



THE AMERICAN LEGION ANNUAL REPORT

2017

PREAMBLE TO THE AMERICAN LEGION CONSTITUTION

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

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

To maintain law and order;

*To foster and perpetuate a
one hundred percent Americanism;*

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

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

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

To make right the master of might;

To promote peace and goodwill on earth;

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

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

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INSIDE THE AMERICAN LEGION ANNUAL REPORT

Who We Are	2-3
Veterans Affairs & Rehabilitation	4-7
Veterans Employment & Education	8-11
Troop Support	12-13
National Security	14-15
Legislative	16-17
American Legion Baseball	18-19
Honor & Remembrance	20-21
Americanism, Children & Youth	22-23
Scholarships	24-25
Flag Support	26-27
Media & Communications	28-29
Legion Riders & Legion Family	30-31
Centennial	32-33
Membership	34-35
National Convention	36-37
Flag & Emblem Sales	38-39
Corporate Relationships	40-41
Financial Statements	42-56



A New York Legionnaire shakes the hand of a Marine during the National Convention Parade in Cincinnati last August.

Photo by Clay Lomneth/The American Legion

“Step up to the plate, carry on the vision, continue growth and work in the community. Those programs are so important. I am looking to see our family, the American Legion Family, grow and do everything we need to do for our community.”

Sherie Mercier, American Legion Post 140 in Prescott Valley, Ariz.,

Who we are, what we do

The American Legion’s programs, services and identity have proven timeless in an era of touchscreen communication, unprecedented mobility, instant messaging and cyberwarfare. A century has now passed since the Legion’s founders marched off with bolt-action rifles and bayonets to fight in the muddy trenches of the Great War. They came home, having sacrificed greatly to make the world safe for democracy, to a nation proud of its veterans but unprepared for their return to civilian life. Much has changed since then. And much remains the same.

When members of the American Expeditionary Forces gathered in Paris, St. Louis and Minneapolis in 1919, their postwar mission quickly took shape. It was apparent they would need to assist their fellow veterans – regardless of rank, race, gender or politics – because little government support existed. Many came home deeply changed by combat; more than 116,000 did not return at all. The American Legion’s first generation vowed to live up to those who gave their all in battle, by fulfilling individual obligations to their communities, their states and the nation.

They took a firm position of peace through the strength of a properly funded, well-equipped military that takes care of its troops. Legionnaires stepped up to mentor children, tens of thousands of whom were orphaned, by providing healthy, wholesome, educational activities. Every child, they believed, deserves “a square deal.” The early Legionnaires would also inculcate to multiple nationalities what it means to salute just one flag, the Stars and Stripes.

Generations have passed. The ways and means have changed. But the values of The American Legion continue to guide thousands of communities and improve the lives of millions.

Veterans who need help finding jobs, starting businesses, filing benefits claims or getting to a doctor have The American Legion on their side. Military personnel deployed overseas take comfort that the American Legion Family is watching over their own families at home. Young people who envision careers of public service and leadership have American Legion Boys State, Boys Nation and Oratorical competitions to measure their abilities. Those who dream of Olympic gold or Major League Baseball know The American Legion is in their corner because, win or lose, it really does matter how you play the game.

As The American Legion draws ever closer to the dawn of its second century, change is a natural topic of conversation. Society is shifting, perhaps faster than ever, and the planet continues to shrink through communications technology. The World War I founders of The American Legion would not have been surprised by such phenomena; they would have seen these changes as an opportunity to share more widely and quickly the values they believed.

The “how” of the Legion is always susceptible to change. But the “who we are” and “what we do” – often considered interchangeable – are essential as long as veterans need advocates, troops need support, young people need mentors and communities need patriotism.

“VA&R issues never rest; the commission and our committees are available to meet many of the challenges VA struggles with by breaking down barriers for veterans’ access to health care, compensation, pension, insurance and burial benefits.”

Ralph P. Bozella, American Legion Veterans Affairs & Rehabilitation Commission chairman

The long and winding road to VA reform

President Trump’s administration has recognized the need to improve the delivery of VA health care. VA Secretary Dr. David J. Shulkin and the administration are attempting to create a replacement for the current Choice program, now being referred to as the Veteran CARE (Coordinated Access & Rewarding Experience) program, is a bit light on detail but grand in design. The American Legion will continue its involvement in all discussions related to the future of the program to actively represent veterans’ interests and assist VA in identifying any unintended consequences.

Also on the list for reform is appeals modernization. The Legion has worked with VA, veterans service organizations and Congress to create an efficient manner for adjudicating veterans’ appeals. Proposed legislation generated by the Legion would increase options in paths for appeals adjudications. Additionally, the legislation would provide for the maintenance of an original effective date if the veteran elects to file after a denied appeal within one year of the appeal’s decision.

The American Legion’s primary health-care evaluation tool is the System Worth Saving (SWS) program, designed in 2003 by Past National Commander Ronald Conley, which consists of visits to VA health-care facilities, meetings with staff and representatives, town hall meetings for patients, and after-action reports with findings and recommendations. In 2017, scheduled visits include Los Angeles, Murfreesboro, Tenn., Phoenix, Anchorage, Alaska, Iowa City, Iowa, Saginaw, Mich., Milwaukee, Columbus, Ohio, Billings, Mont., Manchester, N.H., and Gulfport/Biloxi, Miss. A common theme throughout the 2017 SWS visits has been staff shortages in VA health-care facilities. The reports can be found at www.legion.org/systemworthsaving.

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



Department of Veterans Affairs Secretary Dr. David Shulkin speaks at The American Legion's Washington Conference in Washington, D.C. Photo by Clay Lomneth/The American Legion



*Justin Blotsky, an Army veteran and farm tech for Growing Veterans, picks beets at the group's Skagit County farm in Washington.
Photo by Clay Lomneth/The American Legion*

“You’ve also been in those shoes, and you’ve tried figuring it out for yourself, and now you’re trying to do it for other people as a peer.”

David Donaldson, an Army National Guard combat veteran of the Iraq War and peer support specialist for the Phoenix VA Health Care System

Support for those who served

According to recent survey data from the Department of Veterans Affairs (VA), 20 veterans commit suicide each day. In response to these alarming reports, The American Legion passed Resolution 28 in May, establishing a suicide prevention program under the American Legion TBI/PTSD Committee, which is known for its work in identifying existing science and procedures as well as advancing alternative treatments to help veterans with traumatic brain injuries and post-traumatic stress disorder. Since 2010, the committee has approved 11 resolutions to help veterans with mental health issues, and their families, in communities across the country. With this additional mission, the TBI/PTSD Committee will help ensure that veteran suicide awareness and prevention remains a priority for the Legion.

The Legion also recognizes the growing need to support wounded and disabled veteran caregivers. In May 2017, the Legion’s National Executive Committee passed Resolution 24, which establishes a caregiver support program within the Legion. It will stress the importance of a strong peer support group for caregiver mental stability, and the beneficial aspects of networking and sharing resources and information within the community. In addition, caregiver support for veterans increases health care and decreases the probability of suicide. The new program will assist and educate Legionnaires, veterans, their families, Congress, VA and other community partners on the continued need for family caregivers.

Meanwhile, a growing number of caregivers received revocation letters declaring them ineligible for VA’s caregiver program. The Legion responded by engaging senior VA leadership on the issue. In April, the program came under review, and all revocations were suspended.

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“When The American Legion takes on a mission, it gets accomplished. Once I met the 3 percent federal procurement goal, I stayed involved with the Legion because I am a big believer that the stronger the community is, the better the disabled veteran business community is, and the more say you have.”

Mark Gross, American Legion Small Business Task Force member

No fewer than 24,000 job interviews

The American Legion’s alliance with the U.S. Chamber of Commerce consistently produces successful job fairs that draw hundreds of job seekers. At 81 hiring events in 2016, there were approximately 24,000 on-site interviews.

The Veterans Employment & Education Commission and staff members focus on veterans education, employment, business development and credentialing. Throughout the year, staff members prepare and deliver testimony for congressional committees on subjects of vital interest in those areas. In February, more than 50 industry leaders and others received updates on credentialing practices at a national roundtable hosted by the Legion during its annual Washington Conference. That event coincided with the release of “The State of Credentialing of Service Members and Veterans: Challenges, Successes and Opportunities,” an American Legion report funded by a grant from Military.com and prepared by SOLID, LLC.

The American Legion Small Business Task Force advocates on behalf of veteran-owned businesses.

Other key relationships

- **Military.com** Powers the Legion’s Veterans Career Center online, with job listings searchable by ZIP code
- **Avue Technologies** A federal career portal designed exclusively for the Legion that connects veterans to civilian jobs
- **Hirepurpose** Lists military-friendly employers and their career opportunities
- **Valuing Our Veterans** Military recruitment portal for Sears, which employs more than 30,000 veterans and more than 1,500 reserve and National Guard members
- **JobZone** Assists veterans, transitioning military and family members through specialized job fairs, often at American Legion posts

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Connections

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*Ka'Sandra Boswell, military recruiter for Ross, talks with Lt. Col. Derwin Brown, director of the West Region for the U.S. Army Soldier for Life program, at an American Legion-Hiring our Heroes job fair at the Staples Center in Los Angeles.
Photo by Patrick Fallon/The American Legion*



Marine Corps veteran Richard Boone receives lunch at The Veterans Group in Philadelphia on Sept. 28, 2016. The nonprofit organization offers transitional housing and case management services for homeless veterans; the Legion visited the center to see how they're helping end veteran homelessness.
Photo by Corey Perrine/The American Legion

“I know what it feels like to lose your place or lose your job and to lose everything you acquired People didn’t ask to be in this situation. It happens, and it can happen to anyone.”

Sheila Scarborough, a formerly homeless Army veteran who is now an outreach specialist at U.S.VETS

The fight to end veteran homelessness

In 2009, the Department of Veterans Affairs (VA) and other organizations embarked on a campaign to end veteran homelessness by 2015. VA and Housing & Urban Development data reveal a 17 percent decrease in veteran homelessness between January 2015 and January 2016 – quadruple the previous year’s annual decline – and a 47 percent decrease since 2010. So while great progress continues to be made, there are still an estimated 40,000 homeless veterans on any given night in the United States.

During the Legion’s 2017 Washington Conference, the National Veterans Employment & Education Commission hosted a homeless veterans site visit at the city’s U.S.VETS facility. In addition, the Legion’s Operation Comfort Warriors program donated \$4,800 worth of comfort items and necessities during the visit. With 21 residential sites and nine service centers in 13 cities across six states, the District of Columbia and the territory of Guam, U.S.VETS personnel go into local communities to find homeless veterans and guide them to critical services. These include housing and employment assistance, help accessing veterans benefits, and treatment for mental and/or physical disabilities and substance abuse.

