



THE AMERICAN LEGION ANNUAL REPORT

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2014

# 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.*

## **The American Legion National Headquarters**

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

P.O. Box 1055  
Indianapolis, IN 46206

## **The American Legion Washington Office**

1608 K St. NW  
Washington, D.C. 20006  
(202) 861-2700

## **John H. Geiger Operations Center**

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



## THE AMERICAN LEGION ANNUAL REPORT

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National Veterans Affairs & Rehabilitation Director Verna Jones moderates a town hall meeting at Post 41 in Phoenix, where veterans and their families told a crowd of more than 200 about care and treatment they received at Arizona VA medical facilities. The meeting followed a whistle-blower's report that 40 veterans died while on secret waiting lists at the Phoenix VA facility. *Photo by Nick Oza*



*“The American Legion wants to help restore the faith of veterans in the VA health-care system. We can do that by reaching out and helping people affected by the current VA scandal.”*

**Ralph Bozella**, chairman of The American Legion’s Veterans Affairs & Rehabilitation Commission, on efforts to provide quick assistance to veterans whose VA appointments were delayed beyond reason

## Who we are, what we do

On May 5, 2014, The American Legion did something it hadn’t done in decades. At a press conference at National Headquarters in Indianapolis, National Commander Dan Dellinger called for the resignations of Department of Veterans Affairs Secretary Eric Shinseki and his two top undersecretaries.

The Legion didn’t come to the decision lightly. It was not about politics. It was not about consensus, as other major veterans service organizations did not react similarly to revelations that veterans were kept on secret lists and died waiting for appointments that were never really scheduled. And though the call for resignations resulted in dozens of national and local media appearances, it was not about promotion.

The Legion made the calls because immediate change was needed, starting at the top, to change the culture in VA leadership and accountability.

As the days and weeks unfolded, more problems within VA came to light, including additional reports of patient deaths possibly related to malfeasance. More scheduling scandals were reported. And in a scathing indictment of the issues with VA management, multiple cases emerged of harassment and retaliation against VA employees brave enough to speak up about the problem.

Before all the new information came out, The American Legion was confident that top leadership change was needed. The Legion understood the problem better than any other veterans service organization, due to firsthand knowledge. Our service officers file hundreds of thousands of Veterans Benefits Administration claims on behalf of veterans and their families each year. Together, members of the Legion, the American Legion Auxiliary and Sons of The American Legion donate over a million volunteer hours each year throughout VA. And our System Worth Saving Task Force teams conducted site visits at 19 VA facilities this year, interviewing staff and patients to get the pulse of the health-care system.

Within six weeks of the call for change, the Legion sent a team to Phoenix to set up the first of several Veterans Crisis Command Centers nationwide, where thousands of veterans were helped. The VCCCs drew national media attention and, more importantly, delivered benefits and support for veterans in need.

*“That’s our job as American Legion members. That’s our first priority: making sure we take care of the veterans. And we’re really trying to restore veterans’ faith in the VA system.”*

– **Andres “Andy” Jaime**, Post 44, Scottsdale, Ariz.

## Still a system worth saving

Since 2003, American Legion System Worth Saving Task Force members have conducted site visits to VA medical facilities throughout the nation. Task force members meet with veterans and their families, and with administrators and employees from the facilities. They investigate how each facility uses resources, and record and document successes, challenges and limitations at each site. These observations are compiled into after-action reports distributed to members of Congress and VA officials, as well as online.

In the past year, the SWS Task Force has visited the Pittsburgh VA Health Care System; the Tennessee Valley VA Health Care System; the Orlando VA Medical Center; the VA Black Hills Health Care System in Hot Springs, S.D.; the VA Butler, Pa., Health Care System; the VA Eastern Kansas Health Care System; the Dallas VAMC; the VA Ann Arbor, Mich., Health Care System; the Eastern Colorado VA Medical Center; the VA Phoenix Health Care System; the Charlie Norwood VA Medical Center in Augusta, Ga.; the El Paso, Texas, VA Health Care System; the Huntington, W.Va., VA Medical Center; the VA Roseburg, Ore., Health Care System; the Atlanta VA Medical Center; the G.V. “Sonny” Montgomery VA Medical Center in Jackson, Miss.; the Louis Stokes Cleveland VA Medical Center; the Wm. Jennings Bryan Dorn VA Medical Center in Columbia, S.C.; and the Richard L. Roudebush VA Medical Center in Indianapolis. At each site, the task force conducted town hall meetings at which local veterans were invited to share stories of VA care they’ve received and concerns they have with local facilities, with VA staff in attendance.

In the wake of last spring’s controversy over unscheduled veteran appointments, the Legion staffed Veterans Crisis Command Centers in multiple cities, helping thousands of veterans file claims, schedule appointments and receive grief counseling, among other services. The Legion also conducted a PTSD-TBI symposium, during which results were released to the public. Finally, the Legion helped VA reduce its benefits claims backlog significantly through use of the Fully Developed Claims program.

### Contact

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

### Connections

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



Past National Commander Ron Conley visits with Legionnaire Ted Rondeau of Whitehouse, Ohio, during a System Worth Saving Task Force visit to VA medical facilities in Ann Arbor, Mich.

*Photo by Lucas Carter*



Denise Rohan, chairman of the Veterans Employment & Education Commission, prepares to testify before a joint session of the House and Senate Veterans' Affairs committees in March.

*Photo by Lucas Carter*





*“I am thankful to have such great representatives as the Legion fighting for both my rights and those of all veterans.”*

– Retired Navy Chief Petty Officer Robert Walker,  
responding to American Legion efforts to stop  
the U.S. government shutdown in late 2013

## The Legion voice, heard loud and clear

Credit for the relatively quick end to last fall’s partial government shutdown can go in some measure to The American Legion, which delivered strong national messages about gridlock in Washington that threatened veterans benefits. Congress listened to the Legion – particularly the organization’s legislative arm, which works with elected officials every day 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 and their families. Thus, when veterans became threatened by the partial shutdown, the Legion’s voice was heard. It was also heard in helping get a potential cost-of-living adjustment (COLA) reduction repealed.

Top Legion officials delivered the organization’s message in Washington. Just as powerful – if not more – was the grassroots lobbying of blue-cap Legionnaires across the country, who work in their communities and congressional districts to make big differences year-round for veterans everywhere. The National Legislative Council, composed of 585 volunteer Legionnaires, directs this through countless telephone calls, emails and face-to-face meetings.

The entire Legion Family is involved in this critical activity, which the Legion facilitates by providing contact information for each member’s representatives as well as through its online Legislative Action Center under the Capwiz system, a one-stop shop to study and advocate for issues important to the organization. As the sequestration issue continues, Legionnaires at every level will continue to stay on top of it, and on top of Washington.

### Legislative priorities

- Passage of an amendment to return to the states the right to protect the U.S. flag from desecration
- Eliminate the disabled veterans tax
- Properly fund the Department of Veterans Affairs
- Improve GI Bill education benefits

### Contact

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

### Connections

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

*“There’s no one that came through as fast as the Legion did. It makes you want to pay your dues. I think it’s great. The Legion did a lot of good. A lot of good.”*

– **Keith Miller**, a Legionnaire who received an NEF grant after his Arizona home was destroyed by a fire in 2013

## In case of catastrophe

When natural disasters strike American Legion Family members and posts, they turn to the organization’s National Emergency Fund (NEF) for immediate financial assistance. Grants distributed to those recovering from disasters such as tornadoes, flooding and hurricanes come from donations to NEF.

Following a catastrophe, a member of the American Legion Family can immediately fill out an application for emergency aid. The approval process is designed to quickly process and direct a check to the applicant. The aid helps cover costs that storm victims incur, such as lodging, food and replacement clothing.

American Legion posts are also eligible for the financial assistance. After Superstorm Sandy lashed parts of New York and New Jersey in 2012, NEF grants assisted many posts as they rebuilt.

### Highlights

- Since 1989, nearly \$9 million has been distributed in the form of NEF grants.
- In May 2013, grants totaling \$246,750 were given to veterans affected by tornadoes in Moore, Okla.
- In the wake of Superstorm Sandy in October 2012, Legion Family members in New York and New Jersey received 429 grants totaling \$428,087.
- After hurricanes Katrina and Rita, grants totaling \$835,300 were given to more than 1,000 recipients in Louisiana. In Mississippi, more than 1,000 recipients received nearly \$900,000 in grants.
- In the aftermath of the Red River flooding in Minnesota in 1997, victims received more than \$877,000 in grants.

### Contact

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

### Connections

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

*Joe DeLaCruz, chairman of the Department of Oklahoma's emergency relief program, looks over the tattered remains of a scrapbook in the aftermath of a tornado in Moore, Okla.*

*Photo by Henry Howard*







Indiana Gov. Mike Pence speaks as Blue Star and Gold Star families are recognized at the Indiana Blue Star Salute.

*Photo by Lucas Carter*

*“The American Legion has really poured their heart out.”*

– **Isadora Ewing**, Family Assistance Center director at Fort Knox, Ky., after receiving an American Legion gift to benefit the Army post’s Warrior Transition Battalion

## Military quality of life

The federal budget cuts of sequestration continue to threaten every aspect of government and American life. Besides potential threats to national security, mandated cuts would also strip benefits from veterans and servicemembers at a day-to-day level. The American Legion is concerned with our nation’s ability to defend itself and to provide a decent quality of life for the men and women in uniform.

When word spread in January that commissaries – the military’s grocery stores – were facing a budget ax that would close many of them, the Legion spoke out, calling it “yet another undeserved blow to our men and women in service, and their families, in the name of ‘necessary cutbacks’ to reduce an ungainly national deficit.”

