Preamble

to The American Legion Constitution

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

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

To maintain law and order;

To foster and perpetuate a one hundred percent Americanism;

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

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

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

To make right the master of might;

To promote peace and goodwill on earth;

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

To consecrate and sanctify our comradeship by our devotion to mutual helpfulness.
The American Legion Annual Report

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Legionnaires salute the U.S. flag during a Memorial Day wreath-laying ceremony at the Soldiers' and Sailors' Memorial Monument in New York City.

Photo by U.S. Marine Corps Sgt. Randall A. Clinton
A Powerful Force for the Nation

The American Legion is our nation’s largest and most influential veterans organization. With a membership of 2.4 million men and women, and nearly 14,000 local posts around the world, the Legion touches the lives of veterans, troops, families and communities every day. On Capitol Hill, the Legion’s voice resonates not only as that of the American veteran, but also of the American conscience. From urban neighborhoods to small towns, and everything in between, the Legion epitomizes patriotism, pride, mentorship and service.

Founded in 1919, the Legion has rarely shifted from its original values and core mission. Those values were set by a compassionate group of soldiers fresh out of the trenches of World War I. They gathered in Paris to form an organization to care for their comrades, many of whom came home sick, wounded or shell-shocked. They further determined that the spouses and children of the Great War – many widowed, orphaned or otherwise suffering – needed “a square deal” to keep their families together. The earliest Legionnaires also believed that a well-resourced military and a commitment to diplomacy abroad are both essential to lasting world peace. They wholeheartedly believed in the nation under whose banner they had fought. Thus were born the four pillars of The American Legion: Veterans, Youth, Defense and Americanism.

Through the decades, the Legion’s accomplishments are many and storied. The Legion brought into existence the modern VA; wrote the original GI Bill and shepherded its passage; successfully fought to provide benefits for veterans exposed to Agent Orange in the Vietnam War; and stood strong beside our troops in the aftermath of 9/11. Today, just as it has for nearly a century, The American Legion is a powerful force for the nation, delivering community service, pride, hope and relevance for new generations of veterans and their families.

This Year in The American Legion

- Raised over $600,000 in college money for children of military personnel killed since 9/11
- Created an American Legion Youth Programs Alumni Association
- Formed a “preferred provider” alliance with USAA, connecting newly eligible Legionnaires to one of the nation’s top financial and insurance associations
- Guided improvements to the Post-9/11 GI Bill, enhancing value for today’s student veterans
- Coordinated System Worth Saving site visits at more than 50 VA health-care facilities nationwide
- Conducted surveys on women’s health care and claims processing to help VA identify issues
- Launched a Flag Rewards Program to benefit posts that buy U.S. flags in their communities
The Legion’s Firsthand Relationship with VA

The American Legion is the nation’s leading advocate for proper health care, economic opportunity and legal benefits for U.S. military veterans and qualified family members. Among the marquee programs under the Veterans Affairs & Rehabilitation Commission is the System Worth Saving (SWS) Task Force, which conducts site visits and interviews at VA health-care facilities across the nation to learn firsthand the issues faced by veterans, their families, health-care providers and facility administrators. The information is compiled into an annual report for Congress, VA and the White House. Following on the success of System Worth Saving, the Legion established a Regional Office Action Review (ROAR) program in 2011 to assess performance in claims processing, to help reverse the backlog of undecided claims.

To help veterans get the care and benefits they have earned, the Legion also supports a network of nearly 2,000 accredited service officers, officially recognized by VA to represent and assist veterans and their dependents or survivors, free of charge. The Legion also staffs offices in Washington to provide free representation before the Board of Veterans Appeals for veterans whose claims have been denied at the regional-office level.

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High Priorities in Veterans Affairs & Rehabilitation

- Reversing VA’s backlog of undecided claims
- Improving the quality of health care for female veterans
- Enhanced treatment for veterans suffering from TBI/PTS
- Elimination of priority groups within the VA system
- Better access to health care for veterans in rural areas
- Volunteering in VA facilities (VETS program)
- Adequate federal funding for VA health care

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Links

- www.legion.org/systemworthsaving
- www.legion.org/veteransbenefits
- www.legion.org/departmentofficers
A Legion employee interviews a veteran about the health care she receives at an Anchorage VA facility, during the System Worth Saving Task Force’s site visit in April 2011. Photo by Loren Holmes
Relief for Caregivers among Successes on Capitol Hill

The Legislative Commission of The American Legion works to promote the resolutions and positions of the organization before Congress, the White House, federal agencies and other government entities. The Legion’s legislative portfolio covers a broad spectrum of issues focused mainly on the Four Pillars: Americanism, Veterans, Youth and Defense. The American Legion Legislative Council serves as a grass-roots effort with each member of Congress, to educate and influence their decisions on behalf of the Legion’s legislative portfolio.

Among the Legion’s recent successes is the passage of the Caregiver and Veterans Omnibus Health Services Act of 2010, which President Obama signed into law in May 2011, extending VA services for caregivers of veterans from all war eras. Benefits include stipends, mental health services, respite care, health-care coverage and training, as well as improvements in services for female veterans, better mental health care, and increased funding to reduce veteran homelessness.

The Legion also testified before Congress to protect the paychecks of servicemembers in the event of a federal-government shutdown, to seek removal of the disabled veterans tax, and to improve GI Bill education benefits.

Victories, Ongoing Efforts in Washington

- Passage of the Post-9/11 Veterans Education Assistance Improvements Act of 2010
- State veterans’ homes now able to furnish nursing-home care to parents of those who died while serving in the armed forces
- Passage of the Formerly Owned Resources for Veterans to Express Thanks for Service Act
- Adequate appropriations for VA, homeland security and national defense
- Continuing efforts to bring an end to the disabled-veterans tax
- Successfully pushed for change in White House policy, to extend presidential condolence letters for all military personnel who die in a combat theater
- Prevent passage of any illegal-immigration amnesty legislation

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Links

- www.legion.org/legislative
The staff of the Legion’s Washington office works tirelessly every day with those in the nation’s capital for legislation that provides better benefits, health care and treatment for veterans and their families.

Photo by Robert Llewelyn/Getty
The American Legion Junior Shooting Sports National Championships in Colorado Springs, Colo., have been crowning champions since 1991. In 2011, former competitors and others who have benefited from Legion youth programs formed an alumni association. Photo by Sean Crosier.
Americanism’s Commitment to our Flag, our Future

The Americanism Commission guides programs that cultivate leadership, sportsmanship, citizenship and character for young people, our next generation of leaders. Programs such as the Oratorical Contest, Junior Shooting Sports, Legion Baseball, the Junior Law Cadet Program, Boys State and Boys Nation have been enriching the lives of young people for years. The new American Legion Youth Programs Alumni Association aims to bring together past participants, along with former Legion-scholarship recipients, to share their stories and continue to provide support. Alumni can now connect online at www.legion.org/youthalumni.

The U.S. flag is the most recognized symbol of Americanism, a pillar of The American Legion. Veterans and their families understand the price in blood our nation has paid to keep Old Glory flying, and believe it should be protected against acts of desecration. The Legion has been focused on this issue since a 5-4 Supreme Court ruling in 1989 defined flag-burning as a form of free speech. The Citizens Flag Alliance (CFA), a Legion-led coalition of more than 140 organizations, builds awareness of the issue and seeks support from Congress; the House has passed flag-amendment resolutions six times by supermajorities, but the Senate has fallen short. Flag-protection legislation has been introduced in both houses of the 112th Congress.

Premier Programs of Americanism
- National High School Oratorical Contest
- Junior Shooting Sports Program
- Boys State and Boys Nation
- Support for Boy Scouts
- American Legion Baseball
- Junior Law Cadet Program
- Scholarships, and information on federal and state educational benefits and programs

Contact
- acy@legion.org

Links
- cfa-inc.org
- www.legion.org/scholarships
- www.legion.org/youthalumni
The experience of hosting both regional tournaments and the finals led Shelby, N.C., to bid on – and win – the right to become the permanent home of The American Legion Baseball World Series, beginning in 2011.

Photo by Victoria Rose
A Permanent Home for the Legion World Series

Since 1925, American Legion Baseball has influenced millions of young people. Values taught on Legion diamonds last a lifetime. They include sportsmanship, teamwork, healthy living and community service. Nearly 100,000 athletes a year participate on post-sponsored teams in all 50 states and Puerto Rico. Many of Major League Baseball’s most notable players – Reggie Jackson, Dave Winfield, Stan Musial, Bob Feller, Don Mattingly, Rollie Fingers and dozens more – came of age playing Legion ball in the summer. Many of them say that American Legion Baseball showed them the right way to compete and present themselves, both on and off the field. Legion teams are active in their communities, meeting with veterans at VA hospitals, raising money for wounded warriors and performing service projects.

In 2011, Shelby, N.C., became the permanent home of The American Legion Baseball World Series. Prior to that, the national championship series rotated among various cities throughout the country. The winners of eight regional tournaments around the nation earn the right to compete for the title.

The popularity of American Legion Baseball is illustrated well by the growth in audience of the World Series webcast on www.legion.org. The tournament was first streamed live in 2009 from Fargo, N.D., and drew 18,900 unique visitors to the website to watch the games. In 2010, the number of unique visitors soared to more than 104,000. Former Major League stars Jeff Kent and Luis Gonzalez have offered their voices in the booth for the webcasts. In 2011, the series is being streamed by ESPN3, adding millions of households to the tournament audience.

2010 American Legion Baseball World Series Champions
- Midwest City, Okla., Post 170 Outlaws

2010 George Rulon American Legion Baseball Player of the Year
- Brandon Drozd, Post 263, Genoa, Neb.

Contact
- baseball@legion.org

Links
- www.legion.org/baseball
- www.americanlegionworldseries.com
- “The Dugout” e-newsletter: www.legion.org/baseball/newsletter
Mexico City’s Alan Seeger Post 2 donates time, money and resources to Escuela Legión Americana, an elementary school; and Casa Rosa de la Torre and La Esperanza, two homes for blind and abused/abandoned girls; as part of their commitment to helping underprivileged children.

Photo by James V. Carroll
Grant Money, Volunteer Efforts Help Children

The American Legion’s Children & Youth Commission strives to strengthen families, supports organizations that help young people, and maintains programs that meet the physical, intellectual, emotional and spiritual needs of minors facing challenges.

