



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

**CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2023 AND 2022**

*CPAs / ADVISORS*



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

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SEPTEMBER 30, 2023 AND 2022

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## REPORT OF INDEPENDENT AUDITORS

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

### Opinion

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

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

### Basis for Opinion

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

### Responsibilities of Management for the Consolidated Financial Statements

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

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

## **REPORT OF INDEPENDENT AUDITORS (Continued)**

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

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

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

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

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

### Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 33 to 36 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and is not a required part of the 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,

## REPORT OF INDEPENDENT AUDITORS (Continued)

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Blue & Co., LLC*

Carmel, Indiana  
March 15, 2024

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2023 AND 2022

**ASSETS**

	2023	2022
Cash and cash equivalents	\$ 2,315,798	\$ 1,613,743
Investments	40,826,500	37,389,840
Investments at cost	3,725,362	2,209,472
Investments - PUFL	4,332,536	3,931,731
Prepaid expenses	100,111	71,639
Property and equipment, net	2,383,249	2,502,668
Other assets	116,862	58,112
	\$ 53,800,418	\$ 47,777,205

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts payable	\$ 1,176,405	\$ 932,757
Accrued expenses	323,180	295,695
Accrued scholarships	132,750	147,450
Deferred revenue - dues	3,392,234	2,694,918
Deferred revenue - PUFL	4,664,417	3,946,966
Deferred revenue - other	14,450	6,250
Liability for pension benefits	536,917	68,044
Total liabilities	10,240,353	8,092,080

**Net assets**

Net assets without donor restrictions		
General operating	33,619,747	29,899,286
Board-designated	6,606,117	6,389,674
Pension plan (Note 10)	(1,095,954)	(573,944)
Total net assets without donor restrictions	39,129,910	35,715,016
Net assets with donor restrictions	4,430,155	3,970,109
Total net assets	43,560,065	39,685,125
	\$ 53,800,418	\$ 47,777,205

*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, 2023  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2022)

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>Revenue and support</b>				
Membership dues	\$ 6,343,185	\$ -0-	\$ 6,343,185	\$ 6,336,491
Contributions	1,020,612	1,033,267	2,053,879	1,755,354
Advertising	77,096	-0-	77,096	126,166
Other	622,014	10,000	632,014	1,286,886
Net assets released from restrictions	<u>909,346</u>	<u>(909,346)</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	8,972,253	133,921	9,106,174	9,504,897
<b>Expenses</b>				
Member and department support services	4,737,283	-0-	4,737,283	4,114,528
Youth and education services	1,012,157	-0-	1,012,157	989,098
Veterans and military families programs	<u>1,023,595</u>	<u>-0-</u>	<u>1,023,595</u>	<u>746,795</u>
Total program services	6,773,035	-0-	6,773,035	5,850,421
Management and general	1,345,594	-0-	1,345,594	1,843,484
Fundraising	<u>1,319,074</u>	<u>-0-</u>	<u>1,319,074</u>	<u>849,725</u>
Total expenses	<u>9,437,703</u>	<u>-0-</u>	<u>9,437,703</u>	<u>8,543,630</u>
Change in net assets from operations	(465,450)	133,921	(331,529)	961,267
<b>Investment return, net</b>	4,402,354	326,125	4,728,479	(7,694,970)
<b>Pension plan (Note 10)</b>				
Change in unrecognized losses	(532,109)	-0-	(532,109)	738,551
Change in unamortized services costs	<u>10,099</u>	<u>-0-</u>	<u>10,099</u>	<u>10,099</u>
Total pension plan	<u>(522,010)</u>	<u>-0-</u>	<u>(522,010)</u>	<u>748,650</u>
Change in net assets	3,414,894	460,046	3,874,940	(5,985,053)
<b>Net assets, beginning of year</b>	<u>35,715,016</u>	<u>3,970,109</u>	<u>39,685,125</u>	<u>45,670,178</u>
<b>Net assets, end of year</b>	<u>\$ 39,129,910</u>	<u>\$ 4,430,155</u>	<u>\$ 43,560,065</u>	<u>\$ 39,685,125</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and support</b>			
Membership dues	\$ 6,336,491	\$ -0-	\$ 6,336,491
Contributions	693,533	1,061,821	1,755,354
Advertising	126,166	-0-	126,166
Other	1,276,886	10,000	1,286,886
Net assets released from restrictions	<u>777,932</u>	<u>(777,932)</u>	<u>-0-</u>
Total revenue and support	9,211,008	293,889	9,504,897
<b>Expenses</b>			
Member and department support services	4,114,528	-0-	4,114,528
Youth and education services	989,098	-0-	989,098
Veterans and military families programs	<u>746,795</u>	<u>-0-</u>	<u>746,795</u>
Total program services	5,850,421	-0-	5,850,421
Management and general	1,843,484	-0-	1,843,484
Fundraising	<u>849,725</u>	<u>-0-</u>	<u>849,725</u>
Total expenses	<u>8,543,630</u>	<u>-0-</u>	<u>8,543,630</u>
Change in net assets from operations	667,378	293,889	961,267
<b>Investment return, net</b>	(7,125,496)	(569,474)	(7,694,970)
<b>Pension plan (Note 10)</b>			
Change in unrecognized losses	738,551	-0-	738,551
Change in unamortized services costs	<u>10,099</u>	<u>-0-</u>	<u>10,099</u>
Total pension plan	<u>748,650</u>	<u>-0-</u>	<u>748,650</u>
Change in net assets	(5,709,468)	(275,585)	(5,985,053)
<b>Net assets, beginning of year</b>	<u>41,424,484</u>	<u>4,245,694</u>	<u>45,670,178</u>
<b>Net assets, end of year</b>	<u>\$ 35,715,016</u>	<u>\$ 3,970,109</u>	<u>\$ 39,685,125</u>

