



THE AMERICAN LEGION ANNUAL REPORT

2013

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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Legionnaires from the Department of Pennsylvania gather in the Russell Senate Office Building before meeting with congressional representatives.

Photo by Eldon Lindsay

Who We Are, 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 approximately 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 combat. 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 have been 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.

This year in The American Legion

- Led a successful nationwide campaign to improve transferability of military experience into training hours for a number of specialized career fields
- Produced and promoted more than 1,200 veteran-employment events nationwide
- Conducted site visits at VA regional offices to identify best practices and problem areas in order to offer solutions to the growing backlog of undecided VA benefits claims
- Broke the national commander's fundraising goal of \$500,000 by May, and raised the bar to \$750,000, for Operation Comfort Warriors
- Provided on-the-spot financial relief and volunteer help for families who lost their homes and were displaced by Superstorm Sandy, flooding in Illinois and tornadoes in Oklahoma

Focusing on Fully Developed Claims

The American Legion works through a nationwide network of more than 2,600 accredited service officers to ensure that veterans get high-quality VA health care and receive the benefits they have earned through their service in uniform.

The Veterans Affairs & Rehabilitation (VA&R) Commission is working closely with VA on its new Fully Developed Claims (FDC) initiative. Because they require no further development, FDCs move through the claims process much faster than traditional claims needing more supporting evidence. More Legion service officers are being trained in the proper development of FDCs, and teams of Legion experts have helped several VA regional offices identify best practices for FDC processing.

The VA&R Commission continues to use its System Worth Saving (SWS) Task Force to evaluate the quality of health care at VA medical centers nationwide. Between October 2012 and April 2013, SWS teams conducted 15 site visits to VA facilities, focusing on the quality of health care provided to women veterans. Two additional visits were made to the VA facility in Fort Wayne, Ind., to evaluate its overall quality of health care.

The American Legion also has staff nationwide who assist with veterans' claims appeals, aid and assistance benefits, VA insurance claims, and medical and physical evaluation boards.

Priorities of VA&R

- Help VA reduce the claims backlog through the FDC program and other initiatives
- Increase major and minor construction budgets for VA medical facilities
- Renew the leases of 26 VA medical facilities before they expire in 2013
- Protect VA's budget from the effects of sequestration and other drastic cuts
- Support the efforts of Legionnaires who volunteer at VA facilities nationwide
- Enhance treatment for veterans suffering from PTSD, TBI and other mental conditions

Contact

- var@legion.org

Connections

- www.legion.org/systemworthsaving
- www.legion.org/veteransbenefits
- www.legion.org/veteransbenefits/departmtofficers
- www.legion.org/veteranshealthcare



Members of The American Legion System Worth Saving Task Force visit VA facilities in Dublin, Ga..

Photo by Eldon Lindsay



Membership Chairman Denise Rohan leads discussion during a strategic planning session to develop a 5-year membership plan.

Photo by Eldon Lindsay

A Culture of Growth

The American Legion Membership & Post Activities Committee of the Internal Affairs Commission is now at work on a five-year strategy to grow the nation's largest veterans service organization to an all-time membership high by its 100th anniversary in 2019. The plan will include initiatives in such areas as marketing, communications, training, post development and recruiting.

One recent development is a series of online videos titled "Just Ask," which offers membership-recruitment tips from top experts around the country, including Frank Carr of Virginia, four-time American Legion Recruiter of the Year.

The commission oversees membership policies and development projects, including post formation, records administration and special projects. It manages 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 provides organizational guidance to the American Legion Riders, which raises hundreds of thousands of dollars for charities around the country each year.

The Internal Affairs Division developed an online version of The American Legion Extension Institute in 2012. Since then, thousands of rising leaders have taken the course, which teaches the history, programs and values of the organization.

Membership & Internal Affairs agenda

- Provide training through LEAD program and grass-roots efforts with posts
- Provide national support for Sons of The American Legion program
- Increase awareness of American Legion Riders program
- Manage national trophies and awards program
- Active involvement in membership marketing services
- Manage National Emergency Fund (NEF)
- Develop and distribute membership-recruitment materials
- Post and district revitalization
- Outreach/reconnect with servicemembers, including Student Veterans of America (SVA)

Contact

- ia@legion.org

Connections

- www.legion.org/membership
- www.legion.org/membership/success

Veterans and Jobs

Along with its advocacy for veteran employment legislation, The American Legion is actively working the grass-roots side of the unemployment issue, hosting or co-hosting numerous job fairs throughout the country. In 2012, the Legion's Economic Commission recorded a banner year for this initiative, having hosted, sponsored or participated in more than 200 job fairs. Approximately 1,000 more career events were held by individual posts. More than 7,000 attendees of these job fairs were hired. Calendar year 2013 figures to achieve even higher numbers; in April alone, the Legion was involved with more than 50 veteran job fairs.

Active relationships with organizations like the U.S. Chamber of Commerce, RecruitMilitary and Military.com help produce veteran career fairs, from rural areas to major metropolitan cities. Hosting sites have included historic Fenway Park in Boston, MetLife Stadium in East Rutherford, N.J., and the Indianapolis Motor Speedway. Career fairs have also specifically targeted areas such as San Juan, Puerto Rico, where veteran unemployment rates are disproportionately high, and Seaside Heights, N.J., after Superstorm Sandy struck in 2012.

The Legion's job-fair initiative will continue to forge on and become more important, as drawdowns continue in Iraq and Afghanistan, and servicemembers come home in record numbers.

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

Contact

- econ@legion.org

Connections

- www.legion.org/careers
- www.legion.org/careers/jobfairs



The American Legion and the U.S. Chamber of Commerce united to produce a nationwide schedule of Hiring Our Heroes Transition and Benefits Career Fairs, including this one in Indianapolis.

Photo by Eldon Lindsay



Let Us Help With Your Education Benefits

- Post 3/11 GI Bill
- Montgomery GI Bill
- Reserve Educational Assistance Program
- Marine Gunnery Sergeant David Fry Scholarship
- Dependents Educational Assistance Program
- Tuition Assistance Program
- Vocational Rehabilitation

Ask or Join

Help Us With Your Education Benefits

Post 3/11 GI Bill

Montgomery GI Bill

Reserve Educational Assistance Program

Marine Gunnery Sergeant David Fry Scholarship

Dependents Educational Assistance Program

Tuition Assistance Program

Vocational Rehabilitation

NDSU Post 400 member Tristan Fox mans a table in North Dakota State University's student union. He and fellow post members distributed information to students passing by.

Photo by Amy C. Elliott

The Legion on Campus

The American Legion is growing on college campuses around the country. Posts have been chartered at several schools which serve the institutions' student veterans. The movement started in fall 2011, when a student veteran at Indiana University-Purdue University Indianapolis (IUPUI) formed a Legion post on campus. Since then, posts have been founded at North Dakota State University in Fargo, Hodges University in Fort Myers, Fla., and elsewhere.

Each post has between 40 and 60 members, with students, faculty and alumni mostly making up the membership. The posts serve as rallying points for veterans on campus or otherwise associated with the school. Members often meet, discuss issues that veterans on campus face, and provide one another with support in dealing with education benefits, the VA system and the general stresses of being a veteran – often an older student – among a typically younger student base. Campus posts represent a continuation of the Legion's well-documented involvement with servicemembers' education, dating back to the days of the first GI Bill.