In 1954, the Legion endorsed the separate incorporation of The American Legion Child Welfare Foundation. The CWF today works closely with the commission, awarding grants yearly to organizations that contribute to child welfare through the dissemination of information. To date, more than $11.3 million in CWF grant money has been awarded, fulfilling the duty the founders of the Legion took upon themselves to provide “a square deal for every child” in the aftermath of World War I. In 2010, the CWF awarded $666,670 in grants to 21 nonprofit organizations.

The Family Support Network, meanwhile, connects Legion volunteers to military families to help out wherever needed, especially when a providing parent is deployed. The related Temporary Financial Assistance program provides cash grants to help military and veteran families with minor children make ends meet during difficult times.

Children & Youth Relationships and Programs

- Children’s Miracle Network
- Children’s Organ Transplant Association (COTA)
- Court Appointed Special Advocate (CASA) program
- Operation: Military Kids
- Substance-abuse awareness and reduction
- Eradication of child pornography
- Ensuring child safety

Contact

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Links

www.legion.org/youth
www.cwf-inc.org
www.legion.org/donate
Support for the Troops, their Mission and our Homeland

The American Legion’s positions on national defense, homeland security and quality of life for military personnel and their families are housed within the pillar of Defense. The National Security Commission and staff work closely with all branches of the U.S. Armed Forces and the Department of Defense to identify problems and help produce solutions. The National Security Division is currently focusing on troop strength, military quality of life, homeland security, border control, the war on terror, cyberspace threats, and improvements to the military-voting system. One high-profile program is Operation Comfort Warriors, which provides comfort items for troops recovering in military hospitals and warrior transition units.

The Foreign Relations Commission, meanwhile, is responsible for the organization’s positions on international issues with potential impact on U.S. interests. The Legion, for instance, is dedicated to the full accounting of POWs and MIAs whose remains are not easily accessed in some countries, along with human rights, and care for veterans and their families who live abroad. Currently, the Legion strongly supports relief for the Montagnard people of Vietnam, who face persecution due to their support of U.S. military operations during the war. The commission encourages adequate funding for USAID and the reversal of the flow of illegal drugs into America.

Programs of National Security & Foreign Relations

- Blood Donor Program
- Junior ROTC Medals Program
- National Law Enforcement Officer of the Year Award
- National Firefighter of the Year Award
- Operation Comfort Warriors
- Support for the Department of State

Contact:

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Links

- www.legion.org/security
- www.legion.org/powmia
- www.legion.org/troops/operationcomfort
In January 2011, Chula Vista Post 434 coordinated an Operation Comfort Warriors collection for the Wounded Warrior Battalion at Camp Pendleton, Calif., and Balboa Naval Medical Center in San Diego. Photo by Sandy Huffaker
Legionnaire William Czmyr helped lead fundraising efforts for a new homeless veterans facility in Jewett City, Conn. LaFlamme-Kusek Post 15 in Jewett City is converting the top portion of its post building into supportive housing for homeless veterans. Photo by Amy C. Elliott
Forging Economic Opportunities for Veterans

The American Legion's Economic Commission works to ensure that veterans and their families have opportunities to prosper after discharge. In order to achieve this goal, the Washington-based Economic Division staff works closely with government agencies, nonprofit organizations, colleges, corporations and small businesses. Planks in the Economic Commission platform include education, jobs, business development and the eradication of veteran homelessness.

Gainful employment for veterans is the primary objective of the commission, which is actively involved in more than 170 veteran-targeted job fairs and business-development workshops around the country, working with RecruitMilitary, LLC, Military.com, the Department of Labor and the Small Business Administration. The Legion also maintains online partnerships with Avue and Monster.com, providing information, guidance and – when appropriate – referrals for employment. The Legion’s Small Business Task Force hosts training sessions in which top experts from the private and government sectors alike provide veterans with information on how to start and maintain successful businesses.

In 2010 and 2011, the Legion worked closely with VA to help Secretary Eric Shinseki toward his goal of ending veteran homelessness. Dozens of projects and programs to help veterans get back on their feet are under way across the country to achieve that goal.

Economic Positions and Programs

- Veterans on Campus seminars
- GI Bill benefits to match the needs of today's veterans
- Awards for employers who excel at veteran hiring and retention
- Collaboration with the U.S. government to improve compliance with veterans-preference hiring laws and the awarding of federal contracts to service-disabled veterans
- Business-development workshops, and participation in job fairs nationwide

Contact:

- econ@legion.org

Links

- www.legion.org/careers
- www.legion.org/homeless
Why You Should Belong

The Internal Affairs Commission of The American Legion is responsible for the creation, recommendation, and oversight of organizational policies like membership development, post formation, records administration and special promotional projects. The division also oversees awards, constitutional discipline and commemorative activities; and monitors legislative and regulatory activities that could potentially affect Legion posts and departments.

Recruitment and retention of members is the highest priority for the division, which also receives direction from the Membership & Post Activities Committee.

In 1996, the committee developed a training program designed to assist in developing and revitalizing posts. Interested parties can attend a training workshop, but division staff often go out into the field to help post members firsthand. The team goes door to door, looking up member prospects and former members alike. Defunct posts have been resurrected and new posts have been created through the program, which has helped more than 1,300 posts.

The Internal Affairs Division also produces a number of membership brochures and promotional materials, including the ‘Why You Should Belong’ booklet, which was redesigned in 2011. The division is also currently working on an electronic version of The American Legion Extension Institute, a training program.

Under Internal Affairs
- Paid-Up-For-Life (PUFL) program
- Operation Outreach (in conjunction with DoD’s Operation Reconnect)
- Direct Renewal, and Direct Membership Solicitation (DMS)
- National Emergency Fund (NEF)
- Consolidated Post Reports (CPR)
- National Membership Awards Program for departments, posts, and individuals
- Support for American Legion Riders and the Freedom Car

Contact
- ia@legion.org

Links
- www.legion.org/membership
- www.legion.org/membership/success
A New York Legionnaire helps a resident fill out paperwork during a post-revitalization effort.

Photo by Amy C. Elliott
Legion Riders and the Legacy Run

The American Legion Riders program has grown dramatically over the last two decades, and is now one of the most popular and visible activities that The American Legion conducts. The program was first conceived at Post 396 in Garden City, Mich., in 1993. The American Legion Legacy Run, begun in 2006, now generates over $500,000 each August, and hundreds of other events raise funds to help Legion-friendly causes nationwide.

Today, Legion Riders is a fully sanctioned program of the Internal Affairs Commission. Each chapter manages its programs at the post level. Chapters often participate in Rolling Thunder (a POW/MIA rally held every Memorial Day weekend in Washington); attend regional rides across the country; raise money for veterans, wounded warriors and other needs in their local communities; escort military units to airports before they deploy and welcome them home when they return; and form honor guards to shield military funerals from outsiders.

A major highlight of the Riders’ year is the Legacy Run. Riders and other motorcycling veterans leave Indianapolis and rumble to the national convention. Each year breaks another record for the amount of money raised by the Run in support of The American Legion Legacy Scholarship Fund, which provides scholarships to children of U.S. military personnel killed since Sept. 11, 2001.

Another Year, Another Legacy Run Record

- 2006: $179,000
- 2007: $326,800
- 2008: $457,000
- 2009: $523,299
- 2010: $634,000

Contact:

- wsloan@legion.org (Legacy Run)
- smiller@legion.org (Legion Riders)
- acy@legion.org (Legacy Scholarship)

Links

- www.legion.org/riders
- www.legion.org/riders/scholarship
The 2010 Legacy Run to Milwaukee covered more than 1,400 miles and six states. The event raised $634,000 for the Legacy Scholarship Fund.

Photo by James V. Carroll
Your Donations at Work

In 2010, The American Legion launched a new 501(c)3 nonprofit trust that enables members and friends of the organization to make general donations to the organization, or choose specific programs they want to support. An alumnus of Boys Nation may donate specifically to that program by giving to American Legion Charities. A veteran who received assistance from a Legion service officer may wish to give to the Veterans Affairs & Rehabilitation Division. A family that received help from Legionnaires after a loved one’s medical discharge from the military may want to designate a gift for Heroes to Hometowns. The American Legion Finance Commission oversees distribution of any funds not designated for a particular program.

One of the Legion’s most effective donation programs is the National Emergency Fund (NEF). When natural disasters like tornadoes, floods or wildfires strike, the NEF swiftly delivers needed money to veterans in their communities; similar financial infusions are made across the nation, whenever needed, and are also available in the event of terrorist attack.

The NEF has provided over $6 million in direct financial assistance to Legion Family members and posts, allowing post buildings and veterans’ homes to rebuild after tragedies. Donations from every level of the organization are vital to keep NEF coffers full and ready to assist. The NEF Post Excellence Award is given each year to a post that goes above and beyond in assisting its community after a disaster.

Local Legion fundraising efforts can be posted at www.legion.org/donate/charity_events on the national website, as well.

Worthy Funds

- The American Legion Endowment Fund
- American Legion Child Welfare Foundation, Inc.
- American Legion Legacy Scholarship
- Operation Comfort Warriors
- American Legion Charities
- American Legion Youth Programs Alumni Association

Link

- www.legion.org/donate
In late April 2011, nearly 100 reported tornadoes blasted their way across northwest Alabama – including Pratt City, below – killing 238 people and causing billions of dollars in property loss. The NEF was immediately available to provide financial assistance to affected Legionnaires and posts, as it is after every disaster. Photo by James V. Carroll
All-American Merchandise

Sales of items bearing The American Legion emblem are reserved exclusively for National Headquarters. The Emblem Sales Division – where visitors can find everything from Legion caps and pins to gear for Legion Riders and Legion Baseball – is responsible for the delivery of such products. Almost anything purchased through Emblem Sales can be personalized with a member’s name or post number.

Emblem Sales also sells more than 500,000 American-made U.S. flags a year. The newly created Flag Rewards program benefits Legion posts that purchase U.S. flags through Emblem Sales. Participating posts can receive a 10-cent credit for each dollar spent on the purchase of flags. The credit is good toward the future purchase of any Emblem Sales catalog item. Qualifying purchases include those made by the post, as well as by the post’s members, friends, neighbors, local schools and businesses. More than 500 posts, and more than 1,200 businesses and individuals, have signed up for the program.

