

**Audited Consolidated Financial Statements  
with Consolidating Information**

**AMERICAN CIVIL RIGHTS UNION AND  
AFFILIATE**

*December 31, 2009*

# American Civil Rights Union and Affiliate

## Contents

---

<i>Independent Auditor's Report on the Consolidated Financial Statements</i>	1
 <b><i>Consolidated Financial Statements</i></b>	
Consolidated statements of financial position	2
Consolidated statements of activities	3
Consolidated statements of functional expense	4
Consolidated statements of cash flows	5
Notes to the consolidated financial statements	6-10
 <b><i>Consolidating Information</i></b>	
Independent auditor's report on the consolidating information	11
Consolidating statement of financial position	12
Consolidating statement activities	13

T A T E



TRYON

A Professional Corporation

Certified Public

Accountants

and Consultants

## Independent Auditor's Report on the Consolidated Financial Statements

To the Board of Directors  
American Civil Rights Union and Affiliate

We have audited the accompanying consolidated statement of financial position of the American Civil Rights Union (the ACRU) and Affiliate as of December 31, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. We have also audited the accompanying statement of financial position of the American Civil Rights Union (the ACRU) as of December 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 ACRU's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide a reasonable basis for our opinion.

In our opinion, the 2009 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the American Civil Rights Union and Affiliate as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the 2008 financial statements present fairly, in all material respects, the financial position of the American Civil Rights Union as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Washington, DC  
June 30, 2010

THE SOUTHERN BUILDING

. . . . .

805 15TH STREET, NW

. . . . .

9TH FLOOR

. . . . .

WASHINGTON, DC

20005

. . . . .

TELEPHONE

202/293-2200

. . . . .

FACSIMILE

202/293-2208

. . . . .

# American Civil Rights Union and Affiliate

## Consolidated Statements of Financial Position

<b>December 31,</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Cash and cash equivalents - Note B	\$ 539,859	\$ 253,214
Investments - Notes B & C	962,572	1,111,056
Accounts receivable	58,893	-
Prepaid expenses	-	18,616
Property and equipment, net - Note D	3,759	5,440
<b>Total assets</b>	<b>\$ 1,565,083</b>	<b>\$ 1,388,326</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 68,490	\$ 61,407
Accrued liability - Note G	36,000	48,000
<b>Total liabilities</b>	<b>104,490</b>	<b>109,407</b>
Net assets		
Unrestricted		
Undesignated	1,459,528	1,263,786
Designated	-	15,133
<b>Total unrestricted net assets</b>	<b>1,459,528</b>	<b>1,278,919</b>
Temporarily restricted	1,065	-
<b>Total net assets</b>	<b>1,460,593</b>	<b>1,278,919</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,565,083</b>	<b>\$ 1,388,326</b>

See notes to the consolidated financial statements.

# American Civil Rights Union and Affiliate

## Consolidated Statements of Activities

<i>Year Ended December 31,</i>	<b>2009</b>	<b>2008</b>
<b>Unrestricted activities</b>		
<b>Revenue and support</b>		
Contributions	\$ 4,796,766	\$ 1,529,989
List rental income	179,980	278,527
Investment income (loss) - Note C	128,812	(261,469)
Other income	270	11
Total revenue and support	<b>5,105,828</b>	1,547,058
<b>Expenses - Note E</b>		
Program services		
Defense of civil rights	<b>3,073,935</b>	840,607
Supporting services		
Management and general	148,838	240,560
Fund raising	<b>1,702,446</b>	956,793
Total supporting services	<b>1,851,284</b>	1,197,353
Total expenses	<b>4,925,219</b>	2,037,960
Change in unrestricted net assets	<b>180,609</b>	(490,902)
<b>Temporarily restricted activities</b>		
<b>Revenue and support</b>		
Contributions	1,000	-
Investment income - Note C	65	-
Change in temporarily net assets	<b>1,065</b>	-
<b>Change in net assets</b>	<b>181,674</b>	(490,902)
Net assets, beginning of year	<b>1,278,919</b>	1,769,821
<b>Net assets, end of year</b>	<b>\$ 1,460,593</b>	<b>\$ 1,278,919</b>

