

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

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

FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

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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, 2018 and 2017, and the related statements of activities 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 audits 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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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, 2018 and 2017, 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.

INDEPENDENT AUDITORS' REPORT
CONTINUED

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

Other Information

Our audits were conducted for the purpose of forming an opinion on 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 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 the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other 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

August 29, 2018



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

	March 31,	
	2018	2017
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents (NOTES 2, 3 AND 4):		
Operational	\$ 417,675	\$ 473,792
Designated	61,777	182,507
Total cash and cash equivalents	479,452	656,299
Investments (NOTES 2 AND 7)	336,870	293,763
Prepaid expenses	326	330
Due from affiliate - National	209,039	282,737
Assets held for sale	10,985	-0-
Total current assets	1,036,672	1,233,129
Furniture and Equipment (NOTES 2 AND 11):		
Office furniture	97,081	93,237
Office equipment	208,779	206,328
Less: accumulated depreciation	(207,660)	(164,365)
Total furniture and equipment, net	98,200	135,200
Total assets	\$ 1,134,872	\$ 1,368,329

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

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

	March 31,	
	2018	2017
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Current portion of capital lease obligation (NOTE 8)	\$ 27,036	\$ 21,656
Payroll liabilities	20,273	-0-
Lines of credit	5,491	5,898
Deferred grant revenue	61,777	182,507
Accrued expenses and other payables	4,209	853
Total current liabilities	118,786	210,914
Capital lease obligation, less current portion (NOTE 8)	15,771	44,532
Total liabilities	134,557	255,446
Net Assets (NOTE 2):		
Unrestricted	1,000,315	1,112,883
Total net assets	1,000,315	1,112,883
Total liabilities and net assets	\$ 1,134,872	\$ 1,368,329

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

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED MARCH 31, 2018 AND 2017

March 31, 2018	Unrestricted		
	Operations	Furniture and Equipment	Total
<u>REVENUES AND SUPPORT</u>			
National support	\$ 981,075	\$ -0-	\$ 981,075
Private foundations	500	-0-	500
Interest and dividend income	8,341	-0-	8,341
Individual donations	17,788	-0-	17,788
Events income	6,563	-0-	6,563
Other income	1,444	-0-	1,444
Reimbursement Income	63,374	-0-	63,374 ¹
Contributed Income	31,545	-0-	31,545
Unrealized loss on investments	37,261	-0-	37,261
Total revenues and support	1,147,891	-0-	1,147,891
<u>EXPENSES:</u>			
Program services:			
Legal	283,265	-0-	283,265
Advocacy	417,524	-0-	417,524
Communication	169,472	-0-	169,472
Total program services	870,261	-0-	870,261
Supportive Services:			
General and administrative	360,047	-0-	360,047
Fundraising	30,151	-0-	30,151
Total supporting services	390,198	-0-	390,198
Total expenses	1,260,459	-0-	1,260,459
Change in net assets	(112,568)		(112,568)
Net assets, beginning of year	1,021,643	91,240	1,112,883
Net assets, end of year	\$ 909,075	\$ 91,240	\$ 1,000,315

¹ Please see additional notes following the Schedule of Functional Expenses.

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 YEARS ENDED MARCH 31, 2018 AND 2017

