



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

CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021 AND 2020



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

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the American Legion Auxiliary National Headquarters and the American Legion Auxiliary Foundation, Inc. (collectively referred to as the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the American Legion Auxiliary National Headquarters and the American Legion Auxiliary Foundation, Inc. as of September 30, 2021 and 2020, and the results of its changes in net assets, functional expenses, and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 31 to 34 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of Management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Alending CPA Group*

January 18, 2022

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2021 AND 2020

**ASSETS**

	<u>2021</u>	<u>2020</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,866,021	\$ 1,615,812
Investments	46,896,894	37,972,186
Investments - PUFL	4,914,915	4,232,292
Prepaid expenses	175,845	109,837
Property and equipment, net	2,620,530	2,772,183
Other assets	<u>127,019</u>	<u>48,578</u>
Total assets	<u>\$ 56,601,224</u>	<u>\$ 46,750,888</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>		
Accounts payable	\$ 1,382,532	\$ 606,644
Accrued expenses	301,252	275,272
Accrued scholarships	128,000	127,500
Deferred revenue - dues	2,831,745	2,954,169
Deferred revenue - PUFL	4,826,780	4,106,929
Deferred revenue - other	7,000	5,000
Liability for pension benefits	887,237	1,349,919
Note payable	<u>566,500</u>	<u>566,500</u>
Total liabilities	<u>10,931,046</u>	<u>9,991,933</u>
<b>Net Assets:</b>		
Without donor restriction	42,747,078	34,903,397
With donor restriction	<u>4,245,694</u>	<u>3,493,513</u>
Total net assets before accumulated other comprehensive loss	46,992,772	38,396,910
Accumulated other comprehensive loss	<u>(1,322,594)</u>	<u>(1,637,955)</u>
Total net assets	<u>45,670,178</u>	<u>36,758,955</u>
Total liabilities and net assets	<u>\$ 56,601,224</u>	<u>\$ 46,750,888</u>

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	2021		Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions		
<b>Revenue and Support:</b>				
Contract revenues				
Membership dues	\$ 6,382,677	\$ -0-	\$ 6,382,677	\$ 6,571,753
Non-contract revenues:				
Contributions	1,023,731	973,000	1,996,731	1,464,883
Advertising	211,950	-0-	211,950	236,846
Other	488,838	-0-	488,838	407,836
	<u>1,724,519</u>	<u>973,000</u>	<u>2,697,519</u>	<u>2,109,565</u>
Total revenue and support	<u>8,107,196</u>	<u>973,000</u>	<u>9,080,196</u>	<u>8,681,318</u>
<b>Net Assets Released From Donor Restrictions</b>	<u>766,351</u>	<u>(766,351)</u>	<u>-0-</u>	<u>-0-</u>
	<u>8,873,547</u>	<u>206,649</u>	<u>9,080,196</u>	<u>8,681,318</u>
<b>Expenses:</b>				
Member and department support services	4,474,266	-0-	4,474,266	3,772,795
Youth and education services	769,611	-0-	769,611	688,052
Veterans and military families programs	537,621	-0-	537,621	780,884
Total program services	5,781,498	-0-	5,781,498	5,241,731
Management and general	1,584,833	-0-	1,584,833	1,652,036
Fundraising	1,205,518	-0-	1,205,518	1,182,671
Total expenses	<u>8,571,849</u>	<u>-0-</u>	<u>8,571,849</u>	<u>8,076,438</u>
Change in net assets from operations	301,698	206,649	508,347	604,880
<b>Investment Income, Net of Expenses</b>	<u>7,541,983</u>	<u>545,532</u>	<u>8,087,515</u>	<u>2,719,965</u>
Change in net assets	7,843,681	752,181	8,595,862	3,324,845
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	<u>34,903,397</u>	<u>3,493,513</u>	<u>38,396,910</u>	<u>35,072,065</u>
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 42,747,078</u>	<u>\$ 4,245,694</u>	<u>\$ 46,992,772</u>	<u>\$ 38,396,910</u>

