

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.



**AMERICAN CIVIL LIBERTIES
UNION OF MONTANA**

COMBINED FINANCIAL REPORT

March 31, 2017 and 2016



C O N T E N T S

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT.....	1 and 2
COMBINED FINANCIAL STATEMENTS	
Combined Statements of Financial Position.....	3
Combined Statements of Activities	4 and 5
Combined Statements of Cash Flows.....	6
Notes to the Combined Financial Statements.....	7 through 16
SUPPLEMENTAL INFORMATION	
Combining Schedule of Financial Position – 2017	17
Combining Schedule of Financial Position – 2016	18
Combining Schedule of Activities – 2017.....	19
Combining Schedule of Activities – 2016.....	20
Combining Schedule of Functional Expenses - 2017.....	21
Combining Schedule of Functional Expenses - 2016.....	22

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
of the American Civil Liberties Union of Montana
Helena, Montana

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 (the Foundation), collectively the American Civil Liberties Union of Montana (ACLU of Montana), (a non-profit organization), which comprise the combined statements of financial position as of March 31, 2017 and 2016, and the related combined statements of activities and cash flows for the years then ended, and the related notes to the combined 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined 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 the entity'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the ACLU of Montana as of March 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules of financial position, activities and functional expenses 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 audits 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 to the combined financial statements as a whole.

Anderson Zurmuehlen & Co., P.C.

Helena, Montana
September 27, 2017

COMBINED FINANCIAL STATEMENTS

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
 COMBINED STATEMENTS OF FINANCIAL POSITION
 March 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 428,440	\$ 226,429
Cash held for fiscal agent	61,144	72,626
Accounts receivable	34,127	20,347
Net due from ACLU National	155,187	-
Pledges receivable, net of discount	191,059	140,000
Grants receivable	30,000	45,000
Prepaid expenses	<u>9,679</u>	<u>4,618</u>
Total current assets	<u>909,636</u>	<u>509,020</u>
LONG TERM INVESTMENTS	<u>373,657</u>	<u>228,281</u>
PLEDGES RECEIVABLE, net of discount and current portion	<u>117,615</u>	<u>146,701</u>
PROPERTY AND EQUIPMENT, at cost		
Office furniture and equipment	104,483	101,837
Less accumulated depreciation	<u>(86,450)</u>	<u>(79,435)</u>
Total property and equipment	<u>18,033</u>	<u>22,402</u>
Total assets	<u>\$ 1,418,941</u>	<u>\$ 906,404</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 15,585	\$ 19,437
Net due to ACLU National	-	43,453
Fiscal agent liability	61,144	72,626
Accrued payroll liabilities	15,949	2,423
Accrued salaries	30,335	17,740
Accrued compensated absences	28,787	18,696
Capital lease, current portion	<u>1,809</u>	<u>1,649</u>
Total current liabilities	<u>153,609</u>	<u>176,024</u>
CAPITAL LEASE, long-term portion	<u>1,369</u>	<u>3,535</u>
Total liabilities	<u>154,978</u>	<u>179,559</u>
NET ASSETS		
Unrestricted	1,047,346	584,858
Temporarily restricted	216,617	138,795
Permanently restricted	<u>-</u>	<u>3,192</u>
Total net assets	<u>1,263,963</u>	<u>726,845</u>
Total liabilities and net assets	<u>\$ 1,418,941</u>	<u>\$ 906,404</u>

The Notes to Combined Financial Statements are an integral part of these statements.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
 COMBINED STATEMENT OF ACTIVITIES
 For the Year Ended March 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
GMI National subsidy grant	\$ 269,154	\$ -	\$ -	\$ 269,154
Strategic Affiliate Initiative	243,451	-	-	243,451
National grants to affiliates	229,187	-	-	229,187
Contributions	429,148	129,000	-	558,148
Unrealized gain	21,693	-	-	21,693
Dividends and interest	6,633	-	-	6,633
Miscellaneous	25,219	-	-	25,219
Net assets released from restriction	<u>54,370</u>	<u>(51,178)</u>	<u>(3,192)</u>	<u>-</u>
Total support and revenue	<u>1,278,855</u>	<u>77,822</u>	<u>(3,192)</u>	<u>1,353,485</u>
EXPENSES				
Legal program	221,996	-	-	221,996
Communications/public education	110,824	-	-	110,824
Nonlobbying advocacy	96,941	-	-	96,941
Lobbying	28,563	-	-	28,563
General programs	<u>177,365</u>	<u>-</u>	<u>-</u>	<u>177,365</u>
Total program	635,689	-	-	635,689
Administrative and general	84,581	-	-	84,581
Fundraising	<u>96,097</u>	<u>-</u>	<u>-</u>	<u>96,097</u>
Total expenses	<u>816,367</u>	<u>-</u>	<u>-</u>	<u>816,367</u>
Change in net assets	462,488	77,822	(3,192)	537,118
Net assets at beginning of year	<u>584,858</u>	<u>138,795</u>	<u>3,192</u>	<u>726,845</u>
Net assets at end of year	<u>\$ 1,047,346</u>	<u>\$ 216,617</u>	<u>\$ -</u>	<u>\$ 1,263,963</u>