*See accompanying notes to consolidated financial statements.*

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

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

	2023			Total Expenses	2022 Totals
	Program Services	Management and General	Fundraising		
Personnel and related benefits	\$ 1,938,781	\$ 884,987	\$ 142,792	\$ 2,966,560	\$ 2,974,797
General operating expenses	581,048	196,665	38,853	816,566	846,907
Travel, conferences and meetings	1,712,923	95,061	13,061	1,821,045	1,633,214
Occupancy	70,299	25,959	4,807	101,065	82,920
Professional services and fees	347,638	116,292	116,556	580,486	654,631
Printing, publicity and awards	728,729	6,563	752,038	1,487,330	980,254
Postage and freight	805,027	9,774	240,967	1,055,768	873,452
Grants and scholarships	550,076	1,500	-0-	551,576	455,103
Other	38,514	8,793	10,000	57,307	42,352
Total expenses	<u>\$ 6,773,035</u>	<u>\$ 1,345,594</u>	<u>\$ 1,319,074</u>	<u>\$ 9,437,703</u>	<u>\$ 8,543,630</u>

*See accompanying notes to consolidated financial statements.*

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2022

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	Program Services	Management and General	Fundraising	Total Expenses
Personnel and related benefits	\$ 1,626,212	\$ 1,166,084	\$ 182,501	\$ 2,974,797
General operating expenses	448,237	352,760	45,910	846,907
Travel, conferences and meetings	1,544,547	75,397	13,270	1,633,214
Occupancy	35,347	42,940	4,633	82,920
Professional services and fees	353,616	184,357	116,658	654,631
Printing, publicity and awards	647,697	4,131	328,426	980,254
Postage and freight	708,077	7,048	158,327	873,452
Grants and scholarships	455,103	-0-	-0-	455,103
Other	31,585	10,767	-0-	42,352
Total expenses	\$ 5,850,421	\$ 1,843,484	\$ 849,725	\$ 8,543,630

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*See accompanying notes to consolidated financial statements.*

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

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

	2023	2022
<b>Operating activities</b>		
Change in net assets	\$ 3,874,940	\$ (5,985,053)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Forgiveness of note payable	-0-	(566,500)
Depreciation and amortization	135,906	158,227
Net realized (gains) losses on investments	237,536	(826,861)
Net unrealized (gains) losses on investments	(3,894,737)	9,483,767
Contributions restricted for Mission Endowment (Note 13)	(141,200)	(230,990)
Net periodic pension benefit	(30,054)	(47,091)
Pension liability adjustment	522,010	(748,650)
Changes in operating assets and liabilities:		
Prepaid expenses	(28,472)	104,206
Other assets	(58,750)	68,907
Accounts payable	243,648	(449,775)
Accrued expenses and scholarships	12,785	13,893
Deferred revenue - dues	697,316	(136,827)
Deferred revenue - PUFL	316,646	103,370
Deferred revenue - other	8,200	(750)
Liability for pension benefits	(23,083)	(23,452)
Net cash flows from operating activities	1,872,691	916,421
<b>Investing activities</b>		
Capital expenditures	(16,487)	(40,365)
Purchase of investments	(2,268,678)	(2,482,136)
Proceeds from sale of investments	2,489,219	2,451,692
Purchase of investments at cost	(1,562,438)	(1,419,470)
Return of capital on investments at cost	46,548	90,590
Net cash flows from investing activities	(1,311,836)	(1,399,689)
<b>Financing Activities</b>		
Contributions restricted for Mission Endowment (Note 13)	141,200	230,990
Net change in cash and cash equivalents	702,055	(252,278)
<b>Cash and cash equivalents, beginning of year</b>	1,613,743	1,866,021
<b>Cash and cash equivalents, end of year</b>	\$ 2,315,798	\$ 1,613,743