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support:</b>			
Contract revenues			
Membership dues	\$ 6,571,753	\$ -0-	\$ 6,571,753
Non-contract revenues:			
Contributions	662,146	802,737	1,464,883
Advertising	236,846	-0-	236,846
Other	407,836	-0-	407,836
	<u>1,306,828</u>	<u>802,737</u>	<u>2,109,565</u>
Total revenue and support	<u>7,878,581</u>	<u>802,737</u>	<u>8,681,318</u>
<b>Net Assets Released From Donor Restrictions</b>	<u>609,693</u>	<u>(609,693)</u>	<u>-0-</u>
	<u>8,488,274</u>	<u>193,044</u>	<u>8,681,318</u>
<b>Expenses:</b>			
Member and department support services	3,772,795	-0-	3,772,795
Youth and education services	688,052	-0-	688,052
Veterans and military families programs	780,884	-0-	780,884
Total program services	5,241,731	-0-	5,241,731
Management and general	1,652,036	-0-	1,652,036
Fundraising	1,182,671	-0-	1,182,671
Total expenses	<u>8,076,438</u>	<u>-0-</u>	<u>8,076,438</u>
Change in net assets from operations	411,836	193,044	604,880
<b>Investment Income, Net of Expenses</b>	<u>2,534,529</u>	<u>185,436</u>	<u>2,719,965</u>
Change in net assets	2,946,365	378,480	3,324,845
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	<u>31,957,032</u>	<u>3,115,033</u>	<u>35,072,065</u>
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 34,903,397</u>	<u>\$ 3,493,513</u>	<u>\$ 38,396,910</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, 2021  
(WITH COMPARATIVE TOTALS FOR 2020)

	<b>2021</b>			<b>Totals</b>	<b>2020 Totals</b>
	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>		
Personnel and related benefits	\$ 1,976,820	\$ 1,081,677	\$ 180,510	\$ 3,239,007	\$ 3,099,599
General operating expenses	490,347	271,412	40,388	802,147	785,780
Travel, conferences and meetings	1,168,345	70,004	12,347	1,250,696	653,269
Occupancy	42,467	21,087	3,053	66,607	39,194
Professional services and fees	367,128	113,540	100,270	580,938	658,508
Printing, publicity and awards	612,686	11,615	654,974	1,279,275	1,459,931
Postage and freight	654,768	8,190	213,976	876,934	863,393
Grants and scholarships	436,461	-0-	-0-	436,461	477,247
Other	<u>32,476</u>	<u>7,308</u>	<u>-0-</u>	<u>39,784</u>	<u>39,517</u>
Total expenses	<u>\$ 5,781,498</u>	<u>\$ 1,584,833</u>	<u>\$ 1,205,518</u>	<u>\$ 8,571,849</u>	<u>\$ 8,076,438</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, 2020

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Totals</b>
Personnel and related benefits	\$ 1,868,006	\$ 1,066,284	\$ 165,309	\$ 3,099,599
General operating expenses	484,705	254,771	46,304	785,780
Travel, conferences and meetings	528,880	119,058	5,331	653,269
Occupancy	17,776	20,137	1,281	39,194
Professional services and fees	367,511	172,917	118,080	658,508
Printing, publicity and awards	814,126	6,403	639,402	1,459,931
Postage and freight	649,563	6,866	206,964	863,393
Grants and scholarships	474,697	2,550	-0-	477,247
Other	36,467	3,050	-0-	39,517
Total expenses	<u>\$ 5,241,731</u>	<u>\$ 1,652,036</u>	<u>\$ 1,182,671</u>	<u>\$ 8,076,438</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 8,595,862	\$ 3,324,845
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	163,037	157,455
Net realized (gains) losses on investments	(1,988,809)	21,790
Net realized (gains) losses on investments - PUFL	2,717	(22,025)
Net unrealized gains on investments	(4,904,360)	(1,894,675)
Net unrealized gains on investments - PUFL	(753,042)	(208,722)
Net periodic pension (benefit) expense	(24,692)	15,036
Changes in operating assets and liabilities:		
Prepaid expenses	(66,008)	52,827
Other assets	(78,441)	72,637
Accounts payable	775,888	(166)
Accrued expenses and scholarships	26,480	126,454
Deferred revenue - dues	(122,424)	(72,018)
Deferred revenue - PUFL	719,851	183,878
Deferred revenue - other	2,000	(29,285)
Liability for pension benefits	(122,629)	(121,738)
Net cash provided by operating activities	<u>2,225,430</u>	<u>1,606,293</u>
<b>Cash Flows From Investing Activities:</b>		
Capital expenditures	(11,384)	(194,857)
Purchase of investments	(3,152,396)	(3,782,005)
Proceeds from sale of investments	1,120,857	2,124,222
Purchase of investments - PUFL	(162,105)	(97,069)
Proceeds from sale of investments - PUFL	229,807	146,579
Net cash used in investing activities	<u>(1,975,221)</u>	<u>(1,803,130)</u>
<b>Cash Flows From Financing Activities:</b>		
Borrowings on note payable	<u>-0-</u>	<u>566,500</u>
<b>Net Change in Cash and Cash Equivalents</b>	250,209	369,663
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>1,615,812</u>	<u>1,246,149</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,866,021</u>	<u>\$ 1,615,812</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Description of Entities

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

The Auxiliary is a national membership veterans’ service organization headquartered in Indianapolis, Indiana. The Auxiliary was founded in 1919 in conjunction with the establishment of The American Legion by the United States Congress and was incorporated as a not-for-profit organization on November 11, 1932 under the laws of the State of Indiana. ALA 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 was organized by the Auxiliary exclusively for the benefit of the Auxiliary and assists in fundraising and offers support in carrying out educational, charitable, and other programs sponsored by the Auxiliary. Accordingly, as required by accounting principles generally accepted in the United States of America (“U.S. GAAP”), the Foundation’s accounts and related disclosures are consolidated herein with those of the Auxiliary.

