



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

CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2018 AND 2017



**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, 2018 and 2017, 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, 2018 and 2017, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information 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*

February 2, 2019

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2018 AND 2017

**ASSETS**

	<u>2018</u>	<u>2017</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 1,232,750	\$ 678,517
Investments	34,249,653	34,741,539
Investments - PUFL	4,138,316	4,039,759
Prepaid expenses	199,695	188,493
Property and equipment, net	2,229,897	105,763
Other assets	<u>140,048</u>	<u>246,190</u>
Total assets	<u>\$ 42,190,359</u>	<u>\$ 40,000,261</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>		
Accounts payable	\$ 1,367,558	\$ 782,467
Accrued expenses	221,951	351,416
Accrued scholarships	79,000	55,500
Deferred revenue - dues	2,547,105	2,338,740
Deferred revenue - PUFL	4,051,453	3,883,473
Deferred revenue - other	45,875	30,816
Liability for pension benefits	<u>976,709</u>	<u>1,101,875</u>
Total liabilities	<u>9,289,651</u>	<u>8,544,287</u>
<b>Net Assets:</b>		
Unrestricted	31,266,581	30,117,576
Temporarily restricted	986,381	980,669
Permanently restricted	<u>1,784,854</u>	<u>1,595,813</u>
Total net assets before accumulated other comprehensive loss	34,037,816	32,694,058
Accumulated other comprehensive loss	<u>(1,137,108)</u>	<u>(1,238,084)</u>
Total net assets	<u>32,900,708</u>	<u>31,455,974</u>
Total liabilities and net assets	<u>\$ 42,190,359</u>	<u>\$ 40,000,261</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, 2018

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Total</u>
<b>Revenue, Gains &amp; Other Support:</b>				
Contributions	\$ 634,244	\$ 445,845	\$ 317,636	\$ 1,397,725
Membership dues	5,295,590	-0-	-0-	5,295,590
Advertising	383,780	-0-	-0-	383,780
Other	<u>637,571</u>	<u>-0-</u>	<u>-0-</u>	<u>637,571</u>
	6,951,185	445,845	317,636	7,714,666
<b>Net Assets Released From Restrictions</b>	<u>605,298</u>	<u>(605,298)</u>	<u>-0-</u>	<u>-0-</u>
Total revenue, gains, and other support	<u>7,556,483</u>	<u>(159,453)</u>	<u>317,636</u>	<u>7,714,666</u>
<b>Expenses:</b>				
Member and department support services	4,810,122	-0-	-0-	4,810,122
Youth and education services	960,873	-0-	-0-	960,873
Veterans and military families programs	<u>983,697</u>	<u>-0-</u>	<u>-0-</u>	<u>983,697</u>
Total program services	6,754,692	-0-	-0-	6,754,692
Management and general	1,199,848	-0-	-0-	1,199,848
Fundraising	<u>783,469</u>	<u>-0-</u>	<u>-0-</u>	<u>783,469</u>
Total expenses	<u>8,738,009</u>	<u>-0-</u>	<u>-0-</u>	<u>8,738,009</u>
Change in net assets from operations	(1,181,526)	(159,453)	317,636	(1,023,343)
<b>Investment Income, Net of Expenses</b>	<u>2,225,194</u>	<u>141,907</u>	<u>-0-</u>	<u>2,367,101</u>
Change in net assets	1,043,668	(17,546)	317,636	1,343,758
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	30,117,576	980,669	1,595,813	32,694,058
<b>Interfund Transfers</b>	<u>128,595</u>	<u>-0-</u>	<u>(128,595)</u>	<u>-0-</u>
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 31,289,839</u>	<u>\$ 963,123</u>	<u>\$ 1,784,854</u>	<u>\$ 34,037,816</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, 2017

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Total</u>
<b>Revenue, Gains &amp; Other Support:</b>				
Contributions	\$ 574,556	\$ 589,760	\$ 135,912	\$ 1,300,228
Federal grants and cost sharing	-0-	306,753	-0-	306,753
Membership dues	5,453,621	-0-	-0-	5,453,621
Advertising	495,084	-0-	-0-	495,084
Other	<u>701,200</u>	<u>-0-</u>	<u>-0-</u>	<u>701,200</u>
	7,224,461	896,513	135,912	8,256,886
<b>Net Assets Released From Restrictions</b>	<u>927,730</u>	<u>(927,730)</u>	<u>-0-</u>	<u>-0-</u>
Total revenue, gains, and other support	<u>8,152,191</u>	<u>(31,217)</u>	<u>135,912</u>	<u>8,256,886</u>
<b>Expenses:</b>				
Member and department support services	4,994,599	-0-	-0-	4,994,599
Youth and education services	963,654	-0-	-0-	963,654
Veterans and military families programs	<u>1,496,212</u>	<u>-0-</u>	<u>-0-</u>	<u>1,496,212</u>
Total program services	7,454,465	-0-	-0-	7,454,465
Management and general	815,742	-0-	-0-	815,742
Fundraising	<u>310,643</u>	<u>-0-</u>	<u>-0-</u>	<u>310,643</u>
Total expenses	<u>8,580,850</u>	<u>-0-</u>	<u>-0-</u>	<u>8,580,850</u>
Change in net assets from operations	(428,659)	(31,217)	135,912	(323,964)
<b>Investment Income, Net of Expenses</b>	<u>3,638,246</u>	<u>203,466</u>	<u>-0-</u>	<u>3,841,712</u>
Change in net assets	3,209,587	172,249	135,912	3,517,748
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	<u>26,907,989</u>	<u>808,420</u>	<u>1,459,901</u>	<u>29,176,310</u>
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 30,117,576</u>	<u>\$ 980,669</u>	<u>\$ 1,595,813</u>	<u>\$ 32,694,058</u>