*See accompanying notes to consolidated financial statements.*

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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## 1. PRINCIPLES OF CONSOLIDATION AND NATURE OF ACTIVITIES

### Principles of Consolidation

The accompanying consolidated financial statements include the American Legion Auxiliary National Headquarters ("Auxiliary") and the American Legion Auxiliary Foundation, Inc. ("Foundation"). Collectively, the two entities will be referred to as the "Organization". The Foundation was organized by the Auxiliary exclusively for the benefit of the Auxiliary. Accordingly, as required by accounting principles generally accepted in the United States of America ("U.S. GAAP"), the Foundation's accounts and related disclosures are consolidated herein with those of the Auxiliary.

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

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

### Nature of Activities

The Auxiliary is a national membership veterans' service organization headquartered in Indianapolis, Indiana. The Auxiliary was founded in 1919 in conjunction with the establishment of The American Legion by the United States Congress and was incorporated as a not-for-profit organization on November 11, 1932 under the laws of the State of Indiana. The Auxiliary members are the female and male spouses, grandmothers, mothers, sisters and direct and adopted female descendants of members of The American Legion. Some members are veterans themselves. The mission of the Auxiliary is to honor, advocate for, and enhance the lives of U.S. veterans, military, and their families, and to promote patriotism, national security, and good citizenship. The Auxiliary enacts its mission through scholarship, educational, mentoring, and outreach programs, and by administering and supporting various projects that benefit veterans and military families at home and abroad.

The Foundation was incorporated on September 27, 2007 as a not-for-profit entity under the State of Indiana Not-For-Profit Incorporation Act. The Foundation assists in fundraising and offers support in carrying out educational, charitable, and other programs sponsored by the Auxiliary.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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**2. SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The consolidated financial statements net assets, support, revenue, gains and losses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

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

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

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

Investments and Investment Return

Investments are reported at fair value for financial reporting purposes. Investment return includes interest, dividends, realized and unrealized gains and losses, and investment fees. Changes in unrealized appreciation or depreciation of investments are recorded in the period

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS AND  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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such changes occur. Realized gains and losses are recorded based on the cost of the specific securities sold. Interest and dividend income is recorded when earned.

Investments at Cost

The Auxiliary owns interests in various real estate partnerships. The Auxiliary ownership percentage in each partnership is less than 4%. The investments are recorded at cost less impairment.

Property and Equipment and Depreciation

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

Revenue and Support Recognition

Membership dues are paid by members for the benefits of member services and access to publications and member benefits and are considered to be exchange transactions. Membership dues are collected annually based on a calendar year-end. Membership dues are recognized as deferred revenue dues (contract liabilities) when received and recognized in revenue as performance obligations are realized, which has been determined to be evenly over the membership period (Notes 5 and 7).

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

The Organization records unconditional promises to give at the earlier of the date the promise is given, or payment is received. The gifts are reported as support with or without donor restrictions depending upon the presence of donor stipulations that limit the use of the donated assets. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Functional Allocation of Expenses

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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Income Taxes

The Auxiliary and Foundation are organized as not-for-profit corporations and, accordingly, are generally exempt from Federal and state income taxes under sections 501(c)(19) and 501(c)(3) of the Internal Revenue Code, respectively. However, the Auxiliary and Foundation are required to file Federal 990 – Return of Organization Exempt from Income Tax, and similar state returns, which are informational returns only.

U.S. GAAP requires management to evaluate tax positions taken by the Auxiliary and Foundation and recognize a tax liability if the Auxiliary or Foundation has taken an uncertain position that more likely than not would be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Auxiliary and Foundation, and has concluded as of September 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements.

The Auxiliary and Foundation have filed their federal and state informational returns for periods through September 30, 2022. These informational returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return is filed or its due date (including approved extensions).

Subsequent Events

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

**3. INVESTMENTS**

Investments consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Money market mutual funds	\$ 1,087,186	\$ 1,382,336
Mutual funds	25,122,821	23,032,119
Exchange traded funds	12,436,048	10,824,250
Corporate bonds	2,180,445	2,151,135
Total investments	<u>\$ 40,826,500</u>	<u>\$ 37,389,840</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023 AND 2022

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

	2023	2022
Interest and dividends	\$ 1,124,845	\$ 1,014,303
Investment fees	(53,567)	(52,367)
Net realized gains	(237,536)	826,861
Net unrealized gains (losses)	3,894,737	(9,483,767)
Total investment return, net	\$ 4,728,479	\$ (7,694,970)

#### 4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

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

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

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

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

- *Money market mutual funds:* Generally transact subscription and redemption activity at a \$1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.