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“(The American Legion) doesn’t just want to help. They want to make you flourish or take the next step. It’s been amazing.”

Chris Cochrane, an Air Force veteran who received a special bow through the Legion’s Operation Comfort Warriors program so he could use archery as part of his rehabilitation

Hope and comfort for America’s injured warriors

The American Legion’s Operation Comfort Warriors program (OCW) increased by 4 percent the amount of donations provided to wounded veterans and servicemembers in 2016 over the previous year.

The gifts included equipment for adaptive sports therapy programs; clothing, toiletries and other items for homeless veterans; and recreational opportunities, including visits to parks, arenas and more.

Highlights

- **OCW awarded its largest grant** to a VA medical facility in nearly two years in March. The \$10,000 grant will help the New Mexico VA Health Care System in Albuquerque meet the needs of its veterans. Among the items included in the donation were health and hygiene products, clothing, Amazon gift cards and recreational equipment.
- **OCW provided specially adapted equipment** to veterans rehabilitating from injuries. Air Force veteran Chris Cochrane, who became partially paralyzed due to two strokes, received a special bow which he uses – with his left arm and mouth – as part of his rehabilitation. Clifford Benton, a 6-foot-7 Army veteran, received a custom-fitted bike for use during his rehabilitation.
- **OCW treated veterans and their families** to special outings during the past year. Destinations included the Kings Island amusement park, minor league baseball games and the Indianapolis 500.

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Connections

- www.legion.org/ocw
- On Facebook, search for “Operation Comfort Warriors”



Legionnaire Charles Bethea, right, tests the weight of Army veteran Clifford Benton's custom-made bicycle at American Legion Post 1 in Florence, S.C. Benton received the bicycle through an American Legion Operation Comfort Warriors grant.

Photo by Abbi O'Leary



U.S. Marines of the Maritime Raid Force, 22nd Marine Expeditionary Unit inspect parachute riggings prior to a jump exercise at Marine Corps Base Camp Lejeune, N.C. U.S. Marine Corps photo by Gunnery Sgt. Neill A. Sevelius

“Our diplomats cannot operate without our military, our intelligence (and) our Homeland Security colleagues. The threats are just too complicated. The opportunities are too complex.”

Marie Harf, a State Department adviser, speaking to The American Legion’s National Security Commission at the 98th National Convention in Cincinnati

In support of a fully funded national defense

The American Legion remains at the forefront of advocacy in support of a fully funded national defense. The Legion commends Congress for passing the Fiscal Year 2017 Omnibus Appropriations Bill, which provides funding through the end of fiscal 2017.

The total funding for the Department of Defense (DoD) in fiscal 2017 was \$598.5 billion, an increase of \$25.7 billion from fiscal 2016. This total includes \$516.1 billion in base discretionary funding and \$76 billion in overseas contingency operations, plus an additional \$5.8 billion in supplementary defense funding approved when a bipartisan 2017 federal spending bill was passed by Congress and the omnibus bill was signed by the president in May.

DoD spending accounts for nearly all of the nation’s defense budget. The Legion will continue to hold DoD accountable for improving the state of the fighting force through defense spending on contingency operations, the military’s force structure, servicemembers’ quality of life and military families.

The state of the fighting force

- Only one-third of Army brigade combat teams (BCTs), one-fourth of combat aviation brigades and half of division headquarters are ready. Only three of the 58 Army BCTs are considered ready.
- More than half the Navy’s aircraft are grounded, because there aren’t enough funds to fix them.
- The Air Force is the smallest it’s ever been. Aircraft numbers have fallen from 8,600 in 1991 to 5,500, and their average age is 27 years. Less than 50 percent of the Air Force’s combat forces are “sufficiently ready for a highly contested fight against peer adversaries,” according to Defense.gov.
- Years of conflict have consumed much of the useful life of many Marine Corps expeditionary units’ legacy systems while delaying replacement of new equipment. Eighty percent of aviation units lack the minimum number of ready basic aircraft for training, and the Marines are significantly short of ready aircraft for wartime requirements.

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“The American Legion’s legislative agenda, in a new era of global war, bears many resemblances to that of our first generation.”

National Commander Charles E. Schmidt, testifying in February before the House and Senate Veterans’ Affairs committees on the parallels between the post-World War I era and the post-9/11 generation

A voice for veterans in Washington

In 2017, The American Legion continued to lobby Congress on behalf of veterans struggling to access care they earned and deserve. The Legion also continued its push for legislative changes that directly affect the lives of those currently serving, as well as their families. Since the beginning of the 115th Congress, The American Legion has testified 11 times on Capitol Hill, and Legislative staff have attended numerous congressional roundtables, conducted hundreds of congressional meetings, and been involved in crafting more than 50 pieces of legislation. The Legion also worked closely with members of Congress to create and introduce legislative language aimed at modernizing the VA appeals process.

Through the Legislative Action Center, Legionnaires can support a wide range of bills before Congress that the Legion has helped create, endorsed or knows will assist veterans.

Looking ahead to the remainder of the 115th Congress, the Legion’s legislative team is eager to work with every member of Congress and their staffs to pass legislation that will truly benefit the men and women who have proudly served in the U.S. Armed Forces.

Legislative priorities for The American Legion

- Ensure real accountability within VA
- Modernize the appeals process at VA
- Update and fix the Choice program
- Institute a 21st-century health-care system
- Reject any attempts to diminish benefits earned by veterans during their service
- Repeal offsets that unjustly penalize disabled veterans

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Connections

- www.legion.org/legislative
- capwiz.com/legion/home (Legislative Action Alerts)



U.S. Rep. Robert Pittenger, R-N.C., speaks with his state's American Legion leaders, including, from right, North Carolina Department Commander David Shore, District 8 Commander Mark Erskine and Greensboro, N.C., Post 53 Treasurer Bob Barker, on Capitol Hill on Feb. 28.

Photo by Clay Lomneth/The American Legion



Players of Rowan County, N.C., Post 342 stand for the national anthem before going on to eliminate Kennewick, Wash., Post 34 in Game 10 of the American Legion World Series on Aug. 14, 2016. Photo by Clay Lomneth/The American Legion

“A part of your development in all sports is the way you interact with your teammates ... and have the opportunity to form that kind of unity and team like we did with American Legion Baseball.”

Brian Dozier, Minnesota Twins second baseman, who played Legion Baseball for Post 49 in Tupelo, Miss.

Legion World Series attracts more coverage, viewers

For the fourth consecutive year, coverage of the American Legion Baseball World Series in Shelby, N.C., expanded on ESPN. Starting with the 2017 tournament, games 7 through 15 – including the semifinals and championship game – will air live on ESPNU. ESPN’s webcasting service will broadcast the first six games of pool play.

In 2016, the 90th year of the Legion World Series, the final six games of the 15-game tournament aired live on ESPNU. More than 300,000 people watched those broadcasts during the series’ final three days, an increase of 28,000 viewers from the previous year.

The ESPNU expanded coverage comes on the heels of strong viewership numbers and continued growth in interest regarding American Legion Baseball and its title event. Last year’s Legion World Series attracted 120,000 people to Cleveland County’s Keeter Stadium, setting an all-time paid attendance record for the sixth straight year.

Since 1925, American Legion Baseball has been woven into the fabric of the nation. Seventy Hall of Famers are Legion Baseball alumni. More than 70,000 athletes a year participate on post-sponsored teams in all 50 states. Many of today’s Major League Baseball players – including Madison Bumgarner, Justin Verlander and Albert Pujols – came of age playing Legion ball in the summer. As a testament to the program’s influence, many of them credit Legion Baseball with showing them the right way to compete and present themselves on and off the field.

2016 American Legion World Series Champions

- Texarkana, Ark., Post 58

2016 George Rulon American Legion Baseball Player of the Year

- Will Smith, Texarkana, Ark., Post 58

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“The centennial is an opportunity to reflect on what the Legion means to our communities and our nation. It’s an opportunity to revisit, rethink and, in fact, rededicate ourselves to those ideals.”

John Monahan, The American Legion’s representative on the U.S. World War One Centennial Commission

Rapid growth for memorial inventory project

The American Legion has established a database to catalog the locations, document histories and share photographs of America’s monuments and memorials to those who have served. It’s yet another way members live by the words of the preamble to the Legion’s Constitution: “To preserve the memories and incidents of our associations in the Great Wars”

The Veterans Memorial Identification Project, which launched in November, has received hundreds of submissions. American Legion Family members have documented, photographed and uploaded information about veterans memorials and monuments in nearly all 50 states and six foreign countries to the website. Visit or submit at www.legion.org/memorials.

Highlights

- National Commander Charles E. Schmidt, Amis des Vétérans Américains President Maurice Renaud and Ste. Mère-Église Mayor Jean Quetier unveiled a marble tablet at the La Fiére Bridge battlefield site on June 4 in Normandy, France, which proclaims that the property cannot change hands or be used for any purpose other than to remember U.S. military sacrifice without the written consent of The American Legion, the AVA and the City of Ste. Mère-Église.
- In May, The American Legion Family launched the first National Poppy Day, the Friday preceding Memorial Day. The goal of National Poppy Day is to expand awareness and provide support for all who have served and sacrificed in the U.S. Armed Forces.
- Schmidt represented the Legion at an historic commemoration of the centennial of U.S. entry into World War I in Kansas City, Mo., in April.
- In Honolulu, Legion volunteers played significant roles in December events commemorating the attack on Pearl Harbor 75 years ago.

Connections

- www.legion.org/honor
- www.legion.org/memorials
- www.legiontown.org
- Subscribe to the Legion’s monthly Honor & Remembrance e-newsletter at www.legion.org/enewsletters
- On Facebook, search for “The American Legion: Honor and Remembrance”



A poppy clings to the Vietnam Veterans Memorial Wall, placed there by Medal of Honor recipient Edward Byers on National Poppy Day in May.

Photo by Lucas Carter/The American Legion



Victor Driver salutes his fellow Premier Boys State citizens as they march around the campus of Eastern Illinois University.

Photo by Clay Lomneth/The American Legion

“The Oratorical Contest is an amazing program, and I’ve been incredibly thankful to be a part of something much greater than myself ... to represent my generation and represent a constitutional responsibility for our nation.”

Andrew Steinberg, 2017 American Legion National Oratorical winner

A commitment to tomorrow’s leaders

In 2016, more than 170,000 young men and women participated in Americanism youth programs, such as Boys State, Boys Nation, Oratorical Contest, Junior Shooting Sports, Legion Baseball and Youth Cadet Law Enforcement. The American Legion’s Americanism Commission supports all the organization’s youth programs, which foster pride in our country and cultivate leadership, sportsmanship, citizenship and character.

