

**MINNESOTA AMERICAN LEGION FOUNDATION
AND SUBSIDIARY**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2010 AND 2009

**MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
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LarsonAllen[®] LLP

CPAs, Consultants & Advisors

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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, 2010 and 2009, 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
December 2, 2010

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash in Bank - Checking	\$ 96,671	\$ 68,002
Interest Receivable	7,259	8,473
Total Current Assets	103,930	76,475
INVESTMENTS		
	890,525	860,033
Total Assets	\$ 994,455	\$ 936,508
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 2,753	\$ 357
NET ASSETS		
Unrestricted	506,005	467,251
Temporarily Restricted	485,697	468,900
Total Net Assets	991,702	936,151
Total Liabilities and Net Assets	\$ 994,455	\$ 936,508

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted Total	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Donor Contributions	\$ 290	\$ -	\$ 290	\$ 1,890	\$ -	\$ 1,890
Program Contributions	-	268,840	268,840	-	348,892	348,892
Interest Earned	23,169	-	23,169	34,372	-	34,372
Unrealized Gain on Investments	31,150	-	31,150	51,241	-	51,241
Temporarily Restricted Net Assets Released	252,043	(252,043)	-	252,163	(252,163)	-
Total Support and Revenue	306,652	16,797	323,449	339,666	96,729	436,395
EXPENSE						
Program:						
Contributions	9,565	-	9,565	8,138	-	8,138
Direct Program Expenses	252,043	-	252,043	252,163	-	252,163
Total Program Expenses	261,608	-	261,608	260,301	-	260,301
Management and General:						
Mileage and Per Diem Expenses	1,198	-	1,198	1,980	-	1,980
Legal and Accounting	2,307	-	2,307	2,217	-	2,217
Administrative Expenses	2,000	-	2,000	2,000	-	2,000
Other	785	-	785	534	-	534
Total Management and General Expense	6,290	-	6,290	6,731	-	6,731
Total Expense	267,898	-	267,898	267,032	-	267,032
CHANGE IN NET ASSETS	38,754	16,797	55,551	72,634	96,729	169,363
Net Assets - Beginning of Year	467,251	468,900	936,151	394,617	372,171	766,788
NET ASSETS - END OF YEAR	\$ 506,005	\$ 485,697	\$ 991,702	\$ 467,251	\$ 468,900	\$ 936,151

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 55,551	\$ 169,363
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Unrealized Gain on Investments	(31,150)	(51,241)
Decrease (Increase) in Current Assets:		
Interest Receivable	1,214	(3,861)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	2,396	(4,996)
Net Cash Provided by Operating Activities	28,011	109,265
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	247,396	110,000
Purchase of Investments	(246,738)	(310,027)
Net Cash Provided (Used) by Investing Activities	658	(200,027)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	28,669	(90,762)
Cash and Cash Equivalents - Beginning of Year	68,002	158,764
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 96,671	\$ 68,002

See accompanying Notes to Consolidated Financial Statements.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009
(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, 2010 AND 2009
(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.

Functional Expense

The Organization's costs of providing its services have been classified on a functional basis in the statements of activities. Expenses are not allocated since they have direct relationships to a particular functional expense.

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 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 through 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.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (Continued)

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.

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:

	2010			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
Money Market	\$ -	\$ 25,961	\$ -	\$ 25,961
Certificates of Deposit	-	751,057	-	751,057
Bonds	-	113,507	-	113,507
Total	<u>\$ -</u>	<u>\$ 890,525</u>	<u>\$ -</u>	<u>\$ 890,525</u>
	2009			
	Level 1	Level 2	Level 3	Total
INVESTMENTS				
Money Market	\$ -	\$ 15,957	\$ -	\$ 15,957
Certificates of Deposit	-	689,052	-	689,052
Bonds	-	155,024	-	155,024
Total	<u>\$ -</u>	<u>\$ 860,033</u>	<u>\$ -</u>	<u>\$ 860,033</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.

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 2, 2010, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS

Investments are comprised of the following at September 30:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 25,961	\$ 25,961	\$ 15,957	\$ 15,957
Certificates of Deposit	710,000	751,057	670,000	689,052
Bonds	149,611	113,507	200,273	155,024
Total	<u>\$ 885,572</u>	<u>\$ 890,525</u>	<u>\$ 886,230</u>	<u>\$ 860,033</u>

NOTE 3 RELATED PARTY TRANSACTIONS

Funds of \$94,383 were contributed for program activities to the Foundation from the American Legion Department of Minnesota for charitable purposes during the year ended September 30, 2009. During both years ended September 30, 2010 and 2009, \$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:

	2010	2009
American Legion Baseball Fund	\$ 29,568	\$ 31,398
Fund for Hospitalized Vets	48,968	50,889
Boy Scout Scholarship	29,044	28,044
ROTC Scholarship	24,141	25,591
Special Veterans Hospital Fund	26,977	32,255
Nurses Scholarship Fund	92,604	92,604
Oratorical Fund	11,266	9,316
American Legion Memorial Fund	63,709	66,659
Boys State Program	111,339	85,142
Minnesota Disaster Relief Fund	28,146	28,146
Boys Scout Council Assist Fund	19,098	17,648
Commanders Project Income	28	
Auxil Gambling Fund	660	1,059
Legacy Scholarship Fund	149	149
Total Temporarily Restricted	<u>\$ 485,697</u>	<u>\$ 468,900</u>

MINNESOTA AMERICAN LEGION FOUNDATION AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009
(SEE ACCOUNTANTS' COMPILATION REPORT)

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net assets were released during the years ended September 30, 2010 and 2009 as a result of meeting the following purposes:

	2010	2009
American Legion Baseball Fund	\$ 33,575	\$ 32,700
Fund for Hospitalized Vets	15,050	14,418
ROTC Scholarship	3,750	4,500
Special Veterans Hospital Fund	53,891	57,632
Nurses Scholarships	3,500	3,000
Oratorical Fund	1,400	2,400
American Legion Memorial Fund	3,000	3,000
Boys State Program	76,207	97,433
Boys Scout Council Assist Fund	950	-
Dept CDR's Project	14,300	4,197
Auxil Gambling Fund	27,220	24,583
Legacy Scholarship Fund	19,200	8,300
Total Releases	<u>\$ 252,043</u>	<u>\$ 252,163</u>