



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

**CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

SEPTEMBER 30, 2024 AND 2023

CPAs / ADVISORS



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

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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, 2024 and 2023, 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, 2024 and 2023, 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 32 to 35 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
February 22, 2025

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023

ASSETS		
	2024	2023
Cash and cash equivalents	\$ 2,091,848	\$ 2,315,798
Investments	52,344,252	40,826,500
Investments at cost	4,004,324	3,725,362
Investments - PUFL	5,425,586	4,332,536
Prepaid expenses	178,351	100,111
Property and equipment, net	2,490,361	2,383,249
Other assets	73,168	116,862
	<u>\$ 66,607,890</u>	<u>\$ 53,800,418</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,081,217	\$ 1,176,405
Accrued expenses	331,278	323,180
Accrued scholarships	134,250	132,750
Deferred revenue - dues	4,175,851	3,392,234
Deferred revenue - PUFL	5,656,043	4,664,417
Deferred revenue - other	17,545	14,450
Liability for pension benefits	632,917	536,917
Total liabilities	12,029,101	10,240,353
Net assets		
Net assets without donor restrictions		
General operating	43,077,708	33,619,747
Board-designated	7,283,986	6,606,117
Pension plan (Note 9)	(1,158,510)	(1,095,954)
Total net assets without donor restrictions	49,203,184	39,129,910
Net assets with donor restrictions	5,375,605	4,430,155
Total net assets	<u>54,578,789</u>	<u>43,560,065</u>
	<u>\$ 66,607,890</u>	<u>\$ 53,800,418</u>

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024
(WITH COMPARATIVE TOTAL FOR THE YEAR ENDED SEPTEMBER 30, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support				
Membership dues	\$ 8,529,253	\$ -0-	\$ 8,529,253	\$ 6,343,185
Contributions	448,341	939,576	1,387,917	2,053,879
Advertising	87,948	-0-	87,948	77,096
Other	678,282	10,000	688,282	632,014
Net assets released from restrictions	<u>782,082</u>	<u>(782,082)</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	10,525,906	167,494	10,693,400	9,106,174
Expenses				
Member and department support services	5,010,282	-0-	5,010,282	4,737,283
Youth and education services	1,192,073	-0-	1,192,073	1,012,157
Veterans and military families programs	<u>981,701</u>	<u>-0-</u>	<u>981,701</u>	<u>1,023,595</u>
Total program services	7,184,056	-0-	7,184,056	6,773,035
Management and general	1,650,436	-0-	1,650,436	1,345,594
Fundraising	<u>839,730</u>	<u>-0-</u>	<u>839,730</u>	<u>1,319,074</u>
Total expenses	<u>9,674,222</u>	<u>-0-</u>	<u>9,674,222</u>	<u>9,437,703</u>
Change in net assets from operations	851,684	167,494	1,019,178	(331,529)
Investment return, net	9,284,146	777,956	10,062,102	4,728,479
Pension plan (Note 9)				
Change in unrecognized losses	(68,180)	-0-	(68,180)	(532,109)
Change in unamortized services costs	<u>5,624</u>	<u>-0-</u>	<u>5,624</u>	<u>10,099</u>
Total pension plan	<u>(62,556)</u>	<u>-0-</u>	<u>(62,556)</u>	<u>(522,010)</u>
Change in net assets	10,073,274	945,450	11,018,724	3,874,940
Net assets, beginning of year	<u>39,129,910</u>	<u>4,430,155</u>	<u>43,560,065</u>	<u>39,685,125</u>
Net assets, end of year	<u>\$ 49,203,184</u>	<u>\$ 5,375,605</u>	<u>\$ 54,578,789</u>	<u>\$ 43,560,065</u>

