



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

**CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2022 AND 2021

CPAs / ADVISORS



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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

Opinion

We have audited the accompanying consolidated financial statements of American Legion Auxiliary National Headquarters and American Legion Auxiliary Foundation, Inc. (collectively referred to as the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The consolidated financial statements as of September 30, 2021, were audited by Alerding CPA Group, who merged with Blue & Co., as of December 1, 2022, and whose report dated January 18, 2022, expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated Financial Statements

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

REPORT OF INDEPENDENT ACCOUNTANTS (Continued)

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 35 to 38 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the

REPORT OF INDEPENDENT ACCOUNTANTS (Continued)

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.

Blue & Co., LLC

Carmel, Indiana
January 20, 2023

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

ASSETS		
	2022	2021
Assets		
Cash and cash equivalents	\$ 1,613,743	\$ 1,866,021
Investments	39,599,312	46,896,894
Investments - PUFL	3,931,731	4,914,915
Prepaid expenses	71,639	175,845
Property and equipment, net	2,502,668	2,620,530
Other assets	58,112	127,019
Total assets	\$ 47,777,205	\$ 56,601,224
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 932,757	\$ 1,382,532
Accrued expenses	295,695	301,252
Accrued scholarships	147,450	128,000
Deferred revenue - dues	2,694,918	2,831,745
Deferred revenue - PUFL	3,946,966	4,826,780
Deferred revenue - other	6,250	7,000
Liability for pension benefits	68,044	887,237
Note payable	-0-	566,500
Total liabilities	8,092,080	10,931,046
Net Assets		
Net assets without donor restrictions		
General operating	29,899,286	36,275,057
Board-designated	6,389,674	6,472,021
Pension plan (Note 12)	(573,944)	(1,322,594)
Total net assets without donor restrictions	35,715,016	41,424,484
Net assets with donor restrictions	3,970,109	4,245,694
Total net assets	39,685,125	45,670,178
Total liabilities and net assets	\$ 47,777,205	\$ 56,601,224

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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and Support				
Contract revenues				
Membership dues	\$ 6,336,491	\$ -0-	\$ 6,336,491	\$ 6,382,677
Non-contract revenues:				
Contributions	693,533	1,061,821	1,755,354	1,996,731
Advertising	126,166	-0-	126,166	211,950
Other	1,276,886	10,000	1,286,886	488,838
	<u>2,096,585</u>	<u>1,071,821</u>	<u>3,168,406</u>	<u>2,697,519</u>
Net assets released from donor restrictions	<u>777,932</u>	<u>(777,932)</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	<u>9,211,008</u>	<u>293,889</u>	<u>9,504,897</u>	<u>9,080,196</u>
Expenses				
Member and department support services	4,114,528	-0-	4,114,528	4,474,266
Youth and education services	989,098	-0-	989,098	769,611
Veterans and military families programs	746,795	-0-	746,795	537,621
Total program services	5,850,421	-0-	5,850,421	5,781,498
Management and general	1,843,484	-0-	1,843,484	1,584,833
Fundraising	849,725	-0-	849,725	1,205,518
Total expenses	<u>8,543,630</u>	<u>-0-</u>	<u>8,543,630</u>	<u>8,571,849</u>
Change in net assets from operations	667,378	293,889	961,267	508,347
Investment Income, Net of Expenses	<u>(7,125,496)</u>	<u>(569,474)</u>	<u>(7,694,970)</u>	<u>8,087,515</u>
Pension Plan (Note 12)				
Change in unrecognized losses	738,551	-0-	738,551	305,262
Change in unamortized services costs	10,099	-0-	10,099	10,099
Total pension plan	<u>748,650</u>	<u>-0-</u>	<u>748,650</u>	<u>315,361</u>
Change in net assets	(5,709,468)	(275,585)	(5,985,053)	8,911,223
Net Assets, Beginning of Year	<u>41,424,484</u>	<u>4,245,694</u>	<u>45,670,178</u>	<u>36,758,955</u>
Net Assets, End of Year	<u>\$ 35,715,016</u>	<u>\$ 3,970,109</u>	<u>\$ 39,685,125</u>	<u>\$ 45,670,178</u>

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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contract revenues			
Membership dues	\$ 6,382,677	\$ -0-	\$ 6,382,677
Non-contract revenues:			
Contributions	1,023,731	973,000	1,996,731
Advertising	211,950	-0-	211,950
Other	488,838	-0-	488,838
	<u>1,724,519</u>	<u>973,000</u>	<u>2,697,519</u>
Net assets released from donor restrictions	<u>766,351</u>	<u>(766,351)</u>	<u>-0-</u>
Total revenue and support	<u>8,873,547</u>	<u>206,649</u>	<u>9,080,196</u>
Expenses			
Member and department support services	4,474,266	-0-	4,474,266
Youth and education services	769,611	-0-	769,611
Veterans and military families programs	537,621	-0-	537,621
Total program services	<u>5,781,498</u>	<u>-0-</u>	<u>5,781,498</u>
Management and general	1,584,833	-0-	1,584,833
Fundraising	1,205,518	-0-	1,205,518
Total expenses	<u>8,571,849</u>	<u>-0-</u>	<u>8,571,849</u>
Change in net assets from operations	301,698	206,649	508,347
Investment Income, Net of Expenses	<u>7,541,983</u>	<u>545,532</u>	<u>8,087,515</u>
Pension Plan (Note 12)			
Change in unrecognized losses	305,262	-0-	305,262
Change in unamortized services costs	10,099	-0-	10,099
Total pension plan	<u>315,361</u>	<u>-0-</u>	<u>315,361</u>
Change in net assets	8,159,042	752,181	8,911,223
Net Assets, Beginning of Year	<u>33,265,442</u>	<u>3,493,513</u>	<u>36,758,955</u>
Net Assets, End of Year	<u>\$ 41,424,484</u>	<u>\$ 4,245,694</u>	<u>\$ 45,670,178</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, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			Total Expenses	2021 Totals
	Program Services	Management and General	Fundraising		
Personnel and related benefits	\$ 1,626,212	\$ 1,166,084	\$ 182,501	\$ 2,974,797	\$ 3,239,007
General operating expenses	448,237	352,760	45,910	846,907	802,147
Travel, conferences and meetings	1,544,547	75,397	13,270	1,633,214	1,250,696
Occupancy	35,347	42,940	4,633	82,920	66,607
Professional services and fees	353,616	184,357	116,658	654,631	580,938
Printing, publicity and awards	647,697	4,131	328,426	980,254	1,279,275
Postage and freight	708,077	7,048	158,327	873,452	876,934
Grants and scholarships	455,103	-0-	-0-	455,103	436,461
Other	31,585	10,767	-0-	42,352	39,784
Total expenses	<u>\$ 5,850,421</u>	<u>\$ 1,843,484</u>	<u>\$ 849,725</u>	<u>\$ 8,543,630</u>	<u>\$ 8,571,849</u>

