

**AMERICAN CIVIL LIBERTIES
UNION OF MONTANA**

AUDITED COMBINED FINANCIAL STATEMENTS

March 31, 2023 and 2022



AMERICAN CIVIL LIBERTIES UNION OF MONTANA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management
American Civil Liberties Union of Montana
Missoula, Montana

Opinion

We have audited the accompanying combined financial statements of the American Civil Liberties Union of Montana (the Union) and American Civil Liberties Union of Montana Foundation, Inc. (the Foundation), collectively referred to as the American Civil Liberties Union of Montana (ACLU of Montana) (nonprofit organizations), which comprise the combined statements of financial position as of March 31, 2023 and 2022, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of ACLU of Montana as of March 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ACLU of Montana and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 7, the Organization adopted FASB Topic 842, Leases, using the modified retrospective approach with April 1, 2021 as the date of initial adoption. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ACLU of Montana's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.



Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ACLU of Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ACLU of Montana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements.

The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 the the combined financial statements as a whole.

Junkermier, Clark, Campanella, Stevens, P.C.

Missoula, Montana
September 7, 2023

**AMERICAN CIVIL LIBERTIES UNION OF MONTANA
COMBINED STATEMENTS OF FINANCIAL POSITION
March 31, 2023 and 2022**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 449,058	\$ 396,648
Accounts receivable	-	81,965
Rent receivable	3,795	3,795
Due from ACLU National	292,344	-
Pledges receivable, current portion	111,442	158,082
Agency fund receivable	-	95,816
Prepaid expenses	4,298	13,707
Total Current Assets	860,937	750,013
OTHER ASSETS		
Investments	2,946,739	3,529,143
Pledges receivable, net of discount and current portion	123,394	189,397
Property and equipment, net	30,483	38,368
Right of use asset	76,657	121,170
Total Other Assets	3,177,273	3,878,078
TOTAL ASSETS	\$ 4,038,210	\$ 4,628,091
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 39,360	\$ 6,086
Due to ACLU National	-	96,751
Agency fund liability	-	95,816
Accrued payroll liabilities	48,492	26,828
Accrued salaries	16,777	51,935
Accrued compensated absences	45,666	49,822
Short-term operating lease liability	46,064	43,588
Total Current Liabilities	196,359	370,826
LONG-TERM LIABILITIES		
Long-term operating lease liability	31,977	78,041
TOTAL LIABILITIES	228,336	448,867
NET ASSETS		
Without donor restrictions - undesignated	3,201,992	3,449,380
Without donor restrictions - designated	359,712	353,538
Total without donor restrictions	3,561,704	3,802,918
With donor restrictions	248,170	376,306
Total Net Assets	3,809,874	4,179,224
TOTAL LIABILITIES AND NET ASSETS	\$ 4,038,210	\$ 4,628,091

See accompanying notes to financial statements and independent auditors' report

**AMERICAN CIVIL LIBERTIES UNION OF MONTANA
COMBINED STATEMENT OF ACTIVITIES
Year Ended March 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
GMI National subsidy grant	\$ 402,620	\$ -	\$ 402,620
National grants and distributions	438,490	-	438,490
Contributions	667,803	118,222	786,025
Unrealized gain (loss) on investments, net	(112,555)	-	(112,555)
Dividends and interest	56,864	-	56,864
Miscellaneous	1,206	-	1,206
Net assets released from restriction	<u>246,358</u>	<u>(246,358)</u>	<u>-</u>
Total Support and Revenue	<u>1,700,786</u>	<u>(128,136)</u>	<u>1,572,650</u>
EXPENSES			
Legal program	406,115	-	406,115
Communications/public education	220,469	-	220,469
Advocacy	<u>610,792</u>	<u>-</u>	<u>610,792</u>
Total program	1,237,376	-	1,237,376
Administrative and general	363,493	-	363,493
Fundraising	<u>341,131</u>	<u>-</u>	<u>341,131</u>
Total Expenses	<u>1,942,000</u>	<u>-</u>	<u>1,942,000</u>
Change in Net Assets	(241,214)	(128,136)	(369,350)
Net Assets at Beginning of Year	<u>3,802,918</u>	<u>376,306</u>	<u>4,179,224</u>
Net Assets at End of Year	<u>\$ 3,561,704</u>	<u>\$ 248,170</u>	<u>\$ 3,809,874</u>

