

**AMERICAN CIVIL LIBERTIES
UNION OF MARYLAND, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
MARCH 31, 2021**

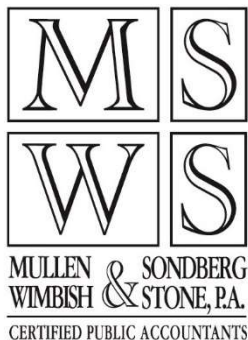


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2021, 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.

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

American Civil Liberties Union
of Maryland, Inc.

Opinion

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, 2021, 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 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 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2020, 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 25, 2021

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2021

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 741,044	\$ 1,520,674
Investments	10,538,016	7,350,634
Contributions receivable	325,000	152,500
Due from National Affiliate	1,477,782	1,715,639
Prepaid expenses	64,738	48,900
Total current assets	13,146,580	10,788,347
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	23,188	32,746
OTHER ASSETS		
Deposits	15,849	15,849
Total assets	\$ 13,185,617	\$ 10,836,942
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 44,955	\$ 41,480
Accrued expenses	215,403	137,741
Accrued pension expense	174,979	187,562
Total current liabilities	435,337	366,783
NET ASSETS		
Without donor restrictions	12,219,117	10,438,358
With donor restrictions	531,163	31,801
Total net assets	12,750,280	10,470,159
Total liabilities and net assets	\$ 13,185,617	\$ 10,836,942

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, 2021
With Summarized Financial Information for the Year Ended March 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
REVENUES, GAINS AND OTHER SUPPORT				
Direct support:				
Donations	\$ 1,486,579	\$ 203,788	\$ 1,690,367	\$ 1,548,304
Grants	381,480	409,520	791,000	770,000
Bequests	142,951	-	142,951	433,580
	<u>2,011,010</u>	<u>613,308</u>	<u>2,624,318</u>	<u>2,751,884</u>
Donated legal services	<u>1,334,019</u>	<u>-</u>	<u>1,334,019</u>	<u>487,475</u>
Total direct support	<u>3,345,029</u>	<u>613,308</u>	<u>3,958,337</u>	<u>3,239,359</u>
Other revenue:				
Realized and unrealized gain/(loss) on investments	2,518,735	-	2,518,735	(522,351)
Membership dues	1,649,470	-	1,649,470	1,481,837
Net investment return	166,502	-	166,502	190,709
Attorney fees	103,500	-	103,500	257,708
Other revenue	150	-	150	1,051
Total other revenue	<u>4,438,357</u>	<u>-</u>	<u>4,438,357</u>	<u>1,408,954</u>
Net assets released from restrictions	<u>113,946</u>	<u>(113,946)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>7,897,332</u>	<u>499,362</u>	<u>8,396,694</u>	<u>4,648,313</u>
EXPENSES				
Program services	5,006,625	-	5,006,625	3,825,581
Supporting services:				
Management and general	815,117	-	815,117	596,572
Fundraising	294,831	-	294,831	185,161
Total supporting services	<u>1,109,948</u>	<u>-</u>	<u>1,109,948</u>	<u>781,733</u>
Total expenses	<u>6,116,573</u>	<u>-</u>	<u>6,116,573</u>	<u>4,607,314</u>
Change in net assets	1,780,759	499,362	2,280,121	40,999
NET ASSETS AT BEGINNING OF YEAR	<u>10,438,358</u>	<u>31,801</u>	<u>10,470,159</u>	<u>10,429,160</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,219,117</u>	<u>\$ 531,163</u>	<u>\$ 12,750,280</u>	<u>\$ 10,470,159</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, 2021
With Summarized Financial Information for the Year Ended March 31, 2020

	Supporting Services			Total		
	Program Services	Management and General	Fundraising	Total Supporting Services	2021	2020
Payroll and related expenses	\$ 2,629,802	\$ 615,695	\$ 219,469	\$ 835,164	\$ 3,464,966	\$ 2,929,682
Donated legal services	1,334,019	-	-	-	1,334,019	487,475
Professional fees	348,886	81,682	29,116	110,798	459,684	375,767
Occupancy	194,828	45,614	16,259	61,873	256,701	253,834
Printing and publications	147,283	24,411	8,701	33,112	180,395	56,561
Office expense	108,925	25,503	9,091	34,594	143,519	165,730
Legislative	110,648	-	-	-	110,648	120,050
Telephone and communications	58,647	13,730	4,894	18,624	77,271	54,914
Travel and meetings	34,637	1,732	618	2,350	36,987	110,178
Depreciation	13,267	3,106	1,107	4,213	17,480	25,429
Miscellaneous	9,377	2,195	782	2,977	12,354	3,113
Postage	6,103	1,429	509	1,938	8,041	1,941
Litigation	7,575	-	-	-	7,575	1,455
Bank service charges	-	-	2,904	2,904	2,904	1,529
Library and dues	2,628	20	7	27	2,655	8,520
Fundraising and membership events	-	-	1,374	1,374	1,374	11,136
Total expenses	\$ 5,006,625	\$ 815,117	\$ 294,831	\$ 1,109,948	\$ 6,116,573	\$ 4,607,314