March 31, 2017	Unrestricted			
	Operations	Furniture and Equipment	Temporarily Restricted	Total
<u>REVENUES AND SUPPORT:</u>				
National support	\$ 805,777	\$ -0-	\$ -0-	\$ 805,777
Private foundations	164,766	-0-	-0-	164,766
Interest and dividend income	12,076	-0-	-0-	12,076
Individual donations	8,914	-0-	-0-	8,914
Events income	5,750	-0-	-0-	5,750
Other income	26,321	-0-	-0-	26,321
Unrealized gain on investments	33,824	-0-	-0-	33,824
Net assets released from restrictions:				
Satisfaction of purpose and time restrictions	500,000	-0-	(500,000)	-0-
Total revenues and support	<u>1,557,428</u>	<u>-0-</u>	<u>(500,000)</u>	<u>1,057,428</u>
<u>EXPENSES:</u>				
Program services:				
Legal	244,931	-0-	-0-	244,931
Advocacy	738,697	-0-	-0-	738,697
Communication	111,972	-0-	-0-	111,972
Total program services	<u>1,095,600</u>	<u>-0-</u>	<u>-0-</u>	<u>1,095,600</u>
Supportive Services:				
General and administrative	248,976	-0-	-0-	248,976
Fundraising	37,315	-0-	-0-	37,315
Total supportive services	<u>286,291</u>	<u>-0-</u>	<u>-0-</u>	<u>286,291</u>
Total expenses	<u>1,381,891</u>	<u>-0-</u>	<u>-0-</u>	<u>1,381,891</u>
Change in net assets	175,537	-0-	(500,000)	(324,463)
Net assets, beginning of year	<u>846,106</u>	<u>91,240</u>	<u>500,000</u>	<u>1,437,346</u>
Net assets, end of year	<u>\$ 1,021,643</u>	<u>\$ 91,240</u>	<u>\$ -0-</u>	<u>\$ 1,112,883</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,	
	2018	2017
Cash Flows from Operating Activities:		
Changes in net assets	\$ (112,568)	\$ (324,463)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation	43,295	31,583
Unrealized gains on investments	(37,262)	(33,824)
Changes in assets and liabilities:		
Payroll liabilities	20,273	-0-
Assets held for sale	(10,985)	-0-
Promises to give	-0-	500,000
Prepaid expenses	4	(227)
Due from National	73,698	(212,209)
Lines of credit	(407)	2,573
Accrued expenses and other payables	3,356	663
Deferred grant revenues	(120,730)	22,647
Net cash used in operating activities	(141,326)	(13,257)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	(6,295)	(43,960)
Purchase of short term investments, net	(5,845)	(43,073)
Net cash used in investing activities	(12,140)	(87,033)
Cash Flows from Financing Activities:		
Repayment of capital lease obligations	(23,381)	49,111
Net cash provided by (used in) financing activities	(23,381)	49,111
Decrease in cash and cash equivalent	(176,847)	(51,179)
Cash and cash equivalents, beginning of year	656,299	707,478
Cash and cash equivalents, end of year	\$ <u>479,452</u>	\$ <u>656,299</u>
Supplemental Disclosure:		
Interest paid	\$ <u>2,778</u>	\$ <u>2,408</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 presented on the accrual basis of accounting, using fund accounting concepts.

Basis of Presentation

Financial statement presentation follows the guidance of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under FASB ASC 958, **ACLUMF** 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. At March 31, 2018 and 2017, there were no permanently restricted net assets.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

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 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 temporarily restricted net assets to unrestricted net assets 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 year ended March 31, 2018.

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 furniture and equipment.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES, Continued

Restricted and Unrestricted Revenue and Support

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.

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 unrestricted, temporarily restricted, or permanently restricted 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.

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.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS

ACLUMF's financial instruments include cash and cash equivalents. ACLUMF estimates that the fair value of all financial instruments at March 31, 2018 and 2017 does not differ materially from the aggregate carrying values of its financial instruments 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, 2018 and 2017:

<u>March 31, 2018</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 220,463	\$ 220,463
Money market accounts	<u>258,989</u>	<u>258,989</u>
Total	<u>\$ 479,452</u>	<u>\$ 479,452</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, 2017</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 257,306	\$ 257,306
Money market accounts	<u>398,993</u>	<u>398,993</u>
Total	<u>\$ 656,299</u>	<u>\$ 656,299</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, 2018 and 2017, ACLUMF's bank balances were uninsured in the amounts of \$-0- and \$57,075, 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, 2018 and 2017 were \$8,989 and \$148,993, respectively.

NOTE 6 - INVESTMENTS

Investments are recorded at fair value as follows:

<u>March 31, 2018</u>	<u>Fair Value Beginning of Year</u>	<u>Dividend Reinvested</u>	<u>Unrealized Appreciation</u>	<u>Fair Value End of Year</u>
Vanguard	\$ 224,948	\$ 5,784	\$ 23,148	\$ 253,880
Fidelity Investment	<u>68,815</u>	<u>61</u>	<u>14,114</u>	<u>82,990</u>
Total	<u>\$ 293,763</u>	<u>\$ 5,845</u>	<u>\$ 37,262</u>	<u>\$ 336,870</u>

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

NOTE 6 – INVESTMENTS, Continued

March 31, 2017

	Fair Value Beginning of Year	Dividend Reinvested	Unrealized Appreciation	Fair Value End of Year
Vanguard	\$ 191,891	\$ 8,861	\$ 24,196	\$ 224,948
Fidelity Investment	58,799	388	9,628	68,815
Total	\$ 250,690	\$ 9,249	\$ 33,824	\$ 293,763

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, 2018 and 2017, ACLUMF's investments were uninsured by SIPC.

