



AMERICAN LEGION AUXILIARY

*F*OUNDATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025 AND 2024

CPAs / ADVISORS



AMERICAN LEGION AUXILIARY FOUNDATION, INC.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
American Legion Auxiliary Foundation, Inc.
Indianapolis, Indiana

Opinion

We have audited the accompanying financial statements of American Legion Auxiliary Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of September 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of September 30, 2025 and 2024, and changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

REPORT OF INDEPENDENT AUDITORS – Continued

that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Foundation's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Blue & Co., LLC

Carmel, Indiana
March 17, 2026

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION SEPTEMBER 30, 2025 AND 2024

ASSETS

	<u>2025</u>	<u>2024</u>
Cash	\$ 248,799	\$ 876,230
Investments	3,506,900	2,805,209
Investments at cost	299,139	-0-
Due from related party, net	244	-0-
	<u>\$ 4,055,082</u>	<u>\$ 3,681,439</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ -0-	\$ 2,153
Due to related party, net	-0-	36,728
Total liabilities	-0-	38,881

Net assets

Without donor restrictions	21,373	22,741
With donor restrictions	4,033,709	3,619,817
Total net assets	<u>4,055,082</u>	<u>3,642,558</u>
	<u>\$ 4,055,082</u>	<u>\$ 3,681,439</u>

See accompanying notes to financial statements.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

(With Comparative Total for the Year Ended September 30, 2024)

	2025			2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and support				
Contributions	\$ -0-	\$ 456,999	\$ 456,999	\$ 589,850
In-kind contributions	248,022	-0-	248,022	236,736
Other	-0-	-0-	-0-	10,000
Net assets released from restrictions	<u>347,055</u>	<u>(347,055)</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	595,077	109,944	705,021	836,586
Expenses				
Program services	388,650	-0-	388,650	277,707
Management and general	72,982	-0-	72,982	64,652
Fundraising	<u>147,799</u>	<u>-0-</u>	<u>147,799</u>	<u>214,619</u>
Total expenses	<u>609,431</u>	<u>-0-</u>	<u>609,431</u>	<u>556,978</u>
Change in net assets from operations	(14,354)	109,944	95,590	279,608
Investment return, net	<u>12,986</u>	<u>303,948</u>	<u>316,934</u>	<u>543,370</u>
Change in net assets	(1,368)	413,892	412,524	822,978
Net assets, beginning of year	<u>22,741</u>	<u>3,619,817</u>	<u>3,642,558</u>	<u>2,819,580</u>
Net assets, end of year	<u>\$ 21,373</u>	<u>\$ 4,033,709</u>	<u>\$ 4,055,082</u>	<u>\$ 3,642,558</u>

See accompanying notes to financial statements.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Contributions	\$ -0-	\$ 589,850	\$ 589,850
In-kind contributions	236,736	-0-	236,736
Other	-0-	10,000	10,000
Net assets released from donor restrictions	<u>320,027</u>	<u>(320,027)</u>	<u>-0-</u>
Total revenue and support	556,763	279,823	836,586
Expenses			
Program services	277,707	-0-	277,707
Management and general	64,652	-0-	64,652
Fundraising	<u>214,619</u>	<u>-0-</u>	<u>214,619</u>
Total expenses	<u>556,978</u>	<u>-0-</u>	<u>556,978</u>
Change in net assets from operations	(215)	279,823	279,608
Investment return, net	<u>9,555</u>	<u>533,815</u>	<u>543,370</u>
Change in net assets	9,340	813,638	822,978
Net assets, beginning of year	<u>13,401</u>	<u>2,806,179</u>	<u>2,819,580</u>
Net assets, end of year	<u><u>\$ 22,741</u></u>	<u><u>\$ 3,619,817</u></u>	<u><u>\$ 3,642,558</u></u>

See accompanying notes to financial statements.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2025

(With Comparative Totals for the Year Ended September 30, 2024)

