American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Financial Report
March 31, 2014

Contents

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Civil Liberties Union Foundation, Inc. and Subsidiary (collectively, the “Foundation”) (an organization that is consolidated into the financial statements of the American Civil Liberties Union, Inc. and Consolidated Entities for accounting purposes), which comprise the consolidated statement of financial position as of March 31, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Civil Liberties Union Foundation, Inc. and Subsidiary as of March 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information
We have previously audited the consolidated financial statements of the American Civil Liberties Union Foundation, Inc. and Subsidiary as of and for the year ended March 31, 2013, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2013 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

McGladrey LLP

New York, New York
September 29, 2014

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statements of Financial Position
March 31, 2014 and 2013

Assets	**2014**	2013
Cash and Cash Equivalents	**$ 8,309,493**	$ 6,614,564
Pledges and Contributions Receivable, net	**12,731,387**	11,115,503
Investments	**265,526,566**	280,322,099
Other Assets	**1,709,288**	1,405,180
Due From Affiliates	**4,606,601**	7,163,415
Beneficial Interest in Trusts	**1,318,418**	536,563
Land, Office Buildings, Furniture, Fixtures and Office Equipment, net of accumulated depreciation	**29,715,549**	30,628,076
Total assets	**$ 323,917,302**	$ 337,785,400
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 4,138,222**	$ 3,610,777
Due to American Civil Liberties Union, Inc.:		
Accrued pension liability	**3,077,796**	1,656,104
Other	**6,215,210**	7,005,531
Due to affiliates	**6,914,010**	4,908,587
Liabilities under split-interest agreements	**12,280,815**	12,350,901
IDA bond	**15,230,000**	15,710,000
Bill of Rights Trust held for affiliates	**27,432,839**	25,396,610
Total liabilities	**75,288,892**	70,638,510
Commitments and Contingency		
Net Assets		
Unrestricted:		
Board-designated	**122,690,892**	127,107,942
Undesignated	**38,346,334**	47,475,536
Total unrestricted	**161,037,226**	174,583,478
Temporarily restricted:		
Bill of Rights Trust and other endowments	**17,090,961**	15,226,487
Other time and purpose restrictions	**29,738,508**	36,771,670
Total temporarily restricted	**46,829,469**	51,998,157
Permanently restricted - Bill of Rights Trust and other endowments	**40,761,715**	40,565,255
Total net assets	**248,628,410**	267,146,890
Total liabilities and net assets	**$ 323,917,302**	$ 337,785,400

See Notes to Consolidated Financial Statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statement of Activities
Year Ended March 31, 2014
(with summarized comparative information for the year ended March 31, 2013)

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenue					
Support:					
Grants and contributions	$ 21,236,082	$ 20,036,544	$ 196,460	**$ 41,469,086**	$ 39,359,237
Donated legal services	7,590,429	-	-	**7,590,429**	16,135,081
Bequests	12,843,255	797,990	-	**13,641,245**	12,684,188
Total support	41,669,766	20,834,534	196,460	**62,700,760**	68,178,506
Revenue:					
Rental income	1,248,393	-	-	**1,248,393**	1,594,722
Pamphlet and book sales	2,923	-	-	**2,923**	28,490
Other income	94,287	-	-	**94,287**	71,410
Total revenue	1,345,603	-	-	**1,345,603**	1,694,622
Net Assets Released From Restrictions	29,677,377	(29,677,377)	-	**-**	-
Total support and revenue	72,692,746	(8,842,843)	196,460	**64,046,363**	69,873,128
Expenses					
Program services:					
Legislative	294,928	-	-	**294,928**	3,706,770
Legal	42,624,671	-	-	**42,624,671**	44,724,101
Public education	13,580,824	-	-	**13,580,824**	6,373,051
Civil liberties policy formulation	620,290	-	-	**620,290**	490,966
Affiliate support	26,793,990	-	-	**26,793,990**	24,506,775
Total program services	83,914,703	-	-	**83,914,703**	79,801,663
Supporting services:					
Management and general	5,148,065	-	-	**5,148,065**	3,773,342
Fund-raising	7,873,025	-	-	**7,873,025**	6,774,034
Total supporting services	13,021,090	-	-	**13,021,090**	10,547,376
Total expenses	96,935,793	-	-	**96,935,793**	90,349,039
Change in net assets before other changes	(24,243,047)	(8,842,843)	196,460	**(32,889,430)**	(20,475,911)
Other Changes in Net Assets					
Legal expenses awarded, net	2,504,624	-	-	**2,504,624**	2,333,073
Net investment income, gains and losses	8,921,044	3,811,191	-	**12,732,235**	13,292,285
Changes in value of split-interest agreement	(728,873)	(137,036)	-	**(865,909)**	(875,385)
Total other changes in net assets	10,696,795	3,674,155	-	**14,370,950**	14,749,973
Change in net assets	(13,546,252)	(5,168,688)	196,460	**(18,518,480)**	(5,725,938)
Net Assets					
Beginning	174,583,478	51,998,157	40,565,255	**267,146,890**	272,872,828
Ending	$ 161,037,226	$ 46,829,469	$ 40,761,715	**$ 248,628,410**	$ 267,146,890

See Notes to Consolidated Financial Statements.

American Civil Liberties Union, Foundation Inc. and Subsidiary

Consolidated Statement of Functional Expenses
Year Ended March 31, 2014
(with summarized comparative information for the year ended March 31, 2013)