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services	Management and General	Fundraising	Total Expenses
Personnel and related benefits	\$ 1,976,820	\$ 1,081,677	\$ 180,510	\$ 3,239,007
General operating expenses	490,347	271,412	40,388	802,147
Travel, conferences and meetings	1,168,345	70,004	12,347	1,250,696
Occupancy	42,467	21,087	3,053	66,607
Professional services and fees	367,128	113,540	100,270	580,938
Printing, publicity and awards	612,686	11,615	654,974	1,279,275
Postage and freight	654,768	8,190	213,976	876,934
Grants and scholarships	436,461	-0-	-0-	436,461
Other	32,476	7,308	-0-	39,784
Total expenses	\$ 5,781,498	\$ 1,584,833	\$ 1,205,518	\$ 8,571,849

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, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (5,985,053)	\$ 8,911,223
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Forgiveness of note payable	(566,500)	-0-
Depreciation and amortization	158,227	163,037
Net realized gains on investments	(826,861)	(1,988,809)
Net realized (gains) losses on investments - PUFL	(78,104)	2,717
Net unrealized (gains) losses on investments	9,483,767	(4,904,360)
Net unrealized (gains) losses on investments - PUFL	1,075,430	(753,042)
Net periodic pension benefit	(47,091)	(24,692)
Pension liability adjustment	(748,650)	(315,361)
Changes in operating assets and liabilities:		
Prepaid expenses	104,206	(66,008)
Other assets	68,907	(78,441)
Accounts payable	(449,775)	775,888
Accrued expenses and scholarships	13,893	26,480
Deferred revenue - dues	(136,827)	(122,424)
Deferred revenue - PUFL	(879,814)	719,851
Deferred revenue - other	(750)	2,000
Liability for pension benefits	(23,452)	(122,629)
Net cash provided by operating activities	1,161,553	2,225,430
Cash Flows From Investing Activities		
Capital expenditures	(40,365)	(11,384)
Purchase of investments	(3,811,016)	(3,152,396)
Proceeds from sale of investments	2,451,692	1,120,857
Purchase of investments - PUFL	(147,303)	(162,105)
Proceeds from sale of investments - PUFL	133,161	229,807
Net cash used in investing activities	(1,413,831)	(1,975,221)
Net Change in Cash and Cash Equivalents	(252,278)	250,209
Cash and Cash Equivalents, Beginning of Year	1,866,021	1,615,812
Cash and Cash Equivalents, End of Year	\$ 1,613,743	\$ 1,866,021

See accompanying notes to consolidated financial statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

1. PRINCIPLES OF CONSOLIDATION AND NATURE OF ACTIVITIES

Principles of Consolidation

The accompanying consolidated financial statements include the American Legion Auxiliary National Headquarters ("Auxiliary") and the American Legion Auxiliary Foundation, Inc. ("Foundation"). Collectively, the two entities will be referred to as the "Organization". The Foundation was organized by the Auxiliary exclusively for the benefit of 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 National 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).

All significant intercompany balances and transactions have been eliminated in the consolidation.

Nature of Activities

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. The Auxiliary members are the female and male spouses, grandmothers, mothers, sisters and direct and adopted female descendants of members of The American Legion. Some members are veterans themselves. 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 assists in fundraising and offers support in carrying out educational, charitable, and other programs sponsored by the Auxiliary.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of donor restrictions, as follows:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Net assets without donor restrictions - Net assets without donor restrictions include all contributions received, without donor restrictions, and revenues and expenses for the general operations 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 consolidated statements 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 earnings from these investments and all non-restricted contributions are available for release to the without donor restriction fund.

Estimates

The preparation of consolidated 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, useful lives of property and equipment, the fair value of assets measured by Level 3 inputs, and assumptions employed in the determination of pension expense.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents, but excludes cash held by investment managers which are included in investment accounts. Cash equivalents are carried at cost, which approximates fair value, and consists of cash invested in checking and money market accounts.

Investments and Investment Return

Investments are reported at fair value for financial reporting purposes. Investment return includes interest, dividends, realized and unrealized gains and losses, and investment fees. Changes in unrealized appreciation or depreciation of investments are recorded in the period such changes occur. Realized gains and losses are recorded based on the cost of the specific securities sold. Interest and dividend income is recorded when earned.

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 range from 3 to 40 years, using the straight-line method of depreciation.

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Revenue and Support Recognition

Contract Revenues - For contracts with customers, the Organization derives its revenues primarily from membership dues, which are recognized as income in the applicable membership period. Membership dues are paid annually based on a calendar year-end. Contract revenues are recognized in an amount that reflects the consideration the Organization expects to be entitled to in exchange for the services performed. Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization does not have any significant financing components as payment is received at or shortly after members are invoiced. Costs incurred to obtain a contract are expensed as incurred.

