



**AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY
FOUNDATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2019 AND 2018



**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

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4181 E. 96th Street, Suite 180
Indianapolis, IN 46240
Phone: 317.569.4181
Toll Free: 888.922.4941
www.alerdingcpagroup.com

INDEPENDENT AUDITOR'S REPORT

National Executive Committee
American Legion Auxiliary National Headquarters and
American Legion Auxiliary Foundation, Inc.
Indianapolis, Indiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the American Legion Auxiliary National Headquarters and the American Legion Auxiliary Foundation, Inc. (collectively referred to as the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Legion Auxiliary National Headquarters and the American Legion Auxiliary Foundation, Inc. as of September 30, 2019 and 2018, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 30 to 33 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of Management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Alerding CPA Group

February 1, 2020

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 1,246,149	\$ 1,232,750
Investments	34,441,518	34,249,653
Investments - PUFL	4,051,055	4,138,316
Prepaid expenses	162,664	199,695
Property and equipment, net	2,734,781	2,229,897
Other assets	<u>121,215</u>	<u>140,048</u>
Total assets	<u>\$ 42,757,382</u>	<u>\$ 42,190,359</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 606,810	\$ 1,367,558
Accrued expenses	189,318	221,951
Accrued scholarships	87,000	79,000
Deferred revenue - dues	3,026,187	2,547,105
Deferred revenue - PUFL	3,923,051	4,051,453
Deferred revenue - other	34,285	45,875
Liability for pension benefits (Note 10)	<u>1,480,167</u>	<u>976,709</u>
Total liabilities	<u>9,346,818</u>	<u>9,289,651</u>
Net Assets:		
Without donor restriction	31,957,032	31,266,581
With donor restriction	<u>3,115,033</u>	<u>2,771,235</u>
Total net assets before accumulated other comprehensive loss	35,072,065	34,037,816
Accumulated other comprehensive loss (Note 10)	<u>(1,661,501)</u>	<u>(1,137,108)</u>
Total net assets	<u>33,410,564</u>	<u>32,900,708</u>
Total liabilities and net assets	<u>\$ 42,757,382</u>	<u>\$ 42,190,359</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
Revenue and Support:				
Contributions	\$ 814,358	\$ 830,286	\$ 1,644,644	\$ 1,397,725
Membership dues	6,368,414	-0-	6,368,414	5,295,590
Advertising	283,426	-0-	283,426	383,780
Other	664,816	-0-	664,816	637,571
	8,131,014	830,286	8,961,300	7,714,666
Net Assets Released From Donor Restrictions	550,514	(550,514)	-0-	-0-
Total revenue and support	8,681,528	279,772	8,961,300	7,714,666
Expenses:				
Member and department support services	4,783,752	-0-	4,783,752	4,810,122
Youth and education services	892,838	-0-	892,838	960,873
Veterans and military families programs	669,860	-0-	669,860	983,697
Total program services	6,346,450	-0-	6,346,450	6,754,692
Management and general	1,616,428	-0-	1,616,428	1,199,848
Fundraising	763,420	-0-	763,420	783,469
Total expenses	8,726,298	-0-	8,726,298	8,738,009
Change in net assets from operations	(44,770)	279,772	235,002	(1,023,343)
Investment Income, Net of Expenses	735,221	64,026	799,247	2,367,101
Change in net assets	690,451	343,798	1,034,249	1,343,758
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	31,266,581	2,771,235	34,037,816	32,694,058
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	\$ 31,957,032	\$ 3,115,033	\$ 35,072,065	\$ 34,037,816

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support:			
Contributions	\$ 610,986	\$ 786,739	\$ 1,397,725
Membership dues	5,295,590	-0-	5,295,590
Advertising	383,780	-0-	383,780
Other	<u>637,571</u>	<u>-0-</u>	<u>637,571</u>
	6,927,927	786,739	7,714,666
Net Assets Released From Donor Restrictions	<u>733,893</u>	<u>(733,893)</u>	<u>-0-</u>
Total revenue and support	<u>7,661,820</u>	<u>52,846</u>	<u>7,714,666</u>
Expenses:			
Member and department support services	4,810,122	-0-	4,810,122
Youth and education services	960,873	-0-	960,873
Veterans and military families programs	<u>983,697</u>	<u>-0-</u>	<u>983,697</u>
Total program services	6,754,692	-0-	6,754,692
Management and general	1,199,848	-0-	1,199,848
Fundraising	<u>783,469</u>	<u>-0-</u>	<u>783,469</u>
Total expenses	<u>8,738,009</u>	<u>-0-</u>	<u>8,738,009</u>
Change in net assets from operations	(1,076,189)	52,846	(1,023,343)
Investment Income, Net of Expenses	<u>2,225,194</u>	<u>141,907</u>	<u>2,367,101</u>
Change in net assets	1,149,005	194,753	1,343,758
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	<u>30,117,576</u>	<u>2,576,482</u>	<u>32,694,058</u>
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	<u>\$ 31,266,581</u>	<u>\$ 2,771,235</u>	<u>\$ 34,037,816</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	Program Services	Management and General	Fundraising	2019 Totals	2018 Totals
Personnel and related benefits	\$ 1,699,050	\$ 839,583	\$ 129,111	\$ 2,667,744	\$ 2,885,993
General operating expenses	521,582	308,009	44,166	873,757	588,893
Conventions and meetings	1,470,563	188,464	17,982	1,677,009	1,618,795
Occupancy	88,112	46,369	6,819	141,300	300,602
Professional services and fees	560,784	200,857	112,826	874,467	774,094
Printing and publications	805,739	6,972	320,549	1,133,260	1,170,341
Postage and freight	710,609	7,641	131,967	850,217	832,075
Grants and scholarships	448,191	-0-	-0-	448,191	515,018
Other	<u>41,820</u>	<u>18,533</u>	<u>-0-</u>	<u>60,353</u>	<u>52,198</u>
Total expenses	<u>\$ 6,346,450</u>	<u>\$ 1,616,428</u>	<u>\$ 763,420</u>	<u>\$ 8,726,298</u>	<u>\$ 8,738,009</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Management and General	Fundraising	Totals
Personnel and related benefits	\$ 2,045,170	\$ 706,867	\$ 133,956	\$ 2,885,993
General operating expenses	424,051	135,829	29,013	588,893
Conventions and meetings	1,476,740	124,724	17,331	1,618,795
Occupancy	214,855	70,963	14,784	300,602
Professional services and fees	520,993	142,571	110,530	774,094
Printing and publications	819,227	2,289	348,825	1,170,341
Postage and freight	696,795	6,250	129,030	832,075
Grants and scholarships	515,018	-0-	-0-	515,018
Other	<u>41,843</u>	<u>10,355</u>	<u>-0-</u>	<u>52,198</u>
Total expenses	<u>\$ 6,754,692</u>	<u>\$ 1,199,848</u>	<u>\$ 783,469</u>	<u>\$ 8,738,009</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 1,034,249	\$ 1,343,758
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	142,290	47,054
Loss on disposal of assets	16,998	-0-
Net realized (gains) losses on investments	183,178	(1,210,422)
Net realized losses on investments - PUFL	20,938	4,899
Net unrealized gains on investments	(36,934)	(381,050)
Net unrealized (gains) losses on investments - PUFL	2,246	(184,960)
Net periodic pension expense	9,065	810
Changes in operating assets and liabilities:		
Prepaid expenses	37,031	(11,202)
Other assets	18,833	106,142
Accounts payable	(760,748)	585,091
Accrued expenses and scholarships	(24,633)	(105,965)
Deferred revenue - dues	479,082	208,365
Deferred revenue - PUFL	(128,402)	167,980
Deferred revenue - other	(11,590)	15,059
Liability for pension benefits	(30,000)	(25,000)
Net cash provided by operating activities	<u>951,603</u>	<u>560,559</u>
Cash Flows From Investing Activities:		
Capital expenditures	(664,172)	(2,171,188)
Purchase of investments	(2,746,164)	(1,050,030)
Proceeds from sale of investments	2,408,055	3,133,388
Purchase of investments - PUFL	(111,104)	(101,200)
Proceeds from sale of investments - PUFL	175,181	182,704
Net cash used in investing activities	<u>(938,204)</u>	<u>(6,326)</u>
Net Change in Cash and Cash Equivalents	13,399	554,233
Cash and Cash Equivalents, Beginning of Year	<u>1,232,750</u>	<u>678,517</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,246,149</u>	<u>\$ 1,232,750</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Description of Entities

