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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Executive Board and Finance Committee
American Legion Auxiliary, Inc., Department of Iowa
Des Moines, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of American Legion Auxiliary, Inc., Department of Iowa, which comprise the Statement of Financial Position as of July 31, 2016, and the related Statements of Activities and Changes in Net Assets, and Cash Flows for the year 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 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

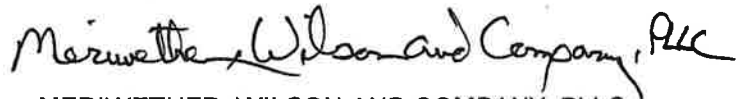
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion

Basis for Qualified Opinion

The American Legion Auxiliary, Inc., Department of Iowa does not capitalize fixed assets and depreciate them over their expected useful lives, nor has the Organization recorded the value of in-kind rent provided to it by The American Legion of Iowa. Capitalization of fixed assets and recognition of the value of in-kind facility usage in the financial statements are required by accounting principles generally accepted in the United States of America. The effects of these departures from generally accepted accounting principles on the financial statements have not been determined, but are presumed to be material.

Qualified Opinion

In our opinion, except for the effects of the adjustments referred to in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of American Legion Auxiliary, Inc., Department of Iowa as of July 31, 2016, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



MERIWETHER, WILSON AND COMPANY, PLLC
Certified Public Accountants

September 16, 2016
West Des Moines, Iowa

AMERICAN LEGION AUXILIARY, INC.
DEPARTMENT OF IOWA

Statement of Financial Position

July 31, 2016

Assets

Cash and Cash Equivalents	\$ 108,052
Certificates of Deposit	47,731
Prepaid Expenses	53,371
Deferred Annuity	<u>100,863</u>
Total Assets	<u>\$ 310,017</u>

Liabilities

Accounts Payable	\$ 4,917
Accrued Payroll	8,268
Deferred Revenue	<u>20,718</u>
Total Liabilities	<u>33,903</u>

Net Assets

Unrestricted	235,867
Temporarily Restricted	<u>40,247</u>
Total Net Assets	<u>276,114</u>
Total Liabilities and Net Assets	<u>\$ 310,017</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN LEGION AUXILIARY, INC.
DEPARTMENT OF IOWA

Statement of Activities and Changes in Net Assets

Year Ended July 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue			
Membership Dues and Associated Fees	\$ 366,627	--	366,627
Investment Income	3,109	--	3,109
Miscellaneous	3,794	--	3,794
Merit Awards and Other Contributions	--	67,837	67,837
Special Events	267,532	--	267,532
Temporarily Restricted Funds Released from Restrictions	70,731	(70,731)	--
Total Revenue	711,793	(2,894)	708,899
Expenses			
General	527,739	--	527,739
Welfare	28,420	--	28,420
Poppy	28,571	--	28,571
Girls State	100,434	--	100,434
Junior Camp	14,143	--	14,143
Total Expenses	699,307	--	699,307
Increase (Decrease) in Net Assets	12,486	(2,894)	9,592
Net Assets - Beginning of Year	223,381	43,141	266,522
Net Assets - End of Year	\$ 235,867	40,247	276,114

The accompanying notes are an integral part of these financial statements.

AMERICAN LEGION AUXILIARY, INC.
DEPARTMENT OF IOWA

Statement of Cash Flows

Year Ended July 31, 2016

Cash Flows from Operating Activities	
Decrease in Net Assets	\$ 9,592
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided by (Used in) Operating Activities	
Interest Income Reinvested	(1,268)
Increase in Prepaid Expenses	(31,679)
Increase (Decrease) in	
Accounts Payable	3,933
Accrued Payroll	(194)
Deferred Revenue	833
Net Cash Used by Operating Activities	<u>(18,783)</u>
Cash Flows from Investing Activities	
Proceeds from Certificate of Deposit Maturity	76,133
Purchase of Annuity	<u>(100,000)</u>
Net Cash Used by Investing Activities	<u>(23,867)</u>
Net Change in Cash and Cash Equivalents	(42,650)
Cash and Cash Equivalents - Beginning of Year	<u>150,702</u>
Cash and Cash Equivalents - End of Year	<u>\$ 108,052</u>

The accompanying notes are an integral part of these financial statements.