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- *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.
- *Exchange traded funds:* Valued at the closing price reported on the active market on which the individual securities are traded.
- *Corporate bonds and U.S. government securities:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes having value in yields currently available in comparable securities of issues with similar credit ratings.

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

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

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

	2023			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 1,087,186	\$ -0-	\$ 1,087,186
Mutual funds - equities				
Large cap	7,931,778	-0-	-0-	7,931,778
International	3,548,673	-0-	-0-	3,548,673
Other	863,194	-0-	-0-	863,194
Mutual funds - fixed income				
Intermediate term	5,969,170	-0-	-0-	5,969,170
Other	6,810,006	-0-	-0-	6,810,006
Exchange traded funds				
U.S. equity	11,659,184	-0-	-0-	11,659,184
International equity	776,864	-0-	-0-	776,864
Corporate bonds	-0-	2,180,445	-0-	2,180,445
	<u>\$ 37,558,869</u>	<u>\$ 3,267,631</u>	<u>\$ -0-</u>	<u>\$ 40,826,500</u>

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	2022			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 1,382,336	\$ -0-	\$ 1,382,336
Mutual funds - equities				
Large cap	6,524,580	-0-	-0-	6,524,580
International	2,747,934	-0-	-0-	2,747,934
Other	733,227	-0-	-0-	733,227
Mutual funds - fixed income				
Intermediate term	5,843,114	-0-	-0-	5,843,114
Other	7,183,264	-0-	-0-	7,183,264
Exchange traded funds				
U.S. equity	10,077,357	-0-	-0-	10,077,357
International equity	746,893	-0-	-0-	746,893
Corporate bonds	-0-	2,151,135	-0-	2,151,135
	<u>\$ 33,856,369</u>	<u>\$ 3,533,471</u>	<u>\$ -0-</u>	<u>\$ 37,389,840</u>

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

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

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

	2023	2022
<b>Assets</b>		
Cash	\$ 342,476	\$ 166,695
Investments - PUFL	4,332,536	3,931,731
	<u>\$ 4,675,012</u>	<u>\$ 4,098,426</u>
<b>Liabilities</b>		
Due to General Operating Fund	\$ 10,595	\$ 151,460
Deferred revenue - PUFL	4,664,417	3,946,966
	<u>\$ 4,675,012</u>	<u>\$ 4,098,426</u>

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Following is a summary of investments in the PUFL Membership Trust, categorized by each investment's classification within the fair value hierarchy (Note 4) at September 30:

	2023		
	Level 1	Level 2	Total
Money market mutual funds	\$ -0-	\$ 28,555	\$ 28,555
Mutual funds - equities			
International	274,229	-0-	274,229
Other	123,188	-0-	123,188
Mutual funds - fixed income			
Intermediate term	648,380	-0-	648,380
Other	735,018	-0-	735,018
Exchange traded funds			
U.S. equity	2,474,350	-0-	2,474,350
International equity	48,816	-0-	48,816
	<u>\$ 4,303,981</u>	<u>\$ 28,555</u>	<u>\$ 4,332,536</u>
	2022		
	Level 1	Level 2	Total
Money market mutual funds	\$ -0-	\$ 22,331	\$ 22,331
Mutual funds - equities			
International	219,346	-0-	219,346
Other	110,798	-0-	110,798
Mutual funds - fixed income			
Intermediate term	638,662	-0-	638,662
Other	777,982	-0-	777,982
Exchange traded funds			
U.S. equity	2,117,182	-0-	2,117,182
International equity	45,430	-0-	45,430
	<u>\$ 3,909,400</u>	<u>\$ 22,331</u>	<u>\$ 3,931,731</u>

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

	2023	2022
Dividends and interest	\$ 113,722	\$ 113,360
Investment fees	(31,041)	(32,789)
Net realized gains (losses)	(15,639)	78,104
Net unrealized gains (losses)	414,605	(1,075,430)
Investment return, net	\$ 481,647	\$ (916,755)

**6. PROPERTY AND EQUIPMENT**

The Organization's property and equipment comprise of the following as of September 30:

	2023	2022
Land and improvements	\$ 270,400	\$ 270,400
Building and improvements	2,323,441	2,306,954
Furniture, office equipment, and information technology	1,790,343	1,790,343
	4,384,184	4,367,697
Accumulated depreciation and amortization	(2,000,935)	(1,865,029)
	\$ 2,383,249	\$ 2,502,668