Adequate quality of life and treatment of military men and women is a priority for The American Legion. In January, the Legion and clothing manufacturer Carhartt, Inc., donated new outerwear to the Old Guard’s Caisson Platoon, which renders funeral honors at nearby Arlington National Cemetery. And in May, an agreement was reached with the new Founding Fathers Brewing Co., which plans – upon going national in 2015 – to donate half of net royalties from sales through Legion posts to The American Legion to help military families.

Also, the Legion continues its relationship with the Soldier’s Wish organization, which sponsors special events to grant wishes to U.S. military personnel, veterans and their families throughout the United States. The relationship gives the Legion an opportunity to promote its programs and services to potential members, donors and others at these events, and to help grant wishes for those who have served along with their families.

### Contact

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

### Connections

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

*“The American Legion has been a great help. They don’t really ask a whole lot in return. They just want us to be members and be active. That’s what we do. We become members. We support them, and they support us.”*

– Ryan Keene, Purdue University student veteran and Legionnaire

## A+ for advocacy on campus

The American Legion has advocated for education rights and opportunities for returning U.S. servicemembers throughout its history. The GI Bill of Rights, which celebrated its 70th anniversary in 2014, was drafted by the Legion and modified over the years to better benefit new generations of veterans.

The day-to-day challenges of student veterans across the country – who often juggle family life, health-care needs and classes simultaneously – require a personal level of help. That is where the Legion is making a difference. New posts have been chartered at several colleges and universities across the country in the past three years. The movement started in fall 2011, when a student veteran at Indiana University-Purdue University Indianapolis (IUPUI) formed a post on campus. Since then, dozens more have been chartered, from North Dakota to Florida.

The campus posts each average about 50 members. Students, faculty and alumni make up most of the membership. The posts serve as rallying points for veterans and others associated with the school. Members meet frequently to discuss issues they face and provide one another with support in dealing with education benefits, the VA system and the stresses of transition.

Campus posts are also closely linked with traditional posts nearby. NDSU Post 400 at North Dakota State University has a close relationship with Post 2 in downtown Fargo, where guidance, mentoring and other forms of help have come in exchange for physical work and volunteerism. Some campus posts have also become active at the department level; University Veterans Post 360 at IUPUI worked with representatives from the Department of Indiana to help get state legislation passed giving all veterans resident rates for tuition at state universities.

The American Legion works closely with servicemember and veteran students, and with campus veterans centers, to ensure that institutional support structures are available to assist those students as they attend a college or university. This initiative and others are the latest in the Legion’s legacy of unwavering support for student veterans, from the passing of the GI Bill of Rights 70 years ago to today.

### Contact

■ [econ@legion.org](mailto:econ@legion.org)

### Connections

■ [www.legion.org/education](http://www.legion.org/education)





Megan Wessels is a student veteran and a member of Lake Erie College American Legion Post 807 in Painesville, Ohio. *Photo by Lucas Carter*





Veterans gather at the Washington Hilton in March for a hiring event put on by The American Legion. Photo by Lucas Carter

*“We are responsible for ensuring that America’s veterans have the opportunity to provide, with honor and dignity, the economic necessities of life for themselves and their families.”*

– Denise H. Rohan, chairman of the Legion’s Veterans Employment & Education Commission

## Armed Forces to workforces

Last fall, The American Legion’s Economic Commission became the Veterans Employment & Education Commission, better reflecting its role for those seeking transition services. The name may have changed, but the mission remains the same: helping those who served find gainful civilian careers. The commission works in the areas of employment, business, education and helping veterans out of homelessness.

Along with support for state and federal initiatives, the Legion is active on the ground level, hosting or co-hosting job fairs and career events across the country that put hiring companies in direct contact with veterans and their spouses. Hosting sites have included historic Fenway Park in Boston, MetLife Stadium in East Rutherford, N.J., and the Indianapolis Motor Speedway. Legion career fairs have also specifically targeted areas where veteran unemployment rates are disproportionately high, such as Seaside Heights, N.J., which faced economic recovery strain after Superstorm Sandy struck in 2012. Working with federal agencies, nonprofit organizations and the private sector, the Legion is directly involved in hundreds of career events each year.

Many of the hiring companies – including Coca-Cola, Sallie Mae, Citigroup and Sears Holdings – have specialized recruitment-retention programs for servicemembers and veterans, and several also for their spouses. As more troops leave active duty in coming months, the Legion remains committed to a broad-based program of career support for transitioning veterans, starting with career training using GI Bill benefits through employment and business development.

### Allies

- U.S. Chamber of Commerce/“Hiring Our Heroes” program
- Military.com
- Avue
- U.S. Department of Agriculture (USDA)
- U.S. Department of Labor

### Contact

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

### Connections

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



*“We will grow because we have something to offer our potential members. Our post is one of friends, instant camaraderie ... you are accepted immediately when you walk in the door because you’re walking into a room of friends.”*

– Gloria Barnes, commander of St. Louis Post 404

## The power of numbers

The greater The American Legion’s membership, the more powerful its voice when lobbying on behalf of America’s servicemembers, veterans, families and communities. The Legion works to keep the national organization running smoothly while deploying resources and staff members across the country to help grow – and regrow – membership and revitalize local posts.

As plans take shape to increase membership for the organization’s centennial in 2018 and 2019, the Legion Membership & Post Activities Committee’s five-year growth strategy has been replicated and tailored at the department and local levels. The plans include new ideas and efforts for marketing, communication, leadership training, post development and recruiting.

Many join the Legion after receiving requests online or through the mail, but members are much more likely to renew if they become active in local posts, sharing experiences alongside their fellow veterans. To stimulate that transfer from national rolls to local post membership, national staff routinely conducts revitalizations and other membership activities. These efforts have produced many recent successes, including more than 400 members transferred into local posts in just two California districts and the resurrection of a Vermont post that had been inactive for 16 years.

### Membership & Internal Affairs initiatives

- Provide training through Leadership Education and Development (LEAD) program
- Increase awareness of American Legion Riders and other internal programs
- Active involvement in membership marketing services
- Development and distribution of recruitment materials
- Reach out and reconnect with active-duty servicemembers
- Provide leadership training through American Legion College

### Contact

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

### Connections

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



Rain doesn't dampen the spirit of Chico Humphreys as he knocks on doors as part of a revitalization initiative for Samuel H. Young Post 620 in Bronx, N.Y.  
*Photo by Amy C. Elliott*





On Aug. 20, 2013, the Brooklawn, N.J., Post 72 Legion Baseball team claimed the championship it lost at the 2012 American Legion World Series. The team's World Series title is its third in 22 years. *American Legion photo*



*“American Legion Baseball was a stepping stone in my career, and I am thankful for it.”*

– **Jeff Kent**, former Major League Baseball player for the New York Mets, San Francisco Giants, Houston Astros and Los Angeles Dodgers

## World Series title game goes live on TV

Since Shelby, N.C., became the permanent home of the American Legion Baseball World Series in 2011, records have been set annually with paid attendance and ESPN3.com viewership. Now, starting with the 2014 ALWS, viewership will reach 80 million over the next five years – the championship game will be televised live for the first time in 35 years, by ESPNU. This deal is a result of the perseverance and commitment of all involved to maintain American Legion Baseball’s reputation as one of the most successful and tradition-rich amateur baseball programs in the world.

Viewership of the World Series has expanded in recent years thanks to ESPN3.com live-streaming all games and having the Series played at a permanent site. Total paid attendance for the 15-game 2013 ALWS was 104,726, eclipsing the 2012 record of 101,925 and the 2011 record of 86,000.

Since 1925, American Legion Baseball has been woven into the fabric of the nation. More than 70,000 athletes a year participate on post-sponsored teams in all 50 states. Many of Major League Baseball’s most notable players – Greg Maddux, Albert Pujols, Ryne Sandberg, Don Mattingly and many more – came of age playing Legion ball in the summer, and many say that Legion Baseball showed them the right way to compete and present themselves both on and off the field.

### 2013 American Legion World Series champions

- Brooklawn, N.J., Post 72

### 2013 George Rulon American Legion Baseball Player of the Year

- Anthony Harrold, Brooklawn, N.J., Post 72

### Contact

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

### Connections

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

*“We fly with flags on our tractors because they have fought for us, and we have the freedom to do this type of thing.”*

– **Donelle Moormeier**, coordinator for Tractor Relay Across Nebraska, which raised more than \$4,000 for Operation Comfort Warriors in June

## Comfort and care

Wounded servicemembers from New York to California, and beyond, received support this year from The American Legion’s Operation Comfort Warriors (OCW) program.

One hundred percent of donations goes toward items for sick or wounded warriors recovering in military facilities, or for severely injured veterans transitioning back to civilian life. Donations have gone toward the purchase of loose-fitting sweatsuits for burn victims, exercise equipment for sports adaptive-therapy programs, and to pay for recreational outings for wounded servicemembers and their families.

Staff members from National Headquarters work with Legion departments and warrior transition units to identify needs. Once the need is identified and items are approved, the Legion arranges for the purchase, delivery and presentation of the items.

### This year’s highlights

- OCW had a presence at the Army Warrior Trials at the U.S. Military Academy at West Point, N.Y. Legion Family members handed out OCW gear and welcomed participants to the Paralympic-style games.
- About 40 wounded, injured and ill servicemembers at Brooke Army Medical Center received free tickets to see champion steer wrestler – and Sons of The American Legion member – Trevor Knowles and others in the San Antonio Rodeo in February.
- The Department of New Mexico delivered nearly \$30,000 worth of items through OCW to the Albuquerque VA Medical Center and a homeless shelter for women veterans and their children.
- An Indiana Boy Scout troop arranged for a car show that brought about 130 cars to Speedway Post 500. The event’s fundraising led to a \$4,000 donation to OCW.