## American Civil Rights Union and Affiliate

### Consolidated Statement of Functional Expenses Year Ended December 31, 2009 with Comparative Totals for 2008

	Program Services	Supporting Services			2009 Total	2008 Total
	Defense of Civil Rights	Management and General	Fund Raising	Sub- Total		
Mailing production & office operations	\$ 2,287,367	\$ 37,646	\$ 1,600,510	\$ 1,638,156	\$ 3,925,523	\$ 998,536
Contract services	527,901	20,208	51,232	71,440	599,341	639,863
Salary & benefits	175,170	39,802	33,203	73,005	248,175	252,985
Accounting	-	34,888	-	34,888	34,888	41,726
Credit card fees	11,435	2,575	7,837	10,412	21,847	2,350
Travel & meetings	18,070	2,916	-	2,916	20,986	10,382
Marketing	20,103	14	-	14	20,117	658
Bank charges & investment fees	9,649	721	7,919	8,640	18,289	8,794
Internet	8,038	4,177	-	4,177	12,215	11,329
Dues & registrations	5,300	2,791	1,745	4,536	9,836	22,666
Telephone & communications	4,392	134	-	134	4,526	3,335
Facilities & equipment	767	2,966	-	2,966	3,733	15,460
Meals & entertainment	3,243	-	-	-	3,243	904
Donations	2,500	-	-	-	2,500	26,200
Miscellaneous	-	-	-	-	-	2,772
	\$ 3,073,935	\$ 148,838	\$ 1,702,446	\$ 1,851,284	\$ 4,925,219	\$ 2,037,960

See notes to the consolidated financial statements.

# American Civil Rights Union and Affiliate

## Consolidated Statements of Cash Flows

<b>Year Ended December 31,</b>	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 181,674	\$ (490,902)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	1,681	1,681
Net (gain) loss on investments	(137,670)	286,918
Change in assets and liabilities:		
Accounts receivables	(58,893)	-
Employee receivable	-	631
Prepaid expenses	18,616	(11,371)
Accounts payable	7,083	(55,921)
Accrued liability	(12,000)	(12,000)
Total adjustments	(181,183)	209,938
Net cash provided by (used in) operating activities	491	(280,964)
<b>Cash flows from investing activities</b>		
Net sales of investments	286,154	39,112
Net cash provided by investing activities	286,154	39,112
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>286,645</b>	<b>(241,852)</b>
Cash and cash equivalents, beginning of year	253,214	495,066
<b>Cash and cash equivalents, end of year</b>	<b>\$ 539,859</b>	<b>\$ 253,214</b>

See notes to the consolidated financial statements.

# American Civil Rights Union and Affiliate

## Notes to the Consolidated Financial Statements

---

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: The American Civil Rights Union (ACRU) is a voluntary health and welfare organization organized and operated to engage in activities for defending civil rights of Americans and in such other charitable, scientific, and educational activities as may qualify it as exempt from federal income tax. ACRU's program includes *Defense of Civil Rights*. This program includes defending the civil rights of Americans through the support of litigation. In addition, this program includes providing a resource of information and educating the public through newsletters, television, internet, and radio regarding the protection of basic constitutional rights.

The Robert B. Carleson Eagle Fund (RCEF) is a voluntary health and welfare organization organized for the purpose of sponsoring Boy Scouts of limited financial means to attend camp and to assist Boy Scout units that have been adversely affected by politically-motivated government or philanthropic decisions. All proceeds of the Eagle Fund will be designated for the support of the Boy Scouts. The Robert B. Carleson Eagle Fund was established during 2009 in memory of Robert B. Carleson. RCEF shares common directors with ACRU and receives operating support from ACRU. As such, the financial activities of RCEF are included in the consolidated financial statements.

