

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

**FINANCIAL AUDIT TOGETHER WITH**

**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**

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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, 2017 and 2016, 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.

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

**INDEPENDENT AUDITORS' REPORT**  
**CONTINUED**

To the Board of Directors of  
**American Civil Liberties Union**  
**of Mississippi Foundation, Inc.**  
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**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, 2017 and 2016, 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

July 12, 2017

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

	March 31,	
	2017	2016
<b><u>ASSETS</u></b>		
Current Assets:		
Cash and cash equivalents (NOTES 2, 3 AND 4):		
Operational	\$ 473,792	\$ 547,620
Designated	182,507	159,858
Total cash and cash equivalents	<u>656,299</u>	<u>707,478</u>
Investments (NOTES 2 AND 7)	293,763	250,690
Prepaid expenses	330	103
Due from affiliate - National	282,737	70,528
Promise to give	<u>-0-</u>	<u>500,000</u>
Total current assets	<u>1,233,129</u>	<u>1,528,799</u>
Furniture and Equipment (NOTES 2 AND 11):		
Office furniture	93,237	93,237
Office equipment	206,328	130,785
Less: accumulated depreciation	<u>(164,365)</u>	<u>(132,782)</u>
Total furniture and equipment, net	<u>135,200</u>	<u>91,240</u>
Total assets	<u>\$ 1,368,329</u>	<u>\$ 1,620,039</u>

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

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

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	March 31,	
	<u>2017</u>	<u>2016</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities:		
Current portion of capital lease obligation (NOTE 8)	\$ 21,656	\$ 19,318
Lines of credit	5,898	3,325
Deferred grant revenue	182,507	159,860
Accrued expenses and other payables	<u>853</u>	<u>190</u>
Total current liabilities	<u>210,914</u>	<u>182,693</u>
Capital lease obligation, less current portion (NOTE 8)	<u>44,532</u>	<u>-0-</u>
Total liabilities	<u>255,446</u>	<u>182,693</u>
Net Assets (NOTE 2):		
Unrestricted	1,112,883	937,346
Temporarily restricted	<u>-0-</u>	<u>500,000</u>
Total net assets	<u>1,112,883</u>	<u>1,437,346</u>
Total liabilities and net assets	\$ <u><u>1,368,329</u></u>	\$ <u><u>1,620,039</u></u>

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, 2017 AND 2016

March 31, 2017	Unrestricted			
	Operations	Furniture and Equipment	Temporarily Restricted	Total
<b><u>REVENUES AND SUPPORT:</u></b>				
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>
<b><u>EXPENSES:</u></b>				
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 supporting 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><u>1,021,643</u></u>	\$ <u><u>91,240</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>1,112,883</u></u>

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, 2017 AND 2016**

March 31, 2016	Unrestricted			
	Operations	Furniture and Equipment	Temporarily Restricted	Total
<b><u>REVENUES AND SUPPORT</u></b>				
National support	\$ 576,574	\$ -0-	\$ -0-	\$ 576,574
Private foundations	510,724	-0-	500,000	1,010,724
Interest and dividend income	7,616	-0-	-0-	7,616
Individual donations	6,401	-0-	-0-	6,401
Events income	18,325	-0-	-0-	18,325
Other income	11,432	-0-	-0-	11,432
Unrealized loss on investments	(8,059)	-0-	-0-	(8,059)
Net assets released from restriction:				
Satisfaction of purpose and restrictions	200,000	-0-	(200,000)	-0-
Total revenues and support	<u>1,323,013</u>	<u>-0-</u>	<u>300,000</u>	<u>1,623,013</u>
<b><u>EXPENSES:</u></b>				
Program services:				
Legal	237,230	-0-	-0-	237,230
Advocacy	647,087	-0-	-0-	647,087
Communication	107,411	-0-	-0-	107,411
Total program services	<u>991,728</u>	<u>-0-</u>	<u>-0-</u>	<u>991,728</u>
Supportive Services:				
General and administrative	296,746	-0-	-0-	296,746
Fundraising	47,375	-0-	-0-	47,375
Total supporting services	<u>344,121</u>	<u>-0-</u>	<u>-0-</u>	<u>344,121</u>
Total expenses	<u>1,335,849</u>	<u>-0-</u>	<u>-0-</u>	<u>1,335,849</u>
Change in net assets	(12,836)	-0-	300,000	287,164
Net assets, beginning of year	811,058	139,124	200,000	1,150,182
Transfers	47,884	(47,884)	-0-	-0-
Net assets, end of year	\$ <u>846,106</u>	\$ <u>91,240</u>	\$ <u>500,000</u>	\$ <u>1,437,346</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,	
	2017	2016
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (324,463)	\$ 287,164
Adjustments to reconcile changes in net asset to net cash provided by (used in) operating activities:		
Depreciation	31,583	52,718
Unrealized(gains) loss on investments	(33,824)	8,059
Changes in assets and liabilities:		
Promises to give	500,000	(300,000)
Prepaid expenses	(227)	(41)
Due from National	(212,209)	(2,955)
Lines of credit	2,573	(4,251)
Accrued expenses and other payables	663	(234)
Deferred grant revenues	22,647	29,179
Net cash provided by (used in) operating activities	(13,257)	69,639
<b>Cash Flows from Investing Activities:</b>		
Acquisition of property and equipment	(43,960)	(4,834)
Short term investments, net	(43,073)	(5,000)
Net cash used in investing activities	(87,033)	(9,834)
<b>Cash Flows from Financing Activities:</b>		
Repayment of capital lease obligations	49,111	(29,115)
Net cash provided by (used in) financing activities	49,111	(29,115)
Increase(decrease) in cash and cash equivalent	(51,179)	30,690
Cash and cash equivalents, beginning of year	707,478	676,788
Cash and cash equivalents, end of year	\$ 656,299	\$ 707,478
Supplemental Disclosure:		
Interest paid	\$ 2,408	\$ 4,245

