

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

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended March 31, 2024 and 2023

# 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, 2024 and 2023, 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, 2024 and 2023, and the changes in their net assets and their 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.

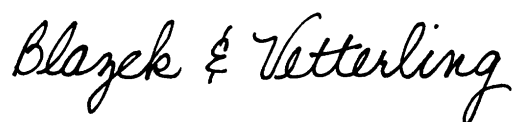
In performing an audit in accordance with generally accepted auditing standards, we:

- 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, 2024 and 2023 is presented for purposes of additional analysis and is 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.

A handwritten signature in black ink that reads "Blaze & Vetterling". The script is cursive and fluid, with the ampersand being a simple loop.

September 19, 2024

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

## Consolidated Statements of Financial Position as of March 31, 2024 and 2023

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	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets:		
Cash	\$ 3,669,166	\$ 6,789,518
Certificates of deposit	3,538,783	135,515
Contributions receivable	475,002	835,835
Receivable from ACLU National Office (Note 6)	219,540	1,143,616
Prepaid expenses and other assets	<u>97,770</u>	<u>212,531</u>
Total current assets	8,000,261	9,117,015
Contributions receivable, net – long term		338,721
Operating lease right-of-use asset, net (Note 7)	686,794	777,958
Interest in pooled investments (Note 3)	<u>190,587</u>	<u>170,974</u>
TOTAL ASSETS	<u>\$ 8,877,642</u>	<u>\$ 10,404,668</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 74,893	\$ 84,011
Accrued payroll-related liabilities	348,554	386,314
Operating lease liability (Note 7)	<u>97,685</u>	<u>83,033</u>
Total current liabilities	521,132	553,358
Operating lease liability – long term (Note 7)	<u>641,065</u>	<u>706,500</u>
Total liabilities	<u>1,162,197</u>	<u>1,259,858</u>
Net assets:		
Without donor restrictions	6,400,021	6,961,371
With donor restrictions (Notes 4 and 5)	<u>1,315,424</u>	<u>2,183,439</u>
Total net assets	<u>7,715,445</u>	<u>9,144,810</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,877,642</u>	<u>\$ 10,404,668</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, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions ( <i>Note 6</i> )	\$ 2,227,179	\$ 1,466,000	\$ 3,693,179
Membership contributions – allocation from National ACLU ( <i>Note 6</i> )	1,505,384		1,505,384
Net change in pooled investments		19,613	19,613
Interest income and other revenue	<u>127,416</u>	<u></u>	<u>127,416</u>
Total revenue	3,859,979	1,485,613	5,345,592
Net assets released from restrictions:			
Expenditures for program purposes	<u>2,353,628</u>	<u>(2,353,628)</u>	<u></u>
Total	<u>6,213,607</u>	<u>(868,015)</u>	<u>5,345,592</u>
EXPENSES:			
Program services:			
Voting Rights & Democracy	1,259,849		1,259,849
Border & Immigrants' Rights	848,994		848,994
LGBTQIA+ Equality	814,424		814,424
SMART Justice & Accountability	672,999		672,999
Reproductive Freedom	449,499		449,499
Free Speech & Pluralism	<u>720,917</u>	<u></u>	<u>720,917</u>
Total program services	4,766,682		4,766,682
Management and general	1,152,051		1,152,051
Fundraising	<u>856,224</u>	<u></u>	<u>856,224</u>
Total expenses	<u>6,774,957</u>	<u></u>	<u>6,774,957</u>
CHANGES IN NET ASSETS	(561,350)	(868,015)	(1,429,365)
Net assets, beginning of year	<u>6,961,371</u>	<u>2,183,439</u>	<u>9,144,810</u>
Net assets, end of year	<u>\$ 6,400,021</u>	<u>\$ 1,315,424</u>	<u>\$ 7,715,445</u>

See accompanying notes to consolidated financial statements.

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

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

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions <i>(Note 6)</i>	\$ 1,971,075	\$ 2,650,000	\$ 4,621,075
Membership contributions – allocation from National ACLU <i>(Note 6)</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:			
Voting Rights & Democracy	1,120,739		1,120,739
Border & Immigrants' Rights	951,667		951,667
LGBTQIA+ Equality	595,652		595,652
SMART Justice & Accountability	809,195		809,195
Reproductive Freedom	466,122		466,122
Free Speech & Pluralism	<u>434,092</u>	<u></u>	<u>434,092</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.*

