

**MINNESOTA AMERICAN LEGION, AUXILIARY,  
AND THE SONS OF THE AMERICAN LEGION  
BRAIN SCIENCE FOUNDATION**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2013 AND 2012**

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS  
OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION  
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## INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

Board of Directors  
Minnesota American Legion, Auxiliary, and  
the Sons of the American Legion and  
Brain Science Foundation  
St. Paul, Minnesota

We have compiled the accompanying balance sheets of Minnesota American Legion, Auxiliary, and the Sons of the American Legion and Brian Science Foundation as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

A handwritten signature in cursive script that reads 'CliftonLarsonAllen LLP'.

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
February 15, 2014

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS  
OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION  
BALANCE SHEETS  
DECEMBER 31, 2013 AND 2012  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)**

	2013	2012
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 6,682	\$ 98,311
Accrued Interest Receivable	420	52
Investments	103,426	20,021
Total Assets	110,528	118,384
<b>ASSETS LIMITED AS TO USE</b>		
Cash and Cash Equivalents	23,932	32,298
Accrued Interest and Dividends Receivable	3,162	3,590
Investments	971,069	844,357
Total Assets Limited as to Use	998,163	880,245
Total Assets	\$ 1,108,691	\$ 998,629
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Commitment - Due to Others	\$ 998,163	\$ 880,245
<b>NET ASSETS - UNRESTRICTED</b>		
	110,528	118,384
Total Liabilities and Net Assets	\$ 1,108,691	\$ 998,629

See accompanying Notes to Financial Statements.

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS  
OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2013 AND 2012  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)**

	2013	2012
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 3,100	\$ 10,469
Unrealized Gain	95,814	118,067
Realized (Loss) Gain	62,063	(24,592)
Interest Income	17,149	22,980
Less: (Loss) Return on Investments Held on Behalf of Others	(180,137)	(115,712)
Total Support and Revenue	(2,011)	11,212
<b>EXPENSES</b>		
Program Expense:		
Scholarships	2,000	12,000
Total Program Expense	2,000	12,000
Management and General:		
Mileage and Per Diem - Board Meetings	593	764
Professional Fees	2,943	3,797
Office Expense	25	200
Excise Tax Expense	284	588
Total Management and General	3,845	5,349
Total Expenses	5,845	17,349
<b>CHANGE IN NET ASSETS</b>	(7,856)	(6,137)
Net Assets - Beginning of Year	118,384	124,521
<b>NET ASSETS - END OF YEAR</b>	\$ 110,528	\$ 118,384

See accompanying Notes to Financial Statements.

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS  
OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2013 AND 2012  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)**

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (7,856)	\$ (6,137)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized (Gain) Loss on Investments	(95,814)	(118,067)
Realized Loss (Gain) on Sale of Investments	(62,063)	24,592
Investment Gain (Loss) Which is Due to Others	180,137	115,712
Decrease (Increase) in Accrued Interest and Dividends	60	6
Net Cash Provided by Operating Activities	<u>14,464</u>	<u>16,106</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments	419,780	358,704
Purchases of Investments	<u>(472,020)</u>	<u>(209,234)</u>
Net Cash Provided (Used) by Investing Activities	(52,240)	149,470
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of Amounts Due to Others	<u>(62,219)</u>	<u>(43,252)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(99,995)	122,324
Cash and Cash Equivalents - Beginning of Year	<u>130,609</u>	<u>8,285</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 30,614</u>	<u>\$ 130,609</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Current Assets	\$ 6,682	\$ 98,311
Assets Limited as to Use	23,932	32,298
Total Cash and Cash Equivalents	<u>\$ 30,614</u>	<u>\$ 130,609</u>

See accompanying Notes to Financial Statements.