Principles of consolidation: The consolidated financial statements include the accounts of the ACRU and the RCEF (collectively, the Organization). Significant intercompany accounts and transactions have been eliminated in consolidation. RCEF did not exist during 2008. Thus, the 2008 financial statements do not include RCEF.

Basis of accounting: The Organization prepares its consolidated financial statements on the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation is incurred.

Income taxes: ACRU is exempt from the payment of income taxes on its exempt activities under section 501(c)(3) of the Internal Revenue Code (IRC).

RCEF has submitted its application for exempt status as a charitable organization with the Internal Revenue Service. RCEF believes it is organized and operated in a manner consistent with the provisions of IRC section 501(c)(3).

During the year ended December 31, 2009, the Organization adopted the accounting standard related to uncertain income tax positions. The standard requires that realization of an uncertain income tax position must be more likely than not (greater than 50% likelihood) before it is recognized in the financial statements. Furthermore, the standard requires that the amount recognized be the same as that which would be determined as a result of a review by tax authorities having all relevant information and applying current conventions. During the year ended December 31, 2009, management did not identify any uncertain income tax positions and believes the Organization is no longer subject to federal, state and local income tax examinations by taxing authorities for years before 2006.

Use of estimates: Preparation of consolidated financial statements in accordance 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. Actual results could differ from those estimates.

Cash and cash equivalents: For financial statement purposes, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

# American Civil Rights Union and Affiliate

## Notes to the Consolidated Financial Statements

---

### A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts receivable: Accounts receivable represents list sales receivables. Management periodically reviews the status of all accounts receivable balances for collectability. The Organization uses the allowance method to reserve uncollectible accounts. The allowance is based upon prior year's experience and management's analysis of subsequent collections.

Net assets: For financial statement purposes, net assets are as follows:

*Unrestricted net assets* include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. During the year ended December 31, 2008, ACRU's designated net assets consist of funds earmarked for the Robert B. Carleson Eagle Trust. During the year ended December 31, 2009, these funds were contributed to RCEF.

*Temporarily restricted net assets* consist of contributions restricted by donors for a specific purpose or time period.

Contributions: Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Functional allocation of expenses: The costs of providing various program and other activities have been summarized on a functional basis in the financial statements. Accordingly, costs have been allocated among the programs and supporting services benefited.

Comparative financial information: The financial statements include certain prior-year summarized comparative information in total by natural expense but not by function and natural expense on the statement of functional expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ACRU's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Subsequent events: Subsequent events have been evaluated through June 30, 2010.

### B. CREDIT RISK AND FLUCTUATIONS IN FAIR VALUE

Credit risk: The Organization maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portion of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Organization.

# American Civil Rights Union and Affiliate

## Notes to the Consolidated Financial Statements

### B. CREDIT RISK AND FLUCTUATIONS IN FAIR VALUE (CONTINUED)

Market value risk: The Organization also invests funds in marketable investment securities. Such investments are exposed to market and credit risks. Given the current turmoil in world financial markets, The Organization's investments may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying consolidated financial statements may not be reflective of the portfolio's value during subsequent periods.

### C. FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Organization has implemented the accounting standards topic regarding fair value measurements. This standard establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

The Organization's investments consist of marketable securities as of December 31, 2009 and 2008. Such investments are valued using level 1 inputs based on quoted market prices within active markets.