The campus posts are also intimately linked with nearby posts and the departments in which they were founded. University Veterans Post 360 at IUPUI has worked with representatives from the Department of Indiana to help get state legislation passed giving all veterans resident rates for tuition at state universities. NDSU Post 400 at North Dakota State University has a similar relationship with nearby Post 2 in downtown Fargo. Post 2 has taken Post 400 under its wing. Recognizing the important role a Legion post can play on a college campus, North Dakota Legionnaires and posts have also given Post 400 plenty of financial and moral support. Florida Legionnaires have treated Post 397 at Hodges University similarly, watching over the post as it grows and helping it reach success.

Legionnaires, and department and district membership representatives, are encouraged to reach out to veterans at nearby colleges – not only to give student veterans support but also to encourage them to start posts on their campuses.

Contact

- econ@legion.org

Connections

- www.legion.org/education

Comfort for the Recovering

The American Legion's Operation Comfort Warriors (OCW) program turns financial donations into gifts for recovering servicemembers in warrior transition units across the country and around the world. The gifts help ease the warriors' recovery by providing items not generally covered by the U.S. government.

Examples include: loose-fitting clothing for burn victims; baseball, hand-cycling, volleyball and other sports equipment for adaptive therapy programs; fishing gear, art and music supplies for wounded servicemembers to continue their hobbies; and movies, DVDs, CDs and more for entertainment.

The Legion, working with officials at military hospitals, warrior transition units and surrounding communities, obtains wish lists of items that will benefit the wounded warriors. Once a need is identified, the items are purchased by the Legion and delivered to the facility.

One hundred percent of OCW donations go toward the purchase of comfort items and to Heroes to Hometowns, a related program that assists injured veterans transitioning back to civilian life.

Program highlights

- In May 2007, then-National Commander Paul Morin visited wounded servicemembers at Landstuhl Regional Medical Center in Germany. What he discovered was shocking: broken television sets, minimal access to music or magazines, and a dismal clothing allowance. Morin launched Operation Landstuhl, a fundraising drive to purchase comfort items for the recovering warriors. That successful effort later morphed into OCW.
- In 2010, OCW won first place among more than 700 charities in an online contest sponsored by Pepsi. The grand prize of \$250,000 was used to purchase comfort items for recovering U.S. servicemembers.
- In 2012, Heroes to Hometowns (H2H) was merged under OCW. H2H, a transition program for severely injured servicemembers, assisted more than 1,100 veterans last year by establishing a support network for them and coordinating resources.
- During his year as national commander, Jim Koutz promoted OCW as his major fundraising program. Legion Family members and others easily surpassed his initial goal of \$500,000 for the program.

Contact

- ocw@legion.org

Connections

- www.legion.org/ocw
- On Facebook, search "Operation Comfort Warriors"

Post 731 Commander Chuck Camarato high-fives a wounded warrior after giving him a backpack filled with goodies during an Operation Comfort Warriors event at the Warrior Games at Camp Pendleton, Calif., in February. *Photo by Jamie Scott Lytle*



Red Cross worker Bob Collin (left) helps direct donations at American Legion Post 1404 in Broad Channel, N.Y.
Photo by Amy C. Elliott



Gifts that Make Differences

The American Legion manages a 501(c)(3) nonprofit trust that enables members and friends of the organization to donate money to the Legion as a whole or to specific programs such as Boys Nation, Operation Comfort Warriors or Child Welfare Foundation. A 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. The 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 nearly \$7 million to posts and individual members alike. In the wake of disasters, the NEF swiftly delivers needed money to veterans in local communities throughout the country. Donations are vital to keeping NEF ready to assist victims of tornadoes, hurricanes, wildfires and other tragedies. Through the NEF, \$425,000 in grants were distributed to victims of 2012's Superstorm Sandy. Within weeks of the devastating May tornado in Moore, Okla., more than \$200,000 had been provided to affected veterans.

Worthy funds

- The American Legion Endowment Fund
- American Legion Legacy Scholarship Fund
- Operation Comfort Warriors
- American Legion Charities
- Youth Programs Fund
- National Emergency Fund
- Temporary Financial Assistance

Contact

- fundraising@legion.org

Connections

- www.legion.org/donate

Cookouts For a Cause

The American Legion teamed up with the History Channel and Soldier's Wish in May for a summer-long series of special events to grant wishes to U.S. military personnel, veterans and their families throughout the United States. Planned as a "giant-size thank you party," the Soldier's Wish project was designed to be a cross-country cookout at events such as the Coca-Cola 600 NASCAR race in Charlotte, N.C., the CMA Music Festival in Nashville, Tenn., a special History Channel event in New York City, Summerfest in Milwaukee, EAA AirVenture in Oshkosh, Wis., and the Sturgis Motorcycle Rally in South Dakota.

Just as the relationship with the Legion was being formalized at a meeting in Tulsa, Okla., a devastating tornado tore through the nearby town of Moore, and Soldier's Wish had its first mission. An 18-wheeler bearing the Legion emblem and promoting the new relationship rolled into Moore, delivering food, boxes and other supplies, and providing relief for displaced families and rescue crews. Legionnaires also helped local veterans apply for National Emergency Fund (NEF) grants.

The schedule of events was established to include guest appearances from shows like "Pawn Stars," "American Pickers" and "American Restoration." Among the celebrities to meet with Soldier's Wish families have been NASCAR drivers Tony Stewart and Dale Earnhardt Jr., and "Duck Dynasty" reality television star Willie Robertson.

The relationship gives The American Legion an opportunity to promote its programs and services to potential members, donors and others at special events, and to help grant wishes for those who have served the nation, and their families.

Connections

- www.legion.org/soldierswish
- On Facebook, search "The American Legion National Headquarters"
- www.soldierswish.org

The Legion, Soldier's Wish and the History Channel are working together to help grant wishes for U.S. servicemembers, veterans and their families.

Photo by Elisabeth Bryson





Gerald Ballard of Post 42 in Ankeny, Iowa, has dedicated most of his Legion volunteer time to selling flags to support his post. Post 42 uses the Flag Rewards Program and has earned more than \$1,000 in rewards from Emblem Sales.

Photo by Eldon Lindsay

Merchandise with a Meaning

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 automobile 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 an Emblem Sales credit for each dollar spent on flags by the post, or by businesses and individuals in the community. The credit is good toward future purchases of any Emblem Sales catalog item. Around 850 posts, and 4,200 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 2012, Emblem Sales processed 101,433 orders and recorded nearly \$12 million in total revenue. 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.

Emblem Sales Shopping

- To receive an Emblem Sales catalog free of charge, call **(888) 453-4466** between 8 a.m. and 5 p.m. Eastern time, 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 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**

Contact

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

Connections

- www.emblem.legion.org
- www.americanlegionflags.com

Advocacy on Capitol Hill

The American Legion's Legislative Commission works closely with members of Congress to introduce and pass bills that protect or improve veterans benefits, military quality of life, VA health care, national security and job opportunities for veterans.

The commission played a key role in the Stolen Valor Act, signed into law on June 3, 2013. This law criminalizes efforts by individuals to gain materially from false claims of being honored with military decorations, such as the Medal of Honor, the Navy Cross, the Combat Infantry Badge or the Distinguished Flying Cross. The act replaces a previous one struck down by the U.S. Supreme Court on the grounds that it violated First Amendment rights.

The Veterans Compensation Cost-of-Living Adjustment Act and the Improving Transparency of Education Opportunities for Veterans Act were also supported by the Legion. The first measure increases compensation rates for veterans with service-connected disabilities, as well as the rates of dependency and indemnity compensation for eligible survivors. The second act, on improving transparency in education, helps inform servicemembers about their options for using GI Bill benefits at institutions of higher learning. It directs VA to develop a comprehensive policy that will help student veterans earn quality degrees at colleges, universities and vocational schools.

