

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION

FINANCIAL STATEMENTS

YEARS ENDED JULY 31, 2014 AND 2013

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
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YEARS ENDED JULY 31, 2014 AND 2013**

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ACCOUNTANTS' COMPILATION REPORT

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

We have compiled the accompanying balance sheets of American Legion Family Hospital Association as of July 31, 2014 and 2013, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 19, 2014

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
BALANCE SHEETS
JULY 31, 2014 AND 2013
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash in Bank - Checking	\$ 20,728	\$ 44,448
Interest Receivable	786	539
Investments	216,880	187,495
Total Assets	\$ 238,394	\$ 232,482
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ -	\$ 2,454
NET ASSETS		
Unrestricted	238,394	230,028
Total Liabilities Net Assets	\$ 238,394	\$ 232,482

See accompanying Notes to Financial Statements.

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2014 AND 2013
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2014	2013
REVENUES		
Dues:		
American Legion Posts	\$ 22,012	\$ 20,073
American Legion Auxiliaries	9,778	10,175
Sons of American Legion	2,692	2,700
Donations	11,212	15,284
Unrealized Loss on Investments	(862)	(2,897)
Interest Income	2,978	1,872
Total Revenues	47,810	47,207
EXPENSES		
Program Services:		
Medical Assistance	31,232	30,839
Support Services - Management and General:		
Contractor Services	3,105	2,484
Travel Expenses	1,128	3,242
Professional Fees	3,060	3,216
General Office Expense	919	1,438
Total Support Services - Management and General	8,212	10,382
Total Expenses	39,444	41,221
CHANGE IN NET ASSETS	8,366	5,986
Net Assets - Beginning	230,028	224,042
NET ASSETS - ENDING	\$ 238,394	\$ 230,028

See accompanying Notes to Financial Statements.

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2014 AND 2013
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 8,366	\$ 5,986
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Loss on Investments	1,007	2,897
Increase in Current Assets:		
Interest Receivable	(247)	(102)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(2,454)	2,454
Net Cash Provided by Operating Activities	6,672	11,235
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Certificate of Deposit	(80,392)	(140,142)
Proceeds from Sale of Certificate of Deposits	50,000	140,000
Net Cash Used by Investing Activities	(30,392)	(142)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(23,720)	11,093
Cash and Cash Equivalents - Beginning of Year	44,448	33,355
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 20,728	\$ 44,448

See accompanying Notes to Financial Statements.

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013
(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, 2014 and 2013.

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 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, 2014 AND 2013
(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 non-profit 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. The Organization's tax returns are open to examinations for the years 2011-2013.

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, 2014 AND 2013
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

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 July 31:

	2014			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit	\$ -	\$ 162,948	\$ -	\$ 162,948
Corporate Bonds	-	53,932	-	53,932
Total	\$ -	\$ 216,880	\$ -	\$ 216,880
	2013			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 149,237	\$ -	\$ 149,237
Corporate Bonds	-	38,258	-	38,258
Total	\$ -	\$ 187,495	\$ -	\$ 187,495

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 19, 2014, 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, 2014.

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2014 AND 2013
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 4 INVESTMENTS

Investments are comprised of the following at July 31:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 165,000	\$ 162,948	\$ 150,000	\$ 149,237
Corporate Bonds	55,389	53,932	40,142	38,258
Total	<u>\$ 220,389</u>	<u>\$ 216,880</u>	<u>\$ 190,142</u>	<u>\$ 187,495</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.