THE MINNESOTA LEGIONNAIRE, INC.

FINANCIAL STATEMENTS

YEARS ENDED AUGUST 31, 2013 AND 2012

THE MINNESOTA LEGIONNAIRE, INC.
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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying balance sheets of The Minnesota Legionnaire, Inc. as of August 31, 2013 and 2012, and the related statements of activities, functional expense, 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 compilations 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 13, 2013

THE MINNESOTA LEGIONNAIRE, INC.
BALANCE SHEETS
AUGUST 31, 2013 AND 2012
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash	$ 105,794	$ 137,735
Accounts Receivable	-	7,906
Interest Receivable	202	162
Total Current Assets	105,996	145,803
OTHER ASSETS		
Investments	130,532	101,765
Total Assets	$ 236,528	$ 247,568
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 2,600	$ 2,746
Unearned Subscription Revenue	130,158	147,807
Total Current Liabilities	132,758	150,553
NET ASSETS		
Net Assets - Unrestricted	103,770	97,015
Total Liabilities and Net Assets	$ 236,528	$ 247,568

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2013 AND 2012
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	(Unrestricted)	
	2013	2012
REVENUE		
Subscriptions	$ 253,087	$ 256,697
Advertising	38,162	50,804
Interest Income	907	496
Unrealized Gain (Loss) on Investments	(1,196)	288
Other	31,803	30,000
Total Revenue	322,763	338,285
EXPENSES		
Program Expenses	286,242	293,411
General and Administrative	29,766	24,507
Total Expenses	316,008	317,918
CHANGES IN UNRESTRICTED NET ASSETS	6,755	20,367
Unrestricted Net Assets - Beginning	97,015	76,648
UNRESTRICTED NET ASSETS - ENDING	$ 103,770	$ 97,015

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
YEARS ENDED AUGUST 31, 2013 AND 2012
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2013			2012		
	Program Expense	General and Administrative	Total	Program Expense	General and Administrative	Total
Postage	$ 162,800	$ -	$ 162,800	$ 172,800	$ -	$ 172,800
Printing	73,907	-	73,907	75,194	-	75,194
Salaries	25,931	8,644	34,575	25,170	8,390	33,560
Commissions	5,664	-	5,664	7,696	-	7,696
Office Supplies	6,144	2,048	8,192	1,178	393	1,570
Travel and Meetings	-	11,778	11,778	-	8,416	8,416
Employee Benefits	8,762	2,921	11,682	7,835	2,612	10,446
Professional Fees	-	3,489	3,489	-	3,635	3,635
Payroll Taxes	2,149	716	2,865	2,611	870	3,481
Insurance	375	125	500	450	150	600
Telephone	137	46	183	125	42	167
Miscellaneous	373	-	373	353	-	353
Total Expense	$ 286,242	$ 29,766	$ 316,008	$ 293,411	$ 24,507	$ 317,918

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2013 AND 2012
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 6,755	$ 20,367
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Unrealized (Gain) Loss on Investments	1,196	(288)
(Increase) Decrease in Current Assets:		
Accounts Receivable	7,906	(7,807)
Interest Receivable	(40)	16
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(146)	941
Unearned Subscription Revenue	(17,649)	(4,767)
Net Cash Provided (Used) by Operating Activities	(1,978)	8,462
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	20,037	100,998
Purchase of Investments	(50,000)	(101,000)
Net Cash Used by Investing Activities	(29,963)	(2)
NET INCREASE (DECREASE) IN CASH	(31,941)	8,460
Cash - Beginning of Year	137,735	129,275
CASH - END OF YEAR	$ 105,794	$ 137,735

See accompanying Notes to Financial Statements.

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, 2013 and 2012, 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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exempt Status (Continued)

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, 2013 and 2012, the tax benefit of carried-over net operating losses was $34,000 and $41,000, 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. The Organization's tax returns are open to examinations for the years 2010 through 2012.

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.

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:

	2013			
	Level 1	Level 2	Level 3	Total
Money Market Fund	$ 1,495	$ -	$ -	$ 1,495
Certificates of Deposit	-	129,037	-	129,037
Total	$ 1,495	$ 129,037	$ -	$ 130,532

	2012			
	Level 1	Level 2	Level 3	Total
Money Market Fund	$ 11,533	$ -	$ -	$ 11,533
Certificates of Deposit	-	90,232	-	90,232
Total	$ 11,533	$ 90,232	$ -	$ 101,765

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 November 13, 2013, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments are comprised of the following at August 31:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Money Market Fund	$ 1,495	$ 1,495	$ 11,533	$ 11,533
Certificates of Deposit	130,001	129,037	90,000	90,232
Total	$ 131,496	$ 130,532	$ 101,533	$ 101,765

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 2013 and 2012 were $221,883 and $245,473, respectively, which are included in subscription revenue of $253,087 and $256,696, respectively.

The Organization also received payments totaling $2,849 from The American Legion, Department of Minnesota during the year ended August 31, 2013 for reimbursements of other business expenses. Payments totaling $6,148 were received during the year ended August 2012 for reimbursements of a portion of salary and benefits relating to one employee as well as reimbursements of other business expenses.

The Organization made payments of $54,694 and $56,112 to the American Legion, Department of Minnesota during the years ended August 31, 2013 and 2012, 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 $3,834 and $3,829 for the years ended August 31, 2013 and 2012.