

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

Consolidated Financial Statements  
and Independent Auditors' Report  
for the years ended March 31, 2022 and 2021

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

## Table of Contents

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	Page
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Consolidated Statements of Financial Position as of March 31, 2022 and 2021	3
Consolidated Statement of Activities for the year ended March 31, 2022	4
Consolidated Statement of Activities for the year ended March 31, 2021	5
Consolidated Statement of Functional Expenses for the year ended March 31, 2022	6
Consolidated Statement of Functional Expenses for the year ended March 31, 2021	7
Consolidated Statements of Cash Flows for the years ended March 31, 2022 and 2021	8
Notes to Consolidated Financial Statements for the years ended March 31, 2022 and 2021	9
<b>Supplementary Information:</b>	
Supplemental Consolidating Statement of Financial Position as of March 31, 2022	18
Supplemental Consolidating Statement of Financial Position as of March 31, 2021	19
Supplemental Consolidating Statement of Activities for the year ended March 31, 2022	20
Supplemental Consolidating Statement of Activities for the year ended March 31, 2021	21

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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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021 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*

August 11, 2022

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

Consolidated Statements of Financial Position as of March 31, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents ( <i>Notes 3 and 5</i> )	\$ 7,724,156	\$ 5,529,410
Certificates of deposit	134,127	239,186
Contributions receivable ( <i>Note 4</i> )	340,834	594,452
Receivable from ACLU National Office ( <i>Note 10</i> )	311,632	1,012,750
Prepaid expenses	<u>63,170</u>	<u>54,639</u>
Total current assets	8,573,919	7,430,437
Contributions receivable, net – long term ( <i>Note 4</i> )	681,183	1,161,339
Property and equipment, net ( <i>Note 6</i> )	40,509	109,498
Interest in pooled investments ( <i>Note 5</i> )	<u>180,374</u>	<u>169,006</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 9,475,985</u></b>	<b><u>\$ 8,870,280</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 62,213	\$ 90,135
Accrued payroll-related liabilities	450,346	549,336
Due to ACLU National Office ( <i>Note 10</i> )	272,453	
Refundable advance – Paycheck Protection Program ( <i>Note 7</i> )	<u>          </u>	<u>827,180</u>
Total liabilities	<u>785,012</u>	<u>1,466,651</u>
Net assets:		
Without donor restrictions	6,406,692	4,634,672
With donor restrictions ( <i>Notes 8 and 9</i> )	<u>2,284,281</u>	<u>2,768,957</u>
Total net assets	<u>8,690,973</u>	<u>7,403,629</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 9,475,985</u></b>	<b><u>\$ 8,870,280</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, 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
Abortion rights	412,264		412,264
LGBT rights	406,144		406,144
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 Activities for the year ended March 31, 2021

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	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Contributions ( <i>Note 10</i> )	\$ 2,322,658	\$ 3,771,417	\$ 6,094,075
Membership contributions – allocation from National ACLU ( <i>Note 10</i> )	2,442,593		2,442,593
Net change in pooled investments		24,026	24,026
Other revenue	<u>94,288</u>	<u>          </u>	<u>94,288</u>
Total revenue	4,859,539	3,795,443	8,654,982
Net assets released from restrictions:			
Expenditures for program purposes	<u>2,586,555</u>	<u>(2,586,555)</u>	<u>          </u>
Total	<u>7,446,094</u>	<u>1,208,888</u>	<u>8,654,982</u>
EXPENSES:			
Program services:			
Immigrant rights	1,774,810		1,774,810
Criminal law reform	1,086,063		1,086,063
Other programs	<u>1,832,802</u>	<u>          </u>	<u>1,832,802</u>
Total program services	4,693,675		4,693,675
Management and general	1,489,408		1,489,408
Fundraising	<u>542,763</u>	<u>          </u>	<u>542,763</u>
Total expenses	<u>6,725,846</u>	<u>          </u>	<u>6,725,846</u>
CHANGES IN NET ASSETS	720,248	1,208,888	1,929,136
Net assets, beginning of year	<u>3,914,424</u>	<u>1,560,069</u>	<u>5,474,493</u>
Net assets, end of year	<u>\$ 4,634,672</u>	<u>\$ 2,768,957</u>	<u>\$ 7,403,629</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, 2022

