

**AMERICAN CIVIL LIBERTIES UNION
OF MISSISSIPPI, INC.**

**FINANCIAL AUDITS TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

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Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
**American Civil Liberties Union
of Mississippi, Inc.**
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of **American Civil Liberties Union of Mississippi, Inc. (ACLUM)** (a nonprofit organization), which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities, functional expenses, and 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to **ACLUM's** preparation and fair presentation of the financial statements in order to audit procedures that are appropriate in the circumstances, but not for the

INDEPENDENT AUDITORS' REPORT
CONTINUED

To the Board of Directors of
**American Civil Liberties Union
of Mississippi, Inc.**
Jackson, Mississippi
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Auditors' Responsibility, Continued

purpose of expressing an opinion on the effectiveness of **ACLUM'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 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 financial statements referred to on the previous page present fairly, in all material respects, the financial position of **American Civil Liberties Union of Mississippi, Inc.** as of March 31, 2020 and 2019 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP,
CERTIFIED PUBLIC ACCOUNTANTS
Jackson, Mississippi

November 4, 2020

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	<u>As of March 31,</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 299,823	\$ 106,043
Due from National office	<u>16,457</u>	<u>25,571</u>
 Total assets	 <u>\$ 316,280</u>	 <u>\$ 131,614</u>

NET ASSETS

Net Assets:		
Without donor restrictions	\$ <u>316,280</u>	\$ <u>131,614</u>
 Total net assets	 <u>\$ 316,280</u>	 <u>\$ 131,614</u>

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

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI, INC.
STATEMENTS OF ACTIVITIES

	For the Years Ended March 31,	
	2020	2019
	Without Donor Restrictions	
<u>REVENUES AND SUPPORT:</u>		
National support:		
Guaranteed minimum income	\$ 61,540	\$ 62,231
Transgender Education		
Advocacy Program Grant	-	2,256
Campaign for Smart Justice	100,000	-
Transition Leadership (NOTE 5)	326,500	-
NPAD Trans Grant	30,000	-
Membership income	140	465
Revenue Reconciliation	11,457	20,401
Other Income	80	9,181
	529,717	94,534
<u>EXPENSES:</u>		
Program services:		
Legislative program	45,305	98,058
	45,305	98,058
Supportive Services:		
General and administrative (NOTE 5)	299,746	9,435
	299,746	9,435
	345,051	107,493
Changes in net assets	184,666	(12,959)
Net assets, beginning of year	131,614	144,573
Net assets, end of year	\$ 316,280	\$ 131,614

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

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

For the Years Ended March 31,

	2020		2019		Total
	Program Services	Supportive Services	Program Services	Supportive Services	
	Legislative Program	General and Administrative	Legislative Program	General and Administrative	Total
Accounting and auditing	\$ -	\$ 2,000	\$ -	\$ 2,000	\$ 2,000
Lobbying expense	18,000	-	74,498	-	74,498
Other professional service	-	40,748	2,790	-	2,790
Membership dues remittance	-	140	-	465	465
Occupancy expense	-	-	-	5,545	5,545
Personnel (NOTE 5)	27,305	256,789	-	-	-
Bank service charges	-	69	-	91	91
Office expense	-	-	-	1,334	1,334
Travel	-	-	1,251	-	1,251
Insurance	-	-	176	-	176
Conferences, meetings, and programs	-	-	19,343	-	19,343
Total expenses	\$ 45,305	\$ 299,746	\$ 98,058	\$ 9,435	\$ 107,493

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

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI, INC.
STATEMENTS OF CASH FLOWS

	For the Years Ended March 31,	
	2020	2019
Cash Flows from Operating Activities:		
Changes in net assets	\$ 184,666	\$ (12,959)
Adjustments to reconcile changes in net assets to cash provided by (used in) operating activities:		
Changes in assets:		
Due from National office	9,114	(22,958)
Net cash provided by (used in) operating activities	175,513	(35,917)
Net increase (decrease) in cash and cash equivalents	193,780	(35,917)
Cash and cash equivalents, beginning of year	106,043	141,960
Cash and cash equivalents, end of year	\$ 299,823	\$ 106,043
Supplemental Disclosures:		
None		

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

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - CORPORATION'S HISTORY AND PURPOSE

American Civil Liberties Union of Mississippi, Inc., (ACLUM) (a non-profit organization) was incorporated in 1986 with a mission and purpose to support its parent corporation, the **American Civil Liberties Union of Mississippi Foundation, Inc.**, in its mission of individual rights of all individuals in the State of Mississippi and the United States of America. **ACLUM** has adopted the following guiding principles:

- The right of free expression, above all, the freedom of dissent from the official view and majority.
- The right to equal treatment regardless of race, sex, religion, national origin, sexual orientation, age or handicap.
- The right of fair play in encounters with government institutions, courts, schools, police, bureaucracy and with the repositories of great private power.
- The right to be left alone to be secure from spying, from the promiscuous and unwarranted collection of personal information, and from interference in our private lives.

The American Civil Liberties Union Corporation is located at 233 East Capitol Street, Jackson, Mississippi 39201.