The Oratorical Contest celebrated its 80th national finals competition in Indianapolis in April. Since 1938, the contest has given youth a deeper understanding of the U.S. government and law, as well as the duties, responsibilities, rights and privileges of American citizenship. Every year, over 7,000 high school students from across the nation participate in Oratorical contests at the post, district and departments level for a chance to be one of 53 participants who earn a trip to the finals to compete for a first-place finish and \$48,000 in scholarships to the top three finishers.

American Legion youth programs have shaped and enriched the lives of millions of people, including former President Bill Clinton, Carolina Panthers head coach Ron Rivera and CNN co-founder Lou Dobbs. Other alumni have gone on to become members of Congress, professional athletes, journalists, astronauts, entertainers, TV and film producers, and high-profile public servants.

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- scouting@legion.org

Connections

- www.legion.org/programs

“Military children like myself can grow up knowing our future is secured with the help of The American Legion, which makes it clear that we haven’t been left behind, and our future is important.”

Kenneth Wilder, a 2016 American Legion Legacy Scholarship recipient

Legion scholarships open doors for higher education

The American Legion offers a number of national scholarships to assist young people in their pursuit of higher education. In 2016, the Legion awarded \$516,902 in scholarships at the national level to 237 youths.

The number of scholarships awarded in 2017 will be significantly higher, thanks to the National Executive Committee’s passage of Resolution 1 during the 2016 Spring Meetings. It expands the American Legion Legacy Scholarship’s eligibility to include children of post-9/11 veterans with combined individual VA disability ratings of 50 percent or greater, as well as continuing to give priority to children of parents who died while serving on active duty on or after 9/11. The renewable scholarship awards up to \$20,000 in aid. During this year’s Spring Meetings, the Legacy Scholarship Fund awarded more than \$670,000 in financial aid to 55 recipients.

Other Legion education opportunities include the Samsung American Legion Scholarship, which honors Boys State and Girls State attendees who are direct descendants of wartime veterans; the Junior Shooting Sports tournament, in which young air-rifle marksmen compete in standing, prone and kneeling positions; the Oratorical Contest, a constitutional speech contest that teaches leadership qualities, the history of our nation’s laws, the ability to think and speak clearly, and a better understanding of the duties, responsibilities, rights and privileges of U.S. citizenship; the American Legion Eagle Scout of the Year Award; and the American Legion Baseball All-Academic Team, which includes players nominated by each of the eight regions.

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Connections

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DR ★ REMEMBER



University of Hawaii freshman Chelsea Briggs holds the boots of her father, Air Force Staff Sgt. Raymond Briggs, who died Dec. 1, 2010. She is a recipient of an American Legion Legacy Scholarship.
Photo by Lucas Carter/The American Legion



BOGERT PARK
FARMERS' MARKET
Tuesdays, 5-8pm
June-September

Legionnaire Randy Kemp of Bozeman, Mont., places flags around town for Memorial Day. Kemp and other Post 14 members set up 84 American flags on Main Street before the parade each year.
Photo by Lucas Carter/The American Legion

“The American people have simply given too much for the flag to not have the ability to protect it.”

U.S. Rep. Steve Womack, R-Ark., after introducing House Joint Resolution 61, which seeks to return to Congress the authority to prohibit physical desecration of the U.S. flag

To protect the nation’s symbol of freedom

The American Legion has been devoted to Old Glory since its founding. It was the Legion that in 1923 and 1924 organized national flag conferences that established rules for proper display and treatment of the banner under which so many have fought and died. Those rules were quickly adopted by states, schools and municipalities and, in 1942, became the U.S. Flag Code.

Often working with local Boy Scout units, American Legion posts conduct proper flag-retirement ceremonies and serve as collection points for flags that are worn or tattered. Across the country, Legionnaires take up the responsibility of displaying the U.S. flag in public spaces, memorials and cemeteries.

In 1989, when the U.S. Supreme Court ruled 5-4 in *Texas v. Johnson* that intentional physical flag desecration is protected speech under the First Amendment of the U.S. Constitution, the Legion went to work, assembling the Citizens Flag Alliance and lobbying on Capitol Hill to seek a constitutional amendment restoring to the people the right to protect the flag. As written and proposed in congressional sessions over the years, the amendment reads simply: “The Congress shall have power to prohibit the physical desecration of the flag of the United States.”

U.S. Rep. Steve Womack, R-Ark., introduced House Joint Resolution 61 early in 2017 calling for the constitutional amendment, which would require a two-thirds majority vote in both houses of Congress. The measure was referred to the House Committee on the Judiciary on Feb. 2, 2017. On Flag Day 2017, U.S. Sen. Steve Daines, R-Mont., introduced flag amendment legislation in the Senate, and the Legion began calling on co-sponsors. All 50 states have passed memorializing resolutions in support of the amendment, and polls have shown that the majority of the public favors a constitutional amendment to protect the U.S. flag.

To spread awareness of the flag’s history and identity from the Revolution to today, the American Legion 100th Anniversary Observance Committee has produced a 114-page special publication titled “Indivisible: The Story of Our Flag,” which is available for purchase online at www.legion.org/emblemsales.

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“I would like to thank you for the well-published magazine you produce. I read the March 2017 issue in its entirety The info, offers and featured articles are professionally done and have Legion members’ best interests at the forefront.”

Harold Schreiner, a member of American Legion Post 372 in Mandarin, Fla.

Legion media channels continue to multiply

One prominent feature of social media is video content, and The American Legion is determined to stay abreast of trends to publicize the message of what it does every day for servicemembers, veterans, families and the nation.

To that end, 2017 has seen the launch of American Legion event coverage on Facebook Live, the platform’s live video streaming service. Coverage surrounding Inauguration Day in Washington in January brought, between views, shares and other mentions, a total reach of more than 25,000. Coverage of National Commander Charles E. Schmidt’s speech to assembled Legion Family members at the Washington Conference in February, prior to their visiting with their elected officials on Legion legislative priorities, had a total reach of more than 91,000. And coverage from the finals of the Legion’s National Oratorical Contest in April had a total reach of more than 15,000. More opportunities are planned for the year to replace the Legion’s traditional live streaming platform.

The Legion’s national website, **www.legion.org**, counted 3.03 million page views in May 2017; these are the fruits of a major site redesign last spring. Almost half of those visits are now on mobile devices. The Legion’s information channels continue to expand – more than 10 different e-newsletters, with an open rate of 20 to 40 percent (the industry standard is 14 percent); more than 200 brochures that are edited, designed and published annually; *The American Legion Magazine*, still No. 1 out of 179 in terms of readership frequency; and more. The channels now number more than 40, and will continue to expand as the communications landscape gives the Legion more opportunities to reach Americans of all ages.

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Connections

- www.legion.org/media
- www.legion.org/facebook
- twitter.com/AmericanLegion
- www.youtube.com/user/AmericanlegionHQ
- www.instagram.com/theamericanlegion
- On LinkedIn, under Companies, search for “The American Legion”



*The speeches of 2017 Oratorical Contest champion Andrew Steinberg of Newton, Mass., and other finalists were streamed on Facebook Live.
Photo by Clay Lomneth/The American Legion*



Members of the American Legion Family ride through downtown Cincinnati during the National Convention Parade last August.
Photo by Lucas Carter/The American Legion

“I’ve seen our people in action. When they put their minds to something, they can accomplish just about anything.”

Legion Riders Chapter 2008 President Frank Serrano,
after area Riders raised \$4,250 for a local veteran

Legion Riders lift up children, veterans

There was a time when raising \$1 million before and during the annual American Legion Legacy Run at one time seemed a lofty goal. But it’s become the norm for the American Legion Riders, who surpassed \$1 million in 2016 for the third straight year, bringing home \$1.15 million to provide scholarships for the children of fallen post-9/11 U.S. military personnel and disabled veterans. In 11 years, the Riders have helped raise \$7 million for the American Legion Legacy Scholarship Fund.

Legion Riders take on projects, and they deliver. When Army veteran Robert Dickinson’s home burned to the ground, Riders in the Colorado Springs, Colo., area raised more than \$4,200 to assist him. Riders Chapter 560 in Zimmerman, Minn., raised \$10,000 to assist a program pairing service dogs with veterans struggling with post-traumatic stress disorder. And Chapter 341 in Cicero, Ind., helped its post raise \$6,000 to provide a local teen with a service dog trained to monitor blood sugar levels.

Legion Riders routinely provide escorts at veterans’ funerals; members of Chapter 136 in Saint James City, Fla., rode 150 miles round-trip to attend the funeral of a homeless veteran no one in the chapter had ever met.

Joining the Legion and the Riders in the Legion Family are the American Legion Auxiliary (female relatives of Legion-eligible veterans) and Sons of The American Legion (male descendants of Legion-eligible veterans). All these groups work together at the post, department and national level to serve our nation’s veterans, the military, their families and the country’s youth.

Contact

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

Connections

- www.legion.org/riders
- www.legion.org/auxiliary
- www.legion.org/sons

“They served the government, their communities, states and nation. Foremost, they served each other They assumed, correctly, that they would be the arbiters of American patriotism, pride and remembrance. And, as they did in the war, they stuck together.”

American Legion National Commander Charles E. Schmidt, on the Legion's founders

A salute to the Legion's founding generation

Organized by veterans of the Great War in 1919, The American Legion has a profound interest in, and connection to, the centennial of that war.

On April 6, National Commander Charles E. Schmidt was among the speakers from 27 countries at “In Sacrifice for Liberty and Peace,” a ceremony commemorating the centennial of U.S. entry into World War I. Nearly 4,000 people attended the multimedia event, held at the National World War I Museum & Memorial in Kansas City, Mo. The Legion's relationship with the city goes back to 1921, when its third national convention was held there, and the first Distinguished Service Medals – the Legion's highest honor – were presented to Allied war leaders from Europe.

The American Legion is a supporting organization of the 100 Cities/100 Memorials grant-matching program sponsored by the U.S. World War One Centennial Commission and the Pritzker Military Museum & Library, which invited local entities – including American Legion posts – to submit plans for the restoration of area World War I monuments and memorials.

The centennial of World War I leads into the centennial of The American Legion, formed in the war's aftermath. Plans for the Legion's centennial are well underway; a 15-month centennial celebration will run from the 2018 national convention through the 2019 national convention, hitting the milestones of the organization's legacy, and wrap up on Veterans Day 2019.

