

THE MINNESOTA LEGIONNAIRE, INC.
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2019 AND 2018

**THE MINNESOTA LEGIONNAIRE, INC.
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YEARS ENDED AUGUST 31, 2019 AND 2018**

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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, 2019 and 2018, 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
January 7, 2020

THE MINNESOTA LEGIONNAIRE, INC.
BALANCE SHEETS
AUGUST 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 132,638	\$ 129,741
Accounts Receivable	-	346
Interest Receivable	559	494
Total Current Assets	133,197	130,581
OTHER ASSETS		
Investments	134,585	129,171
Total Assets	\$ 267,782	\$ 259,752
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,224	\$ 856
Unearned Subscription Revenue	123,379	129,445
Total Current Liabilities	124,603	130,301
NET ASSETS		
Without Donor Restrictions	143,179	129,451
Total Liabilities and Net Assets	\$ 267,782	\$ 259,752

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>
	Without Donor Restrictions	Without Donor Restrictions
REVENUE		
Subscriptions	\$ 234,956	\$ 243,937
Advertising	46,112	47,997
Interest Income	3,260	2,747
Unrealized Gain (Loss) on Investments	5,410	(3,302)
Other	32,000	32,000
Total Revenue	<u>321,738</u>	<u>323,379</u>
EXPENSES		
Program Expenses	279,663	266,417
General and Administrative	28,347	28,204
Total Expenses	<u>308,010</u>	<u>294,621</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	13,728	28,758
Net Assets - Beginning of Year	<u>129,451</u>	<u>100,693</u>
NET ASSETS - END OF YEAR	<u>\$ 143,179</u>	<u>\$ 129,451</u>

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
YEARS ENDED AUGUST 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2019			2018		
	Program Expense	General and Administrative	Total	Program Expense	General and Administrative	Total
Postage	\$ 161,600	\$ -	\$ 161,600	\$ 159,600	\$ -	\$ 159,600
Printing	61,074	-	61,074	53,878	-	53,878
Salaries	32,723	10,908	43,631	28,645	9,548	38,193
Commissions	6,858	-	6,858	6,290	-	6,290
Office Supplies	1,793	598	2,391	2,937	979	3,916
Travel and Meetings	-	8,028	8,028	-	9,118	9,118
Employee Benefits	12,169	4,056	16,225	11,566	3,856	15,422
Professional Fees	-	3,680	3,680	-	3,616	3,616
Payroll Taxes	2,594	865	3,459	2,357	786	3,143
Insurance	635	212	847	904	301	1,205
Miscellaneous	217	-	217	240	-	240
Total Expense	\$ 279,663	\$ 28,347	\$ 308,010	\$ 266,417	\$ 28,204	\$ 294,621

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 13,728	\$ 28,758
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Unrealized (Gain) Loss on Investments	(5,410)	3,302
(Increase) Decrease in Current Assets:		
Accounts Receivable	346	(346)
Interest Receivable	(65)	(173)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	368	(1,027)
Unearned Subscription Revenue	(6,066)	11,064
Net Cash Provided by Operating Activities	2,901	41,578
 CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	34,996	50,000
Purchase of Investments	(35,000)	(69,952)
Net Cash Used by Investing Activities	(4)	(19,952)
 INCREASE IN CASH	2,897	21,626
Cash - Beginning of Year	129,741	108,115
 CASH - END OF YEAR	\$ 132,638	\$ 129,741

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018
(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:

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 August 31, 2019 and 2018, the Organization had no with donor 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.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION 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 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 bases 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, 2019 and 2018, the tax benefit of carried-over net operating losses was \$-0- and \$8,000, 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.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

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.

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:

	2019			
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 1,494	\$ -	\$ -	\$ 1,494
Certificates of Deposit	-	133,091	-	133,091
Total	<u>\$ 1,494</u>	<u>\$ 133,091</u>	<u>\$ -</u>	<u>\$ 134,585</u>
	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>

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.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 7, 2020, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments are comprised of the following at August 31:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Money Market Fund	\$ 1,494	\$ 1,494	\$ 1,497	\$ 1,497
Certificates of Deposit	129,901	133,091	129,894	127,674
Total	<u>\$ 131,395</u>	<u>\$ 134,585</u>	<u>\$ 131,391</u>	<u>\$ 129,171</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 2019 and 2018 were \$234,490 and \$244,967, respectively, which are included in subscription revenue of \$234,956 and \$243,937, respectively.

The Organization also received payments totaling \$7,313 from The American Legion, Department of Minnesota during the year ended August 31, 2019 for reimbursements of other business expenses. Payments totaling \$10,990 were received during the year ended August 31, 2018 for reimbursements of other business expenses.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 3 RELATED PARTY TRANSACTIONS (CONTINUED)

The Organization made payments of \$70,281 and \$63,286 to the American Legion, Department of Minnesota during the years ended August 31, 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.

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 \$4,642 and \$4,134 for the years ended August 31, 2019 and 2018, respectively.

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 become 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 expenditures within one year of the balance sheet date, comprise the following:

	2019
Cash and Cash Equivalents	\$ 132,638
Accounts Receivable	-
Interest Receivable	559
Investments	134,585
Total	<u>\$ 267,782</u>