In 2010, Emblem Sales processed 101,090 orders and recorded over $11 million in gross sales. Emblem Sales purchases directly support Legion programs. Orders can be taken online, over the phone, through the mail, or in person at the Legion’s John H. Geiger Operations Center in Indianapolis. Catalogs are available on request, free of charge.

Shopping at Emblem Sales

- To receive an Emblem Sales catalog, call (888) 453-4466 between 8 a.m. and 5 p.m. Eastern; fax an order to (317) 630-1381; or send an email to emblem@legion.org
- The American Legion Emblem Sales website provides safe, convenient online shopping for a variety of merchandise items and products for the post. www.legion.org/emblemsales
- To learn what to look for when purchasing a U.S.-made flag from Emblem Sales, watch an informative video at www.americanlegionflags.com
- Look for the Emblem Sales store in the Exhibit Hall of the Legion’s national convention every year

Contact

- emblem@legion.org or call (888) 453-4466

Links

- www.legion.org/emblemsales
- www.americanlegionflags.com
South Dakota Legionnaire Hugh Holmes suggested to Emblem Sales that a special Blue Star coin to honor military families be minted. Emblem Sales acted on the suggestion, and has found the coin to be a big seller. Photo by Greg Letza
Archives, Artifacts and Art

The American Legion Library, located at National Headquarters in downtown Indianapolis, was established in 1923 and now houses vast archives chronicling the rich history of the nation’s largest veterans service organization. Minutes of every national meeting and convention are recorded and filed there. All publications, such as booklets, brochures and pamphlets from divisions, commissions and committees, are indexed by the Library Division staff, which also compiles digested reports from national meetings, maintains records, and offers assistance to researchers.

The division is now working to convert Legion materials into an electronic format, so that more people can access them by using a computer. The digital archive will allow the library to organize, share and curate digital assets such as governing documents, valid resolutions, photos and videos. These searchable materials will be offered online in their full texts through the same type of software used by the Library of Congress and many university libraries. The digital archive will at first only cover the current decade. Older assets will be converted into electronic formats over time. The goal is to have every valid American Legion resolution in the archives, easy to find and search.

The library also has responsibility for the Emil A. Blackmore Museum, along with the Legion’s art, artifact and war-poster collections.

In the Legion Library
- More than 12,000 books and periodicals
- Rare documents, including the original GI Bill
- Photographs, paintings and more than 2,000 posters from World War I and World War II
- Histories of The American Legion by several authors
- A collection of military unit histories, dating back to World War I

Contact
- library@legion.org

Links
- www.legion.org/library
- www.legion.org/posters
- www.legion.org/virtualtour
The Emil A. Blackmore Museum is located at National Headquarters in Indianapolis. Blackmore served as the Legion's national adjutant from 1956-1967, and was instrumental in the creation of the museum. A virtual tour is also available on the Legion's website.

Photo by The American Legion
The Evolution of American Legion Media

The American Legion’s Public Relations and Magazine Commissions oversee the organization’s rapidly changing communication programs, including publication of the nation’s largest magazine for veterans, a national-leadership newspaper, the national website, news releases, videos, mobile-phone applications, online resources, and media relations. The PR Division promotes the Legion’s image, goals, programs and legislative positions to a variety of audiences, including members, government officials, the public and mass-media outlets.

The American Legion Magazine appears in the mailboxes of approximately 2.4 million homes every month, delivering features, interviews, photos and news that revolve around the organization’s resolutions and values. The American Legion Dispatch is a monthly newspaper that reaches nearly 20,000 organization leaders, and provides information about membership, fundraising, special programs, and ideas to help posts operate effectively in their communities. The Magazine Division is also responsible for the organization’s growing electronic media presence, including www.legion.org, The American Legion Online Update e-newsletter, The Burn Pit blog site, LegionTV, social media and more. Between 300,000 and 400,000 visitors – and climbing – use Legion electronic media each month.

Developments in Legion Media

- “A Powerful Force for the Nation” awareness campaign delivered nationwide
- New online membership tools, including electronic renewals and growth of myLegion.org
- Dramatic growth of LegionTV, an online collection of American Legion videos
- Launch of a new American Legion Amateur Radio Club
- Arranged American Legion interviews with national media, including CNN, MSNBC and Fox
- New mobile phone applications

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Links
- www.legion.org
- www.legion.org/media/subscribe
- legiontown.legion.org
Vietnam War veteran James V. Carroll, a film producer for the Air Force during his time in the service, is now the photo editor and a videographer for The American Legion Magazine Division, working in print and electronic media.

Photo by Wounded Warriors Aviation
Sons of The American Legion member Jerick Johnson has driven the 76 Freedom Car, sponsored by The American Legion, since 2005. Photo by St. John Photography.
The Legion on Wheels

A professional stock car bearing The American Legion’s name and emblem has zipped around tracks throughout the country since 2005. The 76 Freedom Car is not directly financially supported by the Legion, but Team Johnson Motorsports of North Carolina has exclusive marketing rights to raise team funds – which it does through donations, merchandise and apparel sales, and sponsorships, primary of which is The David Law Firm.

Driver Jerick Johnson and the 76 car have competed in NASCARs Busch (now Nationwide) Series, the ASA Late Model Challenge Series, and other circuits. Between and before races, the team actively promotes the Legion in local media, and brings the car for displays at posts, VA hospitals, and other locations. Legion Riders often escort the team to the race track. Jerick is a Sons of The American Legion member, father Jack is a Legionnaire, and mother Debbie is an Auxiliary member. Each is a tireless supporter of the Legion and its programs. Supporting the 76 Freedom Car program is supporting The American Legion Family.

In May 2011, Johnson won an ASA-sanctioned Super Late Model race at Newport Motor Speedway in Newport, Tenn. – the first victory of the season for the Freedom Car – and added another in July at Columbus Speedway in Columbus, Ohio. In 2009, Johnson was the ASA Rookie of the Year, and in 2010 he placed second in the running for the Hard Charger Award in the ARCA Series.

How the Legion Supports the Freedom Car

- Donations or merchandise purchases from the race team
- Purchasing racing apparel from Emblem Sales
- Post, district or department fundraisers
- Booking the show car and/or driver for a Legion function
- Purchasing special Post Packs at wholesale price and raffling or selling them
- Sponsorship or honorary associate sponsorship

Contact

- info@teamjohnsonmotorsports.com

Links

- www.legion.org/racing
Preferred Provider of Financial Services

In early 2011, The American Legion united with USAA to deliver superior financial and insurance services to members of the nation’s largest veterans service organization. Like the Legion, USAA is a member-based organization formed by veterans of World War I who had difficulty obtaining auto insurance after they came home, and so decided to insure each other. From that humble beginning has grown one of the most reputable financial-services organizations in the nation, now with more than 8 million members.

Until recent years, USAA’s highly rated insurance was available only to military officers, former officers and their eligible families. Now USAA’s suite of services is available for honorably discharged veterans and their families, regardless of rank. Among the many benefits of USAA are Legion credit cards, investment services, banking, financial advice and insurance programs. As the relationship has evolved, Legion members across the country have found substantial insurance savings by switching to USAA.

USAA also provides personal-finance news and information for Legion media, including the monthly financial-advice column in *The American Legion Magazine*; Mission: Your Money videos on [www.legion.org](http://www.legion.org); and the popular interactive feature “Ask a Financial Expert” in the Legion’s online Financial Center.

USAA Offers

- Insurance services include auto, home and property, life, health, long-term care, Medicare solutions and annuities.
- Banking services include checking, savings, credit card, certificates of deposit, mortgages, MoversAdvantage®, home-equity products, car-buying services, auto loans, personal loans, motorcycle/RV/boat loans, youth banking, college banking and credit monitoring.
- Investment services include mutual funds, IRAs, brokerage, college savings, personal-asset management, annuities and CDs.

Contact

- (877) 699-2654

Links

- [www.usaa.com/legion](http://www.usaa.com/legion)
- [www.legion.org/usaa](http://www.legion.org/usaa)
USAA employees stand ready to personally help Legionnaires with all their financial needs. Photo by Mike Kelly, USAA
American Legion Family Values

The American Legion could not accomplish its goals, or uphold the promises contained within its four pillars of service, without the tireless and enthusiastic cooperation of the entire American Legion Family. This includes the American Legion Auxiliary, Sons of The American Legion and American Legion Riders.

The Legion itself was founded in 1919, and two organizations soon spun off to help fulfill our nation’s commitment to veterans and patriotic values. The American Legion Auxiliary was created by the Legion nine decades ago to carry forward the phases of Legion activities more suitably (as went the thinking at the time) performed by women – including female relatives of Legion-eligible servicemembers and female servicemembers who might have been Legionnaires themselves. Prominent Auxiliary programs include Girls State and Girls Nation; distribution of veteran-made poppies as fundraisers; and junior-membership activities for young women. With more than 850,000 members, the Auxiliary is meeting the needs of veterans and keeping those needs front and center in the minds of the American public, always staying true to its motto: “Service Not Self.”

Sons of The American Legion, created in 1932, is not a separate organization like the Auxiliary, but a Legion program of the Internal Affairs Commission. Open to male descendants of Legion-eligible servicemembers, many of today's more than 340,000 Sons are themselves Legionnaires. The SAL is heavily involved in volunteering at VA health-care facilities, raising money for The American Legion Child Welfare Foundation, and supporting the Citizens Flag Alliance.

American Legion Riders, also a program within the organization, is considered a Legion Family member as well. Riders operate in chapters connected to posts, and may have Legionnaires, SAL members or Auxiliary members on their rosters.

Contact

- alahq@alaforveterans.org
- sal@legion.org
- smiller@legion.org (Legion Riders)

Links

- www.alahq.org
- www.sal.legion.org

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Delaware SAL member Matt Glasco and his son Nathan proudly represent The American Legion Family at a national-convention parade.

