



THE AMERICAN LEGION ANNUAL REPORT

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2012

# Preamble

## to The American Legion Constitution

FOR GOD AND COUNTRY WE ASSOCIATE OURSELVES  
TOGETHER FOR THE FOLLOWING PURPOSES:

To uphold and defend the Constitution  
of the United States of America;

To maintain law and order;

To foster and perpetuate a  
one hundred percent Americanism;

To preserve the memories and incidents  
of our associations in the Great Wars;

To inculcate a sense of individual obligation  
to the community, state and nation;

To combat the autocracy of both the classes  
and the masses;

To make right the master of might;

To promote peace and goodwill on earth;

To safeguard and transmit to posterity the principles  
of justice, freedom and democracy;

To consecrate and sanctify our comradeship  
by our devotion to mutual helpfulness.

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## **The American Legion Annual Report**

Who We Are .....	2-3
Veterans Affairs & Rehabilitation .....	4-5
Legislative .....	6-7
Americanism .....	8-9
American Legion Baseball .....	10-11
Children & Youth .....	12-13
National Security & Foreign Relations .....	14-15
Economic .....	16-19
Membership & Internal Affairs .....	20-21
American Legion Riders .....	22-23
Fundraising .....	24-25
Emblem Sales .....	26-27
Library & Museum .....	28-29
Media .....	30-31
Financial Services .....	32-33
American Legion Family .....	34-35
Remembrance .....	36-37
National Convention & Meetings .....	38-39
Administrative Operations .....	40-41
Financial Statements .....	42-56





The National Executive Committee convenes for the 2012 Spring Meetings at The American Legion National Headquarters in Indianapolis.  
*Photo by Eldon Lindsay*

## Who We Are and What We Do

The American Legion is the nation's largest and most influential wartime veterans organization. With a membership of 2.4 million, and nearly 14,000 local posts around the world, the Legion touches the lives of veterans, troops, families and communities every day. On Capitol Hill, the Legion's voice resonates not only as that of the American veteran, but also of the American conscience. From urban neighborhoods to small towns, and every place in between, the Legion epitomizes patriotism, pride, mentorship and service.

Founded in 1919, the Legion stays true to its original values and mission. The commitment began when a compassionate group of World War I soldiers gathered in Paris to plan a way to care for their comrades, many of whom were sick, wounded or shell-shocked after the war. That included help for spouses and children of the war – many widowed, orphaned or otherwise suffering. The Legion promised them “a square deal” and went to work providing it. Legion founders also believed that both a well-resourced military and a commitment to diplomacy are essential to lasting world peace. They believed in the nation under whose banner they had fought. Thus were born the four pillars of The American Legion: Veterans, Youth, Defense and Americanism.

Through the decades, the Legion's accomplishments are many: the modern VA; the original GI Bill; the U.S. Flag Code; benefits for veterans exposed to Agent Orange, post-traumatic stress disorder and a number of other conditions; the Vietnam Veterans Memorial; and unwavering support for those who have served in the global war on terrorism.

Today, the Legion continues to stand by its core values on behalf of the veteran, the servicemember, families, communities, God and country.

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### This year in The American Legion

- Provided leadership and guidance to pass the Veteran Skills to Jobs Act, which helps veterans convert their military experiences into federal job licenses and credentials
- Logged more than 4 million hours of volunteer community service nationwide
- United with the U.S. Chamber of Commerce to promote Hiring Our Heroes job fairs
- Argued in Washington to protect the DoD budget from severe deficit-driven cuts
- Conducted field research and produced a comprehensive report for VA and Congress addressing the health-care needs of veterans living in rural areas

## A New Era of VA Benefits Assistance

The American Legion works through a nationwide network of more than 2,500 accredited service officers to ensure that veterans receive high-quality health care and VA benefits they earned and deserve. As U.S. troops come home from war, they look to The American Legion to help them understand their VA benefits and apply for them, free of charge.

The Legion's Veterans Affairs & Rehabilitation (VA&R) Commission continues to mobilize its System Worth Saving (SWS) Task Force, formed in 2003 to conduct site visits to VA medical centers and evaluate the quality of and access to health care through questionnaires and interviews with administrators and medical staff. The findings are compiled into a report with recommendations for improvement and delivered to the White House, members of Congress and senior VA leadership. The Regional Office Action Review (ROAR) program, established in 2011, assesses the accuracy and efficiency of regional Veterans Benefits Administration offices, which process disability claims applications. ROAR reports on regional offices are shared with VA's senior leadership and members of Congress.

The Legion also has staff across the country who assist with claims appeals at the Board of Veterans Appeals, the Appeals Management Center, and the Pension and Debt Management Center; VA insurance; benefits delivery at discharge; and medical and physical evaluation boards.

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### Priorities of VA&R

- Reverse VA's backlog of unresolved claims
- Improve health-care quality for female veterans
- Provide better access to health care for veterans in rural areas
- Protect VA's budget from drastic cuts
- Support volunteerism at VA medical centers
- Enhance treatment for veterans with traumatic brain injury and post-traumatic stress disorder

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### Connections

- [www.legion.org/systemworthsaving](http://www.legion.org/systemworthsaving)
- [www.legion.org/veteransbenefits](http://www.legion.org/veteransbenefits)
- [www.legion.org/veteransbenefits/departmentsofficers](http://www.legion.org/veteransbenefits/departmentsofficers)



AMERICAN LEGION  
POST 1 - TULSA  
SERVICE OFFICERS

American Legion service officer John Cloud of Tulsa, Okla., spends his days helping veterans in ways that go beyond application for VA benefits. *Photo by Brandi Simons*

Last November, Legionnaires from across the country went to Washington and met with several members of the congressional "supercommittee," urging them to protect DoD and VA from drastic budget cuts.

*Photo by Noel St. John*





## At Work on Capitol Hill

The American Legion's Legislative Commission presides over resolutions and positions of the organization that involve Congress, the White House, federal agencies and other government entities. Across the nation, the Legion's Legislative Council works with lawmakers and other government officials in their home states and districts, and maintains lines of communication to Washington.

Among the top legislative priorities this year is protecting the DoD and VA budgets. Drastic budget reductions for DoD are currently scheduled and may increase if a different solution to the deficit crisis is not identified soon. American Legion leaders and staff have worked diligently with Congress to keep out-of-pocket costs for veterans and military retirees from increasing, and to protect our national security. In the fall of 2011, a Legion task force lobbied the congressional "supercommittee" to keep defense spending at current levels.

The Veteran Skills to Jobs Act, passed by Congress in July, makes it easier for qualified veterans to obtain licenses and certifications for employment with federal agencies. The American Legion helped DoD connect with agencies, added language to the bill and pushed for its passage. The Legion also backed the Restoring GI Bill Fairness Act, which protects eligible student veterans from unfair reductions in their VA education benefits while they earn degrees at colleges and universities. The Legion also lobbied strenuously for passage of the VOW to Hire Heroes Act, which increases employment opportunities for veterans.

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### The Legion's legislative agenda

- Block legislation that would increase TRICARE fees, deductibles and pharmacy co-payments
- Demand full funding for VA, homeland security and national defense
- End the "disabled veterans tax," which penalizes military retirees who receive VA disability benefits
- Prevent passage of amnesty legislation for illegal immigrants
- Pass an amendment that would allow Congress to protect the U.S. flag from physical desecration

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### Contact

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### Connections

- [www.legion.org/legislative](http://www.legion.org/legislative)
- [capwiz.com/legion/home](http://capwiz.com/legion/home)

## Our Future, Our Flag: The Americanism Commitment

The Americanism Commission supports and guides programs that foster pride in country and cultivate leadership, sportsmanship, citizenship and character for young men and women. Programs such as the Oratorical Contest, Junior Shooting Sports, American Legion Baseball, Junior Law Cadet, Boys State, Boys Nation and Scouting have been enriching the lives of young people for years. The American Legion Youth Programs Alumni Association affords current and former participants of youth activities, and staff, the opportunity to build relationships, share memories, and remain active as volunteers or donors.

Also under Americanism and Children & Youth are the Family Support Network, Temporary Financial Assistance, scholarships, school awards and other youth programs, such as the Department of Wyoming's sponsorship of the high school rodeo championships.

The American Legion also fights for a constitutional amendment that would allow for protection of the U.S. flag, since a 5-4 Supreme Court ruling in 1989 defined flag burning as a form of free speech.

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### Americanism programs

- High School Oratorical Scholarship Program, "A Constitutional Speech Contest"
- Junior Shooting Sports
- Boys State and Boys Nation
- Support for Boy Scouts of America
- American Legion Baseball
- Junior Law Cadet
- Scholarships and information on federal and state educational benefits and programs

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### Contact

- [acy@legion.org](mailto:acy@legion.org)

### Connections

- [www.legion.org/programs](http://www.legion.org/programs)
- [www.legion.org/flag](http://www.legion.org/flag)
- [www.legion.org/scholarships](http://www.legion.org/scholarships)
- [www.legion.org/youthalumni](http://www.legion.org/youthalumni)
- [www.facebook.com/youthprogramsalumni](http://www.facebook.com/youthprogramsalumni)
- [cfa-inc.org](http://cfa-inc.org)

Rough-stock rider Hawk Whitt is thrown from a bull during the 2012 Wyoming High School State Rodeo Finals, sponsored by The American Legion, in Douglas, Wyo.

*Photo by Eldon Lindsay*



In 2011, the American Legion Baseball World Series was welcomed to its new permanent home in Shelby, N.C., with record attendance. American Legion photo



## A New Benchmark for American Legion Baseball

The 2011 American Legion Baseball World Series drew a record crowd. Played for the first time at its permanent home in Shelby, N.C., and aired live on ESPN3.com, the series had a paid attendance of more than 86,000, beating the previous record set 75 years ago in Spartanburg, S.C. The total number of viewers, from those who attended to those who tuned into the live webcast, exceeded an estimated 325,000.

Shelby's Keeter Stadium received a complete renovation in preparation for the inaugural tournament, including new field lighting, a 1,200-square-foot scoreboard with message center and video, new 12-by-70 sunken dugouts with restrooms, an 1,800-square-foot World Series headquarters building, canopy extensions, and an additional 1,000 seats.

Since 1925, American Legion Baseball has been woven into the fabric of our nation. Nearly 100,000 athletes a year participate on post-sponsored teams in all 50 states and Puerto Rico. Many of Major League Baseball's most notable players – Albert Pujols, Ryne Sandberg, Ted Williams, George “Sparky” Anderson and many more – came of age playing Legion ball in the summer. Many of them say that Legion Baseball showed them the right way to compete and present themselves, both on and off the field.

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### 2011 American Legion Baseball World Series Champions

- Eden Prairie, Minn.

### 2011 George Rulon American Legion Baseball Player of the Year

- Blake Schmit, Eden Prairie, Minn.

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### Connections

- [www.legion.org/baseball](http://www.legion.org/baseball)
- [www.facebook.com/officialamericanlegionbaseball](http://www.facebook.com/officialamericanlegionbaseball)
- [www.americanlegionworldseries.com](http://www.americanlegionworldseries.com)

## A Square Deal for Every Child

The American Legion's National Commission on Children & Youth strives to strengthen families, support organizations that help young people, and maintain programs that meet the physical, intellectual, emotional and spiritual needs of minors facing challenges.