NOTE 7 - 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 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.

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

NOTE 7 - FAIR VALUE MEASUREMENTS, Continued

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, 2018 and 2017.

Cash and cash equivalents and money market accounts:

The carrying amount is a reasonable estimate of fair value.

Equity securities:

Valued at the closing price reported on the active markets on which the individual securities are traded.

Mutual funds:

Valued at the net asset value of shares held by **ACLUMF** at year end.

Accounts payable and accrued liabilities:

The carrying amount is a reasonable estimate of fair value.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although **ACLUMF** believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within FASB ASC 820 fair value hierarchy in which the fair value measurements fall at March 31, 2018 and 2017.

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

NOTE 7 - FAIR VALUE MEASUREMENTS, Continued

<u>March 31, 2018</u>	Fair	Quoted Prices
<u>Investment Types</u>	<u>Value</u>	in Active Markets for Identical Assets (Level 1)
Mid-Cap Index Funds	\$ 57,528	\$ 57,528
500 Index Funds	166,244	166,244
Windsor II Mutual Funds	30,107	30,107
Fidelity Small-Cap Discovery Funds	32,730	32,730
Fidelity Capital Appreciation Funds	23,666	23,666
Fidelity Contrafund	<u>26,595</u>	<u>26,595</u>
Total assets recognized at fair value	\$ <u>336,870</u>	\$ <u>336,870</u>
<u>March 31, 2017</u>	Fair	Quoted
<u>Investment Types</u>	<u>Value</u>	Prices in Active Markets for Identical Assets (Level 1)
Mid-Cap Index Funds	\$ 51,220	\$ 51,220
500 Index Funds	145,889	145,889
Windsor II Mutual Funds	27,838	27,838
Fidelity Small-Cap Discovery Funds	29,696	29,696
Fidelity Capital Appreciation Funds	18,918	18,918
Fidelity Contrafund	<u>20,202</u>	<u>20,202</u>
Total assets recognized at fair value	\$ <u>293,763</u>	\$ <u>293,763</u>

There were no investments at March 31, 2018 and 2017 that were measured at level 2 or level 3.

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

NOTE 7 - FAIR VALUE MEASUREMENTS, Continued

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, 2018 and 2017 as follows:

<u>March 31, 2018</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Assets:		
Cash and cash equivalents	\$ 479,452	\$ 479,452
Due from affiliate - National	209,039	209,039
Liabilities:		
Capital lease obligation	42,807	42,807
Lines of credit	5,491	5,491
Deferred grant revenue	61,777	61,777
<u>March 31, 2017</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Assets:		
Cash and cash equivalents	\$ 656,299	\$ 656,299
Due from affiliate – National	282,737	282,737
Liabilities:		
Capital lease obligation	73,786	73,786
Lines of credit	5,898	5,898
Deferred grant revenue	182,507	182,507

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

NOTE 8 - CAPITAL LEASE OBLIGATION

ACLUMF is lessee of office equipment under a noncancelable lease that is classified as a capital lease expiring in 2019. 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:

Office equipment	\$ 74,386
Accumulated amortization	<u>(15,916)</u>
	\$ <u>58,470</u>

Future minimum lease payments under capital leases are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2019	\$ 27,036
2020	<u>15,771</u>
Total minimum future lease payments	42,807
Less amount representing interest	<u>(2,223)</u>
Present value of minimum lease payments	\$ <u>40,584</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.

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

NOTE 9 - OPERATING LEASE

ACLUMF leases a building under an operating lease expiring on September 30, 2018. Future scheduled minimum lease payments are \$25,328 for the year ending March 31, 2019.

NOTE 10 - 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, 2018 and has evaluated its tax positions taken for all open tax years. Currently, the 2016, 2017, and 2018 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, 2018.

NOTE 11 - FURNITURE AND EQUIPMENT

At March 31, 2018 and 2017 furniture and equipment consisted of the following:

March 31, 2018

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Ending Balance</u>
Office furniture	\$ 93,237	\$	\$ 3,844	\$	\$ 97,081
Office equipment	<u>206,328</u>		<u>2,451</u>		<u>208,779</u>
Subtotal	299,565		6,295		305,860
Less: Accumulated depreciation	<u>(164,365)</u>		<u>(43,295)</u>		<u>(207,660)</u>
Total furniture and equipment, net	\$ <u>135,200</u>	\$	\$ <u>(37,000)</u>	\$	\$ <u>98,200</u>

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

NOTE 11 - FURNITURE AND EQUIPMENT, Continued

<u>March 31, 2017</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Office furniture	\$ 93,237	\$ -0-	\$ 93,237
Office equipment	130,785	75,543	206,328
Subtotal	224,022	75,543	299,565
Less: Accumulated depreciation	<u>(132,782)</u>	<u>(31,583)</u>	<u>(164,365)</u>
Total furniture and equipment, net	<u>\$ 91,240</u>	<u>\$ 43,960</u>	<u>\$ 135,200</u>

Depreciation expense for the years ended March 31, 2018 and 2017 totaled \$43,295 and \$31,583, respectively.