The centennial celebration website, where Legion posts share their own histories and stories, launched in 2013. More than 2,400 post profiles have been started from all 50 states and several foreign countries. In addition to the national 100th Anniversary Observance Committee, posts and departments around the country have assembled centennial committees of their own.

Connections

- www.legion.org/centennial
- www.legion.org/honor
- www.legion.org/newsletters (to subscribe to the Centennial Celebration e-newsletter)



The Patrouille de France's jets fly over the Liberty Memorial at the April 6 ceremony to commemorate the 100th anniversary of U.S. entry into World War I.

Photo by Rita Clark



Patricia Liddell of Post 333 in Columbus, Ga., hugs Hai Clay, who joined the Legion at Liddell's invitation on Sept. 16, 2016.

Photo by Clay Lomneth/The American Legion

“When I wear my hat to the post office or grocery store, people are looking. They want to be a part of an organization that’s fighting for veterans.”

Patricia Liddell, the Legion’s 2016 National Recruiter of the Year

The power of membership growth

For 98 years, The American Legion has been a powerful advocate for the nation’s veterans, its military and their families. A healthy and growing membership only strengthens that advocacy.

Through revitalization efforts, the national staff works with local and department Legionnaires on a district-wide level to transfer members currently in department headquarters (HQ) posts into local posts. Members are more likely to renew if they see the power of their membership at the local level. Since September 2016, more than 11,000 HQ post members have been transferred into local posts through national and local revitalization efforts.

Posts and departments are taking non-traditional approaches to membership, too. In North Carolina, the “Pony Express Ride” has Legion Riders from all over the state riding from post to post, collecting new membership and renewal forms at every stop to deliver to department headquarters. In Prescott, Ariz., the Post 140 Veterans Resource Center works with other nonprofits in its community to create a place where disabled people, particularly veterans, can find the services they need.

Membership and Internal Affairs initiatives

- Provide training through the LEAD (Leadership Education And Development) program
- Increase awareness of American Legion Riders and other membership-generating programs
- Active involvement in membership marketing
- Development and distribution of recruitment materials
- Provide leadership training through American Legion College
- New features on myLegion.org

Contact

- membership@legion.org

Connections

- www.legion.org/membership
- www.mylegion.org

“Schermer Pecan Company has been privileged enough to be a part of the past eight conventions. The best part is meeting all of the great veterans who have served our country so proudly.”

Melita Humphries, marketing manager of Schermer Pecan Company

Making memories – and news

Nearly 9,000 Legionnaires and their families gather at the Legion’s national convention each August. They meet to celebrate the accomplishments of the past year, conduct organizational business, elect new national officers, perform community service and more.

And they don’t do it alone. The convention has a tradition of drawing dignitaries from the military, politics and other arenas to address attendees. The 2016 convention in Cincinnati included remarks from presidential candidates Hillary Clinton and Donald Trump, Ohio congressional leaders and representatives, envoys from foreign veterans organizations, then-VA Secretary Bob McDonald, Boy Scouts of America Chief Scout Executive Michael B. Surbaugh and others. Singer/actor Larry Gatlin served as master of ceremonies.

The 2018 and 2019 national conventions will center on the Legion’s Centennial Celebration, a 15-month observance that will wrap up on Veterans Day 2019. Convention corporations in Minnesota and Indiana are pulling out all the stops, with vintage military vehicles, musical performances and more planned.

As always, social media and the national website will share the activities in real time with Legionnaires everywhere.

Future national convention cities

- Minneapolis, Minn. (2018) – 100th National Convention
- Indianapolis, Ind. (2019) – 100th Birthday of The American Legion
- Louisville, Ky. (2020)
- Phoenix, Ariz. (2021)
- Milwaukee, Wis. (2022)

Contact

- convention@legion.org

Connections

- www.legion.org/convention
- www.legion.org/facebook
- twitter.com/AmericanLegion



Walter Ivie and others in the Department of Texas delegation parade through downtown Cincinnati during the Legion's 98th National Convention.
Photo by Clay Lomneth/The American Legion



Attendees at The American Legion's annual Washington Conference check out the Emblem Sales booth at the Washington Hilton.

Photo by Clay Lomneth/The American Legion

“With our Flag Rewards-earned Emblem Sales credit, we purchase Legion shirts, hats and ties to keep on hand for new members.”

Dennis Pingel of Post 42 in Ankeny, Iowa, which has earned nearly \$7,500 in Flag Rewards Program credit since 2010

The rewards of American Legion Family merchandise

The Emblem Sales Division offers a variety of merchandise, such as American Legion caps, flags and banners, coins, license plates and shirts that can be customized with a member’s name or post number. Nearly everything purchased through Emblem Sales can be customized, including items commemorating the Legion’s 100th anniversary.

American Legion Auxiliary and Sons of The American Legion items are available as well.

Emblem Sales is a leading seller of American-made U.S. flags, selling more than 1 million flags each year. Legion posts participating in the Flag Rewards program reap awards from the flags they buy or promote through Emblem Sales, receiving receive a 10-cent credit for each dollar spent. Purchases include those made by the post, as well as by the post’s members, friends, neighbors, local schools and businesses that choose to sponsor the post by buying their flags from the Legion. The credit is good toward future purchases of any Emblem Sales catalog item. Nearly 775 posts participate in the Flag Rewards program.

In 2016, Emblem Sales processed 106,828 orders and recorded more than \$13 million in total revenue. Orders can be taken online, over the phone, through the mail or in person at the John H. Geiger Operations Center in 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 on weekdays, fax an order to **(317) 630-1381**, or email **emblem@legion.org**.
- The American Legion Emblem Sales website – **www.emblem.legion.org** – provides safe, convenient online shopping for a variety of items and products for individuals and posts.
- For custom orders, email **specialorders@legion.org**, call **(866) 632-7131** or fax **(317) 630-1250**.

Contact

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

Connections

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

“We get to remember our history and those who didn’t come home, and their families. At Boeing, this is our nature.”

Medal of Honor recipient Flo Groberg,

director of Veteran, Outreach and Community Engagements for the Boeing Co.,
a sponsor of The American Legion-led Salute to Heroes Inaugural Ball
and premier sponsor of National Poppy Day

Strategic alliances, National Poppy Day and more

The American Legion’s vital place in society, as a trusted provider of services and programs at every level of community, state and nation, is perhaps the organization’s most valuable asset. Major corporations, companies and like-minded associations are discovering like never before the power of connecting their brands with the Legion’s integrity.

In addition to a growing family of discount providers and affinity relationships such as USAA, the Legion’s preferred provider of financial services, this year has included new alliances with the Boeing Co., American Airlines and Walmart, along with refreshed relationships with such companies as Samsung, which has entrusted The American Legion to award college scholarships to qualified U.S. students for more than 20 years in honor of U.S. military support of South Korea for over a half-century.

The American Legion-led Salute to Heroes Inaugural Ball in January featured American Airlines as the premier sponsor and UPS as dinner sponsor. Multiple other companies supported the event, which included the announcement of National Poppy Day to kick off in May 2017, with the Boeing Co. as premier sponsor. Support from values-driven corporate alliances helps The American Legion produce and execute honorable and highly visible events and activities, including the American Legion Legacy Run and the American Legion Baseball World Series, which raise brand awareness of the Legion as well as its supporters.

Nearly two dozen reinvigorated American Legion discount providers offer special prices and services for Legionnaires, from Amplifon hearing devices to Club Cellular phone plans and more.

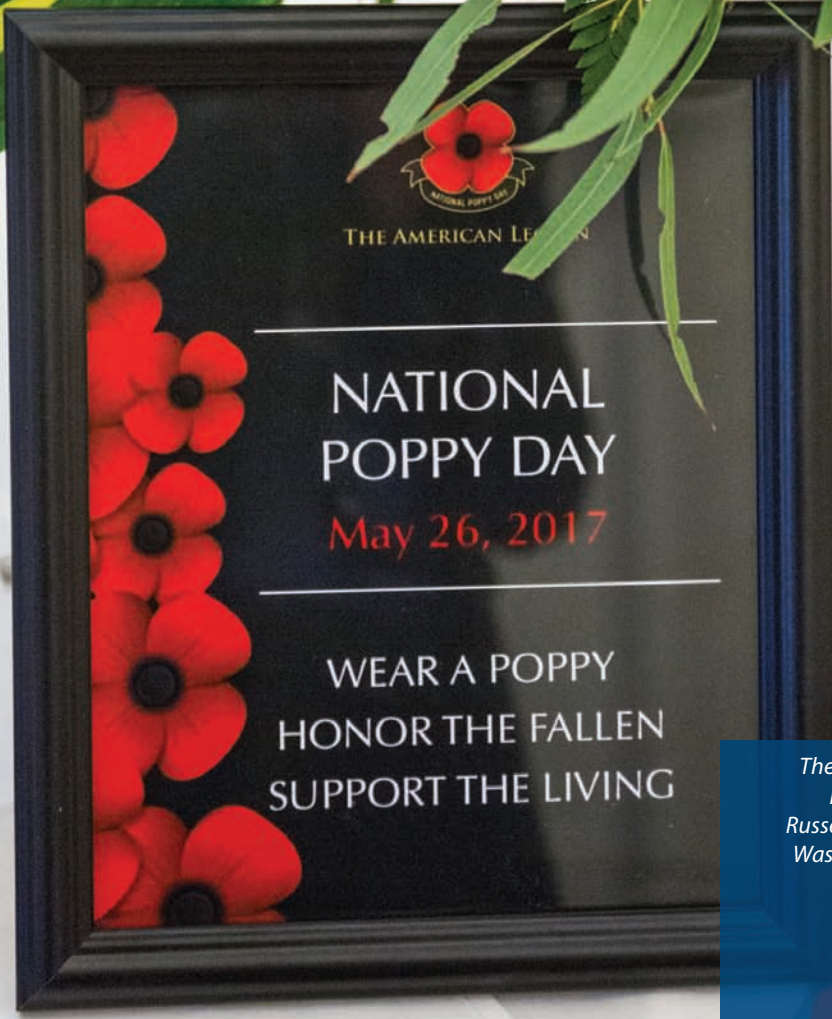
Contact

■ marketing@legion.org

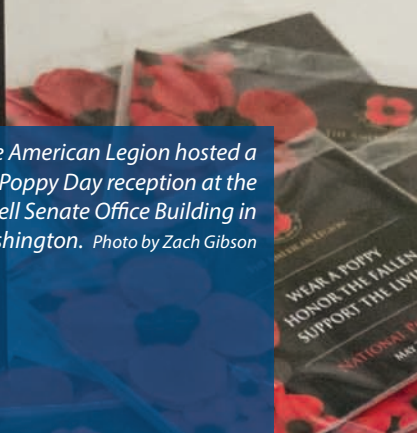
Connections

■ www.legion.org/benefits

■ www.legion.org/alliances



The American Legion hosted a Poppy Day reception at the Russell Senate Office Building in Washington. Photo by Zach Gibson