In 1954, the Legion endorsed incorporation of The American Legion Child Welfare Foundation (CWF). Today, CWF works closely with the commission, awarding grants yearly to organizations that contribute to child welfare, through the dissemination of information. To date, \$11.8 million in CWF grant money has been awarded, fulfilling the duty the founders of the Legion took upon themselves to provide "a square deal for every child" in the aftermath of World War I. In 2011, CWF awarded \$506,683 to 18 different nonprofit organizations.

The Family Support Network connects Legion volunteers to military families to help wherever needed, especially when a providing parent is deployed. The related Temporary Financial Assistance (TFA) program provides cash grants to help military and veteran families with minor children make ends meet during difficult times. In 2011, TFA provided more than \$635,786 in cash grants to assist 1,351 minor children throughout the United States. The funds were used for shelter, utilities, food and clothing.

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### Children & Youth relationships and priorities

- Children's Miracle Network Hospitals (CMNH)
- Children's Organ Transplant Association (COTA)
- Court Appointed Special Advocate (CASA) program
- Operation: Military Kids
- Substance-abuse awareness and reduction
- Eradication of child pornography

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### Connections

- [www.legion.org/youth](http://www.legion.org/youth)
- [www.legion.org/family](http://www.legion.org/family)
- [www.legion.org/donate](http://www.legion.org/donate)
- [cwf-inc.org](http://cwf-inc.org)



National Commander Fang Wong's official visit to the Department of Michigan included a children's toy drive.

*Photo by Doug Malin*

American Legion National Headquarters division directors joined Georgia Legionnaires during a Reconnect visit to the Maneuver Center for Excellence at Fort Benning, Ga. *Photo by Jeff Stoffer*





## Support for U.S. Troops and Their Mission

The American Legion's positions on national defense, homeland security and quality of life for U.S. servicemembers and their families are overseen by the National Security Commission. National staff members work closely with all branches of the armed forces and the Department of Defense to identify problems and help produce solutions. The Legion's Reconnect program includes visits by veterans to military installations and other events that bring together those who have served with those who are still serving, and strengthens the Legion's understanding of issues that affect our men and women in uniform.

The commission advocates for a strong and well-funded military, a secure border, improved quality of life for military families, improvements in the military voting system, and many other issues that promote peace through strength. In May, the National Executive Committee passed Resolution No. 1, which calls for Congress and the administration to "cease all efforts to reduce the defense budget from its current level." Legion leadership and staff have testified before Congress and elsewhere on the need to protect the defense budget. National Security also provides staff support for the Legion's Heroes to Hometowns program, which connects Legionnaires with U.S. servicemembers who return home injured, ill or wounded.

The Foreign Relations Commission is responsible for the organization's positions on international issues, such as a full accounting of POWs and MIAs, human rights, State Department diplomacy, and care for veterans and their families living abroad.

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### National Security & Foreign Relations programs

- Blood Donor Program
- ROTC and Junior ROTC Medals
- National Law Enforcement Officer of the Year Award
- National Firefighter of the Year Award
- POW/MIA advocacy

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### Contact

- [nsfr@legion.org](mailto:nsfr@legion.org)

### Connections

- [www.legion.org/security](http://www.legion.org/security)
- [www.legion.org/powmia](http://www.legion.org/powmia)

## Help for the Homeless

The American Legion's Economic Commission works to ensure that veterans and their families have opportunities to prosper. To achieve this goal, Washington-based staff work closely with government agencies, nonprofit organizations, colleges, corporations and small businesses. Planks in the Economic Commission's platform include education, jobs, small business development and the eradication of homelessness among veterans.

Addressing homelessness has become a major priority for the Legion. In the past three years, the organization has assisted VA Secretary Eric Shinseki in his efforts to end veterans homelessness by 2015. Many Legion projects across the country have been completed or are under way to help struggling veterans.

In May 2012, The American Legion published "ON-CALL: Handbook For Homeless Veterans and Service Providers," which offers comprehensive listings of employment resources, housing assistance, health and legal services, and more. The Legion's Homeless Veterans Task Force, with its department chairs, works to ensure that local resources are available for homeless veterans and their families, and provides direct aid when needed. The goal is to provide immediate assistance so that homeless veterans can become self-supporting.

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### Local initiatives

- The American Legion family in New Jersey raised \$165,000 to furnish the new housing wing of Veterans Haven, a state homeless veterans center. They ended up providing the entire facility with furniture, computers, recreation equipment and additional appliances.
- LaFlamme-Kusek Post 15 in Jewett City, Conn., gave up its post building to renovate it – along with a newly constructed adjacent building – into permanent housing for at-risk veterans. The project is a potential model for future homeless-housing development.
- Since 1988, the Department of Pennsylvania has operated six town homes that offer housing to veterans trying to get back on their feet. Only a small amount is charged for rent, and residents must clean, cook and maintain the common areas. About 700 veterans have gone through the program, which has a success rate of 85 percent.

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- [www.legion.org/careers/homelessvethelp](http://www.legion.org/careers/homelessvethelp)



Past New Jersey Department  
Commander Bob Looby led  
the state's Legion family in  
raising \$165,000 to furnish a  
center for homeless veterans.

*Photo by Amy C. Elliott*



Illinois Legionnaire Gary Jenson talks with veteran Matthew McDonald about joining The American Legion during a Hiring Our Heroes job fair in Chicago. McDonald recently graduated college with a philosophy degree and is seeking a career in federal law enforcement.

*Photo by Sarah Tilotta*

## Skills to Jobs

Gainful employment for veterans is the primary objective of the Economic Commission, which is actively involved in veteran-targeted job fairs and business-development workshops around the country. Job fairs are organized in conjunction with with the U.S. Chamber of Commerce, RecruitMilitary and Military.com, and conducted at American Legion posts across the country. An estimated 200 fairs have been scheduled for 2012.

The Legion's Small Business Task Force hosts training sessions at which top experts from the public and private sectors advise entrepreneurs on how to start and maintain successful businesses. The Legion is also dedicated to improving compliance with veterans-preference hiring laws and ensuring that federal contracts are awarded to veteran-owned small businesses.

In February, the Economic Commission conducted a two-day summit in Washington that examined the issue of licensing and credentialing in the civilian job market, and how to get more certifying agencies in the private sector to recognize the value of military training and experience. The Legion's efforts have borne fruit in this area, including passage of the Veteran Skills to Jobs Act.

The Legion works to safeguard GI Bill education benefits, and is closely monitoring several for-profit schools that have used predatory practices in recruiting veterans. The Economic Division hosts an annual education symposium that includes panel discussions with students and academic experts about ways to support student veterans on campus.

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### National Economic Awards

- Employer of the Year – Small Business, Mid-Sized Business and Large Business
- Employer of the Disabled and Employer of Older Workers
- Local Veterans Employment Representative of the Year
- Outstanding Disabled Veteran Outreach Program Specialist of the Year
- Outstanding Employment Service Office of the Year

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### Connections

- [www.legion.org/careers](http://www.legion.org/careers)
- [www.legion.org/calendar](http://www.legion.org/calendar)

## Lifeblood of the Organization

The Internal Affairs Commission is responsible for the creation, recommendation and oversight of organization policies such as membership development, post formation, records administration and special promotional projects. The Internal Affairs Division oversees awards, commemorative activities and adherence to the Legion's constitution, along with monitoring policy changes that could affect Legion posts and departments. Internal Affairs also oversees the American Legion Riders program, which raises hundreds of thousands of dollars for charity around the country each year.

Recruitment and retention of members is the division's highest priority. Membership & Post Activities staff assist Legion departments in their recruitment efforts through revitalization programs or new-post startups nationwide. In the first half of 2012, Legion staff assisted in revitalization efforts in 17 departments, working with 20 districts and 80 posts, and increasing membership by more than 2,000 in just six months.

The Internal Affairs Division developed an online version of The American Legion Extension Institute in 2012. The leadership training platform covers history, programs and values of the organization. Nearly 1,100 people took the online version of the course in its first four months.

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### Internal Affairs agenda

- Oversee Sons of The American Legion program
- Increase awareness of American Legion Riders program
- Stimulate participation in Operation Outreach, working with DoD's Operation Reconnect
- Direct Renewal, Direct Membership Solicitation (DMS)
- National Emergency Fund (NEF)
- Consolidated Post Reports (CPR)
- National Membership Awards program for departments, posts and individuals

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- [ia@legion.org](mailto:ia@legion.org)

### Connections

- [www.legion.org/membership](http://www.legion.org/membership)
- [www.legion.org/membership/success](http://www.legion.org/membership/success)



Veterans sign up to become Legion members during a post revitalization effort in Shreveport, La.  
*Photo by Jim Hudelson*

American Legion Riders  
participate in the Blue  
Star Salute at Stout Field  
in Indianapolis.  
*American Legion photo*





## American Legion Riders

Since its founding at Post 396 in Garden City, Mich., in 1993, the American Legion Riders program has grown into one of the organization’s most popular and visible activities. Fully sanctioned by the Internal Affairs Commission, Legion Riders raise money and awareness for various Legion programs at special events, fundraising rides, parades and posts nationwide. Since 2006, one of the biggest causes adopted by Legion Riders has been the annual American Legion Legacy Run, which has raised more than \$2.7 million for the Legion’s Legacy Scholarship Fund. The scholarships help pay college tuition for children of U.S. military personnel killed on duty since 9/11.

Each Legion Riders chapter manages its programs at the local post level. Chapters often participate in Rolling Thunder, a POW/MIA rally conducted every Memorial Day weekend in Washington; attend regional rides across the country; raise money for veterans, wounded warriors, and other needs in local communities; escort military units to airports when they deploy and welcome them home when they return; and form honor guards to protect the privacy of families during military funerals.

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### Legacy Run fundraising streak

- 2006: \$179,000
- 2007: \$326,800
- 2008: \$457,000
- 2009: \$523,299
- 2010: \$634,000
- 2011: \$642,666

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### Contacts

- [legionriders@legion.org](mailto:legionriders@legion.org)
- [acy@legion.org](mailto:acy@legion.org) (*Legacy Scholarship*)

### Connections

- [www.legion.org/riders](http://www.legion.org/riders)
- On Facebook, search “National American Legion Riders”

## Gifts that Make a Difference

The American Legion manages a 501(c)(3) nonprofit trust that enables members and friends of the organization to donate money either to the Legion as a whole, or to specific programs such as Boys Nation, Veterans Affairs & Rehabilitation or Operation Comfort Warriors. The Legion's Finance Commission oversees the distribution of any funds not designated for specific programs.

One of the Legion's most effective donation programs is the National Emergency Fund (NEF), which has awarded more than \$6 million to individual members and posts alike. In the wake of natural or man-made disasters, the NEF swiftly delivers needed money to veterans in their local communities no matter where they are in the country. Donations are vital to keep NEF ready to assist victims of tornadoes, hurricanes, wildfires and other tragedies.

The gift-planning program offers a way to contribute to the Legion's work and mission for generations to come, by including the Legion in the donor's financial and estate plans. Gifts of cash, marketable securities, real estate, stock, life insurance or a charitable bequest can help the Legion and possibly benefit the donor from a tax standpoint.

Local fundraising efforts by posts or individuals can be posted by going to [www.legion.org/donate](http://www.legion.org/donate) and clicking on "Submit an Event" in the Charity Events window.

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### Worthy funds

- The American Legion Endowment Fund
- American Legion Child Welfare Foundation, Inc.
- American Legion Legacy Scholarship Fund
- Operation Comfort Warriors
- American Legion Charities
- Youth Programs Fund
- National Emergency Fund

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### Connections

- [www.legion.org/donate](http://www.legion.org/donate)



After tornadoes devastated the state of Alabama in 2011, Legionnaires from Post 210 in Mobile collected relief items and delivered them to families in the devastated area around Birmingham.