See accompanying Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2018  
(WITH COMPARATIVE TOTALS FOR 2017)

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2018 Totals</b>	<b>2017 Totals</b>
Personnel and related benefits*	\$ 2,045,170	\$ 706,867	\$ 133,956	\$ 2,885,993	\$ 3,172,613
General operating expenses	424,051	135,829	29,013	588,893	467,333
Conventions and meetings	1,476,740	124,724	17,331	1,618,795	1,710,307
Occupancy	214,855	70,963	14,784	300,602	256,196
Professional services and fees	520,993	142,571	110,530	774,094	874,593
Printing and publications	819,227	2,289	348,825	1,170,341	825,937
Postage and freight	696,795	6,250	129,030	832,075	762,476
Grants and scholarships	515,018	-0-	-0-	515,018	466,936
Other	<u>41,843</u>	<u>10,355</u>	<u>-0-</u>	<u>52,198</u>	<u>44,459</u>
Total expenses	<u>\$ 6,754,692</u>	<u>\$ 1,199,848</u>	<u>\$ 783,469</u>	<u>\$ 8,738,009</u>	<u>\$ 8,580,850</u>

\*Includes AmeriCorps National/VISTA member living allowances and related benefits of \$-0- in 2018 and \$268,541 in 2017 relating to Federal grant awards.

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, 2017**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2017 Totals</b>
Personnel and related benefits*	\$ 2,574,267	\$ 496,129	\$ 102,217	\$ 3,172,613
General operating expenses	355,400	97,445	14,488	467,333
Conventions and meetings	1,613,757	75,848	20,702	1,710,307
Occupancy	205,941	40,204	10,051	256,196
Professional services and fees	699,033	90,164	85,396	874,593
Printing and publications	782,998	4,615	38,324	825,937
Postage and freight	716,235	6,776	39,465	762,476
Grants and scholarships	466,936	-0-	-0-	466,936
Other	<u>39,898</u>	<u>4,561</u>	<u>-0-</u>	<u>44,459</u>
Total expenses	<u>\$ 7,454,465</u>	<u>\$ 815,742</u>	<u>\$ 310,643</u>	<u>\$ 8,580,850</u>

\*Includes AmeriCorps National/VISTA member living allowances and related benefits of \$268,541 in 2017 relating to Federal grant awards.

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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 1,343,758	\$ 3,517,748
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	47,054	47,555
Gain on disposal of assets	-0-	(350)
Net realized gains on investments	(1,210,422)	(846,819)
Net realized (gains) losses on investments - PUFL	4,899	(104,973)
Net unrealized gains on investments	(381,050)	(2,217,067)
Net unrealized gains on investments - PUFL	(184,960)	(287,272)
Net periodic pension expense	810	1,082
Changes in operating assets and liabilities:		
Prepaid expenses	(11,202)	(83,803)
Other assets	106,142	(74,492)
Accounts payable	585,091	(234,768)
Accrued expenses and scholarships	(105,965)	78,763
Deferred revenue - dues	208,365	(127,949)
Deferred revenue - PUFL	167,980	285,238
Deferred revenue - other	15,059	(28,739)
Liability for pension benefits	(25,000)	-0-
Net cash provided by (used in) operating activities	<u>560,559</u>	<u>(75,846)</u>
<b>Cash Flows From Investing Activities:</b>		
Capital expenditures	(2,171,188)	(39,692)
Proceeds from sale of assets	-0-	350
Purchase of investments	(1,050,030)	(2,900,356)
Proceeds from sale of investments	3,133,388	2,840,004
Purchase of investments - PUFL	(101,200)	(99,490)
Proceeds from sale of investments - PUFL	182,704	180,945
Net cash used in investing activities	<u>(6,326)</u>	<u>(18,239)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	554,233	(94,085)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>678,517</u>	<u>772,602</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 1,232,750</u>	<u>\$ 678,517</u>

See accompanying Notes to Consolidated Financial Statements.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Description of Entities

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

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

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

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

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

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, and gains and losses are classified based on the existence or absence of donor-imposed restrictions.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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The three fund accounts include the following:

***Unrestricted Fund***

The unrestricted net assets are net assets not subject to donor-imposed restrictions. The unrestricted fund is used to account for all contributions, revenues, and expenses used for the general operations of the Organization.

