

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

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

ACLU of Ohio Foundation, Inc.

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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 financial statements of **American Civil Liberties Union of Ohio Foundation, Inc. and American Civil Liberties Union of Ohio, Inc.** (nonprofit organizations) which comprise the consolidated statements of financial position as of March 31, 2018 and 2017, and the related consolidated statements of activities and consolidated statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **American Civil Liberties Union of Ohio Foundation, Inc. and American Civil Liberties Union of Ohio, Inc.** as of March 31, 2018 and 2017, 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.

Zinner & Co. LLP

Beachwood, Ohio

September 29, 2018

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2018 AND 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 1,206,942	\$ 1,238,331
Investments	602,586	0
Unconditional promises to give		
Unrestricted	123,312	131,447
Temporarily restricted	743,167	99,097
Accounts receivable - ACLU National	392,489	362,992
Accounts receivable	9,889	4,912
Investments - Board designated	1,554,888	1,419,186
Prepaid expenses	33,042	26,489
Land	205,400	205,400
Building	1,086,377	1,086,377
Building improvements	160,831	160,831
Furniture and equipment	177,116	159,618
Accumulated depreciation	(650,453)	(616,592)
Restricted cash - IOLTA account	21	21
Deposits	0	2,000
Investments restricted for permanent endowment	4,216,840	4,033,246
	\$ 9,862,447	\$ 8,313,355
Liabilities		
Accounts payable	\$ 31,764	\$ 38,953
Accounts payable - ACLU National	10,290	9,871
Accrued payroll	22,257	20,127
Accrued expenses	120,937	115,785
Grant advance	20,000	52,000
	205,248	236,736
Net Assets		
Unrestricted		
Undesignated	2,746,846	2,503,294
Designated by Board for building & facilities expenses	854,192	804,690
Designated by Board for litigation	436,749	387,919
Designated by Board for reserves	263,947	226,578
	4,301,734	3,922,481
Temporarily restricted	1,138,625	120,892
Permanently restricted	4,216,840	4,033,246
	9,657,199	8,076,619
Total Net Assets	\$ 9,862,447	\$ 8,313,355
Total Liabilities and Net Assets	\$ 9,862,447	\$ 8,313,355

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

**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, 2018 AND 2017

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Support and Revenues								
Support								
Contributions - Foundation	\$ 712,205	\$ 878,699	\$ 849,733	\$ 103,396	\$ 0	\$ 0	\$ 1,561,938	\$ 982,095
Contributions - Affiliate	167,000	210,000	123,000	0	0	0	290,000	210,000
Grants	176,500	202,500	62,500	17,500	0	0	239,000	220,000
Total Support	1,055,705	1,291,199	1,035,233	120,896	0	0	2,090,938	1,412,095
Revenues								
Bequests	97,374	58,800	0	0	0	0	97,374	58,800
Events and sales of materials	559	434	0	0	0	0	559	434
Legal fees	48,830	4,000	0	0	0	0	48,830	4,000
Membership shares	849,207	460,990	0	0	0	0	849,207	460,990
National reconciliation income	302,762	366,072	0	0	0	0	302,762	366,072
Donated services	196,214	173,408	0	0	0	0	196,214	173,408
Total Revenues	1,494,946	1,063,704	0	0	0	0	1,494,946	1,063,704
Net Assets Released from Restrictions								
Satisfaction of purpose restrictions	17,500	367,295	(17,500)	(367,295)	0	0	0	0
Total Reclassifications	17,500	367,295	(17,500)	(367,295)	0	0	0	0
Total Support and Revenues	2,568,151	2,722,198	1,017,733	(246,399)	0	0	3,585,884	2,475,799

