

**THE AMERICAN LEGION,
DEPARTMENT OF MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

**THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Executive and Finance Committees
The American Legion, Department of Minnesota
St. Paul, Minnesota

We have reviewed the accompanying financial statements of The American Legion, Department of Minnesota (the Organization), which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review 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. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 2, 2019

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
BALANCE SHEETS
SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 577,281	\$ 471,452
Accounts Receivable	43,397	113,726
Loan Receivable from Related Party	-	50,000
Accrued Interest Receivable	12,657	11,474
Inventories	5,418	1,518
Prepaid Expenses	37,336	38,788
Total Current Assets	676,089	686,958
EQUIPMENT AND FURNITURE, NET	19,469	25,859
INVESTMENTS		
Investments	2,729,979	2,488,569
Investment in Unconsolidated Subsidiaries	1,000	1,000
Total Investments	2,730,979	2,489,569
Total Assets	\$ 3,426,537	\$ 3,202,386
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 36,763	\$ 29,294
Accrued Expenses	54,353	31,328
Deferred Revenue	516,561	516,463
Amount Held for Others	5,838	5,906
Total Current Liabilities	613,515	582,991
NET ASSETS		
Without Donor Restrictions:		
Undesignated	2,296,211	2,189,478
Designated	516,811	429,917
Total Net Assets	2,813,022	2,619,395
Total Liabilities and Net Assets	\$ 3,426,537	\$ 3,202,386

See accompanying Notes to Financial Statements.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	2019			2018		
	Without Donor Restrictions		Total	Without Donor Restrictions		Total
	Undesignated	Designated		Undesignated	Designated	
SUPPORT - CONTRIBUTIONS	\$ 1,747	\$ -	\$ 1,747	\$ 1,835	\$ -	\$ 1,835
REVENUE						
Membership Dues	865,295	-	865,295	903,255	-	903,255
Less: Minnesota Legionnaire Portion	(234,490)	-	(234,490)	(244,967)	-	(244,967)
Revenue Enhancement Sales	259,924	-	259,924	435,923	-	435,923
Grants	105,812	21,310	127,122	166,385	73,590	239,975
Registration and Fees	-	106,038	106,038	-	98,961	98,961
Investment Income	92,237	6,480	98,717	58,519	7,053	65,572
Royalties	205,791	-	205,791	117,169	-	117,169
In-Kind Rent	83,598	-	83,598	81,357	-	81,357
Other	42,291	9,835	52,126	24,697	17,824	42,521
Loss on Sale of Assets	-	-	-	(439)	-	(439)
Total Revenue	<u>1,420,458</u>	<u>143,663</u>	<u>1,564,121</u>	<u>1,541,899</u>	<u>197,428</u>	<u>1,739,327</u>
Total Support and Revenue	1,422,205	143,663	1,565,868	1,543,734	197,428	1,741,162
EXPENSES						
Program Expense	830,021	56,769	886,790	786,880	132,034	918,914
Supporting Services:						
Member Development	135,009	-	135,009	120,217	-	120,217
General and Administrative	210,582	-	210,582	191,506	-	191,506
Total Supporting Services	<u>345,591</u>	<u>-</u>	<u>345,591</u>	<u>311,723</u>	<u>-</u>	<u>311,723</u>
Fundraising	139,860	-	139,860	225,506	-	225,506
Total Expenses	<u>1,315,472</u>	<u>56,769</u>	<u>1,372,241</u>	<u>1,324,109</u>	<u>132,034</u>	<u>1,456,143</u>
CHANGE IN UNRESTRICTED NET ASSETS	106,733	86,894	193,627	219,625	65,394	285,019
Net Assets Unrestricted - Beginning of Year	<u>2,189,478</u>	<u>429,917</u>	<u>2,619,395</u>	<u>1,969,853</u>	<u>364,523</u>	<u>2,334,376</u>
NET ASSETS UNRESTRICTED - END OF YEAR	<u>\$ 2,296,211</u>	<u>\$ 516,811</u>	<u>\$ 2,813,022</u>	<u>\$ 2,189,478</u>	<u>\$ 429,917</u>	<u>\$ 2,619,395</u>

