

**AMERICAN CIVIL LIBERTIES UNION OF
OHIO FOUNDATION, INC.
AND AMERICAN CIVIL LIBERTIES
UNION OF OHIO, INC.**

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

INDEPENDENT AUDITORS' REPORT

Board of Directors

American Civil Liberties Union of Ohio

Foundation, Inc. and American Civil Liberties Union of Ohio, Inc.

Cleveland, Ohio

We have audited the accompanying consolidated statements of financial position of **American Civil Liberties Union of Ohio Foundation, Inc. and American Civil Liberties Union of Ohio, Inc.** (nonprofit organizations) as of March 31, 2011 and 2010, and the related consolidated statements of activities and consolidated statements of cash flows for the years then ended. These consolidated financial statements are the responsibility of the management of **American Civil Liberties Union of Ohio Foundation, Inc. and American Civil Liberties Union of Ohio, Inc.** Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **American Civil Liberties Union of Ohio Foundation, Inc. and American Civil Liberties Union of Ohio, Inc.** as of March 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Zinner & Co. LLP

October 12, 2011

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2011 AND 2010

	2011	2010
Assets		
Cash and cash equivalents	\$ 791,236	\$ 422,382
Certificates of deposit	165,183	621,162
Unconditional promises to give		
Unrestricted	11,668	43,829
Temporarily restricted	538,120	702,333
Accounts receivable - ACLU National	690,361	392,276
Accounts receivable	0	13,197
Investments - Board designated	1,181,054	985,260
Prepaid expenses	21,935	12,613
Land	205,400	205,400
Building	1,086,377	1,086,377
Building improvements	43,725	34,475
Furniture and equipment	143,072	143,072
Accumulated depreciation	(415,181)	(379,392)
Restricted cash - IOLTA account	50	50
Deposits	5,463	3,313
Investments & certificates of deposit restricted for term endowment and building	1,062,190	1,062,190
Investments restricted for permanent endowment	3,442,698	3,165,027
Total Assets	\$ 8,973,351	\$ 8,513,564
Liabilities		
Accounts payable	\$ 14,050	\$ 18,083
Accrued payroll	27,988	16,803
Accrued and withheld taxes	0	20,762
Accrued expenses	109,778	61,066
Term loan payable	135,204	171,640
Total Liabilities	287,020	288,354
Net Assets		
Unrestricted		
Undesignated	2,444,768	2,292,020
Designated by Board for building & facilities expenses	345,653	228,298
Designated by Board for litigation	247,063	247,063
Designated by Board for reserves	588,338	509,899
	3,625,822	3,277,280
Temporarily restricted	1,617,811	1,782,903
Permanently restricted	3,442,698	3,165,027
Total Net Assets	8,686,331	8,225,210
Total Liabilities and Net Assets	\$ 8,973,351	\$ 8,513,564

See accompanying notes and accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Support and Revenues								
Support								
Contributions	\$ 334,635	\$ 695,604	\$ 90,687	\$ 694,372	\$ 0	\$ 0	\$ 425,322	\$ 1,389,976
Grants	1,000	15,000	17,500	18,500	0	0	18,500	33,500
Bequests	21,835	145,840	0	0	0	0	21,835	145,840
Total Support	357,470	856,444	108,187	712,872	0	0	465,657	1,569,316
Revenues								
Events and sales of materials	5,225	4,993	0	0	0	0	5,225	4,993
Membership shares	225,936	235,977	0	0	0	0	225,936	235,977
National reconciliation income	707,008	306,892	0	0	0	0	707,008	306,892
Donated services	384,213	207,500	0	0	0	0	384,213	207,500
Miscellaneous	92,076	78,395	0	0	0	0	92,076	78,395
Total Revenues	1,414,458	850,257	0	0	0	0	1,414,458	850,257
Net Assets Released from Restrictions								
Satisfaction of purpose restrictions	273,279	28,350	(273,279)	(28,350)	0	0	0	0
Total Reclassifications	273,279	28,350	(273,279)	(28,350)	0	0	0	0
Total Support and Revenues	2,045,207	1,735,051	(165,092)	684,522	0	0	1,880,115	2,419,573

See accompanying notes and accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