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

**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, 2018 AND 2017
(CONTINUED FROM PREVIOUS PAGE)**

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Expenses								
Salaries and wages	\$ 1,219,077	\$ 1,058,581	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,219,077	\$ 1,058,581
Employee benefits and payroll taxes	351,500	303,152	0	0	0	0	351,500	303,152
Donated services	196,214	173,408	0	0	0	0	196,214	173,408
Legislative activity	0	6,543	0	0	0	0	0	6,543
Litigation	18,993	16,511	0	0	0	0	18,993	16,511
Facilities	144,632	112,870	0	0	0	0	144,632	112,870
Rent	80,248	45,204	0	0	0	0	80,248	45,204
Depreciation and amortization	33,860	34,442	0	0	0	0	33,860	34,442
Dues and subscriptions	11,788	6,000	0	0	0	0	11,788	6,000
Conferences and meetings	43,197	20,277	0	0	0	0	43,197	20,277
Postage	30,622	39,216	0	0	0	0	30,622	39,216
Printing	56,694	23,351	0	0	0	0	56,694	23,351
Loss on disposal of equipment	0	7,595	0	0	0	0	0	7,595
Travel	97,897	57,690	0	0	0	0	97,897	57,690
Insurance	15,083	15,020	0	0	0	0	15,083	15,020
Professional services	127,100	92,442	0	0	0	0	127,100	92,442
Endowment fund loss and allocation	0	0	0	0	47,461	74,409	47,461	74,409
National reconciliation expense	10,004	36,367	0	0	0	0	10,004	36,367
Miscellaneous	480	2,565	0	0	0	0	480	2,565
Total Expenses	2,437,389	2,051,234	0	0	47,461	74,409	2,484,850	2,125,643
Changes in Net Assets from Operations	130,762	670,964	1,017,733	(246,399)	(47,461)	(74,409)	1,101,034	350,156
Investment Activity								
Interest and dividend income	196,899	192,673	0	0	0	0	196,899	192,673
Investment fees	(17,398)	(13,023)	0	0	0	0	(17,398)	(13,023)
Realized gain (loss) on investments	65,864	51,917	0	0	(31,721)	(12,755)	34,143	39,162
Unrealized gain on investments	3,126	18,296	0	0	262,776	367,827	265,902	386,123
Total Investment Activity	248,491	249,863	0	0	231,055	355,072	479,546	604,935
Changes in Net Assets	379,253	920,827	1,017,733	(246,399)	183,594	280,663	1,580,580	955,091
Net Assets, Beginning of Year	3,922,481	3,001,654	120,892	367,291	4,033,246	3,752,583	8,076,619	7,121,528
Net Assets, End of Year	\$ 4,301,734	\$ 3,922,481	\$ 1,138,625	\$ 120,892	\$ 4,216,840	\$ 4,033,246	\$ 9,657,199	\$ 8,076,619

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

**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, 2018 AND 2017

	2018	2017
Cash Flows from Operating Activities		
Changes in net assets	\$ 1,580,580	\$ 955,091
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	33,860	34,442
Loss on disposal of equipment	0	7,595
Unrealized gain on investments	(265,902)	(386,123)
Realized gain on investments	(34,143)	(39,162)
(Increase) decrease in:		
Unconditional promises to give - Unrestricted	8,135	(123,169)
Unconditional promises to give - Temporarily restricted	(644,070)	150,903
Accounts receivable - ACLU National	(29,497)	(343,838)
Accounts receivable	(4,977)	(1,087)
Prepaid expenses	(6,553)	(1,758)
Deposits	2,000	0
Increase (decrease) in:		
Accounts payable	(7,189)	14,265
Accounts payable - ACLU National	419	(146,889)
Accrued payroll	2,130	(5,091)
Accrued expenses	5,152	(61,045)
Grant advance	(32,000)	52,000
Net Cash Provided by Operating Activities	607,945	106,134
Cash Flows from Investing Activities		
Purchase of fixed assets	(17,498)	0
Proceeds from sale of investments	667,142	611,960
Purchase of investments	(1,288,978)	(194,236)
Net Cash Provided (Used) by Investing Activities	(639,334)	417,724
Net Increase (Decrease) in Cash and Cash Equivalents	(31,389)	523,858
Cash and Cash Equivalents, Beginning of Year	1,238,331	714,473
Cash and Cash Equivalents, End of Year	\$ 1,206,942	\$ 1,238,331

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

**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., which is a 501(c)(3) organization and American Civil Liberties Union of Ohio, Inc., which is a 501(c)(4) organization (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 on behalf of individuals and groups who have been subjected to deprivations. 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

**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 2018 and 2017.

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, 2018 and 2017.

Board Designated Funds

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

**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, 2018 and 2017, the Organizations had no other significant concentrations of credit risk.

Advertising

Advertising costs are expensed when incurred.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

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

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”). The objective of ASU 2016-02 is to recognize lease assets and lease liabilities by leases for those leases classified as operating leases under previous generally accepted accounting principles (GAAP). ASU 2016-02 is effective for fiscal years beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Early adoption of ASU 2016-02 is permitted. Management will be evaluating the potential impact of adopting this guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The ASU amends the current reporting model for not-for-profit organizations and requires enhanced disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring that all not-for-profit organizations present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (d) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (e) presenting investment returns net of external and direct expenses, and (f) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of the financial statements. The ASU is effective for the Organizations’ consolidated financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is evaluating the impact of adopting this guidance on its consolidated financial statements.