Contributions and Other Support - 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. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Advertising – The Organization publishes quarterly publications to distribute to members. The Organization sells advertising space within the publication to vendors outside the Organization. Advertising revenue is recognized at the point of publication.

Disaggregation of Revenues from Contracts with Customers

The Organization’s revenues from performance obligations are satisfied at a point in time or over time.

Performance Obligations

For performance obligations related to membership dues, control transfers to the customer over time. Revenues from membership dues are recognized in the period to which the fees relate. Membership dues are paid by members for three distinct benefits: quarterly publications, discounts offered by outside vendors exclusively to Auxiliary members, and member services. These dues are recognized as contract liabilities at the time they are received and recognized as revenues as the separate performance obligations are realized.

Variable Consideration

The nature of the Organization’s business and customer contracts does not give rise to significant variables of the total amount of the contract price.

Functional Allocation of Expenses

The costs of providing the programs and services of the Organization have been summarized on a functional basis in the consolidated statements of activities and changes in net assets and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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consolidated statements of functional expenses. Certain costs have been allocated among the programs and supporting activities benefited based on actual direct expenditures and cost allocations of indirect expenses based on time by personnel, space utilization, or another rational basis. Expenses allocated include personnel and related benefits, professional services and fees, travel, conferences and meetings, and general operating expenses. Although the methods used were appropriate, other methods could produce different results.

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.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of September 30, 2022 and 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements.

The Organization has filed its federal and state income tax returns for periods through September 30, 2021. However, as of the date the financial statements were available to be issued there were currently no audits for any tax periods in progress. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Recently Issued Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. This new standard, which the Organization is required to adopt for its year ending September 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

The Organization is presently evaluating the effect that this ASU will have on its future consolidated financial statements, including related disclosures.

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Reclassification

Certain amounts in the 2021 consolidated financial statements have been reclassified herein to conform to the 2022 presentation. The pension deficit was previously reported outside of net assets without donor restrictions and is now included as a component of net assets without donor restrictions. There was no impact to total net assets for the years ended September 30, 2022 and 2021.

Subsequent Events

The Organization evaluates events occurring subsequent to the date of the consolidated financial statements in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through January 20, 2023, which is the date the consolidated financial statements were available to be issued.

3. LIQUIDITY AND AVAILABILITY

At September 30, 2022 and 2021, the Organization's financial assets available for general expenditures within one year from the date of the consolidated statements of financial position comprise the following:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,613,743	\$ 1,866,021
Investments	39,599,312	46,896,894
Investments - PUFL	<u>3,931,731</u>	<u>4,914,915</u>
	<u>45,144,786</u>	<u>53,677,830</u>
Less amounts not available to be used for general expenditure within one year:		
Deferred revenue - PUFL	(3,946,966)	(4,826,780)
Board-designated funds	(6,389,674)	(6,472,021)
Donor restricted funds	(1,179,291)	(998,440)
Donor restricted endowment	<u>(2,790,818)</u>	<u>(3,247,254)</u>
	<u>(14,306,749)</u>	<u>(15,544,495)</u>
Financial assets available to meeting cash needs for general expenditures within one year	<u>\$ 30,838,037</u>	<u>\$ 38,133,335</u>

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The Organization's liquidity objective is to maintain adequate liquid assets to fund near-term operating needs and maintain 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 \$6,336,491 and \$6,382,677 for the years ended September 30, 2022 and 2021, 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").

4. CONTRACT LIABILITIES

The Organization's contract liabilities comprise of the following as of September 30:

	<u>2022</u>	<u>2021</u>
Deferred revenue - dues:		
Beginning of year	\$ 2,831,745	\$ 2,954,169
End of year	\$ 2,694,918	\$ 2,831,745
Deferred revenue - PUFL (Note 6):		
Beginning of year	\$ 4,826,780	\$ 4,106,929
End of year	\$ 3,946,966	\$ 4,826,780

5. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to

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unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used at September 30, 2022 and 2021.

1. *Money market mutual funds*: Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
2. *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
3. *Exchange traded funds*: Valued at the closing price reported on the active market on which the individual securities are traded.
4. *Bonds*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes having value in yields currently available in comparable securities of issues with similar credit ratings.
5. *Partnerships*: Valued based on an annual independent valuation of the related private company. The partnerships are not registered with the Securities and Exchange

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Commission. Partnerships are valued as Level 3 investments at September 30, 2022 and 2021.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The Organization's investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

Following is a summary of the Organization's investments, categorized by each investment's classification within the fair value hierarchy previously described, at September 30:

	2022			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 1,382,336	\$ -0-	\$ 1,382,336
Mutual funds - equities				
Large cap	6,524,580	-0-	-0-	6,524,580
International	2,747,934	-0-	-0-	2,747,934
Other	733,227	-0-	-0-	733,227
Mutual funds - fixed income				
Intermediate term	5,843,114	-0-	-0-	5,843,114
Other	7,183,264	-0-	-0-	7,183,264
Exchange traded funds				
U.S. equity	10,077,357	-0-	-0-	10,077,357
International equity	746,893	-0-	-0-	746,893
Bonds Corporate	-0-	2,151,135	-0-	2,151,135
Alternative investments	-0-	-0-	2,209,472	2,209,472
	<u>\$ 33,856,369</u>	<u>\$ 3,533,471</u>	<u>\$ 2,209,472</u>	<u>\$ 39,599,312</u>

