

**ACLU of Texas, Inc. and  
ACLU Foundation of Texas, Inc.**

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended March 31, 2023 and 2022

# ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

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## Independent Auditors' Report

To the Board of Directors of  
ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc., which comprise the consolidated statements of financial position as of March 31, 2023 and 2022, and the related consolidated statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc., as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of ACLU of Texas, Inc. and ACLU Foundation of Texas, 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.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ACLU of Texas, Inc. and ACLU Foundation of Texas, 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ACLU of Texas, Inc. and ACLU Foundation of Texas, 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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Supplementary information in the consolidating statements of financial position and consolidating statements of activities as of and for the years ended March 31, 2023 and 2022 is presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in our audits of the 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 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 financial statements as a whole.

*Blazek & Vetterling*

October 26, 2023

## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

Consolidated Statements of Financial Position as of March 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Notes 3 and 5)	\$ 6,789,518	\$ 7,724,156
Certificates of deposit	135,515	134,127
Contributions receivable (Note 4)	835,835	340,834
Receivable from ACLU National Office (Note 10)	1,143,616	311,632
Prepaid expenses	<u>198,991</u>	<u>63,170</u>
Total current assets	9,103,475	8,573,919
Contributions receivable, net – long term (Note 4)	338,721	681,183
Property and equipment, net (Note 6)	13,540	40,509
Operating lease right-of-use asset, net (Note 11)	777,958	
Interest in pooled investments (Note 5)	<u>170,974</u>	<u>180,374</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 10,404,668</u></b>	<b><u>\$ 9,475,985</u></b>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 84,011	\$ 62,213
Accrued payroll-related liabilities	386,314	450,346
Due to ACLU National Office (Note 10)		272,453
Operating lease liability (Note 11)	<u>83,033</u>	<u>          </u>
Total current liabilities	553,358	785,012
Operating lease liability – long term (Note 11)	<u>706,500</u>	<u>          </u>
Total liabilities	<u>1,259,858</u>	<u>785,012</u>
Net assets:		
Without donor restrictions	6,961,371	6,406,692
With donor restrictions (Notes 8 and 9)	<u>2,183,439</u>	<u>2,284,281</u>
Total net assets	<u>9,144,810</u>	<u>8,690,973</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 10,404,668</u></b>	<b><u>\$ 9,475,985</u></b>

*See accompanying notes to consolidated financial statements.*

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## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

Consolidated Statement of Activities for the year ended March 31, 2023

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions ( <i>Note 10</i> )	\$ 1,971,075	\$ 2,650,000	\$ 4,621,075
Membership contributions – allocation from National ACLU ( <i>Note 10</i> )	2,423,842		2,423,842
Net change in pooled investments		(9,403)	(9,403)
Other revenue	<u>15,333</u>	<u></u>	<u>15,333</u>
Total revenue	4,410,250	2,640,597	7,050,847
Net assets released from restrictions:			
Expenditures for program purposes	<u>2,741,439</u>	<u>(2,741,439)</u>	<u></u>
Total	<u>7,151,689</u>	<u>(100,842)</u>	<u>7,050,847</u>
EXPENSES:			
Program services:			
Immigrant rights	951,667		951,667
Criminal law reform	809,195		809,195
LGBT rights	595,652		595,652
Abortion rights	466,122		466,122
Other programs	<u>1,554,831</u>	<u></u>	<u>1,554,831</u>
Total program services	4,377,467		4,377,467
Management and general	1,348,973		1,348,973
Fundraising	<u>870,570</u>	<u></u>	<u>870,570</u>
Total expenses	<u>6,597,010</u>	<u></u>	<u>6,597,010</u>
CHANGES IN NET ASSETS	554,679	(100,842)	453,837
Net assets, beginning of year	<u>6,406,692</u>	<u>2,284,281</u>	<u>8,690,973</u>
Net assets, end of year	<u>\$ 6,961,371</u>	<u>\$ 2,183,439</u>	<u>\$ 9,144,810</u>

*See accompanying notes to consolidated financial statements.*

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## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