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

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

Basis of Presentation

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

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

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

Cash and Cash Equivalents

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

Investments and Investment Return

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

Property and Equipment and Depreciation

Purchased property and equipment and expenditures which substantially increase the useful lives of existing assets are recorded at cost. Cost of repairs and maintenance are expensed as incurred. Property and equipment are depreciated over the estimated useful lives, which range from 3 to 40 years, using the straight-line method of depreciation.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

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.

Disaggregation of Revenues from Contracts with Customers

All of the Organization's revenues are from performance obligations satisfied over time and, accordingly, no contract revenues are from performance obligations satisfied at a point in time.

Performance Obligations

For performance obligations related to membership dues, control transfers to the customer over time. Revenues from these sources are recognized in the period to which the fees relate.

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. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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Functional Expenses

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

Income Taxes

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

Management of the Organization evaluates all significant tax positions to ensure compliance with the exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of September 30, 2021, Management does not believe the Organization has taken any tax positions that are not in compliance with its exempt purpose. The Organization's Federal and state tax returns remain open and subject to examination beginning with the tax year ended September 30, 2018.

Subsequent Events

Subsequent events have been evaluated through January 18, 2022, which is the date the consolidated financial statements were available for issuance.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020

**2. LIQUIDITY AND AVAILABILITY**

At September 30, 2021 and 2020, the Organization's financial assets available for future general expenditures within one year from the date of the consolidated Statements of Financial Position comprise the following:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,866,021	\$ 1,615,812
Investments	46,896,894	37,972,186
Investments (PUFL)	<u>4,914,915</u>	<u>4,232,292</u>
	<u>53,677,830</u>	<u>43,820,290</u>
Less amounts not available to be used for general expenditure within one year:		
Deferred revenue - PUFL	(4,826,780)	(4,106,929)
Board designated funds	(6,472,021)	(5,622,637)
Donor restricted funds	(998,440)	(858,031)
Donor restricted endowment	<u>(3,247,254)</u>	<u>(2,635,482)</u>
	<u>(15,544,495)</u>	<u>(13,223,079)</u>
Financial assets available to meeting cash needs for general expenditures within one year	<u>\$38,133,335</u>	<u>\$30,597,211</u>

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 \$6,382,677 and \$6,571,753 for the years ended September 30, 2021 and 2020, 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.

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

**3. CONTRACT LIABILITIES**

The Organization’s contract liabilities comprise of the following as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Deferred revenue - dues:		
Beginning of year	\$ 2,954,169	\$ 3,026,187
End of year	\$ 2,831,745	\$ 2,954,169
Deferred revenue - PUFL (Note 11):		
Beginning of year	\$ 4,106,929	\$ 3,923,051
End of year	\$ 4,826,780	\$ 4,106,929

**4. FAIR VALUE MEASUREMENTS**

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

***Level 1***

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

***Level 2***

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Organization has no Level 2 investments at September 30, 2021 and 2020.



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**Level 3**

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

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

The following is a description of the valuation methodology used for the Organization's investments measured at fair value as of September 30, 2021 and 2020. There have been no changes in the methodologies used as of September 30, 2021.

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

*Mutual Funds:* Valued at the daily closing prices as reported by the fund. Mutual funds held by the Organization are open-end mutual funds and 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 Organization are deemed to be actively traded. A money market fund is an open-ended fund that invests in short-term debt securities and commercial paper.

*Partnerships:* Valued based on an annual independent valuation of the related private company. The partnerships are not registered with the Securities and Exchange Commission. Partnerships are valued as Level 3 investments at September 30, 2021 and 2020.