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	2021			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 1,294,038	\$ -0-	\$ 1,294,038
Mutual funds - equities				
Large cap	7,722,203	-0-	-0-	7,722,203
International	4,014,399	-0-	-0-	4,014,399
Other	1,148,007	-0-	-0-	1,148,007
Mutual funds - fixed income				
Intermediate term	6,905,259	-0-	-0-	6,905,259
Other	8,685,739	-0-	-0-	8,685,739
Exchange traded funds				
U.S. equity	12,462,319	-0-	-0-	12,462,319
International equity	994,601	-0-	-0-	994,601
Bonds Corporate	-0-	2,421,375	-0-	2,421,375
Alternative investments	-0-	-0-	1,248,954	1,248,954
	<u>\$ 41,932,527</u>	<u>\$ 3,715,413</u>	<u>\$ 1,248,954</u>	<u>\$ 46,896,894</u>

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

	2022								
	Auxiliary					Foundation			
	General Fund	Board Designated Funds	Without Donor Restrictions Total	With Donor Restrictions	Total	Without Donor Restrictions Total	With Donor Restrictions	Total	Consolidated Total
Dividends and interest (net of expenses of \$52,367)	\$ 810,770	\$ 85,988	\$ 896,758	\$ 24,604	\$ 921,362	\$ 221	\$ 40,353	\$ 40,574	\$ 961,936
Net realized gains on investments	738,954	51,765	790,719	11,712	802,431	-0-	24,430	24,430	826,861
Net unrealized losses on investments	(8,023,847)	(789,347)	(8,813,194)	(245,480)	(9,058,674)	-0-	(425,093)	(425,093)	(9,483,767)
Total investment income	<u>\$ (6,474,123)</u>	<u>\$ (651,594)</u>	<u>\$ (7,125,717)</u>	<u>\$ (209,164)</u>	<u>\$ (7,334,881)</u>	<u>\$ 221</u>	<u>\$ (360,310)</u>	<u>\$ (360,089)</u>	<u>\$ (7,694,970)</u>

	2021								
	Auxiliary					Foundation			
	General Fund	Board Designated Funds	Total Funds Without Restriction	Donor Restricted Funds	Auxiliary Total	Without Donor Restrictions Total	With Donor Restrictions	Foundation Total	Consolidated Total
Dividends and interest (net of expenses of \$50,883)	\$ 987,862	\$ 117,971	\$ 1,105,833	\$ 33,076	\$ 1,138,909	\$ 74	\$ 55,363	\$ 55,437	\$ 1,194,346
Net realized losses on investments	1,856,375	66,884	1,923,259	65,650	1,988,909	-0-	(100)	(100)	1,988,809
Net unrealized gains on investments	4,061,154	451,663	4,512,817	118,306	4,631,123	-0-	273,237	273,237	4,904,360
Total investment income	<u>\$ 6,905,391</u>	<u>\$ 636,518</u>	<u>\$ 7,541,909</u>	<u>\$ 217,032</u>	<u>\$ 7,758,941</u>	<u>\$ 74</u>	<u>\$ 328,500</u>	<u>\$ 328,574</u>	<u>\$ 8,087,515</u>

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

	2022	2021
Partnerships, beginning of year	\$ 1,248,954	\$ 1,381,578
Deposits	1,419,470	489,974
Withdrawals	(595,510)	(1,003,186)
Realized gains	257,642	97,929
Unrealized gains (losses)	(121,084)	282,659
Partnerships, end of year	\$ 2,209,472	\$ 1,248,954

6. 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 PUFL Trust, 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 statements of activities and changes in net assets.

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

	2022	2021
Assets		
Cash	\$ 166,695	\$ 134,045
Investments - PUFL	3,931,731	4,914,915
	\$ 4,098,426	\$ 5,048,960
Liabilities		
Due to General Operating Fund	\$ 151,460	\$ 222,180
Deferred revenue - PUFL	3,946,966	4,826,780
	\$ 4,098,426	\$ 5,048,960

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Following is a summary of investments in the PUFL membership, categorized by each investment's classification within the fair value hierarchy (Note 5) at September 30:

	2022			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 22,331	\$ -0-	\$ 22,331
Mutual funds - equities				
International	219,346	-0-	-0-	219,346
Other	110,798	-0-	-0-	110,798
Mutual funds - fixed income				
Intermediate term	638,662	-0-	-0-	638,662
Other	777,982	-0-	-0-	777,982
Exchange traded funds				
U.S. equity	2,117,182	-0-	-0-	2,117,182
International equity	45,430	-0-	-0-	45,430
	\$ 3,909,400	\$ 22,331	\$ -0-	\$ 3,931,731
	2021			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 86,512	\$ -0-	\$ 86,512
Mutual funds - equities				
International	318,054	-0-	-0-	318,054
Other	173,325	-0-	-0-	173,325
Mutual funds - fixed income				
Intermediate term	754,396	-0-	-0-	754,396
Other	893,379	-0-	-0-	893,379
Exchange traded funds				
U.S. equity	2,626,987	-0-	-0-	2,626,987
International equity	62,262	-0-	-0-	62,262
	\$ 4,828,403	\$ 86,512	\$ -0-	\$ 4,914,915

The following schedule summarizes the PUFL investment income (loss) and its classification in deferred revenue-PUFL in the consolidated statements of financial position for the years ended September 30:

	2022	2021
Dividends and interest, net of fees	\$ 80,571	\$ 106,057
Net realized gains (losses) on investments	78,104	(2,717)
Net unrealized gains (losses) on investments	(1,075,430)	753,042
Total investment income (loss)	\$ (916,755)	\$ 856,382

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7. PROPERTY AND EQUIPMENT

The Organization's property and equipment for the years ended September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Land and improvements	\$ 270,400	\$ 270,400
Building and improvements	2,306,954	2,266,589
Furniture, office equipment, and information technology	<u>1,790,343</u>	<u>1,790,343</u>
	4,367,697	4,327,332
Accumulated depreciation and amortization	<u>(1,865,029)</u>	<u>(1,706,802)</u>
	<u>\$ 2,502,668</u>	<u>\$ 2,620,530</u>

8. PPP LOAN

Effective April 29, 2020, the Organization received a low interest loan in the amount of \$566,500 under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA). In February 2022, the Organization was released from its creditor and notified that the loan was forgiven by the SBA. The outstanding loan amount of \$566,500 is recognized as other non-contract revenue in the consolidated statement of activities and changes in net assets for the year ended September 30, 2022.

