



American Civil Liberties Union of Virginia, Inc.
and the American Civil Liberties Union
Foundation of Virginia

Combined Financial Statements

March 31, 2016

Meadows Urquhart Acree & Cook, LLP
Certified Public Accountants

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Meadows Urquhart Acree & Cook, LLP
Certified Public Accountants

- Kelli P. Meadows
- Douglas A. Urquhart
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Independent Auditor's Report

To the Board of Directors
American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia
Richmond, Virginia

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the American Civil Liberties Union of Virginia, Inc. and the American Civil Liberties Union Foundation of Virginia, which comprise the combined statement of financial position as of March 31, 2016, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of the American Civil Liberties Union of Virginia, Inc. and the American Civil Liberties Union Foundation of Virginia as of March 31, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Meadows Urquhart Acree & Cook, LLP

September 12, 2016

**American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia**

**Combined Statement of Financial Position
March 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets				
Cash and cash equivalents	\$ 402,952	\$ 153,982	\$ -	\$ 556,934
Investments	3,320,832	1,061,741	1,725,078	6,107,651
Due from National	110,072	-	-	110,072
Pledges receivable	-	356,942	-	356,942
Prepaid expenses	5,914	-	-	5,914
Other assets	1,949	-	-	1,949
Equipment, furniture and fixtures (net of accumulated depreciation of \$77,581)	8,620	-	-	8,620
Total assets	\$ 3,850,339	\$ 1,572,665	\$ 1,725,078	\$ 7,148,082
Liabilities and Net Assets				
Accounts payable	\$ 5,786	\$ -	\$ -	\$ 5,786
Payroll taxes withheld and accrued	1,923	-	-	1,923
Accrued payroll	17,058	-	-	17,058
Total liabilities	24,767	-	-	24,767
Net Assets				
Unrestricted	3,825,572	-	-	3,825,572
Temporarily restricted	-	1,572,665	-	1,572,665
Permanently restricted	-	-	1,725,078	1,725,078
Total net assets	3,825,572	1,572,665	1,725,078	7,123,315
Total liabilities and net assets	\$ 3,850,339	\$ 1,572,665	\$ 1,725,078	\$ 7,148,082

See Notes to Combined Financial Statements.

**American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia**

**Combined Statement of Activities
Year Ended March 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue				
Contributions				
Memberships	\$ 234,189	\$ -	\$ -	\$ 234,189
Other	194,023	3,000	20,500	217,523
Share Bequest National	51,024	-	-	51,024
Net amounts received from National	99,111	-	-	99,111
Grants	-	311,918	-	311,918
Legal case reimbursements	86,207	-	-	86,207
Investment return	(29,340)	(34,295)	-	(63,635)
Miscellaneous income	15,589	-	-	15,589
Net assets released from restrictions	513,095	(513,095)	-	-
Total support and revenue	1,163,898	(232,472)	20,500	951,926
Expenses				
Program services:				
Legal	359,034	-	-	359,034
Legislative	118,648	-	-	118,648
Public education/Advocacy	441,467	-	-	441,467
Supporting services:				
Management and general	181,327	-	-	181,327
Fundraising	161,377	-	-	161,377
Total expenses	1,261,853	-	-	1,261,853
Change in net assets	(97,955)	(232,472)	20,500	(309,927)
Net assets, beginning of year	3,923,527	1,805,137	1,704,578	7,433,242
Net assets, end of year	<u>\$ 3,825,572</u>	<u>\$ 1,572,665</u>	<u>\$ 1,725,078</u>	<u>\$ 7,123,315</u>

See Notes to Combined Financial Statements.

