

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

**MINNESOTA AMERICAN LEGION, AUXILIARY,
AND THE SONS OF THE AMERICAN LEGION
BRAIN SCIENCE FOUNDATION
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YEARS ENDED DECEMBER 31, 2009 AND 2008**

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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, 2009 and 2008, 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
LarsonAllen LLP

Minneapolis, Minnesota
February 20, 2010



**MINNESOTA AMERICAN LEGION, AUXILIARY,
AND THE SONS OF THE AMERICAN LEGION
BRAIN SCIENCE FOUNDATION
BALANCE SHEETS
DECEMBER 31, 2009 AND 2008
(SEE ACCOUNTANTS' REVIEW REPORT)**

	2009	2008
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 21,181	\$ 17,561
Accrued Interest Receivable	209	1,220
Investments	120,059	120,848
Total Assets	141,449	139,629
ASSETS LIMITED AS TO USE		
Cash and Cash Equivalents	3,889	35,135
Accrued Interest and Dividends Receivable	3,293	3,538
Investments	844,386	764,896
Total Assets Limited as to Use	851,568	803,569
Total Assets	\$ 993,017	\$ 943,198
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ -	\$ -
Commitment - Due to Others	851,568	803,569
Total Liabilities	851,568	803,569
NET ASSETS - UNRESTRICTED		
Total Liabilities and Net Assets	\$ 993,017	\$ 943,198

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, 2009 AND 2008
(SEE ACCOUNTANT'S REVIEW REPORT)**

	<u>2009</u> <u>(Unrestricted)</u>	<u>2008</u> <u>(Unrestricted)</u>
SUPPORT AND REVENUE		
Contributions	\$ 5,393	\$ 965
Miscellaneous Income	550	1,190
Unrealized Gain (Loss)	127,617	(222,608)
Realized (Loss) Gain	(30,599)	4,922
Interest Income	26,645	33,872
Plus (Less): Return on Investments Held on Behalf of Others	<u>(121,252)</u>	<u>190,177</u>
Total Support and Revenue	8,354	8,518
EXPENSES		
Program Expense:		
Scholarships	2,000	2,000
Additional Brain Science Research Contribution	190	30,000
Total Program Expense	<u>2,190</u>	<u>32,000</u>
Management and General:		
Mileage and Per Diem - Board Meetings	1,065	952
Professional Fees	3,747	3,504
Office Expense	32	1,237
Excise Tax Expense (Income)	(500)	1,000
Miscellaneous	-	-
Total Management and General	<u>4,344</u>	<u>6,693</u>
Total Expenses	<u>6,534</u>	<u>38,693</u>
CHANGE IN NET ASSETS	1,820	(30,175)
Net Assets - Beginning of Year	<u>139,629</u>	<u>169,804</u>
NET ASSETS - END OF YEAR	<u><u>\$ 141,449</u></u>	<u><u>\$ 139,629</u></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, 2009 AND 2008
(SEE ACCOUNTANTS' REVIEW REPORT)**

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,820	\$ (30,175)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Unrealized (Gain) Loss on Investments	(127,617)	222,608
Realized (Gain) Loss on Sale of Investments	30,599	(4,922)
Investment Gain Which is Due to Others	121,252	(190,177)
(Increase) Decrease in Accrued Interest and Dividends	1,256	794
Increase (Decrease) in Accounts Payable	-	(315)
Net Cash Provided (Used) by Operating Activities	27,310	(2,187)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	399,047	571,156
Purchases of Investments	(380,730)	(447,610)
Net Cash Provided by Investing Activities	18,317	123,546
CASH FLOWS FROM FINANCING ACTIVITIES		
Deficit in Cash Used to Purchase Investments	-	(36,380)
Payments of Amounts Due to Others	(73,253)	(49,400)
Net Cash Used by Financing Activities	(73,253)	(85,780)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(27,626)	35,579
Cash and Cash Equivalents - Beginning of Year	52,696	17,117
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 25,070	\$ 52,696
CASH AND CASH EQUIVALENTS		
Current Assets	\$ 21,181	\$ 17,561
Assets Limited as to Use	3,889	35,135
Total Cash and Cash Equivalents	\$ 25,070	\$ 52,696

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, 2009 AND 2008
(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

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, 2009 and 2008.

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, 2009 AND 2008
(SEE 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, 2009 AND 2008
(SEE 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, 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>

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:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit - Brokered	\$ -	\$ 341,271	\$ -	\$ 341,271
Government Notes and Bonds	-	137,201	-	137,201
Preferred Securities	22,376	-	-	22,376
Stocks and Options	384,888	-	-	384,888
Total	<u>\$ 407,264</u>	<u>\$ 478,472</u>	<u>\$ -</u>	<u>\$ 885,736</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, 2009 and 2008.

The Organization adopted the income tax standard for uncertain tax positions on January 1, 2009. No liability was recognized by the Organization as a result of the implementation 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, 2007, and 2008 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, 2009 AND 2008
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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 February 20, 2010, the date the financial statements were approved to be issued.

NOTE 2 INVESTMENTS

At December 31, 2009, investments were comprised of 7% United States Government obligations and corporate bonds, 41% certificates of deposits and 52% equity securities. At December 31, 2008, investments were comprised of 15% United States Government obligations and corporate bonds, 39% certificates of deposits and 46% 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 \$67,416 and \$73,390 for the years ended December 31, 2009 and 2008, respectively. This includes both the 5.5% three-year trailing average and the additional \$30,000 contribution for the prior year. The principal amount including growth and accrued interest and dividends totaled \$851,568 and \$803,569 at December 31, 2009 and 2008, respectively.