

THE MINNESOTA LEGIONNAIRE, INC.
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2018 AND 2017

**THE MINNESOTA LEGIONNAIRE, INC.
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YEARS ENDED AUGUST 31, 2018 AND 2017**

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ACCOUNTANTS' COMPILATION REPORT

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

Management is responsible for the accompanying financial statements of The Minnesota Legionnaire, Inc., which comprise the balance sheets as of August 31, 2018 and 2017, and the related statements of activities, functional expense, 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
November 30, 2018

THE MINNESOTA LEGIONNAIRE, INC.
BALANCE SHEETS
AUGUST 31, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 129,741	\$ 108,115
Accounts Receivable	346	-
Interest Receivable	494	321
Total Current Assets	130,581	108,436
OTHER ASSETS		
Investments	129,171	112,521
Total Assets	\$ 259,752	\$ 220,957
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 856	\$ 1,883
Unearned Subscription Revenue	129,445	118,381
Total Current Liabilities	130,301	120,264
NET ASSETS		
Net Assets - Unrestricted	129,451	100,693
Total Liabilities and Net Assets	\$ 259,752	\$ 220,957

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

	(Unrestricted)	
	2018	2017
REVENUE		
Subscriptions	\$ 243,937	\$ 222,357
Advertising	47,997	41,175
Interest Income	2,747	2,300
Unrealized Loss on Investments	(3,302)	(1,357)
Other	32,000	28,000
Total Revenue	323,379	292,475
 EXPENSES		
Program Expenses	266,417	269,967
General and Administrative	28,204	28,157
Total Expenses	294,621	298,124
 CHANGE IN UNRESTRICTED NET ASSETS	28,758	(5,649)
 Unrestricted Net Assets - Beginning of Year	100,693	106,342
 UNRESTRICTED NET ASSETS - END OF YEAR	\$ 129,451	\$ 100,693

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
YEARS ENDED AUGUST 31, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2018			2017		
	Program Expense	General and Administrative	Total	Program Expense	General and Administrative	Total
Postage	\$ 159,600	\$ -	\$ 159,600	\$ 158,130	\$ -	\$ 158,130
Printing	53,878	-	53,878	61,289	-	61,289
Salaries	28,645	9,548	38,193	28,025	9,340	37,365
Commissions	6,290	-	6,290	6,176	-	6,176
Office Supplies	2,937	979	3,916	1,345	448	1,793
Travel and Meetings	-	9,118	9,118	-	9,972	9,972
Employee Benefits	11,566	3,856	15,422	11,040	3,680	14,720
Professional Fees	-	3,616	3,616	-	3,525	3,525
Payroll Taxes	2,357	786	3,143	2,393	798	3,191
Insurance	904	301	1,205	1,181	394	1,575
Miscellaneous	240	-	240	388	-	388
Total Expense	\$ 266,417	\$ 28,204	\$ 294,621	\$ 269,967	\$ 28,157	\$ 298,124

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 28,758	\$ (5,649)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Unrealized Loss on Investments	3,302	1,357
(Increase) Decrease in Current Assets:		
Accounts Receivable	(346)	7,500
Interest Receivable	(173)	111
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(1,027)	116
Unearned Subscription Revenue	11,064	(7,760)
Net Cash Provided (Used) by Operating Activities	<u>41,578</u>	<u>(4,325)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	50,000	20,057
Purchase of Investments	<u>(69,952)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(19,952)</u>	<u>20,057</u>
 INCREASE IN CASH	21,626	15,732
Cash - Beginning of Year	<u>108,115</u>	<u>92,383</u>
 CASH - END OF YEAR	<u>\$ 129,741</u>	<u>\$ 108,115</u>

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

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 Net Assets – 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 Net Assets – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization on passage of time. As of August 31, 2018 and 2017, 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 sheets 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.

Accounts Receivable

The Organization's accounts receivable is recorded as revenue when earned. Receivables are expected to be collectable and, therefore, the Organization has passed on setting up an allowance for bad debt.

Investments

The Organization records its investments at fair market value. The net realized and unrealized gains and losses on investments are reflected in the statements 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.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2018 and 2017, the tax benefit of carried-over net operating losses was \$8,000 and \$16,000, 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.

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.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

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.

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:

	2018			
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 1,497	\$ -	\$ -	\$ 1,497
Certificates of Deposit	-	127,674	-	127,674
Total	<u>\$ 1,497</u>	<u>\$ 127,674</u>	<u>\$ -</u>	<u>\$ 129,171</u>

	2017			
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 1,439	\$ -	\$ -	\$ 1,439
Certificates of Deposit	-	111,082	-	111,082
Total	<u>\$ 1,439</u>	<u>\$ 111,082</u>	<u>\$ -</u>	<u>\$ 112,521</u>

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 30, 2018, the date the financial statements were available to be issued.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 2 INVESTMENTS

Investments are comprised of the following at August 31:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money Market Fund	\$ 1,497	\$ 1,497	\$ 1,439	\$ 1,439
Certificates of Deposit	129,894	127,674	110,000	111,082
Total	<u>\$ 131,391</u>	<u>\$ 129,171</u>	<u>\$ 111,439</u>	<u>\$ 112,521</u>

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 2018 and 2017 were \$244,967 and \$221,208, respectively, which are included in subscription revenue of \$243,937 and \$222,357, respectively.

The Organization also received payments totaling \$10,990 from The American Legion, Department of Minnesota during the year ended August 31, 2018 for reimbursements of other business expenses. Payments totaling \$309 were received during the year ended August 31, 2017 for reimbursements of other business expenses.

The Organization made payments of \$63,286 and \$61,584 to the American Legion, Department of Minnesota during the years ended August 31, 2018 and 2017, 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 \$4,134 and \$4,153 for the years ended August 31, 2018 and 2017, respectively.