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



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

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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 recommendations of the Financial accounting Standards Board in its Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities. Under FASB ASC 958, the organization 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, 2017 and 2016, there were no permanently restricted net assets.

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

No amounts have been reflected in the financial statements for 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.

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.



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

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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 and when received or substantially unconditionally promised 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.

Employees' Annual Leave

**ACLUMF** does not charge annual leave earned by employees at the end of the year. Amount is very insignificant.

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

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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, 2017 and 2016 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, 2017 and 2016.

<u>March 31, 2017</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 257,306	\$ 257,306
Money market accounts	398,993	398,993
 Total	 \$ 656,299	 \$ 656,299



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

NOTE 4 - CASH AND CASH EQUIVALENTS, Continued

<u>March 31, 2016</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash and cash equivalents	\$ 310,474	\$ 310,474
Money market accounts	<u>397,004</u>	<u>397,004</u>
Total	<u>\$ 707,478</u>	<u>\$ 707,478</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, 2017 and 2016, **ACLUMF's** bank balances were uninsured in the amounts of \$57,075 and \$58,765, 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, 2017 and 2016 were \$148,993 and \$147,004, respectively.

NOTE 6 - INVESTMENTS

Investments are recorded at fair value as follows.

March 31, 2017

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

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

NOTE 6 – INVESTMENTS, Continued

March 31, 2016

	Fair Value Beginning of Year	Dividend Reinvested	Unrealized Depreciation	Fair Value End of Year
Vanguard	\$ 192,414	\$ 4,961	\$ (5,484)	\$ 191,891
Fidelity Investment	61,335	39	(2,575)	58,799
Total	\$ 253,749	\$ 5,000	\$ (8,059)	\$ 250,690

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, 2017 and 2016, **ACLUMF**'s investments were uninsured by SIPC.

NOTE 7 - FAIR VALUE MEASUREMENTS

**ACLUMF** has adopted Financial Accounting Standards Board Accounting Standards Codification (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.



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, 2017 and 2016.

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 ends.

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, 2017 and 2016.

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

NOTE 7 - FAIR VALUE MEASUREMENTS, Continued

<u>March 31, 2017</u>		Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>Investment Types</u>	<u>Fair Value</u>	
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>

  

<u>March 31, 2016</u>		Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>Investment Types</u>	<u>Fair Value</u>	
Mid-Cap Index Funds	\$ 43,875	\$ 43,875
500 Index Funds	23,468	23,468
Windsor II Mutual Funds	124,548	124,548
Fidelity Small-Cap Discovery Funds	25,102	25,102
Fidelity Capital Appreciation Funds	16,544	16,544
Fidelity Contrafund	<u>17,153</u>	<u>17,153</u>
Total assets recognized at fair value	\$ <u>250,690</u>	\$ <u>250,690</u>

There were no investments at March 31, 2017 and 2016 that were measured at level 2 or level 3.

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

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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, 2017 and 2016, as follows:

<u>March 31, 2017</u>	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>
Assets:		
Cash and cash equivalents	\$ 838,806	\$ 838,806
Due from affiliate –National	172,313	172,313
Liabilities:		
Capital lease obligation	73,786	73,786
Lines of credit	5,898	5,898
Deferred grant revenue	182,507	182,507
 <u>March 31, 2016</u>	 <u>Carrying Amount</u>	 <u>Estimated Fair Value</u>
Assets:		
Cash and cash equivalents	\$ 707,478	\$ 707,478
Due from affiliate - National	70,528	70,528
Promise to give	500,000	500,000
Liabilities:		
Capital lease obligation	19,318	19,318
Lines of credit	3,325	3,325
Deferred grant revenue	159,860	159,860



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

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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 expenses.

Following is a summary of property held under capital leases:

Office equipment	\$ 73,510
Accumulated amortization	<u>(9,938)</u>
	<u>\$ 63,572</u>

The equipment under capital lease equals \$66,188 at March 31, 2017.