See accompanying notes to consolidated financial statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Membership dues	\$ 6,343,185	\$ -0-	\$ 6,343,185
Contributions	1,020,612	1,033,267	2,053,879
Advertising	77,096	-0-	77,096
Other	622,014	10,000	632,014
Net assets released from restrictions	<u>909,346</u>	<u>(909,346)</u>	<u>-0-</u>
Total revenue and support	8,972,253	133,921	9,106,174
Expenses			
Member and department support services	4,737,283	-0-	4,737,283
Youth and education services	1,012,157	-0-	1,012,157
Veterans and military families programs	<u>1,023,595</u>	<u>-0-</u>	<u>1,023,595</u>
Total program services	6,773,035	-0-	6,773,035
Management and general	1,345,594	-0-	1,345,594
Fundraising	<u>1,319,074</u>	<u>-0-</u>	<u>1,319,074</u>
Total expenses	<u>9,437,703</u>	<u>-0-</u>	<u>9,437,703</u>
Change in net assets from operations	(465,450)	133,921	(331,529)
Investment return, net	4,402,354	326,125	4,728,479
Pension plan (Note 9)			
Change in unrecognized losses	(532,109)	-0-	(532,109)
Change in unamortized services costs	<u>10,099</u>	<u>-0-</u>	<u>10,099</u>
Total pension plan	<u>(522,010)</u>	<u>-0-</u>	<u>(522,010)</u>
Change in net assets	3,414,894	460,046	3,874,940
Net assets, beginning of year	<u>35,715,016</u>	<u>3,970,109</u>	<u>39,685,125</u>
Net assets, end of year	<u>\$ 39,129,910</u>	<u>\$ 4,430,155</u>	<u>\$ 43,560,065</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, 2024
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2023)

	2024				2023
	Program Services	Management and General	Fundraising	Total Expenses	Totals
Personnel and related benefits	\$ 1,973,843	\$ 1,109,828	\$ 179,397	\$ 3,263,068	\$ 2,966,560
General operating expenses	705,223	282,955	44,354	1,032,532	816,566
Travel, conferences and meetings	1,917,919	66,726	17,447	2,002,092	1,821,045
Occupancy	51,743	30,526	4,929	87,198	101,065
Professional services and fees	471,364	141,802	79,934	693,100	580,486
Printing, publicity and awards	696,285	9,099	373,422	1,078,806	1,487,330
Postage and freight	870,602	4,475	140,234	1,015,311	1,055,768
Grants and scholarships	483,230	-0-	-0-	483,230	551,576
Other	13,847	5,025	13	18,885	57,307
Total expenses	<u>\$ 7,184,056</u>	<u>\$ 1,650,436</u>	<u>\$ 839,730</u>	<u>\$ 9,674,222</u>	<u>\$ 9,437,703</u>

See accompanying notes to consolidated financial statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS AND
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023

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

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, 2024 AND 2023

	2024	2023
Operating activities		
Change in net assets	\$ 11,018,724	\$ 3,874,940
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	121,761	135,906
Net realized (gains) losses on investments	(29,319)	237,536
Net unrealized gains on investments	(8,656,234)	(3,894,737)
Contributions restricted for Mission Endowment (Note 12)	(208,977)	(141,200)
Net periodic pension cost (benefit)	49,155	(30,054)
Pension liability adjustment	62,556	522,010
Changes in operating assets and liabilities:		
Prepaid expenses	(78,240)	(28,472)
Other assets	43,694	(58,750)
Accounts payable	(95,188)	243,648
Accrued expenses and scholarships	9,598	12,785
Deferred revenue - dues	783,617	697,316
Deferred revenue - PUFL	(101,424)	316,646
Deferred revenue - other	3,095	8,200
Liability for pension benefits	(15,711)	(23,083)
Net cash flows from operating activities	2,907,107	1,872,691
Investing activities		
Capital expenditures	(228,873)	(16,487)
Purchase of investments	(2,884,507)	(2,268,678)
Proceeds from sale of investments	52,308	2,489,219
Purchase of investments at cost	(692,811)	(1,562,438)
Return of capital on investments at cost	413,849	46,548
Net cash flows from investing activities	(3,340,034)	(1,311,836)
Financing Activities		
Contributions restricted for Mission Endowment (Note 12)	208,977	141,200
Net change in cash and cash equivalents	(223,950)	702,055
Cash and cash equivalents, beginning of year	2,315,798	1,613,743
Cash and cash equivalents, end of year	\$ 2,091,848	\$ 2,315,798

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, 2024 AND 2023

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.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements net assets, revenue, support, 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:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2024 AND 2023

- 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 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 2%. The investments are recorded at cost less impairment.