There were no liabilities measured at fair value at September 30, 2021. Assets measured at fair value on a recurring basis at September 30, 2021 include the following:

	<u>Level 1</u>	Level 3	<u>Total</u>
Investments	\$ 45,647,940	\$ 1,248,954	\$ 46,896,894
Investments - PUFL	<u>4,914,915</u>	<u>-0-</u>	<u>4,914,915</u>
	<u>\$ 50,562,855</u>	<u>\$ 1,248,954</u>	<u>\$ 51,811,809</u>

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There were no liabilities measured at fair value at September 30, 2020. Assets measured at fair value on a recurring basis at September 30, 2020 include the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 36,590,608	\$ 1,381,578	\$ 37,972,186
Investments - PUFL	<u>4,232,292</u>	<u>-0-</u>	<u>4,232,292</u>
	<u>\$ 40,822,900</u>	<u>\$ 1,381,578</u>	<u>\$ 42,204,478</u>

The following schedule summarizes the changes in assets measured using Level 3 inputs during the years ending September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Partnerships, beginning of year	\$ 1,381,578	\$ 995,224
Deposits	489,974	550,441
Withdrawals	(1,003,186)	(128,481)
Realized gains	97,929	(21,790)
Unrealized gains	<u>282,659</u>	<u>(13,816)</u>
Partnerships, end of year	<u>\$ 1,248,954</u>	<u>\$ 1,381,578</u>

## 5. INVESTMENTS AND INVESTMENT RETURN

A summary of the Organization's investments and investment returns as of September 30, 2021 and 2020 and for the years then ended is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>Investments:</b>				
Money market funds	\$ 1,294,038	\$ 1,294,038	\$ 320,928	\$ 320,928
Exchange traded funds	8,179,406	15,878,295	7,333,250	12,939,243
Mutual funds	21,688,545	28,475,607	19,072,181	23,330,437
Partnerships and other	<u>1,041,519</u>	<u>1,248,954</u>	<u>1,456,801</u>	<u>1,381,578</u>
Total investments	<u>\$ 32,203,508</u>	<u>\$ 46,896,894</u>	<u>\$ 28,183,160</u>	<u>\$ 37,972,186</u>

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The following schedule summarizes the investment income (loss) and its classification in the statements of activities and changes in net assets for the years ended September 30, 2021 and 2020:

	2021						
	General Fund	Board Designated Funds	Without Donor Restrictions Total	With Donor Restrictions	Auxiliary Total	Foundation Total	Total
Dividends and interest (net of expenses of \$50,883)	\$ 987,862	\$ 117,971	\$ 1,105,833	\$ 33,076	\$ 1,138,909	\$ 55,437	\$ 1,194,346
Net realized gains on investments	1,856,375	66,884	1,923,259	65,650	1,988,909	(100)	1,988,809
Net unrealized gains on investments	4,061,154	451,663	4,512,817	118,306	4,631,123	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>\$ 328,574</u>	<u>\$ 8,087,515</u>

  

	2020						
	General Fund	Board Designated Funds	Total Funds Without Restriction	Donor Restricted Funds	Auxiliary Total	Foundation Total	Total
Dividends and interest (net of expenses of \$40,539)	\$ 706,191	\$ 76,823	\$ 783,014	\$ 23,242	\$ 806,256	\$ 40,824	\$ 847,080
Net realized losses on investments	(21,347)	-0-	(21,347)	-0-	(21,347)	(443)	(21,790)
Net unrealized gains on investments	1,613,426	159,436	1,772,862	54,066	1,826,928	67,747	1,894,675
Total investment income	<u>\$ 2,298,270</u>	<u>\$ 236,259</u>	<u>\$ 2,534,529</u>	<u>\$ 77,308</u>	<u>\$ 2,611,837</u>	<u>\$ 108,128</u>	<u>\$ 2,719,965</u>

## 6. PROPERTY AND EQUIPMENT

The Organization's property and equipment for the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 270,400	\$ 270,400
Building and improvements	2,266,589	2,266,589
Furniture, office equipment and information technology	<u>1,790,343</u>	<u>1,778,958</u>
	4,327,332	4,315,947
Accumulated depreciation and amortization	<u>(1,706,802)</u>	<u>(1,543,764)</u>
	<u>\$ 2,620,530</u>	<u>\$ 2,772,183</u>

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**7. NOTE PAYABLE**

Effective April 29, 2020, the Organization borrowed \$566,500 from a bank under the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). Under the terms of the program, a portion or all of the loan may be forgiven if the Organization maintains certain levels of employment and spends the funds on qualified expenditures during a specified period following the funding of the loan. The Organization has applied for forgiveness and expects a significant portion of the loan to be forgiven during the year ended September 30, 2022.