AMERICAN LEGION AUXILIARY, INC.
DEPARTMENT OF IOWA

Notes to Financial Statements

July 31, 2016

1. Nature of Business and Organization

The American Legion Auxiliary, Inc., Department of Iowa is a nonprofit civilian women's organization whose mission is to support The American Legion by enhancing the lives of our veterans, military, and their families both home and abroad. The Organization advocates for veterans, educates citizens, mentors youth, and promotes patriotism, good citizenship, peace and security.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Organization records contributions received as unrestricted, temporarily restricted, or permanently restricted revenue depending on the existence or nature of any donor restrictions.

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are transferred to unrestricted net assets, and reported in the Statement of Activities and Changes in Net Assets as temporarily restricted funds released from restrictions.

Permanently restricted net assets are those that have been restricted by donors to be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Revenue Recognition

Dues are billed for and associated with the Organization's fiscal year of August 1 through July 31 and are recorded as revenue in the period earned and paid. Dues paid in advance are recorded as deferred revenue in the Statement of Financial Position and are recognized as revenue in the subsequent fiscal year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all cash in checking and savings accounts and highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

The Organization directly expenses all expenditures related to assets that have an expected useful life of one year or more. This policy is a departure from accounting principles generally accepted in the United States of America, which require that such expenditures be recorded as capital assets and depreciated over their expected useful life.

Facilities

The American Legion Auxiliary, Inc., Department of Iowa conducts operations from The American Legion of Iowa building located in Des Moines, Iowa. By agreement, the Organization is not required to pay rent, nor does it record the value of this in-kind facility usage, which is also a departure from accounting principles generally accepted in the United States of America, which require that the value of such in-kind facility usage be recorded as revenue and expense in the financial statements. The Organization does, however, reimburse the American Legion of Iowa for their share of joint expenses related to the building.

Income Taxes

The American Legion Auxiliary, Inc., Department of Iowa is exempt from income taxes under Internal Revenue Code Section 501(c)(19), and accordingly, no provision for income taxes is reflected in the accompanying financial statements. The Organization is not a private foundation.

Financial Instruments

The carrying amounts of cash, certificate of deposits, receivables, prepaid expenses, accounts payable, accrued expenses, and other liabilities approximate their fair values due to the short-term maturities of these financial instruments.

The deferred annuity is carried at the annuity's death benefit amount as of the year-end date due to the anticipated long-term nature of this asset.

3. Concentration of Credit Risk

The Organization maintains cash and investments at three local financial institutions. Accounts at each institution are insured by FDIC up to \$250,000. At July 31, 2016, the Organization had \$0 of cash deposited in excess of the insured limits.

4. Certificates of Deposit

Certificates of deposit are presented in the financial statements at cost and are summarized as follows as of July 31, 2016:

Certificate of Deposit - 0.77% - Matures May 17, 2017	<u>\$ 47,731</u>
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5. Deferred Annuity

On December 1, 2015 the Organization entered into an annuity contract with Lincoln National Life Insurance Company, which is a non-tax qualified plan with the Organization's key employee as the annuitant. The designated annuitant may be changed from time to time throughout the life of the annuity. The American Legion Auxiliary, Inc., Department of Iowa is the owner and beneficiary of this contract which matures on December 18, 2042 and carries a declining surrender charge starting at 10% for the first ten years of the contract, after which time there are no additional surrender charges.

At July 31, 2016, the annuity's death benefit amount was \$100,863, with funds invested in both fixed income (\$50,863 at 2.5% interest for 1 year) and performance triggered (\$50,000 at the S&P 500 Index with a guaranteed minimum specified rate of 1.25%) accounts.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at July 31, 2016:

Merit Awards	\$ 2,739
Various Veterans Affairs Offices	23,474
Girls State Projects	1,063
President's Projects	8,855
Veterans Facility Fund	2,503
Quilts of Valor	1,436
Other Donor-Restricted Items	<u>177</u>
Total Temporarily Restricted Net Assets	<u>\$ 40,247</u>

7. Subsequent Events

The Organization has evaluated events and transactions occurring after July 31, 2016 for potential items required to be recognized or disclosed in the financial statements. Subsequent events were evaluated through September 16, 2016, the date the financial statements were available for issuance.