Photo by Tom Strattman
Where Legionnaires Convene

Everything The American Legion does in the course of the year comes together at the national convention. Held in a different major city each year at the end of August, the convention brings more than 10,000 Legionnaires and their families from all of the Legion’s 55 departments. The successes of the last year are celebrated and plans for another year are laid out. At the end of the convention, a new national commander is elected and sworn into office. Dignitaries from government, the military, business and entertainment address convention delegates. Awards are presented to individuals, organizations and companies for their service, patriotism and support of Legion values. A parade showcases The American Legion Family to loved ones and locals alike. Convention delegates alone have the authority to approve changes to the Legion’s constitution and bylaws and can also pass national resolutions. When they are not conducting the organization’s business, delegates and their families enjoy the attractions of the host city.

The American Legion Convention Commission provides leadership in the decision-making process to determine host cities, activities and programs of the national convention. The division staff also coordinates other national meetings, including the yearly Spring and Fall Meetings at National Headquarters in Indianapolis, where Legion commissions and committees meet and consider resolutions for adoption.

Future National Convention Cities

- Indianapolis (2012)
- Houston (2013)
- Charlotte (2014)
- Baltimore (2015)
- Cincinnati (2016)

Contact:
- dholmes@legion.org

Links
- www.legion.org/convention
The Minneapolis Convention Center is the site of the 2011 American Legion National Convention. Minneapolis hosted the first national convention in 1919, and will also host the 100th national convention in 2018.

Photo by Greg Benz of CarbonSilver Photography/Getty
The American Legion’s National Headquarters building in downtown Indianapolis was dedicated in 1950 near the original headquarters building, which now houses the Department of Indiana. Both were gifts from the State of Indiana.

Photo by James V. Carroll
National Headquarters: Three Buildings, One Mission

The American Legion National Headquarters can be found in three locations – downtown and east Indianapolis, and Washington, D.C. – where most national administrative functions are performed.

The John H. Geiger Operations Center, near historic Fort Benjamin Harrison in eastern Indianapolis, houses Emblem Sales, Fundraising, Information Technology and Membership Support Services, which operates the Direct Mail Solicitation program that focuses on new-member acquisition. The center also processes charitable contributions, and manages all large-volume mailings from National Headquarters.

The Washington office on K Street, two blocks from Lafayette Square and the White House, is home to divisions that work with the federal government and national media. They include Economic, Legislative, Media Relations, Veterans Affairs & Rehabilitation, and National Security/Foreign Relations.

The American Legion National Headquarters, in downtown Indianapolis, is the heart of the organization, with its historic National Executive Committee Room, the National Commander’s Office, the National Adjutant’s Office, The American Legion Magazine, Public Relations, Americanism, Children & Youth, Finance, Convention, Internal Affairs, Human Resources, Maintenance and Shipping.

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- **The American Legion National Headquarters**
  700 N. Pennsylvania St.
  Indianapolis, IN 46204
  (317) 630-1200
  P.O. Box 1055
  Indianapolis, IN 46206

- **The American Legion Washington Office**
  1608 K Street N.W.
  Washington, DC 20006
  (202) 861-2700

- **John H. Geiger Operations Center**
  5745 Lee Road
  Indianapolis, IN 46216
  (317) 860-3100

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REPORT OF INDEPENDENT AUDITORS

Members of the National Finance Commission
The American Legion National Headquarters
Indianapolis, Indiana

We have audited the accompanying consolidated statements of financial position of The American Legion National Headquarters ("Legion") as of December 31, 2010 and 2009 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Legion's management. 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The American Legion National Headquarters as of December 31, 2010 and 2009, 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.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Crowe Horwath LLP
Indianapolis, Indiana
March 21, 2011
## ASSETS

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,686,749</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>3,110,763</td>
</tr>
<tr>
<td>Interest receivable</td>
<td>741,462</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>679,425</td>
</tr>
<tr>
<td>Deferred membership expense</td>
<td>8,692,559</td>
</tr>
<tr>
<td>Inventory</td>
<td>2,500,115</td>
</tr>
<tr>
<td>Investment in affiliate (CFA)</td>
<td>50,922</td>
</tr>
<tr>
<td>Beneficial interest in trust</td>
<td>336,597</td>
</tr>
<tr>
<td>Prepaid pension expense</td>
<td>1,542,507</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,241,099</strong></td>
</tr>
</tbody>
</table>

### Investments

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>25,860,863</td>
</tr>
<tr>
<td>Segregated for Restricted and Reserved Funds</td>
<td>28,121,944</td>
</tr>
<tr>
<td>Paid-Up-For-Life Membership fund</td>
<td>23,197,380</td>
</tr>
<tr>
<td>Samsung scholarship fund</td>
<td>7,843,214</td>
</tr>
<tr>
<td>Building funds</td>
<td>4,377,546</td>
</tr>
<tr>
<td>Sept. 11 Memorial scholarship fund</td>
<td>4,812,835</td>
</tr>
<tr>
<td>Special account – Endowment Fund</td>
<td>2,255,689</td>
</tr>
<tr>
<td>General account – Endowment Fund</td>
<td>6,724,930</td>
</tr>
<tr>
<td>National Emergency Fund</td>
<td>2,769,006</td>
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<tr>
<td>Other</td>
<td>2,747,336</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>108,730,743</strong></td>
</tr>
</tbody>
</table>

### Property, plant and equipment, net

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$6,692,041</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>135,663,883</strong></td>
</tr>
</tbody>
</table>

## LIABILITIES

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$1,668,774</td>
</tr>
<tr>
<td>Scholarships payable</td>
<td>1,205,583</td>
</tr>
<tr>
<td>Deposits on emblem merchandise sales</td>
<td>187,005</td>
</tr>
<tr>
<td>Deferred income</td>
<td>1,060,185</td>
</tr>
<tr>
<td>Deferred dues income</td>
<td>24,110,482</td>
</tr>
<tr>
<td>Deferred income – direct membership solicitation</td>
<td>7,153,516</td>
</tr>
<tr>
<td>Accrued vacation benefits</td>
<td>828,557</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>360,144</td>
</tr>
<tr>
<td>Notes payable</td>
<td>1,885,963</td>
</tr>
<tr>
<td>Deferred dues income – Paid-Up-For-Life membership</td>
<td>19,990,712</td>
</tr>
<tr>
<td>Life memberships due to state and local posts</td>
<td>20,118,073</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>76,569,994</strong></td>
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</tbody>
</table>

## NET ASSETS

<table>
<thead>
<tr>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>32,682,582</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>12,002,212</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>12,409,095</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>135,663,883</strong></td>
</tr>
</tbody>
</table>

---

See accompanying notes to consolidated financial statements.
### The American Legion National Headquarters

**Consolidated Statement of Activities Year ended December 31, 2010**

<table>
<thead>
<tr>
<th>Revenue, gains and other support</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>National member dues</td>
<td>$29,645,796</td>
<td>-</td>
<td>-</td>
<td>$29,645,796</td>
</tr>
<tr>
<td>Direct membership solicitations</td>
<td>5,536,132</td>
<td>-</td>
<td>-</td>
<td>5,536,132</td>
</tr>
<tr>
<td>Member service fees income</td>
<td>1,288,596</td>
<td>-</td>
<td>-</td>
<td>1,288,596</td>
</tr>
<tr>
<td>Affinity income</td>
<td>363,312</td>
<td>-</td>
<td>-</td>
<td>363,312</td>
</tr>
<tr>
<td>Sales of emblem items</td>
<td>11,105,405</td>
<td>-</td>
<td>-</td>
<td>11,105,405</td>
</tr>
<tr>
<td>Advertising</td>
<td>9,167,804</td>
<td>-</td>
<td>-</td>
<td>9,167,804</td>
</tr>
<tr>
<td>Fundraising</td>
<td>1,416,188</td>
<td>25,356</td>
<td>-</td>
<td>1,441,544</td>
</tr>
<tr>
<td>Contributions</td>
<td>412,548</td>
<td>1,791,728</td>
<td>83,902</td>
<td>2,288,178</td>
</tr>
<tr>
<td>Label and printing fees</td>
<td>1,254,591</td>
<td>-</td>
<td>-</td>
<td>1,254,591</td>
</tr>
<tr>
<td>Interest and dividends, net of trustee fees of $342,886</td>
<td>2,283,259</td>
<td>826,406</td>
<td>-</td>
<td>3,109,665</td>
</tr>
<tr>
<td>Net realized gains</td>
<td>334,195</td>
<td>56,048</td>
<td>6,725</td>
<td>396,968</td>
</tr>
<tr>
<td>Other</td>
<td>1,945,942</td>
<td>-</td>
<td>-</td>
<td>1,945,942</td>
</tr>
<tr>
<td>Total revenues, gains, and other support</td>
<td>65,951,256</td>
<td>1,584,326</td>
<td>90,627</td>
<td>67,543,933</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>14,656,208</td>
<td>-</td>
<td>-</td>
<td>14,656,208</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>2,685,809</td>
<td>-</td>
<td>-</td>
<td>2,685,809</td>
</tr>
<tr>
<td>Fundraising</td>
<td>600,954</td>
<td>-</td>
<td>-</td>
<td>600,954</td>
</tr>
<tr>
<td>Cost of sales – Legion</td>
<td>7,579,204</td>
<td>-</td>
<td>-</td>
<td>7,579,204</td>
</tr>
<tr>
<td>Direct publication</td>
<td>11,901,572</td>
<td>-</td>
<td>-</td>
<td>11,901,572</td>
</tr>
<tr>
<td>Executive and staff travel</td>
<td>1,469,732</td>
<td>-</td>
<td>-</td>
<td>1,469,732</td>
</tr>
<tr>
<td>Commission and committee</td>
<td>1,033,096</td>
<td>-</td>
<td>-</td>
<td>1,033,096</td>
</tr>
<tr>
<td>Printing and postage</td>
<td>5,948,035</td>
<td>-</td>
<td>-</td>
<td>5,948,035</td>
</tr>
<tr>
<td>Scholarships, grants and awards</td>
<td>1,485,907</td>
<td>-</td>
<td>-</td>
<td>1,485,907</td>
</tr>
<tr>
<td>Office and other operating</td>
<td>13,024,017</td>
<td>-</td>
<td>-</td>
<td>13,024,017</td>
</tr>
<tr>
<td>Occupancy and usage</td>
<td>1,921,778</td>
<td>-</td>
<td>-</td>
<td>1,921,778</td>
</tr>
<tr>
<td>Special projects and programs</td>
<td>3,044,974</td>
<td>-</td>
<td>-</td>
<td>3,044,974</td>
</tr>
<tr>
<td>Change in net assets from operations</td>
<td>(82,276)</td>
<td>1,584,326</td>
<td>90,627</td>
<td>1,592,677</td>
</tr>
<tr>
<td>Net unrealized gains - investments</td>
<td>366,984</td>
<td>222,645</td>
<td>180,912</td>
<td>770,541</td>
</tr>
<tr>
<td>Amortization of pension loss</td>
<td>(783,605)</td>
<td>-</td>
<td>-</td>
<td>(783,605)</td>
</tr>
<tr>
<td>Pension-related changes other than net periodic pension cost</td>
<td>1,363,940</td>
<td>-</td>
<td>-</td>
<td>1,363,940</td>
</tr>
<tr>
<td>Change in net assets</td>
<td>4,150,186</td>
<td>1,806,971</td>
<td>271,539</td>
<td>6,228,696</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>28,532,396</td>
<td>10,195,241</td>
<td>12,137,556</td>
<td>50,865,193</td>
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<tr>
<td>Net assets, end of year</td>
<td>$32,682,582</td>
<td>$12,002,212</td>
<td>$12,409,095</td>
<td>$57,093,889</td>
</tr>
</tbody>
</table>