INDEPENDENT AUDITOR'S REPORT

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, 2016 and 2015, 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, 2016 and 2015, 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

Crowe Horwath LLP
Indianapolis, Indiana
April 28, 2017

**The American Legion National Headquarters
Consolidated Statements of Financial Position
December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 1,256,591	\$ 1,221,375
Accounts receivable	5,285,909	5,662,531
Interest receivable	838,861	832,330
Prepaid expenses and deposits	1,911,233	3,020,736
Deferred membership expense	4,950,405	4,004,549
Inventory	2,847,503	2,818,625
Investment in affiliate (CFA)	13,575	14,234
Beneficial interest in trust	<u>151,994</u>	<u>185,743</u>
	17,256,071	17,760,123
Investments		
General	15,421,583	10,760,717
Segregated for Restricted and Reserved Funds	34,066,122	33,246,316
Paid-Up-For-Life Membership fund	29,615,976	31,395,174
Samsung scholarship fund	7,609,593	7,779,450
Building funds	5,938,455	5,778,612
Sept. 11 Memorial scholarship fund	12,065,719	10,419,912
Special account – Endowment Fund	2,252,939	2,263,718
General account – Endowment Fund	7,463,980	7,508,680
National Emergency Fund	4,841,986	4,445,426
American Legion Charities	3,791,850	3,234,150
Other	<u>3,839,637</u>	<u>3,702,116</u>
	126,907,840	120,534,271
Property, plant and equipment, net	<u>4,679,174</u>	<u>5,272,164</u>
	<u>\$ 148,843,085</u>	<u>\$ 143,566,558</u>
LIABILITIES		
Accounts payable	\$ 3,405,248	\$ 3,639,310
Scholarships payable	1,091,879	1,020,888
Deposits on emblem merchandise sales	290,318	394,662
Deferred income	1,394,884	816,199
Deferred dues income	27,449,484	21,236,699
Deferred income – direct membership solicitation	3,696,407	3,840,834
Accrued vacation benefits	1,002,001	997,727
Accrued pension expense	12,058,718	13,141,467
Other liabilities	1,528,684	1,945,295
Notes payable	831,449	1,025,149
Deferred dues income – Paid-Up-For-Life membership	23,532,607	22,915,052
Life memberships due to state and local posts	<u>26,093,304</u>	<u>24,962,632</u>
	102,374,983	95,935,914
NET ASSETS		
Unrestricted	8,742,165	12,636,051
Temporarily restricted	24,729,158	21,934,493
Permanently restricted	<u>12,996,779</u>	<u>13,060,100</u>
Total net assets	<u>46,468,102</u>	<u>47,630,644</u>
	<u>\$ 148,843,085</u>	<u>\$ 143,566,558</u>

See accompanying notes to consolidated financial statements.

The American Legion National Headquarters
Consolidated Statement of Activities
Year ended December 31, 2016

	Unrestricted	Temporary Restricted	Permanently Restricted	Total
Revenue, gains and other support				
National member dues	\$ 25,782,809	\$ -	\$ -	\$ 25,782,809
Direct membership solicitations	6,165,333	-	-	6,165,333
Member service fees income	631,106	-	-	631,106
Affinity income	2,506,181	-	-	2,506,181
Sales of emblem items	13,020,287	-	-	13,020,287
Advertising	9,563,462	-	-	9,563,462
Contributions	12,410,731	3,282,236	55,232	15,748,199
Label and printing fees	1,566,817	-	-	1,566,817
Interest and dividends, net of Trustee fees of \$348,294	1,762,993	1,007,686	-	2,770,679
Net realized gains (losses)	174,520	30,590	(38,142)	166,968
Other	<u>2,762,247</u>	<u>10,000</u>	<u>-</u>	<u>2,772,247</u>
	76,346,486	4,330,512	17,090	80,694,088
Net assets released from restriction	<u>1,284,235</u>	<u>(1,284,235)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	77,630,721	3,046,277	17,090	80,694,088
Expenses				
Salaries	16,198,035	-	-	16,198,035
Employee benefits	4,207,101	-	-	4,207,101
Cost of sales – Legion	7,036,004	-	-	7,036,004
Department and magazine costs	2,943,026	-	-	2,943,026
Direct publications	10,863,367	-	-	10,863,367
Executive, staff and program travel	3,633,261	-	-	3,633,261
Commission and committee	1,758,486	-	-	1,758,486
Printing and postage	12,910,600	-	-	12,910,600
Scholarships, grants and awards	1,989,396	-	-	1,989,396
Office and other operating	13,345,446	-	-	13,345,446
Occupancy and usage	2,049,531	-	-	2,049,531
Special projects and programs	<u>2,794,203</u>	<u>-</u>	<u>-</u>	<u>2,794,203</u>
	79,728,456	-	-	79,728,456
Change in net assets from operations	(2,097,735)	3,046,277	17,090	965,632
Net unrealized loss – investments	(318,591)	(251,612)	(80,411)	(650,614)
Net change in PUFL	(1,886,814)	-	-	(1,886,814)
Amortization of pension loss	(2,506,774)	-	-	(2,506,774)
Pension-related changes other than net periodic pension cost	<u>2,916,028</u>	<u>-</u>	<u>-</u>	<u>2,916,028</u>
Change in net assets	(3,893,886)	2,794,665	(63,321)	(1,162,542)
Net assets, beginning of year	<u>12,636,051</u>	<u>21,934,493</u>	<u>13,060,100</u>	<u>47,630,644</u>
Net assets, end of year	<u>\$ 8,742,165</u>	<u>\$ 24,729,158</u>	<u>\$ 12,996,779</u>	<u>\$ 46,468,102</u>

See accompanying notes to consolidated financial statements.

The American Legion National Headquarters
Consolidated Statement of Activities
Year ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporary Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue, gains and other support				
National member dues	\$ 25,741,665	\$ -	\$ -	\$ 25,741,665
Direct membership solicitations	6,996,057	-	-	6,996,057
Member service fees income	703,326	-	-	703,326
Affinity income	2,830,783	-	-	2,830,783
Sales of emblem items	13,142,697	-	-	13,142,697
Advertising	10,132,570	-	-	10,132,570
Contributions	11,239,150	3,263,091	137,774	14,640,015
Label and printing fees	2,297,959	-	-	2,297,959
Interest and dividends, net of Trustee fees of \$380,485	1,719,980	872,859	-	2,592,839
Net realized gains (losses)	277,286	(8,336)	1,837	270,787
Other	<u>2,731,630</u>	<u>42,000</u>	<u>-</u>	<u>2,773,630</u>
	77,813,103	4,169,614	139,611	82,122,328
Net assets released from restriction	<u>1,296,836</u>	<u>(1,296,836)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	79,109,939	2,872,778	139,611	82,122,328
Expenses				
Salaries	15,857,984	-	-	15,857,984
Employee benefits	3,970,750	-	-	3,970,750
Cost of sales – Legion	7,126,612	-	-	7,126,612
Department and magazine costs	3,068,596	-	-	3,068,596
Direct publications	11,373,424	-	-	11,373,424
Executive, staff and program travel	3,860,681	-	-	3,860,681
Commission and committee	1,555,462	-	-	1,555,462
Printing and postage	13,091,362	-	-	13,091,362
Scholarships, grants and awards	1,897,428	-	-	1,897,428
Office and other operating	15,205,040	-	-	15,205,040
Occupancy and usage	1,966,184	-	-	1,966,184
Special projects and programs	<u>2,042,405</u>	<u>-</u>	<u>-</u>	<u>2,042,405</u>
	81,015,928	-	-	81,015,928
Change in net assets from operations	(1,905,989)	2,872,778	139,611	1,106,400
Net unrealized gains - investments	(989,751)	(328,989)	(67,346)	(1,386,086)
Net change in PUFL	751,375	-	-	751,375
Amortization of pension loss	(2,470,872)	-	-	(2,470,872)
Pension-related changes other than net periodic pension cost	<u>956,164</u>	<u>-</u>	<u>-</u>	<u>956,164</u>
Change in net assets	(3,659,073)	2,543,789	72,265	(1,043,019)
Net assets, beginning of year	<u>16,295,124</u>	<u>19,390,704</u>	<u>12,987,835</u>	<u>48,673,663</u>
Net assets, end of year	<u>\$ 12,636,051</u>	<u>\$ 21,934,493</u>	<u>\$ 13,060,100</u>	<u>\$ 47,630,644</u>

See accompanying notes to consolidated financial statements.

The American Legion National Headquarters Consolidated Statements of Cash Flows Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (1,162,542)	\$ (1,043,019)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation expense	795,306	829,447
Loss on disposal of property and equipment	-	72
Realized gain on sale of investments	(166,968)	(270,787)
Unrealized loss on investments	650,614	1,386,086
Net change in Paid-Up-For-Life annuity	1,886,814	(751,375)
Amortization of pension loss	2,506,774	2,470,872
Pension-related changes other than net periodic pension cost	(2,916,028)	(956,164)
Contributions restricted for long-term purposes	(55,232)	(137,774)
Changes in assets and liabilities:		
Accounts receivable	376,622	(274,483)
Interest receivable	(6,531)	(131,093)
Prepaid expenses and deposits	1,109,503	(1,440,418)
Deferred membership expense	(945,856)	1,615,045
Inventories	(28,878)	(114,268)
Beneficial interest in trust	33,749	32,157
Accounts and scholarships payable	(163,071)	2,234,063
Deferred income	6,404,112	4,392,433
Accrued pension expense	(673,495)	(1,017,532)
Other accrued liabilities	(412,337)	721,911
Net cash from operating activities	<u>7,232,556</u>	<u>7,545,173</u>
Cash flows from investing activities		
Purchase of property and equipment	(202,316)	(438,840)
Purchase of investments	(66,209,480)	(60,419,613)
Sales and maturities of investments	59,352,265	52,309,666
Investments in affiliate (CFA)	659	2,356
Net cash from investing activities	<u>(7,058,872)</u>	<u>(8,546,431)</u>
Cash flows from financing activities		
Contributions restricted for long-term purposes	55,232	137,774
Repayment on notes payable	(193,700)	(186,800)
Net cash from financing activities	<u>(138,468)</u>	<u>(49,026)</u>
Net increase (decrease) in cash and cash equivalents	35,216	(1,050,284)
Cash and cash equivalents, beginning of year	<u>1,221,375</u>	<u>2,271,659</u>
Cash and cash equivalents, end of year	<u>\$ 1,256,591</u>	<u>\$ 1,221,375</u>
Supplemental cash flows information		
Interest paid	\$ 25,424	\$ 34,495

See accompanying notes to consolidated financial statements.

