

**THE MINNESOTA LEGIONNAIRE, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2011 AND 2010**

**THE MINNESOTA LEGIONNAIRE, INC.  
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**CliftonLarsonAllen**

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## **INDEPENDENT ACCOUNTANTS' COMPILATION REPORT**

Board of Directors  
The Minnesota Legionnaire, Inc.  
St. Paul, Minnesota

We have compiled the accompanying balance sheets of The Minnesota Legionnaire, Inc. as of July 31, 2011 and 2010, and the related statements of activities, statement of functional expenses, and cash flows for the years then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the 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 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 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 financial statements.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 16, 2011

**THE MINNESOTA LEGIONNAIRE, INC.**  
**BALANCE SHEETS**  
**AUGUST 31, 2011 AND 2010**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2011	2010
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 129,275	\$ 98,863
Interest Receivable	178	292
Total Current Assets	129,552	99,200
<b>OTHER ASSETS</b>		
Investments	101,475	101,901
Total Assets	\$ 231,027	\$ 201,101
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,805	\$ 1,472
Unearned Subscription Revenue	152,574	126,756
Total Current Liabilities	154,379	128,228
<b>NET ASSETS</b>		
Net Assets - Unrestricted	76,648	72,873
Total Liabilities and Net Assets	\$ 231,027	\$ 201,101

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED AUGUST 31, 2011 AND 2010**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	(Unrestricted)	
	2011	2010
<b>REVENUE</b>		
Subscriptions	\$ 245,936	\$ 248,083
Advertising	60,934	57,532
Interest Income	822	1,709
Unrealized Loss on Investments	(426)	(319)
Other	30,000	26,001
Total Revenue	337,266	333,006
<b>EXPENSES</b>		
Program Expenses	306,202	310,598
General and Administrative	27,289	23,990
Total Expenses	333,491	334,587
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	3,775	(1,581)
Unrestricted Net Assets - Beginning	72,873	74,454
<b>UNRESTRICTED NET ASSETS - ENDING</b>	\$ 76,648	\$ 72,873

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSE**  
**YEARS ENDED AUGUST 31, 2011 AND 2010**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2011			2010		
	Program Expense	General and Administrative	Total	Program Expense	General and Administrative	Total
Postage	\$ 174,441	\$ -	\$ 174,441	\$ 171,600	\$ -	\$ 171,600
Printing	82,151	-	82,151	91,266	-	91,266
Salaries	25,642	8,547	34,189	25,134	8,378	33,512
Commissions	9,185	-	9,185	8,672	-	8,672
Office Supplies	2,685	895	3,580	1,736	579	2,314
Travel and Meetings	-	10,339	10,339	-	7,637	7,637
Employee Benefits	8,253	2,751	11,004	8,554	2,851	11,405
Professional Fees	-	3,633	3,633	-	3,491	3,491
Payroll Taxes	2,537	846	3,382	2,351	784	3,135
Insurance	450	150	600	450	150	600
Telephone	385	128	513	360	120	480
Miscellaneous	474	-	474	475	-	475
	<u>\$ 306,202</u>	<u>\$ 27,289</u>	<u>\$ 333,491</u>	<u>\$ 310,598</u>	<u>\$ 23,990</u>	<u>\$ 334,587</u>
Total Expense						

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2011 AND 2010**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 3,775	\$ (1,581)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Unrealized Loss on Investments	426	319
(Increase) Decrease in Current Assets:		
Accounts Receivable	(54)	(45)
Interest Receivable	114	72
Increase (Decrease) in Current Liabilities:		
Accounts Payable	333	76
Unearned Subscription Revenue	25,818	(38,883)
Net Cash Provided (Used) by Operating Activities	30,412	(40,042)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Investments	101,000	70,000
Purchase of Investments	(101,000)	(70,000)
Net Cash Used by Investing Activities	-	-
 <b>NET INCREASE (DECREASE) IN CASH</b>	30,412	(40,042)
 Cash - Beginning of Year	98,863	138,905
 <b>CASH - END OF YEAR</b>	\$ 129,275	\$ 98,863

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2011 AND 2010**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organizational Purpose**

The Minnesota Legionnaire, Inc. is responsible for publishing The Legionnaire, a newspaper subscribed to by members of the American Legion Department of Minnesota. The Minnesota Legionnaire, Inc. is a wholly-owned subsidiary of the Minnesota American Legion Publications Corporation.