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9. NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	2022	2021
Auxiliary Net Assets Without Donor Restrictions:		
General operations	\$ 29,887,050	\$ 36,263,042
Auxiliary Board Designated Net Assets:		
National President's Scholarship Fund Endowment (National Executive Committee ("NEC") designated)	2,225,291	2,666,760
NEC designated reserves	2,848,387	2,330,800
Auxiliary Emergency Fund	772,085	791,024
Spirit of Youth Fund	437,024	576,550
Other	106,887	106,887
Total Auxiliary Board Designated Net Assets	6,389,674	6,472,021
Pension plan	(573,944)	(1,322,594)
Total Auxiliary Net Assets Without Donor Restrictions	35,702,780	41,412,469
Foundation Net Assets Without Donor Restrictions:		
General operations	12,236	12,015
	\$ 35,715,016	\$ 41,424,484

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10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at September 30:

	2022	2021
Auxiliary Net Assets with Donor Restrictions		
Subject to expenditure for specific purposes:		
Spirit of Youth Fund	\$ 131,406	\$ 176,905
Auxiliary Emergency Fund grants	265,262	123,073
Other	301,241	252,551
	697,909	552,529
Endowment:		
Held in perpetuity	802,541	789,986
Undistributed endowment earnings	(45,757)	251,623
	756,784	1,041,609
Total Auxiliary net assets with donor restrictions	1,454,693	1,594,138
Foundation Net Assets with Donor Restrictions		
Subject to expenditure for specific purposes:		
Veteran Projects Fund	317,090	296,146
National and Local Veteran Creative Arts Festival(s)	158,157	146,050
Mission	6,135	3,715
	481,382	445,911
Endowment:		
Held in perpetuity	1,882,423	1,651,433
Undistributed endowment earnings	151,611	554,212
	2,034,034	2,205,645
Total Foundation net assets with donor restrictions	2,515,416	2,651,556
	\$ 3,970,109	\$ 4,245,694

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11. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

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

	2022	2021
Purpose restrictions accomplished:		
Auxiliary net assets released from donor restrictions:		
Spirit of Youth Fund scholarships and related expenses, net of forfeitures	\$ 63,075	\$ 76,538
Emergency Fund grants and related expenses	152,800	184,334
National President's Scholarship Fund Endowment scholarships and related expenses, net of forfeitures	88,216	73,834
Total Auxiliary net assets released from donor restrictions	304,091	334,706
Foundation net assets released from donor restrictions:		
Veteran Projects Fund grants and sub-grants	86,055	74,962
National and Local Veteran Creative Arts Festival(s)	101,261	52,503
Mission (direct mail campaign and other)	95,261	242,692
Endowment distributions in support of Auxiliary operations		
ALA Departments, Districts, and Units	47,203	23,000
Endowment distributions in support of Auxiliary operations	144,061	38,488
Total Foundation net assets released from donor restrictions	473,841	431,645
	\$ 777,932	\$ 766,351

12. 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.

The measurement dates used in determining the pension benefit measurements for plan assets and benefit obligations were September 30, 2022 and 2021, respectively. Significant balances, costs, and assumptions are as follows:

	2022	2021
Projected benefit obligation	\$ (2,747,271)	\$ (3,619,777)
Fair value of plan assets	2,679,227	2,732,540
Funded status	\$ (68,044)	\$ (887,237)
Accumulated benefit obligation	\$ (2,747,271)	\$ (3,619,777)

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Following is a summary of the pension's investments, categorized by each investment's classification within the fair value hierarchy (Note 5), at December 31:

	2021			
	Level 1	Level 2	Level 3	Total
Money market	\$ -0-	\$ 121,168	\$ -0-	\$ 121,168
Common Stocks				
Technology	389,118	-0-	-0-	389,118
Healthcare	192,775	-0-	-0-	192,775
Financial Services	181,900	-0-	-0-	181,900
Communication Services	148,223	-0-	-0-	148,223
Consumer Cyclical	128,511	-0-	-0-	128,511
Industrials	109,388	-0-	-0-	109,388
Other	202,263	-0-	-0-	202,263
Bonds				
Corporate bonds	-0-	768,132	-0-	768,132
Municipal bonds	-0-	371,017	-0-	371,017
Other	-0-	66,732	-0-	66,732
	<u>\$ 1,352,178</u>	<u>\$ 1,327,049</u>	<u>\$ -0-</u>	<u>\$ 2,679,227</u>
	2020			
	Level 1	Level 2	Level 3	Total
Money market	\$ -0-	\$ 120,030	\$ -0-	\$ 120,030
Common Stocks				
Technology	291,762	-0-	-0-	291,762
Healthcare	151,029	-0-	-0-	151,029
Financial Services	148,664	-0-	-0-	148,664
Communication Services	139,962	-0-	-0-	139,962
Consumer Cyclical	119,072	-0-	-0-	119,072
Industrials	94,763	-0-	-0-	94,763
Other	178,912	-0-	-0-	178,912
Bonds				
Corporate bonds	-0-	931,157	-0-	931,157
Municipal bonds	-0-	418,564	-0-	418,564
Other	-0-	138,625	-0-	138,625
	<u>\$ 1,124,164</u>	<u>\$ 1,608,376</u>	<u>\$ -0-</u>	<u>\$ 2,732,540</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.