The Notes to Combined Financial Statements are an integral part of this statement.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
 COMBINED STATEMENT OF ACTIVITIES
 For the Year Ended March 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
GMI National subsidy grant	\$ 251,699	\$ -	\$ -	\$ 251,699
Strategic Affiliate Initiative	268,290	-	-	268,290
Attorney fees	47,783	-	-	47,783
Contributions	191,120	93,500	-	284,620
Unrealized loss	(2,292)	-	-	(2,292)
Dividends and interest	1,949	-	-	1,949
Miscellaneous	49,643	-	-	49,643
Net assets released from restriction	<u>113,841</u>	<u>(113,841)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>922,033</u>	<u>(20,341)</u>	<u>-</u>	<u>901,692</u>
EXPENSES				
Legal program	219,034	-	-	219,034
Communications/public education	68,507	-	-	68,507
Nonlobbying advocacy	75,620	-	-	75,620
Lobbying	19,472	-	-	19,472
General programs	<u>185,553</u>	<u>-</u>	<u>-</u>	<u>185,553</u>
Total program	568,186	-	-	568,186
Administrative and general	208,600	-	-	208,600
Fundraising	<u>45,438</u>	<u>-</u>	<u>-</u>	<u>45,438</u>
Total expenses	<u>822,224</u>	<u>-</u>	<u>-</u>	<u>822,224</u>
Change in net assets	<u>99,809</u>	<u>(20,341)</u>	<u>-</u>	<u>79,468</u>
Net assets at beginning of year	438,451	221,167	3,192	662,810
Prior period adjustments	<u>46,598</u>	<u>(62,031)</u>	<u>-</u>	<u>(15,433)</u>
Net assets at beginning of year, as restated	<u>485,049</u>	<u>159,136</u>	<u>3,192</u>	<u>647,377</u>
Net assets at end of year	<u>\$ 584,858</u>	<u>\$ 138,795</u>	<u>\$ 3,192</u>	<u>\$ 726,845</u>

The Notes to Combined Financial Statements are an integral part of this statement.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
 COMBINED STATEMENTS OF CASH FLOWS
 For the Years Ended March 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 537,118	\$ 79,468
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	7,015	7,281
Unrealized (gain) loss on investments	(21,693)	2,292
Change in discount on pledges receivable	2,358	6,651
Change in current assets and liabilities:		
Accounts receivable	(13,780)	(20,297)
Pledges receivable	(24,331)	122,903
Grants receivable	15,000	(43,671)
Prepaid expenses	(5,061)	5,222
Accounts payable	(3,852)	9,902
Due to/from related party, ACLU National	(198,640)	(40,142)
Fiscal agent liability	(11,482)	10,595
Accrued payroll liabilities	13,526	(25,256)
Accrued salaries	12,595	(1,058)
Accrued compensated absences	10,091	(8,443)
Net cash flows from operating activities	<u>318,864</u>	<u>105,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	54,130	9,502
Purchase of investments	(177,813)	(50,984)
Purchase of property and equipment	<u>(2,646)</u>	<u>(2,936)</u>
Net cash flows from investing activities	<u>(126,329)</u>	<u>(44,418)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term capital lease	<u>(2,006)</u>	<u>(2,006)</u>
Net cash flows from financing activities	<u>(2,006)</u>	<u>(2,006)</u>
Net change in cash and cash equivalents	190,529	59,023
Cash and cash equivalents at beginning of year	<u>299,055</u>	<u>240,032</u>
Cash and cash equivalents at end of year	<u>\$ 489,584</u>	<u>\$ 299,055</u>
Cash and cash equivalents as presented on the statement of financial position:		
Cash and cash equivalents	\$ 428,440	\$ 226,429
Cash held for fiscal agent	<u>61,144</u>	<u>72,626</u>
	<u>\$ 489,584</u>	<u>\$ 299,055</u>

The Notes to Combined Financial Statements are an integral part of these statements.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS
March 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The American Civil Liberties Union of Montana (the Union) and the American Civil Liberties Union of Montana Foundation (the Foundation), collectively 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. Certain members of the board of directors of the Union comprise the board of directors of the Foundation. All significant inter-organizational accounts and transactions have been eliminated in combination.