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

### Consolidated Statement of Functional Expenses for the year ended March 31, 2024

	VOTING RIGHTS & DEMOCRACY	BORDER & IMMIGRANTS' RIGHTS	LGBTQIA+ EQUALITY	SMART JUSTICE & ACCOUNTABILITY	REPRODUCTIVE FREEDOM	FREE SPEECH & PLURALISM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 937,999	\$ 616,464	\$ 544,861	\$ 495,771	\$ 283,899	\$ 509,255	\$ 832,900	\$ 677,902	\$4,899,051
Professional fees	70,867	88,651	110,629	83,099	57,882	49,172	135,926	72,326	668,552
Travel, meals and conferences	65,409	40,504	39,064	21,575	16,207	16,400	26,345	25,724	251,228
Occupancy	32,907	25,483	22,099	24,432	14,980	29,996	54,840	18,512	223,249
Direct marketing materials	71,177	17,015	40,081	2,367	45,015	42,677	1,073	908	220,313
Office equipment and supplies	34,433	22,528	15,910	16,874	10,716	26,248	45,945	14,235	186,889
Dues and subscriptions	23,491	18,063	15,513	14,871	10,437	20,238	16,679	9,247	128,539
Telecommunications	8,630	9,720	6,614	7,477	5,699	5,743	12,625	5,519	62,027
Grants to other organizations	3,228	3,303	11,790	297	579	12,666	1,364	2,961	36,188
Insurance	3,677	2,918	2,428	2,397	1,696	3,035	13,854	2,062	32,067
Professional development	4,563	2,852	3,192	2,842	1,784	3,427	2,944	1,232	22,836
Depreciation	720	556	487	468	334	601	1,777	985	5,928
Other	2,748	937	1,756	529	271	1,459	5,779	24,611	38,090
Total expenses	<u>\$1,259,849</u>	<u>\$ 848,994</u>	<u>\$ 814,424</u>	<u>\$ 672,999</u>	<u>\$ 449,499</u>	<u>\$ 720,917</u>	<u>\$1,152,051</u>	<u>\$ 856,224</u>	<u>\$6,774,957</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, 2023

	VOTING RIGHTS & DEMOCRACY	BORDER & IMMIGRANTS' RIGHTS	LGBTQIA+ EQUALITY	SMART JUSTICE & ACCOUNTABILITY	REPRODUCTIVE FREEDOM	FREE SPEECH & PLURALISM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 672,548	\$ 739,145	\$ 422,255	\$ 507,126	\$ 343,403	\$ 335,086	\$ 941,805	\$ 581,831	\$4,543,199
Professional fees	129,059	64,284	77,595	219,448	58,030	36,368	157,307	188,315	930,406
Travel, meals and conferences	19,557	26,250	26,620	6,129	12,459	4,723	69,414	16,892	182,044
Occupancy	53,699	51,319	31,855	37,624	24,534	16,125	67,422	29,390	311,968
Direct marketing materials	203,380	9,667	7,874	7,354	5,955	3,255	4,371	1,470	243,326
Office equipment and supplies	5,641	4,461	5,217	3,589	2,804	1,421	13,779	2,109	39,021
Dues and subscriptions	19,272	33,553	11,553	13,913	9,421	5,706	47,259	9,127	149,804
Telecommunications	7,368	10,006	4,544	5,439	3,872	2,328	8,803	3,493	45,853
Grants to other organizations	161	850	1,313		58	25,000	2,965	3,662	34,009
Insurance	5,048	4,632	2,860	3,375	2,210	1,473	9,575	2,580	31,753
Professional development		3,326	1,334	1,726	1,177	10	3,989	415	11,977
Depreciation	3,122	3,185	1,942	2,296	1,531	1,016	11,934	1,712	26,738
Other	1,884	989	690	1,176	668	1,581	10,350	29,574	46,912
Total expenses	<u>\$1,120,739</u>	<u>\$ 951,667</u>	<u>\$ 595,652</u>	<u>\$ 809,195</u>	<u>\$ 466,122</u>	<u>\$ 434,092</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 Statements of Cash Flows for the years ended March 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (1,429,365)	\$ 453,837
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Amortization of operating lease right-of-use asset	91,164	8,840
Loss on property disposals		8,231
Net change in pooled investments	(19,613)	9,400
Changes in operating assets and liabilities:		
Contributions receivable	699,554	(152,539)
Receivable from ACLU National Office	924,076	(831,984)
Prepaid expenses and other assets	114,761	(117,083)
Accounts payable and accrued payroll-related liabilities	(46,878)	(42,234)
Due to ACLU National Office		(272,453)
Operating lease liability	<u>(50,783)</u>	<u>2,735</u>
Net cash provided (used) by operating activities	<u>282,916</u>	<u>(933,250)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net change in certificates of deposit		(1,388)
Purchase of certificate of deposits	(10,826,000)	
Redemption of certificate of deposits	<u>7,422,732</u>	
Net cash used by investing activities	<u>(3,403,268)</u>	<u>(1,388)</u>
<b>NET CHANGE IN CASH</b>	<b>(3,120,352)</b>	<b>(934,638)</b>
Cash, beginning of year	<u>6,789,518</u>	<u>7,724,156</u>
Cash, end of year	<u>\$ 3,669,166</u>	<u>\$ 6,789,518</u>

### *Supplemental disclosure of cash flow information:*

Operating lease right-of-use asset financed by new lease liability	\$786,798
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*See accompanying notes to consolidated financial statements.*

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

Notes to Consolidated Financial Statements for the years ended March 31, 2024 and 2023

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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:

***Border & Immigrants' Rights:*** The ACLU of Texas, Inc. works 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 & Accountability:*** The ACLU of Texas, Inc. 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 & Democracy:*** The ACLU of Texas, Inc. 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.