Investments are carried at fair value and consist of the following as of December 31,:

	2009	2008
Domestic & International equity securities	\$ 962,572	\$ -
Money market funds	-	599,154
Fixed income mutual funds	-	285,262
Equity mutual funds	-	226,640
	<u>\$ 962,572</u>	<u>\$ 1,111,056</u>

# American Civil Rights Union and Affiliate

## Notes to the Consolidated Financial Statements

### C. FAIR VALUE MEASUREMENTS AND INVESTMENTS (CONTINUED)

The following is a summary of investment income (loss) for the years ended December 31,:

	2009	2008
Interest and dividends	\$ 8,541	\$ 40,664
Net gain (loss) on investments	137,670	(286,918)
	146,211	(246,254)
Less: investment fees	17,334	\$ 15,215
	<b>\$ 128,877</b>	<b>\$ (261,469)</b>

### D. PROPERTY AND EQUIPMENT

ACRU capitalizes all property and equipment purchases of \$500 or above. Property and equipment are stated at cost and are depreciated over their estimated useful lives ranging between three and five years using the straight-line method. Depreciation expense was \$1,681 for the years ended December 31, 2009 and 2008.

Property and equipment consist of the following at December 31,:

	2009	2008
Furniture and equipment	\$ 8,404	\$ 8,404
Accumulated depreciation	(4,645)	(2,964)
	<b>\$ 3,759</b>	<b>\$ 5,440</b>

### E. ALLOCATION OF JOINT COSTS

ACRU incurs joint costs for informational material and activities that include fund raising appeals. Using the guidance established by the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (the Codification), ACRU has allocated the joint costs to its functional areas as follows during the years ended December 31,:

	2009	2008
Defense of civil rights	\$ 2,287,138	\$ 191,973
Management and general	26,941	78,557
Fund raising	1,637,441	816,732
	<b>\$ 3,951,520</b>	<b>\$ 1,087,262</b>

# American Civil Rights Union and Affiliate

## Notes to the Consolidated Financial Statements

---

### F. TRANSACTIONS WITH RELATED PARTIES

ACRU has a legal fee agreement with Peter Ferrara, an officer of ACRU. The agreement provides for a retainer for legal services. Legal fees of \$110,500 and \$102,000 were paid to Mr. Ferrara during the years ended December 31, 2009 and 2008, respectively.

Beginning in the fall of 2006, ACRU compensated its Chairman and CEO, Susan Carleson, for services rendered on behalf of ACRU. Total compensation paid to Susan Carleson was \$150,000 per year for the years ended December 31, 2009 and 2008.

### G. ACCRUED LIABILITY

On April 21, 2006, Robert Carleson, ACRU's Chairman and Founder, passed away. A deferred compensation agreement had been created on behalf of Mr. Carleson. In light of Mr. Carleson's passing, the plan was reexamined by ACRU's management and Board of Directors. As a result of the review, management and the Board concluded that the plan had not been properly constructed and formally rescinded the deferred compensation agreement.

In conjunction with rescinding the deferred compensation agreement, the Board of Directors voted to indemnify Mr. Carleson's heirs against any unfavorable tax rulings related to the deferred compensation agreement. The maximum potential amount that would be payable under this indemnity is estimated to be approximately \$550,000. Given the facts and circumstances surrounding the rescission, ACRU has determined the likelihood of any such loss is remote. However, in accordance with accounting principles generally accepted in the United States of America, ACRU accrued a liability, for the estimated fair value of the indemnity, totaling \$36,000 and \$48,000 as of December 31, 2009 and 2008, respectively. ACRU is amortizing the liability on a straight-line basis over the period under which ACRU is potentially liable under tax laws in the United States of America. Amortization of the liability for the years ended December 31, 2009 and 2008 totaled \$12,000 per year and is reported as a reduction in salary & benefits in the Statement of Functional Expenses.

### H. COMMITMENTS AND CONTINGENCIES

Mailing house contract: ACRU has a contract with a third-party mailing house. The contract requires ACRU to reimburse the mailing house for all costs incurred and may require ACRU to pay interest on amounts advanced by the mailing house.