Basis of Accounting

The accompanying combined financial statements reflect practices common to not-for-profits in accordance with accounting principles generally accepted in the United State 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 unrestricted, temporarily restricted or permanently restricted in accordance with donor stipulations. Donor restricted support is reported as an increase in temporary or permanently restricted net assets, depending on the nature of the restriction. When the time restriction expires or is met through expenditure, temporarily restricted net assets are reclassified to unrestricted net assets. All expenses are reported in unrestricted net assets, after satisfaction of applicable restrictions.

The resulting classes of net assets are:

Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations. This category includes net assets which have been designated by the board or other designated funds, and the ACLU of Montana’s investment in property and equipment pursuant to approved Board policy.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met by actions of the ACLU of Montana.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the ACLU of Montana.

Accounting Estimates

The preparation of the combined 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 reported period. Actual results could differ from those estimates.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the ACLU of Montana considers investments with an original maturity of three months or less to be cash and cash equivalents. The ACLU of Montana maintains cash at financial institutions federally insured up to \$250,000. No deposits exceeded federally insured amounts at March 31, 2017 and 2016.

Accounts and Grants Receivables

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, 2017 and 2016, no accounts or grants receivable were past due greater than 90 days and no allowance was recorded for the grants or accounts receivable. Management believes the accounts and grants receivable are fully collectible, therefore, no allowance is considered necessary.

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 the 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

The 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. The 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, 2017 and 2016 were \$7,015 and \$7,281, respectively.

Investments

Investments in marketable equity securities with readily determinable fair value are reported at their fair value in the statement of financial position. Interest, dividends, gains and losses are reported as increases in unrestricted net assets 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 100% of their yearly maximum hours. Once that cap is reached, the employee will no longer continue to accrue vacation time. Upon termination, employees are compensated for unused vacation hours.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2017 and 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising is expensed as it is incurred. Advertising expenses for the years ended March 31, 2017 and 2016 were \$389 and \$892, respectively.

Contributed Services

A number of unpaid volunteers have made contributions of their time to the ACLU of Montana. The value of their contributed time is not recognized in these statements as it does not meet the requirements for recognition in accordance with 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, certain expenses have been allocated among the programs and supporting services benefited.

Tax Status

The Union is exempt from Federal income tax under Section 501(c)(4) of the Internal Revenue Code, and the Foundation is exempt from Federal income tax under Section 501(c)(3).

Subsequent Events

Management has evaluated subsequent events through September 27, 2017, the date the financial statements were available to be issued.

NOTE 2. PLEDGES RECEIVABLE

Pledges receivable consist of the following at March 31 2017, and 2016:

	<u>2017</u>	<u>2016</u>
Restricted	\$ 81,000	\$ 60,000
Unrestricted	<u>233,059</u>	<u>245,000</u>
Total	<u>\$ 314,059</u>	<u>\$ 305,000</u>
Due in:		
Receivable in one year or less	\$ 191,059	\$ 140,000
Receivable in one to five years	<u>123,000</u>	<u>165,000</u>
	314,059	305,000
Less: discount at 1.7%-2017 and 5.0%-2016	<u>(5,385)</u>	<u>(18,299)</u>
	308,674	286,701
Less: current portion	<u>(191,059)</u>	<u>(140,000)</u>
Pledges receivable, long-term	<u>\$ 117,615</u>	<u>\$ 146,701</u>

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2017 and 2016

NOTE 3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at March 31 2017, and 2016:

	<u>2017</u>	<u>2016</u>
Internships	\$ 1,652	\$ 6,000
Young staff development	28,000	-
ACLU of Montana Union	46,435	46,435
Racial Justice reform	103,641	50,000
Criminal Justice reform	-	15,000
Miscellaneous program support	36,889	21,360
	<u>\$ 216,617</u>	<u>\$ 138,795</u>