CONSOLIDATED STATEMENTS OF ACTIVITIES

**FOR THE YEARS ENDED MARCH 31, 2011 AND 2010
(CONTINUED FROM PREVIOUS PAGE)**

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>Permanently Restricted</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Expenses								
Salaries and wages	\$ 795,567	\$ 564,606	\$ 0	\$ 0	\$ 0	\$ 0	\$ 795,567	\$ 564,606
Employee benefits and payroll taxes	216,930	185,246	0	0	0	0	216,930	185,246
Donated legal services	377,275	207,500	0	0	0	0	377,275	207,500
Staff development	22,109	12,370	0	0	0	0	22,109	12,370
Educational programs	78,451	103,250	0	0	0	0	78,451	103,250
Legislative activity	105,976	30,818	0	0	0	0	105,976	30,818
Litigation	11,980	6,055	0	0	0	0	11,980	6,055
Facilities	113,300	91,606	0	0	0	0	113,300	91,606
Rent	43,194	46,039	0	0	0	0	43,194	46,039
Depreciation and amortization	36,539	38,389	0	0	0	0	36,539	38,389
Fund raising	18,257	31,494	0	0	0	0	18,257	31,494
Dues and subscriptions	7,605	12,746	0	0	0	0	7,605	12,746
Conferences and meetings	65,209	17,908	0	0	0	0	65,209	17,908
Travel	53,654	27,501	0	0	0	0	53,654	27,501
Insurance	9,236	11,331	0	0	0	0	9,236	11,331
Professional services	43,389	35,187	0	0	0	0	43,389	35,187
Endowment fund loss and allocation	0	0	0	0	45,556	54,084	45,556	54,084
Miscellaneous	31,198	23,939	0	0	0	0	31,198	23,939
Interest	1,009	931	0	0	0	0	1,009	931
Total Expenses	<u>2,030,878</u>	<u>1,446,916</u>	<u>0</u>	<u>0</u>	<u>45,556</u>	<u>54,084</u>	<u>2,076,434</u>	<u>1,501,000</u>
Changes in Net Assets from Operations	14,329	288,135	(165,092)	684,522	(45,556)	(54,084)	(196,319)	918,573
Investment Activity								
Interest and dividend income	169,918	172,920	0	0	0	0	169,918	172,920
Realized gain on investments	38,808	(284,030)	0	0	18,590	9,595	57,398	(274,435)
Unrealized gain on investments	125,487	779,625	0	0	304,637	793,698	430,124	1,573,323
Total Investment Activity	<u>334,213</u>	<u>668,515</u>	<u>0</u>	<u>0</u>	<u>323,227</u>	<u>803,293</u>	<u>657,440</u>	<u>1,471,808</u>
Changes in Net Assets	348,542	956,650	(165,092)	684,522	277,671	749,209	461,121	2,390,381
Net Assets, Beginning of Year	<u>3,277,280</u>	<u>2,320,630</u>	<u>1,782,903</u>	<u>1,098,381</u>	<u>3,165,027</u>	<u>2,415,818</u>	<u>8,225,210</u>	<u>5,834,829</u>
Net Assets, End of Year	<u>\$ 3,625,822</u>	<u>\$ 3,277,280</u>	<u>\$ 1,617,811</u>	<u>\$ 1,782,903</u>	<u>\$ 3,442,698</u>	<u>\$ 3,165,027</u>	<u>\$ 8,686,331</u>	<u>\$ 8,225,210</u>

See accompanying notes and accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2011 AND 2010