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AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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.

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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, 2024 and 2023, 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, 2023. 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 February 22, 2025, which is the date the consolidated financial statements were available to be issued.

3. INVESTMENTS

Investments consist of the following at September 30:

	2024	2023
Money market mutual funds	\$ 3,217,061	\$ 1,087,186
Mutual funds	29,651,005	25,122,821
Exchange traded funds	17,171,530	12,436,048
Corporate bonds	2,304,656	2,180,445
Total investments	<u>\$ 52,344,252</u>	<u>\$ 40,826,500</u>

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

	2024	2023
Interest and dividends	\$ 1,426,605	\$ 1,124,845
Investment fees	(50,056)	(53,567)
Net realized gains (losses)	29,319	(237,536)
Net unrealized gains	8,656,234	3,894,737
Total investment return, net	<u>\$ 10,062,102</u>	<u>\$ 4,728,479</u>

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

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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, 2024 and 2023.

- *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.
- *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

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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:

	2024			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 3,217,061	\$ -0-	\$ 3,217,061
Mutual funds - equities				
Large cap	10,810,520	-0-	-0-	10,810,520
International	4,440,587	-0-	-0-	4,440,587
Mutual funds - fixed income				
Intermediate term	6,921,246	-0-	-0-	6,921,246
Other	7,478,652	-0-	-0-	7,478,652
Exchange traded funds				
U.S. equity	15,198,635	-0-	-0-	15,198,635
International equity	1,866,515	-0-	-0-	1,866,515
Other	106,380	-0-	-0-	106,380
Corporate bonds	-0-	2,304,656	-0-	2,304,656
	<u>\$ 46,822,535</u>	<u>\$ 5,521,717</u>	<u>\$ -0-</u>	<u>\$ 52,344,252</u>

	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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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 as of September 30:

	2024	2023
Assets		
Cash	\$ 140,354	\$ 342,476
Investments - PUFL	5,425,586	4,332,536
Due from General Operating Fund	90,103	-0-
	<u>\$ 5,656,043</u>	<u>\$ 4,675,012</u>
Liabilities		
Due to General Operating Fund	\$ -0-	\$ 10,595
Deferred revenue - PUFL	5,656,043	4,664,417
	<u>\$ 5,656,043</u>	<u>\$ 4,675,012</u>

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:

	2024			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 46,366	\$ -0-	\$ 46,366
Mutual funds - equities				
International	329,221	-0-	-0-	329,221
Mutual funds - fixed income				
Intermediate term	732,752	-0-	-0-	732,752
Other	835,176	-0-	-0-	835,176
Exchange traded funds				
U.S. equity	3,275,959	-0-	-0-	3,275,959
International equity	206,112	-0-	-0-	206,112
	<u>\$ 5,379,220</u>	<u>\$ 46,366</u>	<u>\$ -0-</u>	<u>\$ 5,425,586</u>

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	2023			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 28,555	\$ -0-	\$ 28,555
Mutual funds - equities				
International	274,229	-0-	-0-	274,229
Other	123,188	-0-	-0-	123,188
Mutual funds - fixed income				
Intermediate term	648,380	-0-	-0-	648,380
Other	735,018	-0-	-0-	735,018
Exchange traded funds				
U.S. equity	2,474,350	-0-	-0-	2,474,350
International equity	48,816	-0-	-0-	48,816
	<u>\$ 4,303,981</u>	<u>\$ 28,555</u>	<u>\$ -0-</u>	<u>\$ 4,332,536</u>