See accompanying notes to consolidated financial statements.
The American Legion National Headquarters  
Consolidated Statement of Activities Year ended December 31, 2009

See accompanying notes to consolidated financial statements.

<table>
<thead>
<tr>
<th>Revenue, gains and other support</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>National member dues</td>
<td>$ 31,571,415</td>
<td>-</td>
<td>-</td>
<td>$ 31,571,415</td>
</tr>
<tr>
<td>Direct membership solicitation</td>
<td>366,876</td>
<td>-</td>
<td>-</td>
<td>366,876</td>
</tr>
<tr>
<td>Member service fees income</td>
<td>1,208,786</td>
<td>-</td>
<td>-</td>
<td>1,208,786</td>
</tr>
<tr>
<td>Affinity income</td>
<td>309,293</td>
<td>-</td>
<td>-</td>
<td>309,293</td>
</tr>
<tr>
<td>Sales of emblem items</td>
<td>11,030,222</td>
<td>-</td>
<td>-</td>
<td>11,030,222</td>
</tr>
<tr>
<td>Advertising</td>
<td>9,545,830</td>
<td>-</td>
<td>-</td>
<td>9,545,830</td>
</tr>
<tr>
<td>Contributions</td>
<td>539,991</td>
<td>1,791,641</td>
<td>45,692</td>
<td>2,377,324</td>
</tr>
<tr>
<td>Label and printing fees</td>
<td>1,502,560</td>
<td>-</td>
<td>-</td>
<td>1,502,560</td>
</tr>
<tr>
<td>Sales – HPC</td>
<td>293,927</td>
<td>-</td>
<td>-</td>
<td>293,927</td>
</tr>
<tr>
<td>Interest and dividends, net of trustee fees of $261,674</td>
<td>2,027,566</td>
<td>837,933</td>
<td>-</td>
<td>2,865,499</td>
</tr>
<tr>
<td>Net realized gains (losses)</td>
<td>(538,350)</td>
<td>9,386</td>
<td>91,451</td>
<td>(437,513)</td>
</tr>
<tr>
<td>Other</td>
<td>2,054,315</td>
<td>-</td>
<td>-</td>
<td>2,054,315</td>
</tr>
<tr>
<td><strong>Total revenues, gains, and other support</strong></td>
<td>59,912,431</td>
<td>2,638,960</td>
<td>137,143</td>
<td>62,688,534</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>13,162,728</td>
<td>-</td>
<td>-</td>
<td>13,162,728</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>2,404,942</td>
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<td>-</td>
<td>2,404,942</td>
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<tr>
<td>Cost of sales – Legion</td>
<td>8,033,171</td>
<td>-</td>
<td>-</td>
<td>8,033,171</td>
</tr>
<tr>
<td>Cost of sales – HPC</td>
<td>264,414</td>
<td>-</td>
<td>-</td>
<td>264,414</td>
</tr>
<tr>
<td>Direct publication</td>
<td>11,970,525</td>
<td>-</td>
<td>-</td>
<td>11,970,525</td>
</tr>
<tr>
<td>Executive and staff travel</td>
<td>880,681</td>
<td>-</td>
<td>-</td>
<td>880,681</td>
</tr>
<tr>
<td>Commission and committee</td>
<td>1,626,714</td>
<td>-</td>
<td>-</td>
<td>1,626,714</td>
</tr>
<tr>
<td>Printing and postage</td>
<td>1,770,499</td>
<td>-</td>
<td>-</td>
<td>1,770,499</td>
</tr>
<tr>
<td>Scholarships, grants and awards</td>
<td>1,268,324</td>
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<td>-</td>
<td>1,268,324</td>
</tr>
<tr>
<td>Office and other operating</td>
<td>8,395,160</td>
<td>-</td>
<td>-</td>
<td>8,395,160</td>
</tr>
<tr>
<td>Occupancy and usage</td>
<td>1,677,562</td>
<td>-</td>
<td>-</td>
<td>1,677,562</td>
</tr>
<tr>
<td>Special projects and programs</td>
<td>3,198,013</td>
<td>-</td>
<td>-</td>
<td>3,198,013</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>54,652,733</td>
<td>-</td>
<td>-</td>
<td>54,652,733</td>
</tr>
<tr>
<td>Change in net assets from operations</td>
<td>6,296,521</td>
<td>1,602,137</td>
<td>137,143</td>
<td>8,035,801</td>
</tr>
<tr>
<td>Net unrealized gains - investments</td>
<td>777,385</td>
<td>61,179</td>
<td>16,248</td>
<td>854,812</td>
</tr>
<tr>
<td>Net change in PUFIL</td>
<td>(1,983,770)</td>
<td>-</td>
<td>(880,835)</td>
<td>(1,983,770)</td>
</tr>
<tr>
<td>Amortization of pension loss</td>
<td>(880,835)</td>
<td>-</td>
<td>-</td>
<td>(880,835)</td>
</tr>
<tr>
<td>Pension-related changes other than net periodic pension cost</td>
<td>25,821</td>
<td>-</td>
<td>-</td>
<td>25,821</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>4,235,122</td>
<td>1,663,316</td>
<td>153,391</td>
<td>6,051,829</td>
</tr>
<tr>
<td>Reclassification (Note 1)</td>
<td>657,309</td>
<td>(657,309)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>23,606,131</td>
<td>9,223,068</td>
<td>11,984,165</td>
<td>44,813,364</td>
</tr>
<tr>
<td>Change in accounting principle (Note 1)</td>
<td>801,376</td>
<td>(801,376)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net assets, beginning of year, restated</td>
<td>23,638,965</td>
<td>9,182,234</td>
<td>11,984,165</td>
<td>44,813,364</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$ 28,532,396</td>
<td>$ 10,195,241</td>
<td>$ 12,137,556</td>
<td>$ 50,865,193</td>
</tr>
</tbody>
</table>

| See accompanying notes to consolidated financial statements. |

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The American Legion National Headquarters
Consolidated Statement of Cash Flows Years ended December 31, 2010 and 2009

See accompanying notes to consolidated financial statements.

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

Nature of Organization: The American Legion National Headquarters (the Legion) is a national veterans organization, declared a corporate body by an act of the U.S. Congress on Sept. 16, 1919. According to the original act and subsequent amendments, the purpose of the Legion is “to uphold and defend the Constitution of the United States of America; to promote peace and goodwill among the peoples of the United States and all the nations of the earth; to preserve the memories and incidents of the two World Wars and the other great hostilities fought to uphold democracy; to cement the ties and comradeship born of service; and to consecrate the efforts of its members to mutual helpfulness and service to their country.” Approximately 50 percent of the Legion’s income is derived from membership dues (including amounts allocated for magazine subscriptions). An additional 15 percent 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, the National Oratorical Contest and Boys Nation.

Principles of Consolidation: The consolidated financial statements include the accounts of The American Legion National Headquarters and its wholly owned subsidiaries, Haynes & Partners Communications, Inc. (HPC); the American Legion Endowment Fund Corporation (ALEF); and the National Emergency Fund (NEF) (collectively, the Legion). All material interorganizational accounts and transactions have been eliminated in consolidation. Haynes & Partners Communications, Inc., an Indiana corporation, was a full-service direct-marketing and advertising agency. Its services included innovative marketing and creative automated mailing. The majority of its sales were to the Legion; the remaining sales were made primarily within the state of Indiana. Effective after the close of business on Dec. 31, 2009, HPC was merged into the Legion and the corporation dissolved. The amounts are reflected in the financial statements as a wholly-owned subsidiary through Dec. 31, 2009. Effective Jan. 1, 2010, the activities and balances of the former entity are reported as a division in the Legion’s operations. The American Legion Endowment Fund Corporation, a tax-exempt Indiana corporation, was created to provide permanent funding for the rehabilitation of U.S. veterans and assistance to orphans of veterans. The National Emergency Fund is a tax-exempt trust established to provide gifts and grants to relieve suffering and ameliorate financial hardship incurred by American Legion members, families and posts.

Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting, in accordance with accounting standards generally accepted in the United States of America.

Use of Estimates in Preparation of Financial Statements: 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, 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 generally-accepted accounting principles (GAAP) for financial statements of not-for-profit organizations. GAAP requires, among other things, that 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 or 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, to later periods of time, or after specified dates. Unconditional promises to give that are due in future periods and are not permanently restricted are classified as temporarily restricted net assets. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Contributions for which the restrictions are met in the same period in which the contribution is received are also recorded as temporarily restricted net assets.

Permanently Restricted Net Assets – The “permanently restricted net asset” class includes assets of the Legion for which the donor has stipulated that the contribution be maintained in perpetuity. Donor-imposed restrictions limiting the use of the assets or its economic benefit neither expire with the passage of time nor can be removed by satisfying a specific purpose.