See accompanying Notes to Financial Statements.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	2019					
	Program Expense	Supporting Services			Fundraising	Total
		Member Development	General and Administrative	Total		
Salaries	\$ 292,735	\$ 68,445	\$ 102,229	\$ 170,674	\$ -	\$ 463,409
Payroll Taxes	22,206	5,192	7,755	12,947	-	35,153
Employee Benefits	85,825	20,067	29,971	50,038	-	135,863
Professional Fees	-	-	8,932	8,932	-	8,932
Supplies	19,864	4,644	6,937	11,581	-	31,445
Telephone	6,047	1,414	2,112	3,526	-	9,573
Equipment Maintenance	11,604	2,713	4,052	6,765	-	18,369
Postage	7,199	1,683	2,514	4,197	-	11,396
Printing and Copying	1,927	451	673	1,124	-	3,051
Insurance	6,918	1,617	2,416	4,033	-	10,951
Rent	52,809	12,347	18,442	30,789	-	83,598
Travel	36,619	8,562	12,788	21,350	-	57,969
Committees, Conferences, and Conventions	248,446	-	-	-	-	248,446
Scholarships and Grants	4,138	-	-	-	-	4,138
Cost of Enhancement Sales	-	-	-	-	139,860	139,860
Designated Program Expense	56,769	-	-	-	-	56,769
Other	27,617	6,457	9,644	16,101	-	43,718
Depreciation	6,067	1,417	2,117	3,534	-	9,601
Total Expenses	<u>\$ 886,790</u>	<u>\$ 135,009</u>	<u>\$ 210,582</u>	<u>\$ 345,591</u>	<u>\$ 139,860</u>	<u>\$ 1,372,241</u>

See accompanying Notes to Financial Statements.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	2018					
	Program Expense	Supporting Services			Fundraising	Total
		Member Development	General and Administrative	Total		
Salaries	\$ 270,652	\$ 59,532	\$ 90,541	\$ 150,073	\$ -	\$ 420,725
Payroll Taxes	20,849	4,586	6,975	11,561	-	32,410
Employee Benefits	77,034	16,944	25,770	42,714	-	119,748
Professional Fees	-	-	8,670	8,670	-	8,670
Supplies	27,061	5,952	9,053	15,005	-	42,066
Telephone	6,432	1,415	2,152	3,567	-	9,999
Equipment Maintenance	16,402	3,608	5,487	9,095	-	25,497
Postage	4,514	993	1,510	2,503	-	7,017
Printing and Copying	2,126	468	711	1,179	-	3,305
Insurance	7,093	1,560	2,373	3,933	-	11,026
Rent	52,337	11,512	17,508	29,020	-	81,357
Travel	36,967	8,131	12,366	20,497	-	57,464
Committees, Conferences, and Conventions	228,525	-	-	-	-	228,525
Scholarships and Grants	11,807	-	-	-	-	11,807
Cost of Enhancement Sales	-	-	-	-	225,506	225,506
Designated Program Expense	132,034	-	-	-	-	132,034
Other	13,068	2,874	4,372	7,246	-	20,314
Depreciation	12,013	2,642	4,018	6,660	-	18,673
Total Expenses	\$ 918,914	\$ 120,217	\$ 191,506	\$ 311,723	\$ 225,506	\$ 1,456,143

See accompanying Notes to Financial Statements.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 193,627	\$ 285,019
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	9,601	18,673
Loss on Sale of Assets	-	439
Unrealized Loss on Investments	8,062	48,820
Realized Gain from Sale of Investments	(41,729)	(63,013)
(Increase) Decrease in Current Assets:		
Receivables and Prepaid Expenses	70,598	(50,997)
Inventories	(3,900)	1,827
Increase (Decrease) in Current Liabilities:		
Payables and Accrued Expenses	30,494	29,429
Deferred Revenue	98	(71,675)
Amount Held for Others	(68)	(2,844)
Net Cash Provided by Operating Activities	<u>266,783</u>	<u>195,678</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment and Furniture	(3,211)	(2,599)
Issuance of Note Receivable	50,000	-
Proceeds from Sale of Investments	138,022	267,271
Purchase of Investments	(345,765)	(533,458)
Net Cash Used by Investing Activities	<u>(160,954)</u>	<u>(268,786)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	105,829	(73,108)
Cash and Cash Equivalents - Beginning of Year	<u>471,452</u>	<u>544,560</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 577,281</u>	<u>\$ 471,452</u>

See accompanying Notes to Financial Statements.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Purpose

The American Legion, Department of Minnesota (the Organization) was organized to support American Legion members and their programs in Minnesota.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. As of September 30, 2019 and 2018, the Organization has no with donor-restricted net assets.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Inventory

Inventory consists of various promotional items used in the Organization's programs. Inventory is valued at the lower of cost, determined on a first-in, first-out basis, or market.