**7. CONTRACT LIABILITIES**

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

	2023	2022
Deferred revenue - dues:		
Beginning of year	\$ 2,694,918	\$ 2,831,745
End of year	\$ 3,392,234	\$ 2,694,918
Deferred revenue - PUFL (Note 5):		
Beginning of year	\$ 3,946,966	\$ 4,826,780
End of year	\$ 4,664,417	\$ 3,946,966

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**8. PAYCHECK PROTECTION PROGRAM LOAN**

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

**9. NET ASSETS**

Net Assets without Donor Restrictions

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

	2023	2022
Auxiliary net assets without donor restrictions:		
General operations	\$ 33,606,346	\$ 29,887,050
Auxiliary board designated net assets:		
National President's Scholarship Fund Endowment (National Executive Committee ("NEC") designated)	2,477,794	2,225,291
NEC designated reserves	2,669,302	2,848,387
Auxiliary Emergency Fund	836,807	772,085
Spirit of Youth Fund	515,327	437,024
Other	106,887	106,887
Total Auxiliary board designated net assets	6,606,117	6,389,674
Pension plan	(1,095,954)	(573,944)
Total Auxiliary net assets without donor restrictions	39,116,509	35,702,780
Foundation net assets without donor restrictions:		
General operations	13,401	12,236
	\$ 39,129,910	\$ 35,715,016

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Net Assets with Donor Restrictions

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

	2023	2022
Auxiliary net assets with donor restrictions		
Subject to expenditure for a specific purpose		
Spirit of Youth Fund	\$ 138,253	\$ 131,406
Auxiliary Emergency Fund grants	240,403	265,262
Other	443,465	301,241
	822,121	697,909
Endowment:		
Held in perpetuity	815,329	802,541
Undistributed endowment earnings	(13,474)	(45,757)
	801,855	756,784
Total Auxiliary net assets with donor restrictions	1,623,976	1,454,693
Foundation net assets with donor restrictions		
Subject to expenditure for a specific purpose		
Veteran Projects Fund	284,500	317,090
National and Local Veteran Creative Arts Festival(s)	187,551	158,157
Mission	6,135	6,135
	478,186	481,382
Endowment:		
Held in perpetuity	2,023,623	1,882,423
Undistributed endowment earnings	304,370	151,611
	2,327,993	2,034,034
Total Foundation net assets with donor restrictions	2,806,179	2,515,416
	\$ 4,430,155	\$ 3,970,109

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Net Assets Released from Restrictions

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

	2023	2022
Purpose restrictions accomplished:		
Auxiliary net assets released from restrictions:		
Spirit of Youth Fund scholarships and related expenses, net of forfeitures	\$ 46,516	\$ 63,075
Emergency Fund grants and related expenses	304,394	152,800
National President's Scholarship Fund Endowment scholarships and related expenses, net of forfeitures	87,000	88,216
Total Auxiliary net assets released from restrictions	437,910	304,091
Foundation net assets released from restrictions:		
Endowment distributions in support of		
Auxiliary operations	47,213	41,439
Veteran Projects Fund grants and sub-grants	84,604	86,055
National and Local Veteran Creative Arts Festival(s)	54,677	101,261
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	30,692	47,203
Mission (direct mail campaign and other)	254,250	197,883
Total Foundation net assets released from restrictions	471,436	473,841
	\$ 909,346	\$ 777,932

**10. 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 (no contribution is required).

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The measurement dates used in determining the pension benefit measurements for plan assets and benefit obligations were September 30, 2023 and 2022, respectively. Significant balances, costs, and assumptions are as follows:

	2023	2022
Projected benefit obligation	\$ (2,582,953)	\$ (2,747,271)
Fair value of plan assets	2,046,036	2,679,227
Funded status	\$ (536,917)	\$ (68,044)
Accumulated benefit obligation	\$ (2,582,953)	\$ (2,747,271)

Following is a summary of the pension's investments, categorized by each investment's classification within the fair value hierarchy (Note 4), at December 31:

	2022		
	Level 1	Level 2	Total
Money market mutual funds	\$ -0-	\$ 70,207	\$ 70,207
U.S. government securities	-0-	279,505	279,505
Common stocks			
Technology	172,810	-0-	172,810
Financial services	101,663	-0-	101,663
Healthcare	96,464	-0-	96,464
Industrials	79,531	-0-	79,531
Consumer cyclical	75,716	-0-	75,716
Communication services	56,879	-0-	56,879
Other	130,787	-0-	130,787
Bonds			
Corporate bonds	-0-	662,461	662,461
Municipal bonds	-0-	274,479	274,479
Other	-0-	45,534	45,534
	\$ 713,850	\$ 1,332,186	\$ 2,046,036