American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia

Combined Statement of Functional Expenses
Year Ended March 31, 2016

	Program Services				Supporting Services			Total
	Legal	Legislative	Public Education/ Advocacy	Total Program Expenses	Management and General	Fundraising	Total Support Expenses	
Salaries	\$ 240,272	\$ 77,756	\$ 232,497	\$ 550,525	\$ 78,977	\$ 91,940	\$ 170,917	\$ 721,442
Employee benefits	68,042	19,954	64,367	152,363	10,190	27,364	37,554	189,917
Litigation expenses	3,722	-	98	3,820	-	-	-	3,820
Professional services	3,132	1,673	70,406	75,211	57,408	1,777	59,185	134,396
Supplies	1,030	1,106	1,501	3,637	1,107	1,086	2,193	5,830
Telephone	1,649	1,380	2,703	5,732	1,040	1,408	2,448	8,180
Postage	1,167	14	3,027	4,208	3,309	1,464	4,773	8,981
Insurance	5,392	199	565	6,156	195	232	427	6,583
Occupancy	12,878	7,829	15,518	36,225	6,033	8,294	14,327	50,552
Equipment rental and maintenance	1,888	555	1,780	4,223	799	672	1,471	5,694
Travel	3,598	657	10,212	14,467	1,948	4,589	6,537	21,004
Conferences, conventions, and meetings	208	250	5,193	5,651	3,376	911	4,287	9,938
Printing and publications	931	705	15,858	17,494	2,639	1,008	3,647	21,141
Books and subscriptions	3,915	29	221	4,165	1,514	27	1,541	5,706
Professional development	4,800	957	3,482	9,239	1,330	2,051	3,381	12,620
Technology	3,661	4,199	10,972	18,832	2,699	17,352	20,051	38,883
Depreciation	167	841	818	1,826	441	786	1,227	3,053
Licenses, taxes and fees	2,196	500	216	2,912	1,219	234	1,453	4,365
Marketing and advertising	386	31	2,022	2,439	1,670	170	1,840	4,279
Other expenses	-	13	11	24	5,433	12	5,445	5,469
	<u>\$ 359,034</u>	<u>\$ 118,648</u>	<u>\$ 441,467</u>	<u>\$ 919,149</u>	<u>\$ 181,327</u>	<u>\$ 161,377</u>	<u>\$ 342,704</u>	<u>\$ 1,261,853</u>

See Notes to Combined Financial Statements.

**American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia**

**Combined Statement of Cash Flows
Year Ended March 31, 2016**

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Cash Flows From Operating Activities	
Change in net assets	\$ (309,927)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Net realized and unrealized investment losses	146,401
Depreciation	3,053
Changes in assets and liabilities	
(Increase) decrease in:	
Due from National	(44,836)
Pledges receivable	98,058
Other assets	2,209
Increase (decrease) in:	
Accounts payable	3,835
Payroll taxes withheld and accrued	(2,192)
Accrued payroll	(12,789)
Net cash used in operating activities	<u>(116,188)</u>
 Cash Flows From Investing Activities	
Purchases of equipment	(5,260)
Net sales of investments	162,809
Net cash provided by investing activities	<u>157,549</u>
Net increase in cash	41,361
 Cash and cash equivalents, beginning of year	<u>515,573</u>
Cash and cash equivalents, end of year	<u><u>\$ 556,934</u></u>

See Notes to Combined Financial Statements.

**American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia**

Notes to Combined Financial Statements

Note 1—Nature of Organization and Significant Accounting Policies

Nature of activities: The American Civil Liberties Union of Virginia, Inc. (ACLU-VA) is a non-profit corporation organized to promote and preserve civil rights and civil liberties for everyone in the Commonwealth. It is funded principally from membership contributions made by Virginia residents.

The American Civil Liberties Union Foundation of Virginia (ACLUF-VA) is a non-profit corporation organized to promote and preserve civil rights and civil liberties for everyone in the Commonwealth. It is funded principally from shared revenue from the national office, and contributions from other organizations and individuals.

The combined entity is hereafter referred to as the ACLU-VA.

A summary of the ACLU-VA's significant accounting policies follows:

Combination: The combined financial statements include the accounts of the ACLU-VA and the ACLUF-VA. All material transactions between these organizations have been eliminated in combination.

Basis of accounting: The combined financial statements of the ACLU-VA are prepared on the accrual basis of accounting whereby revenues are recorded when earned and expenses when incurred.

Basis of presentation: The presentation of the accompanying combined financial statements follows accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the ACLU-VA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed restrictions.

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the ACLU-VA pursuant to these stipulations. Net assets may be restricted for various purposes, such as use in future periods or for specified purposes.

Permanently restricted net assets result from contributions that must be maintained by the ACLU-VA in perpetuity.

Use of estimates: The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes: The ACLU-VA is exempt from income taxes under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(4). The ACLU-VA has also been classified as an entity that is not a private foundation as defined in Section 510(a) of the Code and it has no unrelated business income subject to federal income taxes under Section 511 of the Code.

