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AMERICAN LEGION AUXILIARY

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*F*OUNDATION

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**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2023 AND 2022**

*CPAs / ADVISORS*



# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
American Legion Auxiliary Foundation, Inc.  
Indianapolis, Indiana

### Opinion

We have audited the accompanying financial statements of American Legion Auxiliary Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2023 and 2022, and changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits 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 Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

## REPORT OF INDEPENDENT AUDITORS – Continued

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 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 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 financial statements.
- Obtain an understanding of internal controls 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 Foundation'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Foundation'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.

*Blue & Co., LLC*

Carmel, Indiana  
March 15, 2024

# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2023 AND 2022

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### ASSETS

	2023	2022
Cash	\$ 660,570	\$ 798,731
Investments	<u>2,284,694</u>	<u>1,865,345</u>
	<u>\$ 2,945,264</u>	<u>\$ 2,664,076</u>

### LIABILITIES AND NET ASSETS

#### Liabilities

Accounts payable	\$ 125,684	\$ 122,048
Due to related party, net	<u>-0-</u>	<u>14,376</u>
Total liabilities	125,684	136,424

#### Net assets

Without donor restrictions	13,401	12,236
With donor restrictions	<u>2,806,179</u>	<u>2,515,416</u>
Total net assets	<u>2,819,580</u>	<u>2,527,652</u>
	<u>\$ 2,945,264</u>	<u>\$ 2,664,076</u>

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See accompanying notes to financial statements.

## AMERICAN LEGION AUXILIARY FOUNDATION, INC.

STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2023  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue and support</b>				
Contributions	\$ 1,500	\$ 534,096	\$ 535,596	\$ 679,103
In-kind contributions	199,213	11,262	210,475	219,794
Other	-0-	10,000	10,000	10,000
Net assets released from restrictions	471,436	(471,436)	-0-	-0-
Total revenue and support	672,149	83,922	756,071	908,897
<b>Expenses</b>				
Program services	263,431	-0-	263,431	309,353
Management and general	65,929	-0-	65,929	88,377
Fundraising	342,791	-0-	342,791	286,997
Total expenses	672,151	-0-	672,151	684,727
Change in net assets from operations	(2)	83,922	83,920	224,170
<b>Investment return, net</b>	1,167	206,841	208,008	(360,089)
Change in net assets	1,165	290,763	291,928	(135,919)
<b>Net assets, beginning of year</b>	12,236	2,515,416	2,527,652	2,663,571
<b>Net assets, end of year</b>	\$ 13,401	\$ 2,806,179	\$ 2,819,580	\$ 2,527,652

*See accompanying notes to financial statements.*

# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED SEPTEMBER 30, 2022

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	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Contributions	\$ -0-	\$ 679,103	\$ 679,103
In-kind contributions	210,886	8,908	219,794
Other	-0-	10,000	10,000
Net assets released from donor restrictions	473,841	(473,841)	-0-
Total revenue and support	684,727	224,170	908,897
<b>Expenses</b>			
Program services	309,353	-0-	309,353
Management and general	88,377	-0-	88,377
Fundraising	286,997	-0-	286,997
Total expenses	684,727	-0-	684,727
Change in net assets from operations	-0-	224,170	224,170
<b>Investment return, net</b>	221	(360,310)	(360,089)
Change in net assets	221	(136,140)	(135,919)
<b>Net assets, beginning of year</b>	12,015	2,651,556	2,663,571
<b>Net assets, end of year</b>	\$ 12,236	\$ 2,515,416	\$ 2,527,652

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See accompanying notes to financial statements.

## AMERICAN LEGION AUXILIARY FOUNDATION, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2023

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)

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	2023			2022 Total	
	Program Services	Management and General	Fundraising		
Grants and scholarships	\$ 217,187	\$ 1,500	\$ -0-	\$ 218,687	\$ 275,936
Personnel and related benefits	46,244	43,344	52,457	142,045	153,942
Professional services and fees	-0-	10,268	31,102	41,370	43,422
Travel, conferences and meetings	-0-	8,144	6,252	14,396	16,863
General operating expenses	-0-	2,673	7,588	10,261	13,304
Printing, publicity and awards	-0-	-0-	154,099	154,099	112,399
Postage and freight	-0-	-0-	81,293	81,293	68,861
Other	-0-	-0-	10,000	10,000	-0-
Total expenses	<u>\$ 263,431</u>	<u>\$ 65,929</u>	<u>\$ 342,791</u>	<u>\$ 672,151</u>	<u>\$ 684,727</u>