	2014										2013
	Program Services					Supporting Services					
	Legislative	Legal	Public Education	Civil Liberties Policy Formulation	Affiliate Support	Total Program Services	Management and General	Fund-raising	Total Supporting Services	Total Expenses	Summarized Comparative Information
Salaries	$ 136,448	$ 14,135,637	$ 4,752,586	$ 256,239	$ 3,055,975	$ 22,336,885	$ 1,598,613	$ 3,565,747	$ 5,164,360	**$ 27,501,245**	$ 25,602,290
Employee benefits	51,107	5,341,036	1,591,699	101,363	971,616	8,056,821	641,560	1,305,034	1,946,594	**10,003,415**	7,844,330
Rent and occupancy	6,746	1,552,795	306,486	9,834	161,414	2,037,275	629,196	187,867	817,063	**2,854,338**	2,875,818
Books	1,346	215,873	135,529	1,293	16,088	370,129	5,860	36,148	42,008	**412,137**	334,017
Building depreciation	51,896	1,030,533	394,527	23,265	418,356	1,918,577	479,384	417,183	896,567	**2,815,144**	2,777,976
Equipment depreciation	17,481	521,355	104,869	5,536	108,458	757,699	41,476	95,818	137,294	**894,993**	634,606
Equipment rental and maintenance	1,107	337,629	73,723	2,201	31,382	446,042	17,895	39,932	57,827	**503,869**	507,133
Grants to affiliates	-	1,425,491	-	-	3,829,137	5,254,628	-	-	-	**5,254,628**	5,035,594
Shared portion of contributions	-	1,744,616	-	-	6,794,044	8,538,660	-	-	-	**8,538,660**	7,039,502
Shared portion of bequest	-	70,389	-	-	4,533,512	4,603,901	-	-	-	**4,603,901**	4,050,882
Meetings/conferences	199	89,894	24,993	3,721	113,350	232,157	21,405	33,808	55,213	**287,370**	472,647
Legal fees	38	1,410	18,011	25,073	62,575	107,107	149,548	45,996	195,544	**302,651**	273,757
Donated legal services	-	7,590,429	-	-	-	7,590,429	-	-	-	**7,590,429**	16,135,081
Accounting fees	-	-	-	-	-	-	13,300	-	13,300	**13,300**	295,835
Professional fund-raising services	-	-	-	-	-	-	-	280,171	280,171	**280,171**	664,252
Other professional services	15,695	5,793,692	3,867,152	129,743	1,528,568	11,334,850	1,257,108	904,319	2,161,427	**13,496,277**	5,333,404
Interest expense	735	141,319	18,275	1,371	20,621	182,321	10,275	26,147	36,422	**218,743**	168,907
Postage and supplies	509	138,267	176,233	4,184	24,054	343,247	29,842	309,196	339,038	**682,285**	717,876
Publishing, printing and outreach	-	54,118	1,597,943	83	83	1,652,227	248	238,020	238,268	**1,890,495**	1,141,120
Special affiliate subsidies	-	-	-	-	4,721,616	4,721,616	-	-	-	**4,721,616**	4,772,356
Telephone	1,513	466,834	69,562	2,509	39,117	579,535	18,968	48,232	67,200	**646,735**	771,383
Telemarketing	-	-	7,314	-	-	7,314	-	65,823	65,823	**73,137**	43,314
Travel	7,746	1,187,969	235,506	43,336	181,829	1,656,386	142,559	159,809	302,368	**1,958,754**	1,824,925
Other expenses	2,362	785,385	206,416	10,539	182,195	1,186,897	90,828	113,775	204,603	**1,391,500**	1,032,034
Total - 2014	$ 294,928	$ 42,624,671	$ 13,580,824	$ 620,290	$ 26,793,990	$ 83,914,703	$ 5,148,065	$ 7,873,025	$ 13,021,090	**$ 96,935,793**	
Total - 2013	$ 3,706,770	$ 44,724,101	$ 6,373,051	$ 490,966	$ 24,506,775	$ 79,801,663	$ 3,773,342	$ 6,774,034	$ 10,547,376		$ 90,349,039

See Notes to Consolidated Financial Statements.

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidated Statements of Cash Flows
Years Ended March 31, 2014 and 2013

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	**$ (18,518,480)**	$ (5,725,938)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	**3,710,137**	3,412,582
Donated securities	**(3,260,487)**	-
Discount on pledges receivable	**(86,668)**	(75,530)
Beneficial interest in trusts	**(781,855)**	-
Changes in value of split-interest agreements	**865,909**	875,385
Net realized and unrealized gains on investments, net of adjustments for affiliate holdings	**(6,531,485)**	(8,192,437)
Contributions restricted for endowment	**(196,460)**	(211,920)
Contributions subject to split-interest agreements	**(615,749)**	(1,089,264)
Changes in operating assets and liabilities:		
Due from/to affiliates	**4,562,237**	(2,825,633)
Pledges and contributions receivable	**(1,529,216)**	3,339,900
Other assets	**(304,108)**	424,460
Accounts payable and accrued expenses	**527,445**	762,462
Due to American Civil Liberties Union, Inc. - accrued pension liability	**1,421,692**	254,853
Due to American Civil Liberties Union, Inc. - other	**(790,321)**	1,126,119
Bill of Rights Trust held for affiliates	**880,345**	29,062
Net cash used in operating activities	**(20,647,064)**	(7,895,899)
Cash Flows From Investing Activities		
Proceeds from sale of investments	**275,441,977**	126,488,284
Purchase of investments	**(249,698,588)**	(133,617,375)
Purchase of office buildings, furniture, fixtures and office equipment	**(2,797,610)**	(1,463,948)
Net cash provided by (used in) investing activities	**22,945,779**	(8,593,039)
Cash Flows From Financing Activities		
Contributions restricted for endowment	**196,460**	211,920
Contributions subject to split-interest agreements	**615,749**	1,089,264
Payments on split-interest agreements	**(1,688,734)**	(1,574,587)
New annuities	**752,739**	1,163,714
Principal payments on IDA bonds	**(480,000)**	(460,000)
Net cash (used in) provided by financing activities	**(603,786)**	430,311
Net change in cash and cash equivalents	**1,694,929**	(16,058,627)
Cash and Cash Equivalents		
Beginning	**6,614,564**	22,673,191
Ending	**$ 8,309,493**	$ 6,614,564
Supplemental Disclosures of Cash Flow Information:		
Interest paid	**$ 260,409**	$ 234,594
Change in investments for Bill of Rights Trust held for affiliates	**$ 1,155,884**	$ 1,257,719

See Notes to Consolidated Financial Statements.

Note 1. Organization

The American Civil Liberties Union Foundation, Inc. (the "Foundation") was established as nonprofit corporation to preserve and promote individual civil rights and civil liberties as guaranteed by the United States Constitution. The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Foundation is affiliated with the American Civil Liberties Union, Inc. (the “Union”), an organization that is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code.

The American Civil Liberties Union Foundation, Inc. and the American Civil Liberties Union, Inc. are collectively referred to as the “ACLU.”

Both the Foundation and the Union are affiliated with 50 nonprofit, tax-exempt organizations in every state in the United States, the District of Columbia and Puerto Rico. All affiliates include reference to the "American Civil Liberties Union" or some variation thereof in their names (the "affiliates"). Each affiliate also operates through related Section 501(c)(3) and Section 501(c)(4) organizations. The affiliates share the same overall mission and purpose as the ACLU, but their programs focus more on local or regional issues, while the ACLU's program activities are focused on overarching civil liberties issues and initiatives. Although the ACLU plays no direct role in the governance of and, except in very limited instances, does not share employees with, the affiliates, the organizations jointly fund-raise and work together on certain programs, and the ACLU, through either the Union or Foundation, as appropriate, at its sole discretion provides targeted financial and other support to the affiliates.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Principles of consolidation: The accompanying consolidated financial statements include the accounts and activities of the American Civil Liberties Union Foundation, Inc. and its subsidiary, 915 15th Street, LLC (the "LLC") (collectively referred to as the “Foundation”). The LLC is a single-member limited liability company of which the Foundation is the sole member. All significant inter-organizational accounts and transactions have been eliminated in consolidation.

The accounts and activities of the Union and the affiliates are not included in these consolidated financial statements.

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

Cash and cash equivalents: The Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held temporarily in the investments portfolio are included in investments.

Investments and related income, gains and losses: Investments are reported at fair value in the consolidated statements of financial position. The consolidated statement of activities includes net investment income consisting of interest and dividend income, and realized and unrealized gains and losses. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains and losses on sale of investments are calculated on the basis of specific identification of the securities sold. Purchases and sales of securities are recognized on a trade-date basis.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value measurements: Assets and liabilities recorded at fair value in the consolidated statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Pursuant to Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") 820, *Fair Value Measurement,* level inputs are defined as follows:

Level 1 Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date, and where transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. The types of investments in Level 1 generally include listed equities, mutual funds and exchange-traded funds.