**American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia**

Notes to Combined Financial Statements

Note 1—Nature of Organization and Significant Accounting Policies (Continued)

The ACLUF-VA is exempt from income taxes under Section 501(a) of the Code as an organization described in Section 501(c)(3). The ACLUF-VA has also been classified as an entity that is not a private foundation as defined in Section 510(a) of the Code, and it has no unrelated business income subject to federal income taxes under Section 511 of the Code.

In accordance with GAAP, the ACLU-VA and ACLUF-VA have concluded that they do not have any material uncertain tax positions to be accounted for in the financial statements at March 31, 2016.

The ACLU-VA and the ACLUF-VA are subject to examination by federal and state tax authorities for the fiscal years ended March 31, 2013 forward. Neither the ACLU-VA nor the ACLUF-VA are currently under tax examination for any of these periods.

Cash and cash equivalents: For purposes of reporting cash flows, the ACLU-VA considers all checking accounts, money market accounts and certificates of deposit with an original maturity of three months or less to be cash and cash equivalents.

Contributions: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the nature of donor restrictions, if any.

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. Temporarily restricted contributions are to be used only to fulfill the purpose designated by the donor. When the restricted purpose is fulfilled, whether partially or in full, temporarily restricted net assets are reclassified to unrestricted net assets. Permanently restricted contributions are for endowment purposes, in which the corpus is held in perpetuity. The investment income generated from the endowment is either temporarily restricted or unrestricted as designated by the donor.

Contributions of assets other than cash are recorded at their estimated fair market value at the time of donation.

Pledges receivable: Pledges receivable are carried at original pledge amount less a present value discount for amounts due in one year or more.

Valuation of investments, at fair value: In accordance with GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the ACLU-VA uses various valuation approaches. In accordance with GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the ACLU-VA. Unobservable inputs reflect assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia**

Notes to Combined Financial Statements

Note 1—Nature of Organization and Significant Accounting Policies (Continued)

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the ACLU-VA has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Equipment, furniture and fixtures: Equipment, furniture and fixtures are stated at cost or, if donated, appraised value at date of gift. Depreciation of the equipment, furniture and fixtures is provided over the estimated useful lives of the respective assets using straight-line and accelerated methods over periods ranging from 5 to 7 years. Equipment, furniture or fixture purchases in excess of \$1,000 are capitalized.

Valuation of long-lived assets: The ACLU-VA accounts for the valuation of long-lived assets under GAAP, which requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of carrying amount or fair value, less cost to sell.

Functional expenses: The costs of providing the various programs and other activities have been summarized on a functional basis in the combined statement of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

**American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia**

Notes to Combined Financial Statements

Note 1—Nature of Organization and Significant Accounting Policies (Continued)

Financial credit risk: The ACLU-VA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The ACLU-VA has not experienced any losses in such accounts and believes it is not exposed to any significant financial credit risk on cash.

The ACLU-VA invests in a professionally managed portfolio that contains common shares and bonds of publicly traded companies, equity securities and money market funds. Such investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with such investments and the uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the accompanying combined financial statements.

Investment policy: The ACLU-VA has adopted an investment policy which attempts to establish an achievable return objective through diversification of asset classes. To satisfy its long-term rate-of-return objectives, the ACLU-VA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The ACLU-VA targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk parameters.

All investments of the ACLU-VA are invested under its investment policy guidelines with the exception of permanently restricted donor funds and donations to the ACLUF-VA which are subject to Trust for the Bill of Rights (BORT) rules which must be invested in accordance with BORT investment management procedures adopted by the Board of Directors of the National ACLU Foundation (ACLUF).

Note 2—Fair Value Measurements

The ACLU-VA's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with GAAP. See Note 1 for a discussion of the ACLU-VA's policies. All of the ACLU-VA's investments at March 31, 2016 are considered level 1 investments.

**American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia**

Notes to Combined Financial Statements

Note 3—Investments

Investments in marketable securities at March 31, 2016 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash equivalents	\$ 692,961	\$ 692,961
Exchange traded funds		
Bonds	1,784,196	1,774,504
Equity securities	386,018	361,516
Mutual funds		
Equity securities	3,207,592	3,035,681
Other	214,513	242,989
	<u>\$ 6,285,280</u>	<u>\$ 6,107,651</u>

Investment return for the year ended March 31, 2016 is comprised of the following:

Interest and dividends	\$ 83,766
Realized gains	68,849
Change in unrealized gains	<u>(216,250)</u>
	<u>\$ (63,635)</u>