Since September 2012, the Legion has testified or submitted testimony for more than 20 congressional hearings and has written nearly 40 letters of support for legislation introduced by members of Congress.

The Legion's legislative agenda

- Eliminate military sexual assault (MSA) and dismantle the culture that condones it
- Increase funding and staffing to ensure the high quality of VA mental health care
- Work to reduce the claims backlog, and unemployment and homelessness among veterans
- Oppose further increases in TRICARE fees, deductibles and pharmacy co-payments
- Pass an amendment protecting the U.S. flag from physical desecration

Contact

- leg@legion.org

Connections

- www.legion.org/legislative
- capwiz.com/legion/home



Legionnaire Mike Helm visits Rep. Lee Terry, R-Neb., in his Washington office.
Photo by Eldon Lindsay



President Obama greets participants of the 2012 American Legion Boys Nation at the White House.
Official White House photo by Pete Souza

Americanism's Commitment to Our Future

The American Legion's Americanism Commission supports programs that have been enriching the lives of young men and women for years by fostering pride in our country and cultivating leadership, sportsmanship, citizenship and character. The growing number of participants in each program every year is a testament to the impact the Legion is making on our next generation of leaders.

In 2012, the following numbers of young people participated in Americanism programs: 9,129 in the Oratorical Contest; 6,601 in Junior Shooting Sports; 19,909 in Boys State; 98 in Boys Nation; 79,272 in Legion Baseball; and 68,290 in Scouting. The American Legion Youth Programs Alumni Association affords current and former program participants and staff the opportunity to build relationships, share memories and remain active as volunteers or donors.

Also under Americanism are scholarships and flag advocacy. In 2012 the Legion awarded more than \$4.3 million in scholarships, and the organization continues to fight for a constitutional amendment that would allow for protection of the U.S. flag.

Americanism programs and contacts

- High School Oratorical Scholarship Program, "A Constitutional Speech Contest": oratorical@legion.org
- Junior Shooting Sports: juniorshooting@legion.org
- Boys State and Boys Nation: boysstate-nation@legion.org
- American Legion Baseball: baseball@legion.org
- Junior Law Cadet: juniorlaw@legion.org
- Scholarships: scholarships@legion.org
- Support for Boy Scouts of America: acy@legion.org

Connections

- www.legion.org/programs
- www.legion.org/scholarships
- www.legion.org/flag
- www.legion.org/youthalumni

Support for America's Children

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

In 1954, the Legion endorsed the 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 programs and the dissemination of information. To date, more than \$12.6 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 2012, CWF awarded \$734,220 to 20 different nonprofit organizations.

The Family Support Network (FSN) connects Legion volunteers to military families to help wherever needed, especially when a providing parent is deployed. In 2012, FSN aided more than 1,500 families of servicemembers. 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 2012, TFA provided \$847,158 in cash grants to assist 1,711 minor children of 776 veterans. The funds were used for shelter, utilities, food and clothing during a record year for helping children in need.

In 1996, South Korean electronics giant Samsung endowed a scholarship fund to be administered by the Legion. The Samsung American Legion Scholarship has granted nearly \$5 million in scholarships for undergraduate studies to high school juniors who complete either the Boys State or Girls State program, and who are direct descendants or legally adopted children of veterans who served on active duty during a period of war designated as eligibility dates for Legion membership.

Contacts

- Child Welfare Foundation: cwf@legion.org
- Family Support Network: familysupport@legion.org
- Temporary Financial Assistance: tfa@legion.org
- Scholarships: scholarships@legion.org

Connections

- www.legion.org/youth
- www.legion.org/family
- www.legion.org/scholarships
- cwf-inc.org

A young patient sits on the wing of Dave Walker's plane as part of Mercy Flight Southeast, Inc., of Leesburg, Fla. A \$17,394 grant from the Child Welfare Foundation will help update and reprint the Mercy Flight information brochure, which includes contact information to request transportation and opportunities to donate or volunteer as a "pilot/earth angel."

Photo courtesy of Mercy Flight Southeast, Inc.





National Americanism
Commission Chairman Joe
Caouette presents a medal
to an American Legion World
Series player in Shelby, N.C.
Photo by Eldon Lindsay

Another Record Year for American Legion Baseball

Played for the second time at its permanent home in Shelby, N.C., and aired live on ESPN3.com, the 2012 American Legion World Series had a paid attendance of more than 101,000, beating the previous record – set in 2011 – of 86,000.

Keeter Stadium had received a complete renovation in preparation for the inaugural tournament in Shelby, 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. For the 2013 season, Shelby added \$2.5 million in stadium upgrades, including an expansion of the concourse, a permanent souvenir and operations center, a parking complex, a bronze statue of a baseball player and a soldier, and a stadium entrance displaying the flags of the eight competing Legion Baseball regional states.

Since 1925, American Legion Baseball has been woven into the fabric of the nation. Nearly 80,000 athletes a year participate on post-sponsored teams in all 50 states. Many of Major League Baseball’s most notable players – Justin Verlander, Albert Pujols, Ryne Sandberg, Ted Williams 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.

2012 American Legion Baseball World Series Champions

- New Orleans Post 125

2012 George Rulon American Legion Baseball Player of the Year

- Emerson Gibbs, New Orleans Post 125

Contact

- baseball@legion.org

Connections

- www.legion.org/baseball
- On Facebook, search “American Legion Baseball”
- www.americanlegionworldseries.com

Legion Riders at 20

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 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 \$3.51 million for the Legion's Legacy Scholarship Fund, including a record \$724,524 in 2012. The scholarships help pay college tuition for children of U.S. military personnel killed on duty since 9/11.

Each 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 throughout the United States; 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.

In 2013, the Riders launched a new e-newsletter to provide regular updates about the program and the Legacy Run.

Legacy Run fundraising streak

- 2006: \$179,000
- 2007: \$326,800
- 2008: \$457,000
- 2009: \$523,299
- 2010: \$634,000
- 2011: \$642,666
- 2012: \$724,524

Contacts

- legionriders@legion.org
- acy@legion.org (*Legacy Scholarship*)

Connections

- www.legion.org/riders
- On Facebook, search "National American Legion Riders"



Riders on the
2012 American Legion
Legacy Run encountered
all sorts of weather as they
meandered along the
Great Lakes from Niagara
Falls, N.Y., en route to the
94th National Convention
in Indianapolis.

Photo by Amy C. Elliott

Defense and Security

The formulation and advancement of The American Legion's positions and policies relevant to national defense, homeland security and the well-being of members of the military are the charges of the National Security Commission. Current priorities of the commission include opposing TRICARE fee increases and supporting national defense funding, enforcement of anti-financial terrorism laws, the fight against cyberspace threats, domestic oil-pipeline construction and energy independence.

In May, commission members collaborated with the Veterans Affairs & Rehabilitation Commission on a resolution regarding the mischaracterization of discharges for servicemembers with traumatic brain injury and post-traumatic stress disorder, recommending its approval. The commission also passed a resolution urging the secretary of defense to issue a directive mandating a zero-tolerance policy on military sexual assault.

The mission of the Foreign Relations Commission is to advocate for a full accounting of POWs and MIAs, to support human rights and freedom, the promotion of peace, and caring for veterans and their families living abroad. Its current areas of attention include Pakistan's nuclear arsenal, Middle East and Gulf states' foreign policies, and human rights.