See accompanying notes to financial statements and independent auditors' report

**AMERICAN CIVIL LIBERTIES UNION OF MONTANA
COMBINED STATEMENT OF ACTIVITIES
Year Ended March 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
GMI National subsidy grant	\$ 406,858	\$ -	\$ 406,858
National grants and distributions	90,916	-	90,916
Attorney fees	110,541	-	110,541
Contributions	1,190,876	45,439	1,236,315
Unrealized gain (loss) on investments, net	(23,605)	-	(23,605)
Dividends and interest	20,261	-	20,261
Miscellaneous	410	-	410
Net assets released from restriction	563,625	(563,625)	-
Total Support and Revenue	<u>2,359,882</u>	<u>(518,186)</u>	<u>1,841,696</u>
EXPENSES			
Legal program	336,414	-	336,414
Communications/public education	145,687	-	145,687
Advocacy	305,646	-	305,646
Total program	<u>787,747</u>	-	<u>787,747</u>
Administrative and general	282,331	-	282,331
Fundraising	261,917	-	261,917
Total Expenses	<u>1,331,995</u>	<u>-</u>	<u>1,331,995</u>
Change in Net Assets	1,027,887	(518,186)	509,701
Net Assets at Beginning of Year	<u>2,775,031</u>	<u>894,492</u>	<u>3,669,523</u>
Net Assets at End of Year	<u>\$ 3,802,918</u>	<u>\$ 376,306</u>	<u>\$ 4,179,224</u>

See accompanying notes to financial statements and independent auditors' report

**AMERICAN CIVIL LIBERTIES UNION OF MONTANA
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2023**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Legal Program</u>	<u>Communications/ Public Education</u>	<u>Advocacy</u>	<u>Total Program Expense</u>	<u>Administrative & General</u>	<u>Fundraising</u>	
EXPENSES							
Advertising	\$ 3	\$ 989	\$ 67,896	\$ 68,888	\$ 60	\$ 1,282	\$ 70,230
Conferences, meetings, & staff development	5,225	1,526	2,842	9,593	3,123	2,795	15,511
Contracted services	8,571	14,113	86,090	108,774	103,299	69,307	281,380
Depreciation	2,265	1,122	2,588	5,975	2,189	1,461	9,625
Dues and subscriptions	1,283	1,541	1,328	4,152	128	53	4,333
Equipment	8,539	1,739	2,919	13,197	4,965	2,641	20,803
Insurance	3,420	297	319	4,036	359	446	4,841
Meals and hosting	2,419	415	6,326	9,160	8,806	3,174	21,140
Miscellaneous	7	-	10	17	1,163	1,729	2,909
Occupancy	12,371	6,152	16,451	34,974	11,831	7,758	54,563
Personnel	337,731	179,978	321,418	839,127	210,001	207,133	1,256,261
Postage	152	595	10,527	11,274	105	285	11,664
Printing	637	3,817	40,418	44,872	67	1,328	46,267
Supplies	1,209	537	1,085	2,831	947	1,591	5,369
Telecommunications	9,648	5,070	11,929	26,647	7,302	6,471	40,420
Travel	12,635	2,578	31,840	47,053	9,148	16,620	72,821
Bad debts	-	-	6,806	6,806	-	17,057	23,863
TOTAL EXPENSES	<u>\$ 406,115</u>	<u>\$ 220,469</u>	<u>\$ 610,792</u>	<u>\$ 1,237,376</u>	<u>\$ 363,493</u>	<u>\$ 341,131</u>	<u>\$ 1,942,000</u>

See accompanying notes to financial statements and independent auditors report

**AMERICAN CIVIL LIBERTIES UNION OF MONTANA
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended March 31, 2022**

	<u>Program Services</u>			<u>Supporting Services</u>			<u>Total</u>
	<u>Legal Program</u>	<u>Communications/ Public Education</u>	<u>Advocacy</u>	<u>Total Program Expense</u>	<u>Administrative & General</u>	<u>Fundraising</u>	
EXPENSES							
Advertising	\$ -	\$ 250	\$ 22,129	\$ 22,379	\$ 179	\$ 971	\$ 23,529
Conferences, meetings, & staff development	4,605	836	241	5,682	2,376	1,872	9,930
Contracted services	1,068	3,707	6,357	11,132	43,581	16,188	70,901
Depreciation	2,174	766	2,124	5,064	2,253	1,698	9,015
Dues and subscriptions	1,882	3,249	2,584	7,715	314	82	8,111
Equipment	5,843	1,861	1,617	9,321	7,418	2,691	19,430
Insurance	3,731	79	218	4,028	232	174	4,434
Meals and hosting	443	76	1,158	1,677	1,612	581	3,870
Miscellaneous	24	-	-	24	1,151	1,294	2,469
Occupancy	12,470	4,391	12,180	29,041	13,385	9,736	52,162
Personnel	292,646	119,683	244,321	656,650	203,147	208,082	1,067,879
Postage	568	2,726	92	3,386	475	1,051	4,912
Printing	300	5,120	370	5,790	28	2,334	8,152
Supplies	412	100	264	776	382	546	1,704
Telecommunications	8,208	2,767	6,933	17,908	5,664	6,113	29,685
Travel	2,040	76	5,058	7,174	134	5,414	12,722
Bad debts	-	-	-	-	-	3,090	3,090
TOTAL EXPENSES	<u>\$ 336,414</u>	<u>\$ 145,687</u>	<u>\$ 305,646</u>	<u>\$ 787,747</u>	<u>\$ 282,331</u>	<u>\$ 261,917</u>	<u>\$ 1,331,995</u>