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Amounts recognized in the consolidated financial statements are as follows:

	2022	2021
Liability for pension benefits	\$ 68,044	\$ 887,237
Unrecognized losses	(478,511)	(1,217,062)
Unamortized prior service cost	(95,433)	(105,532)
Employer contributions	23,452	122,629
Benefits paid	228,227	228,227
Net periodic pension cost		
Other components		
Interest costs	87,536	82,816
Return on assets	151,462	322,581
Net amortization and deferral	16,835	215,073
Net periodic pension cost	\$ (47,091)	\$ (24,692)

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

	2022	2021
Weighted-average assumptions:		
Discount rate	5.10%	2.51%
Rate of compensation increase	N/A	N/A

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

	2022	2021
Weighted-average assumptions:		
Discount rate	5.10%	2.51%
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.

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The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the years ended September 30, 2022:

Year ending September 30,	
2023	\$ 241,731
2024	234,794
2025	227,343
2026	223,797
2027	218,639
2028 - 2032	<u>999,620</u>
	<u>\$ 2,145,924</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 were as follows:

	<u>Target</u>	<u>2022</u>	<u>2021</u>
Equity securities	40 - 60%	50%	41%
Debt securities	40 - 60%	45%	54%
Other	0 - 20%	5%	5%

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

13. PROFIT SHARING PLAN

The Auxiliary established a 401(k) Profit Sharing Plan subsequent to the freezing of the pension plan in 2008 (Note 12). 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 five (5) years of service. The Auxiliary contributed \$57,451 and \$122,677 for the years ended September 30, 2022 and 2021, respectively.

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14. 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 are summarized below:

	2022	2021
Disbursements to Legion		
Conferences and convention	\$ 138,807	\$ 77,304
Legal services	18,000	14,500
National emblem sales	14,321	11,523
Contributions to the Legion and its affiliates	28,052	125,730
Other	1,190	9,579
	\$ 200,370	\$ 238,636
Receipts		
National emblem sales	\$ 63,351	\$ 34,305

15. 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 NEC and donor-restricted funds. Contributions to the NEC-designated and donor-restricted 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.

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Endowment net assets at September 30 include the following:

	2022		
	NEC Designated	Donor Restricted	Total
Historic gift value	\$ 1,593,290	\$ 789,986	\$ 2,383,276
Accumulated earnings	<u>1,073,470</u>	<u>251,623</u>	<u>1,325,093</u>
Mission endowment net assets, beginning of year	<u>2,666,760</u>	<u>1,041,609</u>	<u>3,708,369</u>
Additions to endowment	-0-	12,555	12,555
Scholarships paid, net of forfeitures	-0-	(88,216)	(88,216)
Interest and dividends, net of fees	54,286	24,604	78,890
Realized gains	23,294	11,712	35,006
Unrealized losses	<u>(519,049)</u>	<u>(245,480)</u>	<u>(764,529)</u>
Change in endowment net assets	<u>(441,469)</u>	<u>(284,825)</u>	<u>(726,294)</u>
Mission endowment net assets, end of year	<u>\$ 2,225,291</u>	<u>\$ 756,784</u>	<u>\$ 2,982,075</u>
Historic gift value	\$ 1,593,290	\$ 802,541	\$ 2,395,831
Accumulated earnings	<u>632,001</u>	<u>(45,757)</u>	<u>586,244</u>
Mission endowment net assets, end of year	<u>\$ 2,225,291</u>	<u>\$ 756,784</u>	<u>\$ 2,982,075</u>
	2021		
	NEC Designated	Donor Restricted	Total
Historic gift value	\$ 1,593,290	\$ 776,315	\$ 2,369,605
Accumulated earnings	<u>644,632</u>	<u>108,425</u>	<u>753,057</u>
Mission endowment net assets, beginning of year	<u>2,237,922</u>	<u>884,740</u>	<u>3,122,662</u>
Additions to endowment	-0-	13,671	13,671
Scholarships paid, net of forfeitures	-0-	(73,834)	(73,834)
Interest and dividends, net of fees	78,590	33,076	111,666
Unrealized gains	<u>283,433</u>	<u>118,306</u>	<u>401,739</u>
Change in endowment net assets	<u>428,838</u>	<u>156,869</u>	<u>585,707</u>
Mission endowment net assets, end of year	<u>\$ 2,666,760</u>	<u>\$ 1,041,609</u>	<u>\$ 3,708,369</u>
Historic gift value	\$ 1,593,290	\$ 789,986	\$ 2,383,276
Accumulated earnings	<u>1,073,470</u>	<u>251,623</u>	<u>1,325,093</u>
Mission endowment net assets, end of year	<u>\$ 2,666,760</u>	<u>\$ 1,041,609</u>	<u>\$ 3,708,369</u>

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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 UPMIFA 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.

The Auxiliary has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with UPMIFA, the Auxiliary considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Auxiliary and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Auxiliary
- 7) The investment policies of the Auxiliary

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level which a donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at September 30, 2022 and 2021.

Endowment Draws

Endowment draws, net of forfeitures, of \$88,216 and \$73,834 were made during the years ended September 30, 2022 and 2021, 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 NEC for its approval during the annual budgeting process. Should the

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National Finance Committee deem it advisable to exceed the 5% limit, the change must be approved by the NEC.

The NEC-designated portion of the endowment may be added to or expended by the NEC at their discretion. At the recommendation of the National Finance Committee, and by approval of the NEC, 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%

Investment Plan

The plan is to be reviewed by the Finance Committee and their advisors at least every two (2) at a time set by the Finance Committee.