Consolidated Statement of Activities for the year ended March 31, 2022

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions <i>(Note 10)</i>	\$ 1,889,944	\$ 1,879,174	\$ 3,769,118
Government grant – Paycheck Protection Program <i>(Note 7)</i>		827,180	827,180
Membership contributions – allocation from National ACLU <i>(Note 10)</i>	2,474,650		2,474,650
Net change in pooled investments		11,368	11,368
Other revenue	<u>85,168</u>		<u>85,168</u>
Total revenue	4,449,762	2,717,722	7,167,484
Net assets released from restrictions:			
Expenditures for program purposes	<u>3,202,398</u>	<u>(3,202,398)</u>	
Total	<u>7,652,160</u>	<u>(484,676)</u>	<u>7,167,484</u>
EXPENSES:			
Program services:			
Immigrant rights	1,172,861		1,172,861
Criminal law reform	691,558		691,558
LGBT rights	406,144		406,144
Abortion rights	412,264		412,264
Other programs	<u>1,287,080</u>		<u>1,287,080</u>
Total program services	3,969,907		3,969,907
Management and general	1,298,998		1,298,998
Fundraising	<u>611,235</u>		<u>611,235</u>
Total expenses	<u>5,880,140</u>		<u>5,880,140</u>
CHANGES IN NET ASSETS	1,772,020	(484,676)	1,287,344
Net assets, beginning of year	<u>4,634,672</u>	<u>2,768,957</u>	<u>7,403,629</u>
Net assets, end of year	<u>\$ 6,406,692</u>	<u>\$ 2,284,281</u>	<u>\$ 8,690,973</u>

*See accompanying notes to consolidated financial statements.*

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## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

### Consolidated Statement of Functional Expenses for the year ended March 31, 2023

	IMMIGRANT RIGHTS	CRIMINAL LAW REFORM	LGBT RIGHTS	ABORTION RIGHTS	OTHER PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 739,145	\$ 507,126	\$ 422,255	\$ 343,403	\$ 1,007,634	\$ 941,805	\$ 581,831	\$ 4,543,199
Professional fees	64,284	219,448	77,595	58,030	165,427	157,307	188,315	930,406
Occupancy	51,319	37,624	31,855	24,534	69,824	67,422	29,390	311,968
Direct marketing materials	9,667	7,354	7,874	5,981	206,635	4,371	1,470	243,352
Travel, meals and conferences	26,823	6,567	27,023	12,459	24,280	69,414	16,892	183,458
Dues and subscriptions	33,553	13,913	11,553	9,421	24,978	47,259	9,127	149,804
Telecommunications	10,006	5,439	4,544	3,872	9,696	8,803	3,493	45,853
Office equipment and supplies	4,461	3,589	5,217	2,804	7,062	13,779	2,109	39,021
Grants to other organizations	850		1,313	32	25,161	2,965	3,662	33,983
Insurance	4,632	3,375	2,860	2,210	6,521	9,575	2,580	31,753
Depreciation	3,185	2,296	1,942	1,531	4,138	11,934	1,712	26,738
Professional development	2,753	1,288	931	1,177	10	3,989	415	10,563
Other	989	1,176	690	668	3,465	10,350	29,574	46,912
Total expenses	<u>\$ 951,667</u>	<u>\$ 809,195</u>	<u>\$ 595,652</u>	<u>\$ 466,122</u>	<u>\$ 1,554,831</u>	<u>\$ 1,348,973</u>	<u>\$ 870,570</u>	<u>\$ 6,597,010</u>

*See accompanying notes to consolidated financial statements.*



## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

### Consolidated Statement of Functional Expenses for the year ended March 31, 2022

	IMMIGRANT RIGHTS	CRIMINAL LAW REFORM	LGBT RIGHTS	ABORTION RIGHTS	OTHER PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 869,540	\$ 506,786	\$ 319,392	\$ 325,201	\$ 960,604	\$ 945,021	\$ 547,088	\$ 4,473,632
Professional fees	78,708	98,027	24,250	28,396	191,828	165,019	19,565	605,793
Occupancy	46,596	29,953	16,682	17,878	52,089	77,970	1,717	242,885
Direct marketing materials	40,998	3,546	16,466	8,893	13,456	1,138		84,497
Travel, meals and conferences	8,963	3,174	7,286	6,032	9,392	8,808	10,257	53,912
Dues and subscriptions	92,308	23,434	8,924	10,541	25,713	31,227	5,192	197,339
Telecommunications	10,860	6,560	3,457	3,647	9,476	11,357	657	46,014
Office equipment and supplies	7,175	3,675	2,935	3,704	6,542	15,065	255	39,351
Grants to other organizations	420	5,029	1,090	1,464	175	4,595	87	12,860
Insurance	8,045	5,461	2,670	2,972	8,023	9,248		36,419
Depreciation	7,082	4,797	2,505	2,654	7,396	9,554		33,988
Professional development	927	461	212	240	1,152	9,657	355	13,004
Other	1,239	655	275	642	1,234	10,339	26,062	40,446
Total expenses	<u>\$ 1,172,861</u>	<u>\$ 691,558</u>	<u>\$ 406,144</u>	<u>\$ 412,264</u>	<u>\$ 1,287,080</u>	<u>\$ 1,298,998</u>	<u>\$ 611,235</u>	<u>\$ 5,880,140</u>