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

Nature of Organization: The American Legion National Headquarters (“Legion”) is a national veterans organization which was declared to be a corporate body by an Act of the United States Congress on September 16, 1919. According to the Original Act and Subsequent Amendments, the purpose of the Legion is “To uphold and defend the Constitution of the United States of America; to promote peace and goodwill among the peoples of the United States and all the nations of the earth; to preserve the memories and incidents of the two World Wars and the other great hostilities fought to uphold democracy; to cement the ties and comradeship born of service; and to consecrate the efforts of its members to mutual helpfulness and service to their country.”

Nearly 40% of the Legion’s income is derived from membership dues (including amounts allocated for magazine subscriptions). An additional 11 - 12% is generated through advertising for the American Legion Magazine. Another significant source of income is Emblem sales, which includes the sale of apparel, jewelry, and other items bearing the American Legion Emblem. Income is expended by the Legion on several different programs including The American Legion Magazine, Emblem sales, veterans’ assistance and rehabilitation, youth programs and others. The Legion’s youth programs include American Legion baseball, oratorical contests and Boy’s Nation.

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

The American Legion Charities is a tax exempt trust established to solicit funds from individuals, organizations and corporations and to disburse said funds as may be directed to various Legion programs and charities.

The American Legion Endowment Fund Corporation, a tax-exempt Indiana corporation, was created to provide permanent funding for the rehabilitation of American veterans and assistance to orphans of veterans.

The National Emergency Fund is a tax-exempt trust established to provide gifts and grants to relieve suffering and ameliorate financial hardship incurred by American Legion members, families and Posts.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles 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 include cash on hand and less than 90 day deposit balances with banks. The Legion maintains all of its cash deposits in banks and brokerage firms. This may result in a concentration of credit risk in the case of a severe regional financial failure. The maximum amount at risk is the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by federal insurance. The Federal Deposit Insurance Corporation (“FDIC”) insures deposits up to \$250,000 per financial institution.

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, 2016 and 2015.

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, 2016 and 2015.

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 2016 and 2015, 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, 2016 and 2015, 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 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, 2016 and 2015.

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: As disclosed in Note 16, 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.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to December 31, 2016, to determine the need for any adjustments or disclosures to the financial statements for the year ended December 31, 2016. Management has performed their analysis through April 28, 2017, 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	12/10/2015	\$ 492,204
World War II Posters	12/10/2015	469,039
Military Unit Histories	12/10/2015	112,410
Fine Art Collection	12/10/2015	980,000
Museum Collection	12/10/2015	120,475

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 \$(659) and \$(2,356) in 2016 and 2015, respectively. Accordingly, the Legion's investment in CFA has been changed by these amounts and corresponding adjustments have been reflected in unrestricted net assets for 2016 and 2015.

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 2.05% discount rate in 2016 and a 2.54% discount rate in 2015, the present value of future benefits expected to be received by the ALEF is estimated to be \$151,994 and \$185,743 at December 31, 2016 and 2015, 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 15.

The fair value of beneficial interest in trust assets is determined using the income approach and is based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates assumptions that market participants would use in estimating future distributed income.

The Legion is able to compare the valuation model inputs and results to widely available published industry data for reasonableness; however, the Legion is unable to redeem the assets of the trust and only receives distributions (Level 3 inputs).

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, 2016 using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Beneficial interest in trust	\$ -	\$ -	\$ 151,994
Money market accounts	16,823,777	-	-
U.S. Government obligations	-	39,610,707	-
State and municipal bonds	-	26,705,453	-
Corporate bonds	-	43,767,903	-
	\$ 16,823,777	\$ 110,084,063	\$ 151,994

	Fair Value Measurements at Dec. 31, 2015, using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:			
Beneficial interest in trust	\$ -	\$ -	\$ 185,743
Money market accounts	11,831,530	-	-
U.S. Government obligations	-	46,032,144	-
State and municipal bonds	-	23,063,167	-
Corporate bonds	-	39,607,430	-
	<u>\$ 11,831,530</u>	<u>\$ 108,702,741</u>	<u>\$ 185,743</u>

The tables below presents 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 December 31, 2016 and 2015:

	Beneficial Interest in Trust
Beginning balance, Jan. 1, 2016	\$ 185,743
Change in value of split interest agreements	5,927
Distributions from trust	(39,676)
Ending balance, Dec. 31, 2016	<u>\$ 151,994</u>
	Beneficial Interest in Trust
Beginning balance, Jan. 1, 2015	\$ 217,900
Change in value of split interest agreements	7,519
Distributions from trust	(39,676)
Ending balance, Dec. 31, 2015	<u>\$ 185,743</u>

NOTE 6 – PROPERTY AND EQUIPMENT

The Legion's property and equipment, and the related accumulated depreciation at December 31, 2016 and 2015 are as follows:

	2016	2015
Washington, D.C., real estate		
Land	\$ 80,000	\$ 80,000
Building	5,621,056	5,621,056
Indianapolis real estate		
Land	389,264	389,264
Building	4,082,610	4,082,610
Furniture, fixtures and equipment		
National Headquarters, Indianapolis	6,834,390	6,800,866
Washington, D.C.	765,312	766,923
Construction in progress	98,838	-
	17,871,470	17,740,719
Less accumulated depreciation	(13,192,296)	(12,468,555)
	<u>\$ 4,679,174</u>	<u>\$ 5,272,164</u>

Depreciation expense for the years ended, December 31, 2016 and 2015 was \$795,306 and \$829,447, respectively.

NOTE 7 – LONG-TERM DEBT

In 2013, the Legion refinanced its long-term debt. Principal and interest is payable in monthly installment, with the 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 \$831,449 and \$1,025,149 as of December 31, 2016 and 2015.

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

2017	\$ 199,200
2018	205,200
2019	211,200
2020	215,849
Total	<u>\$ 831,449</u>

Interest expense was \$25,424 and \$34,495 for the years ended December 31, 2016 and 2015, 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 \$831,449 and \$1,025,149 at December 31, 2016 and December 31, 2015, respectively. 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.

NOTE 8 – LEASES

The Legion has several non-cancelable operating leases, primarily for facilities, computer equipment, and copiers that expire at various dates through 2020. Rent expense under these leases for the years ended December 31, 2016 and 2015 was \$478,963 and \$482,073, respectively.

Minimum lease commitments are as follows:

2017	\$ 214,525
2018	77,023
2019	69,976
2020	41,952
	<u>\$ 403,476</u>

In addition, the Legion had 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 2016 and 2015 was \$982,978 and \$975,940, respectively. Insurance coverage is included in the Legion's general insurance policy.

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

The National Executive Committee approved the establishment of a life membership plan available to any member of a participating department. In accordance with the plan, the assets of the Paid-Up-For-Life ("PUFL") Membership Fund are included in unrestricted, board designated net assets and segregated in a trust account from which funds equal to the annual dues of life members are withdrawn for current operations each year. The trust agreement provides that the Legion has the right to withdraw part or all of the assets of the trust account and to modify or terminate the trust agreement at its discretion.

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

NOTE 10 – RESTRICTED AND RESERVE DESIGNATED FUNDS

The restricted fund is designated for use by the National Finance Commission and National Executive Committee and reported as unrestricted, board designated net assets. Earnings of the restricted fund, along with the principal, can be expended only upon recommendation of the National Finance Commission and a two-thirds affirmative vote of the National Executive Committee at two successive meetings. It is the policy of the Legion to transfer 10% of the prior year's defined net income from operations to the restricted fund. The Legion made no transfers to the restricted fund in 2016 and 2015.

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

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are donor-restricted for specific purposes. At December 31, 2016 and 2015 the restricted purposes are as follows:

	2016	2015
Overseas Graves Decoration Fund	\$ 987,387	\$ 999,271
Samsung scholarships	1,909,776	1,976,639
American Legacy Fund	12,429,174	11,058,389
National Emergency Fund	4,971,624	4,622,166
Boy Scouts	467,899	467,899
Operation Comfort Warriors	2,550,222	2,062,410
John Devore	316,089	308,564
Edwin J. Dentz VA Boy's State	662,226	-
Samsung American Legion Alumni Association	280,227	372,240
Others	154,534	66,915
	<u>\$ 24,729,158</u>	<u>\$ 21,934,493</u>

NOTE 12 – NET ASSETS RELEASED FROM RESTRICTION

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

	2016	2015
Purpose restrictions accomplished		
Overseas graves decoration	\$ 23,345	\$ 21,460
Scholarships and grants (including relief aid)	575,196	343,694
Veterans Affairs & Rehabilitation and Children & Youth programs	685,694	931,682
	<u>\$ 1,284,235</u>	<u>\$ 1,296,836</u>

NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent donor-restricted gifts that have been invested and are to be maintained in perpetuity. Income from the Samsung scholarship fund is to be used to fund undergraduate scholarships for descendants of Korean War veterans and other wars in which U.S. servicemen and servicewomen participated. Income from the American Legion Endowment Fund is to be used to support the veterans affairs and rehabilitation and children and youth activities of the Legion.