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*See accompanying notes to financial statements.*



## AMERICAN LEGION AUXILIARY FOUNDATION, INC.

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2022

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	Program Services	Management and General	Fundraising	Total
Grants and scholarships	\$ 275,936	\$ -0-	\$ -0-	\$ 275,936
Personnel and related benefits	33,395	66,952	53,595	153,942
Professional services and fees	22	9,549	33,851	43,422
Travel, conferences and meetings	-0-	10,057	6,806	16,863
General operating expenses	-0-	1,819	11,485	13,304
Printing, publicity and awards	-0-	-0-	112,399	112,399
Postage and freight	-0-	-0-	68,861	68,861
Total expenses	<u>\$ 309,353</u>	<u>\$ 88,377</u>	<u>\$ 286,997</u>	<u>\$ 684,727</u>

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*See accompanying notes to financial statements.*

## AMERICAN LEGION AUXILIARY FOUNDATION, INC.

### STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2023 AND 2022

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	<u>2023</u>	<u>2022</u>
<b>Operating activities</b>		
Change in net assets	\$ 291,928	\$ (135,919)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net realized gains on investments	(51,551)	(24,430)
Net unrealized (gains) losses on investments	(90,599)	425,093
Contributions restricted for Mission Endowment (Note 5)	(141,200)	(230,990)
Changes in operating assets and liabilities:		
Other assets	-0-	11,000
Accounts payable	3,636	(43,782)
Deferred income	-0-	(5,000)
Due to related party, net	<u>(14,376)</u>	<u>(13,011)</u>
Net cash flows from operating activities	(2,162)	(17,039)
<b>Investing activities</b>		
Proceeds from sale of investments	2,082	2,155
Purchase of investments	<u>(279,281)</u>	<u>(206,896)</u>
Net cash flows from investing activities	<u>(277,199)</u>	<u>(204,741)</u>
<b>Financing activities</b>		
Contributions restricted for Mission Endowment (Note 5)	<u>141,200</u>	<u>230,990</u>
Net change in cash	(138,161)	9,210
<b>Cash, beginning of year</b>	<u>798,731</u>	<u>789,521</u>
<b>Cash, end of year</b>	<u><u>\$ 660,570</u></u>	<u><u>\$ 798,731</u></u>

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See accompanying notes to financial statements.

# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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### 1. NATURE OF ACTIVITIES

The American Legion Auxiliary Foundation, Inc. (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 American Legion Auxiliary National Headquarters (the "Auxiliary"), a not-for-profit entity headquartered in Indianapolis, Indiana. The Foundation operates exclusively for the benefit of the Auxiliary and assists in fundraising and offers support in carrying out the educational, charitable, and other programs sponsored by the Auxiliary.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting

The accounts of the Foundation are reported on a consolidated basis with those of the Auxiliary in a separate document. The accompanying financial statements include only the accounts and disclosures related to the Foundation. Related party transactions with the Auxiliary are reported in Note 8.

#### Basis of Presentation

Net assets, support, revenue, gains and losses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

- Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of the net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environments in which it operates, the purposes specified in its corporate documents and its applications for tax-exempt status, and any limitations resulting from contractual agreements with creditors and others entered into in the course of its operations.
- Net assets with donor restrictions – Net assets with donor restrictions are net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions which require the net assets be held in perpetuity or for a specific term with investment return available for operations or specific purposes.

When a donor's restriction is satisfied, either by using the resource in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the statement of activities and changes in net assets by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates

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# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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and assumptions that affect the reported amounts in the asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

### Investments and Investment Return

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

### Support and Revenue Recognition

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until those conditions have been met.

Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Contributions raised through direct mail campaigns are reported at the gross amount received.

### Functional Expenses

The costs of providing the programs and services of the Foundation have been summarized on a functional basis in the statements of activities and 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 estimates of time and usage by programs. 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 Foundation is organized as a not-for-profit corporation and, accordingly, is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state law. As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal 990 – Return of Organization Exempt from Income Tax, and similar state return, which are informational returns only.

U.S. GAAP require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would be sustained upon examination by various federal and state taxing authorities. Management has

# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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analyzed the tax positions taken by the Foundation, and has concluded as of September 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

The Foundation has filed federal and state informational returns for periods through September 30, 2022. These informational 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 is filed or its due date (including approved extensions).