The accompanying consolidated financial statements include the accounts of the American Legion Auxiliary National Headquarters (the “Auxiliary”) and the American Legion Auxiliary Foundation, Inc. (the “Foundation”), collectively referred to as the “Organization”. All significant intercompany transactions and balances have been eliminated in consolidation.

The Auxiliary is a national membership veterans’ service organization headquartered in Indianapolis, Indiana. The Auxiliary was founded in 1919 in conjunction with the establishment of The American Legion by the United States Congress and was incorporated as a not-for-profit organization on November 11, 1932 under the laws of the State of Indiana. Members of the Auxiliary are women who served, or whose relatives served, in the United States Armed Forces during times of declared war and conflict. The mission of the Auxiliary is to honor, advocate for, and enhance the lives of U.S. veterans, military, and their families, and to promote patriotism, national security, and good citizenship. The Auxiliary enacts its mission through scholarship, educational, mentoring, and outreach programs, and by administering and supporting various projects that benefit veterans and military families at home and abroad.

The Foundation was incorporated on September 27, 2007 as a not-for-profit entity under the State of Indiana Not-For-Profit Incorporation Act. The Foundation was organized by the Auxiliary exclusively for the benefit of the Auxiliary and assists in fundraising and offers support in carrying out educational, charitable, and other programs sponsored by the Auxiliary. Accordingly, as required by accounting principles generally accepted in the United States of America (“U.S. GAAP”), the Foundation’s accounts and related disclosures are consolidated herein with those of the Auxiliary.

The accompanying consolidated financial statements only include the accounts of the Auxiliary Headquarters and the Foundation and do not include the accounts of other independent affiliated Auxiliary locations including departments (state-level organizations) and units (community-level organizations).

The significant accounting policies followed by the Organization in the preparation of its consolidated financial statements are summarized below:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Change in Accounting Principle

During 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, Not-For-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities. The update addresses the financial reporting complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns for not-for-profit organizations. As required by the update, the Organization retrospectively adopted the standard during 2019 and has conformed to the new presentation in the financial statements for all periods presented herein.

Basis of Presentation

The Organization utilizes the principles of fund accounting in the preparation of its consolidated financial statements. Therefore, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization uses the following accounts to distinguish among restrictions:

Net Assets Without Donor Restrictions

Net assets without donor restrictions include all contributions received, without donor restrictions, and revenues and expenses for the general operation of the Organization.

Net Assets With Donor Restrictions

Net assets with donor restrictions include contributions that have donor-imposed restrictions that limit the use of the donated assets. When a donor's restriction is met, restricted net assets are reclassified to net assets without donor restrictions through the release of restrictions in the Statement of Activities and Changes in Net Assets. Assets held inviolate and in perpetuity are held for the donor-designated purposes of the endowment. The net income from these investments and all non-restricted contributions are available for release to the without donor restricted fund.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and notes to the consolidated financial statements. Actual results could differ from those estimates. Principal estimates made in the preparation of the consolidated financial statements include the allocation of functional expenses and assumptions employed in the determination of pension expense.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

Cash and Cash Equivalents

Cash and cash equivalents represent cash invested in checking and money market accounts. All liquid investments with original maturity dates of three months or less are classified as cash equivalents.

Investments and Investment Return

The Organization's investments are valued at fair value and have a readily determinable fair value. Investment return includes dividends, interest, fees, and realized and unrealized gains and losses on investments carried at fair value.

Property and Equipment and Depreciation

Purchased property and equipment and expenditures which substantially increase the useful lives of existing assets are recorded at cost. Cost of repairs and maintenance are expensed as incurred. Property and equipment are depreciated over the estimated useful lives, which ranged from 5 to 40 years, using the straight-line method of depreciation.

Support and Revenue Recognition

The Organization records unconditional promises to give at the earlier of the date the promise is given or payment is received. The gifts are reported as support with or without donor restrictions depending upon the presence of donor stipulations that limit the use of the donated assets.