During the August 2012 American Legion National Convention in Indianapolis, National Security and Foreign Relations collaborated on the organization's first National Security Symposium. Experts testified on the need for adequate funding and deliberation in the serious business of war and defense.

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

Contact

- nsfr@legion.org

Connections

- www.legion.org/security
- www.legion.org/powmia



The National Security Commission tours the Muscatatuck Urban Training Center in Butlerville, Ind., to see the training environment for troops fighting the war on terrorism.

Photo by Tom Stratman



Glenda Oakley of USAA talks with a participant in the American Legion Riders Run to the Thunder event in Fairfax, Va.
Photo by Holly K. Soria

Shared Values: The American Legion and USAA

USAA and The American Legion sprang onto the national landscape shortly after World War I. Both were founded on the theory that military veterans are best suited to help those who also have previously served in uniform, as well as their families. And for nearly a century, the two organizations have been proving that theory.

USAA, with more than 8 million members worldwide, and the Legion, with 2.4 million members, are guided by a shared set of values that in January 2011 were formalized with an official “preferred provider” relationship.

Two full years into that relationship, USAA President and CEO Josue “Joe” Robles told *The American Legion Magazine* that the connection is a success for both organizations “because of our common cause – veterans and their families.”

USAA offers banking, insurance and investment services to Legionnaires and their families. And by joining USAA and making qualified purchases, Legionnaires directly contribute to American Legion programs that make differences in the lives of veterans, military personnel, children and youth.

Beyond the business relationship, USAA and The American Legion are working together to provide jobs for veterans, guidance for those seeking financial advice, and peace of mind through best-in-market insurance and investment services.

USAA products and services

- Insurance services, including auto, home and property, life, health, long-term care, Medicare solutions
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Contact

- (877) 699-2654

Connections

- www.usaa.com/legion
- www.legion.org/usaa

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Legion Family Values

The American Legion could not accomplish its goals, or uphold the promises contained within its four pillars of service, without the tireless and enthusiastic cooperation of the entire American Legion Family. In addition to the Legion, this includes the American Legion Auxiliary, Sons of The American Legion (SAL) and American Legion Riders.

Two organizations took shape soon after the Legion was founded in 1919, in order 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, the 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 helpfulness: "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 354,000 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 as well. Riders operate in chapters sponsored by posts, and may include Legionnaires, SAL members and/or Auxiliary members on their rosters.

Contacts

- alahq@alaforveterans.org
- sal@legion.org
- legionriders@legion.org

Connections

- American Legion Auxiliary: www.alaforveterans.org
- Sons of The American Legion: www.legion.org/sons
- American Legion Riders: www.legion.org/riders
- Also, find the whole Legion Family on Facebook



Legion Family members and other volunteers at Post 235 in Marseilles, Ill., prepare sandwiches for delivery to flood victims and recovery workers.
Photo by Eldon Lindsay

Legionnaire John Napolitano sets up to help headquarters media staff cover a memorial ceremony at Arlington National Cemetery.
Photo by Jeff Stoffer



American Legion Media

Less than five years ago, The American Legion’s national media program consisted of a monthly magazine, a leadership newspaper, a website, and various videos and brochures to promote programs. Today the Legion operates more than 30 media channels, from its mobile platform of smartphone apps to its national amateur radio club (K9TAL), to the best-read magazine among all U.S. titles.

The American Legion Magazine is the largest veterans magazine in the nation, with a monthly readership of approximately 3.5 million and a No. 1 rating for having read four of four issues. The National Headquarters website – www.legion.org – is the most frequently visited site among all veterans service organizations, and the American Legion Online Update e-newsletter reaches more than 435,000 subscribers a week. With a fast-growing social media program on Facebook and Twitter, the Legion reaches millions of veterans and their families through a variety of different channels, covering events, sharing photos and videos, and delivering information as it happens, along with analysis and audience interaction through the national blog site The Burn Pit.

The Legion also works with outside national media like CNN, Fox, Military.com, *USA Today* and *The Washington Post* to share the organization’s interests with larger audiences.

Media milestones

- Launched the new American Legion Claims Coach smartphone app to help veterans work with service officers to file their benefits claims
- Introduced a new American Legion Legislative e-newsletter to keep members informed of issues the Legion is tracking on Capitol Hill
- Developed a new social media program that increased audience on Facebook and Twitter by nearly 40 percent

Contact

- pr@legion.org
- magazine@legion.org

Connections

- www.legion.org/media
- www.legion.org/legiontown
- twitter.com/AmericanLegion
- On Facebook, search “The American Legion National Headquarters”

Legionnaires Together

Each August, about 9,200 Legionnaires and their families, representing all 55 departments, gather in a major U.S. city to conduct meetings, conferences, symposiums and employment events. They hear from top national speakers, take field trips to military and VA facilities, see exhibits, march in a major national parade and enjoy the camaraderie of membership.

The American Legion National 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 winners. Awards are given to individuals, organizations and companies that have demonstrated patriotism and support for veterans, the military and youth.

Convention delegates have the 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 National 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 local attractions, can be found at the Legion's website, on Facebook and in the form of a mobile app.

Future national convention cities

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

Contact

- brobinson@legion.org

Connections

- www.legion.org/convention
- On Facebook, search "The American Legion National Convention"

Louisiana Legionnaires have fun with the crowd during the 94th National Convention Parade in Indianapolis.
Photo by Eldon Lindsay





Oscar Urrea, Department of Arizona, Post 84, poses for a portrait with the life-size bronze statue of Ira H. Hayes he created for Veterans Memorial Park in Sacaton, Ariz. Hayes was among the Marines depicted in the famous Iwo Jima flag-raising photo.

Photo by Eldon Lindsay

To Preserve the Memories and Incidents

Included in the preamble to The American Legion Constitution is the phrase, “to preserve the memories and incidents of our associations in the Great Wars.” It’s a principle that guides and unifies the work of both the volunteer force and the staff at National Headquarters.

To support this mission, a new web page was launched in spring 2013, dedicated to honoring and remembering those who have sacrificed to keep our nation free. The web page – www.legion.org/honor – is a collection of stories, photos and videos that tell the stories of those who served.

Stories about honor and remembrance are featured on this web page and updated daily. They range from a feature article in *The American Legion Magazine* about a Medal of Honor recipient to a reader-submitted story focused on his family’s military legacy. Readers can also contribute personal stories about their time in uniform, Honor Guard activities, community memorials or veterans’ obituaries.

Honor and Remembrance Website

- **Stories:** Contributions from staff members, freelance writers, and American Legion Family members and relatives, among others, are published on the H&R web page and indexed by category. Some stories will also be featured in *The American Legion Magazine*.
- **Sacred Places Database:** A listing of more than 1,200 monuments, memorials, museums and cemeteries is available in a searchable database. Those looking for a museum to visit or traveling to a new city can use the database to find a place of interest and get directions.
- **Photo Galleries:** Take virtual tours of memorials, museums and monuments across the United States and overseas that honor Americans who gave their lives to keep others safe.
- **Resources:** Helpful information is available for those with questions about veterans issues such as burial benefits or how to claim a medal.