	IMMIGRANT RIGHTS	CRIMINAL LAW REFORM	ABORTION RIGHTS	LGBT RIGHTS	OTHER PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 869,540	\$ 506,786	\$ 325,201	\$ 319,392	\$ 960,604	\$ 945,021	\$ 547,088	\$ 4,473,632
Professional fees	78,708	98,027	28,396	24,250	191,828	165,019	19,565	605,793
Occupancy	46,596	29,953	17,878	16,682	52,089	77,970	1,717	242,885
Dues and subscriptions	92,308	23,434	10,541	8,924	25,713	31,227	5,192	197,339
Direct marketing materials	40,998	3,546	8,893	16,466	13,456	1,138		84,497
Travel, meals and conferences	8,963	3,174	6,032	7,286	9,392	8,808	10,257	53,912
Telecommunications	10,860	6,560	3,647	3,457	9,476	11,357	657	46,014
Office equipment and supplies	7,175	3,675	3,704	2,935	6,542	15,065	255	39,351
Insurance	8,045	5,461	2,972	2,670	8,023	9,248		36,419
Depreciation	7,082	4,797	2,654	2,505	7,396	9,554		33,988
Professional development	927	461	240	212	1,152	9,657	355	13,004
Grants to other organizations	420	5,029	1,464	1,090	175	4,595	87	12,860
Other	1,239	655	642	275	1,234	10,339	26,062	40,446
Total expenses	<u>\$ 1,172,861</u>	<u>\$ 691,558</u>	<u>\$ 412,264</u>	<u>\$ 406,144</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 Statement of Functional Expenses for the year ended March 31, 2021

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	IMMIGRANT RIGHTS	CRIMINAL LAW REFORM	OTHER PROGRAMS	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Salaries and benefits	\$ 1,231,734	\$ 820,346	\$ 1,309,703	\$ 1,117,814	\$ 457,570	\$ 4,937,167
Professional fees	153,854	109,739	106,531	170,822	5,782	546,728
Occupancy	95,324	71,112	94,699	71,406	36,082	368,623
Dues and subscriptions	29,615	21,933	31,053	24,017	386	107,004
Direct marketing materials	2,314	1,704	105,143	1,009		110,170
Travel, meals and conferences	2,500	1,021	9,009	4,174	507	17,211
Telecommunications	22,107	11,369	16,466	10,609	3,918	64,469
Office equipment and supplies	7,176	3,905	4,814	16,150	1,816	33,861
Insurance	12,906	10,974	13,131	11,054	2,278	50,343
Depreciation	10,748	7,572	11,415	9,032	4,185	42,952
Professional development	7,791	3,250	5,475	20,656	666	37,838
Grants to other organizations	169,425	8,832	92,160	1,571		271,988
Technology	18,357	12,336	15,169	12,480	11,238	69,580
Other	<u>10,959</u>	<u>1,970</u>	<u>18,034</u>	<u>18,614</u>	<u>18,335</u>	<u>67,912</u>
Total expenses	<u>\$ 1,774,810</u>	<u>\$ 1,086,063</u>	<u>\$ 1,832,802</u>	<u>\$ 1,489,408</u>	<u>\$ 542,763</u>	<u>\$ 6,725,846</u>

*See accompanying notes to consolidated financial statements.*

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

### Consolidated Statements of Cash Flows for the years ended March 31, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 1,287,344	\$ 1,929,136
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	33,988	42,952
Loss on property disposals	35,001	
Net change in pooled investments	(11,368)	(24,026)
Changes in operating assets and liabilities:		
Contributions receivable	733,774	(1,497,339)
Receivable from ACLU National Office	701,118	138,691
Prepaid expenses	(8,531)	19,686
Accounts payable and accrued payroll-related liabilities	(126,912)	(288,036)
Due to ACLU National Office	272,453	
Refundable advance – Paycheck Protection Program	<u>(827,180)</u>	<u>827,180</u>
Net cash provided by operating activities	<u>2,089,687</u>	<u>1,148,244</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment		(33,279)
Redemption of certificates of deposit	<u>105,059</u>	<u>156,599</u>
Net cash provided by investing activities	<u>105,059</u>	<u>123,320</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>2,194,746</b>	<b>1,271,564</b>
Cash and cash equivalents, beginning of year	<u>5,529,410</u>	<u>4,257,846</u>
Cash and cash equivalents, end of year	<u>\$ 7,724,156</u>	<u>\$ 5,529,410</u>

*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, 2022 and 2021

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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), which has developed a strategic plan to fulfill their national purpose: To be the Nation’s foremost champion of individual rights – litigating, legislating, and educating the public on a broad array of issues affecting individual freedoms in the United States.