Equipment and Furniture

All major expenditures for equipment and furniture are capitalized over \$1,000 at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the equipment and furniture, which range from 3 to 10 years.

Investments

The Organization carries its investments at fair value. The net realized gains and losses and unrealized gains and losses on investments are reflected in the statement of activities. Investments in unconsolidated subsidiaries are accounted for using the equity method.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

The Organization's accounts receivable consists primarily of revenues from the Minnesota Disability of Veterans Affairs and 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.

Amount Held for Others

The amounts held for others consist of cash held for the Minnesota State American Legion Bowling Association.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received which are designated for future periods or restricted by donor to a particular purpose are recorded as revenue with donor restriction until the appropriate future period or the donor purpose is satisfied.

Revenue Recognition

Membership dues collected are recognized as revenue ratably over the period to which the dues relate. Dues collected in advance are recorded as deferred membership revenues until they are earned. Royalties are recognized over the period they are earned and when reasonably estimated.

Donated Rent and Services

Donated (in-kind) rent and services are valued at their fair market value. Donated services have not been recognized in these financial statements because no specialized skills as defined by accounting principles generally accepted in the United States of America have been provided. However, a substantial number of members have donated a significant amount of time to advance the Organization's programs.

Advertising Costs

Advertising costs are expensed when incurred.

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.

Concentrations of Credit Risk from Cash Deposits in Excess of Insured Limits

The Organization maintains its cash reserves and cash balances in one financial institution. At times, the amounts on deposit may exceed federally insured limits.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 501(c)(19) of the Internal Revenue Code and Minnesota Statute, as an organization of past or present members of the armed forces. The Organization has no taxable unrelated business income at this time.

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 balance sheets 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.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

The following tables present the fair value hierarchy for the balance of the assets of the Organization measured at fair value on a recurring basis as of September 30:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	\$ -	\$ 760,679	\$ -	\$ 760,679
Corporate Bonds	-	1,135,690	-	1,135,690
Equity Securities	785,243	-	-	785,243
Mutual Funds	48,367	-	-	48,367
Total	<u>\$ 833,610</u>	<u>\$ 1,896,369</u>	<u>\$ -</u>	<u>\$ 2,729,979</u>
	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Certificates of Deposit	\$ -	\$ 670,281	\$ -	\$ 670,281
Corporate Bonds	-	996,916	-	996,916
Equity Securities	821,372	-	-	821,372
Total	<u>\$ 821,372</u>	<u>\$ 1,667,197</u>	<u>\$ -</u>	<u>\$ 2,488,569</u>

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. The reclassifications had no effect on the change in net assets or total net assets as previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 2, 2019, the date the financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retroactively to all periods presented (except for the liquidity disclosure) which resulted in no change to the total previously reported net assets.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 2 INVESTMENTS

Investments are comprised of the following at September 30:

	2019		2018	
	Cost	Market	Cost	Market
Certificates of Deposit	\$ 735,000	\$ 760,679	\$ 685,004	\$ 670,281
Corporate Bonds	1,114,738	1,135,690	1,044,701	996,916
Equity Securities	620,129	785,243	540,700	821,372
Mutual Funds	50,007	48,367	-	-
Total	<u>\$ 2,519,874</u>	<u>\$ 2,729,979</u>	<u>\$ 2,270,405</u>	<u>\$ 2,488,569</u>

NOTE 3 EQUIPMENT AND FURNITURE

Equipment and furniture consists of the following at September 30:

	2019	2018
Computer and Software	\$ 102,118	\$ 100,948
Other Equipment and Furniture	288,519	286,484
Total	<u>390,637</u>	<u>387,432</u>
Accumulated Depreciation	<u>(371,168)</u>	<u>(361,573)</u>
Equipment, Net	<u>\$ 19,469</u>	<u>\$ 25,859</u>

NOTE 4 DEFERRED REVENUE

Deferred revenue for the years ended September 30, 2019 and 2018 of \$516,561 and \$516,463, respectively, consists mainly of unearned membership dues and unearned grant revenue. The deferred membership dues total \$393,603 and \$409,113 at September 30, 2019 and 2018, respectively.