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, 2021

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,280,121	\$ 40,999
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	17,480	25,429
Realized and unrealized (gain)/loss on investments	(2,483,673)	531,825
(Increase) decrease in operating assets:		
Contributions receivable	(172,500)	(56,833)
Due from National Affiliate	237,857	31,484
Prepaid expenses	(15,838)	3,294
Increase (decrease) in operating liabilities:		
Accounts payable	3,475	(22,256)
Accrued expenses	77,662	5,343
Accrued pension expense	(12,583)	(51,404)
	<u>(67,999)</u>	<u>507,881</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and reinvested dividends	(1,261,887)	(768,659)
Proceeds from sale of investments	558,178	1,507,632
Purchase of equipment	(7,922)	(33,064)
	<u>(711,631)</u>	<u>705,909</u>
Net cash provided/(used) by investing activities		
	<u>(779,630)</u>	<u>1,213,790</u>
Net change in cash and cash equivalents		
	<u>1,520,674</u>	<u>306,884</u>
Cash and cash equivalents at beginning of year		
	<u>\$ 741,044</u>	<u>\$ 1,520,674</u>
Cash and cash equivalents at end of year		

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, 2021

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 consolidated financial statements for the years ended March 31, 2021 and 2020. *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, 2021

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.

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 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, 2020, from which the summarized information was derived.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2021

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

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.

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, 2021 and 2020.

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.

Attorney fees are settlements awarded to the Organization for the attorney fees incurred in a case. Attorney fees 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 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.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2021

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, 2021 and 2020, 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, 2021 and 2020 were approximately \$263,000 and \$1,040,000, respectively.

Investments

Investments are presented in the financial statements at fair value. The net realized and unrealized appreciation (depreciation) in the fair 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. 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, 2021

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. Fiscal years ending on or after March 31, 2018 remain subject to examination by federal and state authorities.

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, 2021 and 2020 were \$1,334,019 and \$487,475, respectively. There were no donated materials or equipment for years ending March 31, 2021 and 2020, respectively.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2021

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.

Recently Issued Accounting Pronouncements

On April, 1 2020, the Organization adopted *ASU 2014-09, Revenue Recognition (Topic 606) – “Revenue from Contracts with Customers”*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. *ASU 2014-09* outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and represent separate performance obligations, how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. The Organization adopted *ASU 2014-09* and related amendments using the retrospective method. Accordingly, the comparative financial statements for the year ending March 31, 2020 have been adjusted to fully conform with *ASU 2014-09*. The adoption of *ASU 2014-09* did not have any impact on the Organization’s financial position, results of operations or cash flows, and therefore did not result in a prior period adjustment. The adjustments to the year ending March 31, 2020 consisted of enhanced disclosures regarding revenue recognition and timing of cash flows only.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2021

Note 2 - Availability and Liquidity

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

	2021	2020
Financial assets at year end:		
Cash and cash equivalents	\$ 741,044	\$ 1,520,674
Investments	10,538,016	7,350,634
Contributions receivable	325,000	152,500
Due from National Affiliate	1,477,782	1,715,639
Prepaid expenses	64,738	48,900
Total financial assets	13,146,580	10,788,347
Less amounts not available to be used within one year:		
Net assets with donor restrictions	531,163	31,801
Financial assets available to meet general expenditures over the next twelve months	\$ 12,615,417	\$ 10,756,546

The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses (approximately \$3.1 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, 2021

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, 2021

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.