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	2021		
	Level 1	Level 2	Total
Money market mutual funds	\$ -0-	\$ 121,168	\$ 121,168
Common stocks			
Technology	389,118	-0-	389,118
Healthcare	192,775	-0-	192,775
Financial services	181,900	-0-	181,900
Communication services	148,223	-0-	148,223
Consumer cyclical	128,511	-0-	128,511
Industrials	109,388	-0-	109,388
Other	202,263	-0-	202,263
Bonds			
Corporate bonds	-0-	768,132	768,132
Municipal bonds	-0-	371,017	371,017
Other	-0-	66,732	66,732
	<u>\$ 1,352,178</u>	<u>\$ 1,327,049</u>	<u>\$ 2,679,227</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:

	2023	2022
Liability for pension benefits	\$ 536,917	\$ 68,044
Unrecognized losses	(1,010,620)	(478,511)
Unamortized prior service cost	(85,334)	(95,433)
Employer contributions	23,083	23,452
Benefits paid	236,281	228,227
Net periodic pension cost		
Other components		
Interest costs	133,434	87,536
Return on assets	(419,993)	151,462
Net amortization and deferral	(583,481)	16,835
	<u>(30,054)</u>	<u>(47,091)</u>
Net periodic pension cost	<u>\$ (30,054)</u>	<u>\$ (47,091)</u>

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

	2023	2022
Weighted-average assumptions:		
Discount rate	5.58%	5.10%
Rate of compensation increase	N/A	N/A

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

	2023	2022
Weighted-average assumptions:		
Discount rate	5.58%	5.10%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

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

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid during the years ending September 30, 2023:

Year ending September 30,		
2024	\$	241,427
2025		233,821
2026		229,800
2027		224,075
2028		218,342
2029 - 2032		986,110
	\$	2,133,575

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.

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Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. Plan assets are re-balanced quarterly. The most recent target asset allocation percentages and the actual plan assets by category at September 30 were as follows:

	<u>Target</u>	<u>2023</u>	<u>2022</u>
Equity securities	40 - 60%	35%	50%
Debt securities	40 - 60%	48%	45%

**11. PROFIT SHARING PLAN**

The Auxiliary established a 401(k) Profit Sharing Plan subsequent to the freezing of the pension plan in 2008 (Note 10). The plan covers all eligible employees meeting certain age and term-of-employment provisions. Contributions are made by the Auxiliary at the discretion of the National Finance and National Executive Committees. Vesting is on a graduated scale with participants beginning to vest in employer contributions after two years of service and becoming fully vested upon five (5) years of service. The Auxiliary contributed \$52,250 and \$57,451 for the years ended September 30, 2023 and 2022, respectively.

**12. NATIONAL PRESIDENT'S SCHOLARSHIP FUND ENDOWMENT**

The Auxiliary created the National President's Scholarship Fund Endowment (the "Endowment") in 2008 to provide funding for scholarships awarded by the Auxiliary. The endowment consists of quasi endowment funds set aside by the NEC and donor-restricted funds. Contributions to the NEC-designated and donor-restricted portions of the endowment are classified as without donor restrictions and with donor restrictions, respectively, in the consolidated statements of financial position, and the components are tracked separately for the purpose of recording investment income.

Interpretation of Relevant Law

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

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required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

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

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level which a donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at September 30, 2023 and 2022.

Return Objective and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objective Relates to Spending Policy

The Auxiliary has a policy for its Endowment of appropriating for distributions each year on established percentage. The available Endowment distribution for each fiscal year beginning October 1 shall be limited to an amount determined by applying a 5% rate to the three-year rolling average market value for the period ending the preceding May 31. The actual

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endowment draw will be recommended by the National Finance Committee to the NEC for its approval during the annual budgeting process. Should the National Finance Committee deem it advisable to exceed the 5% limit, the change must be approved by the NEC.