T A T E



T R Y O N

*A Professional Corporation*

*Certified Public*

*Accountants*

*and Consultants*

## Independent Auditor's Report on the Consolidating Information

To the Board of Directors  
American Civil Rights Union and Affiliate

Our report on our audit of the consolidated financial statements of the American Civil Rights Union and Affiliate (the Organization) as of and for the year ended December 31, 2009 appears on page one. That audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages twelve and thirteen is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Washington, DC  
June 30, 2010

THE SOUTHERN BUILDING

. . . . .

805 15TH STREET, NW

. . . . .

9TH FLOOR

. . . . .

WASHINGTON, DC

20005

. . . . .

TELEPHONE

202/293-2200

. . . . .

FACSIMILE

202/293-2208

. . . . .

WWW.TATETRYON.COM

# American Civil Rights Union and Affiliate

## Consolidating Statement of Financial Position

Year Ended December 31, 2009

	ACRU	RCEF	Eliminations	Totals
<b>Assets</b>				
Cash and cash equivalents	\$ 539,614	\$ 245	\$ -	\$ 539,859
Investments	946,874	15,698	-	962,572
Accounts receivable	58,893	-	-	58,893
Property and equipment, net	3,759	-	-	3,759
<b>Total assets</b>	<b>\$ 1,549,140</b>	<b>\$ 15,943</b>	<b>\$ -</b>	<b>\$ 1,565,083</b>
<b>Liabilities and Net Assets</b>				
Liabilities				
Accounts payable	\$ 68,490	-	-	\$ 68,490
Accrued liability	36,000	-	-	36,000
<b>Total liabilities</b>	<b>104,490</b>	<b>-</b>	<b>-</b>	<b>104,490</b>
Net assets				
Unrestricted				
Undesignated	1,444,650	14,878	-	1,459,528
<b>Total unrestricted net assets</b>	<b>1,444,650</b>	<b>14,878</b>	<b>-</b>	<b>1,459,528</b>
Temporarily restricted	-	1,065	-	1,065
<b>Total net assets</b>	<b>1,444,650</b>	<b>15,943</b>	<b>-</b>	<b>1,460,593</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,549,140</b>	<b>\$ 15,943</b>	<b>\$ -</b>	<b>\$ 1,565,083</b>

# American Civil Rights Union and Affiliate

## Consolidating Statement of Activities

*Year ended December 31, 2009*

	ACRU	RCEF	Eliminations	Totals
<b>Unrestricted activities</b>				
<b>Revenue and support</b>				
Contributions	\$ 4,796,766	\$ 28,207	\$ (28,207)	\$ 4,796,766
List rental income	179,980	-	-	179,980
Investment income - Note C	128,812	-	-	128,812
Other income	270	-	-	270
<b>Total revenue and support</b>	<b>5,105,828</b>	<b>28,207</b>	<b>(28,207)</b>	<b>5,105,828</b>
<b>Expenses - Note E</b>				
Program services				
Defense of civil rights	3,073,935	-	-	3,073,935
Supporting services				
Management and general	163,716	13,329	(28,207)	148,838
Fund raising	1,702,446	-	-	1,702,446
<b>Total supporting services</b>	<b>1,866,162</b>	<b>13,329</b>	<b>(28,207)</b>	<b>1,851,284</b>
<b>Total expenses</b>	<b>4,940,097</b>	<b>13,329</b>	<b>(28,207)</b>	<b>4,925,219</b>
Change in unrestricted net assets	165,731	14,878	-	180,609
<b>Temporarily restricted activities</b>				
<b>Revenue and support</b>				
Contributions	-	1,000	-	1,000
Investment income - Note C	-	65	-	65
Change in temporarily net assets	-	1,065	-	1,065
<b>Change in net assets</b>	<b>165,731</b>	<b>15,943</b>	<b>-</b>	<b>181,674</b>
Net assets, beginning of year	1,278,919	-	-	1,278,919
<b>Net assets, end of year</b>	<b>\$ 1,444,650</b>	<b>\$ 15,943</b>	<b>\$ -</b>	<b>\$ 1,460,593</b>