**Financial Statement Presentation**

Net assets and revenues, gains and losses are classified based on donor imposed restrictions. Accordingly, net assets of The Minnesota Legionnaire, Inc. 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 which the board has set aside for a particular purpose.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization on passage of time. As of August 31, 2011 and 2010, the Organization had no temporarily restricted net assets.

**Revenue Recognition**

Subscription income is recognized as revenue ratably over the subscription period. Unearned subscription revenue in the accompanying balance sheet represents amounts collected for subscriptions which have not yet been earned.

**Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits**

The Organization maintains its cash reserves and cash balances in one financial institution. At times, the amount on deposit may exceed federally insured limits.

**Investments**

The Organization records its investments at fair market value. The net realized and unrealized gains and losses on investments are reflected in the statement of activities.

**Functional Expense**

Expenses which apply to more than one function are allocated among the functions to which they apply. The allocation of salary expense is made by management's estimates of time expended in each program. Other expenses are allocated on the basis of percentage of time devoted to that function unless a more direct basis is apparent.

**Tax Exempt Status**

The Organization has a tax exempt status under Section 501(a) as an organization described in 501(c)(19) of the Internal Revenue Code and Minnesota Statute. The organization is a veterans' organization. Therefore, charitable contributions are tax deductible. The Organization is subject to unrelated business income tax on advertising.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2011 AND 2010**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

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

**Tax Exempt Status (Continued)**

Income taxes on unrelated business income are provided based upon the provisions of the, *Accounting for Income Taxes* standard, which requires that deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of unrelated business income.

The differences between the financial statement reporting basis are due to net operating loss carryforwards. A valuation allowance is provided when it is more likely than not that a deferred tax asset will not be realized.

As of August 31, 2011 and 2010, the tax benefit of carried-over net operating losses was \$57,000 and \$84,000, respectively. A valuation allowance has been established for the full amount of the tax benefit due to the likelihood that future profits may not occur in order for the Organization to utilize the tax benefit.

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.

**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.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2011 AND 2010**  
(SEE INDEPENDENT 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 August 31:

	2011			
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 531	\$ -	\$ -	\$ 531
Certificates of Deposit	-	100,944	-	100,944
Total	<u>\$ 531</u>	<u>\$ 100,944</u>	<u>\$ -</u>	<u>\$ 101,475</u>
	2010			
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 531	\$ -	\$ -	\$ 531
Certificates of Deposit	-	101,370	-	101,370
Total	<u>\$ 531</u>	<u>\$ 101,370</u>	<u>\$ -</u>	<u>\$ 101,901</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 that were 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.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2011 AND 2010**  
(SEE INDEPENDENT ACCOUNTANTS' COMPILATION REPORT)

**NOTE 2 INVESTMENTS**

Investments are comprised of the following at August 31:

	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Money Market Fund	\$ 531	\$ 531	\$ 531	\$ 531
Certificates of Deposit	101,000	100,944	101,000	101,370
Total	<u>\$ 101,531</u>	<u>\$ 101,475</u>	<u>\$ 101,531</u>	<u>\$ 101,901</u>

**NOTE 3 CONCENTRATION OF CREDIT RISK**

The American Legion, Department of Minnesota allocates as a subscription a portion of the membership dues collected from its membership and remits such subscriptions to The Minnesota Legionnaire, Inc. The total subscriptions received (earned and unearned) from the American Legion, Department of Minnesota for fiscal 2011 and 2010 were \$281,881 and \$203,224, respectively, which are included in subscription revenue of \$245,936 and \$248,083, respectively.

Personnel costs are recorded net of reimbursements of \$47,765 and \$44,514 for fiscal 2011 and 2010, respectively, from The American Legion, Department of Minnesota for a part-time staff position.

The American Legion, Department of Minnesota is a related party through common board members.

**NOTE 4 PENSION PLAN**

The Organization participates with other affiliated American Legion organizations in a defined contribution profit sharing plan. The plan covers all classes of employees who have completed six months of service. Retirement expense was \$4,373 and \$4,018 for the years ended August 31, 2011 and 2010.