***Temporarily Restricted Fund***

The temporarily restricted fund is used to record contributions and revenues that are received or generated that have donor restrictions that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are classified as unrestricted net assets and are reported as net assets released from restrictions in the statement of activities and changes in net assets. In addition, the temporarily restricted fund includes, in the absence of explicit donor restrictions, earnings on permanently restricted funds that have not yet been appropriated for expenditure.

***Permanently Restricted Fund***

Assets held inviolate and in perpetuity are held in the permanently restricted fund and include certain funds restricted for scholarships and other restricted purposes. The net income from these investments and all non-restricted contributions are available for release to the unrestricted 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 market 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.

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Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is first recorded as temporarily restricted and then released from restriction. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment and Depreciation

Purchased property and equipment and expenditures which substantially increase the useful lives of existing assets are recorded at cost. Cost of repairs and maintenance are expensed as incurred. Property and equipment are depreciated over the estimated useful lives, which ranged from 5 to 10 years during 2018 and 2017, using the straight-line method of depreciation. The Organization's building and improvements and certain software costs were not in service as of September 30, 2018 and, accordingly, were not subject to depreciation during the year then ended.

Support and Revenue Recognition

The Organization records gifts as revenue at the date it receives either cash or an unconditional promise to give from a donor. Assets received from a donor are recorded at fair value and are recorded as unrestricted revenue unless the donor includes stipulations that limit the use of the assets, in which case the revenue is recorded as either Temporarily or Permanently Restricted revenue. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported as "Net assets released from restrictions" in the consolidated statement of activities and changes in net assets.

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

Functional Expenses

Expenses are allocated among various Programs, Management and General, and Fundraising based on Management's estimates of time spent by employees, space utilization, or other rational bases.

Dues Income

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

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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Income Taxes

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

Management of the Organization evaluates all significant tax positions to ensure compliance with the exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of September 30, 2018, 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, 2015.

Subsequent Events

Subsequent events have been evaluated through February 2, 2019, which is the date the consolidated financial statements were available for issuance.

## 2. 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, 2018 and 2017.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**Level 3**

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

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

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,232,750	\$ -0-	\$ 1,232,750
Investments	33,941,905	307,748	34,249,653
Investments - PUFL	<u>4,138,316</u>	<u>-0-</u>	<u>4,138,316</u>
	<u>\$ 39,312,971</u>	<u>\$ 307,748</u>	<u>\$ 39,620,719</u>

Assets measured at fair value at September 30, 2017 include the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 678,517	\$ -0-	\$ 678,517
Investments	34,308,765	432,774	34,741,539
Investments - PUFL	<u>4,039,759</u>	<u>-0-</u>	<u>4,039,759</u>
	<u>\$ 39,027,041</u>	<u>\$ 432,774</u>	<u>\$ 39,459,815</u>

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

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

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The following schedule summarizes the changes in assets measured using Level 3 inputs during the year ending September 30, 2017:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	Hedge Fund	Partnerships	Total
Beginning Balance, 9/30/16	\$ 238,567	\$ 516,201	\$ 754,768
Withdrawals	(233,040)	(105,651)	(338,691)
Realized gains (losses)	19,142	(23,295)	(4,153)
Unrealized gains (losses)	(15,862)	36,712	20,850
Ending Balance, 9/30/17	\$ 8,807	\$ 423,967	\$ 432,774

### 3. INVESTMENTS AND INVESTMENT RETURN

A summary of the Organization's investments and investment returns as of September 30, 2018 and 2017 and for the years then ended is as follows:

	2018		2017	
	Cost	Market	Cost	Market
<b>Investments:</b>				
Money market funds	\$ 232,064	\$ 232,064	\$ 3,171,689	\$ 3,171,689
Exchange traded funds	6,831,297	11,774,948	6,999,501	11,161,951
Mutual funds	18,980,064	21,934,893	16,625,550	19,975,125
Partnerships and other	348,811	307,748	340,314	432,774
Total investments	\$ 26,392,236	\$ 34,249,653	\$ 27,137,054	\$ 34,741,539



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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, 2018 and 2017:

	2018						
	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted Funds	Auxiliary Total	Foundation Total	Total
Dividends and interest (net of expenses of \$36,755)	\$ 659,537	\$ 68,794	\$ 728,331	\$ 21,399	\$ 749,730	\$ 25,899	\$ 775,629
Net realized gains (losses) on investments	1,187,994	122,869	1,310,863	7,327	1,318,190	20,347	1,338,537
Net unrealized gains (losses) on investments	<u>181,447</u>	<u>4,553</u>	<u>186,000</u>	<u>38,668</u>	<u>224,668</u>	<u>28,267</u>	<u>252,935</u>
Total investment income	<u>\$ 2,028,978</u>	<u>\$ 196,216</u>	<u>\$ 2,225,194</u>	<u>\$ 67,394</u>	<u>\$ 2,292,588</u>	<u>\$ 74,513</u>	<u>\$ 2,367,101</u>

  