Assets released from restriction due to fulfillment of donor-imposed restrictions in 2017 and 2016 include:

	<u>2017</u>	<u>2016</u>
Internships	\$ 6,348	\$ 19,300
Racial Justice reform	21,359	-
Criminal Justice reform	15,000	36,500
Miscellaneous program support	8,471	58,041
	<u>\$ 51,178</u>	<u>\$ 113,841</u>

NOTE 4. ENDOWMENT NET ASSETS

During 2017, ACLU of Montana contacted the donor regarding the endowment. The donor released his requirement that the gift was to be endowed. The funds are to be used for operations. As a result, the funds have been reclassified to unrestricted net assets during 2017.

The ACLU of Montana's endowment consisted of one fund managed by D.A. Davidson. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

The ACLU of Montana interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the ACLU of Montana classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2017 and 2016

NOTE 4. ENDOWMENT NET ASSETS (CONTINUED)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets was classified as unrestricted net assets and was appropriated for expenditure by the ACLU of Montana in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, the ACLU of Montana considered the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund,
2. The purpose of the ACLU of Montana and the donor-restricted endowment fund,
3. General economic conditions,
4. The possible effect of inflation and deflation,
5. The expected total return from income and the appreciation of investments,
6. Other resources of the ACLU of Montana, and
7. The investment policies of the ACLU of Montana

Changes in endowment net asset composition by type of fund for the years ended March 31, 2017 and 2016 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, March 31, 2015	\$ 8,024	\$ 3,192	\$ 11,216
Investment return:			
Investment income	1,278	-	1,278
Net appreciation	(3,899)	-	(3,899)
Total investment return	(2,621)	-	(2,621)
Endowment net assets, March 31, 2016	5,403	3,192	8,595
Investment return:			
Investment income	163	-	163
Net appreciation	(1,493)	-	(1,493)
Total investment return	(1,330)	-	(1,330)
Reclassification of funds	(4,073)	(3,192)	(7,265)
Endowment net assets, March 31, 2017	\$ -	\$ -	\$ -

The ACLU of Montana did not have a spending policy. However, historically all of the investment earnings have been spent for operations.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2017 and 2016

NOTE 5. FISCAL AGENT

ACLU of Montana serves as the fiscal agent for the Montana Abolition Coalition (AbCo). The Executive Director of the ACLU of Montana is a member of the board of directors of the Montana Abolition Coalition but does not have significant influence over AbCo operations. The amount due to the Montana Abolition Coalition was \$-0- and \$13,667 as of March 31, 2017 and 2016, respectively, and is included in accounts payable. The cash held for AbCo totals \$61,144 and \$72,626 as of March 31, 2017 and 2016, respectively, and is reported as an asset and a liability in these combined financial statements.

NOTE 6. PENSION PLANS

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

Eligibility: All employees of the ACLU of Montana, having reached age 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: The 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 age 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.

The ACLU of Montana contributed \$8,137 for the years ended March 31, 2017 and 2016. The National organization maintains the pension funding and pension obligations, thus no additional disclosures are made by the Montana affiliates.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2017 and 2016

NOTE 7. FAIR VALUE MEASUREMENTS

GAAP provides a framework for measuring fair value and defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

GAAP also establishes a fair value hierarchy, which prioritizes the valuation of inputs into three broad levels, as described below:

- Level 1 Quoted prices in active markets as of the measurement date;
- Level 2 Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that observable (either directly or indirectly) for substantially the full term of the asset or liability; and
- Level 3 Significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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

- *Marketable Securities* – the fair value of marketable securities are based on quoted market prices for those securities.

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 the 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.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
 NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
 March 31, 2017 and 2016

NOTE 7. FAIR VALUE MEASUREMENTS (CONTINUED)

As of March 31, 2017 and 2016, investment securities consist of the following assets, which are held by third-party money managers.