At December 31, 2016 and 2015 the permanently restricted net assets are as follows:

	2016	2015
Samsung scholarships	\$ 5,000,000	\$ 5,000,000
American Legion Endowment Fund	7,996,779	8,060,000
	<u>\$ 12,996,779</u>	<u>\$ 13,060,000</u>

NOTE 14 – ENDOWMENT COMPOSITION

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

Interpretation of Relevant Law: The National Executive Committee has interpreted the State of Indiana's Prudent Management of Institutional Funds Act ("SPMIFA") 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 SPMIFA. In accordance with SPMIFA, 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, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted endowment funds	\$ (29,252)	\$ 1,909,776	\$ 12,996,779	\$ 14,877,303
Total Funds	<u>\$ (29,252)</u>	<u>\$ 1,909,776</u>	<u>\$ 12,996,779</u>	<u>\$ 14,877,303</u>

Endowment net asset composition by type of fund as of December 31, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor restricted endowment funds	\$ -	\$ 1,976,952	\$ 13,060,100	\$ 15,037,052
Total Funds	<u>\$ -</u>	<u>\$ 1,976,952</u>	<u>\$ 13,060,100</u>	<u>\$ 15,037,052</u>

Changes in endowment net assets for the year ended December 31, 2016:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$ -	\$ 1,976,952	\$ 13,060,100	\$ 15,037,052
Investment gain/(loss):				
Investment income, net of fees	53,977	422,865	-	476,842
Net appreciation (realized and unrealized)	(11,974)	2,912	(118,553)	(127,615)
Total investment gain/(loss)	<u>\$ 42,003</u>	<u>\$ 425,777</u>	<u>\$ (118,553)</u>	<u>\$ 349,227</u>
New gifts	-	-	\$ 55,232	\$ 55,232

Appropriation of endowment assets for expenditure	(71,255)	(492,953)	-	(564,208)
Net assets, end of year	\$ (29,252)	\$ 1,909,776	\$ 12,996,779	\$ 14,877,303

Changes in endowment net assets for the year December 31, 2015:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets, beginning of year	\$ (64,308)	\$ 2,166,616	\$ 12,987,835	\$ 15,090,143
Investment gain / (loss)				
Investment income, net of fees	53,939	384,312	-	438,251
Net depreciation (realized and unrealized)	(12,274)	(82,381)	(65,509)	(160,164)
Total investment gain	\$ 41,665	\$ 301,931	\$ (65,509)	\$ 278,087
New gifts	-	-	137,774	137,774
Appropriation of endowment assets for expenditure	22,643	(491,595)	-	(468,952)
Net assets, end of year	\$ -	\$ 1,976,952	\$ 13,060,100	\$ 15,037,052

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.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor of SPMIFA requires the Legion to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets which totaled \$29,252 as of December 31, 2016. This deficiency resulted from ALEF expenditures outpacing interest and dividend income available for spending during 2016. As of December 31, 2015, the Legion did not have any funds with deficiencies.

NOTE 15 – EMPLOYEE BENEFITS

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

In May 2008, the Legion voted to freeze the plan effective June 30, 2008 and voted to adopt a 401(k) savings plan with a qualified automatic contribution arrangement effective July 1, 2008. The result of the freeze is that current employees still received the benefits they had earned as of June 30, 2008, but no future benefits were earned and no new employees were added. The 401(k) savings plan calls for a 100% match of the first 1% contributed by the employee and a 50% match of the net 5% contributed by the employee. Thus, the maximum matching percentage an employee will receive is 3.5%. The Legion made contributions of \$387,851 and \$390,532 in 2016 and 2015, 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, 2016 and 2015:

	2016	2015
Benefit obligation	\$ (57,280,490)	\$ (58,432,275)
Fair value of plan assets	45,221,772	45,290,808
Funded status	\$ (12,058,718)	\$ (13,141,467)
Service Cost	\$ -	\$ -
Interest cost	2,246,369	2,230,343
Actual loss (return) on assets	(2,944,092)	1,774,084
Amortization of prior service costs	121,085	121,085
Amortization of loss	2,506,774	2,470,872
Difference between expected and actual return on assets	(96,857)	(5,143,044)
Net periodic pension cost	\$ 1,833,279	\$ 1,453,340
Net loss	\$ (2,794,943)	\$ (835,079)
Prior service cost	(121,085)	(121,085)
Pension-related changes other than net periodic pension cost	\$ (2,916,028)	\$ (956,164)
Prepaid benefit cost	\$ 9,878,806	\$ 11,712,085
Accumulated benefit obligation	57,280,490	58,432,275
Vested benefit obligation	57,280,490	57,251,191
Net periodic pension cost	1,833,279	1,453,340
Benefits paid	3,013,128	2,889,686
Measurement date	12/31/2016	12/31/2015

Estimated future benefit payments:

2017	\$ 3,385,763
2018	3,436,172
2019	3,422,881
2020	3,460,443
2021	3,511,101
2022-2026	17,701,836

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, 40-60% in fixed income and 40-60% 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, 2016 and 2015 are as follows. See Note 5 for descriptions of inputs for each type of asset.

Fair Value Measurements at Dec. 31, 2016, 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	\$ 1,517,962	\$ -	\$ -
U.S. Government and agency obligations	-	8,914,844	-
Asset backed securities	-	1,284,457	-
Municipal bonds	-	2,890,339	-
Corporate bonds	-	16,027,526	-
Common stock:			
Materials	502,790	-	-
Industrials	2,075,214	-	-
Consumer discretionary	1,710,141	-	-
Consumer staples	1,231,831	-	-
Energy	1,269,167	-	-
Health care	1,609,698	-	-
Financials	1,987,249	-	-
Telecommunication	385,962	-	-
Technology	3,322,340	-	-
Utilities	492,252	-	-
	\$ 16,104,606	\$ 29,117,166	\$ -

Fair Value Measurements at Dec. 31, 2015, 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	\$ 1,411,074	\$ -	\$ -
U.S. Government and agency obligations	-	9,354,375	-
Asset backed securities	-	1,773,398	-
Municipal bonds	-	1,309,374	-
Corporate bonds	-	9,956,149	-
Equity Fund	4,934,044	-	-
Common stock:			
Materials	1,405,024	-	-
Industrials	2,015,527	-	-
Consumer discretionary	1,747,117	-	-
Consumer staples	1,471,941	-	-
Energy	1,171,321	-	-
Health care	1,343,873	-	-
Financials	2,817,523	-	-
Telecommunication	1,020,012	-	-
Technology	2,819,922	-	-
Utilities	358,791	-	-
Other	210,104	-	-
Accrued interest	171,239	-	-
	\$ 22,897,512	\$ 22,393,296	\$ -

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	2016	2015
Discount rate	3.81%	3.97%
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, 2016 are \$1,833,279 and \$121,085, respectively.

NOTE 16 – FUNCTIONAL EXPENSES

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

	2016	2015
Program services		
Veterans programs and services	\$ 38,798,600	\$ 38,677,294
Americanism, Children & Youth activities	2,900,234	2,325,910
	41,698,834	41,003,204
Supporting services		
Management and general	17,166,955	16,554,732
Member development	9,122,226	10,916,799
Fundraising	11,740,441	12,541,193
	38,029,622	40,012,724
	\$ 79,728,456	\$ 81,015,928

Member development includes direct response advertising expense of \$5,082,548 and \$6,766,626 for the years ended December 31, 2016 and 2015.

NOTE 17 – LITIGATION

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

SUPPLEMENTARY INFORMATION
The American Legion National Headquarters
Consolidating Statement of Financial Position
December 31, 2016

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 998,019	\$ 172,414	\$ 19,567	\$ 66,591	\$ -	\$ 1,256,591
Accounts receivable	5,290,669	-	8,234	20,674	(33,668)	5,285,909
Interest receivable	704,456	23,088	68,945	42,372	-	838,861
Prepaid expenses and deposits	1,909,365	-	1,868	-	-	1,911,233
Deferred membership expense	4,950,405	-	-	-	-	4,950,405
Due from American Legion Endowment Fund	2,000,000	-	-	-	(2,000,000)	-
Inventory	2,847,503	-	-	-	-	2,847,503
Investment in affiliate (CFA)	13,575	-	-	-	-	13,575
Beneficial interest in trust	-	-	151,994	-	-	151,994
	<u>18,713,992</u>	<u>195,502</u>	<u>250,608</u>	<u>129,637</u>	<u>(2,033,668)</u>	<u>17,256,071</u>
Investments						
General	15,421,583	-	-	-	-	15,421,583
Segregated for Restricted and Reserved funds	34,066,122	-	-	-	-	34,066,122
Paid-Up-For-Life Membership fund	29,615,976	-	-	-	-	29,615,976
Samsung scholarship fund	7,609,593	-	-	-	-	7,609,593
Building funds	5,938,455	-	-	-	-	5,938,455
Sept. 11 Memorial scholarship fund	12,065,719	-	-	-	-	12,065,719
Special account – Endowment Fund	-	-	2,252,939	-	-	2,252,939
General account – Endowment Fund	-	-	7,463,980	-	-	7,463,980
National Emergency Fund	-	-	-	4,841,986	-	4,841,986
American Legion Charities	-	3,791,850	-	-	-	3,791,850
Other	3,839,637	-	-	-	-	3,839,637
	<u>108,557,085</u>	<u>3,791,850</u>	<u>9,716,919</u>	<u>4,841,986</u>	<u>-</u>	<u>126,907,840</u>
Property, plant and equipment, net	4,679,174	-	-	-	-	4,679,174
	<u>\$ 131,950,251</u>	<u>\$ 3,987,352</u>	<u>\$ 9,967,527</u>	<u>\$ 4,971,623</u>	<u>\$ (2,033,668)</u>	<u>\$ 148,843,085</u>
LIABILITIES						
Accounts payable	\$ 3,406,252	\$ 32,664	\$ -	\$ -	\$ (33,668)	\$ 3,405,248
Scholarships payable	1,091,879	-	-	-	-	1,091,879
Due to American Legion National Headquarters	-	-	2,000,000	-	(2,000,000)	-
Deposits on emblem merchandise sales	290,318	-	-	-	-	290,318
Deferred income	1,394,884	-	-	-	-	1,394,884
Deferred dues income	27,449,484	-	-	-	-	27,449,484
Deferred income – direct membership solicitation	3,696,407	-	-	-	-	3,696,407
Accrued vacation benefits	1,002,001	-	-	-	-	1,002,001
Accrued pension expense	12,058,718	-	-	-	-	12,058,718
Other liabilities	1,528,684	-	-	-	-	1,528,684
Notes payable	831,449	-	-	-	-	831,449
Deferred dues income – Paid-Up-For-Life Membership	23,532,607	-	-	-	-	23,532,607
Life memberships due to state and local posts	26,093,304	-	-	-	-	26,093,304
	<u>102,375,987</u>	<u>32,664</u>	<u>2,000,000</u>	<u>-</u>	<u>(2,033,668)</u>	<u>102,374,983</u>
NET ASSETS						
Unrestricted	7,461,030	1,310,387	(29,252)	-	-	8,742,165
Temporarily restricted	17,113,234	2,644,301	-	4,971,623	-	24,729,158
Permanently restricted	5,000,000	-	7,996,779	-	-	12,996,779
Total net assets	<u>29,574,264</u>	<u>3,954,688</u>	<u>7,967,527</u>	<u>4,971,623</u>	<u>-</u>	<u>46,468,102</u>
	<u>\$ 131,950,251</u>	<u>\$ 3,987,352</u>	<u>\$ 9,967,527</u>	<u>\$ 4,971,623</u>	<u>\$ (2,033,668)</u>	<u>\$ 148,843,085</u>

SUPPLEMENTARY INFORMATION
The American Legion National Headquarters
Consolidating Statement of Financial Position
December 31, 2015