Level 2 Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly. Inputs include quoted market prices for similar assets or liabilities in markets that are not active, markets in which there are few transactions, prices are not current, or prices vary substantially over time. Investments in this category generally include corporate debt, U.S. government debt, and less liquid securities such as securities traded on certain foreign exchanges, as well as alternative investments that can be redeemed in the near term. A significant adjustment to a Level 2 input could result in the Level 2 measurement becoming a Level 3 measurement.

Level 3 Inputs that are unobservable for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates. Investments in this category generally include equity and debt positions in private companies and real estate and ownership interests in alternative investments that cannot be redeemed in the near term.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

Fair value of financial instruments: The following methods and assumptions were used in estimating the fair values of significant financial instruments:

Cash and cash equivalents - The carrying amount approximates fair value because the instruments are liquid in nature and have short-term maturities.

Investments - The fair value is determined as described in Note 5.

Pledges and contributions receivable - The carrying amount is based on estimated present value of the anticipated cash inflows and approximates fair value.

Other assets, due to/from affiliates, and accounts payable and accrued expenses - The carrying amounts approximate fair values because of the short-term nature of the instruments.

Beneficial interest in trusts - The carrying amount is based on estimated present value of the anticipated cash inflows and approximates fair value.

Liabilities under split-interest agreements - The carrying amount is based on estimated present value of the expected payments to beneficiaries and approximates fair value.

Note 2. Summary of Significant Accounting Policies (Continued)

Industrial Development Agency ("IDA") bond - The carrying amount approximates fair value because the interest rate is variable and reflect market conditions.

There have been no changes in the methodologies used for estimating fair values of significant financial instruments as of March 31, 2014 and 2013.

Concentration of market and credit risk: The Foundation's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments.

Exposure to credit risk is reduced by the placement of such funds in high credit quality financial institutions and financial instruments. At March 31, 2014, the majority of the Foundation's money market accounts were in funds that invest in short-term direct government obligations, such as U.S. Treasury Bills, that are backed by the full faith and credit of the U.S. government.

In order to control market risk, the Foundation has an investment committee that reviews and updates investment policy statements for the organization's various investment portfolios, oversees its investment portfolio and engages the services of investment advisors and managers to invest and manage the assets within the guidelines of the respective investment policy statements and perform ongoing due diligence and reporting. The Foundation monitors the market risk of its investment portfolio via ongoing review of asset allocation formulas and analysis of investment values as reported by investment custodians and managers.

The clearing and depository operations for the Foundation's portfolio of investments held in managed accounts are provided principally by two financial institutions that held approximately 99% of the total portfolio at March 31, 2014.

Office buildings, furniture, fixtures and office equipment: Office buildings, furniture, fixtures and office equipment are carried at cost, less accumulated depreciation. Depreciation is provided for using the straight-line method over the estimated useful lives of the respective assets.

Impairment of long-lived assets: The Foundation reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of any asset may not be recoverable and, if so, the carrying value is reduced to the estimated fair value.

Net assets: The Foundation reports information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets consist of amounts that can be spent at the discretion of the Foundation and have no donor restrictions associated with them. A portion of unrestricted net assets has been designated by the board of directors for certain purposes. Temporarily restricted net assets consist of contributions that are restricted by donors for a specific time period and/or purpose. Permanently restricted net assets consist of endowment funds.

Endowment: When the Foundation receives a contribution and the donor restricts the Foundation from spending the principal, the contribution is classified as an endowment, with the amount of the gift recorded as permanently restricted. The majority of the Foundation's endowment funds are held pursuant to the terms of the agreement for the establishment of the Bill of Rights Trust.

The Foundation is subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"), and has interpreted NYPMIFA 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. The remaining portion of the endowment fund that is not classified as permanently restricted net assets are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions and related receivables: The Foundation reports contributions as unrestricted, temporarily restricted or permanently restricted depending on the existence and/or nature of any donor restrictions.

Unconditional promises to give are recorded as pledges and contributions receivable in the period the promise is received. Payments received in subsequent periods on unconditional promises to give, such as payments on multi-year gifts, are not recognized as revenue; rather, these are recorded as decreases in the corresponding pledges receivable balance. Pledges and contributions receivable due within one year are recorded at their net realizable value. Pledges and contributions receivable due in more than one year are recorded at the present value of their net realizable value, using applicable risk-adjusted interest rates to discount the amounts. Allowances for doubtful pledges and contributions receivable are provided by management based on the Foundation's experience with the donors and their ability to pay.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 consolidated statement of activities as net assets released from restrictions.

Contributions that are to be maintained in perpetuity by the Foundation are recorded as permanently restricted support.

Contributions of noncash assets are recorded at fair value in the period received.

Certain contributions and bequests revenue are subject to revenue sharing agreements with affiliates. The Foundation’s sharing rules specify the circumstances under which revenue shall be shared and the methodology for determining the specific portion of various categories of revenue that will be shared among the Foundation and the affiliates. Shared revenues are reported at gross amounts and the affiliates’ share of the revenues as affiliate support expense in the consolidated statement of activities.

Donated services are reported as contributions at their fair value if such services create or enhance nonfinancial assets or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills.

Due to the nature of the Foundation's operations, in-kind professional services are from time to time provided on a pro bono basis by outside attorneys. These services are recorded as revenue and expenses at fair value based on the attorneys' records of time spent and applicable billing rates.

A number of individuals have made a contribution of their time to serve on the Foundation's board. The value of their contributed time is not reflected in these consolidated financial statements inasmuch as those services would not typically be purchased had they not been provided by donation.

Bequests: The Foundation is a beneficiary under various wills and trust agreements, the total realizable amounts of which are not determinable at present. The Foundation's share of such bequests is recorded when the probate courts declare the testamentary instrument valid and the proceeds are measurable.

Donor concentration: Approximately 20% of the total grants, contributions and bequests revenue for the year ended March 31, 2014 were provided by five donors. In addition, approximately 34% of the gross pledges and contributions receivable at March 31, 2014 were due from three donors.

Note 2. Summary of Significant Accounting Policies (Continued)

Functional expenses: The cost of providing the various program and supporting services of the Foundation have been summarized on a functional basis in the accompanying consolidated financial statements. Certain costs and expenses have been allocated between program services and supporting services on a reasonable basis as determined by management.

Grants to affiliates: The Foundation recognizes grants to affiliates as expenses when a formal agreement has been signed by both the Foundation and the affiliate.

Legal awards: Pursuant to the Civil Rights Attorneys Fee Awards Act of 1976, legal fees and expenses may be awarded in certain legal actions. The amounts of these awards are the result of court determinations and/or negotiations between the parties to the matters. Management anticipates that the Foundation will be the recipient of legal awards of a substantial amount, but is unable to determine the amounts receivable with any degree of accuracy. Accordingly, the Foundation's accounting policy is to accrue an award only when, in management's judgment, the amount appears relatively certain of collection.