	2011	2010
Cash Flows from Operating Activities		
Changes in net assets	\$ 461,121	\$ 2,390,381
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	35,789	37,639
Unrealized gain on investments	(430,124)	(1,573,323)
Realized (gain) loss on investments	(57,398)	274,435
(Increase) decrease in:		
Certificates of deposit	455,979	677,878
Unconditional promises to give - Unrestricted	32,161	51,964
Unconditional promises to give - Temporarily restricted	164,213	(691,592)
Accounts receivable - American Civil Liberties Union Foundation	(298,085)	(391,410)
Accounts receivable	13,197	(13,197)
Prepaid expenses	(9,322)	7,978
Deposits	(2,150)	750
Increase (decrease) in:		
Accounts payable	(4,033)	15,648
Accounts payable - American Civil Liberties Union Foundation	0	(639,390)
Accrued payroll	11,185	2,851
Accrued and withheld taxes	(20,762)	(88)
Accrued expenses	48,712	(49,693)
Net Cash Provided by Operating Activities	400,483	100,831
Cash Flows from Investing Activities		
Proceeds from sale of investments	831,176	1,192,809
Purchase of investments	(817,119)	(1,101,720)
Purchases of fixed assets	(9,250)	0
Net Cash Provided by Investing Activities	4,807	91,089
Cash Flows from Financing Activities		
Principal payments on term loan payable	(36,436)	(34,148)
Net Cash Used by Financing Activities	(36,436)	(34,148)
Net Increase in Cash and Cash Equivalents	368,854	157,772
Cash and Cash Equivalents, Beginning of Year	422,382	264,610
Cash and Cash Equivalents, End of Year	\$ 791,236	\$ 422,382
Supplemental Disclosures of Cash Flow Information		
Cash paid during the fiscal year for:		
Interest	\$ 1,009	\$ 931

See accompanying notes and accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

**NOTE A - NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING
POLICIES**

Nature of the Organizations

The accompanying consolidated financial statements include the accounts of American Civil Liberties Union of Ohio Foundation, Inc. and American Civil Liberties Union of Ohio, Inc. (the Organizations). Intercompany transactions and balances have been eliminated in consolidation. The Organizations were incorporated as nonprofit corporations in July, 1971. Their primary purpose is to preserve and expand rights and liberties guaranteed by the Constitution and Bill of Rights through public education and litigation on behalf of individuals and groups who have been subjected to deprivations. Legislative activities are supported by membership dues, contribution and bequests paid to the American Civil Liberties Union of Ohio, Inc., which is a 501(c)(4) organization. The Organizations are affiliates of the national American Civil Liberties Union Foundation and American Civil Liberties Union. Revenue is shared between the national organizations and their affiliates according to rules and formulas established to benefit the organizations involved.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205. Under ASC 958-205, the Organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting

The financial statements of the Organizations have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organizations that is, in substance, unconditional. Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Organizations use the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

See accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

**NOTE A - NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Investments

Investments are valued at market.

Donated investments are reflected as contributions at their market values at date of receipt. Dividend and interest income and gains and losses on investments are reflected in current unrestricted activities unless temporarily or permanently restricted, either by law or explicit donor stipulation, in which case they would be reported in either temporarily or permanently restricted activities.

Valuation of Long-Lived Assets

The Organizations review for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the estimated future net cash flows are less than the carrying amount of the asset. No impairment losses were recognized in fiscal 2011 and 2010.

Property and Equipment

Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Donated Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is the Organizations' policy to imply a time restriction, based on the estimated useful lives of the assets, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as support increasing temporarily restricted net assets. The Organizations reclassify temporarily restricted net assets to unrestricted net assets each year for the amount of the donated property and equipment's depreciation expense. There was no donated equipment during the years ended March 31, 2011 and 2010.

Board Designated Funds

Board designated funds contain funds categorized by the Board of Directors as follows: Foundation Fund, established as a reserve account for emergency circumstances; Litigation Fund, created to support significant litigation; and Building Fund, designated for selected building and facilities expenses.

See accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

**NOTE A - NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)**

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Funds received related to conditional grants are classified as refundable advances until expended for the purposes of the grants.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organizations consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash and cash equivalents for purposes of the Statement of Cash Flows.

Pervasiveness of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organizations to concentrations of credit risk consist primarily of cash and cash equivalents. The Organizations maintain their cash and cash equivalents with financial institutions and although they have invested amounts in excess of the federal insurance limits, the Board of Directors does not feel that the Organizations are exposed to any substantial credit risk. As of March 31, 2011 and 2010, the Organizations had no other significant concentrations of credit risk.

Advertising

Advertising costs are expensed when incurred.

See accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE A - NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements

Fair Value of Financial Assets and Liabilities:

On April 1, 2010, the Organizations adopted the measurement and classification provisions of Accounting Standards Update (ASU) 2010-06, Fair Value Measurement Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. The guidance in this ASU addresses the disclosure requirements for significant transfers between the Level 1 and Level 2 fair value measurements and the presentation requirements for Level 3 fair value measurements. ASU 2010-06 provides amendments to ASC 820-10 clarifying existing disclosure requirements relating to the level of disaggregation and inputs and valuations techniques. The clarification requires that equity and debt securities be presented by class rather than by major category. As well, the ASU 2010-06 requires improved disclosures that provide better clarity to the inputs and valuation techniques used to measure fair value for both recurring and nonrecurring fair value measurements. The amendments presented in ASU 2010-06 are intended to add benefit to the users of the financial statements by providing increased transparency.

Fair Value Measurements:

In January 2010, the Financial Accounting Standards Board issued an accounting standards update whose guidance improves financial statement disclosures related to fair value measurements. The disclosures include transfers between Levels 1 and 2, including reasons for the transfers, new requirements surrounding the Level 3 reconciliation, and the presentation of assets and liabilities by class. The amendments clarify a fund's process for applying valuation techniques to its fair-valued securities.

More specifically, the fair value measurement disclosures are amended as follows:

- Entities must disclose the amounts of, and reasons for, significant transfers between Level 1 and Level 2, as well as those into and out of Level 3, of the fair value hierarchy.
- Entities must separately present gross information about purchases, sales, issuances, and settlements in the reconciliation disclosure of Level 3 measurements, which are measurements requiring the use of significant unobservable inputs.
- For Level 2 and Level 3 measurements, an entity must disclose information about inputs and valuation techniques used in both recurring and nonrecurring fair value measurements. If a valuation technique changes, an entity must disclose the change and the reason for it.
- Fair value measurement disclosures must be presented by class of assets and liabilities. An entity must determine the appropriate classes requiring disclosure based on the nature and risks of the assets and liabilities.

See accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE A - NATURE OF THE ORGANIZATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncements (Continued)

Fair Value Measurements (Continued):

The amended guidance is effective for annual reporting periods beginning after December 15, 2009, except for the disaggregation requirement for the reconciliation disclosure of Level 3 measurements, which is effective for fiscal years beginning after December 15, 2010

NOTE B - INVESTMENTS AND CERTIFICATES OF DEPOSIT

The following is a summary of aggregate costs and market values of investments and certificates of deposit at March 31, 2011 and 2010:

	2011		
	Cost	Market Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 575,088	\$ 256,301	\$ (318,787)
Certificates of deposit	165,000	165,182	182
Equities	604,188	661,052	56,864
Corporate and Municipal Bonds	143,085	249,489	106,404
Mutual funds	2,422,129	3,491,693	1,069,564
United States Government Agency issues	449,398	783,587	334,189
Fixed income	245,371	243,821	(1,550)
	\$4,604,259	\$ 5,851,125	\$ 1,246,866
	2010		
	Cost	Market Value	Unrealized Gain
Cash and cash equivalents	\$ 341,668	\$ 400,513	\$ 58,845
Certificates of deposit	440,000	440,324	324
Equities	826,251	828,757	2,506
Corporate and Municipal Bonds	196,253	296,303	100,050
Mutual funds	1,450,403	2,132,405	682,002
United States Government Agency issues	420,767	635,274	214,507
Fixed income	1,079,650	1,100,063	20,413
	\$4,754,992	\$ 5,833,639	\$ 1,078,647

See accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE C - PROMISES TO GIVE

Unconditional promises to give at March 31, 2011 and 2010 consist of:

	2011	2010
Unrestricted promises	\$ 11,668	\$ 45,030
Restricted for education	84,000	8,920
Restricted for Ohio legal issues	500,000	750,000
Gross unconditional promises to give	595,668	803,950
Less: Unamortized discount	45,880	57,788
Net unconditional promises to give	\$ 549,788	\$ 746,162
Amounts due in:		
Less than one year	\$ 283,668	\$ 298,950
One to five years	312,000	505,000
Total Amounts Due	\$ 595,668	\$ 803,950

Promises to give extending beyond one year have been discounted at 3.98%, which approximates the Treasury bill rates for similar term investments.