*Photo by Ann Little*



Emblem Sales handles merchandise for the entire American Legion family, and kicks into high gear when the entire family gathers together for the annual national convention. *American Legion photo*

## Made in America

The sale of items bearing The American Legion's emblem is reserved exclusively for National Headquarters. The Emblem Sales Division promotes and delivers a variety of products, from Legion caps to Legion Riders gear, to auto plates specially made for posts. Nearly everything purchased through Emblem Sales can be personalized with a member's name or post number.

Emblem Sales also sells more than 1 million American-made U.S. flags a year. The Flag Rewards program benefits Legion posts that buy or promote flag purchases through Emblem Sales. Participating posts receive a 10-cent Emblem Sales credit for each dollar spent on flags by the post, or by businesses and individuals in their community. The credit is good toward future purchases of any Emblem Sales catalog item. More than 750 posts, and 2,600 businesses and individuals, have signed up for the program.

Emblem Sales has a strong presence on Facebook, where those who "like" American Legion Flags can participate in contests to win outdoor U.S. flags. The site also explains how flags purchased from Emblem Sales benefit Legion programs that help America's children, veterans and military families.

In 2011, Emblem Sales processed 101,090 orders and recorded more than \$11 million in gross sales. Orders can be taken online, over the phone, through the mail, or in person at the John H. Geiger Operations Center in eastern Indianapolis, home of Emblem Sales.

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### Emblem Sales Shopping

- To receive an Emblem Sales catalog free of charge, call **(888) 453-4466** between 8 a.m. and 5 p.m. EST, fax an order to **(317) 630-1381**, or email **emblem@legion.org**
- The American Legion Emblem Sales website provides safe, convenient online shopping for a variety of merchandise items and products for individuals and posts. **www.emblem.legion.org**
- Learn what to look for when purchasing an American-made U.S. flag from Emblem Sales, in an online video. **www.americanlegionflags.com**

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### Contact

- emblem@legion.org
- (888) 453-4466 (toll-free)
- (317) 630-1381 (fax)

### Connections

- [www.emblem.legion.org](http://www.emblem.legion.org)
- [www.americanlegionflags.com](http://www.americanlegionflags.com)

## Art to Archives

The American Legion Library, located at National Headquarters in downtown Indianapolis, was established in 1923. It houses vast archives chronicling the rich history of the nation's largest organization of wartime veterans. The Library staff compiles digested reports and minutes from national meetings and the national convention; maintains records; keeps track of the numerous publications produced by Legion divisions, commissions and committees; and offers assistance to researchers.

In January 2012, the Legion's Digital Archive was released for general use by membership and the public after more than a year in development. It allows the library to organize, share and curate digital assets such as governing documents, photos and videos in complete, full-text forms. Part of the digital archive's purpose is to allow members and others to find Legion materials quickly and easily. Already, the digital archive has become the main access point for Legion resolutions, which currently go back to 1992. As time goes on, older assets will be converted and stored there.

The library also has oversight of the Emil A. Blackmore Museum, which displays memorabilia associated with the history of The American Legion, and a fine arts gallery housing original paintings, sculptures, posters, prints and photographs.

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### In the Legion Library

- More than 12,000 books and periodicals
- Rare documents, including the original GI Bill
- Photographs, paintings and more than 2,000 posters from World War I and World War II
- Histories of The American Legion by several authors
- A collection of military unit histories, dating back to World War I

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### Contact

- [library@legion.org](mailto:library@legion.org)

### Connections

- [www.legion.org/library](http://www.legion.org/library)
- [www.legion.org/virtualtour](http://www.legion.org/virtualtour)
- [www.legion.org/posters](http://www.legion.org/posters)
- [archive.legion.org](http://archive.legion.org)

A conservation team from the Indianapolis Museum of Art works on "America," a towering 6-by-10 painting given to the Legion by France after World War I. The painting hangs in the fourth-floor National Executive Committee Room. *American Legion photo*



Duane Mercier, the Legion's audio/visual production manager, monitors live video streaming of the National Executive Committee's Spring Meetings. *Photo by Eldon Lindsay*





## Media in Motion

From this annual report to the nearly instant alerts of Twitter, the organization can share The American Legion story in more ways than ever before. *The American Legion Magazine* remains the organization's media flagship, reaching nearly 4 million readers per month.

Legion.org is the most visited website among all veterans service organizations, attracting monthly audiences of between 300,000 and 600,000. In 2012, the site was redeveloped to become easier to visit from a smartphone.

The Legion's portfolio of e-newsletters is led by The American Legion Online Update, reaching more than 370,000 subscribers a week; The Dugout, dedicated to American Legion Baseball; the Youth Programs Alumni Association; and the Veterans Career Center.

The Legion has a fast-growing fan base on Facebook, Twitter, YouTube and the Burn Pit blog, which has gained national attention for postings on such controversial issues as the Stolen Valor Act, illegal immigration and religion in the military. *The American Legion Dispatch* provides news about membership, special programs, fundraising and more for nearly 20,000 American Legion leaders each month.

The Public Relations Commission provides leadership for press releases, documents and brochures, media toolkits, video production and special events. Legion staff in Washington and Indianapolis also work closely with national media to give the organization the greatest possible exposure.

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### Media milestones

- Launched new mobile phone apps, including a smartphone version of Legion.org
- Crafted a social-media strategy to better align the organization's presence on Facebook, Twitter, YouTube and other networks
- Arranged American Legion interviews and op-eds with national media such as *USA Today*, CNN, National Public Radio, Fox, and ABC's "Nightline" and "Good Morning America"

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### Connections

- [www.legion.org](http://www.legion.org)
- [www.legion.org/media](http://www.legion.org/media)
- [legiontown.org](http://legiontown.org)

## An Alignment of Values

On Jan. 1, 2012, USAA and The American Legion celebrated the first anniversary of a relationship built to last. As the preferred provider of financial services for the nation's largest organization of wartime veterans, USAA offers banking, insurance and investment services to Legionnaires and their families. By joining USAA and purchasing products, Legionnaires directly contribute to American Legion programs that make differences in the lives of veterans, military personnel, children and youth.

Kevin Bergner, chief administrative officer at USAA and a member of American Legion Post 2 in San Antonio, describes the relationship as an alignment of values. "At USAA, everything we do is grounded in our core values of service, loyalty, honesty and integrity, and you just need to read The American Legion Constitution's preamble to see similarities in beliefs." In addition to values and services, Legionnaires have discovered that USAA simply saves them money, compared to other financial services companies.

Like The American Legion, USAA was formed by World War I veterans, with the sole mission of providing financial security for the military, veterans and their families. Ninety years later, USAA is one of the nation's top-rated financial and insurance providers. The company has a growing membership of more than 8 million members and shares more than a business relationship with its members; USAA knows what it means to serve.

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### USAA products and services

- Insurance services, including auto, home and property, life, health, long-term care, Medicare solutions
- Banking services, including checking, savings, credit card, certificates of deposit, mortgages, MoversAdvantage®, home-equity products, car-buying services, auto loans, personal loans, motorcycle/RV/boat loans, youth banking, college banking and credit monitoring
- Investment services, including mutual funds, IRAs, brokerage, college savings, personal-asset management, annuities and CDs

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### Contact

- (877) 699-2654

### Connections

- [www.usaa.com/legion](http://www.usaa.com/legion)
- [www.legion.org/usaa](http://www.legion.org/usaa)

Investments/Insurance: Not FDIC Insured • Not Bank Issued, Guaranteed or Underwritten • May Lose Value. Membership eligibility restrictions apply to purchase of property and casualty insurance and some bank products. USAA means United Services Automobile Association and its insurance, banking, investment and other companies. Insurance provided by United Services Automobile Association and its affiliates. Banks Member FDIC. Financial planning services and financial advice provided by USAA Financial Planning Services Insurance Agency, Inc. USAA Financial Planning Services Insurance Agency, Inc. (known as USAA Financial Insurance Company in California, Lic. #0E36312), a registered investment adviser and insurance agency and its wholly owned subsidiary, USAA Financial Advisors, Inc., a registered broker dealer. Investments provided by USAA Investment Management Company and USAA Financial Advisors Inc., both registered broker dealers.

Legionnaires have found shared values, quality service and cost savings by joining USAA in the first year and a half of its preferred-provider relationship with The American Legion.

*Photo by Eldon Lindsay*

Usually, auto insurance is thought of as a man's thing. Ours is often referred to as a family heirloom.

USAA is the Preferred Provider of Insurance to The American Legion



Charlie Foster, a Sons of The American Legion member, participates in the 2011 National Convention Parade in Minneapolis.  
*American Legion photo*

## The Legion Family Tradition

The American Legion could not accomplish its goals, nor uphold the promises contained within its four pillars of service, without the tireless and enthusiastic cooperation of the entire American Legion family. This includes the American Legion Auxiliary, Sons of The American Legion and American Legion Riders.

Two organizations soon took shape after the Legion was founded in 1919, to help fulfill the nation's commitment to veterans and patriotic values. The American Legion Auxiliary was created by the Legion as a patriotic women's organization made up of female relatives of Legion-eligible veterans. Prominent Auxiliary programs include Girls State and Girls Nation, distribution of veteran-made poppies, and junior-membership activities for young women. With nearly 800,000 members, the American Legion Auxiliary is built on its motto of help for others: "Service Not Self."

Sons of The American Legion, created in 1932, is not a separate organization like the Auxiliary; it is a Legion program under the supervision of the Internal Affairs Commission. Open to male descendants of Legion-eligible veterans, many of today's nearly 340,000 Sons spend time volunteering at VA health-care facilities, raising money for the American Legion Child Welfare Foundation and supporting the Citizens Flag Alliance.

American Legion Riders, another program of the organization, is considered part of the Legion family, too. Riders operate in chapters sponsored by posts, and may include Legionnaires, SAL members or Auxiliary members on their rosters.

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### Contacts

- [alahq@alaforveterans.org](mailto:alahq@alaforveterans.org)
- [sal@legion.org](mailto:sal@legion.org)
- [legionriders@legion.org](mailto:legionriders@legion.org)

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### Connections

- [www.alaforveterans.org](http://www.alaforveterans.org)
- [www.legion.org/sons](http://www.legion.org/sons)
- [www.legion.org/riders](http://www.legion.org/riders)
- Visit "National American Legion Riders" on Facebook

## The Importance of Remembrance

The preamble to The American Legion Constitution includes among the organization's core purposes "to preserve the memories and incidents of our associations in the Great Wars." Remembrance of those who have answered their nation's call, especially those who have made the ultimate sacrifice, is one of the Legion's highest values.

The American Legion's Overseas Graves Decoration Trust Fund, for instance, provides free flags for graves at U.S. military cemeteries in Europe under the American Battle Monuments Commission's administration. The Legion is a vigilant supporter of Arlington National Cemetery, Gettysburg National Cemetery, the Vietnam Veterans Memorial, the Mojave Desert Cross, and dozens of other sites around the world. The American Overseas Memorial Day Association, which ensures that no U.S. war grave in a foreign country is forgotten on Memorial Day, was created by Legionnaires. The Legion also works to keep veterans memorials in public view, despite efforts by legal activists who see religious symbols as unconstitutional.