Income taxes: The Foundation is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is subject to taxes on unrelated business income. The LLC is treated as a disregarded (tax) entity.

The Foundation files tax and information returns with the Internal Revenue Service (the "IRS") and with various states.

Management evaluated the Foundation's tax positions and concluded that the organization had taken no uncertain tax positions that require additional adjustment or disclosure to the accompanying consolidated financial statements. Generally, the Foundation is no longer subject to income tax examinations by U.S. federal, state or local tax authorities for tax years before 2010, which is the standard statute of limitations look-back period.

Prior-year summarized comparative information: The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset or by functional expense classifications. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's consolidated financial statements as of and for the year ended March 31, 2013, from which the summarized information was derived.

Evaluation of subsequent events: The Foundation evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected and/or disclosed in the financial statements. Such evaluation is performed through the date the consolidated financial statements are issued, which is September 29, 2014.

Reclassifications: In 2014, the Foundation considered as investments all cash and cash equivalents held in its long-term investments portfolio, and accordingly, reclassified $5,669,433 of 2013 reported cash and cash equivalents to investments. Certain other 2013 amounts have been reclassified to conform with the 2014 consolidated financial statement presentation. The reclassifications have no impact on the reported 2013 total consolidated assets, liabilities, net assets, revenues, expenses and changes in net assets of the Foundation.

Note 2. Summary of Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: In October 2012, the FASB issued Accounting Standards Update ("ASU") 2012-04, *Technical Corrections and Improvements*. The amendments in this update cover a wide range of topics including technical corrections and improvements to the ASC and conforming amendments related to fair value measurements. The amendments in this update will generally be effective for fiscal periods beginning after December 15, 2013 for nonpublic entities, except for amendments in this update where there was no transition guidance and which were immediately effective upon issuance. The impact of adopting ASU 2012-04 on the Foundation's consolidated financial statements for subsequent periods has not yet been determined.

In April 2013, the FASB issued ASU 2013-06, *Services Received from Personnel of an Affiliate*. The amendments in this update require a recipient not-for-profit entity to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. The amendments in this update will generally be effective for fiscal periods beginning after June 15, 2014. The impact of adopting ASU 2013-06 on the Foundation's consolidated financial statements for subsequent periods has not yet been determined.

Note 3. Related Party Transactions

Amounts due from and to affiliates represent receivables and payables related to affiliate support and revenue sharing. Amounts due to affiliates include the portion of contributions that are shared in accordance with the Foundation's sharing rules and payments related to certain affiliate subsidy programs.

Also included in the amounts due from affiliates are notes receivable and accrued interest of $302,404 at March 31, 2014 and $1,989,674 at March 31, 2013 due from certain affiliates. The remaining note matures on March 31, 2016 and accrues interest at the prime rate.

During the years ended March 31, 2014 and 2013, the Foundation received approximately $252,000 and $193,000, respectively, from the New York Civil Liberties Union, Inc. and the New York Civil Liberties Union Foundation, Inc. in payments for the use of space occupied at the Foundation's offices at 125 Broad Street; these payments include charges for the use of certain building services, such as issuance of one-time visitor passes and acceptance of deliveries.

Certain expenses, predominantly salaries and employee benefits, are shared between the Union and the Foundation. Expenses paid by the Union and allocated to the Foundation and recognized in the accompanying consolidated financial statements amounted to $11,025,881 and $10,704,362 during the years ended March 31, 2014 and 2013, respectively. The Foundation also recognized rental income from the Union of approximately $542,000 and $998,000 for the years ended March 31, 2014 and 2013, respectively.

Note 4. Pledges and Contributions Receivable

Pledges and contributions receivable which are expected to be collected after one year have been discounted to net present value at rates ranging from 2.7% to 4.4% and are reflected in the consolidated financial statements at their net realizable value.

Pledges and contributions receivable comprise the following at March 31:

	2014	2013
Receivable in less than one year	$ 11,436,112	$ 6,412,641
Receivable in one to five years	1,475,000	4,969,255
	12,911,112	11,381,896
Less discount to present value	(179,725)	(266,393)
	$ 12,731,387	$ 11,115,503

Management believes that pledges and contributions receivable will be collected in full when due. Accordingly, no provision for uncollectible pledges and contributions receivable is recognized in the accompanying consolidated financial statements.

In addition to the contributions receivable noted above, a certain donor confirmed, in fiscal year 2011, his intentions to recommend annual contributions aggregating approximately $10,000,000 over a period of two to eight years from donor-advised funds. These anticipated contributions have not been recognized in the accompanying consolidated financial statements as they do not meet the criteria for recognition of contributions revenue under accounting principles generally accepted in the United States of America. Through March 31, 2014, the Foundation has received $5,000,000 in contributions (from donor-advised funds) towards this intention to support, of which $1,000,000 was recognized as revenue during the year ended March 31, 2014.

Note 5. Investments

The following tables present the Foundation's investments that are measured at fair value on a recurring basis.

		Fair Value Measurements at March 31, 2014 Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	$ 19,337,740	$ 19,337,740	$ -	$ -
Equities	16,777,295	16,777,295	-	-
Corporate Bonds (by S&P rating)				
AAA - A-	14,307,824	-	14,307,824	-
BBB+ - B-	9,135,432	-	9,135,432	-
Total corporate bonds	23,443,256	-	23,443,256	-
U.S. Treasury Notes, agency and related	7,803,095	-	7,803,095	-
Mutual Funds				
Large-cap U.S equity	25,128,717	25,128,717	-	-
Small-/mid-cap U.S. equity	6,574,302	6,574,302	-	-
International equity	31,150,032	31,150,032	-	-
Short-term bond	37,847,750	37,847,750	-	-
Intermediate-term bond	12,956,637	12,956,637	-	-
High-yield bond	22,204,116	22,204,116	-	-
International fixed income	3,927,396	3,927,396	-	-
Other bond	824,786	824,786	-	-
Real estate	5,245,675	5,245,675	-	-
Total mutual funds	145,859,411	145,859,411	-	-
Common Trust Funds				-
Large-cap U.S. equity	4,158,598	-	4,158,598	-
Small-/mid-cap U.S. equity	1,780,796	-	1,780,796	-
International equity	4,101,042	-	4,101,042	-
Intermediate-term bond	2,212,494	-	2,212,494	-
High-yield and other bonds	1,294,275	-	1,294,275	-
Real estate and commodities	873,537	-	873,537	-
Total common trust funds	14,420,742	-	14,420,742	-
Exchange-Traded Funds				
Large-cap U.S. equity	582,723	582,723	-	-
Small-/mid-cap U.S. equity	6,692,529	6,692,529	-	-
International equity	2,489,062	2,489,062	-	-
Short-term, long-term and intermediate-term	5,215,355	5,215,355	-	-
Real estate and hard assets (commodities)	5,376,070	5,376,070	-	-
Total exchange-traded funds	20,355,739	20,355,739	-	-
Structured Notes				
International fixed income	1,480,088	-	1,480,088	-
Hard assets (commodities)	1,049,200	-	1,049,200	-
Total structured notes	2,529,288	-	2,529,288	-
Hedge Funds	15,000,000	-	-	15,000,000
	$ 265,526,566	$ 202,330,185	$ 48,196,381	$ 15,000,000