### Subsequent Events

The Foundation evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 15, 2024, which is the date the financial statements were available to be issued.

### 3. INVESTMENTS

Investment consists of the following at September 30:

	<u>2023</u>	<u>2022</u>
Money market mutual funds	\$ 96,169	\$ 269,396
Mutual funds	1,160,033	774,799
Exchange traded funds	970,326	763,657
Corporate bonds	58,166	57,493
Total investments	<u>\$ 2,284,694</u>	<u>\$ 1,865,345</u>

The following schedule summarizes investment return for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 67,940	\$ 42,729
Investment fees	(2,082)	(2,155)
Net realized gains	51,551	24,430
Net unrealized gains (losses)	<u>90,599</u>	<u>(425,093)</u>
Investment return, net	<u>\$ 208,008</u>	<u>\$ (360,089)</u>

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# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

### 4. NET ASSETS

#### Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for future years and the following specified purposes at September 30:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for a specific purpose		
Veteran Projects Fund	\$ 284,500	\$ 317,090
National and Local Veteran Creative Arts Festival(s)	187,551	158,157
Mission	<u>6,135</u>	<u>6,135</u>
	478,186	481,382
Endowment:		
Held in perpetuity	2,023,623	1,882,423
Undistributed endowment earnings	<u>304,370</u>	<u>151,611</u>
	<u>2,327,993</u>	<u>2,034,034</u>
	<u>\$ 2,806,179</u>	<u>\$ 2,515,416</u>

#### Net Assets Released from Restrictions

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes of by occurrences of other events specified by the donors as follows during the years ended September 30:

	<u>2023</u>	<u>2022</u>
Endowment distributions in support of Auxiliary operations	\$ 47,213	\$ 41,439
Veteran Projects Fund grants and sub-grants	84,604	86,055
National and Local Veteran Creative Arts Festival(s)	54,677	101,261
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	30,692	47,203
Mission (direct mail campaign and other)	<u>254,250</u>	<u>197,883</u>
	<u>\$ 471,436</u>	<u>\$ 473,841</u>

### 5. AMERICAN LEGION AUXILIARY FOUNDATION ALA MISSION ENDOWMENT

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 held in cash and investments.

# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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### Interpretation of Relevant Law

The Foundation is subject to the State Prudent Management Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. A portion of those net assets are also subject to purpose restrictions which must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless as donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund; (b) any accumulations to the fund which are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with SPMIFA, 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
- 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 SPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at September 30, 2023 and 2022.

### Return Objective and Risk Parameters

The Foundation has adopted investment policies for endowment asset to generate and maximize funds available to benefit and assist in the educational, charitable, and other exempt purposes of the Auxiliary over time. Under this policy, as approved by the Board of Directors, the endowment investments are invested in a manner that is intended to produce a total return which protects the purchasing power of the endowment investments and which allows for spending under the terms of the endowment fund.

# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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### Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation, as it relates to endowment investments, targets a diversified asset allocation which places emphasis on generating a return of at least 4.5% over the Consumer Price Index.

### Spending Policy and How the Investment Objective Relates to Spending Policy

The Foundation has a policy for its Mission Endowment of appropriating for distributions each year on established percentage. The available Mission Endowment distribution 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.

The composition of the Mission Endowment net assets is as follows at September 30:

	<u>2023</u>	<u>2022</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,023,623	\$ 1,882,423
Accumulated investment gains	<u>304,370</u>	<u>151,611</u>
	<u>\$ 2,327,993</u>	<u>\$ 2,034,034</u>

Changes in Mission Endowment net assets are as follows for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Endowment net assets, beginning of year	\$ 2,034,034	\$ 2,205,645
Contributions	141,200	230,990
Investment return, net	199,972	(361,162)
Distributions	<u>(47,213)</u>	<u>(41,439)</u>
Endowment net assets, end of year	<u>\$ 2,327,993</u>	<u>\$ 2,034,034</u>

## 6. 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 unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest

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# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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prior to unobservable inputs (Level 3). The three levels of the 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 Foundation 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 assets or liability has a specific (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 and 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 to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2023 and 2022.

- *Money market mutual funds:* Generally, transact subscription and redemptions activity at \$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.
- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are 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 Foundation are deemed to be actively traded.
- *Exchange-traded funds:* Valued at the closing price reported in the active market on which the individual securities are traded.
- *Corporate bonds:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

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

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## AMERICAN LEGION AUXILIARY FOUNDATION, INC.