In 2011, American Legion honor guards helped officiate and provide comfort for families at more than 110,000 funerals, memorial ceremonies and special events nationwide, while the Legion's Legacy Ride raised more than \$640,000 to provide college educations for the children of U.S. military personnel who have lost their lives on active duty since 9/11.

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### Program highlights

- American Legion Riders and Patriot Guard members provide motorcycle escorts and privacy protection for families at military funerals.
- The Legion has filed friend-of-the court briefs to prevent the removal of crosses from veterans memorials at Mount Soledad, Calif., and in the Mojave Desert.
- The American Legion has worked with DoD to improve performance and oversight at Arlington National Cemetery after appalling problems, including missing grave markers, were identified there.
- The American Legion Overseas Graves Decoration Trust Fund provides approximately 20,000 new U.S. flags each year for graves at American Battle Monuments Commission cemeteries.

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### Contact

- [var@legion.org](mailto:var@legion.org)

### Connections

- [www.legion.org/library](http://www.legion.org/library) for news, photos and videos about the Legion's role in remembrance



Legionnaires dedicate a Medal of Honor headstone for U.S. Navy Seaman Martin McHugh, who received the medal for heroic actions performed while serving aboard USS *Cincinnati* during the Civil War. McHugh laid in an unknown grave in Danville, Ill., for 117 years. Photo by Tom Stratman



President Obama greets Legionnaires following his address at The American Legion's 93rd National Convention in Minneapolis. *Photo by Tom Strattman*



## Where Legionnaires Convene

Each August, more than 10,000 Legionnaires and their families, representing all 55 departments, gather in a major U.S. city to conduct meetings, conferences, symposiums and employment events, and to hear from top national speakers, take field trips to military and VA facilities, see exhibits, march in a major national parade and generally enjoy the camaraderie of membership. This is The American Legion national convention.

The convention offers the opportunity for Legionnaires to honor youth-program champions, including the American Legion Baseball Player of the Year, Boys Nation president, Oratorical Contest winner, Eagle Scout of the Year and Junior Shooting Sports champs. Awards are given to individuals, organizations and companies that have demonstrated patriotism and support for veterans, the military and youth.

Convention delegates have authority to approve national resolutions, as well as to amend the Legion's constitution and adopt by-laws. At the close of each convention, a new national commander is elected and sworn into office for a one-year term.

The American Legion Convention Commission provides leadership in the decision-making process to determine host cities, activities and programs for national conventions. Convention activities, from meeting times to host-city attractions, can be found at the Legion's website, on Facebook and in the form of a mobile app.

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### Future national convention cities

- Houston (2013)
- Charlotte, N.C. (2014)
- Baltimore (2015)
- Cincinnati (2016)
- Louisville, Ky. (2017)
- Minneapolis (2018)
- Indianapolis (2019)

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### Contact

- [conv@legion.org](mailto:conv@legion.org)

### Connections

- [www.legion.org/convention](http://www.legion.org/convention)

## More Than Bricks and Mortar

American Legion Past National Commander John H. Geiger, who passed away in January 2011, was instrumental in the design and construction of the organization's facility at historic Fort Benjamin Harrison in eastern Indianapolis. Now that facility bears his name.

The John H. Geiger Operations Center was refurbished and renamed last year, in honor of the man described as the "fifth pillar of The American Legion." The center is home to Emblem Sales, Fundraising, Information Technology and Membership Support Services. It processes charitable contributions, maintains the membership database, markets American Legion products and manages all large-volume mailings from National Headquarters.

The Washington office on K Street in the nation's capital, two blocks from the White House, is home to divisions that frequently work with the federal government and national media. They include Economic, Legislative, Veterans Affairs & Rehabilitation and National Security/Foreign Relations.

The American Legion National Headquarters office, in downtown Indianapolis, is the heart of the organization, with its historic National Executive Committee Room, *The American Legion Magazine*, Public Relations, Americanism, Children & Youth, Finance, Convention, Internal Affairs, Human Resources, Maintenance, Document Processing and Library.

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### ■ The American Legion National Headquarters

700 N. Pennsylvania St.  
Indianapolis, IN 46204  
(317) 630-1200

P.O. Box 1055  
Indianapolis, IN 46206

### ■ The American Legion Washington Office

1608 K Street NW  
Washington, DC 20006  
(202) 861-2700

### ■ John H. Geiger Operations Center

5745 Lee Road  
Indianapolis, IN 46216  
(317) 860-3100

The John H. Geiger Operations Center was dedicated during the National Executive Committee's 2011 Fall Meetings. Photo by Doug Malin

# THE AMERICAN LEGION JOHN H. GEIGER OPERATIONS CENTER





Crowe Horwath LLP  
Independent Member Crowe Horwath International

REPORT OF INDEPENDENT AUDITORS

Members of the National Finance Commission  
The American Legion National Headquarters  
Indianapolis, Indiana

We have audited the accompanying consolidated statements of financial position of The American Legion National Headquarters ("Legion") as of December 31, 2011 and 2010 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Legion's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The American Legion National Headquarters as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. 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 audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling other information directly to the underlying accounting and such 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.

*Crowe Horwath LLP*  
Crowe Horwath LLP

Indianapolis, Indiana  
May 1, 2012

The American Legion National Headquarters  
Consolidated Statements of Financial Position *December 31, 2011 and 2010*

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,838,169	\$ 2,686,749
Accounts receivable	2,293,985	3,110,763
Interest receivable	605,899	741,462
Prepaid expenses and deposits	1,237,649	579,425
Deferred membership expense	8,717,182	8,692,559
Inventory	2,433,969	2,500,115
Investment in affiliate (CFA)	39,165	50,922
Beneficial interest in trust	316,898	336,597
Prepaid pension expense	-	1,542,507
	<u>18,482,916</u>	<u>20,241,099</u>
Investments		
General	25,355,652	25,860,863
Segregated for Restricted and Reserved Funds	30,220,097	28,121,944
Paid-Up-For-Life Membership fund	22,505,485	23,197,380
Samsung scholarship fund	8,127,347	7,843,214
Building funds	4,717,543	4,377,546
Sept. 11 Memorial scholarship fund	6,418,584	4,812,835
Special account – Endowment Fund	2,312,288	2,255,689
General account – Endowment Fund	6,989,878	6,724,930
National Emergency Fund	2,976,891	2,789,006
Other	2,820,926	2,747,336
	<u>112,444,691</u>	<u>108,730,743</u>
Property, plant and equipment, net	\$ 6,171,871	\$ 6,692,041
	<u>\$ 137,099,478</u>	<u>\$ 135,663,883</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 2,438,175	\$ 1,668,774
Scholarships payable	1,184,518	1,205,583
Deposits on emblem merchandise sales	189,159	187,005
Deferred income	1,146,099	1,060,185
Deferred dues income	23,037,185	24,110,482
Deferred income – direct membership solicitation	8,490,607	7,153,516
Accrued vacation benefits	954,722	829,557
Accrued pension expense	3,303,798	-
Other liabilities	270,603	360,144
Notes payable	1,678,367	1,885,963
Deferred dues income – Paid-Up-For-Life membership	20,155,727	19,990,712
Life memberships due to state and local posts	20,273,978	20,118,073
	<u>83,122,938</u>	<u>78,569,994</u>
<b>NET ASSETS</b>		
Unrestricted	27,657,140	32,682,582
Temporarily restricted	13,655,967	12,002,212
Permanently restricted	12,663,433	12,409,095
Total net assets	<u>53,976,540</u>	<u>57,093,889</u>
	<u>\$ 137,099,478</u>	<u>\$ 135,663,883</u>

See accompanying notes to consolidated financial statements.

The American Legion National Headquarters  
Consolidated Statements of Activities *Year ended December 31, 2011*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue, gains and other support</b>				
National member dues	\$ 28,197,464	\$ -	\$ -	\$ 28,197,464
Direct membership solicitations	8,767,665	-	-	8,767,665
Member service fees income	1,128,191	-	-	1,128,191
Affinity income	3,830,175	-	-	3,830,175
Sales of emblem items	11,303,617	-	-	11,303,617
Advertising	9,352,156	-	-	9,352,156
Contributions	3,108,111	1,456,388	84,538	4,649,037
Label and printing fees	1,046,466	-	-	1,046,466
Interest and dividends, net of trustee fees of \$285,667	2,158,284	809,597	74,896	3,042,777
Net realized gains	287,432	10,847	-	298,279
Other	2,082,941	-	-	2,082,941
	<u>71,262,502</u>	<u>2,276,832</u>	<u>159,434</u>	<u>73,698,768</u>
Net assets released from restriction	<u>1,229,423</u>	<u>(1,229,423)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>72,491,925</u>	<u>1,047,409</u>	<u>159,434</u>	<u>73,698,768</u>
<b>Expenses</b>				
Salaries	15,059,423	-	-	15,059,423
Employee benefits	3,035,623	-	-	3,035,623
Cost of sales - emblem	6,008,625	-	-	6,008,625
Department and magazine costs	2,221,473	-	-	2,221,473
Direct publication	12,109,012	-	-	12,109,012
Executive and staff travel	1,847,304	-	-	1,847,304
Commission and committee	1,945,776	-	-	1,945,776
Printing and postage	8,037,789	-	-	8,037,789
Scholarships, grants and awards	1,770,375	-	-	1,770,375
Office and other operating	13,435,663	-	-	13,435,663
Occupancy and usage	2,268,508	-	-	2,268,508
Special projects and programs	2,946,242	-	-	2,946,242
	<u>70,685,813</u>	<u>-</u>	<u>-</u>	<u>70,685,813</u>
Change in net assets from operations	1,806,112	1,047,409	159,434	3,012,955
Net unrealized gains - investments	2,542,548	606,346	94,904	3,243,798
Net change in PUFL	(3,596,231)	-	-	(3,596,231)
Amortization of pension loss	(666,288)	-	-	(666,288)
Pension-related changes other than net periodic pension cost	<u>(5,111,583)</u>	<u>-</u>	<u>-</u>	<u>(5,111,583)</u>
<b>Change in net assets</b>	<u>(5,025,442)</u>	<u>1,653,755</u>	<u>254,338</u>	<u>(3,117,349)</u>
Net assets, beginning of year	<u>32,682,582</u>	<u>12,002,212</u>	<u>12,409,095</u>	<u>57,093,889</u>
<b>Net assets, end of year</b>	<u>\$ 27,657,140</u>	<u>\$ 13,655,967</u>	<u>\$ 12,663,433</u>	<u>\$ 53,976,540</u>

See accompanying notes to consolidated financial statements.