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

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
NEC designated endowment funds	\$ 2,477,794	\$ -0-	\$ 2,477,794
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-0-	815,329	815,329
Accumulated investment gains (losses)	-0-	(13,474)	(13,474)
	<u>\$ 2,477,794</u>	<u>\$ 801,855</u>	<u>\$ 3,279,649</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
NEC designated endowment funds	\$ 2,225,291	\$ -0-	\$ 2,225,291
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-0-	802,541	802,541
Accumulated investment gains (losses)	-0-	(45,757)	(45,757)
	<u>\$ 2,225,291</u>	<u>\$ 756,784</u>	<u>\$ 2,982,075</u>

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
	Endowment net assets, beginning of year	\$ 2,225,291	\$ 756,784
Contributions	-0-	12,788	12,788
Investment return, net	252,503	119,283	371,786
Distributions	-0-	(87,000)	(87,000)
Endowment net assets, end of year	\$ 2,477,794	\$ 801,855	\$ 3,279,649
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,666,760	\$ 1,041,609	\$ 3,708,369
Contributions	-0-	12,555	12,555
Investment return, net	(441,469)	(209,164)	(650,633)
Distributions	-0-	(88,216)	(88,216)
Endowment net assets, end of year	\$ 2,225,291	\$ 756,784	\$ 2,982,075

**13. AMERICAN LEGION AUXILIARY FOUNDATION ALA MISSION ENDOWMENT**

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

Interpretation of Relevant Law

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

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required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

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

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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level which a donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at September 30, 2023 and 2022.

Return Objective and Risk Parameters

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

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objective Relates to Spending Policy

The Foundation has a policy for its Mission Endowment of appropriating for distributions each year on established percentage. The available Mission Endowment distribution for each fiscal year beginning October 1 shall be limited to an amount determined by applying a 5% rate to the three-year rolling average market value for the period ending the preceding May 31. The

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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 NEC.

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

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

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

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

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**14. LIQUIDITY AND AVAILABILITY OF RESOURCES**

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

	2023	2022
Financial Assets		
Cash and cash equivalents	\$ 2,315,798	\$ 1,613,743
Investments	40,826,500	39,599,312
Investments at cost	3,725,362	2,209,472
Investments - PUFL	4,332,536	3,931,731
Total financial assets	51,200,196	47,354,258
Investments at cost	(3,725,362)	(2,209,472)
Deferred revenue - PUFL	(4,664,417)	(3,946,966)
Board-designated funds	(6,606,117)	(6,389,674)
Donor-imposed restrictions		
Purpose and time restrictions	(1,300,307)	(1,179,291)
Endowment funds	(3,129,848)	(2,790,818)
	(19,426,051)	(16,516,221)
Financial assets available to meeting cash needs for general expenditures within one year	\$ 31,774,145	\$ 30,838,037

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

The Organization receives annual membership dues which are ongoing, major and central to its annual operations. Membership dues revenue was \$6,343,185 and \$6,336,491 for the years ended September 30, 2023 and 2022, respectively.

Board designated funds represent net assets set aside by the Board of Directors for an endowment and other reserve funds. These funds are expected to be used for the intended purposes; thus, these financial assets may not be available for general expenditure within one year and are included in amounts not available to be used within one year above.

In addition, the Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors.

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Thus, these financial assets may not be available for general expenditure within one year and are included in amounts not available to be used within one year above.

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

Because endowments exist in perpetuity the Organization may only spend from its endowment in accordance with its spending policy (Notes 12 and 13).

**15. RELATED PARTY TRANSACTIONS**

The Auxiliary and The American Legion National Headquarters (the "Legion") are related parties that are not financially interrelated organizations. The Legion is a national veterans organization created by an Act of Congress to provide various programs to support veterans, their families, and children and youth. Many of the Auxiliary's programs mirror and/or supplement the efforts of the Legion in supporting these groups. Accordingly, there are shared resources between the two organizations.

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

	2023	2022
<b>Disbursements to Legion</b>		
Conferences and convention	\$ 130,048	\$ 138,807
Legal services	18,000	18,000
National emblem sales	23,323	14,321
Contributions to the Legion and its affiliates	50,083	28,052
Other	6,920	11,190
	\$ 228,374	\$ 210,370
<b>Receipts</b>		
National emblem sales	\$ 68,998	\$ 63,351

**16. CONCENTRATIONS**

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

SUPPLEMENTARY INFORMATION

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS AND  
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ANALYSIS OF DEFERRED REVENUE – PUFL  
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
<b>Increases</b>		
Membership dues	\$ 594,774	\$ 379,974
Investment return, net	481,647	(916,755)
	<u>1,076,421</u>	<u>(536,781)</u>
<b>Decreases</b>		
Distributions to departments	305,242	287,922
Administrative expense	53,728	55,111
	<u>358,970</u>	<u>343,033</u>
<b>Net increase (decrease)</b>	717,451	(879,814)
<b>Deferred revenue, beginning of year</b>	<u>3,946,966</u>	<u>4,826,780</u>
<b>Deferred revenue, end of year</b>	<u><u>\$ 4,664,417</u></u>	<u><u>\$ 3,946,966</u></u>