*See accompanying notes to consolidated financial statements.*

## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

### Consolidated Statements of Cash Flows for the years ended March 31, 2023 and 2022

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	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 453,837	\$ 1,287,344
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	26,738	33,988
Amortization of operating lease right-of-use asset	8,840	
Loss on property disposals	8,231	35,001
Net change in pooled investments	9,400	(11,368)
Changes in operating assets and liabilities:		
Contributions receivable	(152,539)	733,774
Receivable from ACLU National Office	(831,984)	701,118
Prepaid expenses	(135,821)	(8,531)
Accounts payable and accrued payroll-related liabilities	(42,234)	(126,912)
Due to ACLU National Office	(272,453)	272,453
Operating lease liability	2,735	
Refundable advance – Paycheck Protection Program		(827,180)
Net cash provided (used) by operating activities	<u>(925,250)</u>	<u>2,089,687</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(8,000)	
Net change in certificates of deposit held	<u>(1,388)</u>	<u>105,059</u>
Net cash provided (used) by investing activities	<u>(9,388)</u>	<u>105,059</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(934,638)</b>	<b>2,194,746</b>
Cash and cash equivalents, beginning of year	<u>7,724,156</u>	<u>5,529,410</u>
Cash and cash equivalents, end of year	<u>\$ 6,789,518</u>	<u>\$ 7,724,156</u>
<i>Supplemental disclosure of cash flow information:</i>		
Operating lease right-of-use asset financed by new lease liability	\$786,798	

*See accompanying notes to consolidated financial statements.*

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## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

Notes to Consolidated Financial Statements for the years ended March 31, 2023 and 2022

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### NOTE 1 – ORGANIZATION AND SUMMARY OF ACCOUNTING POLICIES

**Organization** – ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc. (the Foundation) are non-profit organizations established in 1991 under the laws of the State of Texas. ACLU of Texas, Inc. and the Foundation operate under the provisions and within the territory covered by a charter granted by the National American Civil Liberties Union (National ACLU). Since our formation, we have worked in the courts, the legislature, and through public education to preserve the individual rights and liberties guaranteed to every person in this country by the Constitution and laws of the United States. Our mission is to be the unyielding guardian and promoter of freedom, justice, equality, and dignity of all people, particularly for those who are still fighting to secure the full exercise of their civil rights and liberties in Texas.

The programs of the organizations are as follows:

**Immigrant Rights:** The ACLU of Texas work in the legislature and courts, with communities, and via public education for immigrants’ rights and to protect border communities. The 1,254-mile border we share with Mexico, the people living there, and the Texas communities along it have long endured the brunt of the nation’s harmful immigration policies.

**Smart Justice Reform:** The ACLU of Texas works in partnership with communities, in the legislature and the courts, and via public education, to advance reforms that reduce the number of people in prisons and jails and combat systemic racism. Our legal system harms children, families, and communities—and it is especially harmful to Texans with disabilities, and those without access to money or power. We are committed to promoting a system of justice that is fair and that treats all people with dignity and respect.

**Voting Rights:** The ACLU of Texas works with communities, in the legislature and the courts, and via public education to protect Texans, particularly those still fighting for the full exercise of their rights, from voter suppression and to ensure transparent and fair elections across the state—joining millions of Texans to ensure that every Texan’s voice will be heard.

**Abortion Rights:** The ACLU of Texas works with communities, in the legislature and the courts, and via public education to advance reproductive justice and to restore abortion access—to ensure that everyone in Texas can decide if, when, and with whom they have children. We know the decision to have an abortion is best left to an individual person, their loved ones, and their doctor. Yet, extremist politicians in Texas and around the country have passed civil and criminal laws banning abortion care and putting people and communities at risk. We will continue to fight for our right to reproductive freedom for as long as it takes.

**LGBTQIA+ Equality:** The ACLU of Texas works with communities, in the legislature and courts, and via public education to protect, defend, and expand the constitutional and civil rights of lesbian, gay, bisexual, transgender, queer, intersex, and asexual (LGBTQIA+) Texans. Many face discrimination, harassment, bullying, and violence in their daily lives simply for being who they are. This is especially true for the most vulnerable groups like LGBTQIA+ Texans of color, transgender Texans, and LGBTQIA+ youth.

***Free Speech and Pluralism:*** Free speech is one of our most fundamental rights, with voting rights, and the ACLU of Texas works with communities, in the legislature and courts, and via public education to ensure a free press, the democratic process, diversity of thought, and so much more. We continue to work towards securing inclusive education and ensure students can express themselves as their authentic selves in school.

Federal income tax status – ACLU of Texas, Inc. is exempt from federal income tax under §501(c)(4) of the Internal Revenue Code (the Code). The Foundation is exempt from federal income tax under §501(c)(3) of the Code.

Basis of consolidation – These financial statements include the assets, liabilities, net assets and activities of ACLU of Texas, Inc. and the Foundation (collectively ACLU). All balances and transactions between the consolidated entities have been eliminated. Although these financial statements are consolidated, ACLU of Texas, Inc., as a separate corporation, maintains separate financial books and records from the Foundation.

Certificates of deposit are reported at face value plus accrued interest.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Contributions receivable that are expected to be collected in future years are discounted to estimate the present value of future cash flows.

Operating lease right-of-use assets – A right-of-use asset is recognized at the present value of the lease payments at inception of the lease. Lease expense is recognized on a straight-line basis. ACLU elected to separate the lease components and the non-lease components for real estate leases. ACLU elected to recognize leases with a lease term of 12 months or less as expense on a straight-line basis over the lease term.

Property and equipment is reported at cost if purchased or at fair value at the date of gift if donated. Additions with a cost in excess of \$2,500 are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 5 years.

Interest in pooled investments are held at ACLU National Office and reported at fair value. Changes in fair value of the interest of these assets are reported as a net change in pooled investments.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for the stipulated purpose.

Contributions include government grants and are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one

or more barriers that must be overcome before the organization is entitled to receive or retain funding. Conditional contributions are recognized as revenue at fair value when the conditions have been met. Funding received before conditions have been met is reported as refundable advances.

Contributed materials, use of facilities and services are recognized as contributions at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial 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.

A substantial number of volunteers have contributed significant amounts of time in connection with programs for which no amount has been recorded in the financial statements because the donated services did not meet the criteria for recognition under generally accepted accounting principles.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and benefits are allocated based on the estimated time and effort expended by employees. Insurance expense, facility rent, telecommunications, IT support, certain professional fees, and certain office equipment are allocated based on employee full-time equivalents.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Adoption of accounting standard – ACLU adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, effective April 1, 2022, using a modified retrospective method recognizing the cumulative effect on the date of adoption without restating any prior year amounts or disclosures. Adoption of this ASU had no impact on total beginning net assets at April 1, 2022. The following accounting policy elections were made in connection with implementation of the new standard:

- *Short-term leases* – ACLU has elected to not apply the new guidance to leases with terms of 12 months or less. Instead, these leases are recognized as expense on a straight-line basis over the lease term.
- *Discount rates* – ACLU elected to use a risk-free discount rate as the discount rate when the rate implicit in a lease is not readily determinable.

## NOTE 2 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of March 31 comprise the following:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 6,789,518	\$ 7,724,156
Certificates of deposit	135,515	134,127
Contributions receivable	1,174,556	1,022,017
Receivable from ACLU National Office	1,143,616	311,632
Interest in pooled investments	<u>170,974</u>	<u>180,374</u>
Total financial assets	9,414,179	9,372,306
Less financial assets not available for general expenditure:		
Contributions receivable due in more than one year	(338,721)	(681,183)
Donor-restricted assets restricted for future periods	(391,000)	
Endowment funds	(170,974)	(180,374)
Board-designated reserve funds	<u>(4,825,000)</u>	<u>(994,694)</u>
Total financial assets available for general expenditure	<u>\$ 3,688,484</u>	<u>\$ 7,516,055</u>

For purposes of analyzing resources available to meet expenditures over a 12-month period, ACLU defines general expenditures as any expenditure related to its ongoing activities to defend and protect the civil liberties of Texans (see Note 1).

ACLU is substantially supported throughout the year by contributions and regularly monitors liquidity to ensure operating accounts contain sufficient funds to cover all liabilities and contractual obligations. As part of its policies and procedures, ACLU structures its assets in a manner which enables the organization to transfer funds into operating accounts as needed to meet its general expenditures, liabilities, and other obligations as they become due. Board-designated assets may be released, as approved by the Board of Directors, in the event additional financial resources are needed.

## NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2023</u>	<u>2022</u>
Bank deposits including interest-bearing savings accounts	\$ 6,787,661	\$ 7,244,076
Money market mutual funds	<u>                    </u>	<u>480,080</u>
Total cash and cash equivalents	<u>\$ 6,787,661</u>	<u>\$ 7,724,156</u>

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. Demand deposits exceed the federally insured limit per depositor per financial institution.

#### NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are expected to be collected as follows:

	<u>2023</u>	<u>2022</u>
Within one year	\$ 835,835	\$ 340,834
In two to five years	350,000	683,334
Discount to net present value	<u>(11,279)</u>	<u>(2,151)</u>
Contributions receivable, net	<u>\$ 1,174,556</u>	<u>\$ 1,022,017</u>

As of March 31, 2023 and 2022, approximately 70% of contributions receivable are from two donors.

#### NOTE 5 – INTEREST IN POOLED INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Foundation is party to an agreement with the ACLU National Office whereby amounts deposited by the Foundation with the ACLU National Office will be invested and held for the benefit of the Foundation. The Foundation may receive an annual distribution, as described further in Note 9, but no additional distributions or redemptions are allowed unless under extraordinary circumstances and approved by a vote of two-thirds of the other unit shares outstanding. The investments held by the ACLU National Office are invested for the benefit of the Foundation.

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three levels of the fair value hierarchy are as follows:

- *Level 1* – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the reporting date.
- *Level 2* – Inputs are other than quoted prices included in Level 1, which are either directly observable or can be derived from or corroborated by observable market data at the reporting date.
- *Level 3* – Inputs are not observable and are based on the reporting entity’s assumptions about the inputs market participants would use in pricing the asset or liability.

Assets measured at fair value at March 31, 2023 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Interest in pooled investments	<u>                    </u>	<u>\$ 170,974</u>	<u>                    </u>	<u>\$ 170,974</u>
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 170,974</u>	<u>\$ 0</u>	<u>\$ 170,974</u>

Assets measured at fair value at March 31, 2022 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Money market mutual funds held as cash equivalents	<u>\$ 480,080</u>			<u>\$ 480,080</u>
Interest in pooled investments	<u>                    </u>	<u>\$ 180,374</u>	<u>                    </u>	<u>180,374</u>
Total assets measured at fair value	<u>\$ 480,080</u>	<u>\$ 180,374</u>	<u>\$ 0</u>	<u>\$ 660,454</u>

Valuation methods used for assets measured at fair value are as follows:

- *Mutual funds* are valued at the reported net asset value of shares held at year end.
- *Interest in pooled investments* is based upon valuations provided by the ACLU National Office in conjunction with the value of the underlying securities maintained and valued by an investment custodian. The Foundation’s investment in the pooled funds is calculated by National ACLU based on the percentage of total units in the fund held by the Foundation applied to the total net asset value of the fund. Investment management and custodial fees allocable to the Foundation’s investments are deducted from the Foundation’s share of investment return of the portfolio.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Foundation believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment is comprised of the following:

	<u>2023</u>	<u>2022</u>
Furniture, fixtures, and equipment	\$ 42,197	\$ 211,921
Leasehold improvements	<u>19,062</u>	<u>62,097</u>
Total property and equipment, at cost	61,259	274,018
Accumulated depreciation	<u>(47,719)</u>	<u>(233,509)</u>
Property and equipment, net	<u>\$ 13,540</u>	<u>\$ 40,509</u>

**NOTE 7 – GOVERNMENT GRANT – PAYCHECK PROTECTION PROGRAM**

In May 2020, ACLU received \$827,180 under the Small Business Administration’s (SBA) Paycheck Protection Program (PPP). On April 13, 2021, ACLU received notification from the SBA that all principal and interest was forgiven. All proceeds are recognized as government grant revenue in the statement of activities for the year ended March 31, 2022.



## NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose:		
Voting rights	\$ 946,563	\$ 174,905
Immigrant rights	500,000	759,402
LGBTQ	214,617	
Legal fellow	124,238	165,105
Smart justice	61,667	208,722
Border rights		467,428
Other programs	<u>165,380</u>	<u>38,345</u>
Total subject to expenditure for specified purpose	2,012,465	1,813,907
Subject to expiration of time		290,000
Endowments subject to spending policy and appropriation:		
Bill of Rights Endowment Fund	<u>170,974</u>	<u>180,374</u>
Total net assets with donor restrictions	<u>\$ 2,183,439</u>	<u>\$ 2,284,281</u>

## NOTE 9 – ENDOWMENT FUNDS

The National ACLU and its separately incorporated affiliate foundations are cooperatively raising and sharing in a Trust for the Bill of Rights Endowment Fund (the Fund). Endowment gifts are shared equally between National ACLU and the affiliate foundations for the area in which the donors reside, unless otherwise restricted by the donors. Each foundation holds unit shares commensurate with its ownership of endowment fund gifts received. While these endowment gifts are held by National ACLU in a single independent account, financial data on each foundation's shares is allocated and reported separately for each affiliate.

The Foundation's Board of Directors, under the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA), requires preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit stipulations to the contrary. As a result, the Foundation classifies the original value of gifts donated to the perpetual endowment as *net assets with donor restrictions* required to be maintained in perpetuity. The remaining portion of the donor-restricted endowment fund is classified as *net assets with donor restrictions* until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by TUPMIFA.

### *Investment Policies*

The funds are governed according to the guidelines outlined in two documents:

- Agreement for the Establishment, Management and Operation of the Trust for the Bill of Rights (approved by the National ACLU Board on October 25, 1997 and amended on November 1, 2002).
- American Civil Liberties Union Foundation (National Foundation) Investment Policy Statement (adopted by the National Foundation Executive Committee/Board on September 12, 2014).

The Trust for the Bill of Rights is subject to an investment policy created by the National ACLU Investment Committee. Affiliate foundations may not make independent decisions on how their unit shares are invested, though a screened fund option has been made available.

The investment guidelines target allocations for the endowment assets are established as follows:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>
Publicly-traded equity securities	40%-70%
Marketable alternative investments	5%-35%
Fixed-income securities and cash	10%-40%

### Spending Policy and How the Investment Objective Relates to Spending Policy

The agreement provides for the expenditure of up to 4% of the average of the fair market value of each unit share of the Fund as of December 31 of the three immediately preceding calendar years. The agreement does provide for the withdrawal of unit shares by the affiliate in certain crisis situations.

Changes in the donor-restricted endowment fund are as follows:

	<u>WITH DONOR RESTRICTIONS</u>		<u>TOTAL</u>
	<u>ACCUMULATED NET INVESTMENT RETURN</u>	<u>REQUIRED TO BE MAINTAINED IN PERPETUITY</u>	
Endowment net assets, March 31, 2021	\$ 44,006	\$ 125,000	\$ 169,006
Net change in pooled investments	<u>11,368</u>	<u>          </u>	<u>11,368</u>
Endowment net assets, March 31, 2022	55,374	125,000	180,374
Net change in pooled investments	<u>(9,400)</u>	<u>          </u>	<u>(9,400)</u>
Endowment net assets, March 31, 2023	<u>\$ 45,974</u>	<u>\$ 125,000</u>	<u>\$ 170,974</u>

### **NOTE 10 – RELATED PARTY TRANSACTIONS**

The Foundation, through its affiliation with National ACLU, receives shared contributions. During 2023 and 2022, contributions from National ACLU totaled \$1,772,292 and \$786,255, respectively, and were included in contributions in the accompanying consolidated statement of activities. At March 31, 2023, \$552,117 was due from National ACLU and at March 31, 2022, \$272,453 was due to National ACLU.

ACLU of Texas, Inc., through its affiliation with National ACLU, receives shared membership contributions. During 2023 and 2022, ACLU of Texas, Inc. recognized \$2,423,842 and \$2,474,650, respectively, in membership contributions from National ACLU. At March 31, 2023, \$591,499 was due from National ACLU and at March 31, 2022, \$311,632 was due from National ACLU.

### **NOTE 11 – LEASE COMMITMENTS**

At March 31, 2023, the operating lease right-of-use asset and lease liability represents a real estate lease for office space in Houston, Texas. Right-of-use assets are recognized at the present value of the lease payments at the inception of the lease adjusted, as appropriate, for certain other payments and allowances

related to obtaining the lease and placing the asset in service. Operating lease right-of-use assets are amortized so that lease costs remain constant over the lease term.

The components of lease costs for the year ended March 31, 2023 are as follows:

Operating lease costs	\$ 8,840
Short-term lease costs	<u>293,061</u>
Total lease costs	<u>\$ 301,901</u>

Lease costs recognized during the year ended March 31, 2022, prior to the adoption of the new accounting standard were \$241,076.

The weighted-average term and discount rate for the operating lease outstanding as of March 31, 2023:

Weighted-average remaining lease term	88 months
Weighted-average discount rate	4.17%

No payments were made in 2023 related to the real estate lease. Future scheduled undiscounted minimum lease payments related to the operating lease liability are as follows:

2024	\$ 83,033
2025	126,211
2026	128,702
2027	131,193
2028 and thereafter	<u>455,023</u>
Total undiscounted cash flows	924,162
Less present value discount	<u>(134,629)</u>
Total present value of lease payments	<u>\$ 789,533</u>

## NOTE 12 – RETIREMENT PLANS

ACLU participates in The American Civil Liberties Union Retirement Plan (the DB Plan), which includes National ACLU and all of its affiliates (the affiliated entities). The DB Plan is a defined benefit pension plan. National ACLU implemented a “soft freeze” of the DB Plan effective March 31, 2009. ACLU has three employees continuing to participate in the DB Plan. At March 31, 2023 and 2022, the Foundation has accrued approximately \$28,000 and \$117,000, respectively, for its portion of the unfunded pension liability related to the three employees continuing to receive credits. Employees may take early retirement at age 55, with 10 years of service. Benefits under the DB Plan are determined based on years of service and compensation. The related pension contributions totaled \$29,118 and \$28,850 for the years ended March 31, 2023 and 2022, respectively.

Effective April 1, 2009, National ACLU created the ACLU Defined Contribution Plan (the DC Plan), a §401(k) profit sharing plan under §401(a) of the Code. All ACLU employees are eligible to participate upon the attainment of age 21 and 30 days of service. Entry dates are the first business day of each quarter. Under the DC Plan, eligible employees may contribute up to the statutory Federal limitation with a match of up to 3.5% of their wages. Employer contributions totaled \$161,321 and \$155,627 for the years ended March 31, 2023 and 2022, respectively.

### **NOTE 13 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 26, 2023, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

Supplemental Consolidating Statement of Financial Position as of March 31, 2023

	<u>FOUNDATION</u>	<u>ACLU OF TEXAS, INC.</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 2,777,217	\$ 4,012,301		\$ 6,789,518
Certificates of deposit	135,515			135,515
Contributions receivable	1,074,556	100,000		1,174,556
Receivable from ACLU National Office	552,117	591,499		1,143,616
Receivable from ACLU of Texas, Inc.	149,505		\$ (149,505)	
Prepaid expenses	198,991			198,991
Property and equipment, net	12,146	1,394		13,540
Operating lease right-of-use asset	466,775	311,183		777,958
Interest in pooled investments	<u>170,974</u>	<u>          </u>	<u>          </u>	<u>170,974</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,537,796</u></b>	<b><u>\$ 5,016,377</u></b>	<b><u>\$ (149,505)</u></b>	<b><u>\$ 10,404,668</u></b>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued payroll- related liabilities	\$ 382,009	\$ 88,316		\$ 470,325
Payable to Foundation		149,505	\$ (149,505)	
Operating lease liability	<u>473,720</u>	<u>315,813</u>	<u>          </u>	<u>789,533</u>
Total liabilities	<u>855,729</u>	<u>553,634</u>	<u>(149,505)</u>	<u>1,259,858</u>
Net assets:				
Without donor restrictions	2,498,628	4,462,743		6,961,371
With donor restrictions	<u>2,183,439</u>	<u>          </u>		<u>2,183,439</u>
Total net assets	<u>4,682,067</u>	<u>4,462,743</u>		<u>9,144,810</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,537,796</u></b>	<b><u>\$ 5,016,377</u></b>	<b><u>\$ (149,505)</u></b>	<b><u>\$ 10,404,668</u></b>

## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

Supplemental Consolidating Statement of Financial Position as of March 31, 2022

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	<u>FOUNDATION</u>	<u>ACLU OF TEXAS, INC.</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 3,869,909	\$ 3,854,247		\$ 7,724,156
Certificates of deposit	134,127			134,127
Contributions receivable	1,002,017	20,000		1,022,017
Receivable from ACLU National Office		311,632		311,632
Receivable from Foundation		219,001	\$ (219,001)	
Prepaid expenses	58,463	4,707		63,170
Property and equipment, net	33,094	7,415		40,509
Interest in pooled investments	<u>180,374</u>	<u>          </u>	<u>          </u>	<u>180,374</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,277,984</u></b>	<b><u>\$ 4,417,002</u></b>	<b><u>\$ (219,001)</u></b>	<b><u>\$ 9,475,985</u></b>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued payroll- related liabilities	\$ 384,536	\$ 128,023		\$ 512,559
Payable to ACLU National Office	272,453			272,453
Payable to ACLU of Texas, Inc.	<u>219,001</u>	<u>          </u>	<u>\$ (219,001)</u>	<u>          </u>
Total liabilities	<u>875,990</u>	<u>128,023</u>	<u>(219,001)</u>	<u>785,012</u>
Net assets:				
Without donor restrictions	2,117,713	4,288,979		6,406,692
With donor restrictions	<u>2,284,281</u>	<u>          </u>		<u>2,284,281</u>
Total net assets	<u>4,401,994</u>	<u>4,288,979</u>		<u>8,690,973</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,277,984</u></b>	<b><u>\$ 4,417,002</u></b>	<b><u>\$ (219,001)</u></b>	<b><u>\$ 9,475,985</u></b>

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## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

Supplemental Consolidating Statement of Activities for the year ended March 31, 2023

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	<u>FOUNDATION</u>	<u>ACLU OF TEXAS, INC.</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
REVENUE:				
Contributions	\$ 4,421,075	\$ 200,000		\$ 4,621,075
Membership contributions – allocation from National ACLU		2,423,842		2,423,842
Net change in pooled investments	(9,403)			(9,403)
Other revenue	<u>6,598</u>	<u>8,735</u>		<u>15,333</u>
Total revenue	<u>4,418,270</u>	<u>2,632,577</u>		<u>7,050,847</u>
EXPENSES:				
Program services	2,713,367	1,664,100		4,377,467
Management and general	907,417	441,556		1,348,973
Fundraising	<u>517,413</u>	<u>353,157</u>		<u>870,570</u>
Total expenses	<u>4,138,197</u>	<u>2,458,813</u>		<u>6,597,010</u>
CHANGES IN NET ASSETS	280,073	173,764		453,837
Net assets, beginning of year	<u>4,401,994</u>	<u>4,288,979</u>	<u>          </u>	<u>8,690,973</u>
Net assets, end of year	<u>\$ 4,682,067</u>	<u>\$ 4,462,743</u>	<u>\$ 0</u>	<u>\$ 9,144,810</u>

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## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

Supplemental Consolidating Statement of Activities for the year ended March 31, 2022

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	<u>FOUNDATION</u>	<u>ACLU OF TEXAS, INC.</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
REVENUE:				
Contributions	\$ 3,587,435	\$ 181,683		\$ 3,769,118
Government grant – Paycheck Protection Program	827,180			827,180
Membership contributions – allocation from National ACLU		2,474,650		2,474,650
Net change in pooled investments	11,368			11,368
Other revenue	<u>69,788</u>	<u>15,380</u>		<u>85,168</u>
Total revenue	<u>4,495,771</u>	<u>2,671,713</u>		<u>7,167,484</u>
EXPENSES:				
Program services	2,554,033	1,415,874		3,969,907
Management and general	798,473	500,525		1,298,998
Fundraising	<u>373,244</u>	<u>237,991</u>		<u>611,235</u>
Total expenses	<u>3,725,750</u>	<u>2,154,390</u>		<u>5,880,140</u>
CHANGES IN NET ASSETS	770,021	517,323		1,287,344
Net assets, beginning of year	<u>3,631,973</u>	<u>3,771,656</u>	<u>          </u>	<u>7,403,629</u>
Net assets, end of year	<u>\$ 4,401,994</u>	<u>\$ 4,288,979</u>	<u>\$ 0</u>	<u>\$ 8,690,973</u>

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