See accompanying notes to financial statements and independent auditors report

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
COMBINED STATEMENTS OF CASH FLOWS
Years Ended March 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (369,350)	\$ 509,701
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	9,625	9,015
Noncash contribution of investments	(199,492)	(97,372)
Unrealized/realized (gain) loss on investments, net	112,555	23,605
Loss on disposal of asset	808	-
Change in discount on pledges receivable	2,576	(7,025)
Change in current assets and liabilities:		
Accounts receivable	81,965	(81,465)
Due to/from ACLU National	(389,095)	824,862
Pledges receivable	110,067	442,409
Grants receivable	-	16,000
Agency fund receivable	95,816	(95,816)
Prepaid expenses	9,409	(1,284)
Right of use asset	44,513	(121,170)
Accounts payable	33,274	(25,994)
Agency fund liability	(95,816)	95,816
Accrued payroll liabilities	21,664	4,032
Accrued salaries	(35,158)	2,925
Accrued compensated absences	(4,156)	9,049
Operating lease liability	(43,588)	121,629
Net Cash Flows From Operating Activities	(614,383)	1,628,917
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	919,341	152,322
Purchase of investments	(250,000)	(1,750,000)
Purchase of property and equipment	(2,548)	(7,152)
Net Cash Flows From Investing Activities	666,793	(1,604,830)
 Net Change in Cash and Cash Equivalents	52,410	24,087
 Cash and Cash Equivalents at Beginning of Year	396,648	372,561
 Cash and Cash Equivalents at End of Year	\$ 449,058	\$ 396,648
 Supplementary Cash Flow Information		
Cash paid for interest included in operating activities	\$ -	\$ 4

See accompanying notes to financial statements and independent auditors' report

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2023 and 2022

Note 1 - Organization and Significant Accounting Policies

Organization

The American Civil Liberties Union of Montana (the Union) and the American Civil Liberties Union of Montana Foundation, Inc. (the Foundation), collectively referred to as the American Civil Liberties Union of Montana (ACLU of Montana), were established to provide public education and litigation support in furtherance of civil liberties for all people without political partisanship.

Principles of Combination

The accompanying combined financial statements include the accounts of the Union and the Foundation. The Organizations share employees and have the same board of directors. All significant inter-organizational accounts and transactions have been eliminated upon combination.

Basis of Accounting

The accompanying combined financial statements reflect practices common for not-for-profits in accordance with accounting principles generally accepted in the United States of America (GAAP), as codified by the Financial Accounting Standards Board (FASB).

Basis of Presentation

As required by GAAP, ACLU of Montana classifies contributions as without donor restrictions or with donor restrictions in accordance with donor stipulations. Donor-restricted support is reported as an increase in donor-restricted net assets. When the time restriction expires or is met through expenditure, donor-restricted net assets are reclassified to net assets without donor restrictions. All expenses are reported as decreases in net assets without donor restrictions, after satisfaction of all applicable restrictions. The resulting classes of net assets are:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations. This category includes net assets which have been designated by the board of directors or other designated funds. The board of directors has designated net assets for an operating reserve in order to ensure the stability of the mission, services, employment, and ongoing operation of the organization. The operating reserve target amount is six months of operating expenses less that portion of expenses funded by Guaranteed Minimum Income supplied by National ACLU. At March 31, 2023 and 2022, the balance of net assets without donor restrictions was \$3,561,704 and \$3,802,918, respectively.