	2025			2024 Total
	Program Services	Management and General	Fundraising	
Grants	\$ 346,904	\$ -0-	\$ -0-	\$ 346,904
Personnel and related benefits	41,746	66,277	73,673	181,696
Professional services and fees	-0-	1,692	14,569	16,261
Travel, conferences and meetings	-0-	5,013	20,882	25,895
General operating expenses	-0-	-0-	12,490	12,490
Printing, publicity and awards	-0-	-0-	18,889	18,889
Postage and freight	-0-	-0-	7,296	7,296
Total expenses	<u>\$ 388,650</u>	<u>\$ 72,982</u>	<u>\$ 147,799</u>	<u>\$ 609,431</u>

See accompanying notes to financial statements.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED SEPTEMBER 30, 2024

	Program Services	Management and General	Fundraising	Total
Grants	\$ 230,144	\$ -0-	\$ -0-	\$ 230,144
Personnel and related benefits	47,563	49,684	79,065	176,312
Professional services and fees	-0-	5,975	22,241	28,216
Travel, conferences and meetings	-0-	8,993	16,187	25,180
General operating expenses	-0-	-0-	9,725	9,725
Printing, publicity and awards	-0-	-0-	71,489	71,489
Postage and freight	-0-	-0-	15,912	15,912
Total expenses	<u>\$ 277,707</u>	<u>\$ 64,652</u>	<u>\$ 214,619</u>	<u>\$ 556,978</u>

See accompanying notes to financial statements.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
Operating activities		
Change in net assets	\$ 412,524	\$ 822,978
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Net realized losses on investments	85,354	4,043
Net unrealized gains on investments	(289,236)	(448,804)
Contributions restricted for Mission Endowment (Note 6)	(95,277)	(208,977)
Changes in operating assets and liabilities:		
Due from related party, net	(244)	-0-
Accounts payable	(2,153)	(123,531)
Due to related party, net	(36,728)	36,728
Net cash flows from operating activities	74,240	82,437
Investing activities		
Proceeds from sale of investments	365,415	2,252
Purchase of investments	(863,224)	(78,006)
Purchase of investments at cost	(299,139)	-0-
Net cash flows from investing activities	(796,948)	(75,754)
Financing activities		
Contributions restricted for Mission Endowment (Note 6)	95,277	208,977
Net change in cash	(627,431)	215,660
Cash, beginning of year	876,230	660,570
Cash, end of year	\$ 248,799	\$ 876,230

See accompanying notes to financial statements.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

1. NATURE OF ACTIVITIES

The American Legion Auxiliary Foundation, Inc. (the "Foundation") was incorporated on September 27, 2007, as a not-for-profit entity under the State of Indiana Not-For-Profit Incorporation Act. The Foundation was organized by the American Legion Auxiliary National Headquarters (the "Auxiliary"), a not-for-profit entity headquartered in Indianapolis, Indiana. The Foundation operates exclusively for the benefit of the Auxiliary and assists in fundraising and offers support in carrying out the educational, charitable, and other programs sponsored by the Auxiliary.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting

The accounts of the Foundation are reported on a consolidated basis with those of the Auxiliary in a separate document. The accompanying financial statements include only the accounts and disclosures related to the Foundation. Related party transactions with the Auxiliary are reported in Note 8.

Basis of Presentation

Net assets, support, revenue, gains and losses are classified on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

- Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of the net assets without donor restrictions are the broad limits resulting from the nature of the Foundation, the environments in which it operates, the purposes specified in its corporate documents and its applications for tax-exempt status, and any limitations resulting from contractual agreements with creditors and others entered into in the course of its operations.
- Net assets with donor restrictions – Net assets with donor restrictions are net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions which require the net assets be held in perpetuity or for a specific term with investment return available for operations or specific purposes.

When a donor's restriction is satisfied, either by using the resource in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the statement of activities and changes in net assets by reclassifying the net assets with donor restrictions to net assets without donor restrictions.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

and assumptions that affect the reported amounts in the asset and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

Investments and Investment Return

Investments are reported at fair value for financial statement reporting purposes. Investment return includes dividends, interest, realized and unrealized gains and losses, and is reported net of investment fees. Changes in unrealized appreciation or depreciation of investments are reported in the period such changes occur. Realized gains and losses are recorded based on the cost of the specific investments sold. Interest and dividend income is recorded when earned.

