,130	\$ 8,621,432	\$ 1,101,302

	March 31, 2018		
	Cost	Fair Market Value	Gross Unrealized Gain
Cash and cash equivalents	\$ 262,500	\$ 262,500	\$ -
Certificates of deposit	444,980	444,980	-
Mutual funds	5,991,513	6,831,957	594,020
	\$ 6,698,993	\$ 7,539,437	\$ 594,020

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2019

Note 4 - Fair Value Measurement

ASC 820-10 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 under *ASC 820-10* are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- 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.

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.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2019

Note 4 - Fair Value Measurement (Cont.)

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, 2019			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 470,215	\$ -	\$ -	\$ 470,215
Certificates of deposit	-	327,344	-	327,344
Mutual funds	7,823,873	-	-	7,823,873
Total investments	\$ 8,294,088	\$ 327,344	\$ -	\$ 8,621,432

	March 31, 2018			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 262,500	\$ -	\$ -	\$ 262,500
Certificates of deposit	-	444,980	-	444,980
Mutual funds	6,831,957	-	-	6,831,957
Total investments	\$ 7,094,457	\$ 444,980	\$ -	\$ 7,539,437

Note 5 - Contributions Receivable

Contributions receivable consist of unconditional promises to give for \$95,667 and \$215,000 for the years ended March 31, 2019 and 2018, 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, 2019

Note 6 - Property and Equipment

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

	Estimated Lives	2019	2018
Furniture and equipment	3-7 years	\$ 108,187	\$ 105,009
Less accumulated depreciation		(83,076)	(63,927)
Net property and equipment		\$ 25,111	\$ 41,082

Depreciation expense for the years ended March 31, 2019 and 2018 was \$19,149 and \$19,075, respectively.

Note 7 - Donated Legal Services

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

	2019	2018
Donated hours	6,645	4,492
Total	\$ 4,150,804	\$ 2,531,061

Note 8 - Net Assets with Donor Restrictions

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

	2019	2018
Education	\$ 273,290	\$ 641,480
Criminal Justice	54,489	-
	\$ 327,779	\$ 641,480

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2019

Note 9 - Operating Lease

The ACLU Foundation entered into a lease agreement starting September 2018 to lease office space under an agreement expiring October 2021. The monthly rent is \$16,007 and increases by approximately 3% every year.

The ACLU Foundation entered into a lease agreement in February 2016 to lease office space under an agreement expiring January 2019. The monthly rent is \$963. The lease was renewed in January 2019. The monthly rent is \$991.

Total rent expense was \$183,101 and \$178,409 for the years ended March 31, 2019 and 2018, respectively. Future minimum lease payments are as follows for years ended March 31:

2020	197,603
2021	207,222
2022	<u>195,164</u>
	<u>\$ 599,989</u>

Note 10 - 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 ACLU national headquarters and affiliates in accordance with revenue sharing policies determined by the national office. The amount due from the national ACLU Foundation, Inc. was \$1,471,267 and \$694,318 at March 31, 2019 and 2018, respectively. The amount due from the national ACLU, Inc. was \$101,554 and \$5,000 at March 31, 2019 and 2018, respectively.

The ACLU forwards membership dues to the national ACLU office and allocations are made to the various affiliates in accordance with revenue sharing policies. The amount due from the national ACLU for membership dues was \$174,113 and \$130,887 at March 31, 2019 and 2018, respectively.

Note 11 - Related Party Transactions

The ACLU paid for transactions on behalf of the ACLU Foundation. Intercompany receivable and payable totaled \$121,424 and \$36,930 as of March 31, 2019 and 2018, 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, 2019

Note 12 - Retirement Plan

A defined benefit pension plan was provided through the national ACLU 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 related pension expense was \$241,920 and \$156,807 for the years ended March 31, 2019 and 2018, 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 ACLU will match 100% of contributions up to 1% of salary plus 50% of contributions from 1% to 6% of salary. Pension expense for the match was \$49,374 and \$42,738 for the years ended March 31, 2019 and 2018, respectively.

Note 13 - Subsequent Events

The Organization has evaluated the impact of significant subsequent events. Except for the following, there have been no subsequent events through September 10, 2019, the date the Organization's consolidated financial statements were available to be issued, that require recognition or disclosure.

