

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2019 AND 2018

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
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YEARS ENDED JULY 31, 2019 AND 2018**

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CliftonLarsonAllen LLP
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ACCOUNTANTS' COMPILATION REPORT

Board of Trustees
American Legion Family Hospital Association
St. Paul, Minnesota

Management is responsible for the accompanying financial statements of American Legion Family Hospital Association, which comprise the balance sheets as of July 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
November 26, 2019

**AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
BALANCE SHEETS
JULY 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 47,093	\$ 31,139
Interest Receivable	855	1,485
Investments	202,023	230,925
Total Assets	\$ 249,971	\$ 263,549
LIABILITIES AND NET ASSETS		
NET ASSETS		
Without Donor Restrictions	\$ 249,971	\$ 263,549
Total Liabilities and Net Assets	\$ 249,971	\$ 263,549

See accompanying Notes to Financial Statements.

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
STATEMENTS OF ACTIVITIES
YEARS ENDED JULY 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2019	2018
REVENUES		
Dues:		
American Legion Posts	\$ 17,786	\$ 17,816
American Legion Auxiliaries	7,813	8,302
Sons of American Legion	2,944	2,885
Donations	14,808	14,647
Unrealized Gain (Loss) on Investments	7,408	(5,630)
Realized Loss on Investments	(957)	-
Interest Income	5,187	5,630
Total Revenues	54,989	43,650
EXPENSES		
Program Services:		
Medical Assistance	48,678	17,454
Support Services - Management and General:		
Contractor Services	13,321	6,622
Travel Expenses	1,189	925
Professional Fees	3,206	4,180
Insurance Expense	130	130
General Office Expense	2,043	1,864
Total Support Services - Management and General	19,889	13,721
Total Expenses	68,567	31,175
CHANGE IN NET ASSETS	(13,578)	12,475
Net Assets - Beginning	263,549	251,074
NET ASSETS - ENDING	\$ 249,971	\$ 263,549

See accompanying Notes to Financial Statements.

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (13,578)	\$ 12,475
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Unrealized (Gain) Loss on Investments	(7,408)	5,630
Realized Loss on Investments	957	-
(Increase) Decrease in Current Assets:		
Interest Receivable	630	(162)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	-	(2,460)
Net Cash Provided (Used) by Operating Activities	(19,399)	15,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(80,603)	(65,312)
Proceeds from Sale of Investments	115,956	65,000
Net Cash Provided (Used) by Investing Activities	35,353	(312)
INCREASE IN CASH AND CASH EQUIVALENTS	15,954	15,171
Cash and Cash Equivalents - Beginning of Year	31,139	15,968
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 47,093	\$ 31,139

See accompanying Notes to Financial Statements.

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 ORGANIZATIONAL PURPOSE

American Legion Family Hospital Association (the Association) was incorporated in 1922 for the primary purpose of rendering medical assistance in time of sickness and in death to its members and their dependents provided they have been a member in good standing for 12 months prior to their application for benefits. The Association is primarily supported from membership dues to American Legion Department of Minnesota, American Legion Auxiliary Department of Minnesota, and the Sons of the American Legion Department of Minnesota. The Association also receives donations from various posts and units within Minnesota.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

Net assets and revenues, gains and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Association 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 revenue 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 July 31, 2019 and 2018, the Association has no with donor restricted net assets.

Investments

The Association records its investments at fair market value. The net realized and unrealized gains and losses on investments are reflected in the statement of activities.

Functional Expense

The Association's costs of providing its services have been classified on a functional basis in the statements of activities. Expenses are classified based on the direct relationship to a particular functional expense.

Cash Equivalents

For purposes of the statement of cash flows, the Association considers all temporary cash investments including money market accounts with a maturity of three months or less to be cash equivalents.

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue and expenses are recorded on the accrual basis. Revenue received for future dues, subscriptions, and conferences is deferred until the applicable year.

Medical Assistance

Medical assistance payments are recorded as an expense when the application is received from an eligible individual and the amount is approved by the board.

Tax Exempt Status

The Association is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. The Association is a public charity and contributions to the Association qualify as charitable tax deductions by the contributor. The Association has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the IRS code.

The Association 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 Association 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.

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.

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 2 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 Association measured at fair value on a recurring basis as of July 31:

	2019			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 106,236	\$ -	\$ 106,236
Corporate Bonds	-	70,787	-	70,787
Mutual Funds	25,000	-	-	25,000
Total	\$ 25,000	\$ 177,023	\$ -	\$ 202,023
	2018			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 162,518	\$ -	\$ 162,518
Corporate Bonds	-	68,407	-	68,407
Total	\$ -	\$ 230,925	\$ -	\$ 230,925

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.

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 26, 2019, the date the financial statements were available to be issued.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Association maintains its certificates of deposit at one financial institution. Certificates of deposit at this bank are insured by the Federal Deposit Insurance Corporation for up to \$250,000. There were no amounts in excess of insured limits at July 31, 2019.

AMERICAN LEGION FAMILY HOSPITAL ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2019 AND 2018
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 4 INVESTMENTS

Investments are comprised of the following at July 31:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Certificates of Deposit	\$ 105,224	\$ 106,236	\$ 166,272	\$ 162,518
Corporate Bonds	70,014	70,787	70,283	68,407
Mutual Funds	25,007	25,000	-	-
Total	<u>\$ 200,245</u>	<u>\$ 202,023</u>	<u>\$ 236,555</u>	<u>\$ 230,925</u>

NOTE 5 RELATED PARTY TRANSACTIONS AND CONCENTRATION IN SUPPORT RECEIVED

The Association receives the majority of its support from membership dues and donations from the American Legion Department of Minnesota, American Legion Auxiliary Department of Minnesota, and the Sons of the American Legion Department of Minnesota. All three organizations have several board members in common with the Association. In the event that this support were to be eliminated, it is likely that the Association would need to reduce its current operations.

NOTE 6 LIQUIDITY AND AVAILABILITY

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

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

Cash and Cash Equivalents	\$ 47,093
Interest Receivable	855
Investments	202,023
Total	<u>\$ 249,971</u>