Contact

- honor@legion.org

Connections

- www.legion.org/honor
- On Facebook, search “The American Legion Honor & Remembrance”

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

Report on Financial Statements

We have audited the accompanying consolidated financial statements of The American Legion National Headquarters ("Legion"), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The American Legion National Headquarters as of December 31, 2012 and 2011, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Indianapolis, Indiana
May 2, 2013

Crowe Horwath LLP
Crowe Horwath LLP

The American Legion National Headquarters
Consolidated Statements of Financial Position December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents	\$ 1,033,107	\$ 2,838,169
Accounts receivable	2,993,618	2,293,985
Interest receivable	612,903	605,899
Prepaid expenses and deposits	1,405,730	1,237,649
Deferred membership expense	8,800,894	8,717,182
Inventory	2,349,567	2,433,969
Investment in affiliate (CFA)	30,818	39,165
Beneficial interest in trust	285,278	316,898
	<u>17,511,915</u>	<u>18,482,916</u>
Investments		
General	18,904,098	25,355,652
Segregated for Restricted and Reserved Funds	31,488,276	30,220,097
Paid-Up-For-Life Membership fund	22,723,445	22,505,485
Samsung scholarship fund	8,649,457	8,127,347
Building funds	5,368,173	4,717,543
Sept. 11 Memorial scholarship fund	7,602,261	6,418,584
Special account – Endowment Fund	2,335,892	2,312,288
General account – Endowment Fund	7,139,303	6,989,878
National Emergency Fund	2,898,152	2,976,891
Other	3,073,599	2,820,926
	<u>110,182,656</u>	<u>112,444,691</u>
Property, plant and equipment, net	6,422,688	6,171,871
	<u>\$ 134,117,259</u>	<u>\$ 137,099,478</u>
LIABILITIES		
Accounts payable	\$ 1,669,375	\$ 2,438,175
Scholarships payable	1,180,690	1,184,518
Deposits on emblem merchandise sales	197,985	189,159
Deferred income	1,048,513	1,146,099
Deferred dues income	22,523,486	23,037,185
Deferred income – direct membership solicitation	7,762,082	8,490,607
Accrued vacation benefits	1,087,919	954,722
Accrued pension expense	7,986,848	3,303,798
Other liabilities	526,569	270,603
Notes payable	1,459,498	1,678,367
Deferred dues income – Paid-Up-For-Life membership	19,416,267	20,155,727
Life memberships due to state and local posts	19,548,842	20,273,978
	<u>84,408,074</u>	<u>83,122,938</u>
NET ASSETS		
Unrestricted	21,317,044	27,657,140
Temporarily restricted	15,618,259	13,655,967
Permanently restricted	12,773,882	12,663,433
Total net assets	<u>49,709,185</u>	<u>53,976,540</u>
	<u>\$ 134,117,259</u>	<u>\$ 137,099,478</u>

See accompanying notes to consolidated financial statements.

The American Legion National Headquarters
 Consolidated Statement of Activities *Year ended December 31, 2012*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains and other support				
National member dues	\$ 27,057,846	\$ -	\$ -	\$ 27,057,846
Direct membership solicitations	10,714,082	-	-	10,714,082
Member service fees income	819,246	-	-	819,246
Affinity income	2,892,210	-	-	2,892,210
Sales of emblem items	11,838,376	-	-	11,838,376
Advertising	10,462,530	-	-	10,462,530
Contributions	3,714,322	1,816,855	56,529	5,587,706
Label and printing fees	1,142,576	-	-	1,142,576
Interest and dividends, net of trustee fees of \$290,339	2,021,441	840,041	62,431	2,923,913
Net realized gains	178,460	47,425	-	225,885
Other	2,183,156	-	-	2,183,156
	<u>73,024,245</u>	<u>2,704,321</u>	<u>118,960</u>	<u>75,847,526</u>
Net assets released from restriction	1,123,454	(1,123,454)	-	-
Total revenues, gains, and other support	<u>74,147,699</u>	<u>1,580,867</u>	<u>118,960</u>	<u>75,847,526</u>
Expenses				
Salaries	15,805,956	-	-	15,805,956
Employee benefits	3,947,695	-	-	3,947,695
Cost of sales – Legion	6,391,665	-	-	6,391,665
Department and magazine costs	2,307,771	-	-	2,307,771
Direct publications	12,171,401	-	-	12,171,401
Executive and staff travel	1,746,093	-	-	1,746,093
Commission and committee	1,840,983	-	-	1,840,983
Printing and postage	8,388,263	-	-	8,388,263
Scholarships, grants and awards	1,999,027	-	-	1,999,027
Office and other operating	13,577,494	-	-	13,577,494
Occupancy and usage	2,122,939	-	-	2,122,939
Special projects and programs	2,992,204	-	-	2,992,204
	<u>73,291,491</u>	<u>-</u>	<u>-</u>	<u>73,291,491</u>
Change in net assets from operations:	856,208	1,580,867	118,960	2,556,035
Net unrealized gains - investments	619,224	381,425	(8,511)	992,138
Net change in PUFL	(2,154,663)	-	-	(2,154,663)
Amortization of pension loss	(1,209,526)	-	-	(1,209,526)
Pension-related changes other than net periodic pension cost	(4,451,339)	-	-	(4,451,339)
Change in net assets	<u>(6,340,096)</u>	<u>1,962,292</u>	<u>110,449</u>	<u>(4,267,355)</u>
Net assets, beginning of year	<u>27,657,140</u>	<u>13,655,967</u>	<u>12,663,433</u>	<u>53,976,540</u>
Net assets, end of year	<u>\$ 21,317,044</u>	<u>\$ 15,618,259</u>	<u>\$ 12,773,882</u>	<u>\$ 49,409,185</u>

See accompanying notes to consolidated financial statements.

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains and other support				
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	3,029,976	1,456,388	84,538	4,570,902
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>71,184,367</u>	<u>2,276,832</u>	<u>159,434</u>	<u>73,620,633</u>
Net assets released from restriction	1,229,423	(1,229,423)	-	-
Total revenues, gains, and other support	<u>72,413,790</u>	<u>1,047,409</u>	<u>159,434</u>	<u>73,620,633</u>
Expenses				
Salaries	15,059,423	-	-	15,059,423
Employee benefits	3,035,623	-	-	3,035,623
Cost of sales – Legion	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	1,847,304	-	-	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	2,868,107	-	-	2,868,107
	<u>70,607,678</u>	<u>-</u>	<u>-</u>	<u>70,607,678</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	(5,111,583)	-	-	(5,111,583)
Change in net assets	<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>
Net assets, end of year	<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 Cash Flows *Years ended December 31, 2012 and 2011*

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ (4,267,355)	\$ (3,117,349)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	1,042,774	1,063,977
Loss on disposal of property and equipment	6,095	-
Bad debt expense	-	155,018
Realized gain on sale of investments	(225,885)	(298,279)
Unrealized gain on investments	(992,138)	(3,243,798)
Net change in Paid-Up-For-Life annuity	2,154,663	3,596,231
Amortization of pension loss	1,209,526	666,288
Pension-related changes other than net periodic pension cost	4,451,339	5,111,583
Contributions restricted for long-term purposes	(56,529)	(84,538)
Accounts receivable	(699,633)	661,760
Interest receivable	(7,004)	135,563
Prepaid expenses and deposits	(168,081)	(658,224)
Deferred membership expense	(83,712)	(24,623)
Inventories	84,402	66,146
Beneficial interest in trust	31,620	19,699
Accounts and scholarships payable	(772,628)	748,336
Deferred income	(4,950,243)	(2,925,603)
Accrued pension expense	(977,815)	(931,566)
Other accrued liabilities	389,163	37,778
Net cash from operating activities	<u>(3,831,441)</u>	<u>978,399</u>
Cash flows from investing activities		
Purchase of property and equipment	(1,299,686)	(543,807)
Purchase of investments	(100,791,360)	(99,542,367)
Sales and maturities of investments	104,271,418	99,370,496
Investments in affiliate (CFA)	8,347	11,757
Net cash from investing activities	<u>2,188,719</u>	<u>(703,921)</u>
Cash flows from financing activities		
Contributions restricted for long-term purposes	56,529	84,538
Payments on loan	(218,869)	(207,596)
Net cash from financing activities	<u>(162,340)</u>	<u>(123,058)</u>
Net increase (decrease) in cash and cash equivalents	(1,805,062)	151,420
Cash and cash equivalents, beginning of year	<u>2,838,169</u>	<u>2,686,749</u>
Cash and cash equivalents, end of year	<u>\$ 1,033,107</u>	<u>\$ 2,838,169</u>
Supplemental cash flows information		
Income taxes paid, net of refunds received	-	(6,000)
Interest paid	83,688	94,961