### Contact

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

### Connections

- [www.legion.org/ocw](http://www.legion.org/ocw)
- On Facebook, search for “Operation Comfort Warriors”



A cyclist wears an American Legion Operation Comfort Warriors backpack at a training ride in preparation for the 2014 Army Warrior Trials. Photo by Tom Bushey





A participant listens to instructions at the American Legion Junior Law Cadet program in Grand Island, Neb.  
*Photo by Lucas Carter*

*“It is a world-class program, one of which we are enormously proud – a program that has the potential to change lives.”*

– **John Monahan**, staff member, Connecticut State Police Youth Week

## **The next generation of law enforcement**

The American Legion’s Youth Cadet Law Enforcement Program provides high school students firsthand experiences and insight into the operations of law-enforcement agencies. The program also affords these highly motivated young people an opportunity to consider law enforcement as a career choice. Recruitment of high school students, both male and female and representing all communities and backgrounds in the state, is one goal of the program. Once these young people have been selected, the law-enforcement community is challenged to present a program that will instill an understanding and respect for law-enforcement professionals and their techniques. Many program alumni have gone on to pursue careers with various law-enforcement agencies.

The program is available to male and female high school students who have completed their junior year of high school and are in good academic standing. They should be of good moral character and possess a desire to learn more about the law-enforcement profession. High schools should recommend students who meet these qualifications to local posts sponsoring the program.

Currently, 17 Legion departments have versions of the Youth Cadet Law Enforcement Program in place. Additional departments and posts are encouraged to sponsor programs in cooperation with their state police or highway patrol.

### **Contact**

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

### **Connections**

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

*“Without the assistance I would not have been able to put coats on my kids’ backs.”*

– Sarah Ball, a disabled Army veteran who received Temporary Financial Assistance (TFA) funds after her home was wiped out by a tornado in Oklahoma

## Donations drive programs for veterans, youth

The American Legion has operated a 501(c)(3) nonprofit trust for several years that enables both friends and members of the Legion Family to either make a general donation to the organization or select a specific program to support.

For example, a Boys Nation alum may want to donate specifically to help pay for that program. A veteran who received assistance from an American Legion service officer may wish to give to the Veterans Affairs & Rehabilitation Division. A family that received help from Legionnaires after a loved one’s discharge from Walter Reed may want to designate a gift for Operation Comfort Warriors.

The gift-planning program offers a way to contribute to the Legion’s core mission for generations to come, by including the Legion in the donor’s financial and estate plans. The American Legion Finance Commission oversees distribution of any funds not designated for a particular program.

Since American Legion Charities is a tax-exempt organization, all contributions are tax-deductible according to IRS regulations.

### Your donations help

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

### Contact

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

### Connections

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



In June, farmers participated in the third annual Tractor Relay Across Nebraska, collecting and donating more than \$4,300 to Operation Comfort Warriors.

*Photo by Lucas Carter*





THE AMERICAN LEGION

HIGH SCHOOL ORATORICAL  
SCHOLARSHIP PROGRAM

Ashwath Kumar  
took first place at  
the 77th National  
Oratorical Contest in  
Indianapolis.

*Photo by Lucas Carter*

*“With Boys State, you really learn how the whole system of government works, how you support people and give speeches, and how to have civic pride. I was blown away by the experience.”*

– Jake Rademacher, director and producer of the award-winning documentary “Brothers at War”

## Tomorrow’s leaders in the making

The American Legion Americanism Commission has supported and guided programs that enrich the lives of young men and women for decades. Americanism fosters pride in our country and cultivates leadership, sportsmanship, citizenship and character. In 2013, more than 170,000 youth participated in American Legion youth programs such as Boys State, Boys Nation, Junior Shooting Sports, Oratorical Contest, Legion Baseball, the Youth Cadet Law Enforcement Program and Boy Scouts.

Legion youth programs have shaped the lives of many famous Americans, including former President Bill Clinton, CNN anchor Lou Dobbs, Olympic gold-medal winner Jamie Beyerle and actor Donal Logue. Other alumni have gone on to become film producers, Major League Baseball players, congressional members, astronauts and other high-profile public service positions.

Every year the Legion’s youth programs enjoy robust participation, a testament to the Legion’s influence on our next generation of leaders.

### Contact

- Junior Shooting Sports, [juniorshooting@legion.org](mailto:juniorshooting@legion.org)
- Boys State and Boys Nation, [boysstate-nation@legion.org](mailto:boysstate-nation@legion.org)
- American Legion Baseball, [baseball@legion.org](mailto:baseball@legion.org)
- Oratorical Contest, [oratorical@legion.org](mailto:oratorical@legion.org)
- Youth Cadet Law Enforcement Program, [juniorlaw@legion.org](mailto:juniorlaw@legion.org)
- Support for Boy Scouts of America, [scouting@legion.org](mailto:scouting@legion.org)

### Connections

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



*“So many people drive by U.S. flags every day and don’t even notice them. With the flag retirement ceremony, our goal is to make the flag visible – to make it understood.”*

– **Richard Sutton**, Post 51 commander, Las Vegas

## Flag Rewards Program honors Old Glory

Emblem Sales sells more than 1 million American-made U.S. flags a year. And 1,119 American Legion posts are reaping benefits from those sales through the Legion’s Flag Rewards Program.

Posts participating in the Flag Rewards Program receive a 10-cent Emblem Sales credit for each dollar spent on the purchase of U.S. flags. Purchases include those made by the post, or by businesses and individuals in the community. In 2013, more than \$10,550 was earned in credit for Flag Rewards Program participants. The credit can be used for future purchases of Emblem Sales catalog items.

The Emblem Sales Division promotes and delivers a variety of products, from Legion caps to Legion Riders gear to automobile plates especially made for posts. Nearly everything purchased through Emblem Sales can be personalized with a member’s name or post number.

In 2013, Emblem Sales processed 102,762 orders and recorded nearly \$12 million in total revenue. Orders can be taken online, over the phone, through email 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](http://www.emblem.legion.org)
- [www.americanlegionflags.com](http://www.americanlegionflags.com)



Robert Stone is chairman of Las Vegas Post 51's Flag Committee, which runs a successful flag rewards campaign. The post works with homeowners as well as businesses, giving them framed certificates of appreciation for flying U.S. flags.

*Photo by Lucas Carter*



Barbie Heider of ALR Chapter 318 in Port Saint Lucie, Fla., enjoys dinner with John Coltharp, a World War II veteran and member of Post 240 in Stephenville, Texas, during the 2013 Legacy Run. *Photo by Amy C. Elliott*



*“I’ve been on all eight Legacy Runs, so I know what Legion Riders can get done when they take on a task.”*

– Ken “Rhino” Rynes, Legion Rider and 2013-2014 commander of the Department of Wisconsin

## The Legion Riders family

Since its founding at Post 396 in Garden City, Mich., in 1993, the American Legion Riders program has become one of the organization’s most visible and popular activities. Whether they’re providing funeral escorts for servicemembers killed in action, participating in parades, raising funds for local charities or embarking en masse on the cross-country annual Legacy Run, the Riders’ reputation and reach continue to grow each year.

With nearly 1,500 chapters nationwide, the American Legion Riders has more than 100,000 members. But the strength of the Riders comes from their efforts at the post level, where each chapter is managed by its members. Chapters often participate in Rolling Thunder, a POW/MIA rally conducted every Memorial Day weekend in Washington, and escort military units to airports when they deploy and welcome them home when they return.

Departments also band together to make differences. In 2013, Wisconsin American Legion Riders raised more than \$12,000 during their annual Fall Ride to Camp. The money went to Camp American Legion, which since 1925 has provided a beautiful setting in Wisconsin for veterans, servicemembers and their families to rest, recuperate and bond. Several departments – including Minnesota, Washington, Florida, Massachusetts and South Carolina – stage their own state Legacy Runs.

Each year, hundreds of Legion Riders travel from all over the country – and sometimes beyond – to participate in The American Legion Legacy Run. Starting in Indianapolis and finishing at the site of the national convention, the annual ride has raised more than \$4 million for the Legion’s Legacy Scholarship Fund, including a record \$764,000 in 2013. The scholarships help pay college tuition for children of U.S. military personnel killed on duty since 9/11.

The Legion could not accomplish these goals, or uphold any of its promises, without the tireless and enthusiastic cooperation of the entire American Legion Family. In addition to the Legion, this includes the American Legion Auxiliary (female relatives of Legion-eligible veterans) and Sons of The American Legion (male descendants of Legion-eligible veterans).

### Contact

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

### Connections

- [www.legion.org/riders](http://www.legion.org/riders)
- [www.legion.org/auxiliary](http://www.legion.org/auxiliary)
- [www.legion.org/sons](http://www.legion.org/sons)

*“The American Legion makes it possible for ... unfortunate families to continue to educate the children of a fallen soldier. I am honored to receive the scholarship.”*

– **Brandon Laureta**, American Legion Legacy Scholarship recipient

## Help for higher education

The American Legion offers a number of scholarships to assist young people in their pursuit of higher education, awarding nearly \$530,000 in national scholarships to 225 students in 2013.

In 1996, South Korean electronics giant Samsung endowed a scholarship fund to be administered by the Legion. In May, for the first time in their 18-year relationship, The American Legion and Samsung hosted an event in Washington for the 2013 recipients of the Samsung American Legion Scholarship. Eight of the nine recipients toured the Korean War Memorial, had breakfast at the Legion’s Washington office and enjoyed a luncheon at the National Press Club.

The Samsung scholarship is awarded to high school juniors who complete either the Boys State or Girls State program and who are direct descendants or legally adopted children of wartime veterans.

Other American Legion scholarships include the Legacy Scholarship, which benefits children of parents who died during active-duty military service on or after 9/11; the Oratorical Contest, a constitutional speech contest that teaches important leadership qualities, the history of our nation’s laws, the ability to think and speak clearly, and an understanding of the duties, responsibilities, rights and privileges of U.S. citizenship; the Eagle Scout of the Year Award; and the Legion Baseball All-Academic Team, which includes players nominated by each of the eight regions.