	2017						
	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted Funds	Auxiliary Total	Foundation Total	Total
Dividends and interest (net of expenses of \$34,289)	\$ 631,304	\$ 99,241	\$ 730,545	\$ 23,947	\$ 754,492	\$ 23,334	\$ 777,826
Net realized gains (losses) on investments	850,847	4,555	855,402	(5,693)	849,709	(2,890)	846,819
Net unrealized gains (losses) on investments	<u>1,808,800</u>	<u>243,499</u>	<u>2,052,299</u>	<u>87,188</u>	<u>2,139,487</u>	<u>77,580</u>	<u>2,217,067</u>
Total investment income	<u>\$ 3,290,951</u>	<u>\$ 347,295</u>	<u>\$ 3,638,246</u>	<u>\$ 105,442</u>	<u>\$ 3,743,688</u>	<u>\$ 98,024</u>	<u>\$ 3,841,712</u>

#### 4. PROPERTY AND EQUIPMENT

The Organization's property and equipment for the years ended September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Land and improvements	\$ 270,400	\$ -0-
Building and improvements	1,764,686	-0-
Furniture, office equipment and information technology	1,557,030	1,506,875
Leasehold improvements	38,039	38,039
Construction in progress	<u>105,632</u>	<u>19,685</u>
	3,735,787	1,564,599
Accumulated depreciation and amortization	<u>(1,505,890)</u>	<u>(1,458,836)</u>
	<u>\$ 2,229,897</u>	<u>\$ 105,763</u>

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**5. UNRESTRICTED NET ASSETS**

Unrestricted net assets are internally designated for the following purposes at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Auxiliary Unrestricted Net Assets:		
General operations	\$ 26,193,462	\$ 25,346,526
National President's Scholarship Fund Endowment (NEC designated)	2,022,830	1,889,708
NEC designated reserves	1,999,500	1,946,500
Auxiliary Emergency Fund	605,551	534,239
Spirit of Youth Fund	326,410	266,822
Other	106,887	121,840
	<u>31,254,640</u>	<u>30,105,635</u>
Foundation Unrestricted Net Assets:		
General operations	<u>11,941</u>	<u>11,941</u>
Total consolidated unrestricted net assets	<u>\$ 31,266,581</u>	<u>\$ 30,117,576</u>

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Auxiliary Temporarily Restricted Net Assets:		
Undistributed endowment earnings	\$ 175,834	\$ 183,440
Spirit of Youth Fund	286,719	324,016
Emergency Fund grants	60,347	127,454
Other	58,095	55,047
	<u>580,995</u>	<u>689,957</u>
Foundation Temporarily Restricted Net Assets:		
Undistributed endowment earnings	165,316	116,706
Veteran Projects Fund	172,466	124,281
National and Local Veteran Creative Arts Festival(s)	67,604	49,725
	<u>405,386</u>	<u>290,712</u>
Total consolidated temporarily restricted net assets	<u>\$ 986,381</u>	<u>\$ 980,669</u>

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**7. NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets released from donor restrictions from the temporarily restricted fund to the unrestricted fund by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors, are as follows:

	<u>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Auxiliary:		
Emergency Fund grants and related expenses	\$ 306,278	\$ 275,620
National President's Scholarship Fund Endowment scholarships and related expenses, net of forfeitures	75,000	56,500
Spirit of Youth Fund scholarships and related expenses, net of forfeitures	54,773	56,099
Veteran services capacity building (CNCS)	-0-	306,753
ALA Girls Nation expenses	-0-	18,420
Other	30,211	65,116
Foundation:		
Endowment distributions in support of Auxiliary operations	23,868	23,058
Veteran Projects Fund Grants	28,494	6,558
National and Local Veteran Creative Arts Festival(s)	53,399	61,606
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	33,275	58,000
	<u>\$ 605,298</u>	<u>\$ 927,730</u>

**8. 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>2018</u>	<u>2017</u>
<b>Assets:</b>		
Cash	\$ 140,174	\$ 125,150
Investments - PUFL	<u>4,138,316</u>	<u>4,039,759</u>
Total assets	<u>\$ 4,278,490</u>	<u>\$ 4,164,909</u>
<b>Liabilities:</b>		
Due to General Operating Fund	\$ 227,037	\$ 281,436
Deferred revenue - PUFL	<u>4,051,453</u>	<u>3,883,473</u>
	<u>\$ 4,278,490</u>	<u>\$ 4,164,909</u>

The cost and market value of investments in the PUFL Membership trust as of September 30, 2018 and 2017 are as follows:

	2018		2017	
	Cost	Market	Cost	Market
<b>Investments:</b>				
Money market funds	\$ 90,983	\$ 90,983	\$ 82,204	\$ 82,204
Exchange traded funds	1,113,302	1,991,640	1,207,588	1,834,985
Mutual funds and other	<u>2,019,509</u>	<u>2,055,693</u>	<u>2,020,405</u>	<u>2,122,570</u>
Total investments	<u>\$ 3,223,794</u>	<u>\$ 4,138,316</u>	<u>\$ 3,310,197</u>	<u>\$ 4,039,759</u>