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

	2024	2023
Dividends and interest	\$ 130,830	\$ 113,722
Investment fees	(32,166)	(31,041)
Net realized losses	(29,684)	(15,639)
Net unrealized gains	1,021,071	414,605
Investment return, net	<u>\$ 1,090,051</u>	<u>\$ 481,647</u>

6. PROPERTY AND EQUIPMENT

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

	2024	2023
Land and improvements	\$ 270,400	\$ 270,400
Building and improvements	2,461,563	2,323,441
Furniture, office equipment, and information technology	1,790,343	1,790,343
Construction in process	90,751	-0-
	<u>4,613,057</u>	<u>4,384,184</u>
Accumulated depreciation and amortization	<u>(2,122,696)</u>	<u>(2,000,935)</u>
	<u>\$ 2,490,361</u>	<u>\$ 2,383,249</u>

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7. CONTRACT LIABILITIES

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

	2024	2023
Deferred revenue - dues:		
Beginning of year	\$ 3,392,234	\$ 2,694,918
End of year	\$ 4,175,851	\$ 3,392,234
Deferred revenue - PUFL (Note 5):		
Beginning of year	\$ 4,664,417	\$ 3,946,966
End of year	\$ 5,656,043	\$ 4,664,417

8. 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:

	2024	2023
Auxiliary net assets without donor restrictions:		
General operations	\$ 43,054,967	\$ 33,606,346
Auxiliary board designated net assets:		
National President's Scholarship Fund Endowment (National Executive Committee ("NEC") designated)	3,033,411	2,477,794
NEC designated reserves	2,490,217	2,669,302
Auxiliary Emergency Fund	955,773	836,807
Spirit of Youth Fund	697,698	515,327
Other	106,887	106,887
Total Auxiliary board designated net assets	7,283,986	6,606,117
Pension plan	(1,158,510)	(1,095,954)
Total Auxiliary net assets without donor restrictions	49,180,443	39,116,509
Foundation net assets without donor restrictions:		
General operations	22,741	13,401
	<u>\$ 49,203,184</u>	<u>\$ 39,129,910</u>

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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:

	<u>2024</u>	<u>2023</u>
Auxiliary net assets with donor restrictions		
Subject to expenditure for a specific purpose		
Spirit of Youth Fund	\$ 182,387	\$ 138,253
Auxiliary Emergency Fund grants	180,082	240,403
Other	<u>443,587</u>	<u>443,465</u>
	806,056	822,121
Endowment:		
Held in perpetuity	827,067	815,329
Undistributed endowment earnings	<u>122,665</u>	<u>(13,474)</u>
	<u>949,732</u>	<u>801,855</u>
Total Auxiliary net assets with donor restrictions	1,755,788	1,623,976
Foundation net assets with donor restrictions		
Subject to expenditure for a specific purpose		
Veteran Projects Fund	298,574	284,500
National and Local Veteran Creative Arts Festival(s)	286,917	187,551
Mission	<u>6,135</u>	<u>6,135</u>
	591,626	478,186
Endowment:		
Held in perpetuity	2,232,600	2,023,623
Undistributed endowment earnings	<u>795,591</u>	<u>304,370</u>
	<u>3,028,191</u>	<u>2,327,993</u>
Total Foundation net assets with donor restrictions	<u>3,619,817</u>	<u>2,806,179</u>
	<u>\$ 5,375,605</u>	<u>\$ 4,430,155</u>

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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:

	2024	2023
Purpose restrictions accomplished:		
Auxiliary net assets released from restrictions:		
Spirit of Youth Fund scholarships and related expenses, net of forfeitures	\$ 77,248	\$ 46,516
Emergency Fund grants and related expenses	276,807	304,394
National President's Scholarship Fund Endowment scholarships and related expenses, net of forfeitures	108,000	87,000
Total Auxiliary net assets released from restrictions	462,055	437,910
Foundation net assets released from restrictions:		
Endowment distributions in support of		
Auxiliary operations	29,306	47,213
Veteran Projects Fund grants and sub-grants	46,325	84,604
National and Local Veteran Creative Arts Festival(s)	135,000	54,677
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	19,514	30,692
Mission (direct mail campaign and other)	89,882	254,250
Total Foundation net assets released from restrictions	320,027	471,436
	<u>\$ 782,082</u>	<u>\$ 909,346</u>