Prior to March 2018, contributions raised through direct mail campaigns by third-party vendors were reported net of the associated cost in the consolidated statements of activities and changes in net assets based on the contract with the direct mail vendor. Beginning in March 2018, the Organization began using a new direct mail vendor, and, based on the contract, contributions raised through direct mail campaigns are subsequently reported at the gross amount received.

Dues Income

Dues are recognized as income in the applicable membership period. Membership dues are paid annually based on a calendar year-end.

Functional Expenses

The costs of providing programs and other activities are summarized in the Statements of Functional Expenses. Costs are allocated among Program, Management and General, and Fundraising based on Management's estimates of time spent by employees, space utilization, or other rational bases.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Income Taxes

The Auxiliary and the Foundation are organized as not-for-profit corporations and, accordingly, are exempt from Federal and state income taxes under sections 501(c)(19) and 501(c)(3) of the Internal Revenue Code, respectively.

Management of the Organization evaluates all significant tax positions to ensure compliance with the exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of September 30, 2019, Management does not believe the Organization has taken any tax positions that are not in compliance with its exempt purpose. The Organization's Federal and state tax returns remain open and subject to examination beginning with the tax year ended September 30, 2016.

Subsequent Events

Subsequent events have been evaluated through February 1, 2020, which is the date the consolidated financial statements were available for issuance.

2. LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of September 30, 2019 and 2018, reduced by amounts not available for general use within one year from the date of the Statement of Financial Position:

	<u>2019</u>	<u>2018</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,246,149	\$ 1,232,750
Investments	34,441,518	34,249,653
Investments (PUFL)	<u>4,051,055</u>	<u>4,138,316</u>
	<u>39,738,722</u>	<u>39,620,719</u>
Less amounts not available to be used for general expenditure within one year:		
PUFL trust liability	(3,923,051)	(4,051,453)
Board designated funds	(5,218,052)	(5,061,178)
Donor restricted funds	(779,169)	(645,231)
Donor restricted endowment	<u>(2,335,864)</u>	<u>(2,126,004)</u>
	<u>(12,256,136)</u>	<u>(11,883,866)</u>
Financial assets available to meeting cash needs for general expenditures within one year	<u>\$ 27,482,586</u>	<u>\$ 27,736,853</u>

AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS AND AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2019 AND 2018

The Organization maintains adequate liquid assets to fund near-term operating needs and maintains sufficient reserves to provide reasonable assurance that obligations will be discharged as they become due.

The Organization receives annual membership dues which are ongoing, major and central to its annual operations. Membership dues revenue was \$6,368,414 and \$5,295,590 for the years ended September 30, 2019 and 2018, respectively.

Board designated funds represent net assets set aside by the Board of Directors for an endowment and other reserve funds. These funds are expected to be used for the intended purposes; thus, these financial assets may not be available for general expenditure within one year and are included in amounts not available to be used within one year above.

In addition, the Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, these financial assets may not be available for general expenditure within one year and are included in amounts not available to be used within one year above.

Investment income from the donor-restricted endowments is classified within donor restricted net assets until those amounts are appropriate for expenditure in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

3. FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a fair value hierarchy, which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels are defined by U.S. GAAP as a means of measuring fair value:

Level 1

Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Organization has no Level 2 investments at September 30, 2019 and 2018.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Level 3

Unobservable inputs reflecting the entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset's and liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for the Organization's investments measure at fair value as of September 30, 2019 and 2018. There have been no changes in the methodologies used as of September 30, 2019.

Exchange Traded Funds: Valued at the daily closing prices as reported by the fund. Exchange traded funds are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV"); however, the funds trade on stock exchanges throughout the day, thus the transaction price could differ from the NAV.

Mutual Funds: Valued at the daily closing prices as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds and are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asst value ("NAV") and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded. A money market fund is an open-ended fund that invests in short-term debt securities and commercial paper.

Partnerships: Valued based on an annual independent valuation of the related private company. The partnerships are not registered with the Securities and Exchange Commission.

Assets measured at fair value at September 30, 2019 include the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 33,446,294	\$ 995,224	\$ 34,441,518
Investments - PUFL (Note 9)	<u>4,051,055</u>	<u>-0-</u>	<u>4,051,055</u>
	<u>\$ 37,497,349</u>	<u>\$ 995,224</u>	<u>\$ 38,492,573</u>

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Assets measured at fair value at September 30, 2018 include the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 33,941,905	\$ 307,748	\$ 34,249,653
Investments - PUFL (Note 9)	<u>4,138,316</u>	<u>-0-</u>	<u>4,138,316</u>
	<u>\$ 38,080,221</u>	<u>\$ 307,748</u>	<u>\$ 38,387,969</u>

The following schedule summarizes the changes in assets measured using Level 3 inputs during the year ending September 30, 2019:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	<u>Hedge Fund</u>	<u>Partnerships</u>	<u>Total</u>
Beginning Balance, 9/30/18	\$ 5,808	\$ 301,940	\$ 307,748
Deposits	-0-	820,000	820,000
Withdrawals	(4,213)	(99,548)	(103,761)
Realized losses	(648)	(7,771)	(8,419)
Unrealized losses	<u>(947)</u>	<u>(19,397)</u>	<u>(20,344)</u>
Ending Balance, 9/30/19	<u>\$ -0-</u>	<u>\$ 995,224</u>	<u>\$ 995,224</u>

The following schedule summarizes the changes in assets measured using Level 3 inputs during the year ending September 30, 2018:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	<u>Hedge Fund</u>	<u>Partnerships</u>	<u>Total</u>
Beginning Balance, 9/30/17	\$ 8,807	\$ 423,967	\$ 432,774
Deposits	-0-	130,000	130,000
Withdrawals	(2,569)	(264,070)	(266,639)
Realized gains (losses)	(483)	17,502	17,019
Unrealized gains (losses)	<u>53</u>	<u>(5,459)</u>	<u>(5,406)</u>
Ending Balance, 9/30/18	<u>\$ 5,808</u>	<u>\$ 301,940</u>	<u>\$ 307,748</u>

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4. INVESTMENTS AND INVESTMENT RETURN