NOTE D - FAIR VALUE OF FINANCIAL ASSETS

The Organizations use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with ASC 820-10, the Organizations have categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organizations have the ability to access. These include investments that are recorded at fair value on a recurring basis and fair value measurement is based upon quoted prices, if available. Securities valued using Level 1 inputs include those traded on an active exchange, such as the New York Stock Exchange and other exchange trade securities.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for subsequently the full term of the asset or liability.

See accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE D - FAIR VALUE OF FINANCIAL ASSETS (CONTINUED)

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table presents the Organizations' fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and 2010. Balances include amounts held and maintained by National in the Trust for the Bill of Rights Endowment Fund (See Note G).

	2011			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash and cash equivalents	\$ 256,301	\$ 166,595	\$ 89,706	\$ 0
Certificates of deposit	165,182	165,182	0	0
Equities				
Consumer Discretionary	122,968	122,968	0	0
Energy	108,343	108,343	0	0
Finance	188,538	188,538	0	0
Health care	118,761	118,761	0	0
Industrials	169,232	169,232	0	0
Materials	75,681	75,681	0	0
Staples	124,127	124,127	0	0
Technology	169,499	169,499	0	0
Telecommunications	52,762	52,762	0	0
Utilities	23,806	23,806	0	0
Mutual funds	2,319,916	0	2,319,916	0
Fixed Income				
Corporate and Municipal Bonds	249,489	0	249,489	0
U.S. Government Agency issues	1,533,761	750,174	783,587	0
Global issues	172,759	172,759	0	0
	<u>\$5,851,125</u>	<u>\$2,408,427</u>	<u>\$3,442,698</u>	<u>\$ 0</u>

See accountants' report.

**AMERICAN CIVIL LIBERTIES UNION OF OHIO FOUNDATION, INC. AND
AMERICAN CIVIL LIBERTIES UNION OF OHIO, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE D - FAIR VALUE OF FINANCIAL ASSETS (CONTINUED)

	2010			
	Fair	Level 1	Level 2	Level 3
	Value	Inputs	Inputs	Inputs
Cash and cash equivalents	\$ 400,513	\$ 226,237	\$ 174,276	\$ 0
Certificates of deposit	440,324	440,324	0	0
Equities	828,757	808,194	20,563	0
Corporate and Municipal Bonds	296,303	0	296,303	0
Mutual funds	2,132,405	201,839	1,930,566	0
U.S. Government Agency issues	635,274	0	635,274	0
Fixed income	1,100,063	1,100,063	0	0
	<u>\$5,833,639</u>	<u>\$2,776,657</u>	<u>\$3,056,982</u>	<u>\$ 0</u>

NOTE E - LINE OF CREDIT

The American Civil Liberties Union of Ohio Foundation, Inc. (Foundation) obtained a demand line of credit note with a bank during March 2003. The limit for the line is \$35,000. The line of credit bears interest at a rate of one-quarter percent below the Wall Street Journal Prime Rate, with a minimum interest rate of 4%. The note is secured by the Foundation's present and future right, title and interest held in a specific brokerage account. As of March 31, 2011 and 2010, no amounts were outstanding on this demand line of credit note.

NOTE F - LONG-TERM DEBT

During 2000, the Foundation entered into a construction loan with a bank to be used by the Foundation for the conversion of a light manufacturing building into office space and the purchase of furniture and fixtures. During March 2003 permanent financing was obtained by the Foundation through a \$519,990 term loan with a bank. Consecutive monthly installments of principal and interest in the amount of \$3,877 are payable through March 2013, at which time a balloon payment is due. The aggregate principal balance outstanding bears interest at a per annum rate of 6.5%. The note is secured by a security interest in the property and fixtures of the Foundation.

Long-term debt as of March 31, 2011 and 2010 amounted to \$135,204 and \$171,640, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE F - LONG-TERM DEBT (CONTINUED)

The future maturities of long term debit are as of March 31, 2011 are as follows:

2012	\$	38,672
2013		96,532
2014		0
2015		0
2016		0
		0
		\$ 135,204

NOTE G - INVESTMENTS RESTRICTED FOR PERMANENT ENDOWMENT

The American Civil Liberties Union Foundation (National) and its separately incorporated affiliate foundations are cooperatively raising and sharing in a *Trust for the Bill of Rights* Endowment Fund. Endowment gifts are shared equally between National and the affiliate foundation of the area in which the donor resides. Each foundation holds unit shares commensurate with its ownership of endowment fund gifts received. These endowment gifts are held by an outside firm that is charged with management of the endowment funds. At March 31, 2011 and 2010, \$3,442,698 and \$3,165,027, respectively, was held through National on behalf of the Foundation as the Foundation's proportional interest in the Endowment Fund.