	<u>Cost</u>	<u>Fair Value Quoted prices in active markets</u>	<u>Cumulative Appreciation (Depreciation)</u>
<u>2017:</u>			
Mutual funds:			
Domestic stock	\$ 161,055	\$ 183,128	\$ 22,073
International stock	45,586	46,841	1,255
Corporate bond	128,149	126,113	(2,036)
International bond	<u>17,095</u>	<u>17,575</u>	<u>480</u>
	<u>\$ 351,885</u>	<u>\$ 373,657</u>	<u>\$ 21,772</u>
<u>2016:</u>			
Mutual funds:			
Domestic stock	\$ 108,761	\$ 119,173	\$ 10,412
International stock	32,514	28,855	(3,659)
Corporate bond	70,053	68,623	(1,430)
International bond	<u>12,644</u>	<u>11,629</u>	<u>(1,015)</u>
	<u>\$ 223,973</u>	<u>\$ 228,281</u>	<u>\$ 4,308</u>

NOTE 8. OPERATING LEASES

The ACLU of Montana rents office space in Helena, Montana. The operating lease renews annually each December 31. The lease amount was \$2,600 per month starting on January 1, 2015 through May 31, 2015, then changed to \$1,525 per month on June 1, 2015 through January 1, 2016. The monthly lease amount for February 1, 2016 through December 31, 2016 was \$1,140. The monthly lease amount for January 1, 2017 through December 31, 2018 will be \$1,157. Total rent paid was \$13,731 and \$19,680 for the years ended March 31, 2017 and 2016, respectively.

The ACLU of Montana also rents office space in Missoula, Montana, on a month to month basis. The lease payments were \$2,000 per month through September 30, 2017. Total rent paid was \$24,000 and \$26,400 for the years ended March 31, 2017 and 2016, respectively.

Future minimum lease commitments under non-cancellable operating leases at March 31, 2017 are as follows:

2018	\$ 27,981
2019	<u>12,510</u>
	<u>\$ 40,492</u>

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2017 and 2016

NOTE 9. CAPITAL LEASE

In December, 2013 the ACLU of Montana entered into a capital lease for a Konica Minolta Copier. The capital lease is for 60 months with payments of \$167 and a bargain purchase price of \$1 at the end of the lease, and expires on December 2018.

Future minimum lease commitments under the non-cancellable capital lease at March 31, 2017 are as follows:

2018	\$	1,809
2019		1,369
		\$ 3,178

NOTE 10. MONTANA COMMUNITY FOUNDATION FUND

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 the ACLU of Montana. As income is earned, it is distributed to the ACLU of Montana as unrestricted revenue. Net capital appreciation is considered an addition to principal. The assets of the fund are the property of MCF and are therefore not reported on the ACLU of Montana's financial statements.

The Fund activity is summarized as follows:

	March 31, <u>2017</u>	March 31, <u>2016</u>
Principal balance, beginning of year	\$ 20,968	\$ 8,786
Contributions	25	12,265
Realized gain	1,701	140
Unrealized loss	(436)	(306)
Interest and dividends	219	192
Distribution of income	(535)	-
Fees	(266)	(109)
Principal balance, end of year	\$ 21,676	\$ 20,968

Distributions represent income to the Foundation. The distribution of income was \$535 and \$-0 for the years ended March 31, 2017 and 2016, respectively.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA
NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)
March 31, 2017 and 2016

NOTE 11. PRIOR PERIOD ADJUSTMENTS

During the audit for fiscal 2016, several financial statement line items reported on the audited financial statements as of March 31, 2015 were discovered to be materially misstated. As a result, a prior period adjustment of assets, liabilities, unrestricted and temporarily restricted net assets at April 1, 2015 was made.

	March 31, 2015		
	As Previously Reported	Restated	Change
Pledge receivable	\$ 426,956	\$ 416,255	\$ (10,701)
Accrued payroll liabilities	40,402	27,679	12,723
Fiscal agent liability - AbCo	-	62,031	(62,031)
Accrued salaries	4,759	18,798	(14,039)
Due to National	142,210	83,595	58,615
Unrestricted net assets	438,451	485,049	(46,598)
Temporarily restricted net assets	221,167	159,136	62,031
Total net assets	662,810	647,377	15,433