**8. 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Auxiliary Net Assets Without Donor Restrictions:		
General operations	\$ 36,263,042	\$ 29,268,819
Auxiliary Board Designated Net Assets:		
National President's Scholarship Fund Endowment (NEC designated)	2,666,760	2,237,922
NEC designated reserves	2,330,800	2,189,353
Auxiliary Emergency Fund	791,024	670,036
Spirit of Youth Fund	576,550	418,439
Other	<u>106,887</u>	<u>106,887</u>
Total Auxiliary Board Designated Net Assets	<u>6,472,021</u>	<u>5,622,637</u>
Total Auxiliary Net Assets Without Donor Restrictions	<u>42,735,063</u>	<u>34,891,456</u>
Foundation Net Assets Without Donor Restrictions:		
General operations	<u>12,015</u>	<u>11,941</u>
Total consolidated net assets without donor restrictions	<u>\$ 42,747,078</u>	<u>\$ 34,903,397</u>

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**9. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
<b>Auxiliary Net Assets with Donor Restrictions:</b>		
Subject to expenditure for specific purposes:		
Spirit of Youth Fund	\$ 176,905	\$ 241,095
Emergency Fund grants	123,073	89,755
Other	<u>252,551</u>	<u>178,154</u>
	<u>552,529</u>	<u>509,004</u>
Endowment:		
Held in perpetuity	789,986	776,315
Undistributed endowment earnings	<u>251,623</u>	<u>108,425</u>
	<u>1,041,609</u>	<u>884,740</u>
Total Auxiliary net assets with donor restrictions	<u>1,594,138</u>	<u>1,393,744</u>
<b>Foundation Net Assets with Donor Restrictions:</b>		
Subject to expenditure for specific purposes:		
Veteran Projects Fund	296,146	205,124
National and Local Veteran Creative Arts Festival(s)	146,050	140,188
Mission	<u>3,715</u>	<u>3,715</u>
	<u>445,911</u>	<u>349,027</u>
Endowment:		
Held in perpetuity	1,651,433	1,485,992
Undistributed endowment earnings	<u>554,212</u>	<u>264,750</u>
	<u>2,205,645</u>	<u>1,750,742</u>
Total Foundation net assets with donor restrictions	<u>2,651,556</u>	<u>2,099,769</u>
Total consolidated net assets with donor restrictions	<u>\$ 4,245,694</u>	<u>\$ 3,493,513</u>

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**10. 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, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
Auxiliary:		
Emergency Fund grants and related expenses	\$ 184,334	\$ 223,988
National President's Scholarship Fund Endowment scholarships and related expenses, net of forfeitures	73,834	75,000
Spirit of Youth Fund scholarships and related expenses, net of forfeitures	76,538	63,880
Foundation:		
Endowment distributions in support of Auxiliary operations	38,488	14,731
Veteran Projects Fund grants and sub-grants	74,962	42,087
National and Local Veteran Creative Arts Festival(s)	52,503	47,520
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	23,000	27,750
Mission (direct mail campaign and other)	<u>242,692</u>	<u>114,737</u>
	<u>\$ 766,351</u>	<u>\$ 609,693</u>

**11. PAID-UP-FOR-LIFE (PUFL) TRUST**

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

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

	<u>2021</u>	<u>2020</u>
<b>Assets:</b>		
Cash	\$ 134,045	\$ 96,684
Investments - PUFL	<u>4,914,915</u>	<u>4,232,292</u>
Total assets	<u>\$ 5,048,960</u>	<u>\$ 4,328,976</u>
<b>Liabilities:</b>		
Due to General Operating Fund	\$ 222,180	\$ 222,047
Deferred revenue - PUFL	<u>4,826,780</u>	<u>4,106,929</u>
	<u>\$ 5,048,960</u>	<u>\$ 4,328,976</u>

The cost and market value of investments in the PUFL Membership trust as of September 30, 2021 and 2020 are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
<b>Investments:</b>				
Money market funds	\$ 86,512	\$ 86,512	\$ 87,227	\$ 87,227
Exchange traded funds	1,016,376	2,689,249	1,598,135	2,697,443
Mutual funds and other	<u>1,937,987</u>	<u>2,139,154</u>	<u>1,425,932</u>	<u>1,447,622</u>
Total investments	<u>\$ 3,040,875</u>	<u>\$ 4,914,915</u>	<u>\$ 3,111,294</u>	<u>\$ 4,232,292</u>

The following schedule summarizes the PUFL Membership trust investment income for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Dividends and interest, net of fees	\$ 106,057	\$ 72,490
Net realized gains (losses) on investments	(2,717)	22,025
Net unrealized gains (losses) on investments	<u>753,042</u>	<u>208,722</u>
Total investment income	<u>\$ 856,382</u>	<u>\$ 303,237</u>

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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.