**American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia**

Notes to Combined Financial Statements

Note 4—Restricted Net Assets

Net assets are restricted at March 31, 2016 for the following purposes:

	Total	Temporarily Restricted	Permanently Restricted
	<u> </u>	<u> </u>	<u> </u>
Women's rights	\$ 2,530,980	\$ 1,020,415	\$ 1,510,565
Time restricted pledge	356,942	356,942	-
General operations	151,056	24,543	126,513
Religious liberties	91,933	3,933	88,000
Reproductive rights	86,975	86,975	-
Philanthropy	25,000	25,000	-
Legal fellowships	28,187	28,187	-
Privacy tech	16,670	16,670	-
Police reform	7,500	7,500	-
Felon restoration	2,500	2,500	-
	<u>\$ 3,297,743</u>	<u>\$ 1,572,665</u>	<u>\$ 1,725,078</u>

For the year ended March 31, 2016, amounts were released from restriction as follows:

	Total	Temporarily Restricted	Permanently Restricted
	<u> </u>	<u> </u>	<u> </u>
Women's rights	\$ (82,709)	\$ (82,709)	\$ -
Time restricted pledge	(101,058)	(101,058)	-
General operations	(5,439)	(5,439)	-
Religious liberties	(210)	(210)	-
Reproductive rights	(155,148)	(155,148)	-
Philanthropy	(25,000)	(25,000)	-
Legal fellowships	(143,531)	(143,531)	-
	<u>\$ (513,095)</u>	<u>\$ (513,095)</u>	<u>\$ -</u>

**American Civil Liberties Union of Virginia, Inc. and
the American Civil Liberties Union Foundation of Virginia**

Notes to Combined Financial Statements

Note 5—Endowment Funds

The ACLU-VA follows its investment and spending policies with regard to its permanent endowment funds unless explicit donor stipulations specify how net appreciation must be used and any specific spending policy requirements.

The Patricia Arnold bequest was set up as a trust fund by the board of directors. Pursuant to the donor's will, "the balance of the Trust Estate shall be paid over and distributed to the ACLUF-VA with the income to be used exclusively in the Commonwealth of Virginia, to combat through all legal means, the pervasive and powerful sexual bias and sexual discrimination against women found to exist in the Commonwealth of Virginia. Should the time ever come when Virginia becomes an enlightened state with regard to sexual equality to the satisfaction of the Director of the Virginia Project of the ACLUF-VA, the income of this Fund may be used in other areas of the Southern United States to overcome racial discrimination as well as sexual discrimination. Upon distribution in the manner specified, the Trust shall terminate." The endowment balance is \$2,543,830. The original gift of \$1,510,565 is permanently restricted and \$1,033,265, which represents accumulated investment earnings, gains and losses, is temporarily restricted. The current spending policy of the Pat Arnold Memorial Fund is to distribute an amount up to 4% of the trailing three year average as of December 1 of the previous fiscal year. The ACLUF-VA incurred \$81,852 in qualifying expenses related to women's rights projects during the year ended March 31, 2016.

Pursuant to National ACLU Policy, the Jules Cohen Fund for Religious Liberty is an endowment fund established by the ACLUF-VA in and held as part of the national Trust for the Bill of Rights Endowment (BORT) for the benefit of the ACLUF-VA. It is designated by the donors to be used for the purpose of defending religious liberties as guaranteed by the First Amendment of the United States Constitution and the Virginia Statute of Religious Freedom. The endowment balance is \$91,933. The original gifts of \$88,000 are permanently restricted and \$3,933, which represents accumulated investment earnings, gains and losses, is temporarily restricted. As specified in the agreement establishing the Cohen Fund, "the amount of money that may be appropriated for expenditure each year by ACLUF-VA from the ACLUF-VA Cohen Fund and by the ACLU from the ACLU Cohen Fund shall be determined in accordance with each organization's policies on endowment spending as those may be in effect from time to time. Any amounts appropriated from one of the funds for expenditure that are not expended that year will be reinvested within that fund and will be available for expenditure solely to the extent consistent with the purposes of that fund." For the year ended March 31, 2016, the ACLUF-VA Board approved a budget that would reinvest all funds that would've been appropriated for expenditure; and the National ACLU Foundation, per its spending policy in its Investment Policy Statement, followed a 4% distribution policy.