SUPPLEMENTARY INFORMATION

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF FINANCIAL POSITION
March 31, 2019

	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	\$ 117,782	\$ 189,102	\$ -	\$ 306,884
Investments	6,802,644	1,818,788	-	8,621,432
Contributions receivable	-	95,667	-	95,667
Due from National Affiliate	275,667	1,471,456	-	1,747,123
Due from ACLU Foundation of Maryland, Inc.	121,424	-	(121,424)	-
Prepaid expenses	16,500	35,694	-	52,194
Total current assets	7,334,017	3,610,707	(121,424)	10,823,300
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	-	25,111	-	25,111
OTHER ASSETS				
Deposits	247	15,602	-	15,849
Total assets	<u>\$ 7,334,264</u>	<u>\$ 3,651,420</u>	<u>\$ (121,424)</u>	<u>\$ 10,864,260</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 11,712	\$ 52,024	\$ -	\$ 63,736
Accrued expenses	4,928	127,470	-	132,398
Accrued pension expense	11,559	227,407	-	238,966
Due to ACLU of Maryland, Inc.	-	121,424	(121,424)	-
Total current liabilities	28,199	528,325	(121,424)	435,100
NET ASSETS				
Without donor restrictions	7,306,065	2,795,316	-	10,101,381
With donor restrictions	-	327,779	-	327,779
Total net assets	7,306,065	3,123,095	-	10,429,160
Total liabilities and net assets	<u>\$ 7,334,264</u>	<u>\$ 3,651,420</u>	<u>\$ (121,424)</u>	<u>\$ 10,864,260</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF FINANCIAL POSITION (Cont.)
March 31, 2018

	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	\$ 251,779	\$ 343,777	\$ -	\$ 595,556
Investments	5,375,436	2,164,001	-	7,539,437
Contributions receivable	-	215,000	-	215,000
Due from National Affiliate	135,887	693,427	-	829,314
Due from ACLU of Maryland, Inc.	-	36,930	(36,930)	-
Prepaid expenses	-	36,139	-	36,139
	<u>5,763,102</u>	<u>3,489,274</u>	<u>(36,930)</u>	<u>9,215,446</u>
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	-	41,082	-	41,082
OTHER ASSETS				
Deposits	247	9,510	-	9,757
	<u>\$ 5,763,349</u>	<u>\$ 3,539,866</u>	<u>\$ (36,930)</u>	<u>\$ 9,266,285</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ 51,484	\$ -	\$ 51,484
Accrued expenses	3,186	114,478	-	117,664
Accrued pension expense	-	155,649	-	155,649
Due to ACLU Foundation of Maryland, Inc.	36,930	-	(36,930)	-
	<u>40,116</u>	<u>321,611</u>	<u>(36,930)</u>	<u>324,797</u>
NET ASSETS				
Without donor restrictions	5,723,233	2,576,775	-	8,300,008
With donor restrictions	-	641,480	-	641,480
	<u>5,723,233</u>	<u>3,218,255</u>	<u>-</u>	<u>8,941,488</u>
	<u>\$ 5,763,349</u>	<u>\$ 3,539,866</u>	<u>\$ (36,930)</u>	<u>\$ 9,266,285</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF ACTIVITIES
March 31, 2019

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
REVENUES, GAINS AND OTHER SUPPORT			
Received directly:			
Donations	\$ 60,494	\$ 1,746,399	\$ 1,806,893
Grants	-	871,500	871,500
Bequests	41,060	111,336	152,396
	<u>101,554</u>	<u>2,729,235</u>	<u>2,830,789</u>
Donated legal services	-	4,150,804	4,150,804
Total direct support	101,554	6,880,039	6,981,593
Other revenue:			
Membership dues	1,568,245	-	1,568,245
Realized and unrealized gain on investments	143,367	35,892	179,259
Investment return, net	140,898	35,030	175,928
Attorney fees	-	128,716	128,716
Total revenues, gains, and other support	<u>1,954,064</u>	<u>7,079,677</u>	<u>9,033,741</u>
EXPENSES			
Program services	332,869	6,687,233	7,020,102
Supporting services:			
Management and general	29,848	369,452	399,300
Fundraising	8,515	118,152	126,667
Total supporting services	<u>38,363</u>	<u>487,604</u>	<u>525,967</u>
Total expenses	<u>371,232</u>	<u>7,174,837</u>	<u>7,546,069</u>
Change in net assets	<u>1,582,832</u>	<u>(95,160)</u>	<u>1,487,672</u>
NET ASSETS AT BEGINNING OF YEAR	<u>5,723,233</u>	<u>3,218,255</u>	<u>8,941,488</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,306,065</u>	<u>\$ 3,123,095</u>	<u>\$ 10,429,160</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF ACTIVITIES (Cont.)
March 31, 2018