Net assets with donor restriction - Net assets subject to donor-imposed stipulations that will be met by the action of ACLU of Montana or the passage of time. Some donor restrictions are temporary in nature; those restrictions will be met by actions of ACLU of Montana or by the passage of time. Other donor restrictions may be imposed in perpetuity. At March 31, 2023 and 2022, there were no net assets subject to perpetual restriction. Total net assets with donor restrictions at March 31, 2023 and 2022 were \$248,170 and \$376,306, respectively.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. When restrictions are satisfied in the same year received, the contributions are included in net assets without donor restriction.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2023 and 2022

Note 1 - Organization and Significant Accounting Policies (Continued)

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statement of financial position. The Organization elected to adopt these ASUs effective April 1, 2021 and utilized all of the available practical expedients. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Organization to restate amounts as of April, 2022, resulting in an increase in the operating lease ROU asset of \$121,170 and an increase in the operating lease liability of \$121,629.

During the year ended March 31, 2023, the Organization adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the current year presentation. These reclassifications have no effect on net assets or change in net assets as previously reported.

Accounting Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, ACLU of Montana considers investments with an original maturity of three months or less to be cash and cash equivalents. ACLU of Montana maintains cash at financial institutions insured by the FDIC up to \$250,000. At times, deposits with financial institutions may exceed FDIC insured limits.

Accounts and Grants Receivable

Grants and accounts receivable consist of amounts due from granting agencies, related party balances for shared services and costs, and for the performance of services in the normal course of business. Accounts are reviewed for potential write-offs based on the facts and circumstances of each balance. At March 31, 2023 and 2022, no accounts or grants receivable were past due greater than 90 days and no allowance was recorded for accounts or grants receivable. Management believes the accounts and grants receivable are fully collectible, therefore no allowance is considered necessary.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2023 and 2022

Note 1 - Organization and Significant Accounting Policies (Continued)

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give that will be collected beyond one year are reported at the present value of anticipated cash flows using the discount rate established at the date of the pledge, net of an allowance for uncollectible amounts based on specific identification of uncollectible pledges.

Property and Equipment

ACLU of Montana records purchased property and equipment at cost. Improvements and betterments are capitalized, while repairs and maintenance expenditures are expensed. Individual items greater than \$750 with useful lives longer than one year are capitalized. ACLU of Montana has elected to depreciate these assets using the straight-line method over the estimated useful lives of 5-7 years. Total depreciation for the years ended March 31, 2023 and 2022 was \$9,625 and \$9,015, respectively.

Investments

Investments in marketable equity securities and mutual funds with readily determinable fair values are reported at fair value in the combined statement of financial position. Interest, dividends, gains and losses are reported as increases in net assets without donor restrictions unless such earnings, gains and losses are specifically restricted by the donor.

Compensated Absences

Full-time and part-time employees are eligible to receive paid leave. Employees are allowed to earn and carry forward vacation balances from year to year up to a certain point. Once that cap is reached, the employee will no longer continue to accrue vacation time. Upon termination, employees are compensated for unused vacation.

Employee Benefit Plan

The Organization's employees can participate in an individual retirement account under a 401(k) Plan. The Organization will match the employee's contribution up to 5.5%, varied on a tiered system. The Organization's contribution were \$46,492 and \$37,185 for March 31, 2023 and 2022, respectively.

Advertising

Advertising is expensed as it is incurred. Advertising expense for the years ended March 31, 2023 and 2022 was \$70,230 and \$23,529, respectively.

Contributed Services

A number of unpaid volunteers have made contributions of their time to ACLU of Montana. The value of their contributed time is not recognized in these statements as it does not meet the requirements for recognition under GAAP.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, expenses are allocated to the various programs and functional classes based on time and effort by employees.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2023 and 2022

Note 1 - Organization and Significant Accounting Policies (Continued)

Tax Status

The Union is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and the Foundation is exempt from Federal income tax under Section 501(c)(4) of the Internal Revenue Code. No provision for income tax has been recognized because ACLU of Montana has no income unrelated to its exempt activities.

Note 2 - Liquidity and Availability

Management has identified the following assets as of March 31, 2023 and 2022 as available for general operations in the next fiscal year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 430,096	\$ 359,902
Investments	2,946,739	3,529,143
Pledges & grants receivable, gross	239,351	158,082
Other receivables, gross	292,344	81,965
Total	<u>\$ 3,908,530</u>	<u>\$ 4,129,092</u>

Financial assets available for general expenditure include those without donor or other restrictions limiting their use within one year of the balance sheet date. In addition, ACLU of Montana receives significant grants and contributions restricted by donors and grantors, and considers those restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

Cash and cash equivalents considered available for future general expenditures exclude those held in the flex account of \$5,628 and \$7,919 at March 31, 2023 and 2022, respectively, as those funds are limited to use. Receivables exclude amounts restricted by grantors when restrictions are unrelated to ongoing programs, as those funds are also considered limited as to use.

