

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS OF THE AMERICAN
LEGION BRAIN SCIENCE FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

ACCOUNTANTS' COMPILATION REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Minnesota American Legion, Auxiliary, and the Sons of the
American Legion 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 Brain Science Foundation, which comprise the balance sheets as of December 31, 2017 and 2016, 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

Minneapolis, Minnesota
REPORT DATE

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS OF THE AMERICAN LEGION
BRAIN SCIENCE FOUNDATION
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	2017	2016
ASSETS		
Cash and Cash Equivalents	\$ 24,753	\$ 8,372
Accrued Interest Receivable	189	420
Investments	110,122	108,438
Total Assets	135,064	117,230
ASSETS LIMITED AS TO USE		
Cash and Cash Equivalents	51,874	21,563
Accrued Interest and Dividends Receivable	1,590	2,183
Investments	1,059,271	918,268
Total Assets Limited as to Use	1,112,735	942,014
 Total Assets	 \$ 1,247,799	 \$ 1,059,244
LIABILITIES AND NET ASSETS		
LIABILITIES		
Commitment - Due to Others	\$ 1,112,735	\$ 942,014
NET ASSETS - UNRESTRICTED	135,064	117,230
 Total Liabilities and Net Assets	 \$ 1,247,799	 \$ 1,059,244

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, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	2017	2016
SUPPORT AND REVENUE		
Contributions	\$ 20,714	\$ 15,024
Unrealized Gain	145,658	76,672
Realized Gain	63,501	21,722
Interest Income	26,101	22,401
Miscellaneous Income	-	78
Less: Gain on Investments Held on Behalf of Others	(231,763)	(117,806)
Total Support and Revenue	24,211	18,091
EXPENSES		
Program Expense:		
Scholarships and Research Funding	2,000	15,824
Total Program Expense	2,000	15,824
Management and General:		
Mileage and Per Diem - Board Meetings	452	685
Professional Fees	3,067	2,925
Miscellaneous Expense	33	26
Office Expense	25	470
Excise Tax Expense	800	1,000
Total Management and General	4,377	5,106
Total Expenses	6,377	20,930
CHANGE IN NET ASSETS	17,834	(2,839)
Net Assets - Beginning of Year	117,230	120,069
NET ASSETS - END OF YEAR	\$ 135,064	\$ 117,230

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, 2017 AND 2016
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 17,834	\$ (2,839)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Gain on Investments	(145,658)	(76,672)
Realized Gain on Sale of Investments	(63,501)	(21,722)
Investment Gain Which is Due to Others	231,763	117,806
Decrease in Accrued Interest and Dividends	824	1,356
Net Cash Provided by Operating Activities	<u>41,262</u>	<u>17,929</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	310,152	318,651
Purchases of Investments	<u>(273,991)</u>	<u>(280,399)</u>
Net Cash Provided by Investing Activities	36,161	38,252
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Amounts Due to Others	<u>(61,042)</u>	<u>(59,919)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	16,381	(3,738)
Cash and Cash Equivalents - Beginning of Year	<u>8,372</u>	<u>12,110</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 24,753</u>	<u>\$ 8,372</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Taxes Paid	<u>\$ -</u>	<u>\$ 922</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, 2017 AND 2016
(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, 2017 and 2016.

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, 2017 AND 2016
(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 OF THE AMERICAN LEGION
BRAIN SCIENCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(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, 2017 and 2016.

	2017			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit - Brokered		\$ 54,541	\$ -	\$ 54,541
Mutual Funds	55,581	-	-	55,581
Stocks and Options	871,087	-	-	871,087
U.S. Government Securities	-	-	-	-
Corporate Bonds	-	143,087	-	143,087
Foreign Bonds	-	45,097	-	45,097
Total	<u>\$ 926,668</u>	<u>\$ 242,725</u>	<u>\$ -</u>	<u>\$ 1,169,393</u>

	2016			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit - Brokered	\$ -	\$ 108,438	\$ -	\$ 108,438
Mutual Funds	\$ -	\$ -	\$ -	-
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>

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 \$46,307 and \$45,000 at December 31, 2017 and 2016, 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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BRAIN SCIENCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(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 REPORT DATE, 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 \$1 million principal, including all income and growth or depreciation. The amount paid to the University of Minnesota was \$51,870 and \$52,881 for the years ended December 31, 2017 and 2016, respectively. The principal amount including growth and accrued interest and dividends totaled \$1,112,735 and \$942,014 at December 31, 2017 and 2016, respectively.

In addition, the Organization made additional contributions of \$2,000 and \$15,824 for 2017 and 2016, respectively, from other funding sources.