Note 5. Investments (Continued)

		Fair Value Measurements at March 31, 2013 Using		
	Total	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	$ 5,669,433	$ 5,669,433	$ -	$ -
Equities	14,615,733	14,615,733	-	-
Corporate Bonds (by S&P rating):				
AAA - A-	22,864,816	-	22,864,816	-
BBB+ - B-	10,852,501	-	10,852,501	-
Total corporate bonds	33,717,317	-	33,717,317	-
U.S. Treasury Notes, agency and related	9,551,270	-	9,551,270	-
Mutual Funds				
Large-cap U.S. equity	23,011,852	23,011,852	-	-
Small-/mid-cap U.S. equity	8,173,331	8,173,331	-	-
International equity	16,510,400	16,510,400	-	-
Short-term bond	55,215,678	55,215,678	-	-
Intermediate-term bond	17,357,540	17,357,540	-	-
High-yield bond	11,777,173	11,777,173	-	-
International fixed income	24,979,170	24,979,170	-	-
Other bond	15,672,503	15,672,503	-	-
Real estate	2,049,819	2,049,819	-	-
Common Trust Funds				
Large-cap U.S. equity	3,625,173	-	3,625,173	-
Small-/mid-cap U.S. equity	2,033,353	-	2,033,353	-
International equity	4,007,236	-	4,007,236	-
Intermediate-term bond	1,849,916	-	1,849,916	-
High-yield and other bonds	1,214,791	-	1,214,791	-
Real estate and hard assets (commodities)	824,673	-	824,673	-
Total common trust funds	13,555,142	-	13,555,142	-
Exchange-Traded Funds				
Large-cap U.S. equity	536,908	536,908	-	-
Small-/mid-cap U.S. equity	5,744,545	5,744,545	-	-
International equity	3,859,067	3,859,067	-	-
Short-term bond	5,366,434	5,366,434	-	-
Real estate	2,094,429	2,094,429	-	-
Real estate and hard assets (commodities)	3,787,495	3,787,495	-	-
Total exchange-traded funds	21,388,878	21,388,878	-	-
Structured Notes				
Large-cap U.S. equity	2,286,400	-	2,286,400	-
International equity	2,764,182	-	2,764,182	-
International fixed income	1,471,028	-	1,471,028	-
Hard assets (commodities)	555,250	-	555,250	-
Total structured notes	7,076,860	-	7,076,860	-
	$ 280,322,099	$ 216,421,510	$ 63,900,589	$ -

Note 5. Investments (Continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The Foundation assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no significant transfers among Levels 1, 2 and 3 during fiscal 2014 or 2013.

Below are the valuation techniques used by the Foundation to measure different financial instruments at fair value and the level within the fair value hierarchy in which the financial instrument is categorized.

Equities, money market funds, and exchange-traded funds listed on a national securities exchange or reported on the Nasdaq global market are stated at the last reported sales or trade price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

U.S. government debt, corporate bonds and structured notes are valued based on the last reported bid price provided by broker-dealers, and are reported as Level 2 in the fair value hierarchy.

Investments in mutual funds are stated at fair value based on the last quoted evaluation price or net asset value. To the extent these securities are actively traded and valuation adjustments are not applied, they are classified as Level 1 in the fair value hierarchy.

Investments in common trust funds and hedge funds are valued at fair value based on the applicable percentage ownership of the underlying net assets on the measurement date. In determining fair value, the Foundation utilizes, as a practical expedient, the net asset value (or equivalent) provided by the fund managers (“NAV of Funds”). The underlying common trust funds and hedge funds value securities and other financial instruments on a fair value. The estimated fair values of certain investments of the underlying common trust funds or hedge funds, which may include private placements and other securities for which prices are not readily available, are determined by the trustee of the common trust funds or sponsor of the hedge funds and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

The Foundation categorizes its investments in common trust funds as a Level 2 fair value measurement because the Foundation had the ability to redeem the investments daily or monthly.

The objectives of the investments in common trust funds are to approximate as closely as practicable or to provide total investment returns that are in excess of the performance of the following benchmarks over time with certain risk parameters:

	Benchmark
Large-cap U.S. Equity	S&P500 Index
Small-/mid-cap U.S. equity	Russell 2000 Index, S&P MidCap 400 Index
International equity	MSCI EAFE Index, MSCI Emerging Markets
Intermediate-term bond	Barclays U.S. Aggregate Bond Index, Barclays U.S. Intermediate Bond-Index
High-yield and other bonds	Barclays U.S. Treasury Inflation Protected Securities Index, Barclays Corporate High Yield 2% Issuer Cap Index
Real estate and hard assets (commodities)	Dow Jones U.S. Select REIT Index, Dow Jones-UBS Commodity Total Return Index

Note 5. Investments (Continued)

The investment in hedge funds, which the Foundation purchased in January 2014, is an investment in a multi-strategy hedge fund, and is categorized as a Level 3 fair value instrument as the ACLU does not have the ability to redeem the investments on March 31, 2014 or in the near term, which is defined as 90 days or less from March 31, 2014. The investment objective of the hedge fund is to generate consistent capital appreciation over the long term, with relatively low volatility and a low correlation with traditional equity and fixed income markets. The Foundation has no unfunded commitments on this investment as of March 31, 2014.

The investments and cash equivalents are held for the following purposes:

	2014	2013
Bill of Rights Trust, inclusive of endowments held in perpetuity of $39,396,715 and $39,295,255 at March 31, 2014 and 2013, respectively (Note 9)	$ 82,921,652	$ 79,118,632
Split-interest agreements (Note 7)	21,530,028	20,613,505
Other endowment, special projects, program support and operating reserves	161,074,886	180,589,962
	$ 265,526,566	$ 280,322,099

Net investment income, gains and losses reported in the accompanying consolidated statements of activities consist of the following:

	2014	2013
Interest and dividends	$ 7,127,784	$ 5,730,675
Net realized and unrealized gains on investments	7,687,369	9,455,664
	14,815,153	15,186,339
Adjustment for allocation to affiliates holding units in the Trust for the Bill of Rights	(2,082,918)	(1,894,054)
Net investment income, gains and losses	$ 12,732,235	$ 13,292,285

Investment management and custodial fees amounted to approximately $763,400 for 2014 and $398,800 for 2013, and are included as other professional services in the consolidated statement of functional expenses.

Note 6. Land, Office Buildings, Furniture, Fixtures and Office Equipment

Land, office buildings, furniture, fixtures and office equipment consist of the following:

	2014	2013	Range of Estimated Useful Life
Land, office buildings and office condominium	$ 48,958,001	$ 48,442,645	10 to 50 years
Furniture, fixtures and office equipment	6,379,978	4,097,724	3 to 15 years
	55,337,979	52,540,369	
Less accumulated depreciation	(25,622,430)	(21,912,293)	
	$ 29,715,549	$ 30,628,076	

Note 7. Split-Interest Agreements

The Foundation receives contributions through its charitable gift annuity program whereby in exchange for gifts of cash or securities, the Foundation promises to pay a fixed annual amount for life to the annuitant.