The following schedule summarizes the PUFL Membership trust investment income for the years ended September 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Dividends and interest (net of expenses)	\$ 78,496	\$ 80,565
Net realized gains (losses) on investments	(4,899)	104,973
Net unrealized gains on investments	<u>184,960</u>	<u>287,272</u>
Total investment income	<u>\$ 258,557</u>	<u>\$ 472,810</u>

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9. 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>2018</u>	<u>2017</u>
Projected benefit obligation	\$ (3,373,683)	\$ (3,502,753)
Fair value of plan assets	<u>2,396,974</u>	<u>2,400,878</u>
Funded status	<u>\$ (976,709)</u>	<u>\$ (1,101,875)</u>
Accumulated benefit obligation	<u>\$ (3,373,683)</u>	<u>\$ (3,502,753)</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>2018</u>	<u>2017</u>
Liability for pension benefits	\$ 976,709	\$ 1,101,875
Unrecognized losses (Note 16)	(1,001,279)	(1,205,501)
Unamortized prior service cost (Note 16)	(135,829)	(32,583)
Net periodic pension cost	810	1,082
Employer contributions	25,000	-0-
Benefits paid	162,299	182,156

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

	<u>2018</u>	<u>2017</u>
Weighted-average assumptions:		
Discount rate	4.02%	3.54%
Rate of compensation increase	N/A	N/A

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

	<u>2018</u>	<u>2017</u>
Weighted-average assumptions:		
Discount rate	4.02%	3.54%
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 as of September 30:

2019	\$ 221,736
2020	217,646
2021	213,098
2022	227,162
2023	222,428
2024-2028	<u>1,048,194</u>
	<u>\$ 2,150,264</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, 2018 and 2017 were as follows:

	<u>Target</u>	<u>2018</u>	<u>2017</u>
Equity securities	40 - 60%	39%	32%
Debt securities	40 - 60%	59%	64%
Other	0 - 20%	2%	4%

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

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**10. PROFIT SHARING PLAN**

The Auxiliary established a 401(k) Profit Sharing Plan subsequent to the freezing of the pension plan in 2008 (Note 9). 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. Participants become fully vested in employer contributions after five (5) years of service. The Auxiliary contributed \$125,625 and \$103,816 in 2018 and 2017, respectively.

**11. OPERATING LEASES**

The Auxiliary leased its National Headquarters' office under an operating lease agreement that expired in January 2019. Total lease expense for the National Headquarters' Office was \$252,341 and \$222,596 in 2018 and 2017, respectively.

**12. 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.

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Activities between the Auxiliary and the Legion for the years ended September 30, 2018 and 2017 are summarized below:

	<u>2018</u>	<u>2017</u>
<b>Disbursements to Legion:</b>		
Conferences and convention	\$ 53,922	\$ 78,654
Legal services	7,500	7,500
National emblem sales	16,422	10,865
Contributions to the Legion and its affiliates	2,500	2,500
Other	10,906	9,180
	<u>\$ 91,250</u>	<u>\$ 108,699</u>
<b>Receipts:</b>		
National emblem sales	\$ 65,173	\$ 60,715

13. 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 unrestricted and permanently restricted, respectively, in the consolidated statements of financial position, and the components are tracked separately for the purpose of recording investment income.



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

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

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Endowment net assets at September 30, 2017 include the following:

	NEC <u>Designated</u>	Donor <u>Designated</u>	<u>Total</u>
Historic gift value	\$ 343,290	\$ 679,463	\$ 1,022,753
Accumulated earnings	<u>113,585</u>	<u>134,498</u>	<u>248,083</u>
Endowment net assets, beginning of year	<u>456,875</u>	<u>813,961</u>	<u>1,270,836</u>
Additions to endowment	1,250,000	20,121	1,270,121
Transfer from reserves	-0-	18,500	18,500
Scholarships paid, net of forfeitures	-0-	(75,000)	(75,000)
Interest and dividends, net of fees	41,034	23,947	64,981
Realized gains (losses)	12,425	(5,693)	6,732
Unrealized gains	<u>129,374</u>	<u>87,188</u>	<u>216,562</u>
Change in endowment net assets	<u>1,432,833</u>	<u>69,063</u>	<u>1,501,896</u>
Endowment net assets, end of year	<u>\$ 1,889,708</u>	<u>\$ 883,024</u>	<u>\$ 2,772,732</u>
Historic gift value	\$ 1,593,290	\$ 699,584	\$ 2,292,874
Accumulated earnings	<u>296,418</u>	<u>183,440</u>	<u>479,858</u>
Endowment net assets, end of year	<u>\$ 1,889,708</u>	<u>\$ 883,024</u>	<u>\$ 2,772,732</u>

**Governing Board's Interpretation of Relevant Law**

The Auxiliary, incorporated in and governed by the laws of the State of Indiana, has interpreted the Indiana statute Uniform Prudent Management of Institutional Funds Act, enacted in 2007, to require the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and to not require the maintenance of purchasing power. As a result of this interpretation, the Organization classifies as permanently restricted net assets: a) the original value of gifts donated to the permanent endowment; b) the original value of subsequent gifts to the permanent endowment; and c) accumulations to the permanent 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 classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

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Endowment Draws

Endowment draws, net of forfeitures, of \$75,000 and \$75,000 were made during the years ended September 30, 2018 and 2017, respectively, to fund scholarships.