9. PENSION PLAN

Prior to 2008, the Auxiliary participated in a defined benefit pension plan covering substantially all of its employees. The plan was frozen on June 30, 2008. Participating employees will continue to vest in the plan; however, benefit payments will be based on the years of service and salary level as of June 30, 2008. The Auxiliary's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Auxiliary may determine to be appropriate from time to time (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, 2024 and 2023, respectively. Significant balances, costs, and assumptions are as follows:

	2024	2023
Projected benefit obligation	\$ (2,691,250)	\$ (2,582,953)
Fair value of plan assets	2,058,333	2,046,036
Funded status	<u>\$ (632,917)</u>	<u>\$ (536,917)</u>
Accumulated benefit obligation	<u>\$ (2,691,250)</u>	<u>\$ (2,582,953)</u>

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:

	2023			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 44,587	\$ -0-	\$ 44,587
U.S. government securities	-0-	126,478	-0-	126,478
Common stocks				
Technology	209,860	-0-	-0-	209,860
Financial services	88,367	-0-	-0-	88,367
Healthcare	90,031	-0-	-0-	90,031
Industrials	57,566	-0-	-0-	57,566
Consumer cyclical	80,730	-0-	-0-	80,730
Communication services	63,157	-0-	-0-	63,157
Other	100,381	-0-	-0-	100,381
Bonds				
Corporate bonds	-0-	678,231	-0-	678,231
Municipal bonds	-0-	279,306	-0-	279,306
Other	-0-	239,639	-0-	239,639
	<u>\$ 690,092</u>	<u>\$ 1,368,241</u>	<u>\$ -0-</u>	<u>\$ 2,058,333</u>

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	2022			
	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 70,207	\$ -0-	\$ 70,207
U.S. government securities	-0-	279,505		279,505
Common stocks				
Technology	172,810	-0-	-0-	172,810
Financial services	101,663	-0-	-0-	101,663
Healthcare	96,464	-0-	-0-	96,464
Industrials	79,531	-0-	-0-	79,531
Consumer cyclical	75,716	-0-	-0-	75,716
Communication services	56,879	-0-	-0-	56,879
Other	130,787	-0-	-0-	130,787
Bonds				
Corporate bonds	-0-	662,461	-0-	662,461
Municipal bonds	-0-	274,479	-0-	274,479
Other	-0-	45,534	-0-	45,534
	<u>\$ 713,850</u>	<u>\$ 1,332,186</u>	<u>\$ -0-</u>	<u>\$ 2,046,036</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:

	2024	2023
Liability for pension benefits	\$ 632,917	\$ 536,917
Unrecognized losses	(1,078,800)	(1,010,620)
Unamortized prior service cost	(79,710)	(85,334)
Employer contributions	15,711	23,083
Benefits paid	235,414	236,281
Net periodic pension cost		
Other components		
Interest costs	136,832	133,434
Return on assets	232,000	(419,993)
Net amortization and deferral	144,323	(583,481)
	<u>49,155</u>	<u>(30,054)</u>
Net periodic pension cost (benefit)	<u>\$ 49,155</u>	<u>\$ (30,054)</u>

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

	<u>2024</u>	<u>2023</u>
Weighted-average assumptions:		
Discount rate	4.70%	5.58%
Rate of compensation increase	N/A	N/A

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

	<u>2024</u>	<u>2023</u>
Weighted-average assumptions:		
Discount rate	4.70%	5.58%
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, 2024:

Year ending September 30,	
2025	\$ 234,804
2026	231,233
2027	225,608
2028	219,797
2029	212,313
2029 - 2034	<u>960,836</u>
	<u><u>\$ 2,084,591</u></u>

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with provisions of the plan agreement. The plan agreements permit investment in equity and debt securities based on certain target allocation percentages.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities.