***Reproductive Freedom:*** The ACLU of Texas, Inc. 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, Inc. 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 & Pluralism:*** Free speech is one of our most fundamental rights, with voting rights, and the ACLU of Texas, Inc. 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.

Cash concentration – Demand deposits exceed the federally insured limit per depositor per financial institution.

Certificates of deposit are publicly traded securities valued at fair value at March 31, 2024. Certificates of deposit at March 31, 2023 were time deposits valued at face 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. At March 31, 2024, all contributions receivable are due within one year.

As of March 31, 2024 and 2023, approximately 95% and 70%, respectively, of contributions receivable are from two donors.

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 not to recognize right-of-use assets or lease liabilities for leases with a lease term of 12 months or less and to recognize expense on a straight-line basis over the lease term. ACLU elected to use a risk-free discount rate as the discount rate when the rate implicit in a lease is not readily determinable.

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 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.

## 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>2024</u>	<u>2023</u>
Financial assets:		
Cash	\$ 3,669,166	\$ 6,789,518
Certificates of deposit	3,538,783	135,515
Contributions receivable	475,002	1,174,556
Receivable from ACLU National Office	219,540	1,143,616
Interest in pooled investments	<u>190,587</u>	<u>170,974</u>
Total financial assets	8,093,078	9,414,179
Less financial assets not available for general expenditure:		
Donor-restricted assets restricted for future periods	(65,000)	(729,721)
Endowment funds	(190,587)	(170,974)
Board-designated reserve funds	<u>(4,425,000)</u>	<u>(4,825,000)</u>
Total financial assets available for general expenditure	<u>\$ 3,412,491</u>	<u>\$ 3,688,484</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 – 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 5, 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, 2024 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
Certificates of deposit		\$ 3,538,783		\$ 3,538,783
Interest in pooled investments		190,587		190,587
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 3,729,370</u>	<u>\$ 0</u>	<u>\$ 3,729,370</u>

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		\$ 170,974		\$ 170,974
Total assets measured at fair value	<u>\$ 0</u>	<u>\$ 170,974</u>	<u>\$ 0</u>	<u>\$ 170,974</u>

Certificates of deposit are valued using yield curves and valuation formulas to calculate fair value.

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 investment are deducted from the Foundation's share of investment return of the portfolio.

These valuation method 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 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Voting Rights & Democracy	\$ 508,618	\$ 946,563
SMART Justice & Accountability	38,383	61,667
Border & Immigrants' Rights		500,000
LGBTQIA+ Equality		214,617
Legal Fellow		124,238
Free Speech & Pluralism	<u>127,836</u>	<u>165,380</u>
Total subject to expenditure for specified purpose	674,837	2,012,465
Subject to expiration of time	450,000	
Endowments subject to spending policy and appropriation:		
Bill of Rights Endowment Fund	<u>190,587</u>	<u>170,974</u>
Total net assets with donor restrictions	<u>\$ 1,315,424</u>	<u>\$ 2,183,439</u>

#### NOTE 5 – 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, 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	45,974	125,000	170,974
Net change in pooled investments	<u>19,613</u>	<u>          </u>	<u>19,613</u>
Endowment net assets, March 31, 2024	<u>\$ 65,587</u>	<u>\$ 125,000</u>	<u>\$ 190,587</u>

## **NOTE 6 – RELATED PARTY TRANSACTIONS**

The Foundation, through its affiliation with National ACLU, receives shared contributions. During 2024 and 2023, contributions from National ACLU totaled \$789,469 and \$1,772,292, respectively, and were included in contributions in the accompanying consolidated statement of activities. At March 31, 2024 and 2023, \$191,766 and \$552,117, respectively, was due from National ACLU.



ACLU of Texas, Inc., through its affiliation with National ACLU, receives shared membership contributions. During 2024 and 2023, ACLU of Texas, Inc. recognized \$1,505,384 and \$2,423,842, respectively, in membership contributions from National ACLU. At March 31, 2024 and 2023, \$27,774 and \$591,499, respectively, was due from National ACLU.