### Contact

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

### Connections

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



Recipients of the 2013 Samsung American Legion Scholarship take a selfie of a gathering in Washington. Photo by Lucas Carter



The National Convention Parade brings Legionnaires from around the world together to represent their departments and enjoy a good time. *Photo by Tom Stratman*



*“Our national convention is a time for renewing friendships, taking care of important American Legion business and preparing our great organization for another year of service to our country.”*

– **Michael E. Walton**, chairman of the Legion’s Convention Commission

## **All together now**

Each August, nearly 9,000 American Legion members and their families – representing all 55 departments around the world – gather in a major U.S. city to celebrate a year of accomplishments and to lay the foundation for the next 12 months. Attendees conduct meetings, conferences, symposiums and employment events at the annual national convention. They approve resolutions and elect a new national commander. They hear from top speakers, take field trips to military and VA facilities, see exhibits, march in a parade through the streets of the host city, and enjoy each other’s company. They give out awards to youth program champions, as well as to individuals, organizations and companies that have demonstrated patriotism and support for veterans, the military and young people.

The Exhibit Hall is at the center of activity, especially during the early part of the convention, with Legion programs, businesses and vendors promoting their services or wares for attendees. Housing arrangements are made with area hotels so that attendees may venture out, eat, explore and have fun while doing the business of The American Legion.

### **Future national convention cities**

- Baltimore (2015)
- Cincinnati (2016)
- Louisville, Ky. (2017)
- Minneapolis (2018) – 100th National Convention
- Indianapolis (2019) – 100th Birthday of The American Legion

### **Contact**

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

### **Connections**

- [www.legion.org/convention](http://www.legion.org/convention)
- On Facebook, search for “The American Legion National Convention”

*“Mr. Lincoln is truly the only American icon.  
His spirit remains with us as we honor his memory.”*

– Willis “Bill” Logan, Post 809, Springfield, Ill.

## Preserving the memories and incidents

American Legion posts everywhere embrace the commitment “to preserve the memories and incidents of our associations in the Great Wars,” as outlined in the preamble to the Legion’s Constitution.

Posts host commemorative events during major holidays such as Memorial Day, Veterans Day and Flag Day. Legion Riders provide escorts during funerals for veterans and military personnel. And Legion members are regularly called upon to give presentations at community events, remembrance services and school assemblies.

Some posts conduct remembrance events specific to their communities. For example, Springfield, Ill., Post 32 has hosted an annual Pilgrimage to the Tomb of Abraham Lincoln at Oak Ridge Cemetery for the past 80 years. Dozens of Legion Family members from departments throughout the Midwest and beyond travel to Lincoln’s gravesite to attend the event.

### Highlights

- **Medal of Honor stories:** Watch and listen to personal video stories from Medal of Honor recipients about their heroics on the battlefield. [www.legion.org/medalofhonor](http://www.legion.org/medalofhonor)
- **Share your stories:** The Legion’s website has a special page where visitors can post stories about their military experience, their family’s military history, post museums, community memorials and more. To contribute, visit [www.legiontown.org](http://www.legiontown.org).
- **Sacred Places Database:** On the Honor & Remembrance page, readers can take virtual tours of memorials, museums and monuments across the United States and overseas at [www.legion.org/honor/locations](http://www.legion.org/honor/locations).

### Contact

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

### Connections

- [www.legion.org/honor](http://www.legion.org/honor)
- On Facebook, search for “The American Legion Honor & Remembrance”





For 80 years, Springfield, Ill., Post 32 has commemorated Abraham Lincoln's birthday with an annual pilgrimage to the president's tomb.

*Photo by Lucas Carter*

Peter Gaytan, executive director of the Legion's Washington office, speaks to the media in Indianapolis following a press conference on the VA scandal. *Photo by Lucas Carter*



*“Veterans turn to American Legion for medical help in wake of VA scandal.”*

– Fox News, in a tweet to its 4 million followers on July 6

## A changing, growing media landscape

Not long ago, The American Legion’s national media program consisted of a monthly magazine, a newspaper, some brochures and the national convention program. Today, the organization delivers messages through more than 40 different media channels, from Twitter to ham radio, mobile apps and e-newsletters.

Last spring, when the VA health-care access scandal made headlines, the Legion was ready, having realigned the former Magazine and Public Relations divisions under one Media & Communications Commission. Through a dedicated Web platform, social media, outside media engagement, e-mail and printed publications, the Legion’s position was well reported and shared across the media landscape. Top American Legion officers and staff experts were interviewed live by Fox News, CNN, CBS, NBC, MSNBC, C-SPAN and numerous other channels. The Legion’s continuing efforts during the government shutdown, protection of military retirement benefits and outrage over the VA controversy led to a storm of social media activity and coverage from leading media companies.

With staff in place in Washington and Indianapolis, the Media & Communications Division has poised the organization for continued awareness growth after a year in which the Legion’s Twitter following climbed 60.2 percent and a number of daily website visitation records were broken.

### Contact

- [magazine@legion.org](mailto:magazine@legion.org)
- [pr@legion.org](mailto:pr@legion.org)

### Connections

- [www.legion.org/media](http://www.legion.org/media)
- [twitter.com/AmericanLegion](https://twitter.com/AmericanLegion)
- On LinkedIn, under Companies, search for “The American Legion”
- [www.youtube.com/user/americanlegionHQ](http://www.youtube.com/user/americanlegionHQ)



*“It was a really emotional, devastating experience, but (USAA) made it as smooth as possible. We just wanted to let you know how much your help means to us as well as how nice it is to know that good customer service is still out there.”*

– **Staff Sgt. Eric Brown**, who was involved in a car accident in Belgium

## A history of service

In the aftermath of World War I, USAA and The American Legion both came to life, both founded on the premise that military veterans are best suited to help those who also have served in uniform, as well as their families. Today, nearly a century later, The American Legion and USAA continue to share the same values in their support and advocacy of veterans.

USAA, with more than 10 million members worldwide, and the Legion, with 2.4 million members, have been working closely since January 2011, when an official “preferred provider” of financial services relationship began.

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

Retired U.S. Air Force Gen. Lester Lyles, chairman of the board at USAA, sees a bright future for the Legion-USAA relationship: “It is the largest affinity association (relationship) that we have. We don’t see that changing. I see the opportunities growing as we look at ways we can serve new members through the Legion and make them, and anybody associated with the Legion, aware of our products and services, and ensure that they understand who we are, how we serve them and how well we will take care of them.”

### USAA products and services

- Insurance
- Banking
- Investment Management

### Contact

- (877) 699-2654

### Connections

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

USAA means United Services Automobile Association and its Affiliates



Through its relationship with The American Legion, USAA makes its presence known at many Legion events, such as the American Legion Baseball World Series in Shelby, N.C.  
*American Legion photo*





## 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, 2013 and 2012, 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, 2013 and 2012, 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.

Crowe Horwath LLP

Indianapolis, Indiana  
May 1, 2014



The American Legion National Headquarters  
Consolidated Statements of Financial Position  
December 31, 2013 and 2012

|  | <u>2013</u>           | <u>2012</u>           |
|--|-----------------------|-----------------------|
| <b>ASSETS</b>                                      |                       |                       |
| Cash and cash equivalents                          | \$ 1,671,772          | \$ 1,033,107          |
| Accounts receivable                                | 2,676,580             | 2,993,618             |
| Interest receivable                                | 658,669               | 612,903               |
| Prepaid expenses and deposits                      | 1,113,149             | 1,405,730             |
| Deferred membership expense                        | 4,243,253             | 8,800,894             |
| Inventory  | 2,528,224             | 2,349,567             |
| Investment in affiliate (CFA)                      | 19,185                | 30,818                |
| Beneficial interest in trust                       | 255,127               | 285,278               |
|  | <u>13,165,959</u>     | <u>17,511,915</u>     |
| Investments  |                       |                       |
| General  | 16,672,525            | 18,904,098            |
| Segregated for Restricted and Reserved Funds       | 29,994,122            | 31,488,276            |
| Paid-Up-For-Life Membership fund                   | 19,375,836            | 22,723,445            |
| Samsung scholarship fund                           | 8,155,301             | 8,649,457             |
| Building funds                                     | 5,041,826             | 5,368,173             |
| Sept. 11 Memorial scholarship fund                 | 7,317,762             | 7,602,261             |
| Special account – Endowment Fund                   | 2,249,177             | 2,335,892             |
| General account – Endowment Fund                   | 6,991,793             | 7,139,303             |
| National Emergency Fund                            | 2,578,343             | 2,898,152             |
| Other  | 4,940,809             | 3,073,599             |
|  | <u>103,317,494</u>    | <u>110,182,656</u>    |
| Property, plant and equipment, net                 | 5,892,107             | 6,422,688             |
|  | <u>\$ 122,375,560</u> | <u>\$ 134,117,259</u> |
| <b>LIABILITIES</b>                                 |                       |                       |
| Accounts payable                                   | \$ 2,261,174          | \$ 1,669,375          |
| Scholarships payable                               | 1,045,025             | 1,180,690             |
| Deposits on emblem merchandise sales               | 216,386               | 197,985               |
| Deferred income                                    | 671,849               | 1,048,513             |
| Deferred dues income                               | 22,118,520            | 22,523,486            |
| Deferred income – direct membership solicitation   | 5,601,353             | 7,762,082             |
| Accrued vacation benefits                          | 1,038,409             | 1,087,919             |
| Accrued pension expense                            | 3,686,558             | 7,986,848             |
| Other liabilities                                  | 718,132               | 526,569               |
| Notes payable                                      | 1,394,749             | 1,459,498             |
| Deferred dues income – Paid-Up-For-Life membership | 18,571,364            | 19,416,267            |
| Life memberships due to state and local posts      | 18,709,473            | 19,548,842            |
|  | <u>76,032,992</u>     | <u>84,408,074</u>     |
| <b>NET ASSETS</b>                                  |                       |                       |
| Unrestricted                                       | 17,919,546            | 21,317,044            |
| Temporarily restricted                             | 15,774,508            | 15,618,259            |
| Permanently restricted                             | 12,648,514            | 12,773,882            |
| Total net assets                                   | <u>46,342,568</u>     | <u>49,709,185</u>     |
|  | <u>\$ 122,375,560</u> | <u>\$ 134,117,259</u> |

