

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2008 AND 2007

**MINNESOTA AMERICAN LEGION, AUXILIARY,
AND THE SONS OF THE AMERICAN LEGION
BRAIN SCIENCE FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2008 AND 2007**

ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5

ACCOUNTANTS' REVIEW REPORT

Board of Directors
Minnesota American Legion, Auxiliary, and
the Sons of the American Legion and
Brain Science Foundation
St. Paul, Minnesota

We have reviewed the accompanying balance sheets of Minnesota American Legion, Auxiliary, and the Sons of the American Legion and Brain Science Foundation as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended, in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Minnesota American Legion, Auxiliary and the Sons of the American Legion and Brain Science Foundation.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.



LarsonAllen LLP

Minneapolis, Minnesota
May 5, 2009

**MINNESOTA AMERICAN LEGION, AUXILIARY,
AND THE SONS OF THE AMERICAN LEGION
BRAIN SCIENCE FOUNDATION
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(SEE ACCOUNTANTS' REVIEW REPORT)**

	2008	2007
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 17,561	\$ 17,117
Accrued Interest Receivable	1,220	2,471
Investments	120,848	150,531
Total Assets	139,629	170,119
ASSETS LIMITED AS TO USE		
Cash and Cash Equivalents	35,135	-
Accrued Interest and Dividends Receivable	3,538	3,081
Investments	764,896	1,076,445
Total Assets Limited as to Use	803,569	1,079,526
Total Assets	\$ 943,198	\$ 1,249,645
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ -	\$ 315
Commitment - Due to Others	803,569	1,043,146
Cash Deficit In Investment Account	-	36,380
Total Liabilities	803,569	1,079,841
NET ASSETS - UNRESTRICTED	139,629	169,804
Total Liabilities and Net Assets	\$ 943,198	\$ 1,249,645

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, 2008 AND 2007
(SEE ACCOUNTANT'S REVIEW REPORT)**

	<u>2008</u> <u>(Unrestricted)</u>	<u>2007</u> <u>(Unrestricted)</u>
SUPPORT AND REVENUE		
Contributions	\$ 965	\$ 410
Miscellaneous Income	1,190	-
Unrealized Loss	(222,608)	(1,036)
Realized Gain	4,922	30,034
Interest Income	33,872	35,755
Plus (Less): Return on Investments Held on Behalf of Others	190,177	(55,570)
Total Support and Revenue	<u>8,518</u>	<u>9,593</u>
EXPENSES		
Program Expense:		
Scholarships	2,000	2,000
Additional Brain Science Research Contribution	30,000	30,000
Total Program Expense	<u>32,000</u>	<u>32,000</u>
Management and General:		
Mileage and Per Diem - Board Meetings	952	429
Professional Fees	3,504	5,421
Office Expense	1,237	2,013
Excise Tax	1,000	545
Miscellaneous	-	-
Total Management and General	<u>6,693</u>	<u>8,408</u>
Total Expenses	<u>38,693</u>	<u>40,408</u>
CHANGE IN NET ASSETS	(30,175)	(30,815)
Net Assets - Beginning of Year	<u>169,804</u>	<u>200,619</u>
NET ASSETS - END OF YEAR	<u>\$ 139,629</u>	<u>\$ 169,804</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, 2008 AND 2007
(SEE ACCOUNTANTS' REVIEW REPORT)**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (30,175)	\$ (30,815)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Unrealized Loss on Investments	222,608	1,036
Realized Gain on Sale of Investments	(4,922)	(30,034)
Investment Gain Which is Due to Others	(190,177)	55,570
(Increase) Decrease in Accrued Interest and Dividends	794	(1,086)
Increase (Decrease) in Accounts Payable	(315)	165
Net Cash Used by Operating Activities	<u>(2,187)</u>	<u>(5,164)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	571,156	435,598
Purchases of Investments	(447,610)	(506,206)
Net Cash Provided (Used) by Investing Activities	<u>123,546</u>	<u>(70,608)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Deficit in Cash Used to Purchase Investments	(36,380)	36,380
Payments of Amounts Due to Others	(49,400)	(65,257)
Net Cash Used by Financing Activities	<u>(85,780)</u>	<u>(28,877)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,579	(104,649)
Cash and Cash Equivalents - Beginning of Year	<u>17,117</u>	<u>121,766</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 52,696</u>	<u>\$ 17,117</u>
CASH AND CASH EQUIVALENTS		
Current Assets	\$ 17,561	\$ 17,117
Assets Limited as to Use	35,135	-
Total Cash and Cash Equivalents	<u>\$ 52,696</u>	<u>\$ 17,117</u>

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, 2008 AND 2007
(SEE ACCOUNTANTS' REVIEW 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

The Organization follows the Statement of Financial Accounting Standards (SFAS) 116, *Accounting for Contributions Received and Contributions Made*, SFAS 117, *Financial Statements for Not-for-Profit Organization*. Under the provisions of SFAS 116 and SFAS 117, 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 and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues that the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions that will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to donor imposed restrictions that they be maintained permanently by the Organization.

The Organization does not have any board designated, temporarily restricted, or permanently restricted net assets at December 31, 2008 and 2007.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. 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.

Investments

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

**MINNESOTA AMERICAN LEGION, AUXILIARY,
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
(SEE ACCOUNTANTS' REVIEW REPORT)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization

On January 1, 2008, the Organization adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. The Organization accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

The Organization also was able to adopt Statement of Financial Accounting Standard No. 159, *The Fair Value Option for Financial Assets and Liabilities* (SFAS 159) on January 1, 2008. SFAS 159 allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value at January 1, 2008, as permitted under SFAS 159. However, the Organization may elect to measure newly acquired financial instruments at fair value in the future.

Fair Value Hierarchy

In accordance with SFAS No. 157, the Organization has categorized its financial instruments 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 of the instrument.

Financial assets and liabilities recorded on the balance sheet are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Organization has the ability to access.

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include among others, quoted prices for similar assets or liabilities in active market or non-active market.

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BRAIN SCIENCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Hierarchy (Continued)

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

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.

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, 2008:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments - Assets	\$ -	\$ 120,848	\$ -	\$ 120,848
Investments - Assets Limited as to Use	407,264	357,632	-	764,896
Total	<u>\$ 407,264</u>	<u>\$ 478,480</u>	<u>\$ -</u>	<u>\$ 885,744</u>

Tax Exempt Status

The Organization is tax exempt under Section 509(a) as an organization described in 501(c)(3) of the Internal Revenue Code and Minnesota Statute. Effective January 1, 2003, it 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 \$123,000 at December 31, 2008 and \$130,000 at December 31, 2007.

The Organization has elected to defer application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. The Organization follows Financial Accounting Standard No. 5, *Accounting for Contingencies*, for evaluating uncertain tax positions.

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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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008 AND 2007
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NOTE 2 INVESTMENTS

At December 31, 2008, investments were comprised of 15% United States Government obligations and corporate bonds, 39% certificates of deposits and 46% equity securities. At December 31, 2007, investments were comprised of 12% United States Government obligations and corporate bonds, 32% certificates of deposits and 56% equity securities.

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 one million-dollar principal, including all income and growth or depreciation. The amount paid to the University of Minnesota was \$73,390 and \$88,857 for the years ended December 31, 2008 and 2007, respectively. This includes both the 5.5% three-year trailing average and the additional \$30,000 contribution for both years. The principal amount including growth and accrued interest and dividends totaled \$803,569 and \$1,043,146 at December 31, 2008 and 2007, respectively.