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 ("Legion") is a national veterans organization which was declared to be a corporate body by an Act of the United States Congress on September 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% of the Legion's income is derived from membership dues (including amounts allocated for magazine subscriptions). An additional 13 - 14% 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 Emblem. Income is expended by the Legion on several different programs including The American Legion Magazine, Emblem sales, veterans' assistance and rehabilitation, youth programs and others. The Legion's youth programs include American Legion baseball, oratorical contests and Boy's 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 inter-organizational 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 American Legion members, families and Posts.

Basis 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 ("GAAP").

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with GAAP 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 GAAP, which requires, among other things, that the 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 and 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 its 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 up to \$250,000 per financial institution.

Additionally, the Legion holds funds at financial institutions which are participating 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 which are 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 thirty 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 December 31, 2012 and 2011.

Collections: The Legion owns many collectible military related items and historical documents which were not recorded as they were acquired. It is often impracticable to determine a value for collections and accordingly, the Legion has concluded that they need not be capitalized. Some of these 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 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 the entities are considered to be a private foundation. The Legion is subject to income tax on unrelated business income. In 2012 and 2011, the Legion incurred no tax expense and received \$0 and \$6,000 in refunds. 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 December 31, 2012 and 2011, management has determined that the Legion does not have any tax positions that result in any uncertainties regarding the possible impact on the Legion's financial statements. The Legion is no longer subject to examination by taxing authorities for years before 2009. 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 December 31, 2012 and 2011.

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 fund raising 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 December 31, 2012, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2012. Management has performed their analysis through May 2, 2013, the date the financial statements were available to be issued.

NOTE 2 - COLLECTIONS

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

	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 The Citizens Flag Alliance, Inc. (CFA) for the purpose of aiding in the campaign to secure a constitutional amendment empowering the 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 (\$8,347) and (\$11,757) in 2012 and 2011, 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 2012 and 2011.

NOTE 4 - BENEFICIAL INTEREST IN CHARITABLE LEAD TRUST

The ALEF has been named a beneficiary of a charitable lead trust. Under the charitable trust, the 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% discount rate in 2012 and 2011, the present value of future benefits expected to be received by the ALEF is estimated to be \$285,278 and \$316,898 at December 31, 2012 and 2011, 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 describes 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 and common stock are based on quoted prices in active markets. (Level 1 inputs) The fair value of U.S. Government obligations, asset backed securities, corporate and state bonds, and municipal bonds are based on quoted market prices of similar securities with similar due dates using the market approach. (Level 2 inputs) Common stock and asset backed securities are not held by the Legion, but are held in the defined benefit plan assets which are disclosed in Note 15.

The fair value of beneficial interest in trust assets is determined using the income approach and 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)

GAAP provides additional guidance on how companies should estimate the fair value of certain alternative investments and other financial instruments, such as the beneficial interest in assets or trusts. The fair value of such investments can be determined using Net Asset Value (NAV), unless it is probable that the asset will be sold at something other than NAV. GAAP also 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, 2012, using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Beneficial interest in trust	\$ -	\$ -	\$ 285,278
Money market accounts	10,436,511	-	-
U.S. government obligations	-	59,029,085	-
State and municipal bonds	-	11,980,085	-
Corporate bonds	-	28,736,975	-
	\$ 10,436,511	\$ 99,746,145	\$ 285,278

	Fair-Value Measurements at Dec. 31, 2011, using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Beneficial interest in trust	\$ -	\$ -	\$ 316,898
Money market accounts	13,038,485	-	-
U.S. government obligations	-	71,873,306	-
State and municipal bonds	-	8,271,091	-
Corporate bonds	-	19,261,809	-
	\$ 13,038,485	\$ 99,406,206	\$ 316,898

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, 2012	\$ 316,898
Change in value of split-interest agreements	(31,620)
Ending balance, Dec. 31, 2012	\$ 285,278

	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

NOTE 6 – PROPERTY AND EQUIPMENT

The Legion's property and equipment, and the related accumulated depreciation at December 31, 2012 and 2011 are as follows:

	2012	2011
Washington, D.C., real estate		
Land	\$ 80,000	\$ 80,000
Building	5,603,402	5,257,798
Construction in progress	-	3,698
Indianapolis real estate		
Land	389,264	389,264
Building	3,879,173	3,851,186
Construction in progress	78,733	1,442
Furniture, fixtures and equipment		
National Headquarters, Indianapolis	6,824,830	6,236,955
Washington, D.C.	845,302	804,316
	17,700,704	16,624,659
Less accumulated depreciation	(11,278,016)	(10,452,788)
	\$ 6,422,688	\$ 6,171,871

Depreciation expense for the years ended, December 31, 2012 and 2011 was \$1,042,774 and \$1,063,977, 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% and final payment due August 1, 2018. The outstanding balance on long-term debt is \$1,459,498 and \$1,678,367 for 2012 and 2011.

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

2013	230,755
2014	243,287
2015	256,499
2016	270,428
2017	285,114
Thereafter	173,415
Total	\$ 1,459,498

Interest expense was \$83,688 and \$94,961 for the years ended December 31, 2012 and 2011, respectively.

NOTE 8 – LEASES

The Legion has several non-cancelable operating leases, primarily for facilities, computer equipment, and copiers that expire at various dates through the year 2016. Rent expense under these leases for the years ended December 31, 2012 and 2011 was \$494,582 and \$498,825, respectively.

Minimum lease commitments are as follows:

2013	532,910
2014	480,205
2015	471,888
2016	427,649
Total	\$ 1,912,652

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 2012 and 2011 was \$948,840 and \$906,400 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 are withdrawn for current operations each year. 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, 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 members' 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 National Finance Commission and a two-thirds affirmative vote of the National Executive Committee at two successive meetings. It is the policy of the Legion to transfer 10% of the prior year's defined net income from operations to the restricted fund. The Legion made no transfers to the restricted fund in 2012 and 2011.

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 National Executive 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 December 31, 2012 and 2011 the restricted purposes are as follows:

	2012	2011
Overseas Graves Decoration Fund	\$ 1,049,265	\$ 1,084,917
Samsung scholarships	2,361,349	2,101,778
American Legacy Fund	7,601,563	6,461,292
National Emergency Fund	3,352,924	3,103,583
Boy Scouts	467,899	467,899
Operation Comfort Warriors	582,126	251,149
Others	203,133	185,349
	\$ 15,618,259	\$ 13,655,967

NOTE 12 – NET ASSETS RELEASED FROM RESTRICTION

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

	2012	2011
Purpose restrictions accomplished		
Overseas graves decoration	\$ 56,851	\$ 27,657
Scholarships and grants (including relief aid)	694,017	810,435
Veterans Affairs & Rehabilitation and Children & Youth programs	372,586	391,331
	\$ 1,123,454	\$ 1,229,423

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. servicemen and servicewomen participated. Income from the American Legion Endowment Fund is to be used to support the veterans affairs and rehabilitation and children and youth activities of the Legion.