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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:

	Target	2023	2022
Equity securities	40 - 60%	34%	35%
Debt securities	40 - 60%	58%	48%
Real estate	0 - 0%	1%	0%
Other	0 - 20%	7%	17%

10. PROFIT SHARING PLAN

The Auxiliary established a 401(k) Profit Sharing Plan subsequent to the freezing of the pension plan in 2008 (Note 9). The plan covers all eligible employees meeting certain age and term-of-employment provisions. Contributions are made by the Auxiliary at the discretion of the National Finance and National Executive Committees. 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 \$53,757 and \$52,250 for the years ended September 30, 2024 and 2023, respectively.

11. 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

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amounts donated to the fund; (b) any accumulations to the fund which are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The 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, 2024 and 2023.

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 endowment

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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:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
NEC designated endowment funds	\$ 3,033,411	\$ -0-	\$ 3,033,411
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-0-	827,067	827,067
Accumulated investment gains (losses)	-0-	122,665	122,665
	<u>\$ 3,033,411</u>	<u>\$ 949,732</u>	<u>\$ 3,983,143</u>
	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>

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,477,794	\$ 801,855	\$ 3,279,649
Contributions	-0-	11,738	11,738
Investment return, net	555,617	244,139	799,756
Distributions	-0-	(108,000)	(108,000)
Endowment net assets, end of year	<u>\$ 3,033,411</u>	<u>\$ 949,732</u>	<u>\$ 3,983,143</u>

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,225,291	\$ 756,784	\$ 2,982,075
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	<u>\$ 2,477,794</u>	<u>\$ 801,855</u>	<u>\$ 3,279,649</u>

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

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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, 2024 and 2023.

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 1st shall be the interest and dividends earned on the portfolio from June 1 to May 31 annually, to a maximum of an amount determined by applying a 5% rate to the three-year rolling average market value for the period ending the preceding May 31st. The actual endowment draw will be recommended by the American Legion Auxiliary Foundation Board to

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the NEC during the annual budgeting process for approval by the NEC. 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:

	<u>2024</u>	<u>2023</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,232,600	\$ 2,023,623
Accumulated investment gains	<u>795,591</u>	<u>304,370</u>
	<u>\$ 3,028,191</u>	<u>\$ 2,327,993</u>

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

	<u>2024</u>	<u>2023</u>
Endowment net assets, beginning of year	\$ 2,327,993	\$ 2,034,034
Contributions	208,977	141,200
Investment return, net	520,527	199,972
Distributions	<u>(29,306)</u>	<u>(47,213)</u>
Endowment net assets, end of year	<u>\$ 3,028,191</u>	<u>\$ 2,327,993</u>

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13. 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:

	<u>2024</u>	<u>2023</u>
Financial Assets		
Cash and cash equivalents	\$ 2,091,848	\$ 2,315,798
Investments	52,344,252	40,826,500
Investments at cost	4,004,324	3,725,362
Investments - PUFL	<u>5,425,586</u>	<u>4,332,536</u>
Total financial assets	63,866,010	51,200,196
Investments at cost	(4,004,324)	(3,725,362)
Deferred revenue - PUFL	(5,656,043)	(4,664,417)
Board-designated funds	(7,283,986)	(6,606,117)
Donor-imposed restrictions		
Purpose and time restrictions	(1,397,682)	(1,300,307)
Endowment funds	<u>(3,977,923)</u>	<u>(3,129,848)</u>
	<u>(22,319,958)</u>	<u>(19,426,051)</u>
Financial assets available to meeting cash needs		
for general expenditures within one year	<u>\$ 41,546,052</u>	<u>\$ 31,774,145</u>

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

The Organization receives annual membership dues which are ongoing, major and central to its annual operations. Membership dues revenue was \$8,529,253 and \$6,343,185 for the years ended September 30, 2024 and 2023, respectively.