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CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2023

<b>ASSETS</b>			
	Auxiliary	Foundation	Total
Cash and cash equivalents	\$ 1,655,228	\$ 660,570	\$ 2,315,798
Investments	38,541,806	2,284,694	40,826,500
Investments at cost	3,725,362	-0-	3,725,362
Investments - PUFL	4,332,536	-0-	4,332,536
Prepaid expenses	100,111	-0-	100,111
Property and equipment, net	2,383,249	-0-	2,383,249
Other assets	116,862	-0-	116,862
	\$ 50,855,154	\$ 2,945,264	\$ 53,800,418
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,050,721	\$ 125,684	\$ 1,176,405
Accrued expenses	323,180	-0-	323,180
Accrued scholarships	132,750	-0-	132,750
Deferred revenue - dues	3,392,234	-0-	3,392,234
Deferred revenue - PUFL	4,664,417	-0-	4,664,417
Deferred revenue - other	14,450	-0-	14,450
Liability for pension benefits	536,917	-0-	536,917
Total liabilities	10,114,669	125,684	10,240,353
<b>Net assets</b>			
Net assets without donor restrictions:			
General operating	33,606,346	13,401	33,619,747
Board-designated	6,606,117	-0-	6,606,117
Pension plan (Note 10)	(1,095,954)	-0-	(1,095,954)
Total net assets without donor restrictions	39,116,509	13,401	39,129,910
Net assets with donor restrictions	1,623,976	2,806,179	4,430,155
Total net assets	40,740,485	2,819,580	43,560,065
	\$ 50,855,154	\$ 2,945,264	\$ 53,800,418

*See report of independent auditors.*

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS AND  
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CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2023

	<b>Auxiliary</b>			<b>Foundation</b>			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total		
<b>Revenue and support</b>								
Membership dues	\$ 6,343,185	\$ -0-	\$ 6,343,185	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 6,343,185
Contributions	1,084,112	487,909	1,572,021	200,713	545,358	746,071	(264,213)	2,053,879
Advertising	77,096	-0-	77,096	-0-	-0-	-0-	-0-	77,096
Other	622,014	-0-	622,014	-0-	10,000	10,000	-0-	632,014
Net assets released from restrictions	437,910	(437,910)	-0-	471,436	(471,436)	-0-	-0-	-0-
Total revenue and support	8,564,317	49,999	8,614,316	672,149	83,922	756,071	(264,213)	9,106,174
<b>Expenses</b>								
Member and department support services	4,711,561	-0-	4,711,561	25,722	-0-	25,722	-0-	4,737,283
Youth and education services	969,073	-0-	969,073	63,084	-0-	63,084	(20,000)	1,012,157
Veterans and military families programs	893,970	-0-	893,970	174,625	-0-	174,625	(45,000)	1,023,595
Total program services	6,574,604	-0-	6,574,604	263,431	-0-	263,431	(65,000)	6,773,035
Management and general	1,478,878	-0-	1,478,878	65,929	-0-	65,929	(199,213)	1,345,594
Fundraising	976,283	-0-	976,283	342,791	-0-	342,791	-0-	1,319,074
Total expenses	9,029,765	-0-	9,029,765	672,151	-0-	672,151	(264,213)	9,437,703
Change in net assets from operations	(465,448)	49,999	(415,449)	(2)	83,922	83,920	-0-	(331,529)
<b>Investment return, net</b>	4,401,187	119,284	4,520,471	1,167	206,841	208,008	-0-	4,728,479
<b>Pension plan (Note 10)</b>								
Change in unrecognized losses	(532,109)	-0-	(532,109)	-0-	-0-	-0-	-0-	(532,109)
Change in unamortized services costs	10,099	-0-	10,099	-0-	-0-	-0-	-0-	10,099
Total pension plan	(522,010)	-0-	(522,010)	-0-	-0-	-0-	-0-	(522,010)
Change in net assets	3,413,729	169,283	3,583,012	1,165	290,763	291,928	-0-	3,874,940
<b>Net assets, beginning of year</b>	35,702,780	1,454,693	37,157,473	12,236	2,515,416	2,527,652	-0-	39,685,125
<b>Net assets, end of year</b>	<u>\$ 39,116,509</u>	<u>\$ 1,623,976</u>	<u>\$ 40,740,485</u>	<u>\$ 13,401</u>	<u>\$ 2,806,179</u>	<u>\$ 2,819,580</u>	<u>\$ -0-</u>	<u>\$ 43,560,065</u>

See report of independent auditors.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS AND  
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CONSOLIDATING STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2022

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

See report of independent auditors.