Cash balances are routinely monitored in light of projected cash needs and excess balances are transferred to a savings account, where they are managed to provide for short-term liquidity and grow the fund's value over time.

ACLU of Montana has operating reserves that are available and could be accessed for unanticipated needs or in the event of cash flow shortages. The operating reserve balance was \$424,914 and \$454,151 as of March 31, 2023 and 2022, respectively.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2023 and 2022

Note 3 - Pledges Receivable

The discount rate used on pledges receivable with due dates extending beyond one year was 2.36% at March 31, 2023 and between 0.28% and 2.35% at March 31, 2022. Pledges receivable consist of the following at March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
With time restrictions	<u>\$ 239,351</u>	<u>\$ 349,560</u>
Due in:		
One year or less	\$ 111,442	\$ 158,082
One to five years	<u>127,909</u>	<u>191,478</u>
	239,351	349,560
Less: discounted for present value	<u>(4,515)</u>	<u>(2,081)</u>
	234,836	347,479
Less: current portion	<u>(111,442)</u>	<u>(158,082)</u>
Pledges receivable, long-term	<u>\$ 123,394</u>	<u>\$ 189,397</u>

Note 4 - Fair Value Measurements

ACLU of Montana follows FASB ASC 820, Fair Value Measurements and Disclosures, which provides a framework for measuring fair value. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. FASB ASC 820 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels. The three levels are defined as follows:

Level 1 - observable inputs that are based upon quoted market prices for identical assets or liabilities within active markets.

Level 2 - observable inputs other than Level 1 that are based upon quoted market prices for similar assets or liabilities, based upon quoted prices within inactive markets, or inputs other than quoted market prices that are observable through market data for substantially the full term of the asset or liability.

Level 3 - inputs that are unobservable for the particular asset or liability due to little or no market activity and are significant to the fair value of the asset or liability. These inputs reflect assumptions that market participants would use when valuing the particular asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. ACLU of Montana's policy for determining the timing of significant transfers between Levels 1, 2, and 3 is at the end of the reporting period.

Following is a description of the valuation methodologies used for assets measured at fair value:

Brokered certificates of deposit - Fair value of interest-bearing cash is determined by discounting the related cash flows based on current yields of similar instruments and considering the credit-worthiness of the issuer.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2023 and 2022

Note 4 - Fair Value Measurements (Continued)

Mutual funds - Mutual funds are valued at the daily closing prices as reported by the fund. Mutual funds held by ACLU of Montana are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and transact at that price. The mutual funds held by ACLU of Montana are deemed to be actively traded.

The preceding methods described may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ACLU of Montana 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. Transfers between fair value levels are considered effective as of the reporting date.

As of March 31, 2023, investment securities consist of the following assets, which are held by third-party money managers:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Cost Basis</u>
Cash and cash equivalents:	\$ 385,785	\$ 385,785	\$ 385,785
Brokered certificates of deposit:	137,000	137,000	137,000
Mutual funds:			
Large blend	318,106	318,106	301,180
Large growth	453,578	453,578	408,753
Large value	434,261	434,261	437,728
Medium value	665,710	665,710	713,453
Mid-cap growth	96,547	96,547	97,390
Short term bond	455,752	455,752	467,513
Total investments	<u>\$ 2,946,739</u>	<u>\$ 2,946,739</u>	<u>\$ 2,948,802</u>

As of March 31, 2022, investment securities consist of the following assets, which are held by third-party money managers:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Cost Basis</u>
Cash and cash equivalents:	\$ 2,267,816	\$ 2,267,816	\$ 2,267,816
Brokered certificates of deposit:	32,086	32,086	32,000
Mutual funds:			
Large blend	55,887	55,887	42,937
Large growth	86,831	86,831	43,302
Large value	100,797	100,797	68,159
Medium value	109,759	109,759	104,336
Mid-cap growth	18,800	18,800	11,578
Short term bond	78,392	78,392	79,541
Ultrashort bond	778,775	778,775	789,320
Total investments	<u>\$ 3,529,143</u>	<u>\$ 3,529,143</u>	<u>\$ 3,438,989</u>

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2023 and 2022

Note 5 - Montana Community Foundation

The Montana Community Foundation, Inc. (MCF), a Montana non-profit corporation, has established an American Civil Liberties Union of Montana and Affiliate Fund (the Fund). The Fund is an inviolable endowment fund whereby the principal is donated to the MCF for the benefit of ACLU of Montana. As income is earned, it is distributed to ACLU of Montana as unrestricted revenue. Net capital appreciation is considered an addition to principal. The assets of the fund are property of MCF and are therefore not reported on ACLU of Montana's financial statements.

