



AMERICAN LEGION AUXILIARY

*F*OUNDATION

(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

CPAs / ADVISORS



**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY NATIONAL
HEADQUARTERS)**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

Opinion

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

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

Basis for Opinion

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

Prior Period Financial Statements

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

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* in 2022. Our opinion is not modified with respect to this matter.

REPORT OF INDEPENDENT ACCOUNTANTS – Continued

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

REPORT OF INDEPENDENT ACCOUNTANTS – Continued

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

Blue & Co., LLC

Carmel, Indiana
January 20, 2023

AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS)

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

ASSETS		
	2022	2021
Assets		
Cash	\$ 798,731	\$ 789,521
Investments	1,865,345	2,061,267
Other assets	-0-	11,000
Total assets	\$ 2,664,076	\$ 2,861,788
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 122,048	\$ 165,830
Deferred income	-0-	5,000
Due to related party, net	14,376	27,387
Total liabilities	136,424	198,217
Net Assets		
Without donor restrictions	12,236	12,015
With donor restrictions	2,515,416	2,651,556
Total net assets	2,527,652	2,663,571
Total liabilities and net assets	\$ 2,664,076	\$ 2,861,788

See accompanying notes to financial statements.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS)

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenue and Support				
Contributions	\$ -0-	\$ 679,103	\$ 679,103	\$ 654,932
In-kind contributions	210,886	8,908	219,794	196,230
Other	-0-	10,000	10,000	-0-
	<u>210,886</u>	<u>698,011</u>	<u>908,897</u>	<u>851,162</u>
Net assets released from donor restrictions	<u>473,841</u>	<u>(473,841)</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	<u>684,727</u>	<u>224,170</u>	<u>908,897</u>	<u>851,162</u>
Expenses				
Program services	309,353	-0-	309,353	213,938
Management and general	88,377	-0-	88,377	79,129
Fundraising	286,997	-0-	286,997	334,808
Total expenses	<u>684,727</u>	<u>-0-</u>	<u>684,727</u>	<u>627,875</u>
Change in net assets from operations	-0-	224,170	224,170	223,287
Investment Income, Net of Expenses	<u>221</u>	<u>(360,310)</u>	<u>(360,089)</u>	<u>328,574</u>
Change in net assets	221	(136,140)	(135,919)	551,861
Net Assets, Beginning of Year	<u>12,015</u>	<u>2,651,556</u>	<u>2,663,571</u>	<u>2,111,710</u>
Net Assets, End of Year	<u>\$ 12,236</u>	<u>\$ 2,515,416</u>	<u>\$ 2,527,652</u>	<u>\$ 2,663,571</u>

See accompanying notes to financial statements.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.
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STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions	\$ -0-	\$ 654,932	\$ 654,932
In-kind contributions	196,230	-0-	196,230
	<u>196,230</u>	<u>654,932</u>	<u>851,162</u>
Net assets released from donor restrictions	<u>431,645</u>	<u>(431,645)</u>	<u>-0-</u>
Total revenue and support	<u>627,875</u>	<u>223,287</u>	<u>851,162</u>
Expenses			
Program services	213,938	-0-	213,938
Management and general	79,129	-0-	79,129
Fundraising	334,808	-0-	334,808
Total expenses	<u>627,875</u>	<u>-0-</u>	<u>627,875</u>
Change in net assets from operations	-0-	223,287	223,287
Investment Income, Net of Expenses	<u>74</u>	<u>328,500</u>	<u>328,574</u>
Change in net assets	74	551,787	551,861
Net Assets, Beginning of Year	<u>11,941</u>	<u>2,099,769</u>	<u>2,111,710</u>
Net Assets, End of Year	<u>\$ 12,015</u>	<u>\$ 2,651,556</u>	<u>\$ 2,663,571</u>

See accompanying notes to financial statements.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.
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STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	Program Services	Management and General	Fundraising	2022 Total	2021 Total
Grants and scholarships	\$ 275,936	\$ -0-	\$ -0-	\$ 275,936	\$ 188,939
Personnel and related benefits	33,395	66,952	53,595	153,942	151,125
Professional services and fees	22	9,549	33,851	43,422	39,179
Travel, conferences and meetings	-0-	10,057	6,806	16,863	10,419
General operating expenses	-0-	1,819	11,485	13,304	11,453
Printing, publicity and awards	-0-	-0-	112,399	112,399	157,697
Postage and freight	-0-	-0-	68,861	68,861	69,063
Total expenses	<u>\$ 309,353</u>	<u>\$ 88,377</u>	<u>\$ 286,997</u>	<u>\$ 684,727</u>	<u>\$ 627,875</u>

See accompanying notes to financial statements.