16. AMERICAN LEGION AUXILIARY FOUNDATION ALA MISSION ENDOWMENT

Composition of ALA Mission Endowment Net Assets

The Foundation created the ALA Foundation 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-restricted funds.

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Mission endowment net assets at September 30 include the following:

	2022	2021
Historic gift value	\$ 1,651,433	\$ 1,485,992
Accumulated earnings	554,212	264,750
Endowment net assets, beginning of year	2,205,645	1,750,742
Additions to endowment, net	230,990	165,441
Endowment distributions	(41,439)	(38,488)
Interest and dividends, net of fees	39,501	54,813
Realized gains (losses)	24,430	(100)
Unrealized gains	(425,093)	273,237
Change in endowment net assets	(171,611)	454,903
Endowment net assets, end of year	\$ 2,034,034	\$ 2,205,645
Historic gift value	\$ 1,882,423	\$ 1,651,433
Accumulated earnings	151,611	554,212
Endowment net assets, end of year	\$ 2,034,034	\$ 2,205,645

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.

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions

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- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level which a donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at September 30, 2022 and 2021.

Endowment Draws

Endowment draws during the years ending September 30, 2022 and 2021 were \$41,439 and \$38,488, respectively.

Spending Policy and How the Investment Objective Relates to Spending Policy

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.

Investment Policy for the Endowment

Purpose

The primary goal of the Endowment's investment policy is to generate and maximize funds available to benefit and assist in the educational, charitable and other exempt purposes of the Auxiliary over the long-term.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 five years. Within this model, the parameters of the asset allocation should be as follows:

	<u>Target</u>
Equity securities	55%
Fixed income	28%
Cash and equivalents	2%
Other securities	15%

Investment Plan

The plan is to be reviewed by the Foundation's Board of Directors and their advisors at least every three (3) years at a time set by the Foundation's Board of Directors.

17. 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.

SUPPLEMENTARY INFORMATION

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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ANALYSIS OF DEFERRED REVENUE – PUFL
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Increases		
Membership dues	\$ 379,974	\$ 201,666
Investment income	(916,755)	856,382
	(536,781)	1,058,048
Decreases		
Distributions to departments	287,922	283,703
Administrative expense	55,111	54,494
	343,033	338,197
Net Increase (Decrease)	(879,814)	719,851
Deferred Revenue, Beginning of Year	4,826,780	4,106,929
Deferred Revenue, End of Year	\$ 3,946,966	\$ 4,826,780

See report of independent auditors.

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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2022

	ASSETS			
	Auxiliary	Foundation	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 815,012	\$ 798,731	\$ -0-	\$ 1,613,743
Investments	37,733,967	1,865,345	-0-	39,599,312
Investments - PUFL	3,931,731	-0-	-0-	3,931,731
Prepaid expenses	71,639	-0-	-0-	71,639
Property and equipment, net	2,502,668	-0-	-0-	2,502,668
Other assets	72,488	-0-	(14,376)	58,112
Total assets	<u>\$ 45,127,505</u>	<u>\$ 2,664,076</u>	<u>\$ (14,376)</u>	<u>\$ 47,777,205</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 810,709	\$ 136,424	\$ (14,376)	\$ 932,757
Accrued expenses	295,695	-0-	-0-	295,695
Accrued scholarships	147,450	-0-	-0-	147,450
Deferred revenue - dues	2,694,918	-0-	-0-	2,694,918
Deferred revenue - PUFL	3,946,966	-0-	-0-	3,946,966
Deferred revenue - other	6,250	-0-	-0-	6,250
Liability for pension benefits	68,044	-0-	-0-	68,044
Total liabilities	<u>7,970,032</u>	<u>136,424</u>	<u>(14,376)</u>	<u>8,092,080</u>
Net Assets				
Net assets without donor restrictions:				
General operating	29,887,050	12,236	-0-	29,899,286
Board-designated	6,389,674	-0-	-0-	6,389,674
Pension plan (Note 12)	(573,944)	-0-	-0-	(573,944)
Total net assets without donor restrictions	<u>35,702,780</u>	<u>12,236</u>	<u>-0-</u>	<u>35,715,016</u>
With donor restrictions	<u>1,454,693</u>	<u>2,515,416</u>	<u>-0-</u>	<u>3,970,109</u>
Total net assets	<u>37,157,473</u>	<u>2,527,652</u>	<u>-0-</u>	<u>39,685,125</u>
Total liabilities and net assets	<u>\$ 45,127,505</u>	<u>\$ 2,664,076</u>	<u>\$ (14,376)</u>	<u>\$ 47,777,205</u>

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CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2022