Cash and Cash Equivalents: Cash and cash equivalents consist of bank deposits in accounts that are federally insured for up to $250,000 per financial institution. Additionally, the Legion holds funds at financial institutions that are participating in the FDIC’s transaction-account-guarantee program. Under this program, non-interest-bearing and certain low-interest accounts are FDIC-insured in full through 2012, in addition to and separate from the coverage available under FDIC’s general deposit-insurance rules. For purposes of the consolidated statement of cash flows, the Legion considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Inventory: Inventory consists of Emblem items held for sale, magazine paper, and publication rights, and is stated at the lower of cost or market using the first-in, first-out (FIFO) method. Supplies 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 30-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 Dec. 31, 2010 and 2009.

**Collection:** The Legion owns many collectible military-related items and historical documents that 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 a 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. The ALEF and the NEF are exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code. None of these organizations is considered a private foundation.

**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, and notes payable, approximate fair value.

**Expense Allocation:** Expenses have been classified as program services, management and general, member development and fundraising, 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.

**Changes in Accounting Principles:** In 2010, the Legion changed its accounting policy on when a temporarily restricted net asset is released. Previously, a restriction was released when it was paid out of the restricted fund. Under the new policy, a restriction is released at the time the expense is incurred, without regard to whether it has been paid yet. Management has determined that this change in accounting policy allows it to more accurately reflect when the donor restriction has been met, and follows the accrual basis of accounting. This change was applied retrospectively, and increased unrestricted net assets and decreased temporarily restricted net assets as of Jan. 1, 2009, by $803,376. The change also increased unrestricted net assets and decreased temporarily restricted net assets as of Dec. 31, 2009, by $104,356, which was reflected in releases from restriction on the statement of activities. Under the previous accounting policy, releases from restriction for the year ended Dec. 31, 2010, would have increased by $14,305. There was no effect on change in net assets for either 2010 or 2009.

**Subsequent Events:** Management has performed an analysis of the activities and transactions subsequent to Dec. 31, 2010, to determine the need for any adjustments or disclosures to the audited financial statements for the year ended Dec. 31, 2010. Management has performed its analysis through March 21, 2011, the date the financial statements were available to be issued.

**Reclassifications:** Certain reclassifications have been made to present last year’s financial statements on a basis comparable to the current year’s financial statements. These reclassifications had no effect on the change in net assets or total net assets.

**Net Assets:** There were no changes in net assets other than the reclassification of the original contribution. This reclassification had no effect on the change in net assets or total net assets.

**Note 2 — Collections:**

The Legion owns many collectible military-related items and historical documents that were not recorded as they were acquired. It is often im-

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practicable 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:

<table>
<thead>
<tr>
<th>Appraisal date</th>
<th>Replacement value</th>
</tr>
</thead>
<tbody>
<tr>
<td>World War I Posters</td>
<td>2/10/2005</td>
</tr>
<tr>
<td>World War II Posters</td>
<td>3/11/2005</td>
</tr>
<tr>
<td>Military Unit Histories</td>
<td>3/18/2005</td>
</tr>
<tr>
<td>Fine Art Collection</td>
<td>10/14/2005</td>
</tr>
<tr>
<td>Firearms and Uniforms Collection</td>
<td>3/24/2006</td>
</tr>
<tr>
<td>Original GI Bill</td>
<td>not applicable</td>
</tr>
<tr>
<td>Other collections</td>
<td>not applicable</td>
</tr>
</tbody>
</table>

NOTE 3 – INVESTMENT IN AFFILIATE

The Legion, in conjunction with approximately 120 other organizations, has created a nonprofit corporation known as Citizens Flag Alliance, Inc. (CFA), for the purpose of aiding in the campaign to secure a constitutional amendment empowering Congress and the states to enact legislation to protect the flag of the United States of America from physical desecration.

CFA recognized an increase in net assets of $4,270 and $23,307 in 2010 and 2009, respectively. Accordingly, the Legion’s investment in CFA has been changed by these amounts and corresponding adjustments have been reflected in unrestricted designated net assets for 2010 and 2009.

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 3.33 percent discount rate in 2010 and a 4.01 percent discount rate in 2009, the present value of future benefits expected to be received by the ALEF was estimated to be $336,597 and $351,492 at Dec. 31, 2010 and 2009, respectively. Accordingly, the Legion’s investment in CFA has been changed by these amounts and corresponding adjustments have been reflected in unrestricted designated net assets for 2010 and 2009.

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 that 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 becorroborated 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, U.S. government obligations and common stock are based on quoted prices in active markets (Level 1 inputs). The fair value of asset-backed securities, corporate and state bonds, and municipal bonds are based on quoted market prices of similar securities with similar due dates (Level 2 inputs). Common stock and asset-backed securities are not held by the Legion, but are held in the defined-benefit-plain assets, which are disclosed in Note 17.

The fair value of beneficial interest in trust assets 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, it is unable to redeem the assets of the trust and only receives distributions (Level 3 inputs).

The FASB issued Accounting Standards Update (ASU) 2009-12, which provides additional guidance on how companies should estimate the fair value of certain alternative investments. The fair value of such investments can now be determined using Net Asset Value (NAV), unless it is probable that the asset will be sold at something other than NAV. In addition, ASU 2009-12 has been interpreted to include other assets that use NAV, such as the beneficial interest in assets or trusts. ASU 2009-12 requires disclosure of certain attributes of all investments within its scope, regardless of whether NAV is used to measure the fair value of these investments, and indicates that liquidity of the assets should be an input in determining the level classification.

Assets and Liabilities Measured on a Recurring Basis:

<table>
<thead>
<tr>
<th>Description</th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market accounts</td>
<td>$5,719,553</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>U.S. government obligations</td>
<td>82,557,253</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>59,641</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>State and municipal bonds</td>
<td>-</td>
<td>$5,856,333</td>
<td>-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>14,537,963</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$88,336,447</td>
<td>$20,394,296</td>
<td>$336,597</td>
</tr>
</tbody>
</table>

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The table 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 Dec. 31, 2010 and 2009:

### Beneficial Interest in Trust

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance, Jan. 1, 2010</td>
<td>$351,492</td>
<td></td>
</tr>
<tr>
<td>Change in value of split-interest agreements</td>
<td>(14,895)</td>
<td></td>
</tr>
<tr>
<td>Ending balance, Dec. 31, 2010</td>
<td>$336,597</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning balance, Jan. 1, 2009</td>
<td>$0</td>
</tr>
<tr>
<td>Reclassification due to ASU 2009-12</td>
<td>$351,492</td>
</tr>
<tr>
<td>Ending balance, Dec. 31, 2010</td>
<td>$351,492</td>
</tr>
</tbody>
</table>

**NOTE 6 – PROPERTY AND EQUIPMENT**

The Legion’s property and equipment, and the related accumulated depreciation at Dec. 31, 2010 and 2009, are as follows:

#### Washington, D.C., real estate

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$80,000</td>
<td>$80,000</td>
</tr>
<tr>
<td>Building</td>
<td>$2,322,998</td>
<td>$4,913,577</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>-</td>
<td>290,905</td>
</tr>
</tbody>
</table>

#### Indianapolis real estate

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$389,264</td>
<td>$389,264</td>
</tr>
<tr>
<td>Building</td>
<td>$3,704,941</td>
<td>$3,661,494</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>-</td>
<td>314,570</td>
</tr>
</tbody>
</table>

#### Furniture, fixtures and equipment

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Headquarters, Indianapolis</td>
<td>$4,048,981</td>
<td>$5,659,156</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>$810,922</td>
<td>$859,089</td>
</tr>
<tr>
<td>Haynes &amp; Partners Communications, Inc.</td>
<td>-</td>
<td>984,584</td>
</tr>
</tbody>
</table>

In addition, the Legion had a lease with the State of Indiana for rental of the National Headquarters building in Indianapolis, that expired on June 30, 2010, and has not yet been renewed, however, the Legion has maintained occupancy and is expected to renew. The lease can be renewed at the option of the Legion for eight additional four-year periods. According to the terms of the lease, the Legion is required to maintain the interior of the building and provide adequate insurance on the building, in lieu of lease payments. The cost of maintenance for 2010 and 2009 was approximately $612,000 and $589,000, respectively. Insurance coverage is included in the Legion’s general insurance policy.

**NOTE 7 – LONG-TERM DEBT**

In 2003, the Legion refinanced its long-term debt on its facility for Emblem Sales, Information Technology, Member Benefits and HPC. This debt is payable in monthly installments of $25,213, including interest, beginning July 30, 2003, with a stated rate of 5.3 percent and final payment due Aug. 1, 2018. The outstanding balance on long-term debt is $1,885,963 and $2,082,865 for 2010 and 2009.

### Future Maturities of Long-term Debt

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$206,682</td>
</tr>
<tr>
<td>2012</td>
<td>217,767</td>
</tr>
<tr>
<td>2013</td>
<td>220,340</td>
</tr>
<tr>
<td>2014</td>
<td>242,317</td>
</tr>
<tr>
<td>2015</td>
<td>255,371</td>
</tr>
<tr>
<td>Thereafter</td>
<td>734,046</td>
</tr>
<tr>
<td>Total</td>
<td>$1,885,963</td>
</tr>
</tbody>
</table>

### Interest Expense

Interest expense was $105,654 and $115,797 for the years ended Dec. 31, 2010 and 2009, respectively.

**NOTE 8 – LEASES**

The Legion has several noncancelable operating leases, primarily for facilities, computer equipment, and copiers, that expire at various dates through the year 2013. Rent expense under these leases for the years ended Dec. 31, 2010 and 2009, was $480,469 and $487,433, respectively.

Minimum lease commitments are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$474,961</td>
</tr>
<tr>
<td>2012</td>
<td>387,345</td>
</tr>
<tr>
<td>2013</td>
<td>346,918</td>
</tr>
<tr>
<td>Total</td>
<td>$1,209,224</td>
</tr>
</tbody>
</table>

### In addition, the Legion had a lease with the State of Indiana for rental of the National Headquarters building in Indianapolis, that expired on June 30, 2010, and has not yet been renewed, however, the Legion has maintained occupancy and is expected to renew. The lease can be renewed at the option of the Legion for eight additional four-year periods. According to the terms of the lease, the Legion is required to maintain the interior of the building and provide adequate insurance on the building, in lieu of lease payments. The cost of maintenance for 2010 and 2009 was approximately $612,000 and $589,000, 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, a 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 member’s 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 Legion’s 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 percent of the prior year’s defined net income from operations to the restricted fund. The Legion made no transfers to the restricted fund in 2010 and 2009.