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STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021

	Program Services	Management and General	Fundraising	Total
Grants and scholarships	\$ 188,939	\$ -0-	\$ -0-	\$ 188,939
Personnel and related benefits	24,851	69,330	56,944	151,125
Professional services and fees	3	5,500	33,676	39,179
Travel, conferences and meetings	-0-	155	10,264	10,419
General operating expenses	6	1,288	10,159	11,453
Printing, publicity and awards	-0-	2,598	155,099	157,697
Postage and freight	139	258	68,666	69,063
Total expenses	\$ 213,938	\$ 79,129	\$ 334,808	\$ 627,875

See accompanying notes to financial statements.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.
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STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (135,919)	\$ 551,861
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized (gains) losses on investments	(24,430)	100
Net unrealized (gains) losses on investments	425,093	(273,237)
Changes in operating assets and liabilities:		
Other assets	11,000	(11,000)
Accounts payable	(43,782)	63,584
Deferred income	(5,000)	-0-
Due to related party, net	(13,011)	25,287
Net cash provided by operating activities	213,951	356,595
Cash Flows From Investing Activities		
Proceeds from sale of investments	2,155	51,778
Purchase of investments	(206,896)	(193,419)
Net cash used in investing activities	(204,741)	(141,641)
Net Increase in Cash	9,210	214,954
Cash, Beginning of Year	789,521	574,567
Cash, End of Year	\$ 798,731	\$ 789,521

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
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1. NATURE OF ACTIVITIES

The American Legion Auxiliary Foundation, Inc. (the "Foundation") was incorporated on September 27, 2007, as a not-for-profit entity under the State of Indiana Not-For-Profit Incorporation Act. The Foundation was organized by the American Legion Auxiliary National Headquarters (the "Auxiliary"), a not-for-profit entity headquartered in Indianapolis, Indiana. The Foundation operates exclusively for the benefit of the Auxiliary and assists in fundraising and offers support in carrying out the educational, charitable, and other programs sponsored by the Auxiliary.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

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

Basis of Presentation

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

Net Assets Without Donor Restrictions

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

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 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 accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the

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financial statements. Principal estimates made in the preparation of the financial statements include the allocation of functional expenses.

Investments and Investment Return

The Foundation'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.

Support and Revenue Recognition

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

Functional Expenses

The costs of providing the programs and services of the Organization have been summarized on a functional basis in the statements of activities and changes in net assets and statements of functional expenses. Certain costs have been allocated among the programs and supporting activities benefited based on actual direct expenditures and cost allocations of indirect expenses based on time by personnel, space utilization, or another rational basis. Expenses allocated include personnel and related benefits, professional services and fees, travel, conferences and meetings, and general operating expenses. Although the methods used were appropriate, other methods could produce different results.

Income Taxes

The Foundation is organized as a not-for-profit corporation and, accordingly, is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management of the Foundation evaluates all significant tax positions to ensure compliance with the exempt purposes of the Foundation as required by U.S. GAAP, including consideration of any unrelated business income tax. As of September 30, 2022, management does not believe the Foundation has taken any tax positions that are not in compliance with its exempt purpose. The Foundation's Federal and state tax returns remain open and subject to examination beginning with the tax year ended September 30, 2019.

Subsequent Events

Subsequent events have been evaluated through January 20, 2023 which is the date the financial statements were available for issuance.