NOTE 5 NET ASSETS WITHOUT DONOR RESTRICTIONS: DESIGNATED

The executive committee, by board action, has designated net assets without donor restrictions for the following purposes:

	2019	2018
Operating Reserve	\$ 200,000	\$ 200,000
Programs	316,811	229,917
Total	<u>\$ 516,811</u>	<u>\$ 429,917</u>

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 6 RELATED PARTY TRANSACTIONS

The Organization has transactions with several organizations in which common board members exist.

The Organization made payments totaling \$234,490 and \$244,967 in fiscal 2019 and 2018, respectively, to The Minnesota Legionnaire, Inc. These payments represent an allocation of membership dues for the subscription price of The Minnesota Legionnaire, a publication produced by The Minnesota Legionnaire, Inc., for the members of the Organization. During 2019 and 2018, the Organization remitted \$3.50 on each member's behalf. These payments to The Minnesota Legionnaire, Inc. for subscriptions are recognized as a reduction of membership dues.

The Organization also made payments totaling \$10,750 to The Minnesota Legionnaire, Inc. during the year ended September 30, 2019 for reimbursements of other business expenses. Payments totaling \$10,990 were made during the year ended September 30, 2018, for reimbursements of other business expenses.

The Organization received \$70,281 and \$63,973 from The Minnesota Legionnaire, Inc. during the years ended September 30, 2019 and 2018, respectively, 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 totaling \$31,901 and \$18,387 to Legionville School Safety Patrol Training Center, Inc. (Legionville) during the years ended September 30, 2019 and 2018, respectively, for reimbursements of business insurance expense and other business expenses. The Organization received \$4,696 and \$18,144 from Legionville during the years ended September 30, 2019 and 2018 for reimbursements of business expenses, respectively.

The Organization made payments totaling \$10,448 to The Minnesota American Legion Foundation during the year ended September 30, 2019. The Organization also received \$23,411 and \$12,117 from The Minnesota American Legion Foundation during the years ended September 30, 2019 and 2018, respectively, for administrative services.

The Organization paid \$17,428 and \$19,446 to The American Legion Family Hospital Association during the years ended September 30, 2019 and 2018, respectively, for their portion of the dues collected during the fiscal year.

In 2016, the Organization approved a \$50,000 loan receivable to the National Convention Corporation with a 0% interest rate to be repaid by December 31, 2018. This loan was paid back to the Organization during the year ended September 30, 2019.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 7 INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

The Organization owns 100% of the outstanding stock of The American Legion Convention Corporation. The Organization accounts for this investment using the equity method based on the most recent year ended of the subsidiary.

A summary of the financial position and results of operations of the unconsolidated subsidiary for their most recent fiscal year is as follows:

	2019	2018
American Legion Convention Corporation		
Financial Position:		
Assets	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Stockholder's Equity	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Results of Operations:		
Revenues	\$ 10,871	\$ 20,754
Expenses	<u>(10,871)</u>	<u>(20,754)</u>
Net Income	<u>\$ -</u>	<u>\$ -</u>

NOTE 8 FACILITIES

The Organization utilizes facilities which are provided at no cost. The value of these facilities is recorded at the fair market value in revenue as in-kind rent and in the functional expenses as rent. The total fair market value of the rent was \$83,598 and \$81,357 for the years ended September 30, 2019 and 2018, respectively.

NOTE 9 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. The discretionary retirement expense was \$52,006 and \$38,274 for the years ended September 30, 2019 and 2018, respectively.

NOTE 10 RISKS AND UNCERTAINTIES

The Organization provides for investment in a variety of investment funds. 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 investment balances and the amounts reported in the balance sheet.

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)

NOTE 11 LIQUIDITY AND AVAILABILITY

The Organization's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization's investments can be converted to cash and cash equivalents for general expenditures when necessary. The designated net assets can be used with board approval.

The Organization's financial assets, available for general expenditures within one year of the balance sheet date, comprise the following:

	2019
Cash and Cash Equivalents	\$ 577,281
Accounts Receivable	43,397
Interest Receivable	12,657
Investments	<u>2,730,979</u>
Subtotal	3,364,314
Less: Designated Net Assets	<u>(516,811)</u>
Total	<u><u>\$ 2,847,503</u></u>



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INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON SUPPLEMENTARY INFORMATION

Executive and Finance Committees
The American Legion, Department of Minnesota
St. Paul, Minnesota