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

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

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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 11 and 12).

14. RELATED PARTY TRANSACTIONS

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

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

	2024	2023
	<u>2024</u>	<u>2023</u>
Disbursements to Legion		
Conferences and convention	\$ 127,894	\$ 130,048
Legal services	18,000	18,000
National emblem sales	4,700	23,323
Contributions to the Legion and its affiliates	42,711	50,083
Other	6,170	6,920
	<u>\$ 199,475</u>	<u>\$ 228,374</u>
Receipts		
National emblem sales	<u>\$ 93,883</u>	<u>\$ 68,998</u>

15. 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, 2024 AND 2023

	2024	2023
Increases		
Membership dues	\$ 263,525	\$ 594,774
Investment return, net	<u>1,090,051</u>	<u>481,647</u>
	1,353,576	1,076,421
Decreases		
Distributions to departments	302,594	305,242
Administrative expense	<u>59,356</u>	<u>53,728</u>
	361,950	358,970
Net increase	991,626	717,451
Deferred revenue, beginning of year	<u>4,664,417</u>	<u>3,946,966</u>
Deferred revenue, end of year	<u><u>\$ 5,656,043</u></u>	<u><u>\$ 4,664,417</u></u>

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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2024

	ASSETS			
	<u>Auxiliary</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,215,618	\$ 876,230	\$ -0-	\$ 2,091,848
Investments	49,539,043	2,805,209	-0-	52,344,252
Investments at cost	4,004,324	-0-	-0-	4,004,324
Investments - PUFL	5,425,586	-0-	-0-	5,425,586
Prepaid expenses	178,351	-0-	-0-	178,351
Property and equipment, net	2,490,361	-0-	-0-	2,490,361
Other assets	109,896	-0-	(36,728)	73,168
	<u>\$ 62,963,179</u>	<u>\$ 3,681,439</u>	<u>\$ (36,728)</u>	<u>\$ 66,607,890</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 1,079,064	\$ 2,153	\$ -0-	\$ 1,081,217
Due to ALA	-0-	36,728	(36,728)	-0-
Accrued expenses	331,278	-0-	-0-	331,278
Accrued scholarships	134,250	-0-	-0-	134,250
Deferred revenue - dues	4,175,851	-0-	-0-	4,175,851
Deferred revenue - PUFL	5,656,043	-0-	-0-	5,656,043
Deferred revenue - other	17,545	-0-	-0-	17,545
Liability for pension benefits	632,917	-0-	-0-	632,917
Total liabilities	12,026,948	38,881	(36,728)	12,029,101
Net assets				
Net assets without donor restrictions:				
General operating	43,054,967	22,741	-0-	43,077,708
Board-designated	7,283,986	-0-	-0-	7,283,986
Pension plan (Note 9)	(1,158,510)	-0-	-0-	(1,158,510)
Total net assets without donor restrictions	49,180,443	22,741	-0-	49,203,184
Net assets with donor restrictions	1,755,788	3,619,817	-0-	5,375,605
Total net assets	<u>50,936,231</u>	<u>3,642,558</u>	<u>-0-</u>	<u>54,578,789</u>
	<u>\$ 62,963,179</u>	<u>\$ 3,681,439</u>	<u>\$ (36,728)</u>	<u>\$ 66,607,890</u>

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CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024