Significant balances, costs, and assumptions are as follows:

	<u>2021</u>	<u>2020</u>
Projected benefit obligation	\$ (3,619,777)	\$ (3,865,476)
Fair value of plan assets	<u>2,732,540</u>	<u>2,515,557</u>
Funded status	<u>\$ (887,237)</u>	<u>\$ (1,349,919)</u>
Accumulated benefit obligation	<u>\$ (3,619,777)</u>	<u>\$ (3,865,476)</u>

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

Amounts recognized in the consolidated financial statements are as follows:

	<u>2021</u>	<u>2020</u>
Liability for pension benefits	\$ 887,237	\$ 1,349,919
Unrecognized losses	(1,217,062)	(1,522,324)
Unamortized prior service cost	(105,532)	(115,631)
Net periodic pension cost	(24,692)	15,036
Employer contributions	122,629	121,738
Benefits paid	228,227	228,227

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

	<u>2021</u>	<u>2020</u>
Weighted-average assumptions:		
Discount rate	2.51%	2.21%
Rate of compensation increase	N/A	N/A



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

	<u>2021</u>	<u>2020</u>
Weighted-average assumptions:		
Discount rate	2.51%	2.21%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

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

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

2022	\$ 244,229
2023	237,905
2024	231,053
2025	223,993
2026	220,897
2027 - 2031	<u>1,017,409</u>
	<u>\$ 2,175,486</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, 2021 and 2020 were as follows:

	<u>Target</u>	<u>2021</u>	<u>2020</u>
Equity securities	40 - 60%	41%	28%
Debt securities	40 - 60%	54%	67%
Other	0 - 20%	5%	5%

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

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**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 \$122,677 and \$131,258 for the years ended September 30, 2021 and 2020, respectively.

**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, 2021 and 2020 are summarized below:

	<u>2021</u>	<u>2020</u>
<b>Disbursements to Legion:</b>		
Conferences and convention	\$ 77,304	\$ 72,283
Legal services	14,500	11,500
National emblem sales	11,523	6,112
Contributions to the Legion and its affiliates	125,730	124,238
Other	9,579	11,004
	<u>\$ 238,636</u>	<u>\$ 225,137</u>
<b>Receipts:</b>		
National emblem sales	<u>\$ 34,305</u>	<u>\$ 37,651</u>

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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 National Executive Committee (“NEC”) and donor-designated funds. Contributions to the NEC-designated and donor-designated portions of the endowment are classified as without donor restrictions and with donor restrictions, respectively, in the consolidated statements of financial position, and the components are tracked separately for the purpose of recording investment income.

Endowment net assets at September 30, 2021 include the following:

	NEC <u>Designated</u>	Donor <u>Designated</u>	<u>Total</u>
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
Realized gains	66,815	65,650	132,465
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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Endowment net assets at September 30, 2020 include the following:

	NEC <u>Designated</u>	Donor <u>Designated</u>	<u>Total</u>
Historic gift value	\$ 1,593,290	\$ 740,810	\$ 2,334,100
Accumulated earnings	<u>487,345</u>	<u>106,117</u>	<u>593,462</u>
Mission endowment net assets, beginning of year	<u>2,080,635</u>	<u>846,927</u>	<u>2,927,562</u>
Additions to endowment	-0-	35,505	35,505
Scholarships paid, net of forfeitures	-0-	(75,000)	(75,000)
Interest and dividends, net of fees	53,458	23,242	76,700
Unrealized gains	<u>103,829</u>	<u>54,066</u>	<u>157,895</u>
Change in endowment net assets	<u>157,287</u>	<u>37,813</u>	<u>195,100</u>
Mission endowment net assets, end of year	<u>\$ 2,237,922</u>	<u>\$ 884,740</u>	<u>\$ 3,122,662</u>
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, end of year	<u>\$ 2,237,922</u>	<u>\$ 884,740</u>	<u>\$ 3,122,662</u>

Governing Board's Interpretation of Relevant Law

The Auxiliary, incorporated in and governed by the laws of the State of Indiana, has interpreted the Indiana statute 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.

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Endowment Draws

Endowment draws, net of forfeitures, of \$73,834 and \$75,000 were made during the years ended September 30, 2021 and 2020, 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 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%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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Investment Plan

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

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-designated funds.

Mission endowment net assets at September 30, 2021 and 2020 include the following:

	<u>2021</u>	<u>2020</u>
Historic gift value	\$ 1,485,992	\$ 1,316,550
Accumulated earnings	<u>264,750</u>	<u>172,387</u>
Endowment net assets, beginning of year	<u>1,750,742</u>	<u>1,488,937</u>
Additions to endowment, net	165,441	169,442
Endowment distributions	(38,488)	(14,731)
Interest and dividends, net of fees	54,813	39,790
Realized gains (losses)	(100)	(443)
Unrealized gains	<u>273,237</u>	<u>67,747</u>
Change in endowment net assets	<u>454,903</u>	<u>261,805</u>
Endowment net assets, end of year	<u>\$ 2,205,645</u>	<u>\$ 1,750,742</u>
Historic gift value	\$ 1,651,433	\$ 1,485,992
Accumulated earnings	<u>554,212</u>	<u>264,750</u>
Endowment net assets, end of year	<u>\$ 2,205,645</u>	<u>\$ 1,750,742</u>

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Governing Board's Interpretation of Relevant Law

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

Endowment Draws

Endowment draws during the years ending September 30, 2021 and 2020 were \$38,488 and \$14,731, 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.