The American Legion National Headquarters  
Consolidated Statements of Activities *Year ended December 31, 2010*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenue, gains and other support</b>				
National member dues	\$ 29,645,796	\$ -	\$ -	\$ 29,645,796
Direct membership solicitations	5,536,132	-	-	5,536,132
Member service fees income	1,288,596	-	-	1,288,596
Affinity income	363,312	-	-	363,312
Sales of emblem items	11,105,405	-	-	11,105,405
Advertising	9,167,804	-	-	9,167,804
Contributions	1,828,736	1,817,084	83,902	3,729,722
Label and printing fees	1,254,591	-	-	1,254,591
Interest and dividends, net of trustee fees of \$342,886	2,283,259	826,406	-	3,109,665
Net realized gains	334,195	56,048	6,725	396,968
Other	1,850,980	-	-	1,850,980
	<u>64,658,806</u>	<u>2,699,538</u>	<u>90,627</u>	<u>67,448,971</u>
Net assets released from restriction	1,115,212	(1,115,212)	-	-
Total revenues, gains, and other support	65,774,018	1,584,326	90,627	67,448,971
<b>Expenses</b>				
Salaries	14,656,208	-	-	14,656,208
Employee benefits	2,685,809	-	-	2,685,809
Cost of sales - emblem	6,109,622	-	-	6,109,622
Department and magazine costs	2,070,536	-	-	2,070,536
Direct publication	11,901,572	-	-	11,901,572
Executive and staff travel	1,469,732	-	-	1,469,732
Commission and committee	1,633,066	-	-	1,633,066
Printing and postage	5,948,035	-	-	5,948,035
Scholarships, grants and awards	1,485,907	-	-	1,485,907
Office and other operating	13,024,017	-	-	13,024,017
Occupancy and usage	1,921,778	-	-	1,921,778
Special projects and programs	3,044,974	-	-	3,044,974
	<u>65,951,256</u>	<u>-</u>	<u>-</u>	<u>65,951,256</u>
Change in net assets from operations	(177,238)	1,584,326	90,627	1,497,715
Net unrealized gains - investments	366,984	222,645	180,912	770,541
Net change in PUFL	3,380,105	-	-	3,380,105
Amortization of pension loss	(783,605)	-	-	(783,605)
Pension-related changes other than net periodic pension cost	1,363,940	-	-	1,363,940
<b>Change in net assets</b>	4,150,186	1,806,971	271,539	6,228,696
Net assets, beginning of year	28,532,396	10,195,241	12,137,556	50,865,193
Net assets, end of year	<u>\$ 32,682,582</u>	<u>\$ 12,002,212</u>	<u>\$ 12,409,095</u>	<u>\$ 57,093,889</u>

*See accompanying notes to consolidated financial statements.*

The American Legion National Headquarters  
 Consolidated Statements of Cash Flows Year ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (3,117,349)	\$ 6,228,696
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	1,063,977	1,072,930
Loss on disposal of property and equipment	-	5,232
Bad debt expense	155,018	7,494
Realized gain on sale of investments	(298,279)	(396,968)
Unrealized gain on investments	(3,243,798)	(770,541)
Net change in Paid-Up-For-Life annuity	3,596,231	(3,285,143)
Amortization of pension loss	666,288	783,605
Pension-related changes other than net periodic pension cost	5,111,583	(1,363,940)
Contributions restricted for long-term purposes	(84,538)	(83,902)
Change in assets and liabilities:		
Accounts receivable	661,760	(468,463)
Interest receivable	135,563	(74,266)
Prepaid expenses and deposits	(658,224)	559,181
Deferred membership expense	(24,623)	(266,571)
Inventories	66,146	(291,818)
Beneficial interest in trust	19,699	14,895
Accounts and scholarships payable	748,336	(79,697)
Deferred income	(2,925,603)	(2,320,939)
Prepaid (accrued) pension expense	(931,566)	(817,222)
Other accrued liabilities	37,778	353,788
Net cash from operating activities	<u>978,399</u>	<u>(1,193,649)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(543,807)	(653,724)
Purchase of investments	(99,542,367)	(160,521,453)
Sales and maturities of investments	99,370,496	163,480,783
Investments in affiliate (CFA)	11,757	(4,270)
Net cash from investing activities	<u>(703,921)</u>	<u>2,301,336</u>
<b>Cash flows from financing activities</b>		
Contributions restricted for long-term purposes	84,538	83,902
Payments on loan	(207,596)	(196,902)
Net cash from financing activities	<u>(123,058)</u>	<u>(113,000)</u>
Net change in cash and cash equivalents	151,420	994,687
Cash and cash equivalents, beginning of year	<u>2,686,749</u>	<u>1,692,062</u>
<b>Cash and cash equivalents, end of year</b>	<b>\$ <u>2,838,169</u></b>	<b>\$ <u>2,686,749</u></b>
<b>Supplemental cash flows information</b>		
Income taxes paid, net of refunds received	\$ (6,000)	\$ (274,046)
Interest paid	105,654	105,654

See accompanying notes to consolidated financial statements.



## NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Organization:** The American Legion National Headquarters (the Legion) is a national veterans organization declared a corporate body by an act of the U.S. Congress on Sept. 16, 1919.

According to the original act and subsequent amendments, the purpose of the Legion is “to uphold and defend the Constitution of the United States of America; to promote peace and goodwill among the peoples of the United States and all the nations of the earth; to preserve the memories and incidents of the two World Wars and the other great hostilities fought to uphold democracy; to cement the ties and comradeship born of service; and to consecrate the efforts of its members to mutual helpfulness and service to their country.”

Approximately 50 percent of the Legion’s income is derived from membership dues (including amounts allocated for magazine subscriptions). An additional 13-14 percent is generated through advertising for *The American Legion Magazine*. Another significant source of income is Emblem Sales, which includes the sale of apparel, jewelry and other items bearing The American Legion’s emblem. Income is expended by the Legion on several different programs, including the magazine, Emblem Sales, veterans assistance and rehabilitation, youth programs and others. The Legion’s youth programs include American Legion Baseball, the National Oratorical Contest and Boys Nation.

**Principles of Consolidation:** The consolidated financial statements include the accounts of The American Legion National Headquarters, The American Legion Charities (ALC), The American Legion Endowment Fund Corporation (ALEF) and the National Emergency Fund (NEF) (collectively, the Legion). All material interorganizational accounts and transactions have been eliminated in consolidation.

The American Legion Charities is a tax-exempt trust established to solicit funds from individuals, organizations and corporations, and to disburse said funds as may be directed to various Legion programs and charities. The American Legion Endowment Fund Corporation, a tax-exempt Indiana corporation, was created to provide permanent funding for the rehabilitation of American veterans and assistance to orphans of veterans. The National Emergency Fund is a tax-exempt trust established to provide gifts and grants to relieve suffering and ameliorate financial hardship incurred by Legion members, families and posts.

**Basics of Accounting:** The financial statements have been prepared on the accrual basis of accounting, in accordance with accounting standards generally accepted in the United States of America.

**Use of Estimates in Preparation of Financial Statements:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reported period. Actual results could differ from those estimates.

**Financial Statement Presentation:** The financial statements have been prepared in accordance with generally-accepted accounting principles (GAAP) for financial statements of not-for-profit organizations. GAAP require, among other things, that financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are to be classified as unrestricted, temporarily restricted or permanently restricted.

The following classes of net assets are maintained:

**Unrestricted Net Assets** – The “unrestricted net asset” class includes general assets and liabilities of the Legion, as well as assets and liabilities designated by the National Executive Committee, the governing body of the Legion. The unrestricted net assets of the Legion may be used at the discretion of management to support the Legion’s purposes and operations.

**Temporarily Restricted Net Assets** – The “temporarily restricted net asset” class includes assets of the Legion related to gifts with explicit donor-imposed restrictions that have not been met as to specified purpose, or to later periods of time or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Contributions for which the restrictions are met in the same period in which the contribution is received are also recorded as temporarily restricted net assets.

**Permanently Restricted Net Assets** – The “permanently restricted net asset” class includes assets of the Legion for which the donor has stipulated that the contribution be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or their economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

**Cash and Cash Equivalents:** Cash and cash equivalents consist of bank deposits in accounts that are federally insured for up to \$250,000 per financial institution. Additionally, the Legion holds funds at financial institutions that participate in the FDIC’s transaction account guarantee program. Under this program, non-interest-bearing and certain low-interest accounts are FDIC insured in full through 2012 in addition to and separate from the coverage available under FDIC’s general deposit insurance rules.

For purposes of the consolidated statement of cash flows, the Legion considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

**Inventory:** Inventory consists of Emblem items held for sale, magazine paper and publication rights, and is stated at the lower of cost or market using the first-in, first-out (FIFO) method. Supplies not intended for sale are expensed when purchased.

**Investments:** Investments are carried at fair value. The fair values of investments are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Realized and unrealized gains and losses are reflected in the consolidated statements of activities. Premiums or discounts on investments are generally recognized at the time of disposal or maturity.

**Property and Equipment:** Expenditures for property and equipment, and items which substantially increase the useful lives of existing assets and are greater than \$1,500, are capitalized at cost. The Legion records depreciation on the straight-line method at rates designated to depreciate the costs of assets over their estimated useful lives. Buildings are depreciated on the straight-line method using a 30-year life. All other capital assets are depreciated over lives ranging from three to seven years.

**Impairment of Long-Lived Assets:** In accordance with GAAP, the Legion reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the years ended Dec. 31, 2011 and 2010.

**Collections:** The Legion owns many collectible military-related items and historical documents that were not recorded as they were acquired. It is often impracticable to determine a value for collections accordingly, and the Legion has concluded that they need not be capitalized. Some items have been appraised for insurance purposes.

**Support and Revenue:** The Legion reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires – that is, when a stipulated time restriction ends or a purpose restriction is accomplished – temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Dues Income and Expense:** Dues are recognized as income over the applicable membership period, which is on a calendar-year basis. In addition to other methods of obtaining new members, the Legion uses direct mail and other direct marketing approaches. The income generated from direct membership solicitation is recognized over the applicable membership period (calendar year). The direct-response expenses incurred in obtaining new members are deferred and recognized in the subsequent membership year.

**Income Taxes:** The Legion is exempt from federal income taxes under section 501(c)(19) of the U.S. Internal Revenue Code. ALC, ALEF and NEF are exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. None of these entities is considered to be a private foundation. The Legion is subject to income tax on unrelated business income. In 2011 and 2010, the Legion incurred no tax expense. In 2011 and 2010, the Legion received \$6,000 and \$274,046 of refunds (net of payments), respectively.

Current accounting standards require the Legion to disclose the amount of potential benefit or obligation to be realized as a result of an examination performed by a taxing authority. For the years ended Dec. 31, 2011 and 2010, management has determined that the Legion does not have any tax positions that result in any uncertainties regarding a possible impact on the Legion's financial statements. The Legion is no longer subject to examination by taxing authorities for the years before 2008. The Legion does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months. The Legion recognizes interest and/or penalties related to income-tax matters in income-tax expense. The Legion did not have any amounts accrued for interest and penalties at Dec. 31, 2011 and 2010.

**Fair Value of Financial Instruments:** The carrying amount of all financial instruments of the Legion – which include cash and cash equivalents, accounts receivable, beneficial interest in trust, investments, accounts payable and notes payable – approximate fair value.

**Expense Allocation:** Expenses have been classified as program services, management and general, member development and fundraising, based on actual direct expenditures. Additionally, some expenses are allocated among departments based upon estimates of the amount of time spent by Legion employees performing services for these departments.

**Reclassifications:** Certain reclassifications have been made to present last year's financial statements on a basis comparable to the current year's financial statements. These reclassifications had no effect on the change in net assets or total net assets.

**Subsequent Events:** Management has performed an analysis of the activities and transactions subsequent to Dec. 31, 2011, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended Dec. 31, 2011. Management has performed its analysis through May 1, 2012, the date the financial statements were available to be issued.

## NOTE 2 – COLLECTIONS

The Legion owns many collectible military-related items and historical documents that were not recorded as they were acquired. It is often impracticable to determine a value for collections, and the Legion has accordingly concluded that they need not be capitalized. The following items have been appraised, or are in the process of being appraised, for insurance purposes:

	Appraisal date	Replacement value
World War I posters	2/10/2005	\$ 461,769
World War II posters	3/11/2005	472,919
Military unit histories	3/18/2005	112,410
Fine art collection	10/14/2005	695,600
Firearms and uniforms collection	3/24/2006	99,950
Original GI Bill	not applicable	-
Other collections	not applicable	-

## NOTE 3 – INVESTMENT IN AFFILIATE

The Legion, in conjunction with approximately 120 other organizations, has created a nonprofit corporation known as Citizens Flag Alliance, Inc. (CFA) for the purpose of aiding in the campaign to secure a constitutional amendment empowering Congress and the states to enact legislation to protect the flag of the United States of America from physical desecration.