SUPPLEMENTAL INFORMATION

AMERICAN CIVIL LIBERTIES UNION OF MONTANA AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION

March 31, 2017

	ACLU of MT Union	ACLU of MT Foundation	Elimination Entry	Combined Balances
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 66,421	\$ 423,163	\$ -	\$ 489,584
Accounts receivable	4,877	29,250	-	34,127
Due from Abolition Coalition		3,578	(3,578)	-
Due from ACLU of MT Union	-	4,287	(4,287)	-
Net due from National	-	155,187	-	155,187
Pledges receivable	-	191,059	-	191,059
Grants receivable	-	30,000	-	30,000
Prepaid expenses	-	9,679	-	9,679
Total current assets	<u>71,298</u>	<u>846,203</u>	<u>(7,865)</u>	<u>909,636</u>
LONG-TERM INVESTMENTS	<u>-</u>	<u>373,657</u>	<u>-</u>	<u>373,657</u>
PLEDGES RECEIVABLE, net of discount and current portion	<u>-</u>	<u>117,615</u>	<u>-</u>	<u>117,615</u>
PROPERTY AND EQUIPMENT				
Office furniture and equipment	-	104,483	-	104,483
Less accumulated depreciation	-	(86,450)	-	(86,450)
Total property and equipment	<u>-</u>	<u>18,033</u>	<u>-</u>	<u>18,033</u>
Total assets	<u>\$ 71,298</u>	<u>\$ 1,355,508</u>	<u>\$ (7,865)</u>	<u>\$ 1,418,941</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ -	15,585	\$ -	\$ 15,585
Due to related party, ACLU National	-	-	-	-
Due to ACLU of MT Foundation	4,287	-	(4,287)	-
Fiscal agent liability	-	64,722	(3,578)	61,144
Accrued payroll liabilities	-	15,949	-	15,949
Accrued salaries	-	30,335	-	30,335
Accrued compensated absences	-	28,787	-	28,787
Capital lease, current portion	-	1,809	-	1,809
Total current liabilities	<u>4,287</u>	<u>157,187</u>	<u>(7,865)</u>	<u>153,609</u>
LONG-TERM CAPITAL LEASE	<u>-</u>	<u>1,369</u>	<u>-</u>	<u>1,369</u>
Total liabilities	<u>4,287</u>	<u>158,556</u>	<u>(7,865)</u>	<u>154,978</u>
NET ASSETS				
Unrestricted	20,576	1,026,770	-	1,047,346
Temporarily restricted	<u>46,435</u>	<u>170,182</u>	<u>-</u>	<u>216,617</u>
Total net assets	<u>67,011</u>	<u>1,196,952</u>	<u>-</u>	<u>1,263,963</u>
Total liabilities and net assets	<u>\$ 71,298</u>	<u>\$ 1,355,508</u>	<u>\$ (7,865)</u>	<u>\$ 1,418,941</u>

See Independent Auditor's Report.

**AMERICAN CIVIL LIBERTIES UNION OF MONTANA AND AFFILIATE
COMBINED STATEMENT OF FINANCIAL POSITION**

March 31, 2016

	ACLU of MT Union	ACLU of MT Foundation	Elimination Entry	Combined Balances
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 59,247	239,808	\$ -	\$ 299,055
Accounts receivable	625	19,722	-	20,347
Due from ACLU of MT Union	-	13,280	(13,280)	-
Pledges receivable, net of discount	-	140,000	-	140,000
Grants receivable	-	45,000	-	45,000
Prepaid expenses	-	4,618	-	4,618
Total current assets	<u>59,872</u>	<u>462,428</u>	<u>(13,280)</u>	<u>509,020</u>
INVESTMENTS	<u>-</u>	<u>228,281</u>	<u>-</u>	<u>228,281</u>
PLEDGES RECEIVABLE, net of discount and current portion	<u>-</u>	<u>146,701</u>	<u>-</u>	<u>146,701</u>
PROPERTY AND EQUIPMENT				
Office furniture and equipment	-	101,837	-	101,837
Less accumulated depreciation	<u>-</u>	<u>(79,435)</u>	<u>-</u>	<u>(79,435)</u>
Total property and equipment	<u>-</u>	<u>22,402</u>	<u>-</u>	<u>22,402</u>
Total assets	<u>\$ 59,872</u>	<u>\$ 859,812</u>	<u>\$ (13,280)</u>	<u>\$ 906,404</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ -	\$ 19,437	\$ -	\$ 19,437
Net due to ACLU National	-	43,453	-	43,453
Due to ACLU of MT Foundation	13,280	-	(13,280)	-
Fiscal agent liability	-	72,626	-	72,626
Accrued payroll liabilities	-	2,423	-	2,423
Accrued salaries	-	17,740	-	17,740
Accrued compensated absences	-	18,696	-	18,696
Capital lease, current portion	<u>-</u>	<u>1,649</u>	<u>-</u>	<u>1,649</u>
Total current liabilities	<u>13,280</u>	<u>176,024</u>	<u>(13,280)</u>	<u>176,024</u>
LONG-TERM CAPITAL LEASE	<u>-</u>	<u>3,535</u>	<u>-</u>	<u>3,535</u>
Total liabilities	<u>13,280</u>	<u>179,559</u>	<u>(13,280)</u>	<u>179,559</u>
NET ASSETS				
Unrestricted	157	584,701	-	584,858
Temporarily restricted	46,435	92,360	-	138,795
Permanently restricted	<u>-</u>	<u>3,192</u>	<u>-</u>	<u>3,192</u>
Total net assets	<u>46,592</u>	<u>680,253</u>	<u>-</u>	<u>726,845</u>
Total liabilities and net assets	<u>\$ 59,872</u>	<u>\$ 859,812</u>	<u>\$ (13,280)</u>	<u>\$ 906,404</u>