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

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

Investment Policy for the Endowment

Purpose

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

Investment Objectives

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

	<u>Target</u>
Equities	55%
Fixed Income	28%
Cash and Equivalents	2%
Alternative Investments	15%

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Investment Plan

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

14. AMERICAN LEGION AUXILIARY FOUNDATION ALA MISSION ENDOWMENT

Composition of Endowment Net Assets

The Foundation created the ALA Mission Endowment Fund (the "Mission Endowment") in 2007 to generate and maximize funds available to benefit and assist in carrying out the educational, charitable and similar programs of the Auxiliary over the long-term. The Mission Endowment consists entirely of donor-designated funds and contributions are classified as permanently restricted in the consolidated statements of financial position.

Endowment net assets at September 30, 2018 and 2017 include the following:

	<u>2018</u>	<u>2017</u>
Historic gift value	\$ 896,229	\$ 780,438
Accumulated earnings	<u>116,706</u>	<u>42,016</u>
Endowment net assets, beginning of year	<u>1,012,935</u>	<u>822,454</u>
Additions to endowment, net	167,026	115,791
Endowment distributions	(23,868)	(23,058)
Interest and dividends, net of fees	23,864	23,058
Realized gains (losses)	20,347	(2,890)
Unrealized gains	<u>28,267</u>	<u>77,580</u>
Change in endowment net assets	<u>215,636</u>	<u>190,481</u>
Endowment net assets, end of year	<u>\$ 1,228,571</u>	<u>\$ 1,012,935</u>
Historic gift value	\$ 1,063,255	\$ 896,229
Accumulated earnings	<u>165,316</u>	<u>116,706</u>
Endowment net assets, end of year	<u>\$ 1,228,571</u>	<u>\$ 1,012,935</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 Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent 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 classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

Endowment Draws

Endowment draws during the years ending September 30, 2018 and 2017 were \$23,868 and \$23,058, respectively.

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

**15. CONCENTRATIONS**

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018 AND 2017

**16. COMPREHENSIVE INCOME**

Comprehensive income for the years ended September 30, 2018 and 2017 includes the following:

	<u>2018</u>	<u>2017</u>
Change in net assets	<u>\$ 1,343,758</u>	<u>\$ 3,517,748</u>
Other comprehensive income:		
Unrecognized losses, beginning of year	1,205,501	1,401,458
Unrecognized losses, end of year	<u>1,001,279</u>	<u>1,205,501</u>
Change in unrecognized losses	<u>204,222</u>	<u>195,957</u>
Unamortized prior service cost, beginning of year	32,583	37,877
Unamortized prior service cost, end of year	<u>135,829</u>	<u>32,583</u>
Change in unamortized prior service cost	<u>(103,246)</u>	<u>5,294</u>
	<u>100,976</u>	<u>201,251</u>
Comprehensive income	<u>\$ 1,444,734</u>	<u>\$ 3,718,999</u>

**17. STRATEGIC PLAN**

In 2014, the National Executive Committee adopted the vision and five goals of a 5-year strategic plan to help ensure that by the end of the Auxiliary's 100th anniversary in 2019-2020, the Auxiliary is effectively serving its mission in every community. The American Legion Auxiliary 5-Year Centennial Strategic Plan is the map with 19 strategies to achieve the five primary goals so the Auxiliary can meet the needs of its veterans and military families in the community for another 100 years. The national strategic plan was developed by over 100 members and depends on the organization at all levels achieving the five following strategic goals by 2020: a) Enhance Membership Strength; b) Create an Internal Culture of Good Will; c) Develop Leadership at All Levels; d) Strengthen Departments and Units; and e) With The American Legion Build Brand Loyalty.

Departments are at various stages of developing and implementing statewide plans customized to achieving the five goals. With overwhelming member support, the National Executive Committee budgeted \$385,000 in 2019 to resource the Centennial Strategic Plan, recognizing the critical need to invest in the future growth of the Auxiliary.

SUPPLEMENTARY INFORMATION

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

ANALYSIS OF DEFERRED REVENUE – PUFL  
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<b>Increases:</b>		
Membership dues	\$ 264,775	\$ 163,232
Investment income	<u>259,117</u>	<u>472,810</u>
	<u>523,892</u>	<u>636,042</u>
<b>Decreases:</b>		
Distributions to departments	300,560	298,704
Administrative expense	<u>55,352</u>	<u>52,100</u>
	<u>355,912</u>	<u>350,804</u>
<b>Net Increase</b>	167,980	285,238
<b>Deferred Revenue, Beginning of Year</b>	<u>3,883,473</u>	<u>3,598,235</u>
<b>Deferred Revenue, End of Year</b>	<u>\$ 4,051,453</u>	<u>\$ 3,883,473</u>

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



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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2018

