

**MINNESOTA AMERICAN LEGION FOUNDATION  
AND SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY  
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CliftonLarsonAllen LLP  
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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, 2019 and 2018, 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  
December 5, 2019

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2019 AND 2018**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 218,521	\$ 157,781
Interest Receivable	9,804	9,816
Total Current Assets	<u>228,325</u>	<u>167,597</u>
<b>INVESTMENTS</b>		
	<u>1,457,080</u>	<u>1,386,146</u>
Total Assets	<u><u>\$ 1,685,405</u></u>	<u><u>\$ 1,553,743</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 170	\$ 4,662
<b>NET ASSETS</b>		
Without Donor Restrictions	628,534	544,315
With Donor Restrictions	1,056,701	1,004,766
Total Net Assets	<u>1,685,235</u>	<u>1,549,081</u>
Total Liabilities and Net Assets	<u><u>\$ 1,685,405</u></u>	<u><u>\$ 1,553,743</u></u>

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Donor Contributions	\$ 5,574	\$ -	\$ 5,574	\$ 5,239	\$ -	\$ 5,239
Program Contributions	-	505,979	505,979	-	577,592	577,592
Interest Earned	23,260	-	23,260	23,621	-	23,621
Realized Gain on Investments	457	-	457	154	-	154
Unrealized Gain (Loss) on Investments	71,300	-	71,300	(66,409)	-	(66,409)
Donor Restricted Net Assets Released	454,044	(454,044)	-	512,306	(512,306)	-
Total Support and Revenue	<u>554,635</u>	<u>51,935</u>	<u>606,570</u>	<u>474,911</u>	<u>65,286</u>	<u>540,197</u>
<b>EXPENSES</b>						
Program:						
Contributions	10,300	-	10,300	10,404	-	10,404
Direct Program Expenses	454,044	-	454,044	521,511	-	521,511
Total Program Expenses	<u>464,344</u>	<u>-</u>	<u>464,344</u>	<u>531,915</u>	<u>-</u>	<u>531,915</u>
Management and General:						
Mileage and Per Diem Expenses	849	-	849	2,292	-	2,292
Legal and Accounting	2,473	-	2,473	2,381	-	2,381
Administrative Expenses	2,750	-	2,750	4,182	-	4,182
Total Management and General Expenses	<u>6,072</u>	<u>-</u>	<u>6,072</u>	<u>8,855</u>	<u>-</u>	<u>8,855</u>
Total Expenses	<u>470,416</u>	<u>-</u>	<u>470,416</u>	<u>540,770</u>	<u>-</u>	<u>540,770</u>
<b>CHANGE IN NET ASSETS</b>	84,219	51,935	136,154	(65,859)	65,286	(573)
Net Assets - Beginning 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>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 628,534</u>	<u>\$ 1,056,701</u>	<u>\$ 1,685,235</u>	<u>\$ 544,315</u>	<u>\$ 1,004,766</u>	<u>\$ 1,549,081</u>

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED SEPTEMBER 30, 2019 AND 2018**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 136,154	\$ (573)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized (Gain) Loss on Investments	(71,300)	66,409
Realized (Gain) on Investments	(457)	(154)
(Increase) Decrease in Current Assets:		
Interest Receivable	12	(1,474)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(4,492)	4,443
Net Cash Provided by Operating Activities	<u>59,917</u>	<u>68,651</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Investments	53,553	100,498
Purchase of Investments	(52,730)	(300,225)
Net Cash Provided (Used) by Investing Activities	<u>823</u>	<u>(199,727)</u>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	60,740	(131,076)
Cash and Cash Equivalents - Beginning of Year	<u>157,781</u>	<u>288,857</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 218,521</u></u>	<u><u>\$ 157,781</u></u>

See accompanying Notes to Consolidated Financial Statements.

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
(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:

*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 September 30, 2019 and 2018, the Organization has no with donor restricted net assets that are perpetual in nature.

**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 Federal Deposit Insurance Corporation insured limit.

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
**(SEE ACCOUNTANTS' COMPILATION REPORT)**

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

**Interest Receivable**

Interest receivable is stated at net realizable value.

**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 without donor restricted use unless specifically restricted by the donor.