CFA recognized a change in net assets of (\$11,758) and \$4,270 in 2011 and 2010, respectively. Accordingly, the Legion's investment in CFA has been changed by these amounts and corresponding adjustments have been reflected in unrestricted designated net assets for 2011 and 2010.

## NOTE 4 – BENEFICIAL INTEREST IN CHARITABLE LEAD TRUST

ALEF has been named a beneficiary of a charitable lead trust. Under the charitable trust, ALEF is to receive quarterly distributions in the amount of \$9,919 until December 2020 or until the funds of the trust are exhausted. Based on the terms of the trust, and a 2.64-percent discount rate in 2011 and a 3.31-percent discount rate in 2010, the present value of future benefits expected to be received by ALEF was estimated to be \$316,898 and \$336,597 at Dec. 31, 2011 and 2010, respectively.

## NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received for an asset, or paid to transfer a liability (an exit price), in the Legion's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. GAAP establishes a fair-value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. GAAP describe three levels of inputs that may be used to measure fair value:

**Level 1:** Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

**Level 2:** Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

**Level 3:** Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair-value hierarchy. The lowest level of significant input determines the placement of the entire fair-value measurement in the hierarchy.

The fair value of money markets, U.S. government obligations and common stock is based on quoted prices in active markets (Level 1 inputs). The fair value of asset-backed securities, corporate and state bonds, and municipal bonds is based on quoted market prices of similar securities with similar due dates (Level 2 inputs). Common stock and asset-backed securities are not held by the Legion, but are held in the defined-benefit-plan assets, disclosed in Note 17.

The fair value of beneficial interest in trust assets is based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates assumptions that market participants would use in estimating future distributed income. The Legion is able to compare the valuation model inputs and results to widely available published industry data for reasonableness; however, the Legion is unable to redeem the assets of the trust and only receives distributions (Level 3 inputs).

The FASB has issued Accounting Standards Update (ASU) 2010-12, which provides additional guidance on how companies should estimate the fair value of certain alternative investments. The fair value of such investments can now be determined using Net Asset Value (NAV), unless it is probable that the asset will be sold at something other than NAV. In addition, ASU 2010-12 has been interpreted to include other assets that use NAV, such as the beneficial interest in assets or trusts. ASU 2010-12 requires disclosure of certain attributes of all investments within its scope, regardless of whether NAV is used to measure the fair value of these investments, and indicates that liquidity of the assets should be an input in determining the level classification.

**Assets and Liabilities Measured on a Recurring Basis:** Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair-Value Measurements at Dec. 31, 2011, using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>			
Beneficial interest in trust	\$ -	\$ -	\$ 316,898
Money market accounts	13,038,485	-	-
U.S. government obligations	71,873,306	-	-
Mutual funds	-	-	-
State and municipal bonds	-	8,271,091	-
Corporate bonds	-	19,261,809	-
	\$ 84,911,791	\$ 27,532,900	\$ 316,898

	Fair-Value Measurements at Dec. 31, 2010, using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets:</b>			
Beneficial interest in trust	\$ -	\$ -	\$ 336,597
Money market accounts	5,719,553	-	-
U.S. government obligations	82,557,253	-	-
Mutual funds	59,641	-	-
State and municipal bonds	-	5,856,333	-
Corporate bonds	-	14,537,963	-
	<b>\$ 88,336,447</b>	<b>\$ 20,394,296</b>	<b>\$ 336,597</b>

The tables below present a reconciliation and statement-of-activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended Dec. 31, 2011 and 2010:

	Beneficial Interest in Trust	
Beginning balance, Jan. 1, 2011	\$	336,597
Change in value of split-interest agreements		(19,699)
Ending balance, Dec. 31, 2011	\$	316,898
	Beneficial Interest in Trust	
Beginning balance, Jan. 1, 2010	\$	351,492
Change in value of split-interest agreements		(14,895)
Ending balance, Dec. 31, 2010	\$	336,597

#### NOTE 6 – PROPERTY AND EQUIPMENT

The Legion's property and equipment, and the related accumulated depreciation at Dec. 31, 2011 and 2010, are as follows:

	2011	2010
<b>Washington, D.C., real estate</b>		
Land	\$ 80,000	\$ 80,000
Building	5,257,798	5,232,998
Construction in progress	3,698	-
<b>Indianapolis real estate</b>		
Land	389,264	389,264
Building	3,851,186	3,775,509
Construction in progress	1,442	-
<b>Furniture, fixtures and equipment</b>		
National Headquarters, Indianapolis	6,236,955	6,234,413
Washington, D.C.	804,316	830,922
	16,624,659	16,543,106
Less accumulated depreciation	(10,452,788)	(9,851,065)
	<b>\$ 6,171,871</b>	<b>\$ 6,692,041</b>

Depreciation expense for the years ended Dec. 31, 2011 and 2010 was \$1,063,977 and \$1,072,930, respectively.

#### NOTE 7 – LONG-TERM DEBT

In 2003, the Legion refinanced its long-term debt on its facility for Emblem Sales, Information Technology and Member Benefits. This debt is payable in monthly installments of \$25,213, including interest, beginning July 30, 2003, with a stated rate of 5.3 percent and final payment due Aug. 1, 2018. The outstanding balance on the long-term debt is \$1,678,367 and \$1,885,963 for 2011 and 2010, respectively.

The future maturities of the long-term debt are as follows:

2012	\$ 217,907
2013	229,740
2014	242,217
2015	255,371
2016	269,239
Thereafter	463,893
<b>Total</b>	<b>\$ 1,678,367</b>

Interest expense was \$94,961 and \$105,654 for the years ended Dec. 31, 2011 and 2010, respectively.

#### NOTE 8 – LEASES

The Legion has several noncancelable operating leases, primarily for facilities, computer equipment and copiers that expire at various dates through the year 2015. Rent expense under these leases for the years ended Dec. 31, 2011 and 2010 was \$494,348 and \$480,469, respectively.

Minimum lease commitments are as follows:

2012	\$ 475,889
2013	373,816
2014	356,100
2015	350,350
<b>Total</b>	<b>\$ 1,556,155</b>

In addition, the Legion has a lease with the State of Indiana, for rental of the National Headquarters building in Indianapolis, which expires on June 30, 2013. The lease can be renewed at the option of the Legion for four additional four-year periods. According to the terms of the lease, the Legion is required to maintain the interior of the building, and provide adequate insurance on the building, in lieu of lease payments. The cost of maintenance for 2011 and 2010 was \$906,400 and \$837,900, respectively. Insurance coverage is included in the Legion's general insurance policy.

#### NOTE 9 – PAID-UP-FOR-LIFE MEMBERSHIP FUND

The National Executive Committee approved the establishment of a life-membership plan available to any member of a participating department. In accordance with the plan, the assets of the Paid-Up-For-Life (PUFL) Membership Fund are included in unrestricted, board-designated net assets and segregated in a trust account from which funds equal to the annual dues of life members may be withdrawn for current operations each year. In 2011, the annual dues amount was not withdrawn from the trust account. The trust agreement provides that the Legion 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.

Under the terms of the PUFL program, a participating member's national, state and local dues are paid by the Legion for the remainder of the individual's life. Management has estimated and recognized a liability for the future payments to state and local Legion organizations. Likewise, management has deferred recognition of the national-dues portion of the member's payment. Deferred PUFL dues are recognized in annual amounts equal to the national dues in effect each year. The liability and deferred-revenue amounts are estimated by the Legion's actuaries using PUFL membership summaries and discount rates comparable to the Legion's recent investment performance.

#### NOTE 10 – RESTRICTED AND RESERVE DESIGNATED FUNDS

The restricted fund is designated for use by the National Finance Commission and National Executive Committee, and reported as unrestricted, board-designated net assets. Earnings of the restricted fund, along with the principal, can be expended only upon recommendation of the commission and a two-thirds affirmative vote of the committee at two successive meetings. It is the policy of the Legion to transfer 10 percent of the prior year's defined net income from operations to the restricted fund. The Legion made no transfers to the restricted fund in 2011 and 2010.

The reserve fund is also designated for use by the National Finance Commission and National Executive Committee, and reported as unrestricted, board-designated net assets. However, earnings of the reserve fund may be used for the general operations of the Legion. The principal can be expended only by action of the Legion at its national convention, or by a two-thirds affirmative vote of the committee in two successive meetings not less than 60 days apart.

### NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are donor-restricted for specific purposes. At Dec. 31, 2011 and 2010, the restricted purposes were as follows:

	2011	2010
Overseas Graves Decoration Fund	\$ 1,084,917	\$ 1,074,023
Samsung scholarships	2,101,778	1,821,311
Legacy Scholarship Fund	6,461,292	5,272,950
National Emergency Fund	3,103,583	2,905,160
Boy Scouts	467,899	467,899
Operation Comfort Warriors	251,149	268,723
Others	185,349	192,146
	\$ 13,655,967	\$ 12,002,212

### NOTE 12 – NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, or by the occurrence of other events specified by donors.

	2011	2010
Purpose restrictions accomplished		
Overseas graves decoration	\$ 27,657	\$ 24,300
Scholarships and grants (including relief aid)	965,745	833,278
Veterans Affairs & Rehabilitation and Children & Youth programs	236,021	257,634
	\$ 1,229,423	\$ 1,115,212

### NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent donor-restricted gifts that have been invested and are to be maintained in perpetuity. Income from the Samsung Scholarship Fund is to be used to fund undergraduate scholarships for descendants of Korean War veterans and other wars in which U.S. servicemembers participated. Income from the American Legion Endowment Fund is to be used to support the Veterans Affairs & Rehabilitation and Children & Youth activities of the Legion.

At Dec. 31, 2011 and 2010, the permanently restricted net assets were as follows:

	2011	2010
Samsung scholarships	\$ 5,000,000	\$ 5,000,000
American Legion Endowment Fund	7,663,433	7,409,095
	\$ 12,663,433	\$ 12,409,095

### NOTE 14 – ENDOWMENT COMPOSITION

The Legion's endowments include donor-restricted endowment funds and are comprised of two separate funds: the American Legion Endowment Fund and the Samsung Scholarship Fund. In accordance with GAAP, net assets associated with endowment funds, including funds designated by the National Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law:** The National Executive Committee has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Legion classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the governing documents of the Legion. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Legion in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Legion 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 Legion and of the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effects of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Legion
- (7) The investment policies of the Legion

Endowment net asset composition by type of fund as of Dec. 31, 2011 and 2010:

*Endowment net asset composition by type of fund as of Dec. 31, 2011:*

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,101,778	\$ 12,663,433	\$ 14,765,211

*Endowment net asset composition by type of fund as of Dec. 31, 2010:*

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 1,821,311	\$ 12,409,095	\$ 14,230,406

*Changes in endowment net assets for the year ended Dec. 31, 2011:*

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$ -	\$ 1,821,311	\$ 12,409,095	\$ 14,230,406
Investment return				
Investment income, net of fees	-	495,931	-	495,931
Net appreciation (realized and unrealized)	-	298,457	169,800	468,257
<b>Total investment return</b>	<b>-</b>	<b>\$ 794,388</b>	<b>\$ 169,800</b>	<b>\$ 964,188</b>
New gifts	-	-	84,538	84,538
Appropriation of endowment assets for expenditure	-	(513,921)	-	(513,921)
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>\$ 2,101,778</b>	<b>\$ 12,663,433</b>	<b>\$ 4,765,211</b>

Changes in endowment net assets for the year ended Dec. 31, 2010:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$ (53,401)	\$ 1,716,524	\$ 12,137,556	\$ 13,800,679
Investment return				
Investment income, net of fees	84,801	531,756	-	616,557
Net appreciation (realized and unrealized)	46,160	115,034	187,639	348,833
<b>Total investment return</b>	<b>\$ 130,961</b>	<b>\$ 646,790</b>	<b>\$ 187,639</b>	<b>\$ 965,390</b>
New gifts	-	-	83,900	83,900
Appropriation of endowment assets for expenditure	(77,560)	(542,003)	-	(619,563)
<b>Net assets, end of year</b>	<b>\$ -</b>	<b>\$ 1,821,311</b>	<b>\$ 12,409,095</b>	<b>\$ 14,230,406</b>

**Return Objectives and Risk Parameters:** The Legion has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Legion must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the National Executive Committee, the endowment assets are invested in a manner that is intended to produce income while assuming a low level of investment risk.