Our reviews of the basic financial statements of The American Legion, Department of Minnesota for the years ended September 30, 2019 and 2018 appears on page 1. Our reviews were made for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The information included in the accompanying schedules of activity in designated funds is presented only for purposes of additional analysis and has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 2, 2019

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
SCHEDULE OF ACTIVITY IN DESIGNATED FUNDS
YEAR ENDED SEPTEMBER 30, 2019
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON SUPPLEMENTARY INFORMATION)

	Fund Balance September 30, 2018	Grants	Dues/ Registration	Investment Income Allocation	Other	Program Expenses	Fund Balance September 30, 2019
War Stories Vol 1	\$ 1,586	\$ -	\$ -	\$ -	\$ -	\$ (1,586)	\$ -
Rehab Vet Emergency Fund	9,350	-	-	-	-	-	9,350
Heroes to Hometown	7,010	-	-	-	-	-	7,010
Arveson Scholarship Reserve	7,943	-	-	275	-	-	8,218
Joe Kise Books	1,926	-	1,920	-	-	(4,597)	(751)
Legion 1000 Book	(3,713)	-	-	-	-	-	(3,713)
Post 1982	106,660	-	17,640	3,114	-	(11,345)	116,069
S.A.L. Department Resources	88,056	-	82,792	1,824	-	(19,812)	152,860
War Stories Vol 3	(10,945)	-	-	-	9,735	(469)	(1,679)
King Tut Income	2,034	-	-	-	100	(189)	1,945
S.A.L. P.U.F.L. Fund	36,533	-	2,864	1,267	-	(1,070)	39,594
National Convention	1,000	-	-	-	-	-	1,000
MDVA Grant	(990)	-	-	-	-	-	(990)
War Stories	2,476	-	-	-	-	(2,476)	-
American Legion Rider	-	-	822	-	-	(822)	-
MNDVA SOT Adver Grant	(8,296)	-	-	-	-	(4,334)	(12,630)
MDVA 100th Conv Grant	(10,713)	21,310	-	-	-	(10,069)	528
Operating Reserve	200,000	-	-	-	-	-	200,000
Net Assets, Unrestricted Designated	\$ 429,917	\$ 21,310	\$ 106,038	\$ 6,480	\$ 9,835	\$ (56,769)	\$ 516,811

THE AMERICAN LEGION, DEPARTMENT OF MINNESOTA
SCHEDULE OF ACTIVITY IN DESIGNATED FUNDS
YEAR ENDED SEPTEMBER 30, 2018
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT ON SUPPLEMENTARY INFORMATION)

	Fund Balance September 30, 2017	Grants	Dues/ Registration	Investment Income Allocation	Other	Program Expenses	Fund Balance September 30, 2018
War Stories Vol 1	\$ 2,874	\$ -	\$ -	\$ -	\$ 1,212	\$ (2,500)	\$ 1,586
Rehab Vet Emergency Fund	9,350	-	-	-	-	-	9,350
Heroes to Hometown	7,010	-	-	-	-	-	7,010
Arveson Scholarship Reserve	7,621	-	-	322	-	-	7,943
Joe Kise Books	726	-	1,200	-	-	-	1,926
Legion 1000 Book	(3,263)	-	-	-	-	(450)	(3,713)
Post 1982	77,874	-	27,683	2,772	-	(1,669)	106,660
S.A.L. Department Resources	68,588	-	68,821	2,442	-	(51,795)	88,056
War Stories Vol 3	(23,425)	-	-	-	14,021	(1,541)	(10,945)
King Tut Income	2,263	-	-	-	770	(999)	2,034
S.A.L. P.U.F.L. Fund	35,874	-	189	1,517	-	(1,047)	36,533
National Convention	1,000	-	-	-	-	-	1,000
MDVA Grant	(990)	-	-	-	-	-	(990)
War Stories	655	-	-	-	1,821	-	2,476
American Legion Rider	(270)	-	1,068	-	-	(798)	-
MNDVA SOT Adver Grant	(12,097)	20,400	-	-	-	(16,599)	(8,296)
MDVA 100th Conv Grant	(9,267)	53,190	-	-	-	(54,636)	(10,713)
Operating Reserve	200,000	-	-	-	-	-	200,000
Net Assets, Unrestricted							
Designated	<u>\$ 364,523</u>	<u>\$ 73,590</u>	<u>\$ 98,961</u>	<u>\$ 7,053</u>	<u>\$ 17,824</u>	<u>\$ (132,034)</u>	<u>\$ 429,917</u>