NOTE H - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at March 31, 2011 and 2010 are available for the following purposes or periods:

	2011	2010
Term endowment	\$ 75,000	\$ 75,000
Building-related expenses	987,190	987,190
Internships and education	21,268	26,677
Ohio legal program	471,659	694,036
Legislative Institute	62,694	0
	\$ 1,617,811	\$ 1,782,903

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE I - ENDOWMENT NET ASSETS

National and its separately incorporated affiliate foundations cooperatively established a Trust for the Bill of Rights Endowment Fund. Gifts to the Fund are shared equally between National and the affiliate foundation of the state in which the donor resides. Each foundation holds unit shares commensurate with its ownership of endowment funds received. While these endowment gifts are held by National in a single independent account, financial data on each foundation's shares is tracked separately.

The Fund is 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 Board of the ACLU on October 25, 1997 and amended on November 1, 2002)
- American Civil Liberties Union Foundation (ACLU) Investment Policy Statement for Long Term Endowment Assets (approved by National Board of the ACLU on June 4, 2010.)

Any contribution, bequest, planned gift or other transfer of property is deemed a gift of endowment if: (1) the donor states that the gift is for endowment, (2) the gift is given to provide permanent support by restricting its use to income derived from principal or (3) the gift is given to provide long-term support by restricting its use to income derived from principal and to a limited portion of the principal in any one year.

The Trust for the Bill of Rights is subject to an investment policy created by a 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 objective for the endowment is to preserve or enhance the real value of the endowment while providing funds to support designated organizational activities on an annual basis in accordance with agreed-upon spending rules. Investment guidelines will seek to maximize long-term total returns consistent with prudent levels of risk, and in consideration of liquidity needs. The endowment assets invested for the long term are expected to generate a total annualized return over a rolling five-year period, net of fees, equal to 5% plus the rate of inflation as measured by the Consumer Price Index.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE I - ENDOWMENT NET ASSETS (CONTINUED)

The investment guidelines provide for allowable and prohibited assets and transactions. Asset allocations are established as follows:

<u>Asset Class</u>	<u>Target</u>
Traditional equities (which may include equity investments in non-U.S. companies)	55.0%
Marketable alternative investments	7.5%
Real assets	7.5%
Fixed income	30.0%

The Agreement provides for the expenditure of 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. Affiliate foundations cannot exceed this distribution. The Agreement does provide for the withdrawal of unit shares in certain crisis situations.

Interpretation of Relevant Law

Each foundation unit holder is responsible for determining the laws governing endowment funds in its state and whether such expenditures are in keeping with those laws. As of March 31, 2009, the Uniform Management of Institutional Funds Act of 1972 (UMIFA) applied in Ohio. UMIFA required the historical dollar value of a donor-restricted endowment fund to be preserved, but allowed the expenditure of net appreciation of the fund in the absence of donor restrictions. Further, any distribution from an endowment was required to be consistent with the donor's intent and be prudent.

The state of Ohio passed the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) legislation in January, 2009 as HB-522, and the legislation became effective on June 1, 2009. As such, as of March 31, 2010, UPMIFA applied to the Foundation's endowment funds. The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE I - ENDOWMENT NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the endowment funds, (2) purposes of the institution and the endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Funds with Deficiencies

From time to time, the fair market value of assets associated with individual donor restricted funds may fall below the level that the donor requires the Fund to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are to be reported in unrestricted net assets as of year end.