**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.

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18. COMPREHENSIVE INCOME

Comprehensive income for the years ended September 30, 2021 and 2020 includes the following:

	<u>2021</u>	<u>2020</u>
Change in net assets	\$ <u>8,595,862</u>	\$ <u>3,324,845</u>
Other comprehensive income:		
Unrecognized losses, beginning of year	1,522,324	1,535,771
Unrecognized losses, end of year	<u>1,217,062</u>	<u>1,522,324</u>
Change in unrecognized losses	<u>305,262</u>	<u>13,447</u>
Unamortized prior service cost, beginning of year	115,631	125,730
Unamortized prior service cost, end of year	<u>105,532</u>	<u>115,631</u>
Change in unamortized prior service cost	<u>10,099</u>	<u>10,099</u>
	<u>315,361</u>	<u>23,546</u>
Comprehensive income	<u>\$ 8,911,223</u>	<u>\$ 3,348,391</u>



SUPPLEMENTARY INFORMATION

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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ANALYSIS OF DEFERRED REVENUE – PUFL  
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<b>Increases:</b>		
Membership dues	\$ 201,666	\$ 222,567
Investment income	<u>856,382</u>	<u>303,237</u>
	<u>1,058,048</u>	<u>525,804</u>
<b>Decreases:</b>		
Distributions to departments	283,703	287,444
Administrative expense	<u>54,494</u>	<u>54,482</u>
	<u>338,197</u>	<u>341,926</u>
<b>Net Increase</b>	719,851	183,878
<b>Deferred Revenue, Beginning of Year</b>	<u>4,106,929</u>	<u>3,923,051</u>
<b>Deferred Revenue, End of Year</b>	<u>\$ 4,826,780</u>	<u>\$ 4,106,929</u>

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**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2021

**ASSETS**

	<u>Auxiliary</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,076,500	\$ 789,521	\$ -0-	\$ 1,866,021
Investments	44,835,627	2,061,267	-0-	46,896,894
Investments - PUFL	4,914,915	-0-	-0-	4,914,915
Prepaid expenses	175,845	-0-	-0-	175,845
Property and equipment, net	2,620,530	-0-	-0-	2,620,530
Other assets	<u>132,906</u>	<u>11,000</u>	<u>(16,887)</u>	<u>127,019</u>
Total assets	<u>\$ 53,756,323</u>	<u>\$ 2,861,788</u>	<u>\$ (16,887)</u>	<u>\$ 56,601,224</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>				
Accounts payable	\$ 1,206,202	\$ 193,217	\$ (16,887)	\$ 1,382,532
Accrued expenses	301,252	-0-	-0-	301,252
Accrued scholarships	128,000	-0-	-0-	128,000
Deferred revenue - dues	2,831,745	-0-	-0-	2,831,745
Deferred revenue - PUFL	4,826,780	-0-	-0-	4,826,780
Deferred revenue - other	2,000	5,000	-0-	7,000
Liability for pension benefits	887,237	-0-	-0-	887,237
Note payable	<u>566,500</u>	<u>-0-</u>	<u>-0-</u>	<u>566,500</u>
Total liabilities	<u>10,749,716</u>	<u>198,217</u>	<u>(16,887)</u>	<u>10,931,046</u>
<b>Net Assets:</b>				
Without donor restrictions	42,735,063	12,015	-0-	42,747,078
With donor restrictions	<u>1,594,138</u>	<u>2,651,556</u>	<u>-0-</u>	<u>4,245,694</u>
Total net assets before accumulated other comprehensive loss	44,329,201	2,663,571	-0-	46,992,772
Accumulated other comprehensive loss	<u>(1,322,594)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,322,594)</u>
Total net assets	<u>43,006,607</u>	<u>2,663,571</u>	<u>-0-</u>	<u>45,670,178</u>
Total liabilities and net assets	<u>\$ 53,756,323</u>	<u>\$ 2,861,788</u>	<u>\$ (16,887)</u>	<u>\$ 56,601,224</u>

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**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2021**