The Fund activity is summarized as follows during the years ended March 31, 2023 and 2022:

	2023	2022
Principal balance, beginning of year	\$ 45,000	\$ 43,580
Realized gain (loss), net	51	2,665
Unrealized gain (loss), net	(3,329)	506
Interest and dividends	490	417
Distribution of income	(1,884)	(1,590)
Fees	(509)	(578)
Principal balance, end of year	\$ 39,819	\$ 45,000

Distributions represent income to ACLU of Montana. Distribution income was \$1,884 and \$1,590 for the years ended March 31, 2023 and 2022, respectively.

Note 6 - Pension Plans

ACLU of Montana participates in the National ACLU Retirement plan. The following are the highlights of the Plan:

Eligibility: All employees of ACLU of Montana, having reached aged 21, are eligible on the January 1 or the July 1 following completion of a year of service with at least 1,000 hours of service.

Plan Cost: ACLU of Montana pays the full cost of providing benefits under the Plan. Contributions are actuarially determined each year by an independent consulting actuary.

Vesting: Eligible employees may retire at age 65 after completing 5 years of service.

Early Retirement: Eligible employees may retire early at any time after age 55 and completion of 10 years of service. Employees who retire early and elect to receive benefits before normal retirement will receive reduced benefits.

Late Retirement: Employees who remain employed after the age of 65 continue to earn a benefit.

Plan Benefits: Plan benefits are based on annual wages and total years of service and are determined by the national organization on an annual basis.

ACLU of Montana contributed \$16,368 and \$13,849 for the years ended March 31, 2023 and 2022, respectively. The National ACLU organization maintains the pension funding and pension obligations, thus no additional disclosures are required by ACLU of Montana.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2023 and 2022

Note 7 - Leasing Arrangements

The Organization leases office space in Missoula, Montana. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term.

The Organization uses the risk-free discount rate at the commencement date of each lease in determining the present value of lease payments in accordance with the Organization's elected policy. The weighted average remaining operating lease term was 2.67 years and 1.67 years for the years ended March 31, 2023 and 2022, respectively. The weighed average discount rate for operating leases was 2.45% for the years ended March 31, 2023 and 2022.

Additional information about the Organization's leases is as follows:

	<u>2023</u>	<u>2022</u>
Lease costs (included in occupancy expenses):		
Operating lease cost	\$ 47,034	\$ 15,640
Short-term lease cost	-	32,166
Total lease costs	<u>\$ 47,034</u>	<u>\$ 47,806</u>

Maturities of operating lease liabilities are as follows for the years ending March 31:

2024	\$ 47,375
2025	<u>32,209</u>
Total lease payments	79,584
Interest	<u>(1,543)</u>
Present value of lease liabilities	<u>\$ 78,041</u>

Note 8 - National Affiliation Relationship

The National ACLU distributes funds to its affiliated state organizations through several programs.

Guaranteed minimum income (GMI) payments to ACLU of Montana's Foundation and Union are disbursed on a monthly basis. National ACLU provides an annual amount to each individual affiliate organization, in order to properly budget for the income to be received from National. ACLU of Montana Foundation received GMI payments of \$150,000 and \$200,000 for the years ended March 31, 2023 and 2022, respectively. ACLU of Montana Union received GMI payments of \$252,620 and \$206,858 for the years ended March 31, 2023 and 2022, respectively.

The ACLU of Montana also receives additional grants and distributions from the National ACLU for specific projects and a share of the National ACLU appropriations. The ACLU of Montana recognized \$438,490 and \$90,916 of income from the the National ACLU for the years ended March 31, 2023 and 2022, respectively.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2023 and 2022

Note 9 - Net Assets

Net assets without donor restrictions - designated of \$359,712 and \$353,538 are designated by the board of directors as an operating reserve as of March 31, 2023 and 2022, respectively.

Net assets with donor restrictions consist of the following as of March 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Indigenous justice	\$ -	\$ 2,000
Reproductive rights	10,000	-
ED Search	3,334	-
Voting rights & education	-	26,115
Miscellaneous program support	-	712
Time restriction	<u>234,836</u>	<u>347,479</u>
Total	<u>\$ 248,170</u>	<u>\$ 376,306</u>

Note 10 - Subsequent Events

Management has evaluated subsequent events through September 7, 2023, the date the financial statements were available to be issued. No additional disclosures were deemed necessary.

