

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED JULY 31, 2016 AND 2015**

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION  
TABLE OF CONTENTS  
YEARS ENDED JULY 31, 2016 AND 2015**

<b>ACCOUNTANTS' COMPILATION REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>BALANCE SHEETS</b>	<b>2</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>3</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>4</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>5</b>



**CliftonLarsonAllen**

CliftonLarsonAllen LLP  
CLAAconnect.com

## **ACCOUNTANTS' COMPILATION REPORT**

Board of Trustees  
American Legion Family Hospital Association  
St. Paul, Minnesota

Management is responsible for the accompanying financial statements of American Legion Family Hospital Association, which comprise the balance sheets as of July 31, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
December 5, 2016

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION**  
**BALANCE SHEETS**  
**JULY 31, 2016 AND 2015**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 15,086	\$ 25,936
Interest Receivable	1,315	871
Investments	230,712	234,576
Total Assets	\$ 247,113	\$ 261,383
<b>LIABILITIES AND NET ASSETS</b>		
<b>NET ASSETS</b>		
Unrestricted	\$ 247,113	\$ 261,383
Total Liabilities and Net Assets	\$ 247,113	\$ 261,383

See accompanying Notes to Financial Statements.

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JULY 31, 2016 AND 2015**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Dues:		
American Legion Posts	\$ 18,145	\$ 20,158
American Legion Auxiliaries	9,041	9,232
Sons of American Legion	2,971	2,895
Donations	10,508	19,248
Unrealized Gain on Investments	6,106	2,832
Interest Income	5,236	3,946
Total Revenues	<u>52,007</u>	<u>58,311</u>
<b>EXPENSES</b>		
Program Services:		
Medical Assistance	48,883	23,263
Support Services - Management and General:		
Contractor Services	10,610	5,046
Travel Expenses	1,892	2,590
Professional Fees	3,060	3,060
Insurance Expense	125	-
General Office Expense	1,707	1,363
Total Support Services - Management and General	<u>17,394</u>	<u>12,059</u>
Total Expenses	<u>66,277</u>	<u>35,322</u>
<b>CHANGE IN NET ASSETS</b>	(14,270)	22,989
Net Assets - Beginning	<u>261,383</u>	<u>238,394</u>
<b>NET ASSETS - ENDING</b>	<u><u>\$ 247,113</u></u>	<u><u>\$ 261,383</u></u>

See accompanying Notes to Financial Statements.

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JULY 31, 2016 AND 2015**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (14,270)	\$ 22,989
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) Operating Activities:		
Unrealized Gain on Investments	(6,106)	(2,832)
Increase in Current Assets:		
Interest Receivable	(444)	(85)
Net Cash Provided (Used) by Operating Activities	(20,820)	20,072
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Certificate of Deposit	-	(29,864)
Proceeds from Sale of Certificate of Deposits	9,970	15,000
Net Cash Provided (Used) by Investing Activities	9,970	(14,864)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(10,850)	5,208
Cash and Cash Equivalents - Beginning of Year	25,936	20,728
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 15,086	\$ 25,936

See accompanying Notes to Financial Statements.

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2016 AND 2015**  
**(SEE ACCOUNTANTS' COMPILATION REPORT)**

**NOTE 1 ORGANIZATIONAL PURPOSE**

American Legion Family Hospital Association (the Association) was incorporated in 1922 for the primary purpose of rendering medical assistance in time of sickness and in death to its members and their dependents provided they have been a member in good standing for twelve months prior to their application for benefits. The Association is primarily supported from membership dues to American Legion Department of Minnesota, American Legion Auxiliary Department of Minnesota, and the Sons of the American Legion Department of Minnesota. The Association also receives donations from various posts and units within Minnesota.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization on passage of time. There were no temporarily restricted net assets at the end of July 31, 2016 and 2015.

**Investments**

The Organization records its investments at fair market value. The net realized and unrealized gains and losses on investments are reflected in the statement of activities.

**Functional Expense**

The Association's costs of providing its services have been classified on a functional basis in the statements of activities. Expenses are classified based on the direct relationship to a particular functional expense.

**Cash Equivalents**

For purposes of the statement of cash flows, the Association considers all temporary cash investments including money market accounts with a maturity of three months or less to be cash equivalents.

**Revenue Recognition**

Revenue and expenses are recorded on the accrual basis. Revenue received for future dues, subscriptions, and conferences is deferred until the applicable year.

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2016 AND 2015**  
**(SEE ACCOUNTANTS' COMPILATION REPORT)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Medical Assistance**

Medical assistance payments are recorded as an expense when the application is received from an eligible individual and the amount is approved by the board.

**Tax Exempt Status**

The Association is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. The Association is a public charity and contributions to the Association qualify as charitable tax deductions by the contributor. The Association has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRS code.

The Association has adopted the income tax standard regarding the recognition and measurement of uncertain tax positions. The Organization has no current obligation for unrelated business income tax.

**Fair Value Measurement**

The Organization accounts for its investments at fair value and has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

*Level 2* – Financial assets and liabilities are valued using inputs quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset. Level 3 includes long/short funds, private equity, venture capital, hedge fund, and real assets.



**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2016 AND 2015**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement (Continued)**

The following tables present the fair value hierarchy for the balance of the assets of the Organization measured at fair value on a recurring basis as of July 31:

	2016			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 158,621	\$ -	\$ 158,621
Corporate Bonds	-	72,091	-	72,091
Total	\$ -	\$ 230,712	\$ -	\$ 230,712
	2015			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 164,993	\$ -	\$ 164,993
Corporate Bonds	-	69,583	-	69,583
Total	\$ -	\$ 234,576	\$ -	\$ 234,576

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 5, 2016, the date the financial statements were available to be issued.

**NOTE 3 CONCENTRATION OF CREDIT RISK**

The Association maintains its certificates of deposit at one financial institution. Certificates of deposit at this bank are insured by the Federal Deposit Insurance Corporation for up to \$250,000. There were no amounts in excess of insured limits at July 31, 2016.

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JULY 31, 2016 AND 2015**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

**NOTE 4 INVESTMENTS**

Investments are comprised of the following at July 31:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 155,000	\$ 158,621	\$ 165,000	\$ 164,993
Corporate Bonds	70,283	72,091	70,253	69,583
Total	<u>\$ 225,283</u>	<u>\$ 230,712</u>	<u>\$ 235,253</u>	<u>\$ 234,576</u>

**NOTE 5 RELATED PARTY TRANSACTIONS AND CONCENTRATION IN SUPPORT RECEIVED**

The Association receives the majority of its support from membership dues and donations from the American Legion Department of Minnesota, American Legion Auxiliary Department of Minnesota, and the Sons of the American Legion Department of Minnesota. All three organizations have several board members in common with the Association. In the event that this support were to be eliminated, it is likely that the Association would need to reduce its current operations.