See Independent Auditor's Report.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA AND AFFILIATE
 COMBINED SCHEDULE OF ACTIVITIES
 For the Year Ended March 31, 2017

	ACLU of MT Union	ACLU of MT Foundation	Elimination Entry	Combined Balances
SUPPORT AND REVENUE				
GMI National subsidy grant	\$ 44,154	225,000	\$ -	\$ 269,154
Strategic Affiliate Initiative	-	243,451	-	243,451
National megagift sharing grant	-	229,187	-	229,187
Contributions	-	558,148	-	558,148
Unrealized/realized gain	-	21,693	-	21,693
Dividends and interest	-	6,633	-	6,633
Miscellaneous	300	24,919	-	25,219
Total revenues, gains and other support	<u>44,454</u>	<u>1,309,031</u>	<u>-</u>	<u>1,353,485</u>
EXPENSES				
Legal program	-	221,996	-	221,996
Communications/public education	-	110,824	-	110,824
Nonlobbying advocacy	-	96,941	-	96,941
Lobbying	-	28,563	-	28,563
General programs	17,270	160,095	-	177,365
Total program	17,270	618,419	-	635,689
Administrative and general	6,766	77,815	-	84,581
Fundraising	-	96,097	-	96,097
Total expenses	<u>24,036</u>	<u>792,331</u>	<u>-</u>	<u>816,367</u>
Change in net assets	20,418	516,700	-	537,118
Net assets at beginning of year	<u>46,592</u>	<u>680,253</u>	<u>-</u>	<u>726,845</u>
Net assets at end of year	<u>\$ 67,010</u>	<u>\$ 1,196,953</u>	<u>\$ -</u>	<u>\$ 1,263,963</u>

See Independent Auditor's Report.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA AND AFFILIATE
 COMBINED SCHEDULE OF ACTIVITIES
 For the Year Ended March 31, 2016

	ACLU of MT Union	ACLU of MT Foundation	Consolidation Adjustment	Consolidated Balances
SUPPORT AND REVENUE				
GMI National subsidy grant	9,635	242,064	\$ -	\$ 251,699
Strategic Affiliate Initiative	-	268,290	-	268,290
Attorney fees	-	47,783	-	47,783
Contributions	-	284,620	-	284,620
Unrealized loss	-	(2,292)	-	(2,292)
Dividends and interest	-	1,949	-	1,949
Miscellaneous	33,473	16,170	-	49,643
Total revenues, gains and other support	<u>43,108</u>	<u>858,584</u>	<u>-</u>	<u>901,692</u>
EXPENSES				
Legal program	-	219,034	-	219,034
Communications/public education	-	68,507	-	68,507
Nonlobbying advocacy	-	75,620	-	75,620
Lobbying	-	19,472	-	19,472
General programs	30,602	154,951	-	185,553
Total program	30,602	537,584	-	568,186
Administrative and general	-	208,600	-	208,600
Fundraising	-	45,438	-	45,438
Total expenses	<u>30,602</u>	<u>791,622</u>	<u>-</u>	<u>822,224</u>
Change in net assets	12,506	66,962	-	79,468
Net assets at beginning of year	34,086	628,724	-	662,810
Prior period adjustments	-	(15,433)	-	(15,433)
Net assets at beginning of year, as restated	<u>34,086</u>	<u>613,291</u>	<u>-</u>	<u>647,377</u>
Net assets at end of year	<u>\$ 46,592</u>	<u>\$ 680,253</u>	<u>\$ -</u>	<u>\$ 726,845</u>

See Independent Auditor's Report.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA AND AFFILIATE
COMBINED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2017