SUPPLEMENTARY INFORMATION

**AMERICAN CIVIL LIBERTIES UNION OF MONTANA
COMBINING STATEMENT OF FINANCIAL POSITION
March 31, 2023**

	ACLU of Montana Union	ACLU of Montana Foundation	Eliminating Entries	Combined
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 239,825	\$ 209,233	\$ -	\$ 449,058
Rent receivable	-	3,795	-	3,795
Due from ACLU National	203,906	88,438	-	292,344
Due from ACLU of Montana Union	-	92,877	(92,877)	-
Pledges receivable, current portion	30,000	81,442	-	111,442
Prepaid expenses	-	4,298	-	4,298
Total Current Assets	473,731	480,083	(92,877)	860,937
OTHER ASSETS				
Investments	150,920	2,795,819	-	2,946,739
Pledges receivable, net of discount and current portion	(48)	123,442	-	123,394
Property and equipment, net	-	30,483	-	30,483
Right of use asset	-	76,657	-	76,657
Total Other Assets	150,872	3,026,401	-	3,177,273
TOTAL ASSETS	\$ 624,603	\$ 3,506,484	\$ (92,877)	\$ 4,038,210
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ 39,360	\$ -	\$ 39,360
Due to ACLU of Montana Foundation	92,877	-	(92,877)	-
Accrued payroll liabilities	-	48,492	-	48,492
Accrued salaries	4,393	12,384	-	16,777
Accrued compensated absences	-	45,666	-	45,666
Short-term operating lease liability	-	46,064	-	46,064
Total Current Liabilities	97,270	191,966	(92,877)	196,359
LONG-TERM LIABILITIES				
Long-term operating lease liability	-	31,977	-	31,977
TOTAL LIABILITIES	97,270	223,943	(92,877)	228,336
NET ASSETS				
Without donor restrictions - undesignated	487,381	2,714,611	-	3,201,992
Without donor restrictions - designated	-	359,712	-	359,712
Total without donor restrictions	487,381	3,074,323	-	3,561,704
With donor restrictions	39,952	208,218	-	248,170
TOTAL NET ASSETS	527,333	3,282,541	-	3,809,874
TOTAL LIABILITIES AND NET ASSETS	\$ 624,603	\$ 3,506,484	\$ (92,877)	\$ 4,038,210

See independent auditors' report

**AMERICAN CIVIL LIBERTIES UNION OF MONTANA
COMBINING STATEMENT OF FINANCIAL POSITION
March 31, 2022**

	ACLU of Montana Union	ACLU of Montana Foundation	Eliminating Entries	Combined
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 146,300	\$ 250,348	\$ -	\$ 396,648
Accounts receivable	-	81,965	-	81,965
Rent receivable	-	3,795	-	3,795
Due from ACLU of Montana Union	-	43,100	(43,100)	-
Pledges receivable, current portion	40,000	118,082	-	158,082
Agency fund receivable	-	95,816	-	95,816
Prepaid expenses	-	13,707	-	13,707
Total Current Assets	186,300	606,813	(43,100)	750,013
OTHER ASSETS				
Investments	50,425	3,478,718	-	3,529,143
Pledges receivable, net of discount and current portion	(190)	189,587	-	189,397
Property and equipment, net	-	38,368	-	38,368
Right of use asset	-	121,170	-	121,170
Total Other Assets	50,235	3,827,843	-	3,878,078
TOTAL ASSETS	\$ 236,535	\$ 4,434,656	\$ (43,100)	\$ 4,628,091
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ 6,086	\$ -	\$ 6,086
Due to (from) ACLU National	(49,622)	146,373	-	96,751
Due to ACLU of Montana Foundation	43,100	-	(43,100)	-
Fiscal agent liability	-	95,816	-	95,816
Accrued payroll liabilities	-	26,828	-	26,828
Accrued salaries	3,516	48,419	-	51,935
Accrued compensated absences	-	49,822	-	49,822
Short-term operating lease liability	-	43,588	-	43,588
Total Current Liabilities	(3,006)	416,932	(43,100)	370,826
LONG-TERM LIABILITIES				
Long-term operating lease liability	-	78,041	-	78,041
TOTAL LIABILITIES	(3,006)	494,973	(43,100)	448,867
NET ASSETS				
Without donor restrictions - undesignated	218,153	3,231,227	-	3,449,380
Without donor restrictions - designated	-	353,538	-	353,538
Total without donor restrictions	218,153	3,584,765	-	3,802,918
With donor restrictions	21,388	354,918	-	376,306
TOTAL NET ASSETS	239,541	3,939,683	-	4,179,224
TOTAL LIABILITIES AND NET ASSETS	\$ 236,535	\$ 4,434,656	\$ (43,100)	\$ 4,628,091