A summary of the Organization's investments and investment returns as of September 30, 2019 and 2018 and for the years then ended is as follows:

	2019		2018	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments:				
Money market funds	\$ 269,182	\$ 269,182	\$ 232,064	\$ 232,064
Exchange traded funds	6,567,714	11,729,222	6,831,297	11,774,948
Mutual funds	18,653,640	21,447,890	18,980,064	21,934,893
Partnerships and other	<u>1,056,631</u>	<u>995,224</u>	<u>348,811</u>	<u>307,748</u>
Total investments	<u>\$ 26,547,167</u>	<u>\$ 34,441,518</u>	<u>\$ 26,392,236</u>	<u>\$ 34,249,653</u>

The following schedule summarizes the investment income (loss) and its classification in the statements of activities and changes in net assets for the years ended September 30, 2019 and 2018:

	2019						
	<u>General Fund</u>	<u>Board Designated Funds</u>	<u>Without Donor Restrictions Total</u>	<u>With Donor Restrictions</u>	<u>Auxiliary Total</u>	<u>Foundation Total</u>	<u>Total</u>
Dividends and interest (net of expenses of \$40,458)	\$ 805,794	\$ 80,958	\$ 886,752	\$ 25,108	\$ 911,860	\$ 33,631	\$ 945,491
Net realized gains (losses) on investments	(172,612)	(6,542)	(179,154)	(2,726)	(181,880)	(1,298)	(183,178)
Net unrealized gains (losses) on investments	<u>16,707</u>	<u>10,916</u>	<u>27,623</u>	<u>901</u>	<u>28,524</u>	<u>8,410</u>	<u>36,934</u>
Total investment income	<u>\$ 649,889</u>	<u>\$ 85,332</u>	<u>\$ 735,221</u>	<u>\$ 23,283</u>	<u>\$ 758,504</u>	<u>\$ 40,743</u>	<u>\$ 799,247</u>

	2018						
	<u>General Fund</u>	<u>Board Designated Funds</u>	<u>Total Funds Without Restriction</u>	<u>Donor Restricted Funds</u>	<u>Auxiliary Total</u>	<u>Foundation Total</u>	<u>Total</u>
Dividends and interest (net of expenses of \$36,755)	\$ 659,537	\$ 68,794	\$ 728,331	\$ 21,399	\$ 749,730	\$ 25,899	\$ 775,629
Net realized gains on investments	1,187,994	122,869	1,310,863	7,327	1,318,190	20,347	1,338,537
Net unrealized gains on investments	<u>181,447</u>	<u>4,553</u>	<u>186,000</u>	<u>38,668</u>	<u>224,668</u>	<u>28,267</u>	<u>252,935</u>
Total investment income	<u>\$ 2,028,978</u>	<u>\$ 196,216</u>	<u>\$ 2,225,194</u>	<u>\$ 67,394</u>	<u>\$ 2,292,588</u>	<u>\$ 74,513</u>	<u>\$ 2,367,101</u>

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5. PROPERTY AND EQUIPMENT

The Organization's property and equipment for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 270,400	\$ 270,400
Building and improvements	2,154,642	1,764,686
Furniture, office equipment and information technology	1,696,049	1,557,030
Leasehold improvements	-0-	38,039
Construction in progress	-0-	105,632
	<u>4,121,091</u>	<u>3,735,787</u>
Accumulated depreciation and amortization	<u>(1,386,310)</u>	<u>(1,505,890)</u>
	<u>\$ 2,734,781</u>	<u>\$ 2,229,897</u>

6. NET ASSETS WITHOUT DONOR RESTRICTIONS (FORMERLY UNRESTRICTED NET ASSETS)

Net assets without donor restrictions include board designated net asset which are internally designated for the following purposes at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Auxiliary Net Assets Withor Donor Restrictions:		
General operations	\$ 26,727,039	\$ 26,193,462
Auxiliary Board Designated Net Assets:		
National President's Scholarship Fund Endowment (NEC designated)	2,080,635	2,022,830
NEC designated reserves	2,039,353	1,999,500
Auxiliary Emergency Fund	626,536	605,551
Spirit of Youth Fund	364,641	326,410
Other	106,887	106,887
	<u>31,945,091</u>	<u>31,254,640</u>
Foundation Net Assets Without Donor Restrictions:		
General operations	<u>11,941</u>	<u>11,941</u>
Total consolidated net assets without donor restrictions	<u>\$ 31,957,032</u>	<u>\$ 31,266,581</u>

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7. NET ASSETS WITH DONOR RESTRICTIONS (FORMERLY TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS)

Net assets with donor restrictions are available for the following purposes at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Auxiliary Net Assets with Donor Restrictions:		
Subject to expenditure for specific purposes:		
Spirit of Youth Fund	\$ 264,668	\$ 286,719
Emergency Fund grants	117,882	60,347
Other	80,810	58,095
	463,360	405,161
Endowment:		
Held in perpetuity	740,810	721,599
Undistributed endowment earnings	106,117	175,834
	846,927	897,433
Total Auxiliary net assets with donor restrictions	1,310,287	1,302,594
Foundation Net Assets with Donor Restrictions:		
Subject to expenditure for specific purposes:		
Veteran Projects Fund	185,758	172,466
National and Local Veteran Creative Arts Festival(s) Mission	126,336	67,604
	3,715	-0-
	315,809	240,070
Endowment:		
Held in perpetuity	1,316,550	1,063,255
Undistributed endowment earnings	172,387	165,316
	1,488,937	1,228,571
Total Foundation net assets with donor restrictions	1,804,746	1,468,641
Total consolidated net assets with donor restrictions	\$ 3,115,033	\$ 2,771,235

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8. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions, due to the satisfaction of donor-imposed restrictions or by occurrence of others events specified by the donors during September 30, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Auxiliary:		
Emergency Fund grants and related expenses	\$ 189,160	\$ 306,278
National President's Scholarship Fund Endowment scholarships and related expenses, net of forfeitures	93,000	75,000
Spirit of Youth Fund scholarships and related expenses, net of forfeitures	46,744	54,773
Other	-0-	30,211
Foundation:		
Endowment distributions in support of Auxiliary operations	30,606	23,868
Veteran Projects Fund Grants	86,204	28,494
National and Local Veteran Creative Arts Festival(s)	7,350	53,399
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	-0-	33,275
Costs of direct mail campaigns	7,400	33,275
	<u>90,050</u>	<u>128,595</u>
	<u>\$ 550,514</u>	<u>\$ 733,893</u>

9. PAID-UP-FOR-LIFE (PUFL) TRUST

In February 1981, the National Executive Committee approved the establishment of a life membership plan to be available to any member. In November 1981, the assets of the Paid-Up-For-Life ("PUFL") Plan, formerly known as the Very-Important-Member ("VIM") Plan, were segregated into a trust account from which funds equal to the annual dues of life members will be withdrawn each year. The trust agreement provides that the Auxiliary has the right to withdraw part or all of the assets of the trust account and to modify or terminate the trust agreement at its discretion. Investment income from the PUFL Membership trust is recorded as a component of deferred revenue and is not reflected in the consolidated statement of activities and changes in net assets.

