

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2016 AND 2015**

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

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

Management is responsible for the accompanying financial statements of Minnesota American Legion, Auxiliary, and the Sons of the American Legion and Brain Science Foundation, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of activities 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  
April 10, 2017

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS  
OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION  
BALANCE SHEETS  
DECEMBER 31, 2016 AND 2015  
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	2016	2015
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 8,372	\$ 12,110
Accrued Interest Receivable	420	420
Investments	108,438	107,539
Total Assets	117,230	120,069
<b>ASSETS LIMITED AS TO USE</b>		
Cash and Cash Equivalents	21,563	4,613
Accrued Interest and Dividends Receivable	2,183	3,539
Investments	918,268	875,975
Total Assets Limited as to Use	942,014	884,127
Total Assets	\$ 1,059,244	\$ 1,004,196
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Commitment - Due to Others	\$ 942,014	\$ 884,127
<b>NET ASSETS - UNRESTRICTED</b>	117,230	120,069
Total Liabilities and Net Assets	\$ 1,059,244	\$ 1,004,196

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, 2016 AND 2015  
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	2016	2015
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 15,024	\$ 11,782
Unrealized Gain (Loss)	76,672	(91,161)
Realized Gain	21,722	32,840
Interest Income	22,401	22,910
Miscellaneous Income	78	-
Less: (Gain) Loss on Investments Held on Behalf of Others	(117,806)	37,757
Total Support and Revenue	18,091	14,128
<b>EXPENSES</b>		
Program Expense:		
Scholarships and Research Funding	15,824	2,000
Management and General:		
Mileage and Per Diem - Board Meetings	685	702
Professional Fees	2,925	2,925
Miscellaneous Expense	26	-
Office Expense	470	25
Excise Tax Expense	1,000	249
Total Management and General	5,106	3,901
Total Expenses	20,930	5,901
<b>CHANGE IN NET ASSETS</b>	(2,839)	8,227
Net Assets - Beginning of Year	120,069	111,842
<b>NET ASSETS - END OF YEAR</b>	\$ 117,230	\$ 120,069

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, 2016 AND 2015  
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (2,839)	\$ 8,227
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized (Gain) Loss on Investments	(76,672)	91,161
Realized Gain on Sale of Investments	(21,722)	(32,840)
Investment Gain (Loss) Which is Due to Others	117,806	(37,757)
Decrease in Accrued Interest and Dividends	1,356	221
Net Cash Provided by Operating Activities	<u>17,929</u>	<u>29,012</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments	318,651	161,877
Purchases of Investments	<u>(280,399)</u>	<u>(121,703)</u>
Net Cash Provided by Investing Activities	38,252	40,174
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of Amounts Due to Others	<u>(59,919)</u>	<u>(61,215)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(3,738)	7,971
Cash and Cash Equivalents - Beginning of Year	<u>12,110</u>	<u>4,139</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 8,372</u>	<u>\$ 12,110</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FOR INCOME</b>		
Taxes Paid	<u>\$ 922</u>	<u>\$ 249</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, 2016 AND 2015  
(SEE 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, 2016 and 2015.

**Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. 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, 2016 AND 2015  
(SEE 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  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(SEE 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, 2016 and 2015:

	2016			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit - Brokered	\$ -	\$ 108,438	\$ -	\$ 108,438
Stocks and Options	714,952	-	-	714,952
Corporate Bonds	-	177,357	-	177,357
Foreign Bonds	-	25,959	-	25,959
Total	<u>\$ 714,952</u>	<u>\$ 311,754</u>	<u>\$ -</u>	<u>\$ 1,026,706</u>

  

	2015			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit - Brokered	\$ -	\$ 134,181	\$ -	\$ 134,181
Stocks and Options	637,717	-	-	637,717
Corporate Bonds	-	156,251	-	156,251
Foreign Bonds	-	55,365	-	55,365
Total	<u>\$ 637,717</u>	<u>\$ 345,797</u>	<u>\$ -</u>	<u>\$ 983,514</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 \$45,000 and \$42,000 at December 31, 2016 and 2015 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 Internal Revenue Service (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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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015  
(SEE ACCOUNTANTS' COMPILATION REPORT)**

**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 April 10, 2017, 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 \$52,881 and \$52,268 for the years ended December 31, 2016 and 2015, respectively. The principal amount including growth and accrued interest and dividends totaled \$942,014 and \$884,127 at December 31, 2016 and 2015, respectively.

In addition, the Organization made additional contributions of \$15,824 and \$2,000 for 2016 and 2015, respectively, from other funding sources.