

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

**MINNESOTA AMERICAN LEGION, AUXILIARY,
AND THE SONS OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION
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YEARS ENDED DECEMBER 31, 2010 AND 2009**

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INDEPENDENT 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 the Minnesota American Legion, Auxiliary, and the Sons of the American Legion and Brain Science Foundation as of December 31, 2010 and 2009, and the related statement of activities and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Minnesota American Legion, Auxiliary, and the Sons of the American Legion and Brain Science Foundation's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 accounting principles generally accepted in the United States of America.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
March 2, 2011



(1)

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**MINNESOTA AMERICAN LEGION, AUXILIARY,
AND THE SONS OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

	2010	2009
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 10,890	\$ 21,181
Accrued Interest Receivable	64	209
Investments	120,006	120,059
Total Assets	130,960	141,449
ASSETS LIMITED AS TO USE		
Cash and Cash Equivalents	26,379	3,889
Accrued Interest and Dividends Receivable	2,716	3,293
Investments	892,280	844,386
Total Assets Limited as to Use	921,375	851,568
Total Assets	\$ 1,052,335	\$ 993,017
LIABILITIES AND NET ASSETS		
LIABILITIES		
Commitment - Due to Others	\$ 921,375	\$ 851,568
NET ASSETS - UNRESTRICTED	130,960	141,449
Total Liabilities and Net Assets	\$ 1,052,335	\$ 993,017

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, 2010 AND 2009
(SEE INDEPENDENT ACCOUNTANT'S REVIEW REPORT)**

	<u>2010</u> <u>(Unrestricted)</u>	<u>2009</u> <u>(Unrestricted)</u>
SUPPORT AND REVENUE		
Contributions	\$ 7,708	\$ 5,393
Miscellaneous Income	758	550
Unrealized Gain	115,276	127,617
Realized Loss	(9,882)	(30,599)
Interest Income	21,739	26,645
Less: Return on Investments Held on Behalf of Others	<u>(125,994)</u>	<u>(121,252)</u>
Total Support and Revenue	9,605	8,354
EXPENSES		
Program Expense:		
Scholarships	2,000	2,000
Additional Brain Science Research Contribution	<u>13,558</u>	<u>190</u>
Total Program Expense	15,558	2,190
Management and General:		
Mileage and Per Diem - Board Meetings	467	1,065
Professional Fees	3,698	3,747
Office Expense	25	32
Excise Tax Expense (Income)	<u>346</u>	<u>(500)</u>
Total Management and General	4,536	4,344
Total Expenses	<u>20,094</u>	<u>6,534</u>
CHANGE IN NET ASSETS	(10,489)	1,820
Net Assets - Beginning of Year	<u>141,449</u>	<u>139,629</u>
NET ASSETS - END OF YEAR	<u>\$ 130,960</u>	<u>\$ 141,449</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, 2010 AND 2009
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (10,489)	\$ 1,820
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Gain on Investments	(115,276)	(127,617)
Realized Loss on Sale of Investments	9,882	30,599
Investment Gain Which is Due to Others	125,994	121,252
Decrease in Accrued Interest and Dividends	722	1,256
Net Cash Provided by Operating Activities	10,833	27,310
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	338,819	399,047
Purchases of Investments	(281,266)	(380,730)
Net Cash Provided by Investing Activities	57,553	18,317
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Amounts Due to Others	(56,187)	(73,253)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,199	(27,626)
Cash and Cash Equivalents - Beginning of Year	25,070	52,696
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 37,269	\$ 25,070
CASH AND CASH EQUIVALENTS		
Current Assets	\$ 10,890	\$ 21,181
Assets Limited as to Use	26,379	3,889
Total Cash and Cash Equivalents	\$ 37,269	\$ 25,070

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, 2010 AND 2009
(SEE INDEPENDENT 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

Net assets and revenues, gains, and losses of the Organization 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, 2010 and 2009.

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,
AND THE SONS OF THE AMERICAN LEGION BRAIN SCIENCE FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Organization may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Organization has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect Organization's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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, 2010:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit - Brokered	\$ -	\$ 369,005	\$ -	\$ 369,005
Government Notes and Bonds	-	62,795	-	62,795
Stocks and Options	580,486	-	-	580,486
Total	<u>\$ 580,486</u>	<u>\$ 431,800</u>	<u>\$ -</u>	<u>\$ 1,012,286</u>

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, 2009:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit - Brokered	\$ -	\$ 394,191	\$ -	\$ 394,191
Government Notes and Bonds	-	70,898	-	70,898
Stocks and Options	499,355	-	-	499,355
Total	<u>\$ 499,355</u>	<u>\$ 465,089</u>	<u>\$ -</u>	<u>\$ 964,444</u>

Tax Exempt Status

The Organization is tax exempt as an organization and 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 \$120,000 at December 31, 2010 and 2009.

The Organization follows the income tax standard for uncertain tax positions. No liability was recognized by the Organization as a result of this standard. The Organization files as a tax-exempt organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS. The 2006 - 2010 tax years of the Organization are open for examination by the IRS.

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, 2010 AND 2009
(SEE INDEPENDENT ACCOUNTANTS' REVIEW REPORT)**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the organization has evaluated events and transactions for potential recognition or disclosure through March 2, 2011, the date the financial statements were approved to be issued.

NOTE 2 INVESTMENTS

At December 31, 2010, investments were comprised of 6% United States Government obligations and corporate bonds, 36% certificates of deposits and 57% equity securities. At December 31, 2009, investments were comprised of 7% United States Government obligations and corporate bonds, 41% certificates of deposits and 52% 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 \$49,287 and \$67,416 for the years ended December 31, 2010 and 2009, respectively. This includes both the 5.5% three-year trailing average and the additional \$13,500 contribution for the current year. The principal amount including growth and accrued interest and dividends totaled \$921,375 and \$851,568 at December 31, 2010 and 2009, respectively.