Mutual Funds

There have been no changes in valuation technique or inputs. 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, 2021			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 54,819	\$ -	\$ -	\$ 54,819
Certificates of deposit	-	118,381	-	118,381
Mutual funds	10,364,816	-	-	10,364,816
Total investments	\$ 10,419,635	\$ 118,381	\$ -	\$ 10,538,016
	March 31, 2020			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 163,304	\$ -	\$ -	\$ 163,304
Certificates of deposit	-	282,781	-	282,781
Mutual funds	6,904,549	-	-	6,904,549
Total investments	\$ 7,067,853	\$ 282,781	\$ -	\$ 7,350,634

Note 4 - Contributions Receivable

Contributions receivable consist of unconditional promises to give for \$325,000 and \$152,500 for the years ended March 31, 2021 and 2020, 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, 2021

Note 5 - Property and Equipment

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

	Estimated Lives	2021	2020
Furniture and equipment	3-7 years	\$ 79,115	\$ 111,751
Leasehold improvements	2.5 years	29,500	29,500
		108,615	141,251
Less accumulated depreciation		(85,427)	(108,505)
Net property and equipment		\$ 23,188	\$ 32,746

Depreciation expense for the years ended March 31, 2021 and 2020 was \$17,480 and \$25,429, 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:

	2021	2020
Donated hours	1,764	802
Donated value	\$ 1,334,019	\$ 487,475

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:

	2021	2020
Immigrants' Rights	\$ 261,375	\$ -
Voting Rights	183,575	-
Legal Justice	46,617	-
Capacity Building	23,000	-
Reproductive Freedom	7,649	-
COVID	5,000	-
Police Practices	2,500	-
LGBT Rights	700	-
Racial Justice Project	638	-
Women's Rights	109	-
Equity, Diversity, & Inclusion	-	31,801
	\$ 531,163	\$ 31,801

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2021

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 monthly rent is \$16,007 and increases by approximately 3% every year.

Total rent expense was \$219,100 and \$210,786 for the years ended March 31, 2021 and 2020, respectively. Future minimum lease payments for year ended March 31, 2022 is \$195,164.

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 \$1,169,461 and \$1,348,603 at March 31, 2021 and 2020, respectively.

The amount due from the national American Civil Liberties Union, Inc. was \$308,321 and \$367,036 at March 31, 2021 and 2020, 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 \$3,378,249 and \$5,064,202 as of March 31, 2021 and 2020, 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, 2021

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 \$174,979 and \$187,562 for the years ended March 31, 2021 and 2020, 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 \$88,679 and \$67,537 for the years ended March 31, 2021 and 2020, respectively.

Note 12 - Subsequent Events

The Organization has evaluated the impact of significant subsequent events. There have been no subsequent events through September 25, 2021, 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, 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	<u>10,711,609</u>	<u>5,813,270</u>	<u>(3,378,299)</u>	<u>13,146,580</u>
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	-	23,188	-	23,188
OTHER ASSETS				
Deposits	<u>247</u>	<u>15,602</u>	<u>-</u>	<u>15,849</u>
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.	<u>113,299</u>	<u>-</u>	<u>(113,299)</u>	<u>-</u>
Total current liabilities	<u>3,397,515</u>	<u>416,121</u>	<u>(3,378,299)</u>	<u>435,337</u>
NET ASSETS				
Without donor restrictions	7,267,724	4,951,393	-	12,219,117
With donor restrictions	<u>46,617</u>	<u>484,546</u>	<u>-</u>	<u>531,163</u>
Total net assets	<u>7,314,341</u>	<u>5,435,939</u>	<u>-</u>	<u>12,750,280</u>
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 FINANCIAL POSITION (Cont.)
March 31, 2020

	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	\$ 1,089,043	\$ 431,631	\$ -	\$ 1,520,674
Investments	6,879,254	471,380	-	7,350,634
Contributions receivable	-	5,152,500	(5,000,000)	152,500
Due from National Affiliate	367,036	1,348,603	-	1,715,639
Due from ACLU of Maryland, Inc.	-	64,202	(64,202)	-
Prepaid expenses	-	48,900	-	48,900
Total current assets	8,335,333	7,517,216	(5,064,202)	10,788,347
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	-	32,746	-	32,746
OTHER ASSETS				
Deposits	247	15,602	-	15,849
Total assets	<u>\$ 8,335,580</u>	<u>\$ 7,565,564</u>	<u>\$ (5,064,202)</u>	<u>\$ 10,836,942</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 5,000,000	\$ 41,480	\$ (5,000,000)	\$ 41,480
Accrued expenses	8,568	129,173	-	137,741
Accrued pension expense	10,629	176,933	-	187,562
Due to ACLU Foundation of Maryland, Inc.	64,202	-	(64,202)	-
Total current liabilities	5,083,399	347,586	(5,064,202)	366,783
NET ASSETS				
Without donor restrictions	3,252,181	7,186,177	-	10,438,358
With donor restrictions	-	31,801	-	31,801
Total net assets	3,252,181	7,217,978	-	10,470,159
Total liabilities and net assets	<u>\$ 8,335,580</u>	<u>\$ 7,565,564</u>	<u>\$ (5,064,202)</u>	<u>\$ 10,836,942</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF ACTIVITIES
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
Total direct support	<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
Attorney fees	-	103,500	103,500
Other revenue	-	150	150
Total other revenue	<u>4,327,604</u>	<u>110,753</u>	<u>4,438,357</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	<u>4,062,160</u>	<u>(1,782,039)</u>	<u>2,280,121</u>
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 STATEMENT OF ACTIVITIES (Cont.)
March 31, 2020