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NOTES TO FINANCIAL STATEMENTS
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3. CONTRIBUTED NONFINANCIAL ASSETS

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard is intended to increase transparency around contributed nonfinancial assets (also known as “gifts-in-kind” (GIK)) received by not-for-profit organizations, including information on how those assets are used and how they are valued. The adoption of this new standard in fiscal 2022 resulted in the Foundation presenting contributed nonfinancial assets as a separate line item in the statement of activities and changes in net assets, apart from contributions of cash or other financial assets. In addition, the ASU expanded disclosure requirements for GIK as disclosed below.

Contributions of nonfinancial assets recognized in the statements of financial position and statements of activities and changes in net assets included the following as of, and for the years ended, September 30:

	2022	2021
Auxiliary - in-kind personnel and related benefits	\$ 149,094	\$ 151,125
Auxiliary - other in-kind contributions	61,792	37,346
Total Auxiliary in-kind contributions	210,886	188,471
Other in-kind contributions	8,908	7,759
Total in-kind contributions	\$ 219,794	\$ 196,230

Personnel and related benefits are valued using actual wages and benefits paid by the Auxiliary, which are then allocated to the Foundation based on actual or estimated amount of time spent by employees for member and department services, youth educational services, veteran programs and operational activities. Other in-kind contributions are valued using estimated prices of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Donor-restricted GIK of \$8,908 include products or services utilized in the Foundation’s auction items benefiting the Mission endowment (Note 8) for the year ended September 30, 2022. There were no donor restricted GIK for the year ended September 30, 2021.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

4. LIQUIDITY AND AVAILABILITY

The following reflects the Foundation's financial assets as of September 30, 2022 and 2021, reduced by amounts not available for general use within one year from the date of the statements of financial position:

	2022	2021
Financial Assets		
Cash	\$ 798,731	\$ 789,521
Investments	1,865,345	2,061,267
Other assets	-0-	11,000
	2,664,076	2,861,788
Less amounts not available to be used for general expenditure within one year		
Donor restricted funds	(481,382)	(445,911)
Donor restricted endowment	(2,034,034)	(2,205,645)
	(2,515,416)	(2,651,556)
Financial assets available to meeting cash needs for general expenditures within one year	\$ 148,660	\$ 210,232

The Foundation's liquidity objective is to maintain adequate liquid assets to fund near-term operating needs and maintain sufficient reserves to provide reasonable assurance that obligations will be discharged as they become due.

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

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

5. INVESTMENTS AND INVESTMENT RETURN

At September 30, 2022 and 2021, the Foundation's assets measured at fair value on a recurring basis include investments, which are measured by Level 1 inputs in accordance with U.S. GAAP,

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defined as quoted prices in active markets for identical investments that can be accessed as of the measurement date. There were no liabilities measured at fair value at September 30, 2022 and 2021.

The following is a description of the valuation methodology used for the Foundation's investments measured at fair value as of September 30, 2022 and 2021. There have been no changes in the methodologies used as of September 30, 2022.

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

Mutual Funds: Valued at the daily closing prices as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds and are registered with the Securities and Exchange Commission. These funds are required to publish their NAV and to transact at that price. The mutual funds held by the Foundation 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.

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

The following is a summary of the Foundation's investments as of September 30, 2022:

	2022					
	Level 1		Level 2		Total	
	Cost	Market	Cost	Market	Cost	Market
Investments						
Money market mutual funds	\$ -0-	\$ -0-	\$ 269,396	\$ 269,396	\$ 269,396	\$ 269,396
Mutual funds - equities						
International	182,979	128,273	-0-	-0-	182,979	128,273
Other	40,182	36,085	-0-	-0-	40,182	36,085
Mutual funds - fixed income						
Intermediate term	339,310	284,234	-0-	-0-	339,310	284,234
Other	379,315	326,207	-0-	-0-	379,315	326,207
Exchange traded funds						
U.S. equity	484,938	738,515	-0-	-0-	484,938	738,515
International equity	26,378	25,142	-0-	-0-	26,378	25,142
Corporate bonds	-0-	-0-	62,756	57,493	62,756	57,493
Total investments in the fair value hierarchy	<u>\$ 1,453,102</u>	<u>\$ 1,538,456</u>	<u>\$ 332,152</u>	<u>\$ 326,889</u>	<u>\$ 1,785,254</u>	<u>\$ 1,865,345</u>
Total investments					<u>\$ 1,785,254</u>	<u>\$ 1,865,345</u>