The fiscal year of **ACLUM** is April 1 through March 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Accounting

The financial statements of **ACLUM** are prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Effective April 1, 2018, **ACLUM** has implemented the guidance under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which amends the previous standard for external financial reporting

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

by not-for-profit organizations. Under ASU 2016-14, **ACLUM** classifies resources for financial accounting and reporting purposes into two net asset categories: without donor restrictions and with donor restrictions. A description of the two net asset categories is as follows:

- Net assets without donor restrictions include funds not subject to donor-imposed stipulations. Grants and contributions without donor restrictions, other income and expenses incurred in conducting the mission of **ACLUM** are included in this category.
- Net assets with donor restrictions include funds subject to donor-imposed stipulations. Grants and contributions with donor restriction received in conducting the mission of **ACLUM** are included in this category.

At March 31, 2020 and 2019, there were no net assets with donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three (3) months or less.

Donated Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. 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. Absent donor stipulations regarding how long those donated assets must be maintained, **ACLUM** reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. **ACLUM** reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

Donated Services

No amounts have been reflected in the financial statements for donated services. **ACLUM** pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist **ACLUM** with specific assistance programs, fundraising solicitations and various other assignments.

Fund Accounting

The accounts of **ACLUM** are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups.

Revenue Recognition

Contract revenues and grant revenues from federal state and private grants structured as exchange transactions are recognized when earned.

Grants (if considered nonexchange transactions) are classified as contributions when received or substantially unconditionally promised and are recorded as with or without donor's restrictions support, depending on the existence and/or nature of any restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expense Allocation

Functional expenses are allocated among the various program services and general and administrative categories based on actual use or management's best estimate.

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by **ACLUM** in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents - The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of **ACLUM's** financial instruments, none of which are held for trading purposes, are as follows:

	<u>March 31, 2020</u>		<u>March 31, 2019</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:				
Cash and cash equivalents	\$ 299,823	\$ 299,823	\$ 106,043	\$ 106,043

NOTE 4 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

ACLUM maintains its cash account in one (1) financial institution located in Jackson, Mississippi. The bank balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2020 and 2019, **ACLUM's** cash deposit balances were fully insured.

NOTE 5 - TRANSITIONAL LEADERSHIP

During the year ended March 31, 2020, **ACLUM** paid some transitional leadership expenses as a result of the departure of the Executive Director. The total expense paid for personnel and other professional services (legal) was \$297,248.

NOTE 6 - INCOME TAXES

ACLUM is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from Mississippi income taxes. Therefore, no provision has been made for federal or Mississippi corporate income taxes in the accompanying financial statements.

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - INCOME TAXES, Continued

ACLUM has adopted recently issued accounting principles related to uncertain tax positions for the year ended March 31, 2020, and has evaluated its tax positions taken for all open tax years. Currently, the 2018, 2019, and 2020 tax years are open and subject to examination by the Internal Revenue Service; however, **ACLUM** is not currently under audit nor has **ACLUM** been contacted by any of these jurisdictions.

Based on the evaluation of **ACLUM's** tax positions, management believes all positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the year ended March 31, 2020.

NOTE 7 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects **ACLUM's** financial assets as of the statements of financial position dates, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position dates. Donor-restricted amounts that are available for use within one year for general purposes are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year end	\$ 299,823	\$ 106,043
Less those unavailable for general expenses within one year due to donor-restriction for service projects	<u> -</u>	<u> -</u>
Financial assets available to meet cash needs for general purpose within one year	\$ <u>299,823</u>	\$ <u>106,043</u>

NOTE 8 - RELATED PARTY

The ACLUM has zero (0) interest in **American Civil Liberties Union of Mississippi Foundation, (the Foundation)**, a Mississippi non-profit organization. **The ACLUM** and **the Foundation** have the same board of directors and an individual as their executive director. **The Foundation** was organized to promote a broad range of civil liberties and civil rights, and by way of litigation, legislation and education. During the years ended March 31, 2020 and 2019, there were no supports received from **the Foundation**.

NOTE 9 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 4, 2020 which is the date the financial statements were available to be issued. As a result of the spread of the COVID-19 pandemic, economic uncertainties have arisen which are likely to negatively impact the funding of ACLUM. Other financial impact could occur though such potential impact is unknown at this time.

NOTE 10 - RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 205): An Amendment of the FASB Accounting Standards Codification, which clarifies the principles for recognizing revenue from contracts with customers. The new accounting guidance, which does not apply to financial instruments, is effective on a retrospective basis for annual reporting periods beginning after December 15, 2018, with early adoption permitted only as of annual reporting periods beginning after December 15, 2017. **ACLUM** does not expect the new guidance to have a material impact on **ACLUM's** financial statements.

In February 2016, the FASB issued ASU 2016-02, Conforming Amendments Related to Leases. This ASU amends the codification regarding leases in order to increase transparency and comparability. The ASU requires organization to recognize lease assets and liabilities to make lease payments and a right-of-use asset representing its right to use the leased asset for the lease term. The ASU is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. **ACLUM** is evaluating the impact of this update on its financial statements.

In August 2018, the FASB issued ASU 2019-13, Value Measurement (Topic 820). The ASU removes, modifies and adds to existing disclosure requirements on fair value measurements in Topic 820 and applies to all entities that are required, under existing GAAP, to make disclosures about recurring and nonrecurring fair value measurements. This ASU is effective for annual periods beginning after December 15, 2019, with early adoption permitted. **ACLUM** does not expect the new guidance to have a material impact on **ACLUM's** financial statements.

Subsequent to March 31, 2020, for all these recent accounting pronouncements, the FASB has decided to delay each effective date by one (1) year due to the effects of the COVID-19 pandemic.