The reserve fund is 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 – LIFE INSURANCE PLAN

During October 1992, the National Executive Committee approved a resolution to terminate the Legion’s Life Insurance Trust. Upon its dissolution during October 1992, the National Executive Committee approved a

NOTE 13 – NET ASSETS RELEASED FROM RESTRICTION

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

NOTE 14 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent donor-restricted gifts that have been invested and are to be maintained in perpetuity. Income from the Samsung Scholarship Fund is to be used to fund undergraduate scholarships for descendants of Korean War veterans and other wars in which U.S. service members participated. Income from the American Legion Endowment Fund is to be used to support the Legion’s Veterans Affairs & Rehabilitation and Children & Youth activities.

At Dec. 31, 2010 and 2009, the permanently restricted net assets are as follows:

NOTE 15 – ENDOWMENT COMPOSITION

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

Interpretation of Relevant Law: The National Executive Committee has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds; absent explicit donor stipulations to the contrary. As a result of this interpretation, the Legion classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent
endowment made in accordance with the governing documents of the Legion. The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Legion in a manner consistent with the standard of prudence prescribed by UPMIFA. 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 effects 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 Dec. 31, 2010:

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$1,821,311</td>
<td>$12,409,095</td>
</tr>
<tr>
<td>Total funds</td>
<td>$ -</td>
<td>$1,821,311</td>
<td>$12,409,095</td>
</tr>
</tbody>
</table>

Endowment net asset composition by type of fund as of Dec. 31, 2009:

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$(53,401)</td>
<td>$1,716,524</td>
<td>$12,137,556</td>
</tr>
<tr>
<td>Total funds</td>
<td>$(53,401)</td>
<td>$1,716,524</td>
<td>$12,137,556</td>
</tr>
</tbody>
</table>

Changes in endowment net assets for the year ended Dec. 31, 2010:

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, beginning of year</td>
<td>$(53,401)</td>
<td>$1,716,524</td>
<td>$12,137,556</td>
</tr>
<tr>
<td>Investment return</td>
<td>84,801</td>
<td>531,756</td>
<td>-</td>
</tr>
<tr>
<td>Net appreciation (realized and unrealized)</td>
<td>46,160</td>
<td>115,034</td>
<td>187,639</td>
</tr>
<tr>
<td>Total investment return</td>
<td>$130,961</td>
<td>$646,790</td>
<td>$107,699</td>
</tr>
<tr>
<td>New gifts</td>
<td>-</td>
<td>-</td>
<td>45,692</td>
</tr>
<tr>
<td>Appropriation of endowment assets for expenditure</td>
<td>$(77,560)</td>
<td>$(542,003)</td>
<td>-</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>$ -</td>
<td>$1,821,311</td>
<td>$12,409,095</td>
</tr>
</tbody>
</table>

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 or UPMIFA requires the Legion to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature reported in unrestricted net assets were $0 and $53,401 as of Dec. 31, 2010 and 2009, respectively.

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: Distributions will be limited to interest, net of fees. Capital appreciation (realized and unrealized) is added to the principal of the American Legion Endowment Fund; however, capital appreciation from the Samsung Scholarship Fund is temporarily restricted and can be spent according to the spending policy. Endowment-fund principal, unless otherwise directed by the donor, shall not be disbursed except for emergency situations. To make a principal disbursement, a majority vote by the National Executive Committee will be required.
NOTE 16 – INCOME TAXES

The provision (benefit) for income taxes of HPC consists of the following:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income-tax expense</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Federal</td>
<td>$(4,406)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>State</td>
<td>(174,010)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deferred</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Federal</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>State</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$(178,416)</td>
<td></td>
</tr>
</tbody>
</table>

There is no tax expense for the year ending Dec. 31, 2010, as HPC was merged into the Legion. A total of $280,916 of tax refunds was received from the carryback of net operating losses in 2009.

NOTE 17 – 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 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 will still receive the benefits they had earned as of June 30, 2008, but no future benefits will be earned and no new employees will be added. The 401(k) savings plan calls for a 100-percent match of the first 1 percent contributed by the employee, and a 50-percent match of the net 5 percent contributed by the employee. Thus, the maximum matching percentage an employee will receive is 3.5 percent. The Legion made contributions of $336,809 and $304,444 in 2010 and 2009, 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 Dec. 31, 2010 and 2009:

<table>
<thead>
<tr>
<th>Year</th>
<th>Benefit obligation</th>
<th>Fair value of plan assets</th>
<th>Funded status</th>
<th>Service cost</th>
<th>Interest cost</th>
<th>Actual return on assets</th>
<th>Actuarial gain or (loss)</th>
<th>Amortization of prior service costs</th>
<th>Amortization of loss</th>
<th>Difference between expected and actual return on assets</th>
<th>Net periodic pension cost</th>
<th>Net loss</th>
<th>Prior service cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$(47,056,871)</td>
<td>$48,599,378</td>
<td>$1,542,507</td>
<td>$</td>
<td>$2,707,448</td>
<td>(4,433,441)</td>
<td>(4,433,441)</td>
<td>121,085</td>
<td>783,605</td>
<td>787,687 (100,001)</td>
<td>$(33,616)</td>
<td>$95,264</td>
<td>$121,085</td>
</tr>
<tr>
<td>2009</td>
<td>$(46,800,137)</td>
<td>46,945,087</td>
<td>$144,950</td>
<td>$</td>
<td>$2,671,209</td>
<td>(3,470,642)</td>
<td>(3,470,642)</td>
<td>121,085</td>
<td>800,835</td>
<td>808,920 (100,001)</td>
<td>$102,284</td>
<td>$118,738</td>
<td>$121,085</td>
</tr>
</tbody>
</table>

The asset-investment policy is a lower-risk strategy. The fair value of the Legion’s defined-benefit-plan assets at Dec. 31, 2010 and 2009, are as follows. See Note 5 for descriptions of inputs for each type of asset.

<table>
<thead>
<tr>
<th>Description</th>
<th>2010</th>
<th>2009</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Quoted Prices in Active Markets for Identical Assets (Level 1)</td>
<td>$971,186</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Significant Other Observable Inputs (Level 2)</td>
<td></td>
<td>$9,016,733</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Significant Unobservable Inputs (Level 3)</td>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Money market accounts</td>
<td>$971,186</td>
<td>$9,016,733</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>U.S. government and agency obligations</td>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td></td>
<td>5,709,254</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td></td>
<td>1,592,447</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td></td>
<td>11,715,012</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Common stock</td>
<td></td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Materials</td>
<td>866,634</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Industrials</td>
<td>1,961,076</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Consumer discretionary</td>
<td>1,424,067</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Consumer staples</td>
<td>776,992</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Energy</td>
<td>1,445,041</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Health care</td>
<td>1,492,950</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Financials</td>
<td>2,764,561</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>559,618</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Technology</td>
<td>1,852,958</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Utilities</td>
<td>428,548</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Other</td>
<td>226,694</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>300,728</td>
<td></td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Estimated future benefit payments:</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>$3,065,251</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>3,141,624</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>3,202,168</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>3,253,704</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>3,313,033</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016-2020</td>
<td>16,891,941</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2011 | The American Legion Annual Report  51
Financial Statements

Fair-Value Measurements at Dec. 31, 2009, using

<table>
<thead>
<tr>
<th>Ousted Prices in Active markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Significant Unobservable Inputs (Level 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market accounts</td>
<td>$ 884,944</td>
<td>$ -</td>
</tr>
<tr>
<td>U.S. government and agency obligations</td>
<td>13,574,717</td>
<td>-</td>
</tr>
<tr>
<td>Asset-backed securities</td>
<td>-</td>
<td>6,813,718</td>
</tr>
<tr>
<td>Municipal bonds</td>
<td>-</td>
<td>687,819</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>13,142,847</td>
</tr>
<tr>
<td>Common stock</td>
<td>769,466</td>
<td>-</td>
</tr>
<tr>
<td>Materials</td>
<td>1,478,597</td>
<td>-</td>
</tr>
<tr>
<td>Industrials</td>
<td>1,315,973</td>
<td>-</td>
</tr>
<tr>
<td>Consumer discretionary</td>
<td>677,412</td>
<td>-</td>
</tr>
<tr>
<td>Energy</td>
<td>1,515,032</td>
<td>-</td>
</tr>
<tr>
<td>Health care</td>
<td>1,314,662</td>
<td>-</td>
</tr>
<tr>
<td>Financials</td>
<td>1,531,788</td>
<td>-</td>
</tr>
<tr>
<td>Telecommunication</td>
<td>322,302</td>
<td>-</td>
</tr>
<tr>
<td>Technology</td>
<td>1,515,324</td>
<td>-</td>
</tr>
<tr>
<td>Utilities</td>
<td>578,111</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>550,350</td>
<td>-</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>389,825</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 26,300,703</td>
<td>$ 20,644,384</td>
</tr>
</tbody>
</table>

NOTE 18 – FUNCTIONAL EXPENSES

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

<table>
<thead>
<tr>
<th>Program services</th>
<th>2010</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Veterans programs and services</td>
<td>$ 35,108,669</td>
<td>$ 34,528,671</td>
</tr>
<tr>
<td>Americanism, Children &amp; Youth activities</td>
<td>2,806,143</td>
<td>3,881,481</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 37,914,812</td>
<td>$ 38,409,552</td>
</tr>
</tbody>
</table>

Supporting services

| Management and general           | 12,829,185      | 11,616,671      |
| Member development               | 10,945,144      | 4,469,488       |
| Fundraising                      | 4,182,115       | 137,022         |
| **Total**                        | $ 28,056,444    | $ 16,243,181    |
| **Total (PAC)**                  | $ 65,951,256    | $ 54,652,733    |

Member development includes direct-response advertising expense of $5,970,472 and $5,768,462 for the years ended Dec. 31, 2010 and 2009.