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The financial position of the PUFL Membership trust is as follows:

	<u>2019</u>	<u>2018</u>
Assets:		
Cash	\$ 137,461	\$ 140,174
Investments - PUFL	<u>4,051,055</u>	<u>4,138,316</u>
Total assets	<u>\$ 4,188,516</u>	<u>\$ 4,278,490</u>
Liabilities:		
Due to General Operating Fund	\$ 265,465	\$ 227,037
Deferred revenue - PUFL	<u>3,923,051</u>	<u>4,051,453</u>
	<u>\$ 4,188,516</u>	<u>\$ 4,278,490</u>

The cost and market value of investments in the PUFL Membership trust as of September 30, 2019 and 2018 are as follows:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments:				
Money market funds	\$ 86,905	\$ 86,905	\$ 90,983	\$ 90,983
Exchange traded funds	1,625,942	1,962,850	1,113,302	1,991,640
Mutual funds and other	<u>1,425,932</u>	<u>2,001,300</u>	<u>2,019,509</u>	<u>2,055,693</u>
Total investments	<u>\$ 3,138,779</u>	<u>\$ 4,051,055</u>	<u>\$ 3,223,794</u>	<u>\$ 4,138,316</u>

The following schedule summarizes the PUFL Membership trust investment income for the years ended September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Dividends and interest (net of expenses)	\$ 87,502	\$ 78,496
Net realized losses on investments	(20,938)	(4,899)
Net unrealized gains (losses) on investments	<u>(2,246)</u>	<u>184,960</u>
Total investment income	<u>\$ 64,318</u>	<u>\$ 258,557</u>

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10. PENSION PLAN

Prior to 2008, the Auxiliary participated in a defined benefit pension plan covering substantially all of its employees. The plan was frozen on June 30, 2008. Participating employees will continue to vest in the plan; however, benefit payments will be based on the years of service and salary level as of June 30, 2008. The Auxiliary's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Auxiliary may determine to be appropriate from time to time.

Significant balances, costs, and assumptions are as follows:

	<u>2019</u>	<u>2018</u>
Projected benefit obligation	\$ (3,747,855)	\$ (3,373,683)
Fair value of plan assets	2,267,688	2,396,974
Funded status	<u>\$ (1,480,167)</u>	<u>\$ (976,709)</u>
Accumulated benefit obligation	<u>\$ (3,747,855)</u>	<u>\$ (3,373,683)</u>

Based on actuarial calculations, and in accordance with the provisions of the Employee Retirement Income Security Act ("ERISA"), there are no payments currently required to be made to the plan.

Amounts recognized in the consolidated financial statements are as follows:

	<u>2019</u>	<u>2018</u>
Liability for pension benefits	\$ 1,480,167	\$ 976,709
Unrecognized losses (Note 17)	(1,535,771)	(1,001,279)
Unamortized prior service cost (Note 17)	(125,730)	(135,829)
Net periodic pension cost	9,065	810
Employer contributions	30,000	25,000
Benefits paid	187,881	162,299

Weighted-average assumptions used to determine benefit obligations are as follows:

	<u>2019</u>	<u>2018</u>
Weighted-average assumptions:		
Discount rate	2.88%	4.02%
Rate of compensation increase	N/A	N/A

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Weighted-average assumptions used to determine benefit costs are as follows:

	<u>2019</u>	<u>2018</u>
Weighted-average assumptions:		
Discount rate	2.88%	4.02%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

The Auxiliary has estimated the long-term rate on plan assets based primarily on historical returns, adjusted for changes in target portfolio allocations, and recent changes in long-term interest rates based on publicly available information.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the years ended September 30:

2020	\$ 218,117
2021	213,457
2022	226,786
2023	221,359
2024	215,801
2025 - 2029	<u>1,039,537</u>
	<u>\$ 2,135,057</u>

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with provisions of the plan agreement. The plan agreements permit investment in equity and debt securities based on certain target allocation percentages.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. Plan assets are re-balanced quarterly. The most recent target asset allocation percentages and the actual plan assets by category at September 30, 2019 and 2018 were as follows:

	<u>Target</u>	<u>2019</u>	<u>2018</u>
Equity securities	40 - 60%	28%	39%
Debt securities	40 - 60%	70%	59%
Other	0 - 20%	2%	2%

The market values of the investments are measured by a Level 1 input in accordance with U.S. GAAP.

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11. PROFIT SHARING PLAN

The Auxiliary established a 401(k) Profit Sharing Plan subsequent to the freezing of the pension plan in 2008 (Note 10). The plan covers all eligible employees meeting certain age and term-of-employment provisions. Contributions are made by the Auxiliary at the discretion of the National Finance and National Executive Committees. Vesting is on a graduated scale with participants beginning to vest in employer contributions after two (2) years of service and becoming fully vested upon the fifth (5th) year of service. The Auxiliary contributed \$107,910 and \$125,625 in 2019 and 2018, respectively.

12. OPERATING LEASES

The Auxiliary leased its National Headquarters' office under an operating lease agreement that expired in January 2019 subsequent to the purchase of the new headquarters property. Total lease expense for the National Headquarters' Office was \$65,045 and \$252,341 in 2019 and 2018, respectively.