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The following is a summary of the Foundation's investments as of September 30, 2021:

	2021					
	Level 1		Level 2		Total	
	Cost	Market	Cost	Market	Cost	Market
Investments						
Money market mutual funds	\$ -0-	\$ -0-	\$ 71,382	\$ 71,382	\$ 71,382	\$ 71,382
Mutual funds - equities						
International	156,674	191,716	-0-	-0-	156,674	191,716
Other	40,182	56,863	-0-	-0-	40,182	56,863
Mutual funds - fixed income						
Intermediate term	334,439	337,866	-0-	-0-	334,439	337,866
Other	379,334	389,268	-0-	-0-	379,334	389,268
Exchange traded funds						
U.S. equity	484,938	915,930	-0-	-0-	484,938	915,930
International equity	26,378	34,457	-0-	-0-	26,378	34,457
Corporate bonds	-0-	-0-	62,756	63,785	62,756	63,785
Total investments in the fair value hierarchy	<u>\$ 1,421,945</u>	<u>\$ 1,926,100</u>	<u>\$ 134,138</u>	<u>\$ 135,167</u>	<u>\$ 1,556,083</u>	<u>\$ 2,061,267</u>
Total investments					<u>\$ 1,556,083</u>	<u>\$ 2,061,267</u>

Investment income (loss) for the years ended September 30 is as follows:

	2022	2021
Interest and dividends	\$ 42,729	\$ 57,215
Investment fees	(2,155)	(1,778)
Net realized gains (losses)	24,430	(100)
Net unrealized gains (losses)	<u>(425,093)</u>	<u>273,237</u>
Total investment income (loss)	<u>\$ (360,089)</u>	<u>\$ 328,574</u>

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6. DONOR RESTRICTED NET ASSETS

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

	2022	2021
Subject to expenditure for a specific purpose		
Veteran Projects Fund	\$ 317,090	\$ 296,146
National and Local Veteran Creative Arts Festival(s)	158,157	146,050
Mission	6,135	3,715
	481,382	445,911
Endowment:		
Held in perpetuity	1,882,423	1,651,433
Undistributed endowment earnings	151,611	554,212
	2,034,034	2,205,645
Total net assets with donor restrictions	\$ 2,515,416	\$ 2,651,556

7. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions during 2022 and 2021, due to the satisfaction of the donor-imposed restriction or by occurrence of other events specified by the donors, are as follows:

	2022	2021
Endowment distributions in support of Auxiliary operations	\$ 41,439	\$ 38,488
Veteran Projects Fund grants and sub-grants	86,055	74,962
National and Local Veteran Creative Arts Festival(s)	101,261	52,503
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	47,203	23,000
Mission (direct mail campaign and other)	197,883	242,692
	\$ 473,841	\$ 431,645

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8. AMERICAN LEGION AUXILIARY FOUNDATION ALA MISSION ENDOWMENT

Composition of Endowment Net Assets

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

Endowment net assets at September 30 include the following:

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

Governing Board's Interpretation of Relevant Law

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

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

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

Funds with Deficiencies

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

Endowment Draws

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

Spending Policy and How the Investment Objective Relates to Spending Policy

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

Investment Policy for the Endowment

Purpose

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

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Investment Objectives

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

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

Investment Plan

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

9. RELATED PARTY TRANSACTIONS

During the years ended September 30, 2022 and 2021, the Foundation received contributions of \$210,886 and \$196,230 from the Auxiliary to fund certain organizational and other costs incurred by the Foundation. In addition, the Foundation granted \$104,376 and \$73,887 to the Auxiliary in 2022 and 2021, respectively, for program support, and the Foundation granted \$171,560 and \$115,052 in 2022 and 2021, respectively, to affiliated Auxiliary departments and units.

10. CONCENTRATIONS

Cash and Cash Equivalents

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

Revenue and Support

The Foundation received in-kind revenue and support from the Auxiliary (Note 9). For the years ended September 30, 2022 and 2021, the Auxiliary 23% of the Foundation's total revenue and support.