

**MINNESOTA AMERICAN LEGION FOUNDATION
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Minnesota American Legion Foundation and Subsidiary
St. Paul, Minnesota

Management is responsible for the accompanying consolidated financial statements of Minnesota American Legion Foundation and Subsidiary, which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated 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 consolidated 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 consolidated financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 30, 2018

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 157,781	\$ 288,857
Interest Receivable	<u>9,816</u>	<u>8,342</u>
Total Current Assets	<u>167,597</u>	<u>297,199</u>
INVESTMENTS		
	<u>1,386,146</u>	<u>1,252,674</u>
Total Assets	<u><u>\$ 1,553,743</u></u>	<u><u>\$ 1,549,873</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 4,662	\$ 219
NET ASSETS		
Unrestricted	544,315	610,174
Temporarily Restricted	<u>1,004,766</u>	<u>939,480</u>
Total Net Assets	<u>1,549,081</u>	<u>1,549,654</u>
Total Liabilities and Net Assets	<u><u>\$ 1,553,743</u></u>	<u><u>\$ 1,549,873</u></u>

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted Total	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Donor Contributions	\$ 5,239	\$ -	\$ 5,239	\$ 28,544	\$ -	\$ 28,544
Program Contributions	-	577,592	577,592	-	555,681	555,681
Interest Earned	23,621	-	23,621	18,012	-	18,012
Realized Gain on Investments	154	-	154	1,731	-	1,731
Unrealized (Loss) on Investments	(66,409)	-	(66,409)	(22,882)	-	(22,882)
Temporarily Restricted Net Assets Released	512,306	(512,306)	-	510,380	(510,380)	-
Total Support and Revenue	<u>474,911</u>	<u>65,286</u>	<u>540,197</u>	<u>535,785</u>	<u>45,301</u>	<u>581,086</u>
EXPENSES						
Program:						
Contributions	10,404	-	10,404	11,995	-	11,995
Direct Program Expenses	521,511	-	521,511	510,570	-	510,570
Total Program Expenses	<u>531,915</u>	<u>-</u>	<u>531,915</u>	<u>522,565</u>	<u>-</u>	<u>522,565</u>
Management and General:						
Mileage and Per Diem Expenses	2,292	-	2,292	2,437	-	2,437
Legal and Accounting	2,381	-	2,381	2,300	-	2,300
Administrative Expenses	2,945	-	2,945	2,944	-	2,944
Other	1,237	-	1,237	316	-	316
Total Management and General Expenses	<u>8,855</u>	<u>-</u>	<u>8,855</u>	<u>7,997</u>	<u>-</u>	<u>7,997</u>
Total Expense	<u>540,770</u>	<u>-</u>	<u>540,770</u>	<u>530,562</u>	<u>-</u>	<u>530,562</u>
CHANGE IN NET ASSETS	(65,859)	65,286	(573)	5,223	45,301	50,524
Net Assets - Beginning of Year	610,174	939,480	1,549,654	604,951	894,179	1,499,130
NET ASSETS - END OF YEAR	<u>\$ 544,315</u>	<u>\$ 1,004,766</u>	<u>\$ 1,549,081</u>	<u>\$ 610,174</u>	<u>\$ 939,480</u>	<u>\$ 1,549,654</u>

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (573)	\$ 50,524
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Loss on Investments	66,409	22,882
Realized Gain on Investments	(154)	(1,731)
(Increase) Decrease in Current Assets:		
Interest Receivable	(1,474)	(79)
Increase in Current Liabilities:		
Accounts Payable	4,443	219
Net Cash Provided by Operating Activities	68,651	71,815
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	100,498	54,573
Purchase of Investments	(300,225)	(53,742)
Net Cash Provided (Used) by Investing Activities	(199,727)	831
CHANGE IN CASH AND CASH EQUIVALENTS	(131,076)	72,646
Cash and Cash Equivalents - Beginning of Year	288,857	216,211
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 157,781	\$ 288,857

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Minnesota American Legion Foundation (the Organization) was formed in 1990 for the purpose of accumulating a trust to fund programs not already funded from traditional revenue sources, for Minnesota veterans and their families. In September 2006, the Minnesota American Legion Boys State Program, LLC was established as a single member LLC to hold the assets of Boys State. The Minnesota American Legion Foundation is the sole member of the LLC. The activities of this LLC are consolidated in these consolidated financial statements. Significant intercompany accounts and transactions have been eliminated in consolidation.

The summary of significant accounting policies of Minnesota American Legion Foundation and subsidiary are presented to assist in understanding the consolidated financial statements. The consolidated financial statements and notes are a representation of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

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:

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 or passage of time.

Permanently Restricted Net Assets — Resources subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization has no permanently restricted net assets at this time.