**Strategies Employed for Achieving Objectives:** To satisfy its long-term rate-of-return objectives, the Legion 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 Legion targets fixed-income securities to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy:**

Distributions will be limited to interest, net of fees. Capital appreciation (realized and unrealized) is added to the principal of the American Legion Endowment Fund; however, capital appreciation from the Samsung Scholarship Fund is temporarily restricted and can be spent according to the spending policy. Endowment-fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. In order to make a principal disbursement, a majority vote by the National Executive Committee is required.

**NOTE 15 – EMPLOYEE BENEFITS**

The Legion has a defined-benefit pension plan covering substantially all of its employees as well as those of certain affiliated and subordinated groups. The plan was established in 1944 by vote of the national convention. Contributions to the plan are made by the Legion and other participating groups on the basis of annual actuarial valuations.

In May 2008, the Legion voted to freeze the plan effective June 30, 2008, and adopt a 401(k) savings plan with a qualified automatic-contribution arrangement effective July 1, 2008. The result of the freeze is that current employees still receive the benefits they had earned as of June 30, 2008, but no future benefits will be earned and no new employees will be added. The 401(k) savings plan calls for a 100-percent match of the first 1 percent contributed by the employee, and a 50-percent match of the net 5 percent contributed by the employee. Thus, the maximum matching percentage an employee will receive is 3.5 percent. The Legion made contributions of \$364,833 and \$336,809 in 2011 and 2010, respectively.

The following table sets forth the Legion's portion of the plan's funded status and amounts recognized in the Legion's consolidated statement of financial position at Dec. 31, 2011 and 2010:

	2011	2010
Benefit obligation	\$ (51,114,809)	\$ (47,056,871)
Fair value of plan assets	47,811,011	48,599,378
<b>Funded status</b>	<b>\$ (3,303,798)</b>	<b>\$ 1,542,507</b>
Interest cost	\$ 2,714,869	\$ 2,707,448
Actual return on assets	(1,996,724)	(4,433,441)
Amortization of prior service costs	121,085	121,085
Amortization of loss	666,288	783,605
Difference between expected and actual return on assets	(1,770,796)	787,687
<b>Net periodic pension cost</b>	<b>\$ (265,278)</b>	<b>\$ (33,616)</b>
Net loss (gain)	\$ 5,232,668	\$ (1,242,855)
Prior service cost	(121,085)	(121,085)
<b>Pension-related changes other than net periodic pension cost</b>	<b>\$ 5,111,583</b>	<b>\$ (1,363,940)</b>
Prepaid benefit cost	\$ 14,511,744	\$ 14,246,466
Accumulated benefit obligation	51,114,809	47,056,871
Vested benefit obligation	50,949,483	46,768,704
Net periodic pension cost	(265,278)	(33,616)
Benefits paid	2,785,091	2,779,150
<b>Measurement date</b>	<b>12/31/2011</b>	<b>12/31/2010</b>

*Estimated future benefit payments:*

2012	\$ 3,226,158
2013	3,289,933
2014	3,337,613
2015	3,383,626
2016	3,454,286
2017-2021	17,186,034

The asset investment policy is a lower-risk strategy. The fair value of the Legion's defined benefit plan assets at Dec. 31, 2011 and 2010 are as follows. See Note 5 for descriptions of inputs for each type of asset.

	Fair-Value Measurements at Dec. 31, 2011, using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	\$ 1,623,455	\$ -	\$ -
U.S. government and agency obligations	14,601,727	-	-
Asset-backed securities	-	5,556,069	-
Municipal bonds	-	1,768,208	-
Corporate bonds	-	10,732,185	-
Common stock			
Materials	634,981	-	-
Industrials	1,728,855	-	-
Consumer goods	2,206,411	-	-
Energy	1,469,565	-	-
Health care	1,781,671	-	-
Financials	2,462,856	-	-
Telecommunication	501,042	-	-
Technology	1,626,752	-	-
Utilities and other	813,442	-	-
Accrued interest	303,792	-	-
	<b>\$ 29,754,549</b>	<b>\$ 18,056,462</b>	<b>\$ -</b>

	Fair-Value Measurements at Dec. 31, 2010, using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market accounts	\$ 971,186	\$ -	\$ -
U.S. government and agency obligations	14,511,592	-	-
Asset-backed securities	-	5,709,254	-
Municipal bonds	-	1,592,447	-
Corporate bonds	-	11,715,032	-
Common stock			
Materials	866,634	-	-
Industrials	1,961,076	-	-
Consumer goods	2,201,059	-	-
Energy	1,445,041	-	-
Health care	1,492,950	-	-
Financials	2,764,561	-	-
Telecommunication	559,618	-	-
Technology	1,852,958	-	-
Utilities and other	655,242	-	-
Accrued interest	300,728	-	-
	\$ 29,582,645	\$ 19,016,733	\$ -

Historical returns of multiple asset classes were analyzed to develop a risk-free real rate of return and risk premium for each asset class. The overall rate for each asset class was developed by combining a long-term inflation component, the risk-free real rate of return, and the associated risk premium. A weighted average rate was developed based on these overall rates and the target asset allocation of the plan.

Weighted-average assumptions	2011	2010
Discount rate	5.25%	5.96%
Expected return on plan assets	8.00%	8.00%
Rate of compensation increase	0.00%	0.00%

The amounts of net loss and net prior-service cost expected to be recognized as components of net periodic-benefit cost for the year ending Dec. 31, 2011 are \$1,209,754 and \$121,085, respectively.

#### NOTE 16 – FUNCTIONAL EXPENSES

The following represents a functional breakdown of the Legion's expenses by program and supporting services:

	2011	2010
<b>Program services</b>		
Veterans programs and services	\$ 33,604,636	\$ 35,108,669
Americanism, Children & Youth activities	3,958,400	2,806,143
	\$ 37,563,036	\$ 37,914,812
<b>Supporting services</b>		
Management and general	16,442,779	12,929,185
Member development	11,445,606	10,945,144
Fundraising	5,234,392	4,162,115
	\$ 33,122,777	\$ 28,036,444
	\$ 70,685,813	\$ 65,951,256

Member development includes direct-response advertising expense of \$8,447,032 and \$8,970,472 for the years ended Dec. 31, 2011 and 2010.

#### NOTE 17 – LITIGATION

The Legion is currently involved in and/or has been mentioned as a defendant or co-defendant in several legal actions. It is the opinion of the national judge advocate that these claims are without merit, and that any ultimate liability of the Legion with respect to these actions will not materially affect the financial statements of the Legion.

SUPPLEMENTARY INFORMATION: The American Legion National Headquarters  
Consolidated Statements of Financial Position *December 31, 2011*

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,711,506	\$ -	\$ 19,915	\$ 106,748	\$ -	\$ 2,838,169
Accounts receivable	2,293,985	41,360	1,589	5,668	(48,617)	2,293,985
Interest receivable	522,909	-	68,714	14,276	-	605,899
Prepaid expenses and deposits	1,235,985	-	1,664	-	-	1,237,649
Deferred membership expense	8,717,182	-	-	-	-	8,717,182
Due from American Legion	-	-	-	-	-	-
Endowment Fund	2,000,000	-	-	-	(2,000,000)	-
Inventory	2,433,969	-	-	-	-	2,433,969
Investment in affiliate (CFA)	39,165	-	-	-	-	39,165
Beneficial interest in trust	-	-	316,898	-	-	316,898
Prepaid pension expense	-	-	-	-	-	-
	<u>19,954,701</u>	<u>41,360</u>	<u>408,780</u>	<u>126,692</u>	<u>(2,048,617)</u>	<u>18,482,916</u>
Investments	-	-	-	-	-	-
General	25,355,652	-	-	-	-	25,355,652
Segregated for Restricted and Reserved funds	30,220,097	-	-	-	-	30,220,097
Paid-Up-For-Life Membership fund	22,505,485	-	-	-	-	22,505,485
Samsung scholarship fund	8,127,347	-	-	-	-	8,127,347
Building funds	4,717,543	-	-	-	-	4,717,543
Sept. 11 Memorial scholarship fund	6,418,584	-	-	-	-	6,418,584
Special account – Endowment Fund	-	-	2,312,288	-	-	2,312,288
General account – Endowment Fund	-	-	6,989,878	-	-	6,989,878
National Emergency Fund	-	-	-	2,976,891	-	2,976,891
Other	2,820,926	-	-	-	-	2,820,926
	<u>100,165,634</u>	<u>-</u>	<u>9,302,166</u>	<u>2,976,891</u>	<u>-</u>	<u>112,444,691</u>
Property, plant and equipment, net	6,171,871	-	-	-	-	6,171,871
Total assets	<u>\$ 126,292,206</u>	<u>\$ 41,360</u>	<u>\$ 9,710,946</u>	<u>\$ 3,103,583</u>	<u>\$ (2,048,617)</u>	<u>\$ 137,099,478</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 2,486,792	\$ -	\$ -	\$ -	\$ (48,617)	\$ 2,438,175
Scholarships payable	1,184,518	-	-	-	-	1,184,518
Due to American Legion National Headquarters	-	-	2,000,000	-	(2,000,000)	-
Deposits on emblem merchandise sales	189,159	-	-	-	-	189,159
Deferred income	1,146,099	-	-	-	-	1,146,099
Deferred dues income	23,037,185	-	-	-	-	23,037,185
Deferred income – direct membership solicitation	8,490,607	-	-	-	-	8,490,607
Accrued vacation benefits	954,722	-	-	-	-	954,722
Accrued pension expense	3,303,798	-	-	-	-	3,303,798
Other liabilities	270,603	-	-	-	-	270,603
Notes payable	1,678,367	-	-	-	-	1,678,367
Deferred dues income – Paid-Up-For- Life Membership	20,155,727	-	-	-	-	20,155,727
Life memberships due to state and local posts	20,273,978	-	-	-	-	20,273,978
	<u>83,171,555</u>	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>(2,048,617)</u>	<u>83,122,938</u>
<b>NET ASSETS</b>						
Unrestricted	27,568,267	41,360	47,513	-	-	27,657,140
Temporarily restricted	10,552,384	-	-	3,103,583	-	13,655,967
Permanently restricted	5,000,000	-	7,663,433	-	-	12,663,433
Total net assets	<u>43,120,651</u>	<u>41,360</u>	<u>7,710,946</u>	<u>3,103,583</u>	<u>-</u>	<u>53,976,540</u>
	<u>\$ 126,292,206</u>	<u>\$ 41,360</u>	<u>\$ 9,710,946</u>	<u>\$ 3,103,583</u>	<u>\$ (2,048,617)</u>	<u>\$ 137,099,478</u>