**ASSETS**

	<u>Auxiliary</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 714,241	\$ 518,509	\$ -0-	\$ 1,232,750
Investments	33,136,210	1,113,443	-0-	34,249,653
Investments - PUFL	4,138,316	-0-	-0-	4,138,316
Prepaid expenses	199,695	-0-	-0-	199,695
Property and equipment, net	2,229,897	-0-	-0-	2,229,897
Other assets	<u>200,906</u>	<u>2,000</u>	<u>(62,858)</u>	<u>140,048</u>
Total assets	<u>\$ 40,619,265</u>	<u>\$ 1,633,952</u>	<u>\$ (62,858)</u>	<u>\$ 42,190,359</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>				
Accounts payable	\$ 1,277,046	\$ 153,370	\$ (62,858)	\$ 1,367,558
Accrued expenses	221,951	-0-	-0-	221,951
Accrued scholarships	79,000	-0-	-0-	79,000
Deferred revenue - dues	2,547,105	-0-	-0-	2,547,105
Deferred revenue - PUFL	4,051,453	-0-	-0-	4,051,453
Deferred revenue - other	45,875	-0-	-0-	45,875
Liability for pension benefits	<u>976,709</u>	<u>-0-</u>	<u>-0-</u>	<u>976,709</u>
Total liabilities	<u>9,199,139</u>	<u>153,370</u>	<u>(62,858)</u>	<u>9,289,651</u>
<b>Net Assets:</b>				
Unrestricted	31,254,640	11,941	-0-	31,266,581
Temporarily restricted	580,995	405,386	-0-	986,381
Permanently restricted	<u>721,599</u>	<u>1,063,255</u>	<u>-0-</u>	<u>1,784,854</u>
Total net assets before accumulated other comprehensive loss	32,557,234	1,480,582	-0-	34,037,816
Accumulated other comprehensive loss	<u>(1,137,108)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,137,108)</u>
Total net assets	<u>31,420,126</u>	<u>1,480,582</u>	<u>-0-</u>	<u>32,900,708</u>
Total liabilities and net assets	<u>\$ 40,619,265</u>	<u>\$ 1,633,952</u>	<u>\$ (62,858)</u>	<u>\$ 42,190,359</u>

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

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

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2018**

	Auxiliary			Foundation				Eliminations	Total	
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Auxiliary Total	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds			Foundation Total
<b>Revenue, Gains &amp; Other Support:</b>										
Contributions	\$ 673,844	\$ 289,906	\$ 22,015	\$ 985,765	\$ 227,631	\$ 179,197	\$ 295,621	\$ 702,449	\$ (290,489)	\$ 1,397,725
Membership dues	5,295,590	-0-	-0-	5,295,590	-0-	-0-	-0-	-0-	-0-	5,295,590
Advertising	383,780	-0-	-0-	383,780	-0-	-0-	-0-	-0-	-0-	383,780
Other	637,571	-0-	-0-	637,571	-0-	-0-	-0-	-0-	-0-	637,571
	<u>6,990,785</u>	<u>289,906</u>	<u>22,015</u>	<u>7,302,706</u>	<u>227,631</u>	<u>179,197</u>	<u>295,621</u>	<u>702,449</u>	<u>(290,489)</u>	<u>7,714,666</u>
Net assets released from restrictions	<u>466,262</u>	<u>(466,262)</u>	<u>-0-</u>	<u>-0-</u>	<u>139,036</u>	<u>(139,036)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenue, gains, and other support	<u>7,457,047</u>	<u>(176,356)</u>	<u>22,015</u>	<u>7,302,706</u>	<u>366,667</u>	<u>40,161</u>	<u>295,621</u>	<u>702,449</u>	<u>(290,489)</u>	<u>7,714,666</u>
<b>Expenses:</b>										
Member and department support services	4,810,122	-0-	-0-	4,810,122	-0-	-0-	-0-	-0-	-0-	4,810,122
Youth and education services	951,720	-0-	-0-	951,720	66,296	-0-	-0-	66,296	(57,143)	960,873
Veterans and military families programs	<u>863,337</u>	<u>-0-</u>	<u>-0-</u>	<u>863,337</u>	<u>126,075</u>	<u>-0-</u>	<u>-0-</u>	<u>126,075</u>	<u>(5,715)</u>	<u>983,697</u>
Total program services	6,625,179	-0-	-0-	6,625,179	192,371	-0-	-0-	192,371	(62,858)	6,754,692
Management and general	1,363,661	-0-	-0-	1,363,661	63,818	-0-	-0-	63,818	(227,631)	1,199,848
Fundraising	<u>544,396</u>	<u>-0-</u>	<u>-0-</u>	<u>544,396</u>	<u>239,073</u>	<u>-0-</u>	<u>-0-</u>	<u>239,073</u>	<u>-0-</u>	<u>783,469</u>
Total expenses	<u>8,533,236</u>	<u>-0-</u>	<u>-0-</u>	<u>8,533,236</u>	<u>495,262</u>	<u>-0-</u>	<u>-0-</u>	<u>495,262</u>	<u>(290,489)</u>	<u>8,738,009</u>
Change in net assets from operations	(1,076,189)	(176,356)	22,015	(1,230,530)	(128,595)	40,161	295,621	207,187	-0-	(1,023,343)
<b>Investment Income, Net of Expenses</b>	<u>2,225,194</u>	<u>67,394</u>	<u>-0-</u>	<u>2,292,588</u>	<u>-0-</u>	<u>74,513</u>	<u>-0-</u>	<u>74,513</u>	<u>-0-</u>	<u>2,367,101</u>
Change in net assets	1,149,005	(108,962)	22,015	1,062,058	(128,595)	114,674	295,621	281,700	-0-	1,343,758
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	30,105,635	689,957	699,584	31,495,176	11,941	290,712	896,229	1,198,882	-0-	32,694,058
<b>Interfund Transfers</b>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>128,595</u>	<u>-0-</u>	<u>(128,595)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 31,254,640</u>	<u>\$ 580,995</u>	<u>\$ 721,599</u>	<u>\$ 32,557,234</u>	<u>\$ 11,941</u>	<u>\$ 405,386</u>	<u>\$ 1,063,255</u>	<u>\$ 1,480,582</u>	<u>\$ -0-</u>	<u>\$ 34,037,816</u>

