

ACLU of Arizona
(A nonprofit corporation)

Financial Statements
Year ended March 31, 2008

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Independent Auditor's Report

To the Board of Directors
ACLU of Arizona
Phoenix, Arizona

We have audited the accompanying statement of financial position of the ACLU of Arizona (a nonprofit organization) as of March 31, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ACLU of Arizona as of March 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Walker & Armstrong, LLP

Phoenix, Arizona
September 21, 2008

ACLU of Arizona
(A nonprofit corporation)
STATEMENT OF FINANCIAL POSITION
March 31, 2008

Assets

Current Assets

Cash and cash equivalents	\$ 314,421
Certificate of deposits	32,750
Receivable from ACLU Foundation of Arizona	20,442
Receivable from American Civil Liberties Union, Inc.	12,155
Prepaid expenses	2,612
Total current assets	<u>382,380</u>

Other Assets

Certificate of deposit - Ted Mote Fund	5,912
Total assets	<u><u>\$ 388,292</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 517
Total liabilities	<u>517</u>

Net Assets

Unrestricted:	
Designated	5,912
Undesignated	366,863
Total unrestricted	<u>372,775</u>
Temporarily restricted	15,000
Total net assets	<u>387,775</u>
Total liabilities and net assets	<u><u>\$ 388,292</u></u>

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

ACLU of Arizona
(A nonprofit corporation)
STATEMENT OF ACTIVITIES
Year Ended March 31, 2008

Changes in Unrestricted Net Assets:

Revenues and Support

Shared membership fees	\$ 182,334
Fundraising	1,420
Bequests	45,761
Investment income, net of expense	7,016
Total unrestricted revenues and support	<hr/> 236,531

Expenses

Program services

Legislative	35,402
Public education	99,183
Total program services	<hr/> 134,585

Supporting services

Membership	17,569
Management and general	24,498
Total supporting services	<hr/> 42,067
Total expenses	<hr/> 176,652

Increase in unrestricted net assets	<hr/> 59,879
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Changes in Temporarily Restricted Net Assets

Grants	15,000
Increase in temporarily restricted net assets	<hr/> 15,000

Increase in net assets

Net assets at beginning of year	312,896
Net assets at end of year	<hr/> <hr/> \$ 387,775

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

ACLU of Arizona
(A nonprofit corporation)
STATEMENT OF ACTIVITIES
Year Ended March 31, 2008

	<u>Program Services</u>			<u>Supporting Services</u>			Total
	Legislative	Public Education	Total	Membership	Management and General	Total	Program and Supporting Services
Salaries and related expenses	\$ 14,744	\$ 60,819	\$ 75,563	\$ 9,215	\$ 7,372	\$ 16,587	\$ 92,150
Occupancy	3,399	7,648	11,047	1,700	4,249	5,949	16,996
Office expense	3,851	3,822	7,673	2,549	1,437	3,986	11,659
Telephone	951	943	1,894	629	346	975	2,869
Insurance	323	320	643	214	117	331	974
Fund raising expense	-	197	197	790	-	790	987
Maintenance and repairs	507	503	1,010	335	185	520	1,530
Public education forums	412	3,709	4,121	-	-	-	4,121
Allocated depreciation	486	482	968	321	177	498	1,466
Loss on disposal of asset	210	210	420	140	77	217	637
Newsletter	2,057	17,480	19,537	-	1,028	1,028	20,565
Dues and subscriptions	-	-	-	37	-	37	37
Postage	1,232	1,223	2,455	816	449	1,265	3,720
Accounting	-	-	-	-	3,660	3,660	3,660
Contract labor	107	106	213	70	39	109	322
Recruitment	-	-	-	-	2,871	2,871	2,871
Board and volunteer expenses	-	504	504	504	1,511	2,015	2,519
Travel, meals and entertainment	377	374	751	249	137	386	1,137
Membership development	6,746	843	7,589	-	843	843	8,432
	<u>\$ 35,402</u>	<u>\$ 99,183</u>	<u>\$ 134,585</u>	<u>\$ 17,569</u>	<u>\$ 24,498</u>	<u>\$ 42,067</u>	<u>\$ 176,652</u>

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

ACLU of Arizona
(A nonprofit corporation)
STATEMENT OF CASH FLOWS
Year Ended March 31, 2008

Cash flows from operating activities:

Cash received from members and others	\$ 239,208
Interest received	7,016
Cash paid to vendors and employees	(189,133)
	<hr/>
Net cash provided by operating activities	57,091

Cash flows from investing activities:

Acquisition of certificate of deposit	(849)
	<hr/>
Net increase in cash and cash equivalents	56,242
Cash and cash equivalents at beginning of year	258,179
	<hr/>
Cash and cash equivalents at end of year	\$ 314,421
	<hr/> <hr/>

**Reconciliation of increase in net assets to
net cash provided by operating activities**

Increase in net assets	\$ 74,879
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Decrease in receivable from American Civil Liberties Union, Inc.	2,974
Increase in amount due from ACLU Foundation of Arizona	(18,667)
Increase in prepaid expense	(2,612)
Increase in liabilities	517
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Net cash provided by operating activities	\$ 57,091
	<hr/> <hr/>

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

ACLU of Arizona
(A nonprofit corporation)
NOTES TO FINANCIAL STATEMENTS
Year ended March 31, 2008

Note 1 - Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the financial statements follows:

Organization

The purpose of the ACLU of Arizona (the Union) is to maintain and protect civil liberties in Arizona through legislative advocacy and public education. The Union lobbies at the local and state levels, working to influence public policies that threaten individual rights. The Union also is responsible for engaging and informing members on how to safeguard personal freedoms and build political power. The Union oversees the operations of the ACLU Foundation of Arizona (the Foundation).

