

AMERICAN CIVIL LIBERTIES UNION OF
MISSISSIPPI FOUNDATION, INC.
FINANCIAL AUDITS TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEARS ENDED MARCH 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **American Civil Liberties Union of Mississippi Foundation, Inc. (ACLUMF)** (a nonprofit organization), which comprise the statements of financial position as of March 31, 2021 and 2020, 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.

INDEPENDENT AUDITORS' REPORT
CONTINUED

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

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Auditors' Responsibility, Continued

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 ACLUMF's preparation and fair presentation of the 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 ACLUMF'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 ACLUMF, as of March 31, 2021 and 2020, 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion of the financial statements of ACLUMF as a whole. The accompanying financial information listed as supplementary information in the table of contents, is presented for purposes of additional analysis and it is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in

INDEPENDENT AUDITORS' REPORT
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To the Board of Directors of
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Other Matters, Continued

the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and the records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

October 28, 2021

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

	As of March 31,	
	2021	2020
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents (NOTES 2, 3 AND 4):		
Operational	\$ 305,287	\$ 427,421
Restricted	456,782	130,044
Total cash and cash equivalents	762,069	557,465
Short term investments (NOTES 2 AND 7)	522,127	319,445
Prepaid expenses	69	239
Promise to give	118	-
Due from affiliates:		
Union - restricted	500,000	-
Union - unrestricted	9,750	-
National	498,534	214,580
Assets held for sale	4,520	4,520
Total current assets	2,297,187	1,096,249
Furniture and Equipment (NOTES 2 AND 13):		
Office furniture	97,546	97,611
Office equipment	84,490	79,590
Less: accumulated depreciation	(147,109)	(131,194)
Total furniture and equipment, net	34,927	46,007
Total assets	\$ 2,332,114	\$ 1,142,256

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

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

	As of March 31,	
	2021	2020
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current portion of capital lease obligation (NOTES 3 AND 10)	\$ 17,688	\$ 17,688
Payroll liabilities	29,481	10,974
Accrued expenses and other payables	-	64
	47,169	28,726
Total current liabilities		
Capital lease obligation, less current portion (NOTES 3 AND 10)	8,981	24,558
Total liabilities	56,150	53,284
Net Assets (NOTES 2 AND 9):		
With donor restrictions	956,782	130,044
Without donor restrictions	1,319,182	958,928
Total net assets	2,275,964	1,088,972
Total liabilities and net assets	\$ 2,332,114	\$ 1,142,256

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

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

	For the Year Ended March 31, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND SUPPORT:</u>			
National support	\$ 766,106	\$ 1,116,500	\$ 1,882,606
Private foundations	8,428	15,000	23,428
Interest and dividend income	9,868	-	9,868
Individual donations	11,505	-	11,505
Events income	-	-	-
Other income	143,006	-	143,006
Contributed income	20,460	-	20,460
Unrealized gain on investments	193,897	-	193,897
Net assets released from restrictions:			
Satisfaction of purpose:			
National support	287,334	(287,334)	-
Private foundations	17,428	(17,428)	-
Total net assets released from restrictions	304,762	(304,762)	-
Total revenues and support	1,458,032	826,738	2,284,770
<u>EXPENSES:</u>			
Program services:			
Legal	326,720	-	326,720
Advocacy	379,120	-	379,120
Communication	140,199	-	140,199
Total program services	846,039	-	846,039
Supportive Services:			
General and administrative	250,176	-	250,176
Fundraising	1,563	-	1,563
Total supportive services	251,739	-	251,739
Total expenses	1,097,778	-	1,097,778
Changes in net assets	360,254	826,738	1,186,992
Net assets, beginning of year	958,928	130,044	1,088,972
Net assets, end of year	\$ 1,319,182	\$ 956,782	\$ 2,275,964

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

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

	For the Year Ended March 31, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>REVENUES AND SUPPORT:</u>			
National support	\$ 731,926	\$ 100,000	\$ 831,926
Private foundations	44,700	-	44,700
Interest and dividend income	10,688	-	10,688
Individual donations	241,862	-	241,862
Other income	219,956	-	219,956
Contributed income	40,000	-	40,000
Unrealized loss on investments	(45,881)	-	(45,881)
Net assets released from restrictions:			
Satisfaction of purpose:			
National support	52,338	(52,338)	-
Private foundations	2,506	(2,506)	-
Total net assets released from restrictions	54,844	(54,844)	-
Total revenues and support	<u>1,298,095</u>	<u>45,156</u>	<u>1,343,251</u>
<u>EXPENSES:</u>			
Program services:			
Legal	494,149	-	494,149
Advocacy	294,627	-	294,627
Communication	95,519	-	95,519
Total program services	<u>884,295</u>	<u>-</u>	<u>884,295</u>
Supportive Services:			
General and administrative	468,201	-	468,201
Fundraising	127,955	-	127,955
Total supportive services	<u>596,156</u>	<u>-</u>	<u>596,156</u>
Total expenses	<u>1,480,451</u>	<u>-</u>	<u>1,480,451</u>
Changes in net assets	(184,356)	45,156	(137,200)
Net assets, beginning of year	<u>1,141,284</u>	<u>84,888</u>	<u>1,226,172</u>
Net assets, end of year	<u>\$ 958,928</u>	<u>\$ 130,044</u>	<u>\$ 1,088,972</u>

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

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI FOUNDATION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	For the Years Ended March 31,					
	2021		2020			
	Program Services	Supportive Services	Total	Program Services	Supportive Services	Total
EXPENSES						
Personnel Expenses:						
Salaries (NOTE 19)	\$ 475,876	\$ 183,076	\$ 658,952	\$ 309,949	\$ 362,108	\$ 672,057
Payroll taxes	35,451	13,251	48,702	21,378	13,637	35,015
Fringe benefits	53,969	16,563	70,532	37,658	26,747	64,404
Total personnel expenses	<u>565,296</u>	<u>212,890</u>	<u>778,186</u>	<u>368,985</u>	<u>402,492</u>	<u>771,476</u>
Non-Personnel Expenses:						
Occupancy	54,709	19,524	74,233	50,512	18,035	68,547
Insurance	6,802	2,208	9,010	3,727	-	3,727
Office expense	12,181	5,968	18,149	6,763	4,277	11,040
Travel	1,269	-	1,269	9,016	4,701	13,717
Information technology	11,357	1,241	12,598	10,258	376	10,634
Professional services	148,179	2,217	150,396	92,586	24,055	116,641
Advertising and promotion	920	100	1,020	528	-	528
Conferences, conventions and meetings	24,747	104	24,851	294,006	120,360	414,365
Other expenses	4,400	2,094	6,494	4,171	7,277	11,448
Interest expense	1,584	527	2,111	3,834	1,278	5,112
Depreciation expense	14,595	4,865	19,460	39,909	13,305	53,214
Total expenses	<u>\$ 846,039</u>	<u>\$ 251,739</u>	<u>\$ 1,097,778</u>	<u>\$ 884,295</u>	<u>\$ 596,156</u>	<u>\$ 1,480,449</u>

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

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

	For the Years Ended March 31,	
	2021	2020
Cash Flows from Operating Activities:		
Changes in net assets	\$ 1,186,992	(137,200)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	19,460	53,214
Unrealized gains (losses) on investments	(193,897)	45,881
Changes in assets and liabilities:		
Payroll liabilities	18,507	(23,556)
Prepaid expenses	170	248
Promise to give	(118)	-
Due from affiliates	(793,704)	68,905
Lines of credit	-	(2,346)
Accrued expenses and other payables	(64)	64
Net cash provided by operating activities	237,346	5,210
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(8,380)	-
Purchase of short term investments, net	(8,785)	(8,646)
Net cash used in investing activities	(17,165)	(8,646)
Cash Flows from Financing Activities:		
Repayment of capital lease obligations	(15,577)	(25,576)
Net cash used in financing activities	(15,577)	(25,576)
Increase (decrease) in cash and cash equivalent	204,604	(29,012)
Cash and cash equivalents, beginning of year	557,465	586,477
Cash and cash equivalents, end of year	\$ 762,069	557,465

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

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

	For the Years Ended March 31,	
	<u>2021</u>	<u>2020</u>
Supplemental Disclosure:		
Interest paid	\$ <u>2,111</u>	\$ <u>5,112</u>
Noncash items:		
Capital lease obligations	\$ <u>-</u>	\$ <u>48,709</u>
Acquisition of equipment	\$ <u>-</u>	\$ <u>(48,709)</u>

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

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

NOTE 1 - CORPORATION'S HISTORY AND PURPOSE

American Civil Liberties Union of Mississippi Foundation, Inc. (ACLUMF) (affiliate corporation) (a non-profit organization) was incorporated in 1988 with a mission and purpose to support its parent corporation, the American Civil Liberties Union Corporation, in its mission of individual rights of all individuals in the State of Mississippi and the United States of America. **ACLUMF** 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 **ACLUMF** is April 1 through March 31.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of Accounting

The financial statements of **ACLUMF** 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, **ACLUMF** 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 by not-for-profit organizations. Under ASU 2016-14, **ACLUMF** classifies resources for financial accounting and reporting purposes into two (2) net asset categories: without donor

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

Financial Statement Presentation, Continued

restrictions and with donor restrictions. A description of the two (2) net asset categories is as follows:

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

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, ACLUMF reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. ACLUMF reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Services

ACLUMF pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist ACLUMF with specific assistance programs, fundraising solicitation, and various other assignments. The amounts for donated services have been reflected in the financial statements in the years ended March 31, 2021 and 2020.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

Fund Accounting

The accounts of ACLUMF 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.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. ACLUMF capitalizes all costs for property and equipment in excess of \$ 500. Depreciation is computed on the straight-line basis over the estimated useful life of the asset. The estimated useful lives are three (3) to seven (7) years for property and equipment.

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.

Deferred Revenues

Deferred revenues arise when resources are received by ACLUMF before it has a legal claim to them. In subsequent periods, when ACLUMF has legal claim to the resources, current period revenue is recognized and deferred revenue is reduced.

Use of Estimates

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

Functional Expenses 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 FOUNDATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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.

NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS

ACLUMF's financial instruments include cash and cash equivalents and short-term investments. ACLUMF estimates that the fair value of all financial instruments at March 31, 2021 and 2020 does not differ materially from the aggregate carrying values recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. The carrying amounts of cash and cash equivalents approximate fair values because of the short maturities of those instruments.

NOTE 4 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at March 31, 2021 and 2020:

<u>March 31, 2021</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 499,600	\$ 499,600
Money market accounts	<u>262,469</u>	<u>262,469</u>
Total	<u>\$ 762,069</u>	<u>\$ 762,069</u>

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

NOTE 4 - CASH AND CASH EQUIVALENTS, Continued

<u>March 31, 2020</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 295,870	\$ 295,870
Money market accounts	<u>261,595</u>	<u>261,595</u>
Total	<u>\$ 557,465</u>	<u>\$ 557,465</u>

NOTE 5 - CONCENTRATIONS OF CREDIT RISK ARISING FROM DEPOSITS IN EXCESS OF INSURED LIMITS

ACLUMF maintains its cash accounts in one (1) financial institution located in Jackson, Mississippi. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At March 31, 2021 and 2020, ACLUMF's bank balances were uninsured in the amounts of \$249,479 and \$44,979, respectively. Also, ACLUMF maintains cash accounts in one (1) credit union located in Jackson, Mississippi. The deposit balances maintained at the credit union are insured by the National Credit Union Administration up to \$250,000. The uninsured amounts at March 31, 2021 and 2020 were \$12,469 and \$11,594, respectively.

NOTE 6 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects ACLUMF's financial assets as of the statement of financial position dates, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position dates. Donor-restricted amounts that are available for use within one (1) year for general purposes are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets at year end	\$ 1,284,196	\$ 876,910
Less those unavailable for general expenses within one (1) year due to donor-restriction for service projects	<u>(456,782)</u>	<u>(130,044)</u>
Financial assets available to meet cash needs for general purpose within one year	<u>\$ 827,414</u>	<u>\$ 746,866</u>

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

NOTE 6 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS, Continued

As part of **ACLUMF's** liquidity management, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations come due. In the event of financial distress or an unanticipated liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities, **ACLUMF** also could also make a request of the Board to change the designation for either a portion or all of its restricted fund to meet the immediate liquidity need.

NOTE 7 - SHORT-TERM INVESTMENTS

At March 31, 2021 and 2020, Investments are recorded at fair value as follows:

<u>March 31, 2021</u>	<u>Fair Value Beginning of Year</u>	<u>Dividend Reinvested</u>	<u>Unrealized Appreciation</u>	<u>Fair Value End of Year</u>
Vanguard	\$ 247,582	\$ 8,785	\$ 141,459	\$ 397,826
Fidelity Investment	71,863		52,438	124,301
Total	<u>\$ 319,445</u>	<u>\$ 8,785</u>	<u>\$ 193,897</u>	<u>\$ 522,127</u>

<u>March 31, 2020</u>	<u>Fair Value Beginning of Year</u>	<u>Dividend Reinvested</u>	<u>Unrealized Depreciation</u>	<u>Fair Value End of Year</u>
Vanguard	\$ 274,665	\$ 8,646	\$ (35,729)	\$ 247,582
Fidelity Investment	82,015	-	(10,152)	71,863
Total	<u>\$ 356,680</u>	<u>\$ 8,646</u>	<u>\$ (45,881)</u>	<u>\$ 319,445</u>

The Securities Investor Protection Corporation (SIPC) protects against the loss of cash and securities. The limit of SIPC protection is \$500,000, which includes a \$250,000 limit for cash. At March 31, 2021 and 2020, **ACLUMF's** investments were uninsured by SIPC.

NOTE 8 - FAIR VALUE MEASUREMENTS

ACLUMF has adopted, Fair Value Reporting, which FASB ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the

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

NOTE 8 - FAIR VALUE MEASUREMENTS, Continued

use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that ACLUMF has the ability to access.

Level 2 Observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The category within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Following is a description of the valuation methodologies used to measure fair value. There have been no changes in the methodologies used at March 31, 2021 and 2020.

Cash and cash equivalents and money market accounts:

The carrying amount is a reasonable estimate of fair value.

<u>March 31, 2021</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>Investment Types</u>		
Mid-Cap Index Funds	\$ 86,704	\$ 86,704
500 Index Funds	264,521	264,521
Windsor II Mutual Funds	46,600	46,600
Fidelity Small-Cap Discovery Funds	43,923	43,923
Fidelity Capital Appreciation Funds	38,307	38,307
Fidelity Contrafund	<u>42,072</u>	<u>42,072</u>
Total assets recognized at fair value	<u>\$ 522,127</u>	<u>\$ 522,127</u>

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

NOTE 8 - FAIR VALUE MEASUREMENTS, Continued

<u>March 31, 2020</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
<u>Investment Types</u>		
Mid-Cap Index Funds	\$ 50,817	\$ 50,817
500 Index Funds	169,201	169,201
Windsor II Mutual Funds	27,563	27,563
Fidelity Small-Cap Discovery Funds	22,345	22,345
Fidelity Capital Appreciation Funds	22,781	22,781
Fidelity Contrafund	26,738	26,738
Total assets recognized at fair value	\$ <u>319,445</u>	\$ <u>319,445</u>

There were no investments at March 31, 2021 and 2020 that were measured at level 2 or level 3.

The following financial instruments are recognized on the statements of financial position using measures other than fair value. The estimated fair value for those assets and liabilities are disclosed as of March 31, 2021 and 2020 as follows:

<u>March 31, 2021</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Assets:		
Cash and cash equivalents	\$ 762,069	\$ 762,069
Promises to give	118	118
Due from affiliates:		
Union - restricted	500,000	500,000
Union - unrestricted	9,750	9,750
National	498,534	498,534
Liabilities:		
Capital lease obligation	26,669	26,669

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

NOTE 8 - FAIR VALUE MEASUREMENTS, Continued

<u>March 31, 2020</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Assets:		
Cash and cash equivalents	\$ 557,465	\$ 557,465
Due from affiliate - National	214,580	214,580
Liabilities:		
Capital lease obligation	42,246	42,246

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

At March 31, 2021 and 2020, net assets with donor restrictions in the amount of \$956,782 and \$130,044, respectively, are available for the following purposes:

	<u>2021</u>	<u>2020</u>
National Legal Department-MS ACLU Department	\$ 37,001	\$ 39,029
MS Voter Registration-Democracy Fund -Voter Registration	1,649	16,804
We Are All MS (WAAM) - Transgender Education and Advocacy	16,581	16,581
General Grant – National ACLU	2,291	57,630
LGBTQ Community Grant	12,727	-
National Immigration Grant	197,410	-
National Policing Reform	50,000	-
National Voter Redistrict	100,000	-
National ASNI Grant	539,123	-
	<u>\$ 956,782</u>	<u>\$ 130,044</u>

For the years ended March 31, 2021 and 2020, net assets were released from restrictions for the following purposes:

	<u>2021</u>	<u>2020</u>
National Legal Department-MS ACLU Department	\$ 2,028	\$ 1,549
Black Voters Matter Fund-Voter Registration	-	1,810
MS Voter Registration-Democracy Fund -Voter Registration	15,154	696
General Grant – National ACLU	55,339	42,370
We Are All MS (WAAM) - Transgender Education and Advocacy	-	8,419
LGBTQ Community Grant	2,274	-
National Immigration Grant	22,589	-
National ASNI Grant	207,378	-
	<u>\$ 304,762</u>	<u>\$ 54,844</u>

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

NOTE 10 - CAPITAL LEASE OBLIGATION

ACLUMF is lessee of office equipment under a noncancelable lease that is classified as a capital lease expiring in 2023. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over their estimated productive lives. Amortization of assets under capital leases is included in depreciation expense.

Following is a summary of property held under capital leases:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 48,709	\$ 48,709
Accumulated amortization	<u>(23,002)</u>	<u>(6,765)</u>
	<u>\$ 25,707</u>	<u>\$ 41,944</u>

Future minimum lease payments under capital leases are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2022	\$ 17,688
2023	<u>10,318</u>
Total minimum future lease payments	28,006
Less amount representing interest	<u>(1,337)</u>
Present value of minimum lease payments	<u>\$ 26,669</u>

The interest rate on the capitalized lease is 6.50% and is imputed based on the lower of **ACLUMF's** incremental borrowing rate at the inception of each lease or the lessor's implicit rate of return.

NOTE 11 - OPERATING LEASE

ACLUMF leases a building under an operating lease which expires on June 30, 2026. Future scheduled minimum lease payments of \$4,946 monthly for the first twenty-four (24) months commencing on July 1, 2021 and subsequent payments of \$5,281 monthly thereafter are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2022	\$ 44,518
2023	59,358
2024	62,041
2025	63,382
2026	63,382
Thereafter	<u>15,846</u>
Total minimum future rental payments	<u>\$ 308,527</u>

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

NOTE 12 - INCOME TAXES

ACLUMF 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.

ACLUMF has adopted recently issued accounting principles related to uncertain tax positions for the year ended March 31, 2021 and has evaluated its tax positions taken for all open tax years. Currently, the 2019, 2020, and 2021 tax years are open and subject to examination by the Internal Revenue Service; however, ACLUMF is not currently under audit nor has ACLUMF been contacted by any of these jurisdictions.

Based on the evaluation of ACLUMF'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, 2021.

NOTE 13 - FURNITURE AND EQUIPMENT

At March 31, 2021 and 2020 furniture and equipment consisted of the following:

<u>March 31, 2021</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion</u>	<u>Ending Balance</u>
Office furniture	\$ 97,611	\$ 1,560	\$ (1,625)	\$ 97,546
Office equipment	<u>79,590</u>	<u>6,820</u>	<u>(1,920)</u>	<u>84,490</u>
Subtotal	<u>177,201</u>	<u>8,380</u>	<u>(3,545)</u>	<u>182,036</u>
Less: Accumulated depreciation	<u>(131,194)</u>	<u>(19,460)</u>	<u>3,545</u>	<u>(147,109)</u>
Total furniture and equipment, net	<u>\$ 46,007</u>	<u>\$ (11,080)</u>	<u>\$ -</u>	<u>\$ 34,927</u>
<u>March 31, 2020</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletion</u>	<u>Ending Balance</u>
Office furniture	\$ 97,611	\$ -	\$ -	\$ 97,611
Office equipment	<u>208,779</u>	<u>48,709</u>	<u>177,898</u>	<u>79,590</u>
Subtotal	<u>306,390</u>	<u>48,709</u>	<u>177,898</u>	<u>177,201</u>
Less: Accumulated depreciation	<u>(255,878)</u>	<u>(53,214)</u>	<u>177,898</u>	<u>(131,194)</u>
Total furniture and equipment, net	<u>\$ 50,512</u>	<u>\$ (4,505)</u>	<u>\$ -</u>	<u>\$ 46,007</u>

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

NOTE 13 - FURNITURE AND EQUIPMENT, Continued

Depreciation expenses for the years ended March 31, 2021 and 2020 were totaled \$19,095 and \$53,214, respectively.

NOTE 14 - RELATED PARTY

The **ACLUMF** has zero (0) interest in **American Civil Liberties Union of Mississippi, (the Union)**, a Mississippi non-profit organization. The **ACLUMF** and the **Union** have the same board of directors and an individual as their executive director. The **Union** was organized for the purpose to educate through advocacy. During the years ended March 31, 2021 and 2020, there were no supports provided to the **Union**.

NOTE 15 - RETIREMENT PLAN

ACLUMF offers a defined contribution plan to all eligible employees. Currently, **ACLUMF** contributes to the plan up to six percent (6%) of gross wages of all participating employees. The retirement expense for the fiscal years ended March 31, 2021 and 2020 totaled \$24,067 and \$30,725, respectively.

NOTE 16 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 28, 2021, 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 **ACLUMF**. Other financial impact could occur though such potential impact is unknown at this time.

NOTE 17 - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation has been paid to any member.

NOTE 18 - TRANSITIONAL LEADERSHIP

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

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

NOTE 19 - RECENT ACCOUNTING PRONOUNCEMENTS

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. **ACLUMF** 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. **ACLUMF** does not expect the new guidance to have a material impact on **ACLUMF**'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 COVID-19 pandemic.

SUPPLEMENTARY INFORMATION

SCHEDULE I

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI FOUNDATION, INC.
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED MARCH 31, 2021

	Program Services			Supportive Services			Total
	Legal	Advocacy	Communication	Program Services	General and Administrative	Fundraising	
EXPENSES							
Personnel Expenses:							
Salaries	\$ 213,752	\$ 223,284	\$ 38,840	\$ 475,876	\$ 183,076	\$ -	\$ 658,952
Payroll taxes	16,085	16,692	2,674	35,451	13,251	-	48,702
Fringe benefits	27,395	23,062	3,512	53,969	16,563	-	70,532
Total personnel expenses	<u>257,232</u>	<u>263,038</u>	<u>45,026</u>	<u>565,296</u>	<u>212,890</u>	<u>-</u>	<u>778,186</u>
Non-Personnel Expenses:							
Occupancy	15,925	26,854	11,930	54,709	18,881	644	74,234
Insurance	6,128	425	249	6,802	2,208	-	9,010
Office expense	4,921	4,570	2,690	12,181	5,428	540	18,149
Travel	217	1,052	-	1,269	-	-	1,269
Information technology	8,188	1,868	1,301	11,357	1,241	-	12,598
Professional services	23,052	51,850	73,277	148,179	2,217	-	150,396
Advertising and promotion	-	900	20	920	100	-	1,020
Conferences, conventions and meetings	1,921	22,808	18	24,747	104	-	24,851
Other expenses	3,742	361	297	4,400	1,715	379	6,494
Interest expense	528	528	528	1,584	527	-	2,111
Depreciation expense	4,866	4,866	4,864	14,595	4,865	-	19,460
Total Non-Personnel Expenses	<u>69,488</u>	<u>116,082</u>	<u>95,174</u>	<u>280,743</u>	<u>37,286</u>	<u>1,563</u>	<u>319,593</u>
Total expenses	\$ <u>326,720</u>	\$ <u>379,120</u>	\$ <u>140,200</u>	\$ <u>846,039</u>	\$ <u>250,176</u>	\$ <u>1,563</u>	\$ <u>1,097,778</u>

See Independent Auditors' Report on Supplementary Information