

**MINNESOTA AMERICAN LEGION FOUNDATION
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2011 AND 2010

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Minnesota American Legion Foundation and Subsidiary
St. Paul, Minnesota

We have compiled the accompanying consolidated balance sheets of Minnesota American Legion Foundation and Subsidiary (Minnesota American Legion Boys State Program, LLC) as of September 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. We have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or provide any assurance about whether the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America.

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the consolidated financial statements.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 16, 2011

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2011 AND 2010
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2011	2010
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 183,103	\$ 96,671
Interest Receivable	7,439	7,259
Total Current Assets	190,542	103,930
INVESTMENTS		
Total Assets	983,455	890,525
	\$ 1,173,997	\$ 994,455
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 17	\$ 2,753
NET ASSETS		
Unrestricted	545,840	506,005
Temporarily Restricted	628,140	485,697
Total Net Assets	1,173,980	991,702
Total Liabilities and Net Assets	\$ 1,173,997	\$ 994,455
	\$ 1,173,997	\$ 994,455

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted Total	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Donor Contributions	\$ 47,132	\$ -	\$ 47,132	\$ 290	\$ -	\$ 290
Program Contributions	-	456,511	456,511	-	268,840	268,840
Interest Earned	16,123	-	16,123	23,169	-	23,169
Realized Gain on Investments	1,543	-	1,543	-	-	-
Unrealized Gain (Loss) on Investments	(8,473)	-	(8,473)	31,150	-	31,150
Temporarily Restricted Net Assets Released	314,068	(314,068)	-	252,043	(252,043)	-
Total Support and Revenue	<u>370,393</u>	<u>142,443</u>	<u>512,836</u>	<u>306,652</u>	<u>16,797</u>	<u>323,449</u>
EXPENSE						
Program:						
Contributions	9,422	-	9,422	9,565	-	9,565
Direct Program Expenses	314,068	-	314,068	252,043	-	252,043
Total Program Expenses	<u>323,490</u>	<u>-</u>	<u>323,490</u>	<u>261,608</u>	<u>-</u>	<u>261,608</u>
Management and General:						
Mileage and Per Diem Expenses	2,355	-	2,355	1,198	-	1,198
Legal and Accounting	2,439	-	2,439	2,307	-	2,307
Administrative Expenses	2,000	-	2,000	2,000	-	2,000
Other	274	-	274	785	-	785
Total Management and General Expense	<u>7,068</u>	<u>-</u>	<u>7,068</u>	<u>6,290</u>	<u>-</u>	<u>6,290</u>
Total Expense	<u>330,558</u>	<u>-</u>	<u>330,558</u>	<u>267,898</u>	<u>-</u>	<u>267,898</u>
CHANGE IN NET ASSETS	39,835	142,443	182,278	38,754	16,797	55,551
Net Assets - Beginning of Year	<u>506,005</u>	<u>485,697</u>	<u>991,702</u>	<u>467,251</u>	<u>468,900</u>	<u>936,151</u>
NET ASSETS - END OF YEAR	<u>\$ 545,840</u>	<u>\$ 628,140</u>	<u>\$ 1,173,980</u>	<u>\$ 506,005</u>	<u>\$ 485,697</u>	<u>\$ 991,702</u>

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2011 AND 2010
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 182,278	\$ 55,551
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized (Gain) Loss on Investments	8,473	(31,150)
Realized Gain on Investments	(1,543)	-
(Increase) Decrease in Current Assets:		
Interest Receivable	(180)	1,214
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(2,736)	2,396
Net Cash Provided by Operating Activities	186,292	28,011
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	212,576	247,396
Purchase of Investments	(312,436)	(246,738)
Net Cash Provided (Used) by Investing Activities	(99,860)	658
NET INCREASE IN CASH AND CASH EQUIVALENTS	86,432	28,669
Cash and Cash Equivalents - Beginning of Year	96,671	68,002
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 183,103	\$ 96,671

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Minnesota American Legion Foundation 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 financial statements.