In May 2015, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standards will replace most existing revenue recognition guidance within the accounting principles generally accepted in the United States of America when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. Management has not yet selected a transition method and is evaluating the impact of adopting this guidance on its financial statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

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

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Subsequent Events

The Organizations have evaluated subsequent events through September 29, 2018, the date the consolidated financial statements were available to be issued, and all such events have been properly disclosed in these consolidated financial statements.

NOTE B - INVESTMENTS

The following is a summary of aggregate costs and market values of investments and certificates of deposit at March 31, 2018 and 2017:

Balances below include amounts held and maintained by National in the Trust for the Bill of Rights Endowment Fund (See Note G).

	2018		
	Cost	Market Value	Unrealized Gain
Cash and cash equivalents	\$ 295,693	\$ 295,693	\$ 0
Mutual funds	1,441,047	3,399,833	1,958,786
Equities	664,538	1,017,890	353,352
Exchange traded funds	124,764	413,380	288,616
Hedge funds	137,420	425,776	288,356
Certificates of deposit	820,000	821,742	1,742
	<u>\$ 3,483,462</u>	<u>\$ 6,374,314</u>	<u>\$ 2,890,852</u>
	2017		
	Cost	Market Value	Unrealized Gain (Loss)
Cash and cash equivalents	\$ 508,576	\$ 508,576	\$ 0
Mutual funds	1,271,364	2,654,651	1,383,287
Equities	711,012	1,020,760	309,748
Exchange traded funds	318,018	913,834	595,816
Hedge funds	119,257	354,611	235,354
	<u>\$ 2,928,227</u>	<u>\$ 5,452,432</u>	<u>\$ 2,524,205</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE C - PROMISES TO GIVE

Unconditional promises to give at March 31, 2018 and 2017 consist of:

	2018	2017
Unrestricted promises	\$ 125,726	\$ 136,485
Restricted for Ohio legal issues	750,000	0
Restricted for women's rights	25,000	100,000
Gross unconditional promises to give	900,726	236,485
Less: Unamortized discount	34,247	5,941
Net unconditional promises to give	\$ 866,479	\$ 230,544
Amounts due in:		
Less than one year	\$ 380,726	\$ 136,485
One to five years	520,000	100,000
Total Amounts Due	\$ 900,726	\$ 236,485

Promises to give extending beyond one year have been discounted between 3.50% to 4.5%, which approximates the Prime Rate in effect at the time the gift was made by the donor.

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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

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, 2018 and 2017. Balances include amounts held and maintained by National in the Trust for the Bill of Rights Endowment Fund (See Note G).

In accordance with the guidance provided by FASB ASU 2015-07, Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. These include hedge funds in the amount of \$425,776 and \$354,611 as of March 31, 2018 and 2017 which are only reflected in the fair value column below. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

	2018			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash and cash equivalents	\$ 295,693	\$ 295,693	\$ 0	\$ 0
Certificates of Deposit	821,742	821,742	0	0
Equities				
Consumer discretionary	80,759	80,759	0	0
Energy	40,414	40,414	0	0
Finance	133,674	133,674	0	0
Health care	72,979	72,979	0	0
Industrials	76,697	76,697	0	0
Materials	38,486	38,486	0	0
Real estate	24,097	24,097	0	0
Staples	57,901	57,901	0	0
Technology	117,937	117,937	0	0
Telecommunications	24,303	24,303	0	0
Utilities	21,235	21,235	0	0
Exchange traded funds	413,380	413,380	0	0
Hedge funds	425,776	0	0	0
Equity securities	329,408	329,408	0	0
Mutual funds	2,852,170	2,852,170	0	0
Fixed Income				
Mutual funds	547,663	547,663	0	0
	<u>\$ 6,374,314</u>	<u>\$ 5,948,538</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE D - FAIR VALUE OF FINANCIAL ASSETS (CONTINUED)