13. RELATED PARTY TRANSACTIONS

The Auxiliary and The American Legion National Headquarters (the "Legion") are related parties that are not financially interrelated organizations. The Legion is a national veterans' organization created by an Act of Congress to provide various programs to support veterans, their families, and children and youth. Many of the Auxiliary's programs mirror and/or supplement the efforts of the Legion in supporting these groups. Accordingly, there are shared resources between the two organizations.

Activities between the Auxiliary and the Legion for the years ended September 30, 2019 and 2018 are summarized below:

	<u>2019</u>	<u>2018</u>
Disbursements to Legion:		
Conferences and convention	\$ 9,699	\$ 53,922
Legal services	7,500	7,500
National emblem sales	27,388	16,422
Contributions to the Legion and its affiliates	32,500	2,500
Other	24,420	10,906
	<u>\$ 101,507</u>	<u>\$ 91,250</u>
Receipts:		
National emblem sales	<u>\$ 65,858</u>	<u>\$ 65,173</u>

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14. NATIONAL PRESIDENT'S SCHOLARSHIP FUND ENDOWMENT

Composition of Endowment Net Assets

The Auxiliary created the National President's Scholarship Fund Endowment (the "Endowment") in 2008 to provide funding for scholarships awarded by the Auxiliary. The endowment consists of quasi endowment funds set aside by the National Executive Committee ("NEC") and donor-designated funds. Contributions to the NEC-designated and donor-designated portions of the endowment are classified as without donor restrictions and with donor restrictions, respectively, in the consolidated statements of financial position, and the components are tracked separately for the purpose of recording investment income.

Endowment net assets at September 30, 2019 include the following:

	NEC <u>Designated</u>	Donor <u>Designated</u>	<u>Total</u>
Historic gift value	\$ 1,593,290	\$ 721,599	\$ 2,314,889
Accumulated earnings	<u>429,540</u>	<u>175,834</u>	<u>605,374</u>
Endowment net assets, beginning of year	<u>2,022,830</u>	<u>897,433</u>	<u>2,920,263</u>
Additions to endowment	-0-	19,211	19,211
Scholarships paid, net of forfeitures	-0-	(93,000)	(93,000)
Interest and dividends, net of fees	54,657	25,108	79,765
Realized losses	(4,327)	(2,726)	(7,053)
Unrealized gains	<u>7,475</u>	<u>901</u>	<u>8,376</u>
Change in endowment net assets	<u>57,805</u>	<u>(50,506)</u>	<u>7,299</u>
Endowment net assets, end of year	<u>\$ 2,080,635</u>	<u>\$ 846,927</u>	<u>\$ 2,927,562</u>
Historic gift value	\$ 1,593,290	\$ 740,810	\$ 2,334,100
Accumulated earnings	<u>487,345</u>	<u>106,117</u>	<u>593,462</u>
Endowment net assets, end of year	<u>\$ 2,080,635</u>	<u>\$ 846,927</u>	<u>\$ 2,927,562</u>

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Endowment net assets at September 30, 2018 include the following:

	NEC <u>Designated</u>	Donor <u>Designated</u>	<u>Total</u>
Historic gift value	\$ 1,593,290	\$ 699,584	\$ 2,292,874
Accumulated earnings	<u>296,418</u>	<u>183,440</u>	<u>479,858</u>
Endowment net assets, beginning of year	<u>1,889,708</u>	<u>883,024</u>	<u>2,772,732</u>
Additions to endowment	-0-	22,015	22,015
Scholarships paid, net of forfeitures	-0-	(75,000)	(75,000)
Interest and dividends, net of fees	47,195	21,399	68,594
Realized gains	14,436	7,327	21,763
Unrealized gains	<u>71,491</u>	<u>38,668</u>	<u>110,159</u>
Change in endowment net assets	<u>133,122</u>	<u>14,409</u>	<u>147,531</u>
Endowment net assets, end of year	<u>\$ 2,022,830</u>	<u>\$ 897,433</u>	<u>\$ 2,920,263</u>
Historic gift value	\$ 1,593,290	\$ 721,599	\$ 2,314,889
Accumulated earnings	<u>429,540</u>	<u>175,834</u>	<u>605,374</u>
Endowment net assets, end of year	<u>\$ 2,022,830</u>	<u>\$ 897,433</u>	<u>\$ 2,920,263</u>

Governing Board's Interpretation of Relevant Law

The Auxiliary, incorporated in and governed by the laws of the State of Indiana, has interpreted the Indiana statute Uniform Prudent Management of Institutional Funds Act, enacted in 2007, to require the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and to not require the maintenance of purchasing power. As a result of this interpretation, the Organization classifies as donor-restricted net assets: a) the original value of gifts donated to the donor-restricted endowment; b) the original value of subsequent gifts to the donor-restricted endowment; and c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is available to be appropriated for expenditure by the Organization.

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Endowment Draws

Endowment draws, net of forfeitures, of \$93,000 and \$75,000 were made during the years ended September 30, 2019 and 2018, respectively, to fund scholarships.

The Auxiliary has adopted a spending policy relating to future endowment draws. The available endowment draw for each fiscal year beginning October 1 shall be limited to an amount determined by applying a 5% rate to the three-year rolling average market value for the period ending the preceding May 31. The actual endowment draw will be recommended by the National Finance Committee to the National Executive Committee for its approval during the annual budgeting process. Should the National Finance Committee deem it advisable to exceed the 5% limit, the change must be approved by the National Executive Committee.

The NEC-designated portion of the endowment may be added to or expended by the National Executive Committee at their discretion. At the recommendation of the National Finance Committee, and by approval of the National Executive Committee, the endowment spending policy may be suspended in any given year. However, it is the intent of the Auxiliary that the endowment fund shall be maintained in perpetuity.

Investment Policy for the Endowment

Purpose

The primary goal of the Endowment's investment policy is to provide a sustainable level of income to support the Auxiliary's national scholarships awarded from this fund while also striving to preserve the inflation adjusted purchasing power of the fund.

Investment Objectives

The objectives of this policy are to invest funds in a method that will generate a return of at least 4.5% over the Consumer Price Index. This model is based on an investment horizon of greater than ten years. Within this model, the parameters of the asset allocation should be as follows:

	<u>Target</u>
Equity securities	55%
Debt securities	28%
Cash and equivalents	2%
Alternative investments	15%

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Investment Plan

The plan is to be reviewed by the Finance Committee and their advisors at least semi-annually at a time set by the Finance Committee.