Endowment net asset composition by type of fund as of March 31, 2011 and 2010 is as follows:

	2011		
	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ 75,000	\$ 3,442,698	\$3,517,698
	2010		
	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ 75,000	\$ 3,165,027	\$3,240,027

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE I - ENDOWMENT NET ASSETS (CONTINUED)

Changes in endowment net assets as of March 31, 2011 and 2010 are as follows:

	2011		Total Net Endowment Assets
	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 75,000	\$ 3,165,027	\$3,240,027
Investment activity	0	18,590	18,590
Net appreciation (depreciation)	0	304,637	304,637
Amounts appropriated and allocated	0	(45,556)	(45,556)
Endowment net assets, end of year	\$ 75,000	\$ 3,442,698	\$3,517,698
	2010		
	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 75,000	\$ 2,415,818	\$2,490,818
Investment activity	0	9,595	9,595
Net appreciation (depreciation)	0	793,698	793,698
Amounts appropriated and allocated	0	(54,084)	(54,084)
Endowment net assets, end of year	\$ 75,000	\$ 3,165,027	\$3,240,027

NOTE J - DONATED SERVICES

The value of donated services included in the financial statements and the corresponding expenses for the year ended March 31, 2011 and 2010 are as follows:

	2011	2010
Legal services	\$ 370,337	\$ 207,500
Strategic planning	6,938	0
Total	\$ 377,275	\$ 207,500

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organizations with specific programs, development, and administration. These services do not meet the criteria for recognition under ASC 958-605.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE K - OPERATING LEASES

The Organizations lease equipment and office space. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of March 31, 2011:

2012	\$ 44,034
2013	45,334
2014	45,902
2015	2,570
2016	<u>0</u>
Total minimum payments required	<u>\$ 137,840</u>

NOTE L - PENSION PLAN

The ACLU of Ohio participates in a defined benefit plan as required by the National ACLU office. The National office instructed all American Civil Liberties Unions to be included in the ACLU defined benefit plan in which eligible employees participate. Employees became vested at three years of service and fully vested at seven years. No contributions are required from plan participants. The Foundation makes annual contributions to the plan, as instructed by National ACLU, based on census information supplied to an actuary. Pension expense for the years ended March 31, 2011 and 2010 was \$70,812 and \$25,489, respectively.

In January, 2009 the National ACLU Board of Directors voted to adopt a soft freeze of the defined benefit plan. Employees hired on April 1, 2009 or after are eligible to be enrolled in a new defined contribution 401K plan with automatic enrollment and an employer match. No future employees will be enrolled in the defined benefit plan, however the liability for the employees currently in the plan will continue, along with the liability for future employees enrolling in the defined contribution plan.

NOTE M - INCOME TAXES

The Foundation qualifies as a charitable organization under Section 501(c)(3) of the Internal Revenue Code and the American Civil Liberties Union of Ohio, Inc. qualifies as a charitable organization under Section 501(c)(4) of the Internal Revenue Code. Accordingly, both Organizations are exempt from income taxes.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE M - INCOME TAXES (CONTINUED)

As of April 1, 2009 and for the year then ended, the Organizations had not engaged in any activity which management considers to be activity that could result in a loss of their 501(c)(3) or 501(c)(4) IRS designations. As well, management does not consider any of the activity of the Organizations to be considered unrelated business income that could result in income tax. For the years ended March 31, 2011 and 2010, there was no tax interest or penalties reflected in the consolidated statement of activities or in the consolidated statement of financial position. The Organizations are no longer subject to U.S. federal, state, and local income tax examinations by taxing authorities for years before 2007.

NOTE N - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements:

Public Education

Educate students and citizens about their constitutional rights through internships; educational programs and forums; speeches to community groups; resource materials.

Legal Program

Through legal challenges and litigation, protect citizens' constitutional rights, including privacy, freedom of speech, due process, separation of church and state.

Legislative Program

Organize and lobby to educate and influence lawmakers about the implications of their proposals for civil liberties.

Local Programs and Services

Monitor civil liberties violations in local communities; educate neighbors about their rights.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organizations' program strategy; secure proper administrative functioning of the Board of Directors; maintain competent professional services for the program administration of the Organizations and manage the financial and budgetary responsibilities of the Organizations.

Fund Raising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations.

See accountants' report.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011 AND 2010

NOTE O – SUBSEQUENT EVENTS

Subsequent events applicable to the year ended March 31, 2011 have been evaluated through October 12, 2010, the date the financial statements were available to be issued.

See accountants' report.