NOTE 19 – LITIGATION

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

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: 2010 2009

<table>
<thead>
<tr>
<th>Discount rate</th>
<th>5.96%</th>
<th>5.96%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected return on plan assets</td>
<td>8.00%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

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 Dec. 31, 2011, are $566,298 and $121,085, respectively.

HPC maintained a defined-contribution plan under Section 401(k) of the Internal Revenue Code. Former HPC employees who transferred to the Legion are eligible to participate in the Legion 401(k) savings plan.
### Consolidating Statement of Financial Position
December 31, 2010

#### Supplementary Information

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>American Legion National Headquarters</th>
<th>American Legion Endowment Fund</th>
<th>National Emergency Fund</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$2,563,611</td>
<td>23,850</td>
<td>99,288</td>
<td></td>
<td>2,686,749</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>3,118,892</td>
<td>4,669</td>
<td>1,778</td>
<td>(14,576)</td>
<td>3,110,763</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>650,411</td>
<td>75,963</td>
<td>15,088</td>
<td></td>
<td>741,462</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>577,614</td>
<td>1,811</td>
<td>-</td>
<td></td>
<td>579,425</td>
</tr>
<tr>
<td>Deferred membership expense</td>
<td>8,692,559</td>
<td>-</td>
<td>-</td>
<td></td>
<td>8,692,559</td>
</tr>
<tr>
<td>Due from American Legion Endowment Fund</td>
<td>2,000,000</td>
<td>-</td>
<td>(2,000,000)</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Inventory</td>
<td>2,500,115</td>
<td>-</td>
<td>-</td>
<td></td>
<td>2,500,115</td>
</tr>
<tr>
<td>Investment in affiliate (CFA)</td>
<td>50,922</td>
<td>-</td>
<td>-</td>
<td></td>
<td>50,922</td>
</tr>
<tr>
<td>Beneficial interest in trust</td>
<td></td>
<td></td>
<td>336,597</td>
<td></td>
<td>336,597</td>
</tr>
<tr>
<td>Prepaid pension expense</td>
<td></td>
<td></td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>21,696,631</td>
<td>442,890</td>
<td>116,154</td>
<td>(2,014,576)</td>
<td>20,241,099</td>
</tr>
<tr>
<td>Investments</td>
<td>25,860,863</td>
<td>-</td>
<td>-</td>
<td></td>
<td>25,860,863</td>
</tr>
<tr>
<td>Separated for Restricted and Reserved funds</td>
<td>28,121,944</td>
<td>-</td>
<td>-</td>
<td></td>
<td>28,121,944</td>
</tr>
<tr>
<td>Paid-Up-For-Life Membership fund</td>
<td>23,197,380</td>
<td>-</td>
<td>-</td>
<td></td>
<td>23,197,380</td>
</tr>
<tr>
<td>Samsung scholarship fund</td>
<td>7,943,214</td>
<td>-</td>
<td>-</td>
<td></td>
<td>7,943,214</td>
</tr>
<tr>
<td>Building funds</td>
<td>4,377,546</td>
<td>-</td>
<td>-</td>
<td></td>
<td>4,377,546</td>
</tr>
<tr>
<td>Sept. 11 Memorial scholarship fund</td>
<td>4,812,835</td>
<td>-</td>
<td>-</td>
<td></td>
<td>4,812,835</td>
</tr>
<tr>
<td>Special account – Endowment Fund</td>
<td>-</td>
<td>2,255,689</td>
<td>-</td>
<td></td>
<td>2,255,689</td>
</tr>
<tr>
<td>General account – Endowment Fund</td>
<td>-</td>
<td>6,724,930</td>
<td>-</td>
<td></td>
<td>6,724,930</td>
</tr>
<tr>
<td>National Emergency Fund</td>
<td>-</td>
<td>-</td>
<td>2,789,006</td>
<td></td>
<td>2,789,006</td>
</tr>
<tr>
<td>Other</td>
<td>2,147,395</td>
<td>-</td>
<td>2,789,006</td>
<td></td>
<td>2,787,395</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>8,980,819</td>
<td>2,789,006</td>
<td>-</td>
<td></td>
<td>11,769,825</td>
</tr>
<tr>
<td>Total assets</td>
<td>$125,349,790</td>
<td>$9,423,509</td>
<td>$2,905,160</td>
<td>(2,014,576)</td>
<td>$135,663,883</td>
</tr>
</tbody>
</table>

#### LIABILITIES

| Accounts payable                                       | $1,682,476                           | 874                           | -                     | (14,576)     | $1,668,747   |
| Scholarships payable                                   | 1,205,583                            | -                             | -                     |              | 1,205,583    |
| Accounts payable – Legion                              | -                                    | 2,000,000                     | -                     | (2,000,000)  | -            |
| Deposits on emblem merchandise sales                   | 187,005                              | -                             | -                     |              | 187,005      |
| Deferred income                                        | 1,060,185                            | -                             | -                     |              | 1,060,185    |
| Deferred dues income                                   | 24,110,482                           | -                             | -                     |              | 24,110,482   |
| Deferred income – direct membership solicitation       | 7,153,516                            | -                             | -                     |              | 7,153,516    |
| Accrued vacation benefits                              | 829,557                              | -                             | -                     |              | 829,557      |
| Other liabilities                                      | 360,144                              | -                             | -                     |              | 360,144      |
| Notes payable                                          | 1,885,963                            | -                             | -                     |              | 1,885,963    |
| Deferred dues income – Paid-Up-For-Life Membership     | 19,990,712                           | -                             | -                     |              | 19,990,712   |
| Life memberships due to state and local posts          | 20,118,073                           | -                             | -                     |              | 20,118,073   |
| Total liabilities                                      | 78,583,696                           | 2,000,874                     | (2,014,576)           |              | 76,569,994   |

#### NET ASSETS

| Unrestricted                                           | $125,349,790                         | $9,423,509                    | $2,905,160            | (2,014,576)  | $135,663,883 |
| Temporarily restricted                                 | -                                    | -                             | -                     |              |              |
| Permanently restricted                                 | -                                    | -                             | -                     |              |              |
| Total net assets                                       | $125,349,790                         | $9,423,509                    | $2,905,160            | (2,014,576)  | $135,663,883 |
**SUPPLEMENTARY INFORMATION: The American Legion National Headquarters**

Consolidating Statement of Financial Position December 31, 2009

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>American Legion National Headquarters</th>
<th>American Legion Endowment Fund</th>
<th>National Emergency Fund</th>
<th>Haynes and Partners Communications, Inc.</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,652,940</td>
<td>$11,945</td>
<td>$4,500</td>
<td>$22,677</td>
<td>$-</td>
<td>$1,692,062</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2,644,110</td>
<td>1,533</td>
<td>-</td>
<td>560,663</td>
<td>(430,637)</td>
<td>2,775,669</td>
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<tr>
<td>Interest receivable</td>
<td>556,071</td>
<td>97,512</td>
<td>-</td>
<td>13,613</td>
<td>-</td>
<td>667,196</td>
</tr>
<tr>
<td>Prepaid expenses and deposits</td>
<td>897,939</td>
<td>1,657</td>
<td>-</td>
<td>239,010</td>
<td>-</td>
<td>8,425,988</td>
</tr>
<tr>
<td>Due from American Legion Endowment Fund</td>
<td>2,000,000</td>
<td>-</td>
<td>-</td>
<td>(2,000,000)</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Inventory</td>
<td>2,208,297</td>
<td>-</td>
<td>-</td>
<td>351,492</td>
<td>-</td>
<td>2,561,869</td>
</tr>
<tr>
<td>Investment in affiliate (CFA)</td>
<td>46,652</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>46,652</td>
</tr>
<tr>
<td>Prepaid pension expense</td>
<td>144,950</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>144,950</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>18,576,947</strong></td>
<td><strong>464,139</strong></td>
<td><strong>18,113</strong></td>
<td><strong>822,350</strong></td>
<td><strong>(2,430,637)</strong></td>
<td><strong>17,450,912</strong></td>
</tr>
<tr>
<td>Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General</td>
<td>27,229,732</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,229,732</td>
</tr>
<tr>
<td>Segregated for Restricted and Reserved funds</td>
<td>26,800,403</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>26,800,403</td>
</tr>
<tr>
<td>Paid-Up-For-Life Membership fund</td>
<td>26,736,355</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>26,736,355</td>
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<tr>
<td>Samsung scholarship fund</td>
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<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7,462,725</td>
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<tr>
<td>Building funds</td>
<td>3,953,799</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,953,799</td>
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<tr>
<td>Sept. 11 Memorial scholarship fund</td>
<td>4,206,114</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>4,206,114</td>
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<tr>
<td>Special account – Endowment Fund</td>
<td>-</td>
<td>2,190,560</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,190,560</td>
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<tr>
<td>General account – Endowment Fund</td>
<td>-</td>
<td>6,429,456</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,429,456</td>
</tr>
<tr>
<td>National Emergency Fund</td>
<td>-</td>
<td>2,537,369</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,537,369</td>
</tr>
<tr>
<td>Investment in HPC</td>
<td>949,698</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>949,698</td>
</tr>
<tr>
<td>Other</td>
<td>2,976,050</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,976,050</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>100,314,877</strong></td>
<td><strong>8,620,016</strong></td>
<td><strong>2,537,369</strong></td>
<td><strong>-</strong></td>
<td><strong>(949,698)</strong></td>
<td><strong>110,522,564</strong></td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>5,192,515</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5,192,515</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>105,507,392</strong></td>
<td><strong>8,620,016</strong></td>
<td><strong>2,537,369</strong></td>
<td><strong>-</strong></td>
<td><strong>(949,698)</strong></td>
<td><strong>110,522,564</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>American Legion National Headquarters</th>
<th>American Legion Endowment Fund</th>
<th>National Emergency Fund</th>
<th>Haynes and Partners Communications, Inc.</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$1,740,397</td>
<td>$-</td>
<td>$-</td>
<td>$44,252</td>
<td>$(39,142)</td>
<td>$1,708,207</td>
</tr>
<tr>
<td>Scholarships payable</td>
<td>1,208,547</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,208,547</td>
</tr>
<tr>
<td>Accounts payable – Legion</td>
<td>2,000,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Deposits on emblem merchandise sales</td>
<td>157,669</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>157,669</td>
</tr>
<tr>
