

**THE MINNESOTA LEGIONNAIRE, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2017 AND 2016**

**THE MINNESOTA LEGIONNAIRE, INC.  
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**CliftonLarsonAllen**

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## **ACCOUNTANTS' COMPILATION REPORT**

Board of Directors  
The Minnesota Legionnaire, Inc.  
St. Paul, Minnesota

Management is responsible for the accompanying financial statements of The Minnesota Legionnaire, Inc., which comprise the balance sheets as of August 31, 2017 and 2016, and the related statements of activities, functional expense, 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 7, 2017

**THE MINNESOTA LEGIONNAIRE, INC.**  
**BALANCE SHEETS**  
**AUGUST 31, 2017 AND 2016**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 108,115	\$ 92,383
Accounts Receivable	-	7,500
Interest Receivable	321	432
Total Current Assets	108,436	100,315
<b>OTHER ASSETS</b>		
Investments	112,521	133,935
Total Assets	\$ 220,957	\$ 234,250
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,883	\$ 1,767
Unearned Subscription Revenue	118,381	126,141
Total Current Liabilities	120,264	127,908
<b>NET ASSETS</b>		
Net Assets - Unrestricted	100,693	106,342
Total Liabilities and Net Assets	\$ 220,957	\$ 234,250

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED AUGUST 31, 2017 AND 2016**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	(Unrestricted)	
	2017	2016
<b>REVENUE</b>		
Subscriptions	\$ 222,357	\$ 231,655
Advertising	41,175	43,825
Interest Income	2,300	2,457
Unrealized Gain (Loss) on Investments	(1,357)	2,324
Other	28,000	30,000
Total Revenue	292,475	310,261
<b>EXPENSES</b>		
Program Expenses	269,967	285,073
General and Administrative	28,157	29,275
Total Expenses	298,124	314,347
<b>DECREASE IN UNRESTRICTED NET ASSETS</b>	(5,649)	(4,086)
Unrestricted Net Assets - Beginning	106,342	110,428
<b>UNRESTRICTED NET ASSETS - ENDING</b>	\$ 100,693	\$ 106,342

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSE**  
**YEARS ENDED AUGUST 31, 2017 AND 2016**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2017			2016		
	Program Expense	General and Administrative	Total	Program Expense	General and Administrative	Total
Postage	\$ 158,130	\$ -	\$ 158,130	\$ 168,000	\$ -	\$ 168,000
Printing	61,289	-	61,289	67,980	-	67,980
Salaries	28,025	9,340	37,365	27,555	9,185	36,740
Commissions	6,176	-	6,176	6,523	-	6,523
Office Supplies	1,345	448	1,793	994	331	1,325
Travel and Meetings	-	9,972	9,972	-	11,744	11,744
Employee Benefits	11,040	3,680	14,720	10,164	3,388	13,552
Professional Fees	-	3,525	3,525	-	3,470	3,470
Payroll Taxes	2,393	798	3,191	2,269	756	3,025
Insurance	1,181	394	1,575	1,200	400	1,600
Miscellaneous	388	-	388	388	-	388
<b>Total Expense</b>	<b><u>\$ 269,967</u></b>	<b><u>\$ 28,157</u></b>	<b><u>\$ 298,124</u></b>	<b><u>\$ 285,073</u></b>	<b><u>\$ 29,275</u></b>	<b><u>\$ 314,347</u></b>

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2017 AND 2016**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (5,649)	\$ (4,086)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Unrealized Gain on Investments	1,357	(2,324)
(Increase) Decrease in Current Assets:		
Accounts Receivable	7,500	(7,500)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	116	(92)
Unearned Subscription Revenue	(7,760)	(6,114)
Net Cash Used by Operating Activities	(4,325)	(20,116)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Investments	20,057	-
 <b>CHANGE IN CASH</b>	15,732	(20,116)
Cash - Beginning of Year	92,383	112,499
 <b>CASH - END OF YEAR</b>	\$ 108,115	\$ 92,383

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**  
**(SEE ACCOUNTANTS' COMPILATION REPORT)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organizational Purpose**

The Minnesota Legionnaire, Inc. is responsible for publishing The Legionnaire, a newspaper subscribed to by members of the American Legion Department of Minnesota. The Minnesota Legionnaire, Inc. is a wholly owned subsidiary of the Minnesota American Legion Publications Corporation.