ACLU of Texas, Inc. programs operate to identify threats to and to defend the civil liberties of Texans. These programs include protecting civil rights and civil liberties in the courtrooms of Texas, at the Texas Legislature, and in large and small communities throughout the Lone Star State. ACLU of Texas, Inc. is supported by annual memberships and private contributions.

The Foundation was organized to (1) encourage, sponsor and facilitate the cultivation and diffusion of knowledge and understanding of various civil liberties and laws of the United States or of the State of Texas, (2) make inquiry into the extent and adequacy of the protection of civil liberties and civil rights in the United States and in the State of Texas, and to publish the results of any such inquiry, (3) supply legal counsel to persons involved in activities wherein their civil liberties are threatened or infringed upon, and (4) engage in litigation that will have a positive impact on the civil liberties of a substantial number of individuals. The Foundation is supported by contributions and grants.

The programs of the Foundation are:

#### ***Immigrant Rights***

The Foundation identifies appropriate targets for litigation, including sexual assault, the mistreatment and denial of adequate medical care to immigrant detainees and prisoners, the unconstitutional treatment of refugees and asylum seekers, the separation of families and detention of parents and children and the use of racial profiling. In addition, litigation is being investigated around other inappropriate and potentially unconstitutional law enforcement tactics such as violations of the 4th, 5th and 14th amendments by local jurisdictions in the border region.

#### ***Criminal Law Reform***

The project works to end excessively harsh criminal justice policies that result in mass incarceration and stand in the way of a just and equal society. Project goals are: ending over-incarceration in Texas, with an emphasis on eliminating racial disproportionality; ending the privatization of prisons and jails in Texas; and ending the use of the death penalty in Texas. Other goals include sealing the school-to-prison pipeline and ending the use of solitary confinement of children in Texas prisons and jails.

#### ***Other Programs***

Abortion Rights seek to protect women’s rights and access to a safe, legal abortion. It includes protecting and expanding legal safeguards of women’s reproductive autonomy through litigation and public policy.

The team works to continue to ensure the protection citizens are guaranteed by the U. S. Supreme Court in its decision *Whole Women’s Health vs. Hellerstedt* are not violated; and continue to develop State law theories for future litigation. Other goals include defending against the criminalization of pregnant women and defending against expansion of fetal rights. Finally, an additional goal is to promote policy reforms that enhance reproductive and parental autonomy generally, resituating abortion in that broader framework.

LGBT Rights support legal equality for Lesbian, Gay, Bisexual, and Transgender (LGBT) individuals so every person can openly parent, work, live, and love. LGBT Texans lack the most basic protections against discrimination because of their sexual orientation. Neither Federal nor State laws bar discrimination on the basis of sexual orientation or gender identity, and as a result, an LGBT Texan has no recourse if an employer, landlord, or shopkeeper discriminates. The goals are to ensure equality and dignity for all students in Texas schools and to repeal policies that force children raised by same-sex couples to be denied legally recognized relationships with both of their parents, leaving them vulnerable to the loss of the relationship with and support of a parent.

Voting Rights seek to protect every Texan’s legal right to vote in local, statewide, and national elections conducted in the State of Texas. Voter suppression laws have existed for decades prior to the Voting Rights Act of 1964 and continue in the State of Texas to this day. The objectives are to (1) ensure laws designed to suppress voter registration and voter turnout do not pass in the State Legislature by educating and informing Texans of their legal rights to vote; (2) if such laws are passed, prevent implementation of the laws by fighting in the State/Federal court systems on the basis of constitutionality; and (3) mobilize Texans to advocate in their communities while also monitoring elections via hotlines and poll watchers to ensure voting rights are not violated during the election process.

Other programs have focused on conditions on death row, religious freedom and the Banned Book Project, one of the high-profile efforts throughout Texas. This 18-year-old project exposes censorship and attempts at thought control taking place in our schools, publishes an annual report citing all books challenged or banned by Texas’ 1,260 independent school districts, as well as hosts public readings and events in partnership with bookstores and library groups dedicated to raising awareness about censorship in classrooms and school libraries.

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.

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 interest 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.