The difference between the fair value of the assets received and the present value of the future distributions to the annuitant is recognized as contribution revenue.

Upon the death of the annuitant, the balance of the amount in the split-interest account reverts to the Foundation.

The Foundation has received gifts under this program on which it is obligated to make annual annuity payments of approximately $1,582,000 in accordance with the agreements.

In addition, the Foundation has 8 unitrust agreements, on which the income is paid to the donor for life. Upon the death of the donor, the balance in the trust account shall be distributed to the Foundation for its general purposes.

Assets and liabilities related to the Foundation's split-interest agreements are as follows:

	2014	2013
Assets - investments	$ 21,530,028	$ 20,613,505
Liabilities under split-interest agreements	12,280,815	12,350,901
Net assets	$ 9,249,213	$ 8,262,604

Asset balances at March 31, 2014 and 2013 exceeded the reserve requirements of the New York State Insurance Commission as well as the reserve requirements of the relevant regulatory bodies in all other states that require a reserve fund and in which the Foundation issues gift annuities. Reserves are included in liabilities under split-interest agreements on the accompanying consolidated statements of financial position.

Note 7. Split-Interest Agreements (Continued)

The present value of obligations under split-interest agreements was calculated using interest rates ranging from 2.5% to 9.50% and the 1983A and 2000 Annuity Mortality Tables.

Beneficial interests in trusts ("BITs") are recorded based on the present value of the estimated future receipts from the trust discounted at 5%. This rate approximates the rates of return on U.S. government securities of similar duration and is commensurate with the risk that management associates with the ultimate collection of the trust. The initial gift and any subsequent adjustments to the non-perpetual BITs' carrying value are recognized as temporarily restricted contributions. The temporary restriction relates to the extended time period over which the gift is expected to be received and may also include purpose restrictions to benefit specific Foundation programs.

Adjustments to reflect revaluations of the present value of estimated future payments and changes in actuarial assumptions are recognized in the consolidated statement of activities as changes in value of split-interest agreements.

Note 8. IDA Bond Financing

In June 1997, the Foundation received financing of $6,000,000 as a result of the New York City Industrial Development Agency’s (“IDA”) issuance of bonds in that amount, which money was used to finance a portion of the cost of the acquisition, renovation, improvement, equipping and furnishing of its office building condominium units constituting the 17th and 18th floors of 125 Broad Street, New York, New York which units are collateral for the debt (the "1997 IDA bonds"). On January 5, 2005, the 1997 IDA bonds were redeemed and new bonds in the amount of $20,000,000 were issued by the IDA, the proceeds of which were delivered to the Foundation in order for the Foundation to pay for the redemption of the 1997 bonds, to purchase the 19th floor condominium unit and a proportional common interest in the land associated with the 17th, 18th and 19th floor condominium units at 125 Broad Street, New York, New York (together with the 17th and 18th floor condominium units, the "Realty") and to finance renovation, improvements, equipping and furnishing of the 19th floor condominium unit (the Realty and all property financed with the 2005 IDA bonds are referred to herein as the "Premises"). The 2005 IDA bonds mature on June 1, 2035.

Pursuant to the 2005 IDA bond agreements, an irrevocable direct pay letter of credit was established with a bank in order to secure payments of principal and interest on the 2005 IDA bonds on the scheduled due dates and on redemption, and to provide a facility for payment of the purchase price of the bonds upon the mandatory or optional tender thereof. Among other agreements, the Foundation also entered into a remarketing agreement with a certain financial institution to act as exclusive remarketing agent in connection with the offering and sale from time to time of the bonds in the secondary market after the initial offering, issuance and sale of the bonds.

Interest on the bonds is variable, is computed based on predetermined factors set forth in the 2005 IDA bond agreements, and may not exceed a maximum rate of 10% per annum. The letter of credit was amended March 1, 2010 to terminate on the earlier of January 4, 2013 or upon the occurrence of certain events set forth in the letter of credit agreement, including redemption of the 2005 IDA bonds. On July 1, 2013, the letter of credit was amended and restated to terminate on the earlier of July 4, 2016 or upon the occurrence of certain events set forth in the letter of credit agreement, including the redemption of the 2005 IDA bonds. On December 1, 2013, the letter of credit was amended for certain financial reporting requirements and covenants. Interest and other charges related to the 2005 IDA bonds were approximately $222,000 and $235,000 for the years ended March 31, 2014 and 2013, respectively.

Note 8. IDA Bond Financing (Continued)

The letter of credit agreement, as amended and restated, includes various covenants which, among other matters, require the Foundation to maintain a specified level of unrestricted net assets, maintain a specified ratio of cash and cash equivalents to total commitment, and not incur any new indebtedness except as defined. The Foundation has agreed to various additional covenants and entered into various guarantees and pledges in connection with the issuance of the 2005 IDA bonds and the letter of credit. The Foundation is currently in compliance with these covenants.

In connection with the issuance of the 2005 IDA bonds, the Foundation entered into a lease agreement to lease the Premises to the IDA. Concurrently with the execution of the lease agreement, the IDA agreed to sell and assign its leasehold interest in the Premises to the Foundation on an installment basis as the Foundation makes payments due on the bonds. A failure by the Foundation to pay principal and interest as due under the terms of the 2005 IDA bonds and to pay amounts due under the letter of credit could lead to the Foundation being required to surrender the Premises.

In November 2011, the Foundation redeemed $1,250,000 of IDA bonds outstanding to implement a settlement with the IRS and to ensure that the portion of the premises used to conduct Section 501(c)(4) activities, including spaces occupied by the Union and the New York Civil Liberties Union, that are in excess of permissible limits are not financed by tax-exempt bond proceeds. The settlement also involved the payment of a penalty in the amount of approximately $19,000, the estimated value of taxes that the IRS would have collected from bondholders over a three-year period in connection with the impermissible use of the premises for non-tax exempt purposes. The value of the IDA bonds redeemed exceed the minimum amount required to address the current use of space in support of Section 501(c)(4) activities and was intended to ensure that the Foundation would remain in full compliance with rules and bond covenants in the event that the use of space in connection with Section 501(c)(4) activities were to increase.

