

**THE MINNESOTA LEGIONNAIRE, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED AUGUST 31, 2009 AND 2008**

**THE MINNESOTA LEGIONNAIRE, INC.  
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YEARS ENDED AUGUST 31, 2009 AND 2008**

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# LarsonAllen<sup>®</sup> 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, 2009 and 2008, 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 13, 2009



**THE MINNESOTA LEGIONNAIRE, INC.**  
**BALANCE SHEETS**  
**AUGUST 31, 2009 AND 2008**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 138,905	\$ 150,926
Interest Receivable	364	1,115
Total Current Assets	139,269	152,041
<b>OTHER ASSETS</b>		
Investments	102,220	101,544
Total Assets	\$ 241,489	\$ 253,585
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,396	\$ 972
Unearned Subscription Revenue	165,639	167,096
Total Current Liabilities	167,035	168,068
<b>NET ASSETS</b>		
Net Assets - Unrestricted	74,454	85,517
Total Liabilities and Net Assets	\$ 241,489	\$ 253,585

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED AUGUST 31, 2009 AND 2008**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	(Unrestricted)	
	2009	2008
<b>REVENUE</b>		
Subscriptions	\$ 252,045	\$ 258,136
Advertising	48,211	52,129
Interest Income	3,207	4,524
Unrealized Gain on Investments	673	16
Other	26,001	26,002
Total Revenue	330,137	340,807
<b>EXPENSES</b>		
Program Expenses	316,239	319,285
General and Administrative	24,961	25,724
Total Expenses	341,200	345,009
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	(11,063)	(4,202)
Unrestricted Net Assets - Beginning	85,517	89,719
<b>UNRESTRICTED NET ASSETS - ENDING</b>	\$ 74,454	\$ 85,517

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSE**  
**YEARS ENDED AUGUST 31, 2009 AND 2008**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2009			2008		
	Program Expense	General and Administrative	Total	Program Expense	General and Administrative	Total
Postage	\$ 175,920	\$ -	\$ 175,920	\$ 179,356	\$ -	\$ 179,356
Printing	95,372	-	95,372	93,585	-	93,585
Salaries	24,374	8,125	32,498	23,773	7,924	31,697
Commissions	7,267	-	7,267	7,858	-	7,858
Office Supplies	750	250	1,000	2,835	945	3,780
Travel and Meetings	-	9,236	9,236	-	8,752	8,752
Employee Benefits	8,551	2,850	11,401	8,294	2,765	11,058
Professional Fees	-	3,479	3,479	-	4,320	4,320
Payroll Taxes	2,253	751	3,004	2,246	749	2,994
Insurance	450	150	600	450	150	600
Telephone	360	120	480	360	120	480
Miscellaneous	943	-	943	529	-	529
	<u>943</u>	<u>-</u>	<u>943</u>	<u>529</u>	<u>-</u>	<u>529</u>
Total Expense	<u>\$ 316,239</u>	<u>\$ 24,961</u>	<u>\$ 341,200</u>	<u>\$ 319,285</u>	<u>\$ 25,724</u>	<u>\$ 345,009</u>

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED AUGUST 31, 2009 AND 2008**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (11,063)	\$ (4,202)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Unrealized Gain on Investments	(673)	(16)
Decrease in Current Assets:		
Accounts Receivable	-	597
Interest Receivable	751	58
Increase (Decrease) in Current Liabilities:		
Accounts Payable	424	(1,268)
Unearned Subscription Revenue	(1,457)	8,532
Net Cash Provided (Used) by Operating Activities	(12,018)	3,701
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Investments	70,000	101,039
Purchase of Investments	(70,003)	(126,025)
Net Cash Used by Investing Activities	(3)	(24,986)
 <b>NET DECREASE IN CASH</b>	(12,021)	(21,285)
Cash - Beginning of Year	150,926	172,211
 <b>CASH - END OF YEAR</b>	\$ 138,905	\$ 150,926

See accompanying Notes to Financial Statements.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008**  
(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**

The Organization follows Statement of Financing Accounting Standards (SFAS) 116, *Accounting for Contributions Received and Contributions Made*, SFAS 117, *Financial Statements for Not-for-Profit Organizations*, and SFAS 124 (Note 2), *Accounting for Certain Investments*. Under the provisions of these standards, 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 and reported as unrestricted resources over which the board of directors has discretionary control.

**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.

**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.

Income taxes on unrelated business income are provided based upon the provisions of SFAS No. 109, *Accounting for Income Taxes*, 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.

**THE MINNESOTA LEGIONNAIRE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2009 AND 2008**  
(SEE ACCOUNTANTS' COMPILATION REPORT)

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

**Tax Exempt Status (Continued)**

As of August 31, 2009 and 2008, the tax benefit of carried-over net operating losses was \$125,000 and \$155,000, 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 elected to defer application of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*. The Organization follows Financial Accounting Standard No. 5, *Accounting for Contingencies*, for evaluating uncertain tax positions.

**Fair Value Measurement**

During 2009, the Organization adopted Statement of Financial Accounting Standard No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement.

SFAS No. 157 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value and requires expanded disclosures about fair value measurements.

The Organization accounts for its investments at fair value. In accordance with SFAS No. 157, the Organization 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, 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 August 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 101,689	\$ -	\$ 689,052

**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 13, 2009, the date the financial statements were available to be issued.

**NOTE 2 INVESTMENTS**

Investments are comprised of the following at August 31:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Money Market Fund	\$ 531	\$ 531	\$ 528	\$ 528
Certificates of Deposit	101,000	101,689	101,000	101,016
Total	<u>\$ 101,531</u>	<u>\$ 102,220</u>	<u>\$ 101,528</u>	<u>\$ 101,544</u>

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**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 2009 and 2008 were \$249,558 and \$265,433, respectively, which are included in subscription revenue of \$252,045 and \$258,136, respectively.

Personnel costs are recorded net of reimbursements of \$46,234 and \$44,454 for fiscal 2009 and 2008, respectively, from The American Legion, Department of Minnesota for a part-time staff position.

**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 \$4,096 and \$3,979 for the years ended August 31, 2009 and 2008.