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 925,465	\$ 174,028	\$ 37,747	\$ 84,135	\$ -	\$ 1,221,375
Accounts receivable	6,003,486	-	1,793	56,380	(399,128)	5,662,531
Interest receivable	715,785	19,451	60,865	36,229	-	832,330
Prepaid expenses and deposits	3,018,868	-	1,868	-	-	3,020,736
Deferred membership expense	4,004,549	-	-	-	-	4,004,549
Due from American Legion Endowment Fund	2,000,000	-	-	-	(2,000,000)	-
Inventory	2,818,625	-	-	-	-	2,818,625
Investment in affiliate (CFA)	14,234	-	-	-	-	14,234
Beneficial interest in trust	-	-	185,743	-	-	185,743
	<u>19,501,012</u>	<u>193,479</u>	<u>288,016</u>	<u>176,744</u>	<u>(2,399,128)</u>	<u>17,760,123</u>
Investments						
General	10,760,717	-	-	-	-	10,760,717
Segregated for Restricted and Reserved funds	33,246,316	-	-	-	-	33,246,316
Paid-Up-For-Life Membership fund	31,395,174	-	-	-	-	31,395,174
Samsung scholarship fund	7,779,450	-	-	-	-	7,779,450
Building funds	5,778,612	-	-	-	-	5,778,612
Sept. 11 Memorial scholarship fund	10,419,912	-	-	-	-	10,419,912
Special account – Endowment Fund	-	-	2,263,718	-	-	2,263,718
General account – Endowment Fund	-	-	7,508,680	-	-	7,508,680
National Emergency Fund	-	-	-	4,445,426	-	4,445,426
American Legion Charities	-	3,234,150	-	-	-	3,234,150
Other	3,702,116	-	-	-	-	3,702,116
	<u>103,082,297</u>	<u>3,234,150</u>	<u>9,772,398</u>	<u>4,445,426</u>	<u>-</u>	<u>120,534,271</u>
Property, plant and equipment, net	5,272,164	-	-	-	-	5,272,164
	<u>\$ 127,855,473</u>	<u>\$ 3,427,629</u>	<u>\$ 10,060,414</u>	<u>\$ 4,622,170</u>	<u>\$ (2,399,128)</u>	<u>\$ 143,566,558</u>
LIABILITIES						
Accounts payable	\$ 3,632,029	\$ 406,405	\$ -	\$ 4	\$ (399,128)	\$ 3,639,310
Scholarships payable	1,020,888	-	-	-	-	1,020,888
Due to American Legion National Headquarters	-	-	2,000,000	-	(2,000,000)	-
Deposits on emblem merchandise sales	394,662	-	-	-	-	394,662
Deferred income	816,199	-	-	-	-	816,199
Deferred dues income	21,236,699	-	-	-	-	21,236,699
Deferred income – direct membership solicitation	3,840,834	-	-	-	-	3,840,834
Accrued vacation benefits	997,727	-	-	-	-	997,727
Accrued pension expense	13,141,467	-	-	-	-	13,141,467
Other liabilities	1,945,295	-	-	-	-	1,945,295
Notes payable	1,025,149	-	-	-	-	1,025,149
Deferred dues income – Paid-Up-For-Life Membership	22,915,052	-	-	-	-	22,915,052
Life memberships due to state and local posts	24,962,632	-	-	-	-	24,962,632
	<u>95,928,633</u>	<u>406,405</u>	<u>2,000,000</u>	<u>4</u>	<u>(2,399,128)</u>	<u>95,935,914</u>
NET ASSETS						
Unrestricted	11,691,899	944,152	-	-	-	12,636,051
Temporarily restricted	15,234,941	2,077,072	314	4,622,166	-	21,934,493
Permanently restricted	5,000,000	-	8,060,100	-	-	13,060,100
Total net assets	<u>31,926,840</u>	<u>3,021,224</u>	<u>8,060,414</u>	<u>4,622,166</u>	<u>-</u>	<u>47,630,644</u>
	<u>\$ 127,855,473</u>	<u>\$ 3,427,629</u>	<u>\$ 10,060,414</u>	<u>\$ 4,622,170</u>	<u>\$ (2,399,128)</u>	<u>\$ 143,566,558</u>

SUPPLEMENTARY INFORMATION
The American Legion National Headquarters
Consolidating Statement of Activities,
Year ended December 31, 2016

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
Revenue, gains and other support						
National member dues	\$ 25,782,809	\$ -	\$ -	\$ -	\$ -	\$ 25,782,809
Direct membership solicitation	6,165,333	-	-	-	-	6,165,333
Member service fees income	631,106	-	-	-	-	631,106
Affinity income	2,506,181	-	-	-	-	2,506,181
Sales of emblem items	13,020,287	-	-	-	-	13,020,287
Advertising	9,563,462	-	-	-	-	9,563,462
Contributions	14,131,421	1,628,800	55,232	465,602	(532,856)	15,748,199
Label and printing fees	1,566,817	-	-	-	-	1,566,817
Interest and dividends, net of fees	2,298,062	93,631	239,800	139,186	-	2,770,679
Net realized gains (losses)	182,928	400	(41,874)	25,514	-	166,968
American Legion Endowment Fund income	235,551	-	-	-	(235,551)	-
Other	2,772,247	-	-	-	-	2,772,247
	<u>78,856,204</u>	<u>1,722,831</u>	<u>253,158</u>	<u>630,302</u>	<u>(768,407)</u>	<u>80,694,088</u>
Expenses						
Salaries	16,198,035	-	-	-	-	16,198,035
Employee benefits	4,207,101	-	-	-	-	4,207,101
Cost of sales – Legion	7,036,004	-	-	-	-	7,036,004
Department and magazine costs	2,943,026	-	-	-	-	2,943,026
Direct publications	10,863,367	-	-	-	-	10,863,367
Executive, staff and program travel	3,630,516	-	2,745	-	-	3,633,261
Commission and committee	1,758,486	-	-	-	-	1,758,486
Printing and postage	12,910,600	-	-	-	-	12,910,600
Scholarships, grants and awards	1,572,325	689,983	235,551	184,944	(693,407)	1,989,396
Office and other operating	13,299,378	19,110	19,097	7,861	-	13,345,446
Occupancy and usage	2,049,531	-	-	-	-	2,049,531
Special projects and programs	2,747,803	121,400	-	-	(75,000)	2,794,203
	<u>79,216,172</u>	<u>830,493</u>	<u>257,393</u>	<u>192,805</u>	<u>(768,407)</u>	<u>79,728,456</u>
Change in net assets from operations	(359,968)	892,338	(4,235)	437,497	-	965,632
Net unrealized gains (losses) - investments	(515,048)	41,126	(88,652)	(88,040)	-	(650,614)
Net change in PUFL	(1,886,814)	-	-	-	-	(1,886,814)
Amortization of pension loss	(2,506,774)	-	-	-	-	(2,506,774)
Pension-related changes other than net periodic pension cost	2,916,028	-	-	-	-	2,916,028
Change in net assets	(2,352,576)	933,464	(92,887)	349,457	-	(1,162,542)
Net assets, beginning of year	31,926,840	3,021,224	8,060,414	4,622,166	-	47,630,644
Net assets, end of year	<u>\$ 29,574,264</u>	<u>\$ 3,954,688</u>	<u>\$ 7,967,527</u>	<u>\$ 4,971,623</u>	<u>\$ -</u>	<u>\$ 46,468,102</u>

SUPPLEMENTARY INFORMATION

The American Legion National Headquarters Consolidating Statement of Activities, Year ended December 31, 2015

	American Legion National Headquarters	American Legion Charities	American Legion Endowment Fund	National Emergency Fund	Eliminations	Total
Revenue, gains and other support						
National member dues	\$ 25,741,665	\$ -	\$ -	\$ -	-	\$ 25,741,665
Direct membership solicitation	6,996,057	-	-	-	-	6,996,057
Member service fees income	703,326	-	-	-	-	703,326
Affinity income	2,830,783	-	-	-	-	2,830,783
Sales of emblem items	13,142,697	-	-	-	-	13,142,697
Advertising	10,132,570	-	-	-	-	10,132,570
Contributions	13,104,677	1,637,068	137,774	614,515	(854,019)	14,640,015
Label and printing fees	2,297,959	-	-	-	-	2,297,959
Interest and dividends, net of fees	2,220,878	48,389	203,953	119,619	-	2,592,839
Net realized gains (losses)	280,688	-	(9,901)	-	-	270,787
American Legion Endowment Fund income	183,383	-	-	-	(183,383)	-
Other	2,783,630	25,000	-	-	(35,000)	2,773,630
	<u>80,418,313</u>	<u>1,710,457</u>	<u>331,826</u>	<u>734,134</u>	<u>(1,072,402)</u>	<u>82,122,328</u>
Expenses						
Salaries	15,857,984	-	-	-	-	15,857,984
Employee benefits	3,970,750	-	-	-	-	3,970,750
Cost of sales – Legion	7,126,612	-	-	-	-	7,126,612
Department and magazine costs	3,068,596	-	-	-	-	3,068,596
Direct publications	11,373,424	-	-	-	-	11,373,424
Executive and staff travel	3,856,491	-	4,190	-	-	3,860,681
Commission and committee	1,555,462	-	-	-	-	1,555,462
Printing and postage	13,091,362	-	-	-	-	13,091,362
Scholarships, grants and awards	1,536,281	1,206,466	183,383	43,700	(1,072,402)	1,897,428
Office and other operating	15,167,088	19,991	16,269	1,692	-	15,205,040
Occupancy and usage	1,966,184	-	-	-	-	1,966,184
Special projects and programs	1,927,979	114,426	-	-	-	2,042,405
	<u>80,498,213</u>	<u>1,340,883</u>	<u>203,842</u>	<u>45,392</u>	<u>(1,072,402)</u>	<u>81,015,928</u>
Change in net assets from operations	(79,900)	369,574	127,984	688,742	-	1,106,400
Net unrealized losses - investments	(1,173,344)	(81,394)	(67,881)	(63,467)	-	(1,386,086)
Net change in PUFL	751,375	-	-	-	-	751,375
Amortization of pension loss	(2,470,872)	-	-	-	-	(2,470,872)
Pension-related changes other than net periodic pension cost	956,164	-	-	-	-	956,164
Change in net assets	(2,016,577)	288,180	60,103	625,275	-	(1,043,019)
Net assets, beginning of year	<u>33,943,417</u>	<u>\$ 2,733,044</u>	<u>\$ 8,000,311</u>	<u>\$ 3,996,891</u>	<u>\$ -</u>	<u>\$ 48,673,663</u>
Net assets, end of year	<u>\$ 31,926,840</u>	<u>\$ 3,021,224</u>	<u>\$ 8,060,414</u>	<u>\$ 4,622,166</u>	<u>\$ -</u>	<u>\$ 47,630,644</u>

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