

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS OF THE
AMERICAN LEGION BRAIN SCIENCE FOUNDATION
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YEARS ENDED DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, 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
May 1, 2020

**MINNESOTA AMERICAN LEGION, AUXILIARY, AND THE SONS OF THE
AMERICAN LEGION BRAIN SCIENCE FOUNDATION
BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	2019	2018
ASSETS		
Cash and Cash Equivalents	\$ 25,317	\$ 47,177
Accrued Interest Receivable	189	189
Investments	116,980	107,250
Total Assets	142,486	154,616
ASSETS LIMITED AS TO USE		
Cash and Cash Equivalents	14,149	39,476
Accrued Interest and Dividends Receivable	927	927
Investments	1,035,357	901,869
Total Assets Limited as to Use	1,050,433	942,272
 Total Assets	 \$ 1,192,919	 \$ 1,096,888
LIABILITIES AND NET ASSETS		
LIABILITIES		
Commitment - Due to Others	\$ 1,050,433	\$ 942,272
NET ASSETS		
Without Donor Restriction	117,390	129,520
With Donor Restriction	25,096	25,096
Total Net Assets	142,486	154,616
 Total Liabilities and Net Assets	 \$ 1,192,919	 \$ 1,096,888

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, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
SUPPORT AND REVENUE						
Contributions	\$ 16,393	\$ -	\$ 16,393	\$ 2,661	\$ 25,096	\$ 27,757
Unrealized Gain (Loss)	80,734	-	80,734	(177,099)	-	(177,099)
Realized Gain	72,413	-	72,413	41,237	-	41,237
Interest Income	31,106	-	31,106	29,375	-	29,375
Less: (Gain) Loss on Investments Held on Behalf of Others	(172,862)	-	(172,862)	105,185	-	105,185
Total Support and Revenue	<u>27,784</u>	<u>-</u>	<u>27,784</u>	<u>1,359</u>	<u>25,096</u>	<u>26,455</u>
EXPENSES						
Program Expense:						
Scholarships and Research Funding	34,000	-	34,000	2,000	-	2,000
Total Program Expense	<u>34,000</u>	<u>-</u>	<u>34,000</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
Management and General:						
Mileage and Per Diem - Board Meetings	470	-	470	557	-	557
Professional Fees	3,225	-	3,225	3,105	-	3,105
Office Expense	33	-	33	57	-	57
Excise Tax Expense	2,186	-	2,186	1,184	-	1,184
Total Management and General	<u>5,914</u>	<u>-</u>	<u>5,914</u>	<u>4,903</u>	<u>-</u>	<u>4,903</u>
Total Expenses	<u>39,914</u>	<u>-</u>	<u>39,914</u>	<u>6,903</u>	<u>-</u>	<u>6,903</u>
CHANGE IN NET ASSETS	(12,130)	-	(12,130)	(5,544)	25,096	19,552
Net Assets - Beginning of Year	<u>129,520</u>	<u>25,096</u>	<u>154,616</u>	<u>135,064</u>	<u>-</u>	<u>135,064</u>
NET ASSETS - END OF YEAR	<u>\$ 117,390</u>	<u>\$ 25,096</u>	<u>\$ 142,486</u>	<u>\$ 129,520</u>	<u>\$ 25,096</u>	<u>\$ 154,616</u>

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, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (12,130)	\$ 19,552
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized (Gain) Loss on Investments	(80,734)	177,099
Realized Gain on Sale of Investments	(72,413)	(41,237)
Investment Gain (Loss) Which is Due to Others	172,862	(105,185)
Decrease in Accrued Interest and Dividends	-	663
Net Cash Provided by Operating Activities	7,585	50,892
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	163,585	244,665
Purchases of Investments	(128,329)	(207,855)
Net Cash Provided by Investing Activities	35,256	36,810
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Amounts Due to Others	(64,701)	(65,278)
CHANGE IN CASH AND CASH EQUIVALENTS	(21,860)	22,424
Cash and Cash Equivalents - Beginning of Year	47,177	24,753
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 25,317	\$ 47,177
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Taxes Paid	\$ 2,186	\$ 1,184

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, 2019 AND 2018
(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:

Net Assets Without Donor Restrictions – Net assets without donor restrictions represent resources over which the board of directors has discretionary control. Board-designated amounts represent those revenues which the board has set aside for a particular purpose. The board has designated amounts for a reserve fund that is intended to be used for capital improvements, major projects, emergency repairs, special purposes and other such purposes as the board shall determine.

Net Assets With Donor Restrictions – Net assets with donor restrictions represent resources whose use has been limited by donors to a specific purpose or time period. 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.

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.

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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization carries its investment securities at fair market value. The change in value is recognized in the statement of activities.

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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
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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:

	2019			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit - Brokered	\$ -	\$ 75,102	\$ -	\$ 75,102
Mutual Funds	61,976	-	-	61,976
Stocks and Options	880,760	-	-	880,760
Corporate Bonds	-	134,499	-	134,499
Total	<u>\$ 942,736</u>	<u>\$ 209,601</u>	<u>\$ -</u>	<u>\$ 1,152,337</u>

	2018			Total
	Level 1	Level 2	Level 3	
Certificates of Deposit - Brokered	\$ -	\$ 73,899	\$ -	\$ 73,899
Mutual Funds	53,043	-	-	53,043
Stocks and Options	753,867	-	-	753,867
Corporate Bonds	-	128,310	-	128,310
Total	<u>\$ 806,910</u>	<u>\$ 202,209</u>	<u>\$ -</u>	<u>\$ 1,009,119</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 \$67,000 and \$27,000 at December 31, 2019 and 2018, 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.

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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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

The Organization's financial statements reflect the application of ASU 2018-08 guidance beginning in fiscal year 2019. The adoption of ASU 2018-08 did not impact the Organization's reported revenue.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 1, 2020, 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 \$54,967 and \$54,287 for the years ended December 31, 2019 and 2018, respectively, as well as an additional \$30,000 grant for the year ended December 31, 2019. The principal amount including growth and accrued interest and dividends totaled \$1,050,433 and \$942,272 at December 31, 2019 and 2018, respectively.

In addition, the Organization made additional contributions of \$4,000 and \$2,000 2019 and 2018, respectively, from other funding sources.

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NOTE 4 RESTRICTED NET ASSET BALANCE

During the 2018 fiscal year, the Organization received a contribution restricted for stem cell-nerve research of \$25,096. None of the funds have been expended as of December 31, 2019, and therefore, the funds are held as with donor-restricted net assets on the balance sheet.

NOTE 5 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 come due. The Organization's investments can be converted to cash and cash equivalents for general expenditures when necessary.

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

	2019	2018
Cash and Cash Equivalents	\$ 25,317	\$ 47,177
Accrued Interest Receivable	189	189
Investments	116,980	107,250
Less: Net Assets with Donor Restrictions	(25,096)	(25,096)
Total	\$ 117,390	\$ 129,520

NOTE 6 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. During the period from January 1, 2020 through May 1, 2020, both domestic and international equity markets have experienced large declines. These losses are not included in the financial statements as of and for the year ended December 31, 2019.