*See accompanying notes to consolidated financial statements.*

## The American Legion National Headquarters Consolidated Statements of Activities Year ended December 31, 2013

|  | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|--|----------------------|---------------------------|---------------------------|----------------------|
| <b>Revenue, gains and other support</b>                      |                      |                           |                           |                      |
| National member dues   | \$ 26,654,751        | \$ -                      | \$ -                      | \$ 26,654,751        |
| Direct membership solicitations                              | 9,883,114            | -                         | -                         | 9,883,114            |
| Member service fees income                                   | 888,211              | -                         | -                         | 888,211              |
| Affinity income  | 3,183,472            | -                         | -                         | 3,183,472            |
| Sales of emblem items  | 11,705,925           | -                         | -                         | 11,705,925           |
| Advertising  | 10,745,474           | -                         | -                         | 10,745,474           |
| Contributions  | 4,969,619            | 2,489,869                 | 156,188                   | 7,615,676            |
| Label and printing fees                                      | 1,562,454            | -                         | -                         | 1,562,454            |
| Interest and dividends, net of trustee fees of \$276,172     | 1,891,381            | 828,237                   | -                         | 2,719,618            |
| Net realized gains (losses)                                  | 140,048              | (6,850)                   | (206)                     | 132,992              |
| Other  | 2,437,632            | -                         | -                         | 2,437,632            |
|  | <u>74,062,081</u>    | <u>3,311,256</u>          | <u>155,982</u>            | <u>77,529,319</u>    |
| Net assets released from restriction                         | 1,548,723            | (1,548,723)               | -                         | -                    |
| Total revenues, gains, and other support                     | <u>75,610,804</u>    | <u>1,762,533</u>          | <u>155,982</u>            | <u>77,529,319</u>    |
| <b>Expenses</b>  |                      |                           |                           |                      |
| Salaries   | 15,589,187           | -                         | -                         | 15,589,187           |
| Employee benefits  | 3,487,348            | -                         | -                         | 3,487,348            |
| Cost of sales – Legion                                       | 6,252,946            | -                         | -                         | 6,252,946            |
| Department and magazine costs                                | 2,581,581            | -                         | -                         | 2,581,581            |
| Direct publications  | 12,279,710           | -                         | -                         | 12,279,710           |
| Executive and staff travel                                   | 3,238,110            | -                         | -                         | 3,238,110            |
| Commission and committee                                     | 1,864,766            | -                         | -                         | 1,864,766            |
| Printing and postage   | 8,228,511            | -                         | -                         | 8,228,511            |
| Scholarships, grants and awards                              | 2,681,906            | -                         | -                         | 2,681,906            |
| Office and other operating                                   | 14,742,128           | -                         | -                         | 14,742,128           |
| Occupancy and usage  | 2,136,461            | -                         | -                         | 2,136,461            |
| Special projects and programs                                | 1,702,425            | -                         | -                         | 1,702,425            |
|  | <u>74,785,079</u>    | <u>-</u>                  | <u>-</u>                  | <u>74,785,079</u>    |
| Change in net assets from operations                         | 825,725              | 1,762,533                 | 155,982                   | 2,744,240            |
| Net unrealized losses - investments                          | (4,798,832)          | (1,606,284)               | (281,350)                 | (6,686,466)          |
| Net change in PUFL   | (2,846,311)          | -                         | -                         | (2,846,311)          |
| Amortization of pension loss                                 | (1,707,475)          | -                         | -                         | (1,707,475)          |
| Pension-related changes other than net periodic pension cost | 5,129,395            | -                         | -                         | 5,129,395            |
| <b>Change in net assets</b>                                  | <u>(3,397,498)</u>   | <u>156,249</u>            | <u>(125,368)</u>          | <u>(3,366,617)</u>   |
| Net assets, beginning of year                                | <u>21,317,044</u>    | <u>15,618,259</u>         | <u>12,773,882</u>         | <u>49,709,185</u>    |
| <b>Net assets, end of year</b>                               | <u>\$ 17,919,546</u> | <u>\$ 15,774,508</u>      | <u>\$ 12,648,514</u>      | <u>\$ 46,342,568</u> |

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

|  | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|--|----------------------|---------------------------|---------------------------|----------------------|
| <b>Revenue, gains and other support</b>                      |                      |                           |                           |                      |
| 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                         | <u>1,123,454</u>     | <u>(1,123,454)</u>        | <u>-</u>                  | <u>-</u>             |
| Total revenues, gains, and other support                     | 74,147,699           | 1,580,867                 | 118,960                   | 75,847,526           |
| <b>Expenses</b>  |                      |                           |                           |                      |
| 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 (losses) - 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 | <u>(4,451,339)</u>   | <u>-</u>                  | <u>-</u>                  | <u>(4,451,339)</u>   |
| <b>Change in net assets</b>                                  | (6,340,096)          | 1,962,292                 | 110,449                   | (4,267,355)          |
| 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>    |
| <b>Net assets, end of year</b>                               | <u>\$ 21,317,044</u> | <u>\$ 15,618,259</u>      | <u>\$ 12,773,882</u>      | <u>\$ 49,709,185</u> |



## The American Legion National Headquarters Consolidated Statements of Cash Flows Years ended December 31, 2013 and 2012

|   | <u>2013</u>         | <u>2012</u>         |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities</b>   |                     |                     |
| Change in net assets  | \$ (3,366,617)      | \$ (4,267,355)      |
| Adjustments to reconcile change in net assets to net cash from operating activities |                     |                     |
| Depreciation expense  | 925,255             | 1,042,774           |
| Loss on disposal of property and equipment  | 840                 | 6,095               |
| Bad debt expense  | 1,166               | -                   |
| Realized gain on sale of investments  | (132,992)           | (225,885)           |
| Unrealized (gain) loss on investments   | 6,686,466           | (992,138)           |
| Net change in Paid-Up-For-Life annuity  | 2,846,311           | 2,154,663           |
| Amortization of pension loss  | 1,707,475           | 1,209,526           |
| Pension-related changes other than net periodic pension cost                        | (5,129,395)         | 4,451,339           |
| Contributions restricted for long-term purposes                                     | (156,188)           | (56,529)            |
| Accounts receivable   | 315,872             | (699,633)           |
| Interest receivable   | (45,766)            | (7,004)             |
| Prepaid expenses and deposits   | 292,581             | (168,081)           |
| Deferred membership expense   | 4,557,641           | (83,712)            |
| Inventories   | (178,657)           | 84,402              |
| Beneficial interest in trust  | 30,151              | 31,620              |
| Accounts and scholarships payable   | 456,134             | (772,628)           |
| Deferred income   | (7,454,541)         | (4,950,243)         |
| Accrued pension expense   | (878,370)           | (977,815)           |
| Other accrued liabilities   | 142,053             | 389,163             |
| Net cash from operating activities  | <u>619,419</u>      | <u>(3,831,441)</u>  |
| <b>Cash flows from investing activities</b>   |                     |                     |
| Purchase of property and equipment  | (395,514)           | (1,299,686)         |
| Purchase of investments   | (57,085,066)        | (100,791,360)       |
| Sales and maturities of investments   | 57,396,754          | 104,271,418         |
| Investments in affiliate (CFA)  | 11,633              | 8,347               |
| Net cash from investing activities  | <u>(72,193)</u>     | <u>2,188,719</u>    |
| <b>Cash flows from financing activities</b>   |                     |                     |
| Contributions restricted for long-term purposes                                     | 156,188             | 56,529              |
| Repayment on notes payable  | (1,459,498)         | (218,869)           |
| Proceeds on notes payable   | 1,394,749           | -                   |
| Net cash from financing activities  | <u>91,439</u>       | <u>(162,340)</u>    |
| Net increase (decrease) in cash and cash equivalents                                | 638,665             | (1,805,062)         |
| Cash and cash equivalents, beginning of year  | <u>1,033,107</u>    | <u>2,838,169</u>    |
| <b>Cash and cash equivalents, end of year</b>                                       | <u>\$ 1,671,772</u> | <u>\$ 1,033,107</u> |
| Supplemental cash flows information   |                     |                     |
| Interest paid   | 204,054             | 83,688              |

**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.”

Nearly 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 Boys Nation.

**Principles of Consolidation:** The consolidated financial statements include the accounts of The American Legion National Headquarters, The American Legion Charities (“ALC”), The American Legion Endowment Fund Corporation (“ALEF”), and the National Emergency Fund (“NEF”) (collectively, “the Legion”). All material 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 revenue and releases from restrictions.

**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 were participating in the FDIC’s transaction account guarantee program. Under this program non-interest bearing and certain low interest accounts were 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.

**Accounts Receivable and Allowance for Uncollectible Accounts:** The Legion bills members, posts, and departments for dues and bills agencies for advertising in the Legion magazine. Interest is not normally charged on receivables.

Management establishes a reserve for losses on its accounts based on historic loss experience and current economic conditions. Losses are charged off to the reserve when management deems further collection efforts will not produce additional recoveries. Management estimated that no allowance was necessary for the years ended December 31, 2013 and 2012.

**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, 2013 and 2012.

**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 2013 and 2012, the Legion incurred no tax expense.

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, 2013 and 2012, 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 2010. 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, 2013 and 2012.

**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, 2013, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended December 31, 2013. Management has performed their analysis through May 1, 2014, 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 (\$11,633) and (\$8,347) in 2013 and 2012, 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 2013 and 2012.

## 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 2.38% discount rate in 2013 and a 2.64% discount rate in 2012, the present value of future benefits expected to be received by the ALEF is estimated to be \$255,127 and \$285,278 at December 31, 2013 and 2012, 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 and agency obligations, asset backed securities, corporate bonds, and state 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 16.