## NOTE 7 – LEASE COMMITMENTS

At March 31, 2024, 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 are as follows:

	<u>2024</u>	<u>2023</u>
Operating lease costs	\$ 124,606	\$ 8,840
Short-term lease costs	<u>79,433</u>	<u>293,061</u>
Total lease costs	<u>\$ 204,039</u>	<u>\$ 301,901</u>

Cash paid for amounts included in the measurement of operating lease liabilities during the years ended March 31, 2024 and 2023 are \$83,033 and \$0, respectively.

The weighted-average term and discount rate for the operating lease outstanding at March 31 are as follows:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term	76 months	88 months
Weighted-average discount rate	4.17%	4.17%

Future scheduled undiscounted minimum lease payments related to the operating lease liability are as follows:

2025	\$ 126,211
2026	128,702
2027	131,193
2028	133,684
2029	136,174
Thereafter	<u>185,164</u>
Total undiscounted cash flows	841,128
Less present value discount	<u>(102,378)</u>
Total present value of lease payments	<u>\$ 738,750</u>

## **NOTE 8 – 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, 2024 and 2023, the Foundation has accrued approximately \$2,700 and \$28,000, 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 \$33,320 and \$29,118 for the years ended March 31, 2024 and 2023, 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 \$160,733 and \$161,321 for the years ended March 31, 2024 and 2023, respectively.

## **NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 19, 2024, 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, 2024

	<u>FOUNDATION</u>	<u>ACLU OF TEXAS, INC.</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,660,780	\$ 2,008,386		\$ 3,669,166
Certificates of deposit	1,288,791	2,249,992		3,538,783
Contributions receivable	475,002			475,002
Receivable from ACLU National Office	191,766	27,774		219,540
Receivable from ACLU of Texas, Inc.	128,546		\$ (128,546)	
Prepaid expenses and other assets	86,629			86,629
Property and equipment, net	10,586	555		11,141
Operating lease right-of-use asset, net	375,611	311,183		686,794
Interest in pooled investments	<u>190,587</u>	<u>          </u>	<u>          </u>	<u>190,587</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,408,298</u></b>	<b><u>\$ 4,597,890</u></b>	<b><u>\$ (128,546)</u></b>	<b><u>\$ 8,877,642</u></b>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities:				
Accounts payable and accrued payroll- related liabilities	\$ 360,682	\$ 62,765		\$ 423,447
Payable to Foundation		128,546	\$ (128,546)	
Operating lease liability	<u>422,937</u>	<u>315,813</u>	<u>          </u>	<u>738,750</u>
Total liabilities	<u>783,619</u>	<u>507,124</u>	<u>(128,546)</u>	<u>1,162,197</u>
Net assets:				
Without donor restrictions	2,309,255	4,090,766		6,400,021
With donor restrictions	<u>1,315,424</u>	<u>          </u>		<u>1,315,424</u>
Total net assets	<u>3,624,679</u>	<u>4,090,766</u>		<u>7,715,445</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,408,298</u></b>	<b><u>\$ 4,597,890</u></b>	<b><u>\$ (128,546)</u></b>	<b><u>\$ 8,877,642</u></b>

# **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>
<b>ASSETS</b>				
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, net	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>	<u><b>\$ 5,537,796</b></u>	<u><b>\$ 5,016,377</b></u>	<u><b>\$ (149,505)</b></u>	<u><b>\$ 10,404,668</b></u>
<b>LIABILITIES AND NET ASSETS</b>				
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>	<u><b>\$ 5,537,796</b></u>	<u><b>\$ 5,016,377</b></u>	<u><b>\$ (149,505)</b></u>	<u><b>\$ 10,404,668</b></u>

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

### Supplemental Consolidating Statement of Activities for the year ended March 31, 2024

	<u>FOUNDATION</u>	<u>ACLU OF TEXAS, INC.</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
REVENUE:				
Contributions	\$ 3,253,090	\$ 440,089		\$ 3,693,179
Membership contributions – allocation from National ACLU		1,505,384		1,505,384
Net change in pooled investments	19,613			19,613
Other revenue	<u>57,585</u>	<u>69,831</u>		<u>127,416</u>
Total revenue	<u>3,330,288</u>	<u>2,015,304</u>		<u>5,345,592</u>
EXPENSES:				
Program services	3,063,363	1,703,319		4,766,682
Management and general	782,222	369,829		1,152,051
Fundraising	<u>542,091</u>	<u>314,133</u>		<u>856,224</u>
Total expenses	<u>4,387,676</u>	<u>2,387,281</u>		<u>6,774,957</u>
CHANGES IN NET ASSETS	(1,057,388)	(371,977)		(1,429,365)
Net assets, beginning of year	<u>4,682,067</u>	<u>4,462,743</u>		<u>9,144,810</u>
Net assets, end of year	<u>\$ 3,624,679</u>	<u>\$ 4,090,766</u>	<u>\$ 0</u>	<u>\$ 7,715,445</u>

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

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

	<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>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>