## 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>2022</u>	<u>2021</u>
Financial assets:		
Cash and cash equivalents	\$ 7,724,156	\$ 5,529,410
Certificates of deposit	134,127	239,186
Contributions receivable	1,022,017	1,755,791
Receivable from ACLU National Office	311,632	1,012,750
Interest in pooled investments	<u>180,374</u>	<u>169,006</u>
Total financial assets	9,372,306	8,706,143
Less financial assets not available for general expenditure:		
Contributions receivable due in more than one year	(681,183)	(1,161,339)
Endowment funds	(180,374)	(169,006)
Board-designated reserve funds	<u>(994,694)</u>	<u>(936,105)</u>
Total financial assets available for general expenditure	<u>\$ 7,516,055</u>	<u>\$ 6,439,693</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>2022</u>	<u>2021</u>
Bank deposits	\$ 513,454	\$ 717,494
Money market mutual funds	<u>7,210,702</u>	<u>4,811,916</u>
Total cash and cash equivalents	<u>\$ 7,724,156</u>	<u>\$ 5,529,410</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>2022</u>	<u>2021</u>
Within one year	\$ 340,834	\$ 594,452
In two to five years	683,334	1,166,667
Discount to net present value	<u>(2,151)</u>	<u>(5,328)</u>
Contributions receivable, net	<u>\$ 1,022,017</u>	<u>\$ 1,755,791</u>

As of March 31, 2022, 71% of contributions receivable are from two donors. As of March 31, 2021, 99% 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, 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	\$ 7,210,702			\$ 7,210,702
Interest in pooled investments		<u>\$ 180,374</u>		<u>180,374</u>
Total assets measured at fair value	<u>\$ 7,210,702</u>	<u>\$ 180,374</u>	<u>\$ 0</u>	<u>\$ 7,391,076</u>

Assets measured at fair value at March 31, 2021 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	\$ 4,811,916			\$ 4,811,916
Interest in pooled investments		<u>\$ 169,006</u>		<u>169,006</u>
Total assets measured at fair value	<u>\$ 4,811,916</u>	<u>\$ 169,006</u>	<u>\$ 0</u>	<u>\$ 4,980,922</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>2022</u>	<u>2021</u>
Furniture, fixtures, and equipment	\$ 211,921	\$ 246,922
Leasehold improvements	<u>62,097</u>	<u>62,097</u>
Total property and equipment, at cost	274,018	309,019
Accumulated depreciation	<u>(233,509)</u>	<u>(199,521)</u>
Property and equipment, net	<u>\$ 40,509</u>	<u>\$ 109,498</u>

#### **NOTE 7 – REFUNDABLE ADVANCE – 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>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Immigrant rights	\$ 759,402	\$ 2,297,535
Border rights	467,428	
Smart justice	208,722	
Voting rights	174,905	
Legal fellow	165,105	250,000
Other programs	<u>38,345</u>	<u>52,416</u>
Total subject to expenditure for specified purpose	1,813,907	2,599,951
Subject to expiration of time	290,000	
Endowments subject to spending policy and appropriation:		
Bill of Rights Endowment Fund	<u>180,374</u>	<u>169,006</u>
Total net assets with donor restrictions	<u>\$ 2,284,281</u>	<u>\$ 2,768,957</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 standard 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, 2020	\$ 19,980	\$ 125,000	\$ 144,980
Net change in pooled investments	29,935		29,935
Distributions	<u>(5,909)</u>		<u>(5,909)</u>
Endowment net assets, March 31, 2021	44,006	125,000	169,006
Net change in pooled investments	<u>11,368</u>		<u>11,368</u>
Endowment net assets, March 31, 2022	<u>\$ 55,374</u>	<u>\$ 125,000</u>	<u>\$ 180,374</u>

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

The Foundation, through its affiliation with National ACLU, receives shared contributions. During 2022 and 2021, contributions from National ACLU totaled \$786,255 and \$1,231,855, respectively, and were included in contributions in the accompanying consolidated statement of activities. At March 31, 2022, \$272,453 was due to National ACLU and at March 31, 2021, \$591,341 was due from National ACLU.

ACLU of Texas, Inc., through its affiliation with National ACLU, receives shared membership contributions. During 2022 and 2021, ACLU of Texas, Inc. recognized \$2,474,650 and \$2,442,593, respectively, in membership contributions from National ACLU. At March 31, 2022, \$311,632 is due from National ACLU and at March 31, 2021, \$421,409 is due from National ACLU.