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)

**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, 2013 using                 |   |   |
|------------------------------|--|---|---|
|                              | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <b>Assets:</b>               |  |   |   |
| Beneficial interest in trust | \$ -   | \$ -  | \$ 255,127                                |
| Money market accounts        | 14,917,708   | -   | -   |
| U.S. Government obligations  | -  | 47,095,058                                    | -   |
| State and municipal bonds    | -  | 14,183,223                                    | -   |
| Corporate bonds              | -  | 27,121,505                                    | -   |
|                              | \$ 14,917,708  | \$ 88,399,786                                 | \$ 255,127                                |



|                              | 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) |
| <b>Assets:</b>               |  |   |   |
| 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                                |

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, 2013 and 2012:

|  | Beneficial Interest in Trust |
|--|------------------------------|
| Beginning balance, Jan. 1, 2013              | \$ 285,278                   |
| Change in value of split-interest agreements | 9,525                        |
| Distributions from trust                     | (39,676)                     |
| Ending balance, Dec. 31, 2013                | \$ 255,127                   |
|  | Beneficial Interest in Trust |
| Beginning balance, Jan. 1, 2012              | \$ 316,898                   |
| Change in value of split-interest agreements | 8,056                        |
| Distributions from trust                     | (39,676)                     |
| Ending balance, Dec. 31, 2012                | \$ 285,278                   |

#### NOTE 6 – PROPERTY AND EQUIPMENT

The Legion's property and equipment, and the related accumulated depreciation at December 31, 2013 and 2012 are as follows:

|                                     | 2013         | 2012         |
|-------------------------------------|--------------|--------------|
| Washington, D.C., real estate       |              |              |
| Land                                | \$ 80,000    | \$ 80,000    |
| Building                            | 5,603,402    | 5,603,402    |
| Indianapolis real estate            |              |              |
| Land                                | 389,264      | 389,264      |
| Building                            | 3,999,495    | 3,879,173    |
| Construction in progress            | 55,454       | 78,733       |
| Furniture, fixtures and equipment   |              |              |
| National Headquarters, Indianapolis | 6,853,277    | 6,824,830    |
| Washington, D.C.                    | 765,627      | 845,302      |
|                                     | 17,746,519   | 17,700,704   |
| Less accumulated depreciation       | (11,854,412) | (11,278,016) |
|                                     | \$ 5,892,107 | \$ 6,422,688 |

Depreciation expense for the years ended, December 31, 2013 and 2012 was \$925,255 and \$1,042,774, respectively.

#### NOTE 7 – REVOLVING LINE OF CREDIT

The Legion has an unsecured line of credit agreement with a bank in the amount of \$5,000,000. Borrowings on the line accrue interest at an annual rate of 1.35% plus the 30-day London Inter Bank Offered Rate (LIBOR). During the year and at December 31, 2013 and 2012, there were no borrowings on the revolving line of credit. The line of credit expires in December 2014.

#### NOTE 8 – LONG-TERM DEBT

In 2012, the Legion had long-term debt on its facility for emblem sales, information technology, and member benefits. The debt required monthly principal and interest payments of \$25,213, had a stated interest rate of 5.3%, and a final due date of August 1, 2018. In 2013, the Legion refinanced its long-term debt. This debt is payable in monthly installments of \$15,200 plus interest, beginning January 1, 2014 with final payment due December 3, 2020. The stated interest rate is 1.35% plus the 30-day London Inter Bank Offered Rate (LIBOR). The outstanding balance on long-term debt is \$1,394,749 and \$1,459,498 as of December 31, 2013 and 2012.

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

|              |                    |
|--------------|--------------------|
| 2014         | 182,400            |
| 2015         | 187,200            |
| 2016         | 193,200            |
| 2017         | 199,200            |
| 2018         | 205,200            |
| Thereafter   | 427,549            |
| <b>Total</b> | <b>\$1,394,749</b> |

Interest expense was \$204,054 and \$83,688 for the years ended December 31, 2013 and 2012, respectively.

As a strategy to mitigate exposure to the risk of interest rate fluctuations, the Legion entered into an interest rate swap agreement on the long-term debt on December 3, 2013. This interest rate swap has been designated as a derivative and provides for the Legion to receive interest from the counterparty at the 30-day LIBOR rate plus 1.35% and to pay interest to the counterparty at fixed rate of 2.98% on a notional amount of \$1,394,749 at December 31, 2013. The interest rate swap matures in 2020. Under the agreement, the Legion pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. No interest was paid during 2013 as the first monthly settlement is due in January 2014.

#### NOTE 9 – LEASES

The Legion has several non-cancelable operating leases, primarily for facilities, computer equipment, and copiers that expire at various dates through the year 2017. Rent expense under these leases for the years ended December 31, 2013 and 2012 was \$425,074 and \$494,582, respectively.

Minimum lease commitments are as follows:

|              |                    |
|--------------|--------------------|
| 2014         | 462,473            |
| 2015         | 455,216            |
| 2016         | 413,097            |
| 2017         | 185,243            |
| <b>Total</b> | <b>\$1,516,029</b> |

In addition, the Legion has a lease with the State of Indiana for rental of the National Headquarters building in Indianapolis which expired on June 30, 2013. The Legion is operating on a month-to-month basis until a new lease agreement extending the lease term is finalized. 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 2013 and 2012 was \$943,173 and \$948,840 respectively. Insurance coverage is included in the Legion's general insurance policy.

## NOTE 10 – 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 11 – 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 2013 and 2012.

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 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are donor-restricted for specific purposes. At December 31, 2013 and 2012 the restricted purposes are as follows:

|                                 | 2013                | 2012                |
|---------------------------------|---------------------|---------------------|
| Overseas Graves Decoration Fund | \$1,010,583         | \$1,049,265         |
| Samsung scholarships            | 1,630,584           | 2,361,349           |
| American Legacy fund            | 7,979,924           | 7,601,563           |
| National Emergency Fund         | 3,073,134           | 3,352,924           |
| Boy Scouts                      | 467,899             | 467,899             |
| Operation Comfort Warriors      | 1,192,864           | 582,126             |
| Others                          | 419,520             | 203,133             |
|                                 | <b>\$15,774,508</b> | <b>\$15,618,259</b> |

## NOTE 13 – 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.

|   | 2013               | 2012               |
|---|--------------------|--------------------|
| Purpose restrictions accomplished                               |                    |                    |
| Overseas graves decoration                                      | \$32,945           | \$56,851           |
| Scholarships and grants (including relief aid)                  | 909,462            | 694,017            |
| Veterans Affairs & Rehabilitation and Children & Youth programs | 606,316            | 372,586            |
|   | <b>\$1,548,723</b> | <b>\$1,123,454</b> |

## NOTE 14 – 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, 2013 and 2012 the permanently restricted net assets are as follows:

|                                | 2013                | 2012                 |
|--------------------------------|---------------------|----------------------|
| Samsung scholarships           | \$ 5,000,000        | \$ 5,000,000         |
| American Legion Endowment Fund | 7,648,514           | 7,773,882            |
|                                | <b>\$12,648,514</b> | <b>\$ 12,773,882</b> |

## NOTE 15 – 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) net 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, 2013:*

|                                  | Unrestricted | Temporarily restricted | Permanently restricted | Total        |
|----------------------------------|--------------|------------------------|------------------------|--------------|
| Donor restricted endowment funds | \$ -         | \$1,630,584            | \$12,648,514           | \$14,279,098 |

*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            | \$12,773,882           | \$15,176,074 |

*Changes in endowment net assets for the year ended December 31, 2013:*

|   | Unrestricted | Temporarily restricted | Permanently restricted | Total               |
|---|--------------|------------------------|------------------------|---------------------|
| Net assets, beginning of year                     | \$ -         | \$2,402,192            | \$12,773,882           | \$15,176,074        |
| Investment loss                                   |              |                        |                        |                     |
| Investment income, net of fees                    | -            | 463,117                | -                      | 463,117             |
| Net depreciation (realized and unrealized)        | -            | (754,438)              | (281,556)              | (1,035,994)         |
| <b>Total investment loss</b>                      | <b>-</b>     | <b>\$(291,321)</b>     | <b>\$(281,556)</b>     | <b>\$(572,877)</b>  |
| New gifts   | -            | -                      | 156,188                | 156,188             |
| Appropriation of endowment assets for expenditure | -            | (480,287)              | -                      | (480,287)           |
| <b>Net assets, end of year</b>                    | <b>\$ -</b>  | <b>\$1,630,584</b>     | <b>\$12,648,514</b>    | <b>\$14,279,098</b> |

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

|   | Unrestricted | Temporarily restricted | Permanently restricted | Total               |
|---|--------------|------------------------|------------------------|---------------------|
| Net assets, beginning of year                     | \$ -         | \$2,101,778            | \$12,663,433           | \$14,765,211        |
| Investment return                                 |              |                        |                        |                     |
| Investment income, net of fees                    | -            | 488,481                | -                      | 488,481             |
| Net appreciation (realized and unrealized)        | -            | 266,075                | 53,920                 | 319,995             |
| <b>Total investment return</b>                    | <b>-</b>     | <b>\$754,556</b>       | <b>\$53,920</b>        | <b>\$808,476</b>    |
| New gifts   | -            | -                      | 56,529                 | 56,529              |
| Appropriation of endowment assets for expenditure | -            | (454,142)              | -                      | (454,142)           |
| <b>Net assets, end of year</b>                    | <b>\$ -</b>  | <b>\$2,402,192</b>     | <b>\$12,773,882</b>    | <b>\$15,176,074</b> |

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

**Strategies Employed for Achieving Objectives:** To satisfy its long-term rate-of-return objectives, the Legion relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Legion targets fixed income securities to achieve its long-term return objectives within prudent risk constraints.