15. AMERICAN LEGION AUXILIARY FOUNDATION ALA MISSION ENDOWMENT

Composition of Endowment Net Assets

The Foundation created the ALA Mission Endowment Fund (the "Mission Endowment") in 2007 to generate and maximize funds available to benefit and assist in carrying out the educational, charitable and similar programs of the Auxiliary over the long-term. The Mission Endowment consists entirely of donor-designated funds.

Endowment net assets at September 30, 2019 and 2018 include the following:

	<u>2019</u>	<u>2018</u>
Historic gift value	\$ 1,063,255	\$ 896,229
Accumulated earnings	<u>165,316</u>	<u>116,706</u>
Endowment net assets, beginning of year	<u>1,228,571</u>	<u>1,012,935</u>
Additions to endowment, net	253,295	167,026
Endowment distributions	(30,606)	(23,868)
Interest and dividends, net of fees	30,565	23,864
Realized gains (losses)	(1,298)	20,347
Unrealized gains	<u>8,410</u>	<u>28,267</u>
Change in endowment net assets	<u>260,366</u>	<u>215,636</u>
Endowment net assets, end of year	<u>\$ 1,488,937</u>	<u>\$ 1,228,571</u>
Historic gift value	\$ 1,316,550	\$ 1,063,255
Accumulated earnings	<u>172,387</u>	<u>165,316</u>
Endowment net assets, end of year	<u>\$ 1,488,937</u>	<u>\$ 1,228,571</u>

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

Governing Board's Interpretation of Relevant Law

The Foundation, incorporated in and governed by the laws of the State of Indiana, has interpreted the Indiana statute Uniform Prudent Management of Institutional Funds Act, enacted in 2007, to require the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and to not require the maintenance of purchasing power. As a result of this interpretation, the Foundation classifies as donor-restricted net assets: (a) the original value of gifts donated to the donor-restricted endowment; (b) the original value of subsequent gifts to the donor-restricted endowment; and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is available to be appropriated for expenditure by the Foundation.

Endowment Draws

Endowment draws during the years ending September 30, 2019 and 2018 were \$30,606 and \$23,868, respectively.

The Foundation has adopted a spending policy relating to future endowment draws. The available endowment draw for each fiscal year beginning October 1 shall be limited to an amount determined by applying a 5% rate to the three-year rolling average market value for the period ending the preceding May 31. The actual endowment draw will be recommended by the American Legion Auxiliary Foundation Board to the National Finance Committee during the annual budgeting process for approval by the National Executive Committee. Should the Foundation Board deem it advisable to exceed the 5% limit, the change must be approved by the National Executive Committee.

16. CONCENTRATIONS

The Organization maintains cash and cash equivalents in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

17. COMPREHENSIVE INCOME

Comprehensive income for the years ended September 30, 2019 and 2018 includes the following:

	<u>2019</u>	<u>2018</u>
Change in net assets	\$ <u>1,034,249</u>	\$ <u>1,343,758</u>
Other comprehensive income:		
Unrecognized losses, beginning of year	1,001,279	1,205,501
Unrecognized losses, end of year	<u>1,535,771</u>	<u>1,001,279</u>
Change in unrecognized losses	<u>(534,492)</u>	<u>204,222</u>
Unamortized prior service cost, beginning of year	135,829	32,583
Unamortized prior service cost, end of year	<u>125,730</u>	<u>135,829</u>
Change in unamortized prior service cost	<u>10,099</u>	<u>(103,246)</u>
	<u>(524,393)</u>	<u>100,976</u>
Comprehensive income	<u>\$ 509,856</u>	<u>\$ 1,444,734</u>

SUPPLEMENTARY INFORMATION

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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ANALYSIS OF DEFERRED REVENUE – PUFL
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Increases:		
Membership dues	\$ 166,060	\$ 264,775
Investment income	64,318	259,117
	<u>230,378</u>	<u>523,892</u>
Decreases:		
Distributions to departments	297,416	300,560
Administrative expense	61,364	55,352
	<u>358,780</u>	<u>355,912</u>
Net Increase (Decrease)	(128,402)	167,980
Deferred Revenue, Beginning of Year	<u>4,051,453</u>	<u>3,883,473</u>
Deferred Revenue, End of Year	<u>\$ 3,923,051</u>	<u>\$ 4,051,453</u>

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**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019

ASSETS

	<u>Auxiliary</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 629,012	\$ 617,137	\$ -0-	\$ 1,246,149
Investments	33,138,663	1,302,855	-0-	34,441,518
Investments - PUFL	4,051,055	-0-	-0-	4,051,055
Prepaid expenses	162,664	-0-	-0-	162,664
Property and equipment, net	2,734,781	-0-	-0-	2,734,781
Other assets	143,931	-0-	(22,716)	121,215
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 40,860,106</u>	<u>\$ 1,919,992</u>	<u>\$ (22,716)</u>	<u>\$ 42,757,382</u>

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable	\$ 526,221	\$ 103,305	\$ (22,716)	\$ 606,810
Accrued expenses	189,318	-0-	-0-	189,318
Accrued scholarships	87,000	-0-	-0-	87,000
Deferred revenue - dues	3,026,187	-0-	-0-	3,026,187
Deferred revenue - PUFL	3,923,051	-0-	-0-	3,923,051
Deferred revenue - other	34,285	-0-	-0-	34,285
Liability for pension benefits	1,480,167	-0-	-0-	1,480,167
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>9,266,229</u>	<u>103,305</u>	<u>(22,716)</u>	<u>9,346,818</u>
Net Assets:				
Without donor restrictions	31,945,091	11,941	-0-	31,957,032
With donor restrictions	1,310,287	1,804,746	-0-	3,115,033
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net assets before accumulated other comprehensive loss	33,255,378	1,816,687	-0-	35,072,065
Accumulated other comprehensive loss	(1,661,501)	-0-	-0-	(1,661,501)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>31,593,877</u>	<u>1,816,687</u>	<u>-0-</u>	<u>33,410,564</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 40,860,106</u>	<u>\$ 1,919,992</u>	<u>\$ (22,716)</u>	<u>\$ 42,757,382</u>