	2017			
	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Cash and cash equivalents	\$ 508,576	\$ 508,576	\$ 0	\$ 0
Equities				
Consumer Discretionary	78,340	78,340	0	0
Energy	36,393	36,393	0	0
Finance	115,347	115,347	0	0
Health care	83,406	83,406	0	0
Industrials	74,400	74,400	0	0
Materials	30,549	30,549	0	0
Real estate	22,834	22,834	0	0
Staples	63,444	63,444	0	0
Technology	119,099	119,099	0	0
Telecommunications	27,484	27,484	0	0
Utilities	21,401	21,401	0	0
Exchange traded funds	913,834	913,834	0	0
Hedge funds	354,611	0	0	0
Equity securities	348,063	348,063	0	0
Mutual funds	2,137,175	2,137,175	0	0
Fixed Income				
Mutual funds	517,476	517,476	0	0
	<u>\$ 5,452,432</u>	<u>\$ 5,097,821</u>	<u>\$ 0</u>	<u>\$ 0</u>

NOTE E - 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 unless otherwise restricted by the donor. 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, 2018 and 2017, \$4,216,840 and \$4,033,246, respectively, was held through National on behalf of the Foundation as the Foundation's proportional interest in the Endowment Fund.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE F - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at March 31, 2018 and 2017 are available for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Women's rights	\$ 199,963	\$ 103,392
Internships and education	17,500	17,500
Ohio legal program	718,162	0
Transgender advocacy	43,000	0
Bail reform	125,000	0
Mayor's courts	15,000	0
Branding	2,500	0
Abortion clinic access	17,500	0
	<u>\$ 1,138,625</u>	<u>\$ 120,892</u>

NOTE G - 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 unless otherwise restricted by the donor. 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 (adopted by ACLU Executive Committee/Foundation Board on June 9, 2017.)

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE G - ENDOWMENT NET ASSETS (CONTINUED)

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.

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

<u>Asset Class</u>	<u>Minimum Allocation</u>	<u>Strategic Allocation</u>	<u>Maximum Allocation</u>
Traditional equities	40.0%	55.0%	70.0%
Marketable alternative investments	5.0%	20.0%	35.0%
Fixed income & Cash	10.0%	25.0%	40.0%

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. 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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE G - ENDOWMENT NET ASSETS (CONTINUED)

Interpretation of Relevant Law (Continued)

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.

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, 2018 and 2017 is as follows:

	2018		Total Net
	Temporarily Restricted	Permanently Restricted	Endowment Assets
Donor-restricted endowment funds	\$ 0	\$ 4,216,840	\$ 4,216,840
	2017		Total Net
	Temporarily Restricted	Permanently Restricted	Endowment Assets
Donor-restricted endowment funds	\$ 0	\$ 4,033,246	\$ 4,033,246

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE G - ENDOWMENT NET ASSETS (CONTINUED)

Changes in endowment net assets as of March 31, 2018 and 2017 are as follows:

	2018		
	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 0	\$ 4,033,246	\$ 4,033,246
Contributions	0	0	0
Investment activity	0	(31,721)	(31,721)
Net appreciation	0	262,776	262,776
Amounts appropriated and allocated	0	(47,461)	(47,461)
	<u>\$ 0</u>	<u>\$ 4,216,840</u>	<u>\$ 4,216,840</u>
	2017		
	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 0	\$ 3,752,583	\$ 3,752,583
Contributions	0	0	0
Investment activity	0	(12,755)	(12,755)
Net appreciation	0	367,827	367,827
Amounts appropriated and allocated	0	(74,409)	(74,409)
	<u>\$ 0</u>	<u>\$ 4,033,246</u>	<u>\$ 4,033,246</u>

NOTE H - DONATED SERVICES

The value of donated services included in the financial statements and the corresponding expenses for the year ended March 31, 2018 and 2017 are as follows:

	2018	2017
Donated services	\$ 196,214	\$ 173,408
Total	<u>\$ 196,214</u>	<u>\$ 173,408</u>

These services are provided by attorneys and other professionals with specialized expertise. 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, 2018 AND 2017

NOTE I - OPERATING LEASES

The Organizations lease equipment, office space, and a vehicle. 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, 2018:

2019	\$ 111,965
2020	110,692
2021	103,852
2022	101,700
2023	<u>25,425</u>
Total minimum payments required	<u><u>\$ 453,634</u></u>

Total rental expense amounted to \$96,902 and \$62,729 for the years ended March 31, 2018 and 2017, respectively.

NOTE J - 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.

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.

Pension expense for the years ended March 31, 2018 and 2017 was \$81,844 and \$71,624, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018 AND 2017

NOTE K - 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.

As of April 1, 2016 and for the years ended March 31, 2018 and 2017, 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, 2018 and 2017, 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 2014.

NOTE L - 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.

Policy and Advocacy

Promote systemic change to advance civil liberties through policy research, legislative advocacy, communications and community organizing.

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.