**Financial Statement Presentation**

Net assets and revenues, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of The Minnesota Legionnaire, Inc. and changes therein are classified and reported as follows:

Unrestricted Net Assets – 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 Net Assets – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization on passage of time. As of August 31, 2017 and 2016, the Organization had no temporarily restricted net assets.

**Revenue Recognition**

Subscription income is recognized as revenue ratably over the subscription period. Unearned subscription revenue in the accompanying balance sheet represents amounts collected for subscriptions which have not yet been earned.

**Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits**

The Organization maintains its cash reserves and cash balances in one financial institution. At times, the amount on deposit may exceed federally insured limits.

**Accounts Receivable**

The Organization's accounts receivable is recorded as revenue when earned. Receivables are expected to be collectable and therefore the Organization has passed on setting up an allowance for bad debt.

**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**

Expenses which apply to more than one function are allocated among the functions to which they apply. The allocation of salary expense is made by management's estimates of time expended in each program. Other expenses are allocated on the basis of percentage of time devoted to that function unless a more direct basis is apparent.



**THE MINNESOTA LEGIONNAIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Tax-Exempt Status**

The Organization has a tax-exempt status under Section 501(a) as an organization described in 501(c)(19) of the Internal Revenue Code and Minnesota Statute. The Organization is a veterans' organization. Therefore, charitable contributions are tax deductible. The Organization is subject to unrelated business income tax on advertising.

Income taxes on unrelated business income are provided based upon the provisions of the, *Accounting for Income Taxes* standard, which requires that deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of unrelated business income.

The differences between the financial statement reporting basis are due to net operating loss carryforwards. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized.

As of August 31, 2017 and 2016, the tax benefit of carried-over net operating losses was \$16,000 and \$32,000, respectively. A valuation allowance has been established for the full amount of the tax benefit due to the likelihood that future profits may not occur in order for the Organization to utilize the tax benefit.

The Organization 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.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2017 AND 2016**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurement (Continued)**

*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.

The following table presents the fair value hierarchy for the balance of the assets of the Organization measured at fair value on a recurring basis as of August 31:

	2017			
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 1,439	\$ -	\$ -	\$ 1,439
Certificates of Deposit	-	111,082	-	111,082
Total	<u>\$ 1,439</u>	<u>\$ 111,082</u>	<u>\$ -</u>	<u>\$ 112,521</u>
	2016			
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 1,495	\$ -	\$ -	\$ 1,495
Certificates of Deposit	-	132,440	-	132,440
Total	<u>\$ 1,495</u>	<u>\$ 132,440</u>	<u>\$ -</u>	<u>\$ 133,935</u>

**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 7, 2017, the date the financial statements were available to be issued.

**NOTE 2 INVESTMENTS**

Investments are comprised of the following at August 31:

	2017		2016	
	Cost	Fair Value	Cost	Fair Value
Money Market Fund	\$ 1,439	\$ 1,439	\$ 1,495	\$ 1,495
Certificates of Deposit	110,000	111,082	130,001	132,440
Total	<u>\$ 111,439</u>	<u>\$ 112,521</u>	<u>\$ 131,496</u>	<u>\$ 133,935</u>

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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 3 RELATED PARTY TRANSACTIONS**

The American Legion, Department of Minnesota is a related party through common board members.

The American Legion, Department of Minnesota allocates as a subscription a portion of the membership dues collected from its membership and remits such subscriptions to The Minnesota Legionnaire, Inc. The total subscriptions received (earned and unearned) from the American Legion, Department of Minnesota for fiscal 2017 and 2016 were \$221,208 and \$230,751, respectively, which are included in subscription revenue of \$222,357 and \$231,655, respectively.

The Organization also received payments totaling \$309 from The American Legion, Department of Minnesota during the year ended August 31, 2017 for reimbursements of other business expenses. Payments totaling \$3,276 were received during the year ended August 31, 2016 for reimbursements of other business expenses.

The Organization made payments of \$61,584 and \$60,004 to the American Legion, Department of Minnesota during the years ended August 31, 2017 and 2016, respectively, for reimbursements of a portion of salary and benefits relating to one employee as well as reimbursements of other business expenses.

**NOTE 4 PENSION PLAN**

The Organization participates with other affiliated American Legion organizations in a defined contribution profit sharing plan. The plan covers all classes of employees who have completed six months of service. Retirement expense was \$4,153 and \$4,000 for the years ended August 31, 2017 and 2016, respectively.