Investments Held at Cost

The Foundation holds minority interests (each under 1%) in several real estate limited partnerships. Because these investments lack readily determinable fair values, they are measured at cost, less impairment.

The Foundation evaluates these interests for other-than-temporary impairment based on partnership performance, market conditions, and available financial information. Impairment losses, if any, are included in investment return.

The partnership agreements generally restrict transfers or redemptions, and the investments are therefore illiquid. Although the partnership agreements do not specify a required holding period, the underlying real estate investments are generally expected to be held for approximately five to seven years based on the typical partnership investment cycle. Income reported on Schedule K-1 is included in investment return, presented net of investment expenses.

Support and Revenue Recognition

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until those conditions have been met.

Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Contributions raised through direct mail campaigns are reported at the gross amount received.

Functional Expenses

The costs of providing the programs and services of the Foundation have been summarized on a functional basis in the statements of activities and functional expenses. Certain costs have been allocated among the programs and supporting activities benefited based on actual direct expenditures and cost allocations of indirect expenses based on estimates of time and usage by

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

programs. Expenses allocated include personnel and related benefits, professional services and fees, travel, conferences and meetings, and general operating expenses. Although the methods used were appropriate, other methods could produce different results.

Income Taxes

The Foundation is organized as a not-for-profit corporation and, accordingly, is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state law. As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal 990 – Return of Organization Exempt from Income Tax, and similar state return, which are informational returns only.

U.S. GAAP require management to evaluate tax positions taken by the Foundation and recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Foundation, and has concluded as of September 30, 2025 and 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

The Foundation has filed federal and state informational returns for periods through September 30, 2024. These informational returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return is filed or its due date (including approved extensions).

Subsequent Events

The Foundation evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through March 17, 2026, which is the date the financial statements were available to be issued.

3. INVESTMENTS

Investment consists of the following at September 30:

	<u>2025</u>	<u>2024</u>
Money market mutual funds	\$ 794,764	\$ 157,962
Mutual funds	696,796	1,206,370
Exchange traded funds	<u>2,015,340</u>	<u>1,440,877</u>
Total investments	<u>\$ 3,506,900</u>	<u>\$ 2,805,209</u>

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

The following schedule summarizes investment return for the years ended September 30:

	2025	2024
Interest and dividends	\$ 113,052	\$ 100,861
Investment fees	-0-	(2,252)
Net realized losses	(85,354)	(4,043)
Net unrealized gains	<u>289,236</u>	<u>448,804</u>
Investment return, net	<u>\$ 316,934</u>	<u>\$ 543,370</u>

4. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest prior to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the assets or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset and liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques are used to maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2025 and 2024.

- *Money market mutual funds:* Generally, transact subscription and redemptions activity at \$1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated using the amortized cost of the securities held in the fund.
 - *Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and
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AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

- *Exchange-traded funds:* Valued at the closing price reported in the active market on which the individual securities are traded.

The preceding methods described used in arriving at fair value may produce a valuation that may not be indicative of the net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies and assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The following table set forth by level, within the hierarchy, the Foundation's assets measured at fair value on a recurring basis at September 30, 2025:

	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 794,764	\$ -0-	\$ 794,764
Mutual funds - equities				
International	354,331	-0-	-0-	354,331
Mutual funds - fixed income				
Intermediate term	175,941	-0-	-0-	175,941
Other	166,524	-0-	-0-	166,524
Exchange traded funds - equities				
Large blend	591,642	-0-	-0-	591,642
Large growth	302,124	-0-	-0-	302,124
Large value	220,488	-0-	-0-	220,488
Small blend	320,841	-0-	-0-	320,841
Other	122,149	-0-	-0-	122,149
Exchange traded funds - fixed income				
Intermediate term bonds	396,230	-0-	-0-	396,230
Short term bonds	61,866	-0-	-0-	61,866
Total investments at fair value	<u>\$ 2,712,136</u>	<u>\$ 794,764</u>	<u>\$ -0-</u>	<u>\$ 3,506,900</u>