	Auxiliary			Foundation			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total		
<b>Revenue and Support:</b>								
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>
Total revenue and support	<u>8,181,083</u>	<u>318,068</u>	<u>8,499,151</u>	<u>196,230</u>	<u>654,932</u>	<u>851,162</u>	<u>(270,117)</u>	<u>9,080,196</u>
<b>Net assets released from donor restrictions</b>	<u>334,706</u>	<u>(334,706)</u>	<u>-0-</u>	<u>431,645</u>	<u>(431,645)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<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>
<b>Expenses:</b>								
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	<u>5,641,447</u>	<u>-0-</u>	<u>5,641,447</u>	<u>213,938</u>	<u>-0-</u>	<u>213,938</u>	<u>(73,887)</u>	<u>5,781,498</u>
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
<b>Investment Income, Net of Expenses</b>	<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>
Change in net assets	7,843,607	200,394	8,044,001	74	551,787	551,861	-0-	8,595,862
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	<u>34,891,456</u>	<u>1,393,744</u>	<u>36,285,200</u>	<u>11,941</u>	<u>2,099,769</u>	<u>2,111,710</u>	<u>-0-</u>	<u>38,396,910</u>
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 42,735,063</u>	<u>\$ 1,594,138</u>	<u>\$ 44,329,201</u>	<u>\$ 12,015</u>	<u>\$ 2,651,556</u>	<u>\$ 2,663,571</u>	<u>\$ -0-</u>	<u>\$ 46,992,772</u>

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**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2020**

	Auxiliary			Foundation			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total		
<b>Revenue and Support:</b>								
Contract revenues:								
Membership dues	\$ 6,571,753	\$ -0-	\$ 6,571,753	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 6,571,753
Non-contract revenues:								
Contributions	699,196	369,017	1,068,213	179,790	433,720	613,510	(216,840)	1,464,883
Advertising	236,846	-0-	236,846	-0-	-0-	-0-	-0-	236,846
Other	407,836	-0-	407,836	-0-	-0-	-0-	-0-	407,836
	<u>1,343,878</u>	<u>369,017</u>	<u>1,712,895</u>	<u>179,790</u>	<u>433,720</u>	<u>613,510</u>	<u>(216,840)</u>	<u>2,109,565</u>
Total revenue and support	<u>7,915,631</u>	<u>369,017</u>	<u>8,284,648</u>	<u>179,790</u>	<u>433,720</u>	<u>613,510</u>	<u>(216,840)</u>	<u>8,681,318</u>
<b>Net assets released from donor restrictions</b>	<u>362,868</u>	<u>(362,868)</u>	<u>-0-</u>	<u>246,825</u>	<u>(246,825)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	<u>8,278,499</u>	<u>6,149</u>	<u>8,284,648</u>	<u>426,615</u>	<u>186,895</u>	<u>613,510</u>	<u>(216,840)</u>	<u>8,681,318</u>
<b>Expenses:</b>								
Member and department support services	3,756,354	-0-	3,756,354	16,441	-0-	16,441	-0-	3,772,795
Youth and education services	655,919	-0-	655,919	32,133	-0-	32,133	-0-	688,052
Veterans and military families programs	717,993	-0-	717,993	102,491	-0-	102,491	(39,600)	780,884
Total program services	5,130,266	-0-	5,130,266	151,065	-0-	151,065	(39,600)	5,241,731
Management and general	1,735,893	-0-	1,735,893	93,383	-0-	93,383	(177,240)	1,652,036
Fundraising	1,000,504	-0-	1,000,504	182,167	-0-	182,167	-0-	1,182,671
Total expenses	<u>7,866,663</u>	<u>-0-</u>	<u>7,866,663</u>	<u>426,615</u>	<u>-0-</u>	<u>426,615</u>	<u>(216,840)</u>	<u>8,076,438</u>
Change in net assets from operations	411,836	6,149	417,985	-0-	186,895	186,895	-0-	604,880
<b>Investment Income, Net of Expenses</b>	<u>2,534,529</u>	<u>77,308</u>	<u>2,611,837</u>	<u>-0-</u>	<u>108,128</u>	<u>108,128</u>	<u>-0-</u>	<u>2,719,965</u>
Change in net assets	2,946,365	83,457	3,029,822	-0-	295,023	295,023	-0-	3,324,845
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	<u>31,945,091</u>	<u>1,310,287</u>	<u>33,255,378</u>	<u>11,941</u>	<u>1,804,746</u>	<u>1,816,687</u>	<u>-0-</u>	<u>35,072,065</u>
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 34,891,456</u>	<u>\$ 1,393,744</u>	<u>\$ 36,285,200</u>	<u>\$ 11,941</u>	<u>\$ 2,099,769</u>	<u>\$ 2,111,710</u>	<u>\$ -0-</u>	<u>\$ 38,396,910</u>

See Independent Auditor's Report on pages 1 - 2.