Cash and Cash Equivalents

Cash and cash equivalents includes cash accounts and money market funds. The Organization maintains its accounts at one financial institution, which at times exceed the FDIC insured limit.

Interest Receivable

Interest receivable is stated at net realizable value.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Organization carries its investments at fair market value. Investments consist of fixed income securities including governmental and corporate securities and brokered certificates of deposit. The net realized and unrealized gains and losses on investments are reflected in the consolidated statements of activities. 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 the amounts reported in the consolidated balance sheets.

Contributions

Contributions are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Functional Expense

The Organization's costs of providing its services have been classified on a functional basis in the consolidated statements of activities. Expenses are not allocated since they have direct relationships to a particular functional expense.

Tax Exempt Status

The Minnesota American Legion Foundation is a nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. The Organization is a public charity and contributions to the Organization qualify as charitable tax deductions by the contributor. The Organization 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 Minnesota American Legion Boys State Program, LLC is a single member LLC and retains the same tax attributes as the Minnesota American Legion Foundation.

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.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated 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 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:

	2018			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
Money Market	\$ 1,686	\$ -	\$ -	\$ 1,686
Certificates of Deposit	-	306,577	-	306,577
Bonds - Foreign	-	71,699	-	71,699
Bonds - Corporate	-	956,228	-	956,228
Mutual Funds - Bond Fund	49,956	-	-	49,956
Total	<u>\$ 51,642</u>	<u>\$ 1,334,504</u>	<u>\$ -</u>	<u>\$ 1,386,146</u>

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

	2017			Total
	Level 1	Level 2	Level 3	
INVESTMENTS				
Money Market	\$ 2,547	\$ -	\$ -	\$ 2,547
Certificates of Deposit	-	321,713	-	321,713
Bonds - Foreign	-	74,921	-	74,921
Bonds - Corporate		852,545	-	852,545
Mutual Funds- Bond Fund	948	-	-	948
Total	<u>\$ 3,495</u>	<u>\$ 1,249,179</u>	<u>\$ -</u>	<u>\$ 1,252,674</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 used.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 30, 2018, the date the consolidated financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments are comprised of the following at September 30:

	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 1,686	\$ 1,686	\$ 2,547	\$ 2,547
Certificates of Deposit	315,000	306,577	315,000	321,713
Bonds - Foreign	74,569	71,699	74,643	74,921
Bonds - Corporate	1,031,905	956,228	881,133	852,545
Mutual Funds - Bond Fund	50,984	49,956	940	948
Total	<u>\$ 1,474,144</u>	<u>\$ 1,386,146</u>	<u>\$ 1,274,263</u>	<u>\$ 1,252,674</u>

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 RELATED PARTY TRANSACTIONS

During the years ended September 30, 2018 and 2017, \$14,117 and \$2,000 was paid to the American Legion Department of Minnesota for administrative services performed, respectively.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at September 30:

	2018	2017
American Legion Baseball Fund	\$ 37,796	\$ 40,048
Fund for Hospitalized Vets	69,548	73,961
Boy Scout Scholarship	29,344	29,344
NEF Fund Income	140	140
ROTC Scholarship	36,471	27,071
Special Veterans Hospital Fund	140,205	140,891
Nurses Scholarship Fund	100,604	97,604
Oratorical Fund	17,990	18,490
American Legion Memorial Fund	58,739	60,239
Boys State Program	234,140	224,643
Minnesota Disaster Relief Fund	60,701	57,151
Boys Scout Council Assist Fund	48,879	44,505
Auxiliary Gambling Fund	10	-
Legacy Scholarship Fund	-	473
Veterans Assistance Outdoor Fund	109,357	75,654
Rehab Veterans Outdoor Fund	10,972	10,271
JR Shooting Sports Fund	20,025	19,825
100th Anniversary Fund Income	29,845	19,170
Total Temporarily Restricted	<u>\$ 1,004,766</u>	<u>\$ 939,480</u>

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets were released during the years ended September 30 as a result of meeting the following purposes:

	<u>2018</u>	<u>2017</u>
American Legion Baseball Fund	\$ 46,002	\$ 45,619
Fund for Hospitalized Vets	16,637	12,152
Boy Scout Scholarship Fund	1,000	1,000
ROTC Scholarship	3,750	3,875
Special Veterans Hospital Fund	27,786	31,027
Nurses Scholarships	-	3,500
Oratorical Fund	4,700	3,000
American Legion Memorial Fund	3,500	2,500
Boys State Program	102,346	101,556
Dept CDR's Project	23,312	27,808
Auxiliary Gambling Fund	37,885	50,560
Legacy Scholarship Fund	241,600	200,000
Veterans Assistance Outdoor Fund	3,000	6,743
Rehab Veterans Outdoor Fund	788	20,300
100th Anniversary Fund Income	-	740
Total Releases	<u>\$ 512,306</u>	<u>\$ 510,380</u>