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**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2019

	Auxiliary			Foundation			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total		
Revenue and Support:								
Contributions	\$ 837,074	\$ 313,314	\$ 1,150,388	\$ 255,465	516,972	\$ 772,437	\$ (278,181)	\$ 1,644,644
Membership dues	6,368,414	-0-	6,368,414	-0-	-0-	-0-	-0-	6,368,414
Advertising	283,426	-0-	283,426	-0-	-0-	-0-	-0-	283,426
Other	664,816	-0-	664,816	-0-	-0-	-0-	-0-	664,816
	<u>8,153,730</u>	<u>313,314</u>	<u>8,467,044</u>	<u>255,465</u>	<u>516,972</u>	<u>772,437</u>	<u>(278,181)</u>	<u>8,961,300</u>
Net assets released from donor restrictions	<u>328,904</u>	<u>(328,904)</u>	<u>-0-</u>	<u>221,610</u>	<u>(221,610)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	<u>8,482,634</u>	<u>(15,590)</u>	<u>8,467,044</u>	<u>477,075</u>	<u>295,362</u>	<u>772,437</u>	<u>(278,181)</u>	<u>8,961,300</u>
Expenses:								
Member and department support services	4,783,752	-0-	4,783,752	-0-	-0-	-0-	-0-	4,783,752
Youth and education services	872,363	-0-	872,363	43,191	-0-	43,191	(22,716)	892,838
Veterans and military families programs	546,180	-0-	546,180	123,680	-0-	123,680	-0-	669,860
Total program services	6,202,295	-0-	6,202,295	166,871	-0-	166,871	(22,716)	6,346,450
Management and general	1,765,356	-0-	1,765,356	106,537	-0-	106,537	(255,465)	1,616,428
Fundraising	559,753	-0-	559,753	203,667	-0-	203,667	-0-	763,420
Total expenses	<u>8,527,404</u>	<u>-0-</u>	<u>8,527,404</u>	<u>477,075</u>	<u>-0-</u>	<u>477,075</u>	<u>(278,181)</u>	<u>8,726,298</u>
Change in net assets from operations	(44,770)	(15,590)	(60,360)	-0-	295,362	295,362	-0-	235,002
Investment Income, Net of Expenses	<u>735,221</u>	<u>23,283</u>	<u>758,504</u>	<u>-0-</u>	<u>40,743</u>	<u>40,743</u>	<u>-0-</u>	<u>799,247</u>
Change in net assets	690,451	7,693	698,144	-0-	336,105	336,105	-0-	1,034,249
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	<u>31,254,640</u>	<u>1,302,594</u>	<u>32,557,234</u>	<u>11,941</u>	<u>1,468,641</u>	<u>1,480,582</u>	<u>-0-</u>	<u>34,037,816</u>
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	<u>\$ 31,945,091</u>	<u>\$ 1,310,287</u>	<u>\$ 33,255,378</u>	<u>\$ 11,941</u>	<u>\$ 1,804,746</u>	<u>\$ 1,816,687</u>	<u>\$ -0-</u>	<u>\$ 35,072,065</u>

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**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2018**

	Auxiliary			Foundation			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total		
Revenue and Support:								
Contributions	\$ 673,844	\$ 311,921	\$ 985,765	\$ 227,631	\$ 474,818	\$ 702,449	\$ (290,489)	\$ 1,397,725
Membership dues	5,295,590	-0-	5,295,590	-0-	-0-	-0-	-0-	5,295,590
Advertising	383,780	-0-	383,780	-0-	-0-	-0-	-0-	383,780
Other	637,571	-0-	637,571	-0-	-0-	-0-	-0-	637,571
	<u>6,990,785</u>	<u>311,921</u>	<u>7,302,706</u>	<u>227,631</u>	<u>474,818</u>	<u>702,449</u>	<u>(290,489)</u>	<u>7,714,666</u>
Net assets released from donor restrictions	<u>466,262</u>	<u>(466,262)</u>	<u>-0-</u>	<u>267,631</u>	<u>(267,631)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	<u>7,457,047</u>	<u>(154,341)</u>	<u>7,302,706</u>	<u>495,262</u>	<u>207,187</u>	<u>702,449</u>	<u>(290,489)</u>	<u>7,714,666</u>
Expenses:								
Member and department support services	4,810,122	-0-	4,810,122	-0-	-0-	-0-	-0-	4,810,122
Youth and education services	951,720	-0-	951,720	66,296	-0-	66,296	(57,143)	960,873
Veterans and military families programs	863,337	-0-	863,337	126,075	-0-	126,075	(5,715)	983,697
Total program services	6,625,179	-0-	6,625,179	192,371	-0-	192,371	(62,858)	6,754,692
Management and general	1,363,661	-0-	1,363,661	63,818	-0-	63,818	(227,631)	1,199,848
Fundraising	544,396	-0-	544,396	239,073	-0-	239,073	-0-	783,469
Total expenses	<u>8,533,236</u>	<u>-0-</u>	<u>8,533,236</u>	<u>495,262</u>	<u>-0-</u>	<u>495,262</u>	<u>(290,489)</u>	<u>8,738,009</u>
Change in net assets from operations	(1,076,189)	(154,341)	(1,230,530)	-0-	207,187	207,187	-0-	(1,023,343)
Investment Income, Net of Expenses	<u>2,225,194</u>	<u>67,394</u>	<u>2,292,588</u>	<u>-0-</u>	<u>74,513</u>	<u>74,513</u>	<u>-0-</u>	<u>2,367,101</u>
Change in net assets	1,149,005	(86,947)	1,062,058	-0-	281,700	281,700	-0-	1,343,758
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	<u>30,105,635</u>	<u>1,389,541</u>	<u>31,495,176</u>	<u>11,941</u>	<u>1,186,941</u>	<u>1,198,882</u>	<u>-0-</u>	<u>32,694,058</u>
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	<u>\$ 31,254,640</u>	<u>\$ 1,302,594</u>	<u>\$ 32,557,234</u>	<u>\$ 11,941</u>	<u>\$ 1,468,641</u>	<u>\$ 1,480,582</u>	<u>\$ -0-</u>	<u>\$ 34,037,816</u>

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