

**MINNESOTA AMERICAN LEGION FOUNDATION
AND SUBSIDIARY**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2009 AND 2008

**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, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended, in accordance with Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of consolidated financial statements information that is the representation of management. We have not audited or reviewed the accompanying consolidated financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
November 13, 2009



MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2009 AND 2008
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash in Bank - Checking	\$ 68,002	\$ 158,764
Interest Receivable	8,473	4,612
Total Current Assets	76,475	163,376
INVESTMENTS		
	860,033	608,765
Total Assets	\$ 936,508	\$ 772,141
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 357	\$ 5,353
NET ASSETS		
Unrestricted	467,251	394,617
Temporarily Restricted	468,900	372,171
Total Net Assets	936,151	766,788
Total Net Assets	\$ 936,508	\$ 772,141

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted Total	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Donor Contributions	\$ 1,890	\$ -	\$ 1,890	\$ 1,555	\$ -	\$ 1,555
Program Contributions	-	348,892	348,892	-	290,380	290,380
Interest Earned	34,372	-	34,372	31,202	-	31,202
Unrealized Gain (Loss) on Investments	51,241	-	51,241	(71,452)	-	(71,452)
Temporarily Restricted Net Assets Released	252,163	(252,163)	-	178,738	(178,738)	-
Total Support and Revenue	339,666	96,729	436,395	140,043	111,642	251,685
EXPENSE						
Program:						
Contributions	8,138	-	8,138	17,845	-	17,845
Direct Program Expenses	252,163	-	252,163	178,738	-	178,738
Total Program Expenses	260,301	-	260,301	196,583	-	196,583
Management and General:						
Mileage and Per Diem Expenses	1,980	-	1,980	1,161	-	1,161
Legal and Accounting	2,217	-	2,217	2,148	-	2,148
Administrative Expenses	2,000	-	2,000	2,000	-	2,000
Other	534	-	534	496	-	496
Total Management and General Expense	6,731	-	6,731	5,805	-	5,805
Total Expense	267,032	-	267,032	202,388	-	202,388
CHANGE IN NET ASSETS	72,634	96,729	169,363	(62,345)	111,642	49,297
Net Assets - Beginning of Year	394,617	372,171	766,788	456,962	260,529	717,491
NET ASSETS - END OF YEAR	\$ 467,251	\$ 468,900	\$ 936,151	\$ 394,617	\$ 372,171	\$ 766,788

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2009 AND 2008
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 169,363	\$ 49,297
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized (Gain) Loss on Investments	(51,241)	71,452
(Increase) Decrease in Current Assets:		
Interest Receivable	(3,861)	1,105
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(4,996)	5,353
Net Cash Provided by Operating Activities	109,265	127,207
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	110,000	335,000
Purchase of Investments	(310,027)	(384,403)
Net Cash Used by Investing Activities	(200,027)	(49,403)
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(90,762)	77,804
 Cash and Cash Equivalents - Beginning of Year	158,764	80,960
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 68,002	\$ 158,764

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Minnesota American Legion Foundation (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 generally accepted accounting principles 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, 2009 AND 2008
(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 statement 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 statements of financial position.

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 follows the accounting standard for contingencies, in evaluating uncertain tax positions.

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 Statements of Financial Position 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.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

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 table presents 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, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
INVESTMENTS				
Certificates of Deposit	\$ -	\$ 689,052	\$ -	\$ 689,052
Bonds	-	155,024	-	155,024
Total	<u>\$ -</u>	<u>\$ 844,076</u>	<u>\$ -</u>	<u>\$ 844,076</u>

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.

Reclassifications

Certain reclassifications have been made to the September 30, 2008 financial statements in order to present them in conformity with the September 30, 2009 financial statements. These reclassifications have had no effect on net assets as previously reported.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 13, 2009, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments are comprised of the following at September 30:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market	\$ 15,957	\$ 15,957	\$ 15,930	\$ 15,930
Certificates of Deposit	670,000	689,052	290,000	287,562
Bonds	200,273	155,024	380,273	305,273
Total	<u>\$ 886,230</u>	<u>\$ 860,033</u>	<u>\$ 686,203</u>	<u>\$ 608,765</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008
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NOTE 3 RELATED PARTY TRANSACTIONS

Funds were contributed to the Foundation from the American Legion Department of Minnesota for charitable purposes during the years ended September 30, 2009 and 2008. A total of \$94,383 and \$71,777 was received for various program activities during the years ended September 30, 2009 and 2008, respectively. During both years ended September 30, 2009 and 2008, \$2,000 was paid to the American Legion Department of Minnesota for administrative services performed.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

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

	2009	2008
American Legion Baseball Fund	\$ 31,398	\$ 32,731
Fund for Hospitalized Vets	50,889	54,321
Boy Scout Scholarship	28,044	28,044
ROTC Scholarship	25,591	29,166
Special Veterans Hospital Fund	32,255	43,648
Nurses Scholarship Fund	92,604	95,604
Oratorical Fund	9,316	-
American Legion Memorial Fund	66,659	-
Boys State Program	85,142	68,497
Minnesota Disaster Relief Fund	28,146	20,160
Boys Scout Council Assist Fund	17,648	-
Auxil Gambling Fund	1,059	-
Legacy Scholarship Fund	149	-
Total Temporarily Restricted	\$ 468,900	\$ 372,171

Net assets were released during the years ended September 30, 2009 and 2008 as a result of meeting the following purposes:

	2009	2008
American Legion Baseball Fund	\$ 32,700	\$ 25,866
Fund for Hospitalized Vets	14,418	17,262
Boy Scout Scholarship	-	1,000
Ely Fishing Fund	-	8,427
ROTC Scholarship	4,500	5,250
Special Veterans Hospital Fund	57,632	16,313
Nurses Scholarships	3,000	6,000
Oratorical Fund	2,400	-
American Legion Memorial Fund	3,000	-
Boys State Program	97,433	96,620
Minnesota Disaster Relief Fund	-	2,000
Dept CDR's Project	4,197	-
Auxil Gambling Fund	24,583	-
Legacy Scholarship Fund	8,300	-
Total Releases	\$ 252,163	\$ 178,738