**Spending Policy and How the Investment Objectives Relate to Spending Policy:** Realized and unrealized gains/losses are 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 16 – 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 \$396,495 and \$387,124 in 2013 and 2012, 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, 2013 and 2012:

|   | 2013                  | 2012                  |
|---|-----------------------|-----------------------|
| Benefit obligation  | \$ (53,995,406)       | \$ (56,386,015)       |
| Fair value of plan assets   | 50,308,848            | 48,399,167            |
| <b>Funded status</b>  | <b>\$ (3,686,558)</b> | <b>\$ (7,986,848)</b> |
| Interest cost   | \$ 2,282,923          | \$ 2,602,150          |
| Actual loss (return) on assets                                      | (4,793,264)           | (3,382,597)           |
| Amortization of prior service costs                                 | 121,085               | 121,085               |
| Amortization of loss  | 1,707,475             | 1,209,526             |
| Difference between expected and actual return on assets             | 1,510,886             | (318,453)             |
| <b>Net periodic pension cost</b>                                    | <b>\$ 829,105</b>     | <b>\$ 231,711</b>     |
| Net loss  | \$ (5,008,310)        | \$ 4,572,424          |
| Prior service cost  | (121,085)             | (121,085)             |
| <b>Pension-related changes other than net periodic pension cost</b> | <b>\$ (5,129,395)</b> | <b>\$ 4,451,399</b>   |
| Prepaid benefit cost  | \$ 13,450,928         | \$ 14,280,033         |
| Accumulated benefit obligation                                      | 53,995,406            | 56,386,015            |
| Vested benefit obligation   | 53,992,693            | 56,233,191            |
| Net periodic pension cost   | 829,105               | 231,711               |
| Benefits paid   | 2,883,583             | 2,796,599             |
| Measurement date  | 12/31/2013            | 12/31/2012            |

*Estimated future benefit payments:*

|           |            |
|-----------|------------|
| 2014      | 3,284,556  |
| 2015      | 3,371,240  |
| 2016      | 3,457,848  |
| 2017      | 3,514,331  |
| 2018      | 3,544,446  |
| 2019-2023 | 17,363,092 |

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, 2013 and 2012 are as follows. See Note 5 for descriptions of inputs for each type of asset.



Fair Value Measurements at Dec. 31, 2013, 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                  | \$ 2,783,798   | \$ -  | \$ -                                      |
| U.S. Government and agency obligations | -  | 10,702,087                                    | -   |
| Asset backed securities                | -  | 4,617,555                                     | -   |
| Municipal bonds                        | -  | 1,433,701                                     | -   |
| Corporate bonds                        | -  | 10,992,195                                    | -   |
| Common stock                           |  |   |   |
| Materials                              | 755,089  | -   | -   |
| Industrials                            | 2,189,744  | -   | -   |
| Consumer discretionary                 | 2,562,238  | -   | -   |
| Consumer staples                       | 765,285  | -   | -   |
| Energy                                 | 2,478,504  | -   | -   |
| Health care                            | 1,724,568  | -   | -   |
| Financials                             | 5,564,075  | -   | -   |
| Telecommunication                      | 223,824  | -   | -   |
| Technology                             | 3,133,789  | -   | -   |
| Utilities                              | 120,627  | -   | -   |
| Other                                  | 67,904   | -   | -   |
| Accrued interest                       | 193,865  | -   | -   |
|  | \$ 22,563,310  | \$ 27,745,538                                 | \$ -                                      |

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                            | 1,811,728  | -   | -   |
| Financials                             | 3,337,489  | -   | -   |
| Telecommunication                      | 342,505  | -   | -   |
| Technology                             | 1,924,469  | -   | -   |
| Utilities                              | 515,346  | -   | -   |
| Other                                  | 490,602  | -   | -   |
| Accrued interest                       | 220,767  | -   | -   |
|  | \$16,754,583   | \$31,644,584                                  | \$ -                                      |

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   | 2013  | 2012  |
|--------------------------------|-------|-------|
| Discount rate                  | 4.45% | 4.16% |
| Expected return on plan assets | 7.00% | 7.00% |
| 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 \$1,245,308 and \$121,085, respectively.

#### NOTE 17 – FUNCTIONAL EXPENSES

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

|  | 2013                | 2012                |
|--|---------------------|---------------------|
| Program services                         |                     |                     |
| Veterans programs and services           | \$35,043,406        | \$34,357,211        |
| Americanism, Children & Youth activities | 4,804,864           | 4,469,397           |
|  | \$39,848,270        | \$38,826,608        |
| Supporting services                      |                     |                     |
| Management and general                   | 16,882,530          | 17,267,299          |
| Member development                       | 12,735,733          | 11,934,376          |
| Fundraising                              | 5,318,546           | 5,263,208           |
|  | \$34,936,809        | \$34,464,883        |
|  | <b>\$74,785,079</b> | <b>\$73,291,491</b> |

Member development includes direct response advertising expense of \$10,246,445 and \$8,794,493 for the years ended December 31, 2013 and 2012.

#### NOTE 18 – 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 any ultimate liability of the Legion with respect to these actions will not materially affect the financial statements of the Legion.

**SUPPLEMENTARY INFORMATION**  
**The American Legion National Headquarters Consolidated Statements**  
**of Financial Position December 31, 2013**

|  | American Legion<br>National<br>Headquarters | American Legion<br>Charities | American Legion<br>Endowment Fund | National<br>Emergency Fund | Eliminations          | Total                 |
|--|---|------------------------------|-----------------------------------|----------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                      |   |                              |                                   |                            |                       |                       |
| Cash and cash equivalents                          | \$ 1,166,168                                | \$ 4,920                     | \$ 107,625                        | \$ 393,059                 | \$ -                  | \$ 1,671,772          |
| Accounts receivable                                | 2,776,054                                   | -                            | 1,333                             | 80,569                     | (181,376)             | 2,676,580             |
| Interest receivable                                | 588,251                                     | 7,601                        | 41,654                            | 21,163                     | -                     | 658,669               |
| Prepaid expenses and deposits                      | 1,111,344                                   | -                            | 1,805                             | -                          | -                     | 1,113,149             |
| Deferred membership expense                        | 4,243,253                                   | -                            | -                                 | -                          | -                     | 4,243,253             |
| Due from American Legion Endowment Fund            | 2,000,000                                   | -                            | -                                 | -                          | (2,000,000)           | -                     |
| Inventory  | 2,528,224                                   | -                            | -                                 | -                          | -                     | 2,528,224             |
| Investment in affiliate (CFA)                      | 19,185                                      | -                            | -                                 | -                          | -                     | 19,185                |
| Beneficial interest in trust                       | -   | -                            | 255,127                           | -                          | -                     | 255,127               |
|  | <u>14,432,479</u>                           | <u>12,521</u>                | <u>407,544</u>                    | <u>494,791</u>             | <u>(2,181,376)</u>    | <u>13,165,959</u>     |
| Investments  |   |                              |                                   |                            |                       |                       |
| General  | 16,672,525                                  | -                            | -                                 | -                          | -                     | 16,672,525            |
| Segregated for Restricted and Reserved funds       | 29,994,122                                  | -                            | -                                 | -                          | -                     | 29,994,122            |
| Paid-Up-For-Life Membership fund                   | 19,375,836                                  | -                            | -                                 | -                          | -                     | 19,375,836            |
| Samsung scholarship fund                           | 8,155,301                                   | -                            | -                                 | -                          | -                     | 8,155,301             |
| Building funds                                     | 5,041,826                                   | -                            | -                                 | -                          | -                     | 5,041,826             |
| Sept. 11 Memorial scholarship fund                 | 7,317,762                                   | -                            | -                                 | -                          | -                     | 7,317,762             |
| Special account – Endowment Fund                   | -   | -                            | 2,249,177                         | -                          | -                     | 2,249,177             |
| General account – Endowment Fund                   | -   | -                            | 6,991,793                         | -                          | -                     | 6,991,793             |
| National Emergency Fund                            | -   | -                            | -                                 | 2,578,343                  | -                     | 2,578,343             |
| Other  | 3,132,626                                   | 1,808,183                    | -                                 | -                          | -                     | 4,940,809             |
|  | <u>89,689,998</u>                           | <u>1,808,183</u>             | <u>9,240,970</u>                  | <u>2,578,343</u>           | <u>-</u>              | <u>103,317,494</u>    |
| Property, plant and equipment, net                 | 5,892,107                                   | -                            | -                                 | -                          | -                     | 5,892,107             |
|  | <u>\$ 110,014,584</u>                       | <u>\$ 1,820,704</u>          | <u>\$ 9,648,514</u>               | <u>\$ 3,073,134</u>        | <u>\$ (2,181,376)</u> | <u>\$ 122,375,560</u> |
| <b>LIABILITIES</b>                                 |   |                              |                                   |                            |                       |                       |
| Accounts payable                                   | \$ 2,298,406                                | \$ 144,144                   | \$ -                              | \$ -                       | \$ (181,376)          | \$ 2,261,174          |
| Scholarships payable                               | 1,045,025                                   | -                            | -                                 | -                          | -                     | 1,045,025             |
| Accounts payable – Legion                          | -   | -                            | 2,000,000                         | -                          | (2,000,000)           | -                     |
| Deposits on emblem merchandise sales               | 216,386                                     | -                            | -                                 | -                          | -                     | 216,386               |
| Deferred income                                    | 671,849                                     | -                            | -                                 | -                          | -                     | 671,849               |
| Deferred dues income                               | 22,118,520                                  | -                            | -                                 | -                          | -                     | 22,118,520            |
| Deferred income – direct membership solicitation   | 5,601,353                                   | -                            | -                                 | -                          | -                     | 5,601,353             |
| Accrued vacation benefits                          | 1,038,409                                   | -                            | -                                 | -                          | -                     | 1,038,409             |
| Accrued pension expense                            | 3,686,558                                   | -                            | -                                 | -                          | -                     | 3,686,558             |
| Other liabilities                                  | 718,132                                     | -                            | -                                 | -                          | -                     | 718,132               |
| Notes payable                                      | 1,394,749                                   | -                            | -                                 | -                          | -                     | 1,394,749             |
| Deferred dues income – Paid-Up-For-Life Membership | 18,571,364                                  | -                            | -                                 | -                          | -                     | 18,571,364            |
| Life memberships due to state and local posts      | 18,709,473                                  | -                            | -                                 | -                          | -                     | 18,709,473            |
|  | <u>76,070,224</u>                           | <u>144,144</u>               | <u>2,000,000</u>                  | <u>-</u>                   | <u>(2,181,376)</u>    | <u>76,032,992</u>     |
| <b>NET ASSETS</b>                                  |   |                              |                                   |                            |                       |                       |
| Unrestricted                                       | 17,435,900                                  | 483,646                      | -                                 | -                          | -                     | 17,919,546            |
| Temporarily restricted                             | 11,508,460                                  | 1,192,914                    | -                                 | 3,073,134                  | -                     | 15,774,508            |
| Permanently restricted                             | 5,000,000                                   | -                            | 7,648,514                         | -                          | -                     | 12,648,514            |
| Total net assets                                   | <u>33,944,360</u>                           | <u>1,676,560</u>             | <u>7,648,514</u>                  | <u>3,073,134</u>           | <u>-</u>              | <u>46,342,568</u>     |
|  | <u>\$ 110,014,584</u>                       | <u>\$ 1,820,704</u>          | <u>\$ 9,648,514</u>               | <u>\$ 3,073,134</u>        | <u>\$ (2,181,376)</u> | <u>\$ 122,375,560</u> |