In 1997, the ACLUF established the Trust for the Bill of Rights Endowment Fund (BORT Fund) in which endowment gifts are shared 50-50 between the ACLUF and the affiliate where the donor resides, unless provided otherwise in writing. The ACLUF-VA's share of \$151,056 is currently held by State Street Bank & Trust Company in an independent account. The original contributions of \$126,513 are permanently restricted and \$24,543, which represents accumulated investment earnings, gains and losses, is temporarily restricted. The BORT Fund investments are governed by the *2014 ACLU Investment Policy Statement*, which was approved by the national ACLUF Investment Committee on September 5, 2014, and adopted by the Executive Committee/ACLU Foundation Board on September 12, 2014. Per the spending policy of the Investment Policy Statement, which calls for a 4% distribution, during the year ended March 31, 2016, \$5,000 of the distribution was transferred from the BORT Fund to ACLUF-VA, and the remainder was reinvested in the BORT.

**American Civil Liberties Union of Virginia, Inc. and
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Notes to Combined Financial Statements

Note 5—Endowment Funds (Continued)

Activity in the endowment funds for the year ended March 31, 2016 was as follows:

	Total	Unrestricted	Temporarily Restricted	Permanently Restricted
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Beginning balance	\$ 2,876,123	\$ -	\$ 1,171,545	\$ 1,704,578
Contributions	20,500	-	-	20,500
Investment income				
Interest and dividends	39,789	-	39,789	-
Realized gains	26,499	-	26,499	-
Unrealized losses	(100,584)	-	(100,584)	-
Net assets released	<u>(88,358)</u>	<u>-</u>	<u>(88,358)</u>	<u>-</u>
	<u><u>\$ 2,773,969</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,048,891</u></u>	<u><u>\$ 1,725,078</u></u>

Note 6—Board-Designated Future Funds

The Boards of Directors of the ACLU-VA and the ACLUF-VA have designated two funds entitled Future Funds in the by-laws of the ACLU-VA (Article XI, Section 4) and the ACLUF-VA (Article VII, Section 4). As stated in the by-laws, the purposes of the Future Funds are to advance the cause of civil liberties and civil rights in the Commonwealth of Virginia, generate financial growth for the ACLU-VA and help assure the financial security of the organization and its operations. Each of the Future Funds is divided into two funds: a Reserve Account that may only be spent in “urgent circumstances” as defined and authorized by a two-thirds vote of the respective Board and an Unrestricted Account from which withdrawals may be made “for operating expenses in any amount approved by majority vote of the [respective] Board as part of the budget process.” The Future Funds are managed in four accounts, two Reserve Accounts and two unrestricted accounts. The combined balance of the four accounts is \$3,320,832 at March 31, 2016.

**American Civil Liberties Union of Virginia, Inc. and
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Notes to Combined Financial Statements

Note 7—Commitments

The ACLU-VA leases office space under an operating lease that expires in July 2024. In addition, the ACLU-VA leases a mail machine and a printer/copier under operating leases that expire in December 2018 and December 2019, respectively. Total rent expense under all operating leases for the year ended March 31, 2016 was \$55,703.

Future minimum payments for future fiscal years are as follows:

Fiscal years ending March 31:	<u>Amount</u>
2017	\$ 59,830
2018	61,200
2019	61,375
2020	61,079
2021	59,060
Thereafter	273,048

Note 8—Retirement Plan

The ACLU-VA participates in a noncontributory defined benefit pension plan associated with the American Civil Liberties Union (ACLU) that extends to the participating affiliated agencies, with the ACLU as administrator. All employees of the ACLU-VA are eligible with at least 1,000 hours of service and having reached age twenty-one. Eligibility is generally limited to employees hired before April 1, 2011. Accumulated plan benefits and plan net assets information is not available as it pertains to the ACLU-VA, since the actuarial and financial information is tabulated for this multi-employer plan only on the consolidated level. Total expense related to this plan for the year was \$30,507.

The ACLU-VA participates in a 401k profit sharing plan sponsored by the ACLU. Under this plan, all employees over twenty-one years of age who are not covered under any other ACLU qualified plan are eligible. The ACLU-VA matches 100% of the first 1% of employee contributions plus 50% of the next 5% deferred. In addition, the ACLU-VA contributes 2% of the employee compensation. Total expense related to this plan for the year was \$10,080.

Note 9—Subsequent Events

Subsequent events were evaluated through the date the financial statements were available to be issued which was September 12, 2016.