At December 31, 2012 and 2011 the permanently restricted net assets are as follows:

	2012	2011
Samsung scholarships	\$ 5,000,000	\$ 5,000,000
American Legion Endowment Fund	7,773,882	7,663,433
	\$ 12,773,882	\$ 12,663,433

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 that is 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 the donor restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Legion
- (7) The investment policies of the Legion

Endowment net asset composition by type of fund as of December 31, 2012:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,402,192	\$ 12,733,882	\$ 15,176,074

Endowment net asset composition by type of fund as of December 31, 2011:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	\$ -	\$ 2,101,778	\$ 12,633,433	\$ 14,765,211

Changes in endowment net assets for the year ended December 31, 2012:

	Unre- stricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$ -	\$ 2,101,778	\$ 12,633,433	\$ 14,765,211
Investment return				
Investment income, net of fees	-	488,481	-	488,481
Net appreciation (realized and unrealized)	-	38,270	53,920	92,190
Total investment return	-	\$ 526,751	\$ 53,920	\$ 580,671
New gifts	-	-	56,529	56,529
Appropriation of endowment assets for expenditure	-	(226,337)	-	(226,337)
Net assets, end of year	\$ -	\$ 2,402,192	\$ 12,773,882	\$ 15,176,074

Changes in endowment net assets for the year December 31, 2011:

	Unre- stricted	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 unreal- ized)	-	298,457	169,800	468,257
Total investment return	-	\$ 794,388	\$ 169,800	\$ 964,188
New gifts	-	-	84,538	84,538
Appropriation of endowment assets for expenditure	-	(513,921)	-	(513,921)
Net assets, end of year	\$ -	\$ 2,101,778	\$ 12,663,433	\$ 14,765,211

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: Capital appreciation (realized and unrealized) is added to the principal of the American Legion Endowment Fund and distributions are limited to cumulative interest, net of fees. On the Samsung scholarship fund,

the capital appreciation is temporarily restricted and can be spent, along with the interest, net of fees, 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 Legion National Executive Committee will be 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 Legion's 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 voted to 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 received the benefits they had earned as of June 30, 2008, but no future benefits were earned and no new employees were added. The 401(k) savings plan calls for a 100% match of the first 1% contributed by the employee and a 50% match of the net 5% contributed by the employee. Thus, the maximum matching percentage an employee will receive is 3.5%. The Legion made contributions of \$387,124 and \$364,833 in 2012 and 2011, 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 December 31, 2012 and 2011:

	2012	2011
Benefit obligation	\$ (56,386,015)	\$ (51,114,809)
Fair value of plan assets	48,399,167	47,811,011
Funded status	\$ (7,986,848)	\$ (3,303,798)
Service Cost	\$ -	\$ -
Interest cost	2,602,150	2,714,869
Actual return on assets	(3,382,597)	(1,996,724)
Amortization of prior service costs	121,085	121,085
Amortization of loss	1,209,526	666,288
Difference between expected and actual return on assets	(318,453)	(1,770,796)
Net periodic pension cost	\$ 231,711	\$ (265,278)
Net loss (gain)	\$ 4,572,424	\$ 5,232,668
Prior service cost	(121,085)	(121,085)
Pension-related changes other than net periodic pension cost	\$ 4,572,424	\$ 5,111,583
Prepaid benefit cost	\$ 14,280,033	\$ 14,511,744
Accumulated benefit obligation	56,386,015	51,114,809
Vested benefit obligation	56,233,191	50,949,483
Net periodic pension cost	231,711	(265,278)
Benefits paid	2,796,599	2,785,091
Measurement date	12/31/2012	12/31/2011

Estimated future benefit payments:

2013	3,230,330
2014	3,277,184
2015	3,343,442
2016	3,421,401
2017	3,475,180
2018-2021	17,140,573

The asset investment policy is a lower risk strategy with the primary objective of preservation of capital with an emphasis on long-term growth and generation of current income to provide adequate cash flow needed for benefit

payments. The target asset allocation is 0-20% in cash or cash equivalents, 40-70% in fixed income and 30-60% in equities. Prohibited investments include real estate investment trusts, real estate partnerships, mutual funds, private equity, hedge funds and guaranteed investment certificates.

The fair value of the Legion's defined benefit plan assets at December 31, 2012 and 2011 are as follows. See Note 5 for descriptions of inputs for each type of asset.

	Fair-Value Measurements at Dec. 31, 2012, 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	\$ 1,665,688	\$ -	\$ -
U.S. government and agency obligations	-	13,128,885	-
Asset-backed securities	-	5,623,114	-
Municipal bonds	-	2,194,986	-
Corporate bonds	-	10,697,599	-
Common stock			
Materials	695,525	-	-
Industrials	1,625,398	-	-
Consumer discretionary	1,549,771	-	-
Consumer staples	832,015	-	-
Energy	1,716,280	-	-
Health care	3,337,489	-	-
Financials	342,505	-	-
Telecommunication	1,924,469	-	-
Technology	515,346	-	-
Utilities and other	490,602	-	-
Accrued interest	220,767	-	-
	\$ 16,754,583	\$ 31,644,584	\$ -

	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 discretionary	1,451,892	-	-
Consumer staples	754,519	-	-
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	-	-
	\$ 15,152,822	\$ 32,658,189	\$ -

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 those overall rates and the target asset allocation of the plan.

Weighted-average assumptions	2012	2011
Discount rate	4.16%	5.25%
Expected return on plan assets	7.00%	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 December 31, 2013 are \$1,707,475 and \$121,085, respectively.

NOTE 16 – FUNCTIONAL EXPENSES

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

	2012	2011
Program services		
Veterans programs and services	\$ 34,357,211	\$ 33,604,636
Americanism, Children & Youth activities	4,469,397	3,958,400
	\$ 38,826,608	\$ 37,563,036
Supporting services		
Management and general	17,267,299	16,442,779
Member development	11,934,376	11,367,471
Fundraising	5,263,208	5,234,392
	\$ 34,464,883	\$ 33,044,642
	\$ 73,291,491	\$ 70,607,678

Member development includes direct response advertising expense of \$8,794,493 and \$8,447,032 for the years ended December 31, 2012 and 2011.