## SUPPLEMENTARY INFORMATION

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

|  | American Legion<br>National<br>Headquarters | American Legion<br>Charities | American Legion<br>Endowment Fund | National<br>Emergency Fund | Eliminations          | Total                 |
|--|---|------------------------------|-----------------------------------|----------------------------|-----------------------|-----------------------|
| <b>ASSETS</b>                                      |   |                              |                                   |                            |                       |                       |
| 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                      | 1,403,991                                   | -                            | 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> |
| <b>LIABILITIES</b>                                 |   |                              |                                   |                            |                       |                       |
| 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>     |
| <b>NET ASSETS</b>                                  |   |                              |                                   |                            |                       |                       |
| 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 Activities, Year ended December 31, 2013**

|  | American Legion<br>National<br>Headquarters | American<br>Legion<br>Charities | Legion<br>Endowment<br>Fund | National<br>Emergency<br>Fund | Eliminations     | Total                |
|--|---|---------------------------------|-----------------------------|-------------------------------|------------------|----------------------|
| <b>Revenue, gains and other support</b>                      |   |                                 |                             |                               |                  |                      |
| National member dues   | \$ 26,654,751                               | \$ -                            | \$ -                        | \$ -                          | \$ -             | \$ 26,654,751        |
| Direct membership solicitation                               | 9,883,114                                   | -                               | -                           | -                             | -                | 9,883,114            |
| Member service fees income                                   | 888,211                                     | -                               | -                           | -                             | -                | 888,211              |
| Affinity income  | 3,183,472                                   | -                               | -                           | -                             | -                | 3,183,472            |
| Sales of emblem items  | 11,705,925                                  | -                               | -                           | -                             | -                | 11,705,925           |
| Advertising  | 10,745,474                                  | -                               | -                           | -                             | -                | 10,745,474           |
| Contributions  | 5,631,965                                   | 1,336,622                       | 234,154                     | 471,317                       | (58,382)         | 7,615,676            |
| Label and printing fees                                      | 1,562,454                                   | -                               | -                           | -                             | -                | 1,562,454            |
| Interest and dividends, net of fees                          | 2,364,052                                   | 9,114                           | 258,587                     | 87,865                        | -                | 2,719,618            |
| Net realized gains (losses)                                  | 134,575                                     | -                               | (1,246)                     | (337)                         | -                | 132,992              |
| American Legion Endowment<br>Fund income                     | 137,755                                     | -                               | -                           | -                             | (137,755)        | -                    |
| Other  | 2,437,632                                   | -                               | -                           | -                             | -                | 2,437,632            |
|  | <u>75,329,380</u>                           | <u>1,345,736</u>                | <u>491,495</u>              | <u>558,845</u>                | <u>(196,137)</u> | <u>77,529,319</u>    |
| <b>Expenses</b>  |   |                                 |                             |                               |                  |                      |
| Salaries   | 15,589,187                                  | -                               | -                           | -                             | -                | 15,589,187           |
| Employee benefits  | 3,487,348                                   | -                               | -                           | -                             | -                | 3,487,348            |
| Cost of sales – Legion                                       | 6,252,946                                   | -                               | -                           | -                             | -                | 6,252,946            |
| Department and magazine costs                                | 2,581,581                                   | -                               | -                           | -                             | -                | 2,581,581            |
| Direct publications  | 12,279,710                                  | -                               | -                           | -                             | -                | 12,279,710           |
| Executive and staff travel                                   | 3,233,272                                   | -                               | 4,838                       | -                             | -                | 3,238,110            |
| Commission and committee                                     | 1,864,766                                   | -                               | -                           | -                             | -                | 1,864,766            |
| Printing and postage   | 8,228,511                                   | -                               | -                           | -                             | -                | 8,228,511            |
| Scholarships, grants and awards                              | 1,763,601                                   | 337,732                         | 137,755                     | 638,955                       | (196,137)        | 2,681,906            |
| Office and other operating                                   | 14,587,432                                  | 158                             | 153,751                     | 787                           | -                | 14,742,128           |
| Occupancy and usage  | 2,136,461                                   | -                               | -                           | -                             | -                | 2,136,461            |
| Special projects and programs                                | 1,702,425                                   | -                               | -                           | -                             | -                | 1,702,425            |
|  | <u>73,707,240</u>                           | <u>337,890</u>                  | <u>296,344</u>              | <u>639,742</u>                | <u>(196,137)</u> | <u>74,785,079</u>    |
| Change in net assets from operations                         | 1,622,140                                   | 1,007,846                       | 195,151                     | (80,897)                      | -                | 2,744,240            |
| Net unrealized losses - investments                          | (6,059,312)                                 | (56,822)                        | (371,439)                   | (198,893)                     | -                | (6,686,466)          |
| Net change in PUFL   | (2,846,311)                                 | -                               | -                           | -                             | -                | (2,846,311)          |
| Amortization of pension loss                                 | (1,707,475)                                 | -                               | -                           | -                             | -                | (1,707,475)          |
| Pension-related changes other than net periodic pension cost | 5,129,395                                   | -                               | -                           | -                             | -                | 5,129,395            |
| Transfers  | (593,857)                                   | 593,857                         | -                           | -                             | -                | -                    |
| <b>Change in net assets</b>                                  | (4,455,420)                                 | 1,544,881                       | (176,288)                   | (279,790)                     | -                | (3,366,617)          |
| Net assets, beginning of year                                | <u>38,399,780</u>                           | <u>131,679</u>                  | <u>7,824,802</u>            | <u>3,352,924</u>              | <u>-</u>         | <u>49,709,185</u>    |
| <b>Net assets, end of year</b>                               | <u>\$ 33,944,360</u>                        | <u>\$ 1,676,560</u>             | <u>\$ 7,648,514</u>         | <u>\$ 3,073,134</u>           | <u>\$ -</u>      | <u>\$ 46,342,568</u> |

## SUPPLEMENTARY INFORMATION

### The American Legion National Headquarters Consolidating Statement of Activities, Year ended December 31, 2012

|   | American Legion<br>National<br>Headquarters | American<br>Legion<br>Charities | American<br>Legion<br>Endowment<br>Fund | National<br>Emergency<br>Fund | Eliminations     | Total                |
|---|---|---------------------------------|---|-------------------------------|------------------|----------------------|
| <b>Revenue, gains and other support</b>                         |   |                                 |   |                               |                  |                      |
| 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<br>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>    |
| <b>Expenses</b>   |   |                                 |   |                               |                  |                      |
| 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<br>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<br>net periodic pension cost | (4,451,339)                                 | -                               | -                                       | -                             | -                | (4,451,339)          |
| <b>Change in net assets</b>                                     | (4,720,871)                                 | 90,319                          | 113,856                                 | 249,341                       | -                | (4,267,355)          |
| Net assets, beginning 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>    |
| <b>Net assets, end of year</b>                                  | <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> |

# American Legion National Contacts

## **Veterans Affairs & Rehabilitation**

(202) 263-5759  
var@legion.org

## **Veterans Employment & Education**

(202) 263-5771  
econ@legion.org

## **Legislative**

(202) 263-5752  
leg@legion.org

## **National Security**

(202) 263-2984  
nsfr@legion.org

## **Americanism**

(317) 630-1203  
americanism@legion.org

## **Membership & Internal Affairs**

(317) 630-1330  
ia@legion.org

## **Finance**

(317) 630-1222  
finance@legion.org

## **Media & Communications**

(317) 630-1298  
magazine@legion.org  
pr@legion.org

## **Fundraising**

(317) 860-3009  
fundraising@legion.org

## **Membership Support Services**

(317) 860-3013  
mbrben@legion.org

## **Convention & Meetings**

(317) 630-1292  
convention@legion.org

## **American Legion Riders**

(317) 630-1265  
legionriders@legion.org

## **Emblem Sales**

(888) 453-4466  
emblem@legion.org

## **Sons of The American Legion**

(317) 630-1205  
sal@legion.org

## **American Legion Auxiliary**

(317) 569-4500  
alahq@alaforveterans.org





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## THE AMERICAN LEGION

P.O. Box 1055

Indianapolis, IN 46206

(317) 630-1200

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

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