Principal payments under the above obligation in each of the five years subsequent to March 31, 2014 and thereafter are as follows:

Year Ending March 31,	Amount
2015	$ 495,000
2016	515,000
2017	530,000
2018	555,000
2019	575,000
Thereafter	12,560,000
	$ 15,230,000

Note 9. The Bill of Rights Trust and Other Endowments

In 1997, the Foundation and the Section 501(c)(3) arms of the affiliates (the "Affiliate Foundations") established the Bill of Rights Trust (the "Trust"). The purpose of the Trust, a portion of which is an endowment fund of the Foundation, is to build an enduring endowment to carry out the work of the ACLU and its affiliates in protecting, preserving and expanding the civil liberties of all persons in the United States of America. The Trust has 100,000,000 authorized units, which are issued to or among the Foundation and Affiliate Foundations based upon their respective interests in the Trust. Unit shares have a unit value based upon the fair value of the net assets of the Trust divided by the total number of unit shares outstanding. The Trust provides for annual distributions to the Foundation and Affiliate Foundations in accordance with the Foundation's approved spending policy, prorated in accordance with the percentage of the fair value of each unit share. For the years ended March 31, 2014 and 2013, the Trust allows for a potential distribution amount equal to 4% of the average month-end value of total funds over the preceding 36 months through December 31, 2013 and 2012, respectively. Each unit holder, including the Foundation and the participating Affiliate Foundations, must certify that it has determined the appropriation to be prudent before the distribution is disbursed.

The investment goal of the endowment fund is to invest assets in a prudent manner that will balance reasonable annual distributions to the Foundation and Affiliate Foundations with long-term growth in the value of the assets of the Trust.

At March 31, 2014 and 2013, the Trust comprised the following accounts and amounts that are included in the consolidated statements of financial position:

	2014	2013
Assets		
Investments	$ 82,921,652	$ 79,118,632
Other assets	137,443	178,836
	$ 83,059,095	$ 79,297,468
Liabilities and Net Assets		
Held for Affiliate Foundations	$ 27,432,839	$ 25,396,610
Temporarily restricted net assets	16,229,541	14,605,603
Permanently restricted net assets	39,396,715	39,295,255
	$ 83,059,095	$ 79,297,468

Note 9. The Bill of Rights Trust and Other Endowments (Continued)

The endowment-related activities of the Foundation, which are comprised principally of the endowment-related activities of the Trust, are summarized below.

	2014			2013		
	Temporarily Restricted	Permanently Restricted	Total	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 15,226,487	$ 40,565,255	$ 55,791,742	$ 12,667,820	$ 40,353,335	$ 53,021,155
Investment Return						
Interest and dividends	2,024,850	-	2,024,850	1,607,205	-	1,607,205
Net realized and unrealized	1,992,603	-	1,992,603	2,709,240	-	2,709,240
Investment fees and expenses	(155,596)	-	(155,596)	(109,691)	-	(109,691)
Net investment return	3,861,857	-	3,861,857	4,206,754	-	4,206,754
Other changes during the year						
Contributions	-	196,460	196,460	-	211,920	211,920
Appropriation of endowment	(1,997,383)	-	(1,997,383)	(1,648,087)	-	(1,648,087)
	(1,997,383)	196,460	(1,800,923)	(1,648,087)	211,920	(1,436,167)
Endowment net assets, end of year	$ 17,090,961	$ 40,761,715	$ 57,852,676	$ 15,226,487	$ 40,565,255	$ 55,791,742

Note 10. Commitments and Contingency

The Foundation leases office space in various locations under various short-term operating leases.

The Foundation either itself or by the condominium board on its behalf is currently in discussions with the insurers, building management and other condominium owners at its 125 Broad Street offices in connection with the damages caused to the building by Hurricane Sandy in October 2012. The amounts recoverable from insurance cannot be determined at present. The amounts that are not covered by the insurance and will have to be paid by the Foundation are not expected to have a material effect on the Foundation's consolidated financial statements.

The Foundation is involved in legal actions arising in the ordinary course of business. Management is of the opinion that the ultimate outcome of these matters would not have a material adverse impact on the consolidated financial position of the Foundation or the consolidated results of its activities.

Note 11. Retirement Plans

The Foundation participates in the American Civil Liberties Union Retirement Plan (the "Pension Plan"), a retirement plan covering eligible employees of the Union, the Foundation and their affiliates. The Foundation records expense related to the Pension Plan when the contribution is due.

The Pension Plan is a defined benefit plan covering those employees who have at least one year of service, or at least 1,000 hours worked per year, and are at least 21 years of age. Benefits are based on service to date on an average of career earnings. The Union's policy is to fund pension costs by contributing at least the minimum amount required by the Employee Retirement Income Security Act of 1974 ("ERISA"). The Union charges the Foundation its share of the net periodic pension costs. For the years ended March 31, 2014 and 2013, the cost incurred by the Foundation in connection with the Pension Plan amounted to $3,077,796 and $1,656,104, respectively. Disclosures on the funded status and other information on the Pension Plan are included in the consolidated financial statements of the Union.

The Union implemented a "soft freeze" of the Pension Plan effective March 31, 2009. Employees hired on or after April 1, 2009 enrolled in a new Defined Contribution ("DC") 401(k) plan. The new DC plan includes an employer contribution of 2% and an employer match of 100% of the first 1% of the employee's contribution and 50% of the next 5% of an employee's contribution, for a total match of 3.5% and a total employer contribution of 5.5%. The soft freeze applies only to employees hired on or after April 1, 2009, and does not affect current plan participants, or employees hired before March 31, 2009 but not yet in the plan. The Foundation contributed $538,014 in 2014 and $440,605 in 2013.

Eligible Foundation employees may also participate in the ACLU 401(k) plan (the "401(k) Plan"), which is a 401(k) salary-reduction plan covering substantially all employees of the Union, the Foundation, and their affiliates, hired on or before March 31, 2009. Under the 401(k) Plan, employees may voluntarily contribute up to 80% of their pre-tax compensation to the 401(k) Plan subject to IRS dollar limits. There is no employer match or other contributions.

Effective April 8, 2011, eligible employees of the Foundation can participate in the unfunded, nonqualified 457(b) plan maintained by the Union.

Note 12. Net Assets

Net assets comprise the following:

	2014	2013
Unrestricted		
Undesignated	$ 38,346,334	$ 47,475,536
Board-designated:		
Litigation Fund	8,923,181	10,953,439
California Annuity Fund	891,760	653,821
Annuity Reserve	7,252,404	6,482,279
Development Fund	18,341,689	20,941,249
Jacobs Affiliate Development Fund	8,203,423	10,046,749
Dividend Distribution Fund	68,894,869	66,754,755
John Adams Fund	10,183,566	11,275,650
Total board-designated	122,690,892	127,107,942
Total unrestricted	161,037,226	174,583,478
Temporarily Restricted		
Bill of Rights Trust and other endowments	17,090,961	15,226,487
Trusts	2,423,554	1,661,959
Other time and purpose restrictions	27,314,954	35,109,711
Total temporarily restricted	46,829,469	51,998,157
Permanently Restricted - Bill of Rights Trust and other endowments	40,761,715	40,565,255
Total net assets	$ 248,628,410	$ 267,146,890

Note 13. Net Assets Released From Restrictions

Net assets were released from donor restrictions during the year ended March 31, 2014 by incurring expenses satisfying restricted purposes or by the occurrence of other events specified by donors as follows:

	2014
Special Projects	
Speech, Privacy, and Technology and National Security	$ 1,831,172
Prisoners' Rights	741,220
Immigrants' Rights	3,740,520
Reproductive Freedom	2,268,362
Women's Rights	1,042,396
Criminal Law Reform	401,453
LGBT/Marriage Equality	3,752,352
Voting Rights	135,175
Racial Justice	382,778
Other special projects	6,069,911
Total special projects	20,365,339
Bill of Rights Trust	2,152,979
Time-Restricted Gifts	7,159,059
Total released from restrictions	$ 29,677,377

American Civil Liberties Union, Foundation Inc. and Subsidiary

Consolidating Statement of Financial Position
March 31, 2014

Assets	American Civil Liberties Union Foundation, Inc.	915 15th Street, LLC	Eliminations	Consolidated
Cash and Cash Equivalents	$ 8,195,607	$ 113,886	$ -	$ 8,309,493
Pledges and Contributions Receivable, net	12,731,387	-	-	12,731,387
Investments	265,526,566	-	-	265,526,566
Other Assets	1,676,615	32,673	-	1,709,288
Due From Affiliates	4,606,601	-	-	4,606,601
Due to the ACLU Foundation From the LLC	9,237,682	-	(9,237,682)	-
Investment in 915 15th Street, LLC	(1,034,985)	-	1,034,985	-
Beneficial Interest in Trusts	1,318,418	-	-	1,318,418
Land, Office Buildings, Furniture, Fixtures and Office Equipment, net of accumulated depreciation	21,585,302	8,130,247	-	29,715,549
Total assets	$ 323,843,193	$ 8,276,806	$ (8,202,697)	$ 323,917,302
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$ 4,064,113	$ 74,109	$ -	$ 4,138,222
Due from the LLC to the ACLU Foundation	-	9,237,682	(9,237,682)	-
Due to the American Civil Liberties Union, Inc.				
Accrued pension liability	3,077,796	-	-	3,077,796
Other	6,215,210	-	-	6,215,210
Due to affiliates	6,914,010	-	-	6,914,010
Liabilities under split-interest agreements	12,280,815	-	-	12,280,815
IDA bond	15,230,000	-	-	15,230,000
Bill of Rights Trust held for affiliates	27,432,839	-	-	27,432,839
Total liabilities	75,214,783	9,311,791	(9,237,682)	75,288,892
Commitments and Contingency				
Net Assets				
Unrestricted:				
Board-designated	122,690,892	-	-	122,690,892
Undesignated	38,346,334	(1,034,985)	1,034,985	38,346,334
Total unrestricted	161,037,226	(1,034,985)	1,034,985	161,037,226
Temporarily restricted:				
Bill of Rights Trust and other endowments	17,090,961	-	-	17,090,961
Other time and purpose restrictions	29,738,508	-	-	29,738,508
Total temporarily restricted	46,829,469	-	-	46,829,469
Permanently restricted - Bill of Rights Trust and other endowments	40,761,715	-	-	40,761,715
Total net assets	248,628,410	(1,034,985)	1,034,985	248,628,410
Total liabilities and net assets	$ 323,843,193	$ 8,276,806	$ (8,202,697)	$ 323,917,302

American Civil Liberties Union Foundation, Inc. and Subsidiary

Consolidating Statement of Activities
Year Ended March 31, 2014

	American Civil Liberties Union Foundation, Inc.				915 15th Street, LLC		Consolidated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue										
Support:										
Grants and contributions	$ 21,236,082	$ 20,036,544	$ 196,460	$ 41,469,086	$ -	$ -	$ 21,236,082	$ 20,036,544	$ 196,460	$ 41,469,086
Donated legal services	7,590,429	-	-	7,590,429	-	-	7,590,429	-	-	7,590,429
Bequests	12,843,255	797,990	-	13,641,245	-	-	12,843,255	797,990	-	13,641,245
Total support	41,669,766	20,834,534	196,460	62,700,760	-	-	41,669,766	20,834,534	196,460	62,700,760
Revenue:										
Rental income	707,426	-	-	707,426	833,659	(292,692)	1,248,393	-	-	1,248,393
Pamphlet and book sales	2,923	-	-	2,923	-	-	2,923	-	-	2,923
Other income	94,287	-	-	94,287	-	-	94,287	-	-	94,287
Total revenue	804,636	-	-	804,636	833,659	(292,692)	1,345,603	-	-	1,345,603
Net Assets Released From Restrictions	29,677,377	(29,677,377)	-	-	-	-	29,677,377	(29,677,377)	-	-
Total support and revenue	72,151,779	(8,842,843)	196,460	63,505,396	833,659	(292,692)	72,692,746	(8,842,843)	196,460	64,046,363
Expenses										
Program services:										
Legislative	295,631	-	-	295,631	-	(703)	294,928	-	-	294,928
Legal	42,783,896	-	-	42,783,896	-	(159,225)	42,624,671	-	-	42,624,671
Public education	13,612,259	-	-	13,612,259	-	(31,435)	13,580,824	-	-	13,580,824
Civil liberties policy formulation	621,314	-	-	621,314	-	(1,024)	620,290	-	-	620,290
Affiliate support	26,810,556	-	-	26,810,556	-	(16,566)	26,793,990	-	-	26,793,990
Total program services	84,123,656	-	-	84,123,656	-	(208,953)	83,914,703	-	-	83,914,703
Supporting services:										
Management and general	4,291,469	-	-	4,291,469	921,105	(64,509)	5,148,065	-	-	5,148,065
Fund-raising	7,892,255	-	-	7,892,255	-	(19,230)	7,873,025	-	-	7,873,025
Total supporting services	12,183,724	-	-	12,183,724	921,105	(83,739)	13,021,090	-	-	13,021,090
Total expenses	96,307,380	-	-	96,307,380	921,105	(292,692)	96,935,793	-	-	96,935,793
Change in net assets before other changes	(24,155,601)	(8,842,843)	196,460	(32,801,984)	(87,446)	-	(24,243,047)	(8,842,843)	196,460	(32,889,430)
Other Changes in Net Assets										
Legal expenses awarded, net	2,504,624	-	-	2,504,624	-	-	2,504,624	-	-	2,504,624
Net investment income, gains and losses	8,921,044	3,811,191	-	12,732,235	-	-	8,921,044	3,811,191	-	12,732,235
Changes in value of split-interest agreements	(728,873)	(137,036)	-	(865,909)	-	-	(728,873)	(137,036)	-	(865,909)
Net loss on investment in 915 15th Street, LLC	(87,446)	-	-	(87,446)	-	87,446	-	-	-	-
Total other changes in net assets	10,609,349	3,674,155	-	14,283,504	-	87,446	10,696,795	3,674,155	-	14,370,950
Change in net assets	(13,546,252)	(5,168,688)	196,460	(18,518,480)	(87,446)	87,446	(13,546,252)	(5,168,688)	196,460	(18,518,480)
Net Assets										
Beginning	174,583,478	51,998,157	40,565,255	267,146,890	(947,539)	947,539	174,583,478	51,998,157	40,565,255	267,146,890
Ending	$ 161,037,226	$ 46,829,469	$ 40,761,715	$ 248,628,410	$ (1,034,985)	$ 1,034,985	$ 161,037,226	$ 46,829,469	$ 40,761,715	$ 248,628,410