	Auxiliary			Foundation			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total		
Revenue and Support								
Contract revenues:								
Membership dues	\$ 6,336,491	\$ -0-	\$ 6,336,491	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 6,336,491
Non-contract revenues:								
Contributions	802,909	373,810	1,176,719	210,886	688,011	898,897	(320,262)	1,755,354
Advertising	126,166	-0-	126,166	-0-	-0-	-0-	-0-	126,166
Other	1,276,886	-0-	1,276,886	-0-	10,000	10,000	-0-	1,286,886
	<u>2,205,961</u>	<u>373,810</u>	<u>2,579,771</u>	<u>210,886</u>	<u>698,011</u>	<u>908,897</u>	<u>(320,262)</u>	<u>3,168,406</u>
Net assets released from donor restrictions	<u>304,091</u>	<u>(304,091)</u>	<u>-0-</u>	<u>473,841</u>	<u>(473,841)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	<u>8,846,543</u>	<u>69,719</u>	<u>8,916,262</u>	<u>684,727</u>	<u>224,170</u>	<u>908,897</u>	<u>(320,262)</u>	<u>9,504,897</u>
Expenses								
Member and department support services	4,083,226	-0-	4,083,226	31,302	-0-	31,302	-0-	4,114,528
Youth and education services	935,901	-0-	935,901	67,573	-0-	67,573	(14,376)	989,098
Veterans and military families programs	631,317	-0-	631,317	210,478	-0-	210,478	(95,000)	746,795
Total program services	5,650,444	-0-	5,650,444	309,353	-0-	309,353	(109,376)	5,850,421
Management and general	1,965,993	-0-	1,965,993	88,377	-0-	88,377	(210,886)	1,843,484
Fundraising	562,728	-0-	562,728	286,997	-0-	286,997	-0-	849,725
Total expenses	<u>8,179,165</u>	<u>-0-</u>	<u>8,179,165</u>	<u>684,727</u>	<u>-0-</u>	<u>684,727</u>	<u>(320,262)</u>	<u>8,543,630</u>
Change in net assets from operations	667,378	69,719	737,097	-0-	224,170	224,170	-0-	961,267
Investment Loss, Net of Expenses	<u>(7,125,717)</u>	<u>(209,164)</u>	<u>(7,334,881)</u>	<u>221</u>	<u>(360,310)</u>	<u>(360,089)</u>	<u>-0-</u>	<u>(7,694,970)</u>
Pension Plan (Note 12)								
Change in unrecognized losses	738,551	-0-	738,551	-0-	-0-	-0-	-0-	738,551
Change in unamortized services costs	10,099	-0-	10,099	-0-	-0-	-0-	-0-	10,099
Total pension plan	<u>748,650</u>	<u>-0-</u>	<u>748,650</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>748,650</u>
Change in net assets	(5,709,689)	(139,445)	(5,849,134)	221	(136,140)	(135,919)	-0-	(5,985,053)
Net Assets, Beginning of Year	<u>41,412,469</u>	<u>1,594,138</u>	<u>43,006,607</u>	<u>12,015</u>	<u>2,651,556</u>	<u>2,663,571</u>	<u>-0-</u>	<u>45,670,178</u>
Net Assets, End of Year	<u>\$ 35,702,780</u>	<u>\$ 1,454,693</u>	<u>\$ 37,157,473</u>	<u>\$ 12,236</u>	<u>\$ 2,515,416</u>	<u>\$ 2,527,652</u>	<u>\$ -0-</u>	<u>\$ 39,685,125</u>

See report of independent auditors.

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CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2021

	Auxiliary			Foundation			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total		
Revenue and Support								
Contract revenues:								
Membership dues	\$ 6,382,677	\$ -0-	\$ 6,382,677	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 6,382,677
Non-contract revenues:								
Contributions	1,097,618	318,068	1,415,686	196,230	654,932	851,162	(270,117)	1,996,731
Advertising	211,950	-0-	211,950	-0-	-0-	-0-	-0-	211,950
Other	488,838	-0-	488,838	-0-	-0-	-0-	-0-	488,838
	<u>1,798,406</u>	<u>318,068</u>	<u>2,116,474</u>	<u>196,230</u>	<u>654,932</u>	<u>851,162</u>	<u>(270,117)</u>	<u>2,697,519</u>
Net assets released from donor restrictions	334,706	(334,706)	-0-	431,645	(431,645)	-0-	-0-	-0-
Total revenue and support	<u>8,515,789</u>	<u>(16,638)</u>	<u>8,499,151</u>	<u>627,875</u>	<u>223,287</u>	<u>851,162</u>	<u>(270,117)</u>	<u>9,080,196</u>
Expenses								
Member and department support services	4,464,611	-0-	4,464,611	21,655	-0-	21,655	(12,000)	4,474,266
Youth and education services	737,379	-0-	737,379	49,119	-0-	49,119	(16,887)	769,611
Veterans and military families programs	439,457	-0-	439,457	143,164	-0-	143,164	(45,000)	537,621
Total program services	5,641,447	-0-	5,641,447	213,938	-0-	213,938	(73,887)	5,781,498
Management and general	1,701,934	-0-	1,701,934	79,129	-0-	79,129	(196,230)	1,584,833
Fundraising	870,710	-0-	870,710	334,808	-0-	334,808	-0-	1,205,518
Total expenses	<u>8,214,091</u>	<u>-0-</u>	<u>8,214,091</u>	<u>627,875</u>	<u>-0-</u>	<u>627,875</u>	<u>(270,117)</u>	<u>8,571,849</u>
Change in net assets from operations	301,698	(16,638)	285,060	-0-	223,287	223,287	-0-	508,347
Investment Income, Net of Expenses	<u>7,541,909</u>	<u>217,032</u>	<u>7,758,941</u>	<u>74</u>	<u>328,500</u>	<u>328,574</u>	<u>-0-</u>	<u>8,087,515</u>
Pension Plan (Note 12)								
Change in unrecognized losses	305,262	-0-	305,262	-0-	-0-	-0-	-0-	305,262
Change in unamortized services costs	10,099	-0-	10,099	-0-	-0-	-0-	-0-	10,099
Total pension plan	<u>315,361</u>	<u>-0-</u>	<u>315,361</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>315,361</u>
Change in net assets	8,158,968	200,394	8,359,362	74	551,787	551,861	-0-	8,911,223
Net Assets, Beginning of Year	<u>33,253,501</u>	<u>1,393,744</u>	<u>34,647,245</u>	<u>11,941</u>	<u>2,099,769</u>	<u>2,111,710</u>	<u>-0-</u>	<u>36,758,955</u>
Net Assets, End of Year	<u>\$ 41,412,469</u>	<u>\$ 1,594,138</u>	<u>\$ 43,006,607</u>	<u>\$ 12,015</u>	<u>\$ 2,651,556</u>	<u>\$ 2,663,571</u>	<u>\$ -0-</u>	<u>\$ 45,670,178</u>

See report of independent auditors.