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

The following table set forth by level, within the hierarchy, the Foundation's assets measured at fair value on a recurring basis at September 30, 2024:

	Level 1	Level 2	Level 3	Total
Money market mutual funds	\$ -0-	\$ 157,962	\$ -0-	\$ 157,962
Mutual funds - equities				
International	308,046	-0-	-0-	308,046
Mutual funds - fixed income				
Intermediate term	568,120	-0-	-0-	568,120
Other	330,204	-0-	-0-	330,204
Exchange traded funds - equities				
Large blend	509,561	-0-	-0-	509,561
Large growth	242,120	-0-	-0-	242,120
Large value	205,553	-0-	-0-	205,553
Small blend	315,792	-0-	-0-	315,792
Other	106,380	-0-	-0-	106,380
Exchange traded funds - fixed income				
Short term bonds	61,471	-0-	-0-	61,471
Total investments at fair value	\$ 2,647,247	\$ 157,962	\$ -0-	\$ 2,805,209

5. NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for future years and the following specified purposes at September 30:

	2025	2024
Subject to expenditure for a specific purpose		
Veteran Projects Fund	\$ 357,850	\$ 298,574
National and Local Veteran Creative Arts Festival(s)	311,835	286,917
Mission	6,135	6,135
	675,820	591,626
Endowment:		
Held in perpetuity	2,327,877	2,232,600
Undistributed endowment earnings	1,030,012	795,591
	3,357,889	3,028,191
	\$ 4,033,709	\$ 3,619,817

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

Net Assets Released from Restrictions

Net assets were released from donor-imposed restrictions by incurring expenses satisfying the restricted purposes of by occurrences of other events specified by the donors as follows during the years ended September 30:

	<u>2025</u>	<u>2024</u>
Endowment distributions in support of Auxiliary operations	\$ 67,000	\$ 29,306
Veteran Projects Fund grants and sub-grants	134,159	46,325
National and Local Veteran Creative Arts Festival(s)	117,375	135,000
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	28,370	19,514
Mission (direct mail campaign and other)	<u>151</u>	<u>89,882</u>
	<u>\$ 347,055</u>	<u>\$ 320,027</u>

6. AMERICAN LEGION AUXILIARY FOUNDATION ALA MISSION ENDOWMENT

The Foundation created the ALA Foundation Mission Endowment Fund (the "Mission Endowment") in 2007 to generate and maximize funds available to benefit and assist in carrying out the educational, charitable, and similar programs of the Auxiliary over the long term. The Mission Endowment consists entirely of donor-restricted funds held in cash and investments.

Interpretation of Relevant Law

The Foundation is subject to the State Prudent Management Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. A portion of those net assets are also subject to purpose restrictions which must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Foundation has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless as donor stipulates to the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund; (b) any accumulations to the fund which are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measure required under the law. Additionally, in accordance with SPMIFA, the Foundation 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 Foundation and the donor-restricted endowment fund

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

- 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 Foundation
- 7) The investment policies of the Foundation

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level which a donor or SPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no funds with deficiencies at September 30, 2025 and 2024.

Return Objective and Risk Parameters

The Foundation has adopted investment policies for endowment asset to generate and maximize funds available to benefit and assist in the educational, charitable, and other exempt purposes of the Auxiliary over time. Under this policy, as approved by the Board of Directors, the endowment investments are invested in a manner that is intended to produce a total return which protects the purchasing power of the endowment investments and which allows for spending under the terms of the endowment fund.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return, the Foundation 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 Foundation, as it relates to endowment investments, targets a diversified asset allocation which places emphasis on generating a return of at least 4.5% over the Consumer Price Index.