SUPPLEMENTARY INFORMATION: The American Legion National Headquarters  
Consolidated Statements of Financial Position *December 31, 2010*

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,563,611	\$ -	\$ 23,850	\$ 99,288	\$ -	\$ 2,686,749
Accounts receivable	3,110,783	8,129	4,669	1,778	(14,576)	3,110,783
Interest receivable	650,411	-	75,963	15,088	-	741,462
Prepaid expenses and deposits	577,614	-	1,811	-	-	579,425
Deferred membership expense	8,692,559	-	-	-	-	8,692,559
Due from American Legion Endowment Fund	2,000,000	-	-	-	(2,000,000)	-
Inventory	2,500,115	-	-	-	-	2,500,115
Investment in affiliate (CFA)	50,922	-	-	-	-	50,922
Beneficial interest in trust	-	-	336,597	-	-	336,597
Prepaid pension expense	1,542,507	-	-	-	-	1,542,507
	<u>21,688,502</u>	<u>8,129</u>	<u>442,890</u>	<u>116,154</u>	<u>(2,014,576)</u>	<u>20,241,099</u>
Investments						
General	25,860,863	-	-	-	-	25,860,863
Segregated for Restricted and Reserved funds	28,121,944	-	-	-	-	28,121,944
Paid-Up-For-Life Membership fund	23,197,380	-	-	-	-	23,197,380
Samsung scholarship fund	7,843,214	-	-	-	-	7,843,214
Building funds	4,377,546	-	-	-	-	4,377,546
Sept. 11 Memorial scholarship fund	4,812,835	-	-	-	-	4,812,835
Special account – Endowment Fund	-	-	2,255,689	-	-	2,255,689
General account – Endowment Fund	-	-	6,724,930	-	-	6,724,930
National Emergency Fund	-	-	-	2,789,006	-	2,789,006
Other	2,747,336	-	-	-	-	2,747,336
	<u>96,961,118</u>	<u>-</u>	<u>8,960,619</u>	<u>2,789,006</u>	<u>-</u>	<u>108,730,743</u>
Property, plant and equipment, net	6,692,041	-	-	-	-	6,692,041
Total assets	<u>\$ 125,341,661</u>	<u>\$ 8,129</u>	<u>\$ 9,423,509</u>	<u>\$ 2,905,160</u>	<u>\$ (2,014,576)</u>	<u>\$ 135,663,883</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,682,476	\$ -	\$ 874	\$ -	\$ (14,576)	\$ 1,668,774
Scholarships payable	1,205,583	-	-	-	-	1,205,583
Due to American Legion National Headquarters	-	-	2,000,000	-	(2,000,000)	-
Deposits on emblem merchandise sales	187,005	-	-	-	-	187,005
Deferred income	1,060,185	-	-	-	-	1,060,185
Deferred dues income	24,110,482	-	-	-	-	24,110,482
Deferred income – direct membership solicitation	7,153,516	-	-	-	-	7,153,516
Accrued vacation benefits	829,557	-	-	-	-	829,557
Other liabilities	360,144	-	-	-	-	360,144
Notes payable	1,885,963	-	-	-	-	1,885,963
Deferred dues income – Paid-Up-For- Life Membership	19,990,712	-	-	-	-	19,990,712
Life memberships due to state and local posts	20,118,073	-	-	-	-	20,118,073
	<u>78,583,696</u>	<u>-</u>	<u>2,000,874</u>	<u>-</u>	<u>(2,014,576)</u>	<u>78,569,994</u>
<b>NET ASSETS</b>						
Unrestricted	32,660,913	8,129	13,540	-	-	32,682,582
Temporarily restricted	9,097,052	-	-	2,905,160	-	12,002,212
Permanently restricted	5,000,000	-	7,409,095	-	-	12,409,095
Total net assets	<u>46,757,965</u>	<u>8,129</u>	<u>7,422,635</u>	<u>2,905,160</u>	<u>(2,014,576)</u>	<u>57,093,889</u>
	<u>\$ 125,341,661</u>	<u>\$ 8,129</u>	<u>\$ 9,423,509</u>	<u>\$ 2,905,160</u>	<u>\$ (2,014,576)</u>	<u>\$ 135,663,883</u>



SUPPLEMENTARY INFORMATION: The American Legion National Headquarters  
Consolidated Statements of Activities Year ended December 31, 2011

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
<b>Revenue, gains and other support</b>						
National member dues	\$ 28,197,464	\$ -	\$ -	\$ -	\$ -	\$ 28,197,464
Direct membership solicitation	8,767,665	-	-	-	-	8,767,665
Member service fees income	1,128,191	-	-	-	-	1,128,191
Affinity income	3,830,175	-	-	-	-	3,830,175
Sales of emblem items	11,303,617	-	-	-	-	11,303,617
Advertising	9,352,156	-	-	-	-	9,352,156
Contributions	4,186,829	83,631	84,538	344,439	(50,400)	4,649,037
Label and printing fees	1,046,466	-	-	-	-	1,046,466
Interest and dividends, net of fees	2,639,457	-	313,525	89,795	-	3,042,777
Net realized gains	197,818	-	97,051	3,410	-	298,279
American Legion Endowment Fund income	311,595	-	-	-	(311,595)	-
Other	2,082,941	-	-	-	-	2,082,941
	<u>73,044,374</u>	<u>83,631</u>	<u>495,114</u>	<u>437,644</u>	<u>(361,995)</u>	<u>73,698,768</u>
<b>Expenses</b>						
Salaries	15,059,423	-	-	-	-	15,059,423
Employee benefits	3,035,623	-	-	-	-	3,035,623
Cost of sales - emblem	6,008,625	-	-	-	-	6,008,625
Department and magazine costs	2,221,473	-	-	-	-	2,221,473
Direct publications	12,109,012	-	-	-	-	12,109,012
Executive and staff travel	1,840,336	-	6,968	-	-	1,847,304
Commission and committee	1,945,776	-	-	-	-	1,945,776
Printing and postage	8,037,789	-	-	-	-	8,037,789
Scholarships, grants and awards	1,408,503	50,400	311,595	361,872	(361,995)	1,770,375
Office and other operating	13,416,367	-	19,296	-	-	13,435,663
Occupancy and usage	2,268,508	-	-	-	-	2,268,508
Special projects and programs	2,946,242	-	-	-	-	2,946,242
	<u>70,297,677</u>	<u>50,400</u>	<u>337,859</u>	<u>361,872</u>	<u>(361,995)</u>	<u>70,685,813</u>
Change in net assets from operations	2,746,697	33,231	157,255	75,772	-	3,012,955
Net unrealized gains - investments	2,990,091	-	131,056	122,651	-	3,243,798
Net change in PUFL	(3,596,231)	-	-	-	-	(3,596,231)
Amortization of pension loss	(666,288)	-	-	-	-	(666,288)
Pension-related changes other than net periodic pension cost	(5,111,583)	-	-	-	-	(5,111,583)
<b>Change in net assets</b>	<u>(3,637,314)</u>	<u>33,231</u>	<u>288,311</u>	<u>198,423</u>	<u>-</u>	<u>(3,117,349)</u>
Net assets, beginning of year	46,757,965	8,129	7,422,635	2,905,160	-	57,093,889
<b>Net assets, end of year</b>	<u>\$ 43,120,651</u>	<u>\$ 41,360</u>	<u>\$ 7,710,946</u>	<u>\$ 3,103,583</u>	<u>\$ -</u>	<u>\$ 53,976,540</u>

SUPPLEMENTARY INFORMATION: The American Legion National Headquarters  
Consolidated Statements of Activities Year ended December 31, 2010

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Haynes and Partners Communications, Inc.	Eliminations	Total
<b>Revenue, gains and other support</b>							
National member dues	\$ 29,645,796	\$ -	\$ -	\$ -	\$ -	\$ -	29,645,796
Direct membership solicitation	5,536,132	-	-	-	-	-	5,536,132
Member service fees income	1,288,596	-	-	-	-	-	1,288,596
Affinity income	363,312	-	-	-	-	-	363,312
Sales of emblem items	11,105,405	-	-	-	-	-	11,105,405
Advertising	9,167,804	-	-	-	-	-	9,167,804
Contributions	3,341,421	8,129	83,902	296,270	-	-	3,729,722
Label and printing fees	1,254,591	-	-	-	-	-	1,254,591
Interest and dividends, net of fees	2,685,195	-	342,432	82,038	-	-	3,109,665
Net realized gains	370,006	-	25,487	1,475	-	-	396,968
American Legion Endowment Fund income	309,192	-	-	-	-	(309,192)	-
Other	1,850,980	-	-	-	-	-	1,850,980
	<u>66,918,430</u>	<u>8,129</u>	<u>451,821</u>	<u>379,783</u>	<u>-</u>	<u>(309,192)</u>	<u>67,448,971</u>
<b>Expenses</b>							
Salaries	14,656,208	-	-	-	-	-	14,656,208
Employee benefits	2,685,809	-	-	-	-	-	2,685,809
Cost of sales - emblem	6,109,622	-	-	-	-	-	6,109,622
Department and magazine costs	2,070,536	-	-	-	-	-	2,070,536
Direct publications	11,901,572	-	-	-	-	-	11,901,572
Executive and staff travel	1,466,215	-	3,517	-	-	-	1,469,732
Commission and committee	1,633,066	-	-	-	-	-	1,633,066
Printing and postage	5,948,035	-	-	-	-	-	5,948,035
Scholarships, grants and awards	1,418,917	-	309,192	66,990	-	(309,192)	1,485,907
Office and other operating	12,996,731	-	22,484	4,802	-	-	13,024,017
Occupancy and usage	1,921,778	-	-	-	-	-	1,921,778
Special projects and programs	3,044,974	-	-	-	-	-	3,044,974
	<u>65,853,463</u>	<u>-</u>	<u>335,193</u>	<u>71,792</u>	<u>-</u>	<u>(309,192)</u>	<u>65,951,256</u>
Change in net assets from operations	1,064,967	8,129	116,628	307,991	-	-	1,497,715
Net unrealized gains - investments	507,002	-	221,852	41,687	-	-	770,541
Net change in PUFL	3,380,105	-	-	-	-	-	3,380,105
Amortization of pension loss	(783,605)	-	-	-	-	-	(783,605)
Pension-related changes other than net periodic pension cost	1,363,940	-	-	-	-	-	1,363,940
Merger of HPC	-	-	-	-	(949,698)	949,698	-
<b>Change in net assets</b>	<u>5,532,409</u>	<u>8,129</u>	<u>338,480</u>	<u>349,678</u>	<u>(949,698)</u>	<u>949,698</u>	<u>6,228,696</u>
Net assets, beginning of year	41,225,556	-	7,084,155	2,555,482	949,698	(949,698)	50,865,193
<b>Net assets, end of year</b>	<u>\$ 46,757,965</u>	<u>\$ 8,129</u>	<u>\$ 7,422,635</u>	<u>\$ 2,905,160</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,093,889</u>

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