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Eliminations	Consolidated Total
REVENUES, GAINS AND OTHER SUPPORT				
Direct support:				
Donations	\$ 26,732	\$ 1,521,572	\$ -	\$ 1,548,304
Grants	-	5,770,000	(5,000,000)	770,000
Bequests	246,698	186,882	-	433,580
	<u>273,430</u>	<u>7,478,454</u>	<u>(5,000,000)</u>	<u>2,751,884</u>
Donated legal services	-	487,475	-	487,475
	<u>-</u>	<u>487,475</u>	<u>-</u>	<u>487,475</u>
Total direct support	273,430	7,965,929	(5,000,000)	3,239,359
Other revenue:				
Membership dues	1,481,837	-	-	1,481,837
Attorney fees	-	257,708	-	257,708
Investment return, net	169,519	21,190	-	190,709
Other revenue	-	1,051	-	1,051
Realized and unrealized gain/(loss) on investments	(570,727)	48,376	-	(522,351)
	<u>1,651,356</u>	<u>766,373</u>	<u>-</u>	<u>2,417,729</u>
Total other revenue	1,651,356	766,373	-	2,417,729
Total revenues, gains, and other support	<u>1,354,059</u>	<u>8,294,254</u>	<u>(5,000,000)</u>	<u>4,648,313</u>
EXPENSES				
Program services	5,348,832	3,476,749	(5,000,000)	3,825,581
Supporting services:				
Management and general	45,853	550,719	-	596,572
Fundraising	13,258	171,903	-	185,161
	<u>59,111</u>	<u>722,622</u>	<u>-</u>	<u>781,733</u>
Total supporting services	59,111	722,622	-	781,733
Total expenses	<u>5,407,943</u>	<u>4,199,371</u>	<u>(5,000,000)</u>	<u>4,607,314</u>
Change in net assets	<u>(4,053,884)</u>	<u>4,094,883</u>	<u>-</u>	<u>40,999</u>
NET ASSETS AT BEGINNING OF YEAR	<u>7,306,065</u>	<u>3,123,095</u>	<u>-</u>	<u>10,429,160</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,252,181</u>	<u>\$ 7,217,978</u>	<u>\$ -</u>	<u>\$ 10,470,159</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF EXPENSES
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
	<u>\$ 499,429</u>	<u>\$ 5,617,144</u>	<u>\$ 6,116,573</u>
Total expenses	<u>\$ 499,429</u>	<u>\$ 5,617,144</u>	<u>\$ 6,116,573</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF EXPENSES (Cont.)
March 31, 2020

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Eliminations	Consolidated Total
Payroll and payroll related expenses	\$ 156,798	\$ 2,772,884	\$ -	\$ 2,929,682
Donated legal services	-	487,475	-	487,475
Professional fees	56,398	319,369	-	375,767
Occupancy	15,236	238,598	-	253,834
Office expense	58,568	107,162	-	165,730
Legislative	108,909	11,141	-	120,050
Travel and meetings	5,210	104,968	-	110,178
Printing and publications	430	56,131	-	56,561
Telephone and communications	6,062	48,852	-	54,914
Depreciation	-	25,429	-	25,429
Fundraising and membership events	-	11,136	-	11,136
Library and dues	253	8,267	-	8,520
Miscellaneous	-	3,113	-	3,113
Postage	79	1,862	-	1,941
Bank service charges	-	1,529	-	1,529
Litigation	-	1,455	-	1,455
Grant expense	5,000,000	-	(5,000,000)	-
Total expenses	<u>\$ 5,407,943</u>	<u>\$ 4,199,371</u>	<u>\$ (5,000,000)</u>	<u>\$ 4,607,314</u>