Spending Policy and How the Investment Objective Relates to Spending Policy

The Foundation has a policy for its Mission Endowment of appropriating for distributions each year on established percentage. The available Mission Endowment distribution for each fiscal year beginning October 1st shall be the interest and dividends earned on the portfolio from June 1 to May 31 annually, to a maximum of an amount determined by applying a 5% rate to the three-year rolling average market value for the period ending the preceding May 31st. The actual endowment draw will be recommended by the American Legion Auxiliary Foundation Board to the National Finance Committee during the annual budgeting process for approval by the National Executive Committee. Should the Foundation Board deem it advisable to exceed the 5% limit, the change must be approved by the National Executive Committee.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

The composition of the Mission Endowment net assets is as follows at September 30:

	<u>2025</u>	<u>2024</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 2,327,877	\$ 2,232,600
Accumulated investment gains	<u>1,030,012</u>	<u>795,591</u>
	<u>\$ 3,357,889</u>	<u>\$ 3,028,191</u>

Changes in Mission Endowment net assets are as follows for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Endowment net assets, beginning of year	\$ 3,028,191	\$ 2,327,993
Contributions	95,277	208,977
Investment return, net	301,421	520,527
Distributions	<u>(67,000)</u>	<u>(29,306)</u>
Endowment net assets, end of year	<u>\$ 3,357,889</u>	<u>\$ 3,028,191</u>

7. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation's financial assets which are available to meet general expenditures within one year of the financial statement date; that is, amounts which are without donor restrictions limiting their use at September 30:

	<u>2025</u>	<u>2024</u>
Financial Assets		
Cash	\$ 248,799	\$ 876,230
Investments	3,506,900	2,805,209
Investments at cost	<u>299,139</u>	<u>-0-</u>
Total financial assets	4,054,838	3,681,439
Donor-imposed restrictions		
Purpose and time restrictions	(675,820)	(591,626)
Endowment funds	<u>(3,357,889)</u>	<u>(3,028,191)</u>
	<u>(4,033,709)</u>	<u>(3,619,817)</u>
Financial assets available to meeting cash needs for general expenditures within one year	<u>\$ 21,129</u>	<u>\$ 61,622</u>

The Foundation's liquidity objective is to maintain adequate liquid assets to fund near-term operating needs and maintain sufficient reserves to provide reasonable assurance that obligations will be discharged as they become due.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

The Foundation is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Foundation must maintain sufficient resources to meet those responsibilities to its donors. Thus, these financial assets may not be available for general expenditure within one year and are included in amounts not available to be used within one year above.

Because endowments exist in perpetuity, the Foundation may only spend from its endowment in accordance with its spending policy (Note 6).

8. RELATED PARTY TRANSACTIONS

During the years ended September 30, 2025 and 2024, the Foundation received contributions of \$248,022 and \$236,736 (representing the gifts-in-kind services outline in Note 9) from the Auxiliary to fund certain organizational and other costs incurred by the Foundation. In addition, the Foundation granted \$177,000 and \$157,500 to the Auxiliary in fiscal 2025 and 2024, respectively, for program support, and the Foundation granted \$169,904 and \$72,644 in fiscal 2025 and 2024, respectively, to affiliated Auxiliary departments and units.

9. CONTRIBUTED NONFINANCIAL ASSETS

Contributions of nonfinancial assets, also known as gifts-in-kind (GIK), recognized in the statements of activities include the following for the years ended September 30:

	<u>2025</u>	<u>2024</u>
Auxiliary - GIK contributions		
Personnel and related benefits	\$ 181,696	\$ 176,312
Other operating expenses	<u>66,326</u>	<u>60,424</u>
	<u>\$ 248,022</u>	<u>\$ 236,736</u>

Personnel and related benefits are valued using actual wages and benefits paid by the Auxiliary, which are then allocated to the Foundation based on actual or estimated amount of time spent by employees for member and department services, youth educational services, veteran programs and operational activities. Other in-kind contributions are valued using estimated prices of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution.

10. CONCENTRATIONS

Cash

The Foundation maintains cash in bank deposit accounts which regularly exceed Federally insured limits. The Foundation has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

AMERICAN LEGION AUXILIARY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025 AND 2024

Revenue and Support

The Foundation received GIK contributions from the Auxiliary (Note 9). For the years ended September 30, 2025 and 2024, the Auxiliary comprised 35% and 28% of the Foundation's total revenue and support, respectively.