The Organization has elected to present with donor restricted contributions, which are fulfilled in the same time period, within the without donor restricted net asset class. All other donor-restricted contributions are reported as increases in with donor restricted net assets, depending on the nature of the restrictions. When a restriction expires, with donor restricted net assets are reclassified to without donor restricted 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, 2019 AND 2018**  
(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:

	2019			Total
	Level 1	Level 2	Level 3	
Money Market	\$ 1,912	\$ -	\$ -	\$ 1,912
Certificates of Deposit	-	326,918	-	326,918
Bonds - Foreign	-	75,153	-	75,153
Bonds - Corporate	-	953,236	-	953,236
Mutual Funds - Bond Fund	99,861	-	-	99,861
Total	<u>\$ 101,773</u>	<u>\$ 1,355,307</u>	<u>\$ -</u>	<u>\$ 1,457,080</u>

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

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

**Fair Value Measurement (Continued)**

	2018			Total
	Level 1	Level 2	Level 3	
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	\$ 51,642	\$ 1,334,504	\$ -	\$ 1,386,146

**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.

**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 consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 5, 2019, the date the consolidated financial statements were available to be issued.

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

**NOTE 2 INVESTMENTS**

Investments are comprised of the following at September 30:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 1,912	\$ 1,912	\$ 1,686	\$ 1,686
Certificates of Deposit	315,000	326,918	315,000	306,577
Bonds - Foreign	74,492	75,153	74,569	71,699
Bonds - Corporate	978,886	953,236	1,031,905	956,228
Mutual Funds - Bond Fund	103,488	99,861	50,984	49,956
Total	<u>\$ 1,473,778</u>	<u>\$ 1,457,080</u>	<u>\$ 1,474,144</u>	<u>\$ 1,386,146</u>

**NOTE 3 RELATED PARTY TRANSACTIONS**

During the years ended September 30, 2019 and 2018, \$12,963 and \$14,117 was paid to the American Legion Department of Minnesota for administrative services performed, respectively.

**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes at September 30:

	2019	2018
American Legion Baseball Fund	\$ 44,914	\$ 37,796
Fund for Hospitalized Vets	76,645	69,548
Boy Scout Scholarship	29,344	29,344
NEF Fund Income	2,140	140
ROTC Scholarship	43,048	36,471
Pheasant Dinner Fund	151,328	140,205
Nurses Scholarship Fund	104,604	100,604
Oratorical Fund	16,790	17,990
American Legion Memorial Fund	57,839	58,739
Boys State Program	239,833	234,140
Minnesota Disaster Relief Fund	67,251	60,701
Boys Scout Council Assist Fund	51,879	48,879
Auxiliary Gambling Fund	10	10
Legacy Scholarship Fund	12,015	-
Veterans Assistance Outdoor Fund	111,485	109,357
Rehab Veterans Outdoor Fund	13,006	10,972
JR Shooting Sports Fund	13,025	20,025
100th Anniversary Fund Income	21,545	29,845
Total Net Assets with Donor Restrictions	<u>\$ 1,056,701</u>	<u>\$ 1,004,766</u>

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019 AND 2018**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

**NOTE 4 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

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

	2019	2018
American Legion Baseball Fund	\$ 51,932	\$ 46,002
Fund for Hospitalized Vets	18,543	16,637
Boy Scout Scholarship Fund	1,000	1,000
ROTC Scholarship	4,875	3,750
Pheasant Dinner Fund	16,239	27,786
Oratorical Fund	4,900	4,700
American Legion Memorial Fund	3,000	3,500
Boys State Program	94,662	102,346
Dept CDR's Project	15,380	23,312
Auxiliary Gambling Fund	46,258	37,885
Legacy Scholarship Fund	175,000	241,600
Veterans Assistance Outdoor Fund	822	3,000
Rehab Veterans Outdoor Fund	4,233	788
JR Shooting Sports Fund	7,200	-
100th Anniversary Fund Income	10,000	-
Total Releases	\$ 454,044	\$ 512,306

**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 consolidated balance sheet date, comprise the following:

Cash and Cash Equivalents	\$ 218,521
Interest Receivable	9,804
Investments	1,457,080
Less: Restricted by Donor	(1,056,701)
Total	\$ 628,704