

THE MINNESOTA LEGIONNAIRE, INC.
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2016 AND 2015

**THE MINNESOTA LEGIONNAIRE, INC.
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YEARS ENDED AUGUST 31, 2016 AND 2015**

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INDEPENDENT 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, 2016 and 2015, 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 5, 2016

THE MINNESOTA LEGIONNAIRE, INC.
BALANCE SHEETS
AUGUST 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 92,383	\$ 112,499
Accounts Receivable	7,500	-
Interest Receivable	432	432
Total Current Assets	100,315	112,931
OTHER ASSETS		
Investments	133,935	131,611
Total Assets	\$ 234,250	\$ 244,542
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,767	\$ 1,859
Unearned Subscription Revenue	126,141	132,255
Total Current Liabilities	127,908	134,114
NET ASSETS		
Net Assets - Unrestricted	106,342	110,428
Total Liabilities and Net Assets	\$ 234,250	\$ 244,542

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	(Unrestricted)	
	2016	2015
REVENUE		
Subscriptions	\$ 231,655	\$ 240,137
Advertising	43,825	43,743
Interest Income	2,457	2,450
Unrealized Gain on Investments	2,324	1,447
Other	30,000	30,000
Total Revenue	310,261	317,777
EXPENSES		
Program Expenses	285,073	289,683
General and Administrative	29,275	28,823
Total Expenses	314,347	318,505
CHANGES IN UNRESTRICTED NET ASSETS	(4,086)	(728)
Unrestricted Net Assets - Beginning	110,428	111,156
UNRESTRICTED NET ASSETS - ENDING	\$ 106,342	\$ 110,428

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
YEARS ENDED AUGUST 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2016			2015		
	Program Expense	General and Administrative	Total	Program Expense	General and Administrative	Total
Postage	\$ 168,000	\$ -	\$ 168,000	\$ 168,421	\$ -	\$ 168,421
Printing	67,980	-	67,980	70,261	-	70,261
Salaries	27,555	9,185	36,740	27,404	9,135	36,539
Commissions	6,523	-	6,523	6,540	-	6,540
Office Supplies	994	331	1,325	3,149	1,050	4,198
Travel and Meetings	-	11,744	11,744	-	10,620	10,620
Employee Benefits	10,164	3,388	13,552	10,163	3,388	13,550
Professional Fees	-	3,470	3,470	-	3,500	3,500
Payroll Taxes	2,269	756	3,025	2,279	760	3,038
Insurance	1,200	400	1,600	1,114	371	1,485
Miscellaneous	388	-	388	353	-	353
	<u>388</u>	<u>-</u>	<u>388</u>	<u>353</u>	<u>-</u>	<u>353</u>
Total Expense	<u>\$ 285,073</u>	<u>\$ 29,275</u>	<u>\$ 314,347</u>	<u>\$ 289,683</u>	<u>\$ 28,823</u>	<u>\$ 318,505</u>

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (4,086)	\$ (728)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Unrealized Gain on Investments	(2,324)	(1,447)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(7,500)	-
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(92)	125
Unearned Subscription Revenue	(6,114)	(1,849)
Net Cash Used by Operating Activities	<u>(20,116)</u>	<u>(3,899)</u>
DECREASE IN CASH	(20,116)	(3,899)
Cash - Beginning of Year	<u>112,499</u>	<u>116,398</u>
CASH - END OF YEAR	<u>\$ 92,383</u>	<u>\$ 112,499</u>

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015
(SEE INDEPENDENT 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 – 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. As of August 31, 2016 and 2015, 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.

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, 2016 AND 2015
(SEE INDEPENDENT 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, 2016 and 2015, the tax benefit of carried-over net operating losses was \$32,000 and \$39,000, 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, 2016 AND 2015
(SEE INDEPENDENT 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:

	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>
	2015			
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 1,495	\$ -	\$ -	\$ 1,495
Certificates of Deposit	-	130,116	-	130,116
Total	<u>\$ 1,495</u>	<u>\$ 130,116</u>	<u>\$ -</u>	<u>\$ 131,611</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 5, 2016, the date the financial statements were available to be issued.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

NOTE 2 INVESTMENTS

Investments are comprised of the following at August 31:

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Money Market Fund	\$ 1,495	\$ 1,495	\$ 1,495	\$ 1,495
Certificates of Deposit	130,001	132,440	130,001	130,116
Total	<u>\$ 131,496</u>	<u>\$ 133,935</u>	<u>\$ 131,496</u>	<u>\$ 131,611</u>

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 2016 and 2015 were \$230,751 and \$238,371, respectively, which are included in subscription revenue of \$231,655 and \$240,137, respectively.

The Organization also received payments totaling \$3,276 from The American Legion, Department of Minnesota during the year ended August 31, 2016 for reimbursements of other business expenses. Payments totaling \$16,515 were received during the year ended August 31, 2016 for reimbursements of other business expenses.

The Organization made payments of \$60,004 and \$61,057 to the American Legion, Department of Minnesota during the years ended August 31, 2016 and 2015, 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 \$4,000 and \$3,986 for the years ended August 31, 2016 and 2015.