#### **NOTE 11 – COMMITMENTS**

ACLU leases office space in Houston, Texas, as well as a copier under operating leases. Future minimum lease payments on the office space at March 31, 2022 are payable as follows:

2023	\$ 231,747
2024	<u>19,344</u>
Total	<u>\$ 251,091</u>

Lease expense for office space and equipment rentals was \$241,076 in 2022 and \$368,303 in 2021.

#### **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, 2022 and 2021, the Foundation has accrued approximately \$117,000 and \$187,000, 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 \$28,850 and \$45,388 for the years ended March 31, 2022 and 2021, 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 \$155,627 and \$158,125 for the years ended March 31, 2022 and 2021, respectively.

#### **NOTE 13 – SUBSEQUENT EVENTS**

On July 5, 2022, the NOLSW requested that the ACLU of Texas, Inc. voluntarily recognize the National Organization of Legal Services Workers, UAW Local 2320, as the Bargaining Representative of the employees at ACLU of Texas, Inc. While this negotiation is in the early phases, the Executive Director has expressed that she looks forward to working with the union to develop the organization in a way that deeply and consistently reflects its mission and values.

Management has evaluated subsequent events through August 11, 2022, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other 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, 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 Financial Position as of March 31, 2021

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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	\$ 2,480,741	\$ 3,048,669		\$ 5,529,410
Certificates of deposit	133,505	105,681		239,186
Contributions receivable	1,755,673	118		1,755,791
Receivable from ACLU National Office	591,341	421,409		1,012,750
Receivable from Foundation		346,120	\$ (346,120)	
Prepaid expenses	45,789	8,850		54,639
Property and equipment, net	98,617	10,881		109,498
Interest in pooled investments	<u>169,006</u>	<u>          </u>	<u>          </u>	<u>169,006</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,274,672</u></b>	<b><u>\$ 3,941,728</u></b>	<b><u>\$ (346,120)</u></b>	<b><u>\$ 8,870,280</u></b>
LIABILITIES AND NET ASSETS				
Liabilities:				
Accounts payable and accrued payroll- related liabilities	\$ 469,399	\$ 170,072		\$ 639,471
Refundable advance – Paycheck Protection Program	827,180			827,180
Payable to ACLU of Texas, Inc.	<u>346,120</u>	<u>          </u>	<u>\$ (346,120)</u>	<u>          </u>
Total liabilities	<u>1,642,699</u>	<u>170,072</u>	<u>(346,120)</u>	<u>1,466,651</u>
Net assets:				
Without donor restrictions	863,016	3,771,656		4,634,672
With donor restrictions	<u>2,768,957</u>	<u>          </u>		<u>2,768,957</u>
Total net assets	<u>3,631,973</u>	<u>3,771,656</u>		<u>7,403,629</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,274,672</u></b>	<b><u>\$ 3,941,728</u></b>	<b><u>\$ (346,120)</u></b>	<b><u>\$ 8,870,280</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, 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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## ACLU of Texas, Inc. and ACLU Foundation of Texas, Inc.

Supplemental Consolidating Statement of Activities for the year ended March 31, 2021

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	<u>FOUNDATION</u>	<u>ACLU OF TEXAS, INC.</u>	<u>ELIMINATIONS</u>	<u>CONSOLIDATED TOTAL</u>
REVENUE:				
Contributions	\$ 6,014,075	\$ 80,000		\$ 6,094,075
Membership contributions – allocation from National ACLU		2,442,593		2,442,593
Net change in pooled investments	24,026			24,026
Other revenue	<u>95,268</u>	<u>(980)</u>		<u>94,288</u>
Total revenue	<u>6,133,369</u>	<u>2,521,613</u>		<u>8,654,982</u>
EXPENSES:				
Program services	3,355,862	1,348,097		4,703,959
Management and general	943,948	536,952		1,480,900
Fundraising	<u>331,679</u>	<u>209,308</u>		<u>540,987</u>
Total expenses	<u>4,631,489</u>	<u>2,094,357</u>		<u>6,725,846</u>
CHANGES IN NET ASSETS	1,501,880	427,256		1,929,136
Net assets, beginning of year	<u>2,130,093</u>	<u>3,344,400</u>	<u>          </u>	<u>5,474,493</u>
Net assets, end of year	<u>\$ 3,631,973</u>	<u>\$ 3,771,656</u>	<u>\$ 0</u>	<u>\$ 7,403,629</u>

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