The Board of Directors of the Union authorizes the creation of volunteer-run chapters who serve as the eyes and ears of the ACLU around the state. There are currently two active chapters in Arizona.

The Union shares equipment, office space, personnel and operating costs with the Foundation. The Union and Foundation reimburse each other to support their respective share of operations.

Basis of Presentation

The Union reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Union reports its revenue and other support as unrestricted if there are no donor-imposed restrictions that limit its use. The Union had no permanently restricted net assets for the year ended March 31, 2008.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1 - Summary of Significant Accounting Policies - Continued

Functional Allocation of 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 costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is exempt from income taxes under Section 501(c) 4 of the Internal Revenue Code.

Donated Services

A substantial number of unpaid volunteers have contributed significant amounts of time to develop the programs of the Union. For example, there are two active chapters across the state that are completely volunteer-run. Chapter members organize public education events to advocate on a wide range of public policies that impact civil liberties issues. The value of this time is not reflected in the financial statements because a value for their services cannot be objectively determined.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Union considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair market value as determined by quoted market prices. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change of net assets in the accompanying statement of activities unless the income or loss is restricted.

Designated Net Assets

Designated net assets represent a board-approved reservation of funds for the Ted Mote Fund administered by the Union for support of educational purposes.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 1 - Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Cash and Cash Equivalents

Cash and cash equivalents of \$314,421 as of March 31, 2008 are comprised of demand deposits held by a bank.

This balance at March 31, 2008 exceeded FDIC insurance by \$217,225.

Note 3 – Retirement Plan

Defined Benefit Plan

The American Civil Liberties Union Retirement Plan is a defined benefit multiemployer plan which covers eligible employees of the national organization of the American Civil Liberties Union, Inc. and the American Civil Liberties Union Foundation, Inc. and affiliates, which include the Union and the Foundation.

All funds of the plan are held by Principal Mutual Life Insurance Company under a benefit index payment plan.

The retirement plan includes numerous participating affiliates. It is not practicable for the actuary to compute accumulated and projected benefit obligations for individual affiliates. Accumulated and projected benefit obligations and other required disclosures for the entire American Civil Liberties Union are presented in the organization's consolidated financial statements.

Contributions to the plan allocated to the Union for the year ended March 31, 2008 were \$1,588.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 3 – Retirement Plan - Continued

401(k) Plan

On July 1, 2000, the American Civil Liberties Union, Inc. and the American Civil Liberties Foundation, Inc. and its affiliates established a 401(k) pension plan for the benefit of regular employees. Benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate in the 401(k) plan on the first day of the calendar quarter following 30 days of service. Employees may contribute up to the maximum amount allowed by current legislation. The Union does not contribute to the plan.

Note 4 – Commitments

ACLU of Arizona has an agreement to lease office space under an operating lease expiring April 2009. The Union's share of the lease expense for the year ended March 31, 2008 was \$16,996. The total future minimum lease payments, which are allocated between the Union and Foundation, are as follows:

	Year ending March 31
2009	\$ 35,722
2010	<u>2,989</u>
Total	<u>\$ 38,711</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Note 5 – Capital Lease Obligation

During the 2008 fiscal year, the American Civil Liberties Union Foundation of Arizona entered into a capital lease agreement for a new copier. The obligation has an implied interest rate of 25.88% payable in monthly installments of \$289 aggregating \$17,340 through December 2013 and is collateralized by the leased equipment.

The Union's share of the lease expense for the year ended March 31, 2008 was \$417. The total future minimum lease payments, which are allocated between the Union and Foundation, are as follows:

<u>March 31</u>	<u>Amount</u>
2009	\$ 3,468
2010	3,468
2011	3,468
2012	3,468
2013	<u>2,601</u>
	\$ 16,473
Less amount representing interest	<u>7,043</u>
Total	<u>\$ 9,430</u>

Assets acquired under capital leases are recorded at \$9,676 and the accumulated depreciation on these assets as of March 31, 2008 was \$484.

Note 6 – Related Party Transactions

For the year ended March 31, 2008, the Foundation incurred \$145,103 of expenses on behalf of the Union to pay for operating costs. During the year, the Union transferred cash to the Foundation based on an estimate of shared expenses. As of March 31, 2008, the Foundation had an outstanding amount payable to the Union of \$20,442. As of March 31, 2008, the Union had a net receivable from National in the amount of \$12,155 for revenues shared by the National office with its affiliates.