Future minimum lease payments under capital leases are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2018	\$ 27,036
2019	27,036
2020	<u>18,183</u>
Total minimum future lease payments	\$ 72,255
Less executory costs and related profit	<u>-0-</u>
Net minimum less payments	72,255
Less amount representing interest	<u>6,067</u>
Present value of minimum lease payments	<u>66,188</u>

Interest rate on 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

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NOTE 9 - OPERATING LEASE

**ACLUMF** leases equipment under an operating lease expiring on October 31, 2019. Future scheduled minimum lease payments are as follows:

<u>Year Ending March 31,</u>	<u>Amount</u>
2018	\$ 50,656
2019	50,656
2020	<u>25,328</u>
Total minimum future lease payments	\$ <u>126,640</u>

Rental expense under operating leases was \$ 50,656 and \$50,656, respectively, for the years ended March 31, 2017 and 2016.

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, 2017, and has evaluated its tax positions taken for all open tax years. Currently, the 2014, 2015, and 2016 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, 2017.

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

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NOTE 11 - FURNITURE AND EQUIPMENT

At March 31, 2017 and 2016 furniture and equipment consisted of the following:

March 31, 2017

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Ending Balance</u>
Office furniture	\$ 93,237	\$	-0-	\$	93,237
Office equipment	130,785		83,141		213,926
Subtotal	<u>224,022</u>		<u>83,141</u>		<u>307,163</u>
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>51,558</u>	\$	<u>142,798</u>

NOTE 11 - FURNITURE AND EQUIPMENT, Continued

March 31, 2016

	<u>Beginning Balance</u>		<u>Additions</u>		<u>Ending Balance</u>
Office furniture	\$ 92,593	\$	644	\$	93,237
Office equipment	126,595		4,190		130,785
Subtotal	<u>219,188</u>		<u>4,834</u>		<u>224,022</u>
Less: Accumulated depreciation	<u>(80,064)</u>		<u>(52,718)</u>		<u>(132,782)</u>
Total furniture and equipment, net	<u>\$ 139,124</u>	\$	<u>(47,884)</u>	\$	<u>91,240</u>

Depreciation expenses for the years ended March 31, 2017 and 2016, totaled \$31,583 and \$52,718, respectively.

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

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NOTE 12 - REVOLVING CREDIT ACCOUNTS

**ACLUMF** has revolving credit facilities to provide support for general purposes. As of March 31, 2017, the facilities are summarized as follows:

<u>Revolving Credit Facilities</u>	<u>Interest Rates</u>	<u>Available Capacities</u>
Bank of America – Two (2) accounts	11.99 percent on purchases, 24.24 percent on cash advances Total available capacities	\$ <u>8,212</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, 2017 for Bank of America and American Express are \$1,188 and \$2,249, respectively.

NOTE 13 - RETIREMENT PLAN

**ACLUMF** has a defined contribution plan on 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, 2017 and 2016, totaled \$18,652 and \$37,961 respectively.

NOTE 14 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 12, 2017, 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**



**AMERICAN CIVIL LIBERTIES UNION OF MISSISSIPPI FOUNDATION, INC.**  
**SCHEDULE OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2017**

	Legal	Advocacy	Communication	Total Program Services	General and Administrative	Fund Raising	Total Supportive Services	Total
<b>EXPENSES</b>								
Personnel Expenses:								
Salaries	\$ 148,059	\$ 224,108	\$ 59,038	\$ 431,205	\$ 160,298	\$ -0-	\$ 160,298	\$ 591,5
Payroll taxes	11,825	17,876	4,857	34,558	12,350	-0-	12,350	46,9
Fringe benefits	19,318	28,884	7,726	55,928	20,309	-0-	20,309	76,2
Total personnel expenses	179,202	270,868	71,621	521,691	192,957	-0-	192,957	714,6
Non-Personnel Expenses:								
Occupancy	15,336	26,887	11,232	53,455	18,662	642	19,304	72,7
Insurance	4,033	496	321	4,850	2,352	-0-	2,352	7,2
Office expense	5,450	9,823	7,817	23,090	7,184	1,361	8,545	31,6
Travel	2,484	42,664	1,947	47,095	9,053	2,213	11,265	58,3
Information technology	10,708	3,125	3,017	16,850	2,382	19	2,401	19,2
Professional services	8,831	329,231	4,673	342,735	2,245	2,596	4,841	347,5
Advertising and promotion	-0-	370	2,116	2,486	750	300	1,050	3,5
Conferences, conventions and meetings	9,532	46,473	640	56,645	3,499	26,751	30,251	86,8
Other expenses	902	138	136	1,176	1,428	3,433	4,861	6,0
Interest expense	557	557	557	1,671	737	-0-	737	2,4
Depreciation expense-other	7,896	8,065	7,895	23,856	7,727	-0-	7,727	31,5
Total expenses	\$ 244,931	\$ 738,697	\$ 111,972	\$ 1,095,600	\$ 248,976	\$ 37,315	\$ 286,291	\$ 1,381,8

See Independent Auditors' Report on Supplementary Information.