	Lobbying	Communications/ Public Education	General Programs	Legal Program	Nonlobbying Advocacy	Total Program Expense	Administrative and General	Fundraising	Total
Advertising	\$ 19	\$ 370	\$ -	\$ -	\$ -	\$ 389	\$ -	\$ -	\$ 389
Contracted services	3,322	7,063	10,745	17,483	14,922	53,535	5,770	6,797	66,102
Depreciation	341	873	1,582	1,940	655	5,391	768	856	7,015
Dues and subscriptions	890	499	8,100	9,285	1,135	19,909	158	176	20,243
Equipment expense	-	790	936	1,310	442	3,478	519	578	4,575
Facilities rental	-	1,417	2,023	127	43	3,610	50	56	3,716
Insurance	72	154	245	3,523	116	4,110	135	151	4,396
Meals and hosting	844	3,614	3,403	200	1,452	9,513	2,517	1,884	13,914
Miscellaneous	107	301	2,835	668	226	4,137	265	295	4,697
Occupancy	2,651	5,389	8,558	11,971	4,052	32,621	4,738	5,281	42,640
Online legal research	-	-	50	-	-	50	-	-	50
Personnel expense	16,731	73,540	116,790	163,340	55,160	425,561	64,663	72,070	562,294
Postage	105	135	422	807	66	1,535	77	1,084	2,696
Printing	446	9,829	137	636	65	11,113	76	823	12,012
Staff training/development	71	97	66	2,010	31	2,275	36	41	2,352
Supplies	165	495	952	695	221	2,528	258	321	3,107
Telecommunications	377	894	1,420	2,036	671	5,398	786	876	7,060
Travel	2,422	5,364	19,101	5,965	17,684	50,536	3,765	4,808	59,109
Total expenses	<u>\$ 28,563</u>	<u>\$ 110,824</u>	<u>\$ 177,365</u>	<u>\$ 221,996</u>	<u>\$ 96,941</u>	<u>\$ 635,689</u>	<u>\$ 84,581</u>	<u>\$ 96,097</u>	<u>\$ 816,367</u>

See Independent Auditor's Report.

AMERICAN CIVIL LIBERTIES UNION OF MONTANA AND AFFILIATE
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended March 31, 2016

	Lobbying	Communications/ Public Education	General Programs	Legal Program	Nonlobbying Advocacy	Total Program Expense	Administrative and General	Fundraising	Total
Advertising	\$ -	\$ 479	\$ 413	\$ -	\$ -	\$ 892	\$ -	\$ -	\$ 892
Books, CDs, etc.	-	30	1,804	2,152	-	3,986	68	-	4,054
Contracted services	2,408	-	11,045	-	15,000	28,453	40,167	-	68,620
Depreciation	-	-	-	-	-	-	7,281	-	7,281
Dues and subscriptions	-	-	3,354	4,666	2,100	10,120	7,241	40	17,401
Equipment	-	-	50	-	-	50	4,038	-	4,088
Facilities rental	-	-	3,486	-	-	3,486	-	-	3,486
Insurance	-	-	-	875	-	875	1,796	-	2,671
Meals and hosting	-	116	6,988	1,681	256	9,041	2,745	33	11,819
Miscellaneous	-	-	588	-	-	588	3,056	-	3,644
Occupancy	666	-	1,538	471	-	2,675	55,621	-	58,296
Online legal research	-	-	-	3,899	-	3,899	-	-	3,899
Personnel	16,183	67,708	102,775	192,715	51,744	431,125	73,891	45,348	550,364
Postage	-	58	2,756	12	-	2,826	352	-	3,178
Printing	-	54	10,655	149	-	10,858	-	-	10,858
Regrants	-	-	-	-	5,000	5,000	-	-	5,000
Staff training/development	-	-	9,324	1,170	-	10,494	784	-	11,278
Supplies	-	-	3,887	424	173	4,484	332	-	4,816
Telecommunications	215	-	1,552	1,433	2	3,202	11,189	-	14,391
Travel	-	62	25,338	9,387	1,345	36,132	39	17	36,188
Total expenses	<u>\$ 19,472</u>	<u>\$ 68,507</u>	<u>\$ 185,553</u>	<u>\$ 219,034</u>	<u>\$ 75,620</u>	<u>\$ 568,186</u>	<u>\$ 208,600</u>	<u>\$ 45,438</u>	<u>\$ 822,224</u>

See Independent Auditor's Report.



CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

www.azworld.com

MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS