

**AMERICAN CIVIL LIBERTIES
UNION OF MARYLAND, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
MARCH 31, 2016**

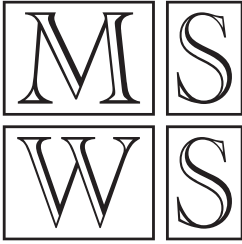


MULLEN SONDBERG WIMBISH & STONE, PA

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

	<u>Page</u>
Independent auditor's report	1 - 2
Financial statements	
Statement of financial position	3
Statement of activities	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to financial statements	7 - 16
Supplementary information	
Consolidating schedules of financial position	17 - 18
Consolidating schedules of activities	19 - 20
Consolidating schedules of expenses	21 - 22



MULLEN & SONDBERG
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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, 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

American Civil Liberties Union
of Maryland, Inc.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Civil Liberties Union of Maryland, Inc. and American Civil Liberties Union Foundation of Maryland, Inc., as of March 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating schedules on pages 17 - 22 are presented for purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited American Civil Liberties Union of Maryland, Inc. and American Civil Liberties Union Foundation of Maryland, Inc.'s 2015 consolidated financial statements, and our report dated August 27, 2015 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2015, 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
August 31, 2016

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2016

ASSETS		
	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 967,206	\$ 638,965
Investments	5,890,697	6,558,343
Accounts receivable	-	421
Contributions receivable	550,000	372,500
Due from National Affiliate	22,393	31,927
Prepaid expenses	8,838	-
Total current assets	7,439,134	7,602,156
PROPERTY AND EQUIPMENT		
Net of accumulated depreciation	53,623	34,000
OTHER ASSETS		
Deposits	9,757	9,757
Total assets	\$ 7,502,514	\$ 7,645,913
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 21,136	\$ 141,230
Accrued expenses	118,593	79,363
Accrued pension expense	167,079	164,722
Due to National Affiliate	63,456	69,005
Total current liabilities	370,264	454,320
NET ASSETS, as restated		
Unrestricted - available for general activities	5,944,500	6,082,279
Temporarily restricted	1,187,750	1,109,314
Total net assets	7,132,250	7,191,593
Total liabilities and net assets	\$ 7,502,514	\$ 7,645,913

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

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended March 31, 2016
With Summarized Financial Information for the Years Ended March 31, 2015

	Unrestricted	Temporarily Restricted	Totals	
			2016	2015
REVENUES, GAINS AND OTHER SUPPORT				
Received directly:				
Grants	\$ 477,000	\$ 660,000	\$ 1,137,000	\$ 1,472,804
Donations	487,339	-	487,339	435,508
Bequests	40,372	-	40,372	70,555
	<u>1,004,711</u>	<u>660,000</u>	<u>1,664,711</u>	<u>1,978,867</u>
Donated legal services	<u>1,429,442</u>	<u>-</u>	<u>1,429,442</u>	<u>697,659</u>
Total direct support	<u>2,434,153</u>	<u>660,000</u>	<u>3,094,153</u>	<u>2,676,526</u>
Other revenue:				
Attorney fees	520,250	-	520,250	2,186,910
Membership dues	248,577	-	248,577	235,290
Investment income	107,784	-	107,784	92,321
Other revenue	9,525	-	9,525	13,574
Realized and unrealized gain (loss) on investments	(143,342)	-	(143,342)	177,379
	<u>742,794</u>	<u>-</u>	<u>742,794</u>	<u>2,705,474</u>
Net assets released from restrictions	<u>581,564</u>	<u>(581,564)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>3,758,511</u>	<u>78,436</u>	<u>3,836,947</u>	<u>5,382,000</u>
EXPENSES				
Program services	3,341,169	-	3,341,169	2,940,411
Supporting services:				
Management and general	314,330	-	314,330	283,921
Fundraising	240,791	-	240,791	217,279
Total supporting services	<u>555,121</u>	<u>-</u>	<u>555,121</u>	<u>501,200</u>
Total expenses	<u>3,896,290</u>	<u>-</u>	<u>3,896,290</u>	<u>3,441,611</u>
Change in net assets	(137,779)	78,436	(59,343)	1,940,389
Net assets - beginning of the year, as restated	<u>6,082,279</u>	<u>1,109,314</u>	<u>7,191,593</u>	<u>5,251,204</u>
Net assets - end of the year	<u>\$ 5,944,500</u>	<u>\$ 1,187,750</u>	<u>\$ 7,132,250</u>	<u>\$ 7,191,593</u>

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

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2016
With Summarized Financial Information for the Years Ended March 31, 2015

	Supporting Services			Total		
	Program Services	Management and General	Fundraising	Total Supporting Services	2016	2015
Payroll and related expenses	\$ 1,482,001	\$ 250,524	\$ 188,660	\$ 439,184	\$ 1,921,185	\$ 1,702,769
Donated legal services	1,429,442	-	-	-	1,429,442	697,659
Occupancy	162,011	27,387	20,625	48,012	210,023	202,638
Professional fees	100,071	16,916	12,739	29,655	129,726	44,330
Travel and meetings	56,560	5,511	4,150	9,661	66,221	55,732
Telephone and communications	36,509	6,171	4,648	10,819	47,328	64,393
Office expense	25,127	4,247	3,199	7,446	32,573	26,720
Printing and publications	13,631	298	224	522	14,153	16,234
Depreciation	9,179	1,551	1,168	2,719	11,898	6,672
Legislative	8,431	-	-	-	8,431	6,133
Library and dues	6,915	6	4	10	6,925	7,729
Postage	5,198	879	662	1,541	6,739	2,921
Miscellaneous	4,970	840	633	1,473	6,443	5,036
Bank service charges	-	-	3,790	3,790	3,790	4,351
Litigation	1,124	-	-	-	1,124	115,242
Fundraising and membership events	-	-	289	289	289	1,498
Grant expenses	-	-	-	-	-	481,554
 Total expenses	 \$ 3,341,169	 \$ 314,330	 \$ 240,791	 \$ 555,121	 \$ 3,896,290	 \$ 3,441,611

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

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended March 31, 2016

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (59,343)	\$ 1,940,389
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	11,898	6,672
Realized and unrealized (gain) loss on investments	143,342	(177,379)
(Increase) decrease in operating assets:		
Accounts receivable	421	200,079
Contributions receivable	(177,500)	(10,000)
Due from National Affiliate	9,534	(8,580)
Prepaid expenses	(8,838)	15,030
Deposits	-	60
Increase (decrease) in operating liabilities:		
Accounts payable	(120,094)	120,816
Accrued expenses	39,230	7,755
Accrued pension expense	2,357	5,278
Due to National Affiliate	(5,549)	(56,687)
	<u>(164,542)</u>	<u>2,043,433</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments and reinvested dividends	(175,696)	(2,354,507)
Proceeds from sale of investments	700,000	340,000
Purchase of equipment	(31,521)	(28,789)
	<u>492,783</u>	<u>(2,043,296)</u>
Net cash provided (used) by investing activities		
Net change in cash and cash equivalents	328,241	137
Cash and cash equivalents at beginning of year	<u>638,965</u>	<u>638,828</u>
Cash and cash equivalents at end of year	<u>\$ 967,206</u>	<u>\$ 638,965</u>

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

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2016

Note 1 - Summary of Significant Accounting Policies

Nature of Organization

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

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

Consolidation of Related Entity

The ACLU has adopted the provision of FASB ASC 958-810 *Not-for-Profit Entities – Consolidation*. The ACLU has included its related entity, the ACLU Foundation, in its financial statements for the years ended March 31, 2016 and 2015. FASB ASC 958-810 states that a not-for-profit organization should consolidate another not-for-profit organization if the report not-for-profit organization has both control of the other not-for-profit organization, as evidenced by either majority ownership or a majority voting interest in the Board of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

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

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

Basis of Accounting

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

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2016

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

Basis of Presentation

The financial statements include certain prior years summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the years ended March 31, 2015, from which the summarized information was derived.

Revenue Recognition

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

Use of Estimates

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

Functional Expenses

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

Cash and Cash Equivalents

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

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2016

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

Concentration of Cash Balances

At March 31, 2016 and 2015 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, 2016 and 2015 were approximately \$466,000 and \$112,000, respectively.

Investments

Investments are presented in the financial statements as quoted fair value. The net realized and unrealized appreciation (depreciation) in market value of investments is reflected in the statement of activities. Investments consist of cash and cash equivalents, certificates of deposit, and mutual funds held by a broker.

Contributions Receivable

Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the rate and circumstances applicable to each of the contributions receivable. Amortization of the discounts is included in contribution revenue. Conditional contributions receivable are not included as support until the conditions are substantially met.

Property and Equipment

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

Income Tax Status

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

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2016

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

Income Tax Position

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

The Organization analyzes tax positions taken, including those related to the requirements set forth in IRC Sec. 501(c) to qualify as a tax exempt organization, activities performed by volunteers and Board members, the reporting of unrelated business income, and its status as a tax-exempt organization under Maryland State statute. The Organization does not know of any tax benefits arising from uncertain tax positions and there was no effect on the Organization’s financial position or changes in net assets as a result of analyzing its tax positions. Fiscal years ending on or after March 31, 2013 remain subject to examination by federal and State authorities.

Donated Services

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

Reclassification of Prior Year Balances

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

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2016

Note 2 - Investments

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

	March 31, 2016		
	Cost	Fair Market Value	Gross Unrealized Gain (Loss)
Cash and cash equivalents	\$ 7,100	\$ 7,100	\$ -
Certificates of deposit	543,990	543,990	-
Mutual funds:			
Blend funds	2,779,216	3,055,147	275,931
Bond funds	2,007,595	1,921,317	(86,278)
Floating rate fund	334,808	363,143	28,335
	\$ 5,672,709	\$ 5,890,697	\$ 217,988

	March 31, 2015		
	Cost	Fair Market Value	Gross Unrealized Gain (Loss)
Cash and cash equivalents	\$ 46,610	\$ 46,610	\$ -
Certificates of deposit	540,367	540,367	-
Mutual funds:			
Blend funds	2,412,097	3,126,194	714,097
Bond funds	2,584,871	2,591,509	6,638
Floating rate fund	256,605	253,663	(2,942)
	\$ 5,840,550	\$ 6,558,343	\$ 717,793

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2016

Note 3 - Fair Value Measurement

ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are as follows:

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3: Inputs that are unobservable and supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

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

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

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2016

Note 3 - Fair Value Measurement (Cont.)

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

	March 31, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 7,100	\$ -	\$ -	\$ 7,100
Certificates of deposit	-	543,990	-	543,990
Mutual funds:				
Blend funds	3,055,147	-	-	3,055,147
Bond funds	1,921,317	-	-	1,921,317
Floating rate fund	363,143	-	-	363,143
Total investments	\$ 5,346,707	\$ 543,990	\$ -	\$ 5,890,697
	March 31, 2015			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 46,610	\$ -	\$ -	\$ 46,610
Certificates of deposit	-	540,367	-	540,367
Mutual funds:				
Blend funds	3,126,194	-	-	3,126,194
Bond funds	2,591,509	-	-	2,591,509
Floating rate fund	253,663	-	-	253,663
Total investments	\$ 6,017,976	\$ 540,367	\$ -	\$ 6,558,343

Note 4 - Contributions Receivable

Contributions receivable consist of unconditional promises to give for \$550,000 and \$372,500 for the years ended March 31, 2016 and 2015, 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, 2016

Note 5 - Property and Equipment

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

	Estimated Lives	2016	2015
Furniture and equipment	3-7 years	\$ 85,521	\$ 158,539
Less accumulated depreciation		(31,898)	(124,539)
Net property and equipment		\$ 53,623	\$ 34,000

Depreciation expense for the years ended March 31, 2016 and 2015 was \$11,898 and \$6,672, 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:

	2016	2015
Donated hours	2,781	1,329
Total	\$ 1,429,442	\$ 697,659

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets consists of amounts received for a specific purpose but as of the fiscal year end have not been spent. Amounts received are restricted for education, immigration and criminal justice. Total temporarily restricted net assets at March 31, 2016 and 2015 was \$1,187,750 and \$1,109,314, respectively.

American Civil Liberties Union of Maryland, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Cont.)
March 31, 2016

Note 8 - Operating Lease

The ACLU Foundation entered into a lease agreement starting December 2012 to lease office space under an agreement expiring November 2017. The monthly rent was \$12,650 and increases by approximately 3% every year. Rent expense was \$178,166 and \$172,605 for the years ended March 31, 2016 and 2015, respectively. The summary of future minimum lease payments are as follows for the years ending March 31:

2017	\$ 162,655
2018	<u>110,584</u>
	<u>\$ 273,239</u>

Note 9 - Affiliated Organizations

The ACLU and the ACLU Foundation are local affiliates of the national American Civil Liberties Union, Inc. and the national American Civil Liberties Union Foundation, Inc., respectively. Contributions are allocated between the ACLU national headquarters and affiliates in accordance with revenue sharing policies determined by the national office. The amount due to the national ACLU Foundation, Inc. was \$63,456 and \$69,005 at March 31, 2016 and 2015, respectively. The amount due from the national ACLU, Inc. was \$2,500 and \$40,000 at March 31, 2016 and 2015, respectively.

The ACLU forwards membership dues to the national ACLU office and allocations are made to the various affiliates in accordance with revenue sharing policies. The amount due (to)/from the national ACLU for membership dues was \$19,893 and \$(8,073) at March 31, 2016 and 2015, respectively.

Note 10 - Related Party Transactions

The ACLU paid for transactions on behalf of the ACLU Foundation. Intercompany receivable and payable totaled \$32,573 and \$34,782 as of March 31, 2016 and 2015, 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, 2016

Note 11 - Retirement Plan

A defined benefit pension plan was provided through the national ACLU for all employees hired on or before March 31, 2010 who were 21 years of age and had one year and 1,000 hours of service. The related pension expense was \$168,170 and \$164,722 for the years ended March 31, 2016 and 2015, respectively.

Effective April 1, 2009, new employees were no longer eligible to participate in the defined benefit pension plan. A new defined contribution plan was started in which all employees 21 year and older are eligible to participate. The ACLU will match 100% of contributions up to 1% of salary plus 50% of contributions from 1% to 6% of salary. Pension expense for the match was \$32,187 and \$23,438 for the years ended March 31, 2016 and 2015, respectively.

Note 12 - Restatement

Subsequent to the issuance of its 2015 financial statements, management identified certain errors and as a result, the Organization has restated its 2015 financial statements as explained below.

As previously reported, the Organization had a contribution receivable recorded for a pass-through grant. However, it was later determined that the money was directly remitted to the pass-through agency during the year ended March 31, 2015. As such, the Organization has overstated its contribution receivables and understated grant expenses.

The correction of these errors resulted in the following restatements:

	<u>As Previously Reported</u>	<u>Restatement Adjustments</u>	<u>As Restated</u>
Net assets as of April 1, 2014	\$ 5,251,204	\$ -	\$ 5,251,204
Change in net assets for the year ended March 31, 2015	<u>2,181,166</u>	<u>(240,777)</u>	<u>1,940,389</u>
Net assets at March 31, 2015	<u>\$ 7,432,370</u>	<u>\$ (240,777)</u>	<u>\$ 7,191,593</u>

Note 13 - Subsequent Events

The Organization has evaluated the impact of significant subsequent events. There have been no subsequent events through August 31, 2016, the date the Organization's consolidated financial statements were available to be issued, that require recognition or disclosure.

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF FINANCIAL POSITION
March 31, 2016

	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	\$ 546,683	\$ 420,523	\$ -	\$ 967,206
Investments	2,855,539	3,035,158	-	5,890,697
Contributions receivable	-	550,000	-	550,000
Due from National Affiliate	22,393	-	-	22,393
Due from ACLU Foundation of Maryland, Inc.	32,573	-	(32,573)	-
Prepaid expenses	-	8,838	-	8,838
	<u>3,457,188</u>	<u>4,014,519</u>	<u>(32,573)</u>	<u>7,439,134</u>
Total current assets	3,457,188	4,014,519	(32,573)	7,439,134
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	-	53,623	-	53,623
OTHER ASSETS				
Deposits	247	9,510	-	9,757
	<u>247</u>	<u>9,510</u>	<u>-</u>	<u>9,757</u>
Total assets	<u>\$ 3,457,435</u>	<u>\$ 4,077,652</u>	<u>\$ (32,573)</u>	<u>\$ 7,502,514</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ 21,136	\$ -	\$ 21,136
Accrued expenses	928	117,665	-	118,593
Accrued pension expense	-	167,079	-	167,079
Due to National Affiliate	-	63,456	-	63,456
Due to ACLU of Maryland, Inc.	-	32,573	(32,573)	-
	<u>928</u>	<u>401,909</u>	<u>(32,573)</u>	<u>370,264</u>
Total current liabilities	928	401,909	(32,573)	370,264
NET ASSETS				
Unrestricted - available for general activities	3,456,507	2,487,993	-	5,944,500
Temporarily restricted	-	1,187,750	-	1,187,750
	<u>3,456,507</u>	<u>3,675,743</u>	<u>-</u>	<u>7,132,250</u>
Total net assets	3,456,507	3,675,743	-	7,132,250
Total liabilities and net assets	<u>\$ 3,457,435</u>	<u>\$ 4,077,652</u>	<u>\$ (32,573)</u>	<u>\$ 7,502,514</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF FINANCIAL POSITION
March 31, 2015

	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	\$ 286,730	\$ 352,235	\$ -	\$ 638,965
Investments	2,876,727	3,681,616	-	6,558,343
Accounts receivable - trade	-	421	-	421
Contributions receivable	-	372,500	-	372,500
Due from National Affiliate	31,927	-	-	31,927
Due from ACLU Foundation of Maryland, Inc.	34,782	-	(34,782)	-
Total current assets	3,230,166	4,406,772	(34,782)	7,602,156
PROPERTY AND EQUIPMENT				
Net of accumulated depreciation	-	34,000	-	34,000
OTHER ASSETS				
Deposits	247	9,510	-	9,757
Total assets	\$ 3,230,413	\$ 4,450,282	\$ (34,782)	\$ 7,645,913
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ 141,230	\$ -	\$ 141,230
Accrued expenses	760	78,603	-	79,363
Accrued pension expense	-	164,722	-	164,722
Due to National Affiliate	-	69,005	-	69,005
Due to ACLU of Maryland, Inc.	-	34,782	(34,782)	-
Total current liabilities	760	488,342	(34,782)	454,320
NET ASSETS, as restated				
Unrestricted - available for general activities	3,229,653	2,852,626	-	6,082,279
Temporarily restricted	-	1,109,314	-	1,109,314
Total net assets	3,229,653	3,961,940	-	7,191,593
Total liabilities and net assets	\$ 3,230,413	\$ 4,450,282	\$ (34,782)	\$ 7,645,913

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF ACTIVITIES
March 31, 2016

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
REVENUES, GAINS AND OTHER SUPPORT			
Received directly:			
Grants	\$ -	\$ 1,137,000	\$ 1,137,000
Donations	4,050	483,289	487,339
Bequests	4,310	36,062	40,372
	<u>8,360</u>	<u>1,656,351</u>	<u>1,664,711</u>
Donated legal services	-	1,429,442	1,429,442
	<u>-</u>	<u>1,429,442</u>	<u>1,429,442</u>
Total direct support	8,360	3,085,793	3,094,153
Other revenue:			
Attorney fees	-	520,250	520,250
Membership dues	248,577	-	248,577
Investment income	49,790	57,994	107,784
Other revenue	9,297	228	9,525
Realized and unrealized loss on investments	(70,979)	(72,363)	(143,342)
	<u>(70,979)</u>	<u>(72,363)</u>	<u>(143,342)</u>
Total revenues, gains, and other support	245,045	3,591,902	3,836,947
	<u>245,045</u>	<u>3,591,902</u>	<u>3,836,947</u>
EXPENSES			
Program services	14,032	3,327,137	3,341,169
Supporting services:			
Management and general	2,372	311,958	314,330
Fundraising	1,787	239,004	240,791
	<u>4,159</u>	<u>550,962</u>	<u>555,121</u>
Total supporting services	4,159	550,962	555,121
	<u>4,159</u>	<u>550,962</u>	<u>555,121</u>
Total expenses	18,191	3,878,099	3,896,290
	<u>18,191</u>	<u>3,878,099</u>	<u>3,896,290</u>
Change in net assets	226,854	(286,197)	(59,343)
	<u>226,854</u>	<u>(286,197)</u>	<u>(59,343)</u>
NET ASSETS AT BEGINNING OF YEAR, as restated	3,229,653	3,961,940	7,191,593
	<u>3,229,653</u>	<u>3,961,940</u>	<u>7,191,593</u>
NET ASSETS AT END OF YEAR	\$ 3,456,507	\$ 3,675,743	\$ 7,132,250
	<u>\$ 3,456,507</u>	<u>\$ 3,675,743</u>	<u>\$ 7,132,250</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF STATEMENT OF ACTIVITIES
March 31, 2015

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
REVENUES, GAINS AND OTHER SUPPORT			
Received directly:			
Grants	\$ -	\$ 1,472,804	\$ 1,472,804
Donations	-	435,508	435,508
Bequests	40,000	30,555	70,555
	<u>40,000</u>	<u>1,938,867</u>	<u>1,978,867</u>
Donated legal services	-	697,659	697,659
	<u>-</u>	<u>697,659</u>	<u>697,659</u>
Total direct support	40,000	2,636,526	2,676,526
Other revenue:			
Attorney fees	-	2,186,910	2,186,910
Membership dues	235,290	-	235,290
Realized and unrealized gain on investments	102,615	74,764	177,379
Investment income	47,458	44,863	92,321
Other revenue	13,374	200	13,574
	<u>13,374</u>	<u>200</u>	<u>13,574</u>
Total revenues, gains, and other support	<u>438,737</u>	<u>4,943,263</u>	<u>5,382,000</u>
EXPENSES			
Program services	13,418	2,926,993	2,940,411
Supporting services:			
Management and general	2,354	281,567	283,921
Fundraising	1,755	215,524	217,279
	<u>1,755</u>	<u>215,524</u>	<u>217,279</u>
Total supporting services	4,109	497,091	501,200
	<u>4,109</u>	<u>497,091</u>	<u>501,200</u>
Total expenses	17,527	3,424,084	3,441,611
	<u>17,527</u>	<u>3,424,084</u>	<u>3,441,611</u>
Change in net assets	421,210	1,519,179	1,940,389
	<u>421,210</u>	<u>1,519,179</u>	<u>1,940,389</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,808,443</u>	<u>2,442,761</u>	<u>5,251,204</u>
NET ASSETS AT END OF YEAR, as restated	<u>\$ 3,229,653</u>	<u>\$ 3,961,940</u>	<u>\$ 7,191,593</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF EXPENSES
March 31, 2016

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
Payroll and payroll related expenses	\$ 13,638	\$ 1,907,547	\$ 1,921,185
Donated legal services	-	1,429,442	1,429,442
Occupancy	1,960	208,063	210,023
Professional fees	966	128,760	129,726
Travel and meetings	235	65,986	66,221
Telephone and communications	455	46,873	47,328
Office expense	850	31,723	32,573
Printing and publications	-	14,153	14,153
Depreciation	-	11,898	11,898
Legislative	-	8,431	8,431
Library and dues	44	6,881	6,925
Postage	43	6,696	6,739
Miscellaneous	-	6,443	6,443
Bank service charges	-	3,790	3,790
Litigation	-	1,124	1,124
Fundraising and membership events	-	289	289
Total expenses	<u>\$ 18,191</u>	<u>\$ 3,878,099</u>	<u>\$ 3,896,290</u>

American Civil Liberties Union of Maryland, Inc.
CONSOLIDATING SCHEDULE OF EXPENSES
March 31, 2015

	American Civil Liberties Union of Maryland, Inc.	American Civil Liberties Union Foundation of Maryland, Inc.	Consolidated Total
Payroll and payroll related expenses	\$ 11,662	\$ 1,691,107	\$ 1,702,769
Donated legal services	-	697,659	697,659
Grant expenses	-	481,554	481,554
Occupancy	1,800	200,838	202,638
Litigation	-	115,703	115,703
Telephone and communications	2,666	61,727	64,393
Travel and meetings	13	55,719	55,732
Professional fees	415	43,915	44,330
Office expense	231	26,489	26,720
Printing and publications	237	15,997	16,234
Library and dues	226	7,503	7,729
Depreciation	-	6,672	6,672
Legislative	200	5,472	5,672
Miscellaneous	-	5,036	5,036
Bank service charges	-	4,351	4,351
Postage	77	2,844	2,921
Fundraising and membership events	-	1,498	1,498
Total expenses	\$ 17,527	\$ 3,424,084	\$ 3,441,611