See independent auditors' report

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
COMBINING STATEMENT OF ACTIVITIES
Year Ended March 31, 2023

	ACLU of Montana Union	ACLU of Montana Foundation	Eliminating Entries	Combined
SUPPORT AND REVENUE				
GMI National subsidy grant	\$ 252,620	\$ 150,000	\$ -	\$ 402,620
National grants and distributions	232,558	205,932	-	438,490
Contributions	-	961,893	(175,868)	786,025
Unrealized gain (loss) on investments, net	-	(112,555)	-	(112,555)
Dividends and interest	495	56,369	-	56,864
Miscellaneous	-	23,219	(22,013)	1,206
Total Support and Revenue	485,673	1,284,858	(197,881)	1,572,650
EXPENSES				
Advertising	6,501	70,230	(6,501)	70,230
Conferences, meetings, & staff development	1,744	15,511	(1,744)	15,511
Contracted services	60,076	281,380	(60,076)	281,380
Depreciation	498	9,625	(498)	9,625
Dues and subscriptions	263	4,333	(263)	4,333
Equipment	5,411	20,803	(5,411)	20,803
Insurance	82	4,841	(82)	4,841
Meals and hosting	1,414	21,140	(1,414)	21,140
Miscellaneous	307	2,909	(307)	2,909
Occupancy	6,038	54,563	(6,038)	54,563
Personnel	93,357	1,256,261	(93,357)	1,256,261
Postage	518	11,664	(518)	11,664
Printing	713	46,267	(713)	46,267
Supplies	545	5,369	(545)	5,369
Telecommunications	4,829	40,420	(4,829)	40,420
Travel	15,728	72,821	(15,728)	72,821
Bad debts	(143)	23,863	143	23,863
Total Expenses	197,881	1,942,000	(197,881)	1,942,000
Change in Net Assets	287,792	(657,142)	-	(369,350)
Net Assets at Beginning of Year	239,541	3,939,683	-	4,179,224
Net Assets at End of Year	\$ 527,333	\$ 3,282,541	\$ -	\$ 3,809,874

See independent auditors' report

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
COMBINING STATEMENT OF ACTIVITIES
Year Ended March 31, 2022

	ACLU of Montana Union	ACLU of Montana Foundation	Eliminating Entries	Combined
SUPPORT AND REVENUE				
GMI National subsidy grant	\$ 206,858	\$ 200,000	\$ -	\$ 406,858
National grants and distributions	32,955	57,961	-	90,916
Attorney fees	-	110,541	-	110,541
Contributions	-	1,335,377	(99,062)	1,236,315
Unrealized gain (loss) on investments, net	(669)	(22,936)	-	(23,605)
Dividends and interest	217	20,044	-	20,261
Miscellaneous	-	11,082	(10,672)	410
Total Support and Revenue	239,361	1,712,069	(109,734)	1,841,696
EXPENSES				
Advertising	-	23,529	-	23,529
Conferences, meetings, & staff development	-	9,930	-	9,930
Contracted services	16,254	70,901	(16,254)	70,901
Depreciation	647	9,015	(647)	9,015
Dues and subscriptions	1,663	8,111	(1,663)	8,111
Equipment	4,099	19,430	(4,099)	19,430
Insurance	38	4,434	(38)	4,434
Meals and hosting	579	3,870	(579)	3,870
Miscellaneous	-	2,469	-	2,469
Occupancy	4,021	52,162	(4,021)	52,162
Personnel	75,586	1,067,879	(75,586)	1,067,879
Postage	1,332	4,912	(1,332)	4,912
Printing	2,435	8,152	(2,435)	8,152
Supplies	256	1,704	(256)	1,704
Telecommunications	2,618	29,685	(2,618)	29,685
Travel	16	12,722	(16)	12,722
Bad debts	190	3,090	(190)	3,090
Total Expenses	109,734	1,331,995	(109,734)	1,331,995
Change in Net Assets	129,627	380,074	-	509,701
Net Assets at Beginning of Year	109,914	3,559,609	-	3,669,523
Net Assets at End of Year	\$ 239,541	\$ 3,939,683	\$ -	\$ 4,179,224

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