	<u>American Civil Liberties Union of Maryland, Inc.</u>	<u>American Civil Liberties Union Foundation of Maryland, Inc.</u>	<u>Consolidated Total</u>
REVENUES, GAINS AND OTHER SUPPORT			
Received directly:			
Donations	\$ 5,000	\$ 1,129,312	\$ 1,134,312
Grants	-	770,500	770,500
Bequests	-	93,825	93,825
	<u>-</u>	<u>1,993,637</u>	<u>1,998,637</u>
Donated legal services	-	2,531,061	2,531,061
Total direct support	-	4,524,698	4,529,698
Other revenue:			
Membership dues	1,179,628	-	1,179,628
Realized and unrealized gain on investments	236,737	105,927	342,664
Attorney fees	-	196,299	196,299
Investment return, net	94,155	35,991	130,146
Other revenue	-	46	46
Total revenues, gains, and other support	<u>1,510,520</u>	<u>4,862,961</u>	<u>6,378,481</u>
EXPENSES			
Program services	177,986	4,654,542	4,832,528
Supporting services:			
Management and general	9,924	260,159	270,083
Fundraising	7,162	199,699	206,861
Total supporting services	<u>17,086</u>	<u>459,858</u>	<u>476,944</u>
Total expenses	<u>195,072</u>	<u>5,114,400</u>	<u>5,309,472</u>
Change in net assets	<u>1,315,448</u>	<u>(251,439)</u>	<u>1,069,009</u>
NET ASSETS AT BEGINNING OF YEAR	<u>4,402,785</u>	<u>3,469,694</u>	<u>7,872,479</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,718,233</u>	<u>\$ 3,218,255</u>	<u>\$ 8,941,488</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF EXPENSES
March 31, 2019

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
Donated legal services	\$ -	\$ 4,150,804	\$ 4,150,804
Payroll and payroll related expenses	105,851	2,273,720	2,379,571
Professional fees	16,442	249,522	265,964
Occupancy	13,329	208,586	221,915
Legislative	136,016	19,391	155,407
Travel and meetings	16,562	97,239	113,801
Office expense	35,634	56,664	92,298
Printing and publications	30,431	29,231	59,662
Telephone and communications	4,653	41,127	45,780
Depreciation	-	19,149	19,149
Postage	12,117	2,840	14,957
Fundraising and membership events	-	10,229	10,229
Library and dues	197	9,480	9,677
Miscellaneous	-	3,567	3,567
Bank service charges	-	2,531	2,531
Litigation	-	757	757
	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 371,232</u>	<u>\$ 7,174,837</u>	<u>\$ 7,546,069</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF EXPENSES
March 31, 2018

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
Donated legal services	\$ -	\$ 2,531,061	\$ 2,531,061
Payroll and payroll related expenses	74,512	1,917,682	1,992,194
Occupancy	8,537	201,162	209,699
Professional fees	3,707	163,302	167,009
Legislative	101,700	11,693	113,393
Travel and meetings	13	103,531	103,544
Office expense	5,227	44,842	50,069
Printing and publications	53	48,300	48,353
Telephone and communications	1,140	37,946	39,086
Depreciation	-	19,075	19,075
Library and dues	152	16,157	16,309
Fundraising and membership events	-	8,908	8,908
Miscellaneous	-	3,802	3,802
Bank service charges	-	3,077	3,077
Postage	31	2,216	2,247
Litigation	-	1,646	1,646
Total expenses	\$ 195,072	\$ 5,114,400	\$ 5,309,472