NOTE 12 - REVOLVING CREDIT ACCOUNTS

ACLUMF has revolving credit facilities to provide support for general purposes. As of March 31, 2018, the facilities are summarized as follows:

<u>Revolving Credit Facilities</u>	<u>Interest Rates</u>	<u>Available Capacities</u>
Bank of America – One (1) account	11.99 percent on purchases, 24.24 percent on cash advances	
	Total available capacities	\$ <u>6,511</u>
American Express – Four (4) accounts	None	Unlimited, total balance payable on the due date

The facilities are unsecured and the outstanding balances at March 31, 2018 for Bank of America and American Express are \$4,599 and \$892, respectively.

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

NOTE 13 - 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 year ended March 31, 2018 and 2017, totaled \$23,033 and \$18,652 respectively.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 29, 2018, which is the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

NOTE 15 - BOARD OF DIRECTORS' COMPENSATION

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

SUPPLEMENTARY INFORMATION

Schedule I

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018

	Legal	Advocacy	Communication	Total Program Services	General and Administrative	Fund Raising	Total Supportive Services	Total
<u>EXPENSES</u>								
Personnel Expenses:								
Salaries	\$ 153,334	\$ 194,012	\$ 82,824	\$ 430,170	\$ 241,821	\$ -0-	\$ 241,821	\$ 671,991
Payroll taxes	11,619	15,211	6,546	33,376	17,645	-0-	17,645	51,021
Fringe benefits	20,195	32,530	13,004	65,729	24,673	-0-	24,673	90,402
Total personnel expenses	<u>185,147</u>	<u>241,753</u>	<u>102,374</u>	<u>529,275</u>	<u>284,139</u>	<u>-0-</u>	<u>284,139</u>	<u>*813,414</u>
Non-Personnel Expenses:								
Occupancy	15,111	24,645	11,756	51,512	17,807	558	18,365	**69,877
Insurance	2,830	368	192	3,390	2,830	176	3,006	6,396
Office expense	5,285	6,525	3,975	15,785	5,425	789	6,214	21,999
Travel	12,510	40,067	7,198	59,775	22,516	989	23,505	83,280
Information technology	9,299	2,816	2,098	14,213	647	13	660	14,873
Professional services	23,187	52,825	11,856	87,868	8,228	2,010	10,238	***98,106
Advertising and promotion	75	1,729	13,884	15,648	-0-	769	769	16,417
Conferences, conventions and meetings	12,485	34,892	4,453	51,830	3,663	22,142	25,805	***77,635
Other expenses	6,211	780	602	7,593	2,093	2,705	4,798	12,391
Interest expense	694	694	694	2,082	694	-0-	694	2,776
Depreciation expense-other	10,430	10,430	10,430	31,290	12,005	-0-	12,005	43,295
Total expenses	<u>\$ 283,265</u>	<u>\$ 417,524</u>	<u>\$ 169,472</u>	<u>\$ 870,261</u>	<u>\$ 360,047</u>	<u>\$ 30,151</u>	<u>\$ 390,198</u>	<u>\$ 1,260,459</u>

See Independent Auditors' Report on Supplementary Information.

AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI FOUNDATION, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018

A portion of the reimbursement income received from the ACLU of MS, Inc., totaled \$53,520. The reimbursed amount is completely based on the sharing rules and the legislative work of the organization.

*Personnel reimbursement totaled \$46,857. Advocacy reimbursement was (\$36,352) Communications reimbursement was (\$1,736) and Management reimbursement was (\$8,769) for legislative time worked.

**Occupancy reimbursement was (\$4,643) of shared monthly expenses.

***Other Professional Services reimbursement was (\$1,871) for legislative printing and graphic design.

****Conferences, conventions and meetings reimbursement was (\$149) for legislative direct lobbying.

See Independent Auditors' Report on Supplementary Information.