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS  
OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organizational Purpose**

The Minnesota American Legion, Auxiliary, and the Sons of the American Legion Brain Science Foundation (the Organization) was established to raise funds to jointly support, with the University of Minnesota, a Chair in Brain Sciences for the purpose of bolstering advancement of this medical field to improve the care of veterans and the education of professional health care providers who will care for veterans and their families.

**Financial Statement Presentation**

Net assets and revenues, gains, and losses of the Organization are classified based on donor imposed restrictions. Accordingly, net assets of the Organization 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 that the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to donor imposed restrictions that they be maintained permanently by the Organization.

The Organization does not have any Board designated, temporarily restricted, or permanently restricted net assets at December 31, 2013 and 2012.

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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.

**Cash and Cash Equivalents**

The Organization considers all highly liquid temporary investments with an original maturity of three months or less to be cash equivalents.

**Investments**

The Organization carries its investment securities at fair market value. The change in value is recognized in the statement of activities.

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS  
OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)**

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

**Fair Value Measurements**

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

*Level 1* – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access as of the measurement date.

*Level 2* – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

*Level 3* – Inputs that are unobservable. Unobservable inputs reflect Organization's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.



**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS  
OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)**

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

**Fair Value Measurements (Continued)**

The following table presents the Organization's fair value for those investments, excluding money market funds, measured at fair value on a recurring basis as of December 31, 2013 and 2012:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit - Brokered	\$ -	\$ 155,829	\$ -	\$ 155,829
Stocks and Options	663,825	-	-	663,825
Mutual Funds	-	99,407	-	99,407
Corporate Bonds	-	97,819	-	97,819
Foreign Bonds	-	57,615	-	57,615
Total	<u>\$ 663,825</u>	<u>\$ 410,670</u>	<u>\$ -</u>	<u>\$ 1,074,495</u>
2012				
	Level 1	Level 2	Level 3	Total
Certificates of Deposit - Brokered	\$ -	\$ 159,795	\$ -	\$ 159,795
Stocks and Options	584,536	-	-	584,536
Corporate Bonds	-	40,940	-	40,940
Foreign Bonds	-	79,107	-	79,107
Total	<u>\$ 584,536</u>	<u>\$ 279,842</u>	<u>\$ -</u>	<u>\$ 864,378</u>

**Tax Exempt Status**

The Organization is tax exempt as an organization and has been classified as a private foundation under the Internal Revenue Code. Charitable contributions by donors are tax deductible. The Organization is subject to excise tax on investment earnings. As a private foundation, the Organization is required to make distributions during the next year, based on related charitable purpose income and expenses during the previous year. The Organization has made excess contributions over that past two years and had an excess distribution carryover of approximately \$84,000 and \$97,000 at December 31, 2013 and 2012, respectively.

The Organization follows the income tax standard for uncertain tax positions. No liability was recognized by the Organization as a result of this standard. The Organization files as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS. The 2010 - 2012 tax years of the Organization are open for examination by the IRS.

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

The Organization maintains a majority of its cash balances at one financial institution. At times, the amounts on deposit may exceed federally insured limits.

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

**Subsequent Events**

In preparing these financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through February 15, 2014, the date the financial statements were approved to be issued.

**NOTE 2 INVESTMENTS**

The Organization invests in a variety of investments. In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect account balances and the amounts reported in the statements of activities.

**NOTE 3 ASSETS LIMITED AS TO USE AND COMMITMENT - DUE TO OTHERS**

The Organization acts as agents for the University of Minnesota with respect to investments held on behalf of the University. The original agreement pledged to the University of Minnesota annual payments of an amount equal to 5.5% of the three-year trailing average of the one million-dollar principal, including all income and growth or depreciation. The amount paid to the University of Minnesota was \$59,442 and \$40,453 for the years ended December 31, 2013 and 2012, respectively. The principal amount including growth and accrued interest and dividends totaled \$998,163 and \$880,245 at December 31, 2013 and 2012, respectively.

In addition the Organization made additional contributions of \$2,000 and \$12,000 for 2013 and 2012 from other funding sources.