

THE MINNESOTA LEGIONNAIRE, INC.
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2010 AND 2009

**THE MINNESOTA LEGIONNAIRE, INC.
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YEARS ENDED AUGUST 31, 2010 AND 2009**

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LarsonAllen[®] LLP

CPAs, Consultants & Advisors

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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. (a not-for-profit organization and a wholly-owned subsidiary of the Minnesota American Legion Publications Corporation) as of August 31, 2010 and 2009, and the related statements of activities, functional expense, 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 compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
November 19, 2010

THE MINNESOTA LEGIONNAIRE, INC.
BALANCE SHEETS
AUGUST 31, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash	\$ 98,863	\$ 138,905
Interest Receivable	292	364
Total Current Assets	99,200	139,269
OTHER ASSETS		
Investments	101,901	102,220
Total Assets	\$ 201,101	\$ 241,489
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 1,472	\$ 1,396
Unearned Subscription Revenue	126,756	165,639
Total Current Liabilities	128,228	167,035
NET ASSETS		
Net Assets - Unrestricted	72,873	74,454
Total Liabilities and Net Assets	\$ 201,101	\$ 241,489

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

	(Unrestricted)	
	2010	2009
REVENUE		
Subscriptions	\$ 248,083	\$ 252,045
Advertising	57,532	48,211
Interest Income	1,709	3,207
Unrealized Gain (Loss) on Investments	(319)	673
Other	26,001	26,001
Total Revenue	333,006	330,137
EXPENSES		
Program Expenses	310,598	316,239
General and Administrative	23,990	24,961
Total Expenses	334,587	341,200
CHANGES IN UNRESTRICTED NET ASSETS	(1,581)	(11,063)
Unrestricted Net Assets - Beginning	74,454	85,517
UNRESTRICTED NET ASSETS - ENDING	\$ 72,873	\$ 74,454

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
YEARS ENDED AUGUST 31, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2010			2009		
	Program Expense	General and Administrative	Total	Program Expense	General and Administrative	Total
Postage	\$ 171,600	\$ -	\$ 171,600	\$ 175,920	\$ -	\$ 175,920
Printing	91,266	-	91,266	95,372	-	95,372
Salaries	25,134	8,378	33,512	24,374	8,125	32,498
Commissions	8,672	-	8,672	7,267	-	7,267
Office Supplies	1,736	579	2,314	750	250	1,000
Travel and Meetings	-	7,637	7,637	-	9,236	9,236
Employee Benefits	8,554	2,851	11,405	8,551	2,850	11,401
Professional Fees	-	3,491	3,491	-	3,479	3,479
Payroll Taxes	2,351	784	3,135	2,253	751	3,004
Insurance	450	150	600	450	150	600
Telephone	360	120	480	360	120	480
Miscellaneous	475	-	475	943	-	943
	<u>475</u>	<u>-</u>	<u>475</u>	<u>943</u>	<u>-</u>	<u>943</u>
Total Expense	<u>\$ 310,598</u>	<u>\$ 23,990</u>	<u>\$ 334,587</u>	<u>\$ 316,239</u>	<u>\$ 24,961</u>	<u>\$ 341,200</u>

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,581)	\$ (11,063)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Unrealized Loss (Gain) on Investments	319	(673)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(45)	-
Interest Receivable	72	751
Increase (Decrease) in Current Liabilities:		
Accounts Payable	76	424
Unearned Subscription Revenue	(38,883)	(1,457)
Net Cash Used by Operating Activities	(40,042)	(12,018)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	70,000	70,000
Purchase of Investments	(70,000)	(70,003)
Net Cash Used by Investing Activities	-	(3)
 NET DECREASE IN CASH	(40,042)	(12,021)
 Cash - Beginning of Year	138,905	150,926
 CASH - END OF YEAR	\$ 98,863	\$ 138,905

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009
(SEE 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.

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, 2010 AND 2009
(SEE 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, 2010 and 2009, the tax benefit of carried-over net operating losses was \$102,000 and \$125,000, 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 2006-2009.

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, 2010 AND 2009
(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 August 31:

	2010			
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 531	\$ -	\$ -	\$ 531
Certificates of Deposit	-	101,370	-	101,370
Total	\$ 531	\$ 101,370	\$ -	\$ 101,901
	2009			
	Level 1	Level 2	Level 3	Total
Money Market Fund	\$ 531	\$ -	\$ -	\$ 531
Certificates of Deposit	-	101,689	-	101,689
Total	\$ 531	\$ 101,689	\$ -	\$ 102,220

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 19, 2010, the date the financial statements were available to be issued.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 2 INVESTMENTS

Investments are comprised of the following at August 31:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Money Market Fund	\$ 531	\$ 531	\$ 531	\$ 531
Certificates of Deposit	101,000	101,370	101,000	101,689
Total	<u>\$ 101,531</u>	<u>\$ 101,901</u>	<u>\$ 101,531</u>	<u>\$ 102,220</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 2010 and 2009 were \$203,224 and \$249,558, respectively, which are included in subscription revenue of \$248,083 and \$252,045, respectively.

Personnel costs are recorded net of reimbursements of \$44,514 and \$46,234 for fiscal 2010 and 2009, 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 \$4,018 and \$4,096 for the years ended August 31, 2010 and 2009.