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

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEAR ENDED SEPTEMBER 30, 2017**

	Auxiliary			Auxiliary Total	Foundation			Foundation Total	Eliminations	Total
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds		Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds			
<b>Revenue, Gains &amp; Other Support:</b>										
Contributions	\$ 687,421	\$ 411,027	\$ 20,121	\$ 1,118,569	\$ 163,155	\$ 178,733	\$ 115,791	\$ 457,679	\$ (276,020)	\$ 1,300,228
Federal grants and cost sharing	-0-	306,753	-0-	306,753	-0-	-0-	-0-	-0-	-0-	306,753
Membership dues	5,453,621	-0-	-0-	5,453,621	-0-	-0-	-0-	-0-	-0-	5,453,621
Advertising	495,084	-0-	-0-	495,084	-0-	-0-	-0-	-0-	-0-	495,084
Other	701,200	-0-	-0-	701,200	-0-	-0-	-0-	-0-	-0-	701,200
	<u>7,337,326</u>	<u>717,780</u>	<u>20,121</u>	<u>8,075,227</u>	<u>163,155</u>	<u>178,733</u>	<u>115,791</u>	<u>457,679</u>	<u>(276,020)</u>	<u>8,256,886</u>
Net assets released from restrictions	<u>778,508</u>	<u>(778,508)</u>	<u>-0-</u>	<u>-0-</u>	<u>149,222</u>	<u>(149,222)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenue, gains, and other support	<u>8,115,834</u>	<u>(60,728)</u>	<u>20,121</u>	<u>8,075,227</u>	<u>312,377</u>	<u>29,511</u>	<u>115,791</u>	<u>457,679</u>	<u>(276,020)</u>	<u>8,256,886</u>
<b>Expenses:</b>										
Member and department support services	4,986,703	-0-	-0-	4,986,703	7,896	-0-	-0-	7,896	-0-	4,994,599
Youth and education services	930,137	-0-	-0-	930,137	81,576	-0-	-0-	81,576	(48,059)	963,654
Veterans and military families programs	1,463,047	-0-	-0-	1,463,047	87,272	-0-	-0-	87,272	(54,107)	1,496,212
Total program services	7,379,887	-0-	-0-	7,379,887	176,744	-0-	-0-	176,744	(102,166)	7,454,465
Management and general	933,066	-0-	-0-	933,066	45,830	-0-	-0-	45,830	(163,154)	815,742
Fundraising	220,839	-0-	-0-	220,839	89,804	-0-	-0-	89,804	-0-	310,643
Total expenses	<u>8,533,792</u>	<u>-0-</u>	<u>-0-</u>	<u>8,533,792</u>	<u>312,378</u>	<u>-0-</u>	<u>-0-</u>	<u>312,378</u>	<u>(265,320)</u>	<u>8,580,850</u>
Change in net assets from operations	(417,958)	(60,728)	20,121	(458,565)	(1)	29,511	115,791	145,301	(10,700)	(323,964)
<b>Investment Income, Net of Expenses</b>	<u>3,638,246</u>	<u>105,442</u>	<u>-0-</u>	<u>3,743,688</u>	<u>-0-</u>	<u>98,024</u>	<u>-0-</u>	<u>98,024</u>	<u>-0-</u>	<u>3,841,712</u>
Change in net assets	3,220,288	44,714	20,121	3,285,123	(1)	127,535	115,791	243,325	(10,700)	3,517,748
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	<u>26,885,347</u>	<u>645,243</u>	<u>679,463</u>	<u>28,210,053</u>	<u>11,942</u>	<u>163,177</u>	<u>780,438</u>	<u>955,557</u>	<u>10,700</u>	<u>29,176,310</u>
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 30,105,635</u>	<u>\$ 689,957</u>	<u>\$ 699,584</u>	<u>\$ 31,495,176</u>	<u>\$ 11,941</u>	<u>\$ 290,712</u>	<u>\$ 896,229</u>	<u>\$ 1,198,882</u>	<u>\$ -0-</u>	<u>\$ 32,694,058</u>

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