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

The following table set forth by level, within the hierarchy, the Foundation's assets measured at fair value on a recurring basis at September 30, 2023:

	Level 1	Level 2	Total
Money market mutual funds	\$ -0-	\$ 96,169	\$ 96,169
Mutual funds - equities			
International	241,965	-0-	241,965
Other	90,091	-0-	90,091
Mutual funds - fixed income			
Intermediate term	336,051	-0-	336,051
Other	491,926	-0-	491,926
Exchange traded funds			
Large blend	379,650	-0-	379,650
Large growth	171,564	-0-	171,564
Large value	164,421	-0-	164,421
Small blend	254,691	-0-	254,691
Corporate bonds	-0-	58,166	58,166
Total investments at fair value	\$ 2,130,359	\$ 154,335	\$ 2,284,694

The following table set forth by level, within the hierarchy, the Foundation's assets measured at fair value on a recurring basis at September 30, 2022:

	Level 1	Level 2	Total
Money market mutual funds	\$ -0-	\$ 269,396	\$ 269,396
Mutual funds - equities			
International	128,273	-0-	128,273
Other	36,085	-0-	36,085
Mutual funds - fixed income			
Intermediate term	284,234	-0-	284,234
Other	326,207	-0-	326,207
Exchange traded funds			
Large blend	285,069	-0-	285,069
Large growth	135,708	-0-	135,708
Large value	141,158	-0-	141,158
Small blend	176,580	-0-	176,580
Other	25,142		
Corporate bonds	-0-	57,493	57,493
Total investments at fair value	\$ 1,538,456	\$ 326,889	\$ 1,865,345

# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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### 7. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets which are available to meet general expenditures within one year of the financial statement date; that is, amounts which are without donor restrictions limiting their use at September 30:

	<u>2023</u>	<u>2022</u>
Financial Assets		
Cash	\$ 660,570	\$ 798,731
Investments	<u>2,284,694</u>	<u>1,865,345</u>
Total financial assets	2,945,264	2,664,076
Donor-imposed restrictions		
Purpose and time restrictions	(478,186)	(481,382)
Endowment funds	<u>(2,327,993)</u>	<u>(2,034,034)</u>
	<u>(2,806,179)</u>	<u>(2,515,416)</u>
Financial assets available to meeting cash needs for general expenditures within one year	<u>\$ 139,085</u>	<u>\$ 148,660</u>

The Foundation'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 Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation 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.

Because endowments exist in perpetuity, the Foundation may only spend from its endowment in accordance with its spending policy (Note 5).

### 8. RELATED PARTY TRANSACTIONS

During the years ended September 30, 2023 and 2022, the Foundation received contributions of \$199,213 and \$210,886 (representing the in-kind services outline in Note 9) from the Auxiliary to fund certain organizational and other costs incurred by the Foundation. In addition, the Foundation granted \$66,500 and \$109,376 to the Auxiliary in 2023 and 2022, respectively, for program support, and the Foundation granted \$152,187 and \$166,560 in 2023 and 2022, respectively, to affiliated Auxiliary departments and units.

# AMERICAN LEGION AUXILIARY FOUNDATION, INC.

## NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2023 AND 2022

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### 9. CONTRIBUTED NONFINANCIAL ASSETS

Contributions of nonfinancial assets, also known as gifts-in-kind (GIK), recognized in the statements of activities include the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Auxiliary - in-kind contributions		
Personnel and related benefits	\$ 142,045	\$ 149,094
Other operating expenses	<u>57,168</u>	<u>61,792</u>
	199,213	210,886
Special events products or services	<u>11,262</u>	<u>8,908</u>
	<u>\$ 210,475</u>	<u>\$ 219,794</u>

Personnel and related benefits are valued using actual wages and benefits paid by the Auxiliary, which are then allocated to the Foundation based on actual or estimated amount of time spent by employees for member and department services, youth educational services, veteran programs and operational activities. Other in-kind contributions are valued using estimated prices of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. Donor-restricted GIK of \$11,262 and \$8,908 include products or services utilized in the Foundation's auction items benefiting the Mission Endowment (Note 5) for the years ended September 30, 2023 and 2022.

### 10. CONCENTRATIONS

#### Cash

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

#### Revenue and Support

The Foundation received in-kind contributions from the Auxiliary (Note 9). For the years ended September 30, 2023 and 2022, the Auxiliary comprised 26% and 23% of the Foundation's total revenue and support, respectively.