

THE MINNESOTA LEGIONNAIRE, INC.
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2007 AND 2006

**THE MINNESOTA LEGIONNAIRE, INC.
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YEARS ENDED AUGUST 31, 2007 AND 2006**

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LarsonAllen[®] LLP

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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, 2007 and 2006, 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. All information included in these financial statements is the representation of the management of The Minnesota Legionnaire, Inc.

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.

Larson Allen LLP

LarsonAllen LLP

Minneapolis, Minnesota
December 19, 2007

THE MINNESOTA LEGIONNAIRE, INC.
BALANCE SHEETS
AUGUST 31, 2007 AND 2006
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 172,211	\$ 190,968
Accounts Receivable	597	606
Interest Receivable	1,173	348
Total Current Assets	173,981	191,922
OTHER ASSETS		
Investments	76,542	75,399
Total Assets	\$ 250,523	\$ 267,321
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,240	\$ 3,293
Unearned Subscription Revenue	158,564	163,164
Total Current Liabilities	160,804	166,457
NET ASSETS		
Net Assets - Unrestricted	89,719	100,864
Total Liabilities and Net Assets	\$ 250,523	\$ 267,321

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2007 AND 2006
(SEE ACCOUNTANTS' COMPILATION REPORT)

	(Unrestricted)	
	2007	2006
REVENUE		
Subscriptions	\$ 241,473	\$ 242,831
Advertising	48,291	39,701
Interest Income	3,322	3,070
Unrealized Gain on Investments	1,120	742
Other	26,000	26,004
Total Revenue	320,206	312,348
EXPENSES		
Program Expenses	306,968	282,530
General and Administrative	24,383	22,074
Total Expenses	331,351	304,603
CHANGES IN UNRESTRICTED NET ASSETS	(11,145)	7,745
Unrestricted Net Assets - Beginning	100,864	93,119
UNRESTRICTED NET ASSETS - ENDING	\$ 89,719	\$ 100,864

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
YEARS ENDED AUGUST 31, 2007 AND 2006
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2007			2006		
	Program Expense	General and Administrative	Total	Program Expense	General and Administrative	Total
Postage	\$ 173,810	\$ -	\$ 173,810	\$ 157,340	\$ -	\$ 157,340
Printing	90,177	-	90,177	84,770	-	84,770
Salaries	21,989	7,330	29,319	22,282	7,427	29,709
Commissions	8,046	-	8,046	5,488	-	5,488
Office Supplies	1,754	585	2,338	1,933	644	2,577
Travel and Meetings	-	7,952	7,952	-	7,312	7,312
Employee Benefits	7,688	2,563	10,251	7,303	2,434	9,737
Professional Fees	-	4,976	4,976	-	3,319	3,319
Payroll Taxes	2,123	708	2,831	2,003	668	2,671
Insurance	450	150	600	450	150	600
Telephone	360	120	480	357	119	476
Miscellaneous	571	-	571	604	-	604
Total Expense	\$ 306,968	\$ 24,383	\$ 331,351	\$ 282,530	\$ 22,074	\$ 304,603

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2007 AND 2006
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (11,145)	\$ 7,745
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Unrealized Gain on Investments	(1,120)	(742)
(Increase) Decrease in Current Assets:		
Accounts Receivable	9	889
Interest Receivable	(825)	(6)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(1,053)	(601)
Unearned Subscription Revenue	(4,600)	18,904
Net Cash Provided (Used) by Operating Activities	(18,734)	26,189
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(23)	(276)
 NET INCREASE (DECREASE) IN CASH		
	(18,757)	25,913
Cash - Beginning of Year	190,968	165,055
CASH - END OF YEAR	\$ 172,211	\$ 190,968

See accompanying Notes to Financial Statements.

THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2007 AND 2006
(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.

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.

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.

**THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2007 AND 2006
(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 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.

As of August 31, 2007 and 2006, the tax benefit of carried-over net operating losses was \$153,000 and \$152,000, 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.

NOTE 2 INVESTMENTS

Investments are comprised of the following at August 31:

	2007		2006	
	Cost	Market	Cost	Market
Money Market Fund	\$ 542	\$ 542	\$ 519	\$ 519
Fixed Income	76,000	76,000	76,000	74,880
Total	<u>\$ 76,542</u>	<u>\$ 76,542</u>	<u>\$ 76,519</u>	<u>\$ 75,399</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 2007 and 2006 were \$235,743 and \$261,735, respectively, which are included in subscription revenue of \$241,473 and \$242,831, respectively.

Personnel costs are recorded net of reimbursements of \$41,061 and \$39,525 for fiscal 2007 and 2006, respectively, from The American Legion, Department of Minnesota for a part-time staff position.

**THE MINNESOTA LEGIONNAIRE, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2007 AND 2006
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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 \$2,931 and \$2,833 for the years ended August 31, 2007 and 2006.