The summary of significant accounting policies of Minnesota American Legion Foundation and subsidiary are presented to assist in understanding the financial statements. The 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 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:

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

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

Permanently Restricted – Resources subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

The Organization has no permanently restricted net assets at this time.

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 FDIC insured limit.

Interest Receivable

Interest receivable is stated at net realizable value.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(SEE ACCOUNTANTS' COMPILATION REPORT)

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

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 unrestricted use unless specifically restricted by the donor.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted 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 non-profit 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. The Organization's tax returns are open to examinations for the years 2007 through 2010.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(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:

	2011			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
Money Market	\$ -	\$ 1,392	\$ -	\$ 1,392
Certificates of Deposit	-	822,614	-	822,614
Bonds - Foreign	-	97,207	-	97,207
Bonds - Corporate	-	62,242	-	62,242
Total	<u>\$ -</u>	<u>\$ 983,455</u>	<u>\$ -</u>	<u>\$ 983,455</u>

	2010			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
Money Market	\$ -	\$ 25,961	\$ -	\$ 25,961
Certificates of Deposit	-	751,057	-	751,057
Bonds - Corporate	-	113,507	-	113,507
Total	<u>\$ -</u>	<u>\$ 890,525</u>	<u>\$ -</u>	<u>\$ 890,525</u>

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(SEE ACCOUNTANTS' COMPILATION REPORT)

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

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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 16, 2011, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments are comprised of the following at September 30:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 1,392	\$ 1,392	\$ 25,961	\$ 25,961
Certificates of Deposit	785,000	822,614	710,000	751,057
Bonds - Foreign	100,000	97,207	-	-
Bonds - Corporate	100,583	62,242	149,611	113,507
Total	<u>\$ 986,975</u>	<u>\$ 983,455</u>	<u>\$ 885,572</u>	<u>\$ 890,525</u>

NOTE 3 RELATED PARTY TRANSACTIONS

Funds of \$32,115 were contributed for program activities to the Organization from the American Legion Department of Minnesota for charitable purposes during the year ended September 30, 2011. During both years ended September 30, 2011 and 2010, \$2,000 was paid to the American Legion Department of Minnesota for administrative services performed.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at September 30:

	2011	2010
American Legion Baseball Fund	\$ 31,451	\$ 29,568
Fund for Hospitalized Vets	56,444	48,968
Boy Scout Scholarship	28,244	29,044
ROTC Scholarship	21,567	24,141
Special Veterans Hospital Fund	13,238	26,977
Nurses Scholarship Fund	92,604	92,604
Oratorical Fund	13,610	11,266
American Legion Memorial Fund	63,609	63,709
Boys State Program	124,502	111,339
Minnesota Disaster Relief Fund	26,526	28,146
Boys Scout Council Assist Fund	24,140	19,098
Commanders Project Income	5,324	28
Auxiliary Gambling Fund	660	660
Legacy Scholarship Fund	550	149
Veterans Assistance Outdoor Fund	106,315	-
Rehab Veterans Outdoor Fund	19,356	-
Total Temporarily Restricted	<u>\$ 628,140</u>	<u>\$ 485,697</u>

Net assets were released during the years ended September 30, 2011 and 2010 as a result of meeting the following purposes:

	2011	2010
American Legion Baseball Fund	\$ 28,146	\$ 33,575
Fund for Hospitalized Vets	16,800	15,050
Boy Scout Scholarship Fund	2,000	-
ROTC Scholarship	4,875	3,750
Special Veterans Hospital Fund	61,436	53,891
Nurses Scholarships	3,600	3,500
Oratorical Fund	1,756	1,400
American Legion Memorial Fund	3,000	3,000
Boys State Program	84,480	76,207
MN Disaster Relief Fund	2,850	-
Boys Scout Council Assist Fund	-	950
Dept CDR's Project	31,247	14,300
Auxiliary Gambling Fund	37,790	27,220
Legacy Scholarship Fund	30,000	19,200
Rehab Veterans Outdoor Fund	6,088	-
Total Releases	<u>\$ 314,068</u>	<u>\$ 252,043</u>