	Auxiliary			Foundation				
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total	Eliminations	Total
Revenue and support								
Membership dues	\$ 8,529,253	\$ -0-	\$ 8,529,253	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 8,529,253
Contributions	605,841	349,726	955,567	236,736	589,850	826,586	(394,236)	1,387,917
Advertising	87,948	-0-	87,948	-0-	-0-	-0-	-0-	87,948
Other	678,282	-0-	678,282	-0-	10,000	10,000	-0-	688,282
Net assets released from restrictions	462,055	(462,055)	-0-	320,027	(320,027)	-0-	-0-	-0-
Total revenue and support	10,363,379	(112,329)	10,251,050	556,763	279,823	836,586	(394,236)	10,693,400
Expenses								
Member and department support services	5,008,552	-0-	5,008,552	1,730	-0-	1,730	-0-	5,010,282
Youth and education services	1,156,077	-0-	1,156,077	65,996	-0-	65,996	(30,000)	1,192,073
Veterans and military families programs	899,220	-0-	899,220	209,981	-0-	209,981	(127,500)	981,701
Total program services	7,063,849	-0-	7,063,849	277,707	-0-	277,707	(157,500)	7,184,056
Management and general	1,822,520	-0-	1,822,520	64,652	-0-	64,652	(236,736)	1,650,436
Fundraising	625,111	-0-	625,111	214,619	-0-	214,619	-0-	839,730
Total expenses	9,511,480	-0-	9,511,480	556,978	-0-	556,978	(394,236)	9,674,222
Change in net assets from operations	851,899	(112,329)	739,570	(215)	279,823	279,608	-0-	1,019,178
Investment return, net	9,274,591	244,141	9,518,732	9,555	533,815	543,370	-0-	10,062,102
Pension plan (Note 9)								
Change in unrecognized losses	(68,180)	-0-	(68,180)	-0-	-0-	-0-	-0-	(68,180)
Change in unamortized services costs	5,624	-0-	5,624	-0-	-0-	-0-	-0-	5,624
Total pension plan	(62,556)	-0-	(62,556)	-0-	-0-	-0-	-0-	(62,556)
Change in net assets	10,063,934	131,812	10,195,746	9,340	813,638	822,978	-0-	11,018,724
Net assets, beginning of year	39,116,509	1,623,976	40,740,485	13,401	2,806,179	2,819,580	-0-	43,560,065
Net assets, end of year	<u>\$ 49,180,443</u>	<u>\$ 1,755,788</u>	<u>\$ 50,936,231</u>	<u>\$ 22,741</u>	<u>\$ 3,619,817</u>	<u>\$ 3,642,558</u>	<u>\$ -0-</u>	<u>\$ 54,578,789</u>

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

	Auxiliary			Foundation				
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total	Eliminations	Total
Revenue and support								
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	<u>437,910</u>	<u>(437,910)</u>	<u>-0-</u>	<u>471,436</u>	<u>(471,436)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	8,564,317	49,999	8,614,316	672,149	83,922	756,071	(264,213)	9,106,174
Expenses								
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	<u>893,970</u>	<u>-0-</u>	<u>893,970</u>	<u>174,625</u>	<u>-0-</u>	<u>174,625</u>	<u>(45,000)</u>	<u>1,023,595</u>
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	<u>976,283</u>	<u>-0-</u>	<u>976,283</u>	<u>342,791</u>	<u>-0-</u>	<u>342,791</u>	<u>-0-</u>	<u>1,319,074</u>
Total expenses	<u>9,029,765</u>	<u>-0-</u>	<u>9,029,765</u>	<u>672,151</u>	<u>-0-</u>	<u>672,151</u>	<u>(264,213)</u>	<u>9,437,703</u>
Change in net assets from operations	(465,448)	49,999	(415,449)	(2)	83,922	83,920	-0-	(331,529)
Investment return, net	4,401,187	119,284	4,520,471	1,167	206,841	208,008	-0-	4,728,479
Pension plan (Note 9)								
Change in unrecognized losses	(532,109)	-0-	(532,109)	-0-	-0-	-0-	-0-	(532,109)
Change in unamortized services costs	<u>10,099</u>	<u>-0-</u>	<u>10,099</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,099</u>
Total pension plan	<u>(522,010)</u>	<u>-0-</u>	<u>(522,010)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(522,010)</u>
Change in net assets	3,413,729	169,283	3,583,012	1,165	290,763	291,928	-0-	3,874,940
Net assets, beginning of year	<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>
Net assets, end of year	<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>

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