

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2007 AND 2006**

**MINNESOTA AMERICAN LEGION, AUXILIARY,  
AND THE SONS OF THE AMERICAN LEGION  
BRAIN SCIENCE FOUNDATION  
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YEARS ENDED DECEMBER 31, 2007 AND 2006**

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# LarsonAllen<sup>®</sup> LLP

CPAs, Consultants & Advisors  
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## ACCOUNTANTS' REVIEW REPORT

Board of Directors  
Minnesota American Legion, Auxiliary, and  
the Sons of the American Legion  
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, 2007 and 2006, 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  
June 23, 2008

**MINNESOTA AMERICAN LEGION, AUXILIARY,  
AND THE SONS OF THE AMERICAN LEGION  
BRAIN SCIENCE FOUNDATION  
BALANCE SHEETS  
DECEMBER 31, 2007 AND 2006  
(SEE ACCOUNTANTS' REVIEW REPORT)**

	2007	2006
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 17,117	\$ 50,225
Accrued Interest Receivable	2,471	1,203
Investments	150,531	149,341
Total Assets	170,119	200,769
<b>ASSETS LIMITED AS TO USE</b>		
Cash and Cash Equivalents	-	71,541
Accrued Interest and Dividends Receivable	3,081	3,263
Investments	1,076,445	978,029
Total Assets Limited as to Use	1,079,526	1,052,833
Total Assets	\$ 1,249,645	\$ 1,253,602
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 315	\$ 150
Commitment - Due to Others	1,043,146	1,052,833
Cash Deficit In Investment Account	36,380	-
Total Liabilities	1,079,841	1,052,983
<b>NET ASSETS - UNRESTRICTED</b>	169,804	200,619
Total Liabilities and Net Assets	\$ 1,249,645	\$ 1,253,602

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, 2007 AND 2006  
(SEE ACCOUNTANT'S REVIEW REPORT)**

	<u>2007</u> <u>(Unrestricted)</u>	<u>2006</u> <u>(Unrestricted)</u>
<b>SUPPORT AND REVENUE</b>		
Contributions	\$ 410	\$ 925
Investment Gain	64,753	80,675
Less: Return on Investments Held on Behalf of Others	<u>(55,570)</u>	<u>(66,802)</u>
Total Support and Revenue	9,593	14,798
 <b>EXPENSES</b>		
Program Expense:		
Scholarships	2,000	2,000
Additional Brain Science Research Contribution	<u>30,000</u>	<u>30,000</u>
Total Program Expense	32,000	32,000
 Management and General:		
Mileage and Per Diem - Board Meetings	429	521
Professional Fees	5,421	3,375
Office Expense	2,013	914
Excise Tax	545	-
Miscellaneous	-	-
Total Management and General	<u>8,408</u>	<u>4,810</u>
Total Expenses	<u>40,408</u>	<u>36,810</u>
 <b>CHANGE IN NET ASSETS</b>	 (30,815)	 (22,012)
Net Assets - Beginning of Year	<u>200,619</u>	<u>222,631</u>
 <b>NET ASSETS - END OF YEAR</b>	 <u>\$ 169,804</u>	 <u>\$ 200,619</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, 2007 AND 2006  
(SEE ACCOUNTANTS' REVIEW REPORT)**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (30,815)	\$ (22,012)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Unrealized Loss on Investments	1,036	15,692
Realized Gain on Sale of Investments	(30,034)	(64,336)
Investment Gain Which is Due to Others	55,570	66,802
(Increase) Decrease in Accrued Interest and Dividends	(1,086)	(260)
Increase (Decrease) in Accounts Payable	165	150
Net Cash Used by Operating Activities	(5,164)	(3,964)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sales and Maturities of Investments	435,598	781,245
Purchases of Investments	(506,206)	(723,309)
Net Cash Provided (Used) by Investing Activities	(70,608)	57,936
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Deficit in Cash Used to Purchase Investments	36,380	-
Payments of Amounts Due to Others	(65,257)	(83,751)
Net Cash Used by Financing Activities	(28,877)	(83,751)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(104,649)	(29,779)
Cash and Cash Equivalents - Beginning of Year	121,766	151,545
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 17,117	\$ 121,766
<b>CASH AND CASH EQUIVALENTS</b>		
Current Assets	\$ 17,117	\$ 50,225
Assets Limited as to Use	-	71,541
Total Cash and Cash Equivalents	\$ 17,117	\$ 121,766

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, 2007 AND 2006  
(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, 2007 and 2006.

**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, 2007 AND 2006  
(SEE ACCOUNTANTS' REVIEW REPORT)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 \$130,000 at December 31, 2007.

**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.

**NOTE 2 INVESTMENTS**

At December 31, 2007, investments were comprised of 12% United States Government obligations and corporate bonds, 32% certificates of deposits and 56% equity securities. At December 31, 2006, investments were comprised of 30% United States Government obligations and corporate bonds, 22% certificates of deposit and 48% 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 \$88,857 and \$75,145 for the years ended December 31, 2007 and 2006, 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 \$1,043,146 and \$1,052,833 at December 31, 2007 and 2006, respectively.