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
Consolidating Statement of Financial Position *December 31, 2012*

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 625,190	\$ -	\$ 7,592	\$ 400,325	\$ -	\$ 1,033,107
Accounts receivable	2,993,618	28,800	1,005	38,608	(68,413)	2,993,618
Interest receivable	542,956	114	53,993	15,840	-	612,903
Prepaid expenses and deposits	1,403,981	-	1,739	-	-	1,405,730
Deferred membership expense	8,800,894	-	-	-	-	8,800,894
Due from American Legion Endowment Fund	2,000,000	-	-	-	(2,000,000)	-
Inventory	2,349,567	-	-	-	-	2,349,567
Investment in affiliate (CFA)	30,818	-	-	-	-	30,818
Beneficial interest in trust	-	-	285,278	-	-	285,278
	<u>18,747,034</u>	<u>28,914</u>	<u>349,607</u>	<u>454,773</u>	<u>(2,068,413)</u>	<u>17,511,915</u>
Investments						
General	18,904,098	-	-	-	-	18,904,098
Segregated for Restricted and Reserved funds	31,488,276	-	-	-	-	31,488,276
Paid-Up-For-Life Membership fund	22,723,445	-	-	-	-	22,723,445
Samsung scholarship fund	8,649,457	-	-	-	-	8,649,457
Building funds	5,368,173	-	-	-	-	5,368,173
Sept. 11 Memorial scholarship fund	7,602,261	-	-	-	-	7,602,261
Special account – Endowment Fund	-	-	2,335,892	-	-	2,335,892
General account – Endowment Fund	-	-	7,139,303	-	-	7,139,303
National Emergency Fund	-	-	-	2,898,152	-	2,898,152
Other	2,970,834	102,765	-	-	-	3,073,599
	<u>97,706,544</u>	<u>102,765</u>	<u>9,475,195</u>	<u>2,898,152</u>	<u>-</u>	<u>110,182,656</u>
Property, plant and equipment, net	6,422,688	-	-	-	-	6,422,688
	<u>\$ 122,876,266</u>	<u>\$ 131,679</u>	<u>\$ 9,824,802</u>	<u>\$ 3,352,925</u>	<u>\$ (2,068,413)</u>	<u>\$ 134,117,259</u>
LIABILITIES						
Accounts payable	\$ 1,737,787	\$ -	\$ -	\$ 1	\$ (68,413)	\$ 1,669,375
Scholarships payable	1,180,690	-	-	-	-	1,180,690
Accounts payable – Legion	-	-	2,000,000	-	(2,000,000)	-
Deposits on emblem merchandise sales	197,985	-	-	-	-	197,985
Deferred income	1,048,513	-	-	-	-	1,048,513
Deferred dues income	22,523,486	-	-	-	-	22,523,486
Deferred income – direct membership solicitation	7,762,082	-	-	-	-	7,762,082
Accrued vacation benefits	1,087,919	-	-	-	-	1,087,919
Accrued pension expense	7,986,848	-	-	-	-	7,986,848
Other liabilities	526,569	-	-	-	-	526,569
Notes payable	1,459,498	-	-	-	-	1,459,498
Deferred dues income – Paid-Up-For-Life Membership	19,416,267	-	-	-	-	19,416,267
Life memberships due to state and local posts	19,548,842	-	-	-	-	19,548,842
	<u>84,476,486</u>	<u>-</u>	<u>2,000,000</u>	<u>1</u>	<u>(2,068,413)</u>	<u>84,408,074</u>
NET ASSETS						
Unrestricted	21,175,288	131,679	10,077	-	-	21,317,044
Temporarily restricted	12,224,492	-	40,843	3,352,924	-	15,618,259
Permanently restricted	5,000,000	-	7,773,882	-	-	12,773,882
Total net assets	<u>38,399,780</u>	<u>131,679</u>	<u>7,824,802</u>	<u>3,352,924</u>	<u>-</u>	<u>49,709,185</u>
	<u>\$ 122,876,266</u>	<u>\$ 131,679</u>	<u>\$ 9,824,802</u>	<u>\$ 3,352,925</u>	<u>\$ (2,068,413)</u>	<u>\$ 134,117,259</u>

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

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
ASSETS						
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	-	88,714	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
	<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
	<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>
LIABILITIES						
Accounts payable	\$ 2,486,792	\$ -	\$ -	\$ -	\$ (48,617)	\$ 2,438,175
Scholarships payable	1,184,518	-	-	-	-	1,184,518
Accounts payable – Legion	-	-	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>
NET ASSETS						
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
Consolidating Statement of Activities *Year ended December 31, 2012*

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
Revenue, gains and other support						
National member dues	\$ 27,057,846	\$ -	\$ -	\$ -	\$ -	\$ 27,057,846
Direct membership solicitation	10,714,082	-	-	-	-	10,714,082
Member service fees income	819,246	-	-	-	-	819,246
Affinity income	2,892,210	-	-	-	-	2,892,210
Sales of emblem items	11,838,376	-	-	-	-	11,838,376
Advertising	10,462,530	-	-	-	-	10,462,530
Contributions	5,090,025	152,924	56,529	344,948	(56,720)	5,587,706
Label and printing fees	1,142,576	-	-	-	-	1,142,576
Interest and dividends, net of fees	2,521,958	2	305,628	96,325	-	2,923,913
Net realized gains	133,108	-	87,102	5,675	-	225,885
American Legion Endowment Fund income	294,740	-	-	-	(294,740)	-
Other	2,183,156	-	-	-	-	2,183,156
	<u>75,149,853</u>	<u>152,926</u>	<u>449,259</u>	<u>446,948</u>	<u>(351,460)</u>	<u>75,847,526</u>
Expenses						
Salaries	15,805,956	-	-	-	-	15,805,956
Employee benefits	3,947,695	-	-	-	-	3,947,695
Cost of sales - Legion	6,391,665	-	-	-	-	6,391,665
Department and magazine costs	2,307,771	-	-	-	-	2,307,771
Direct publications	12,171,401	-	-	-	-	12,171,401
Executive and staff travel	1,740,191	-	5,902	-	-	1,746,093
Commission and committee	1,840,983	-	-	-	-	1,840,983
Printing and postage	8,388,263	-	-	-	-	8,388,263
Scholarships, grants and awards	1,766,630	56,720	294,740	232,397	(351,460)	1,999,027
Office and other operating	13,549,164	5,125	23,083	122	-	13,577,494
Occupancy and usage	2,122,939	-	-	-	-	2,122,939
Special projects and programs	2,992,204	-	-	-	-	2,992,204
	<u>73,024,862</u>	<u>61,845</u>	<u>323,725</u>	<u>232,519</u>	<u>(351,460)</u>	<u>73,291,491</u>
Change in net assets from operations	2,124,991	91,081	125,534	214,429	-	2,556,035
Net unrealized gains - investments	969,666	(762)	(11,678)	34,912	-	992,138
Net change in PUFL	(2,154,663)	-	-	-	-	(2,154,663)
Amortization of pension loss	(1,209,526)	-	-	-	-	(1,209,526)
Pension-related changes other than net periodic pension cost	(4,451,339)	-	-	-	-	(4,451,339)
Change in net assets	(4,720,871)	90,319	113,856	249,341	-	(4,267,355)
Net assets, beginning of year	43,120,651	41,360	7,710,946	3,103,583	-	53,976,540
Net assets, end of year	<u>\$ 38,399,780</u>	<u>\$ 131,679</u>	<u>\$ 7,824,802</u>	<u>\$ 3,352,924</u>	<u>\$ -</u>	<u>\$ 49,409,185</u>

SUPPLEMENTARY INFORMATION: The American Legion National Headquarters
Consolidating Statement of Activities *Year ended December 31, 2011*

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
Revenue, gains and other support						
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	4,108,694	83,631	84,538	344,439	(50,400)	4,570,902
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>72,966,239</u>	<u>83,631</u>	<u>495,114</u>	<u>437,644</u>	<u>(361,995)</u>	<u>73,620,633</u>
Expenses						
Salaries	15,059,423	-	-	-	-	15,059,423
Employee benefits	3,035,623	-	-	-	-	3,035,623
Cost of sale - Legion	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	2,868,107	-	-	-	-	2,868,107
	<u>70,219,542</u>	<u>50,400</u>	<u>337,859</u>	<u>361,872</u>	<u>(361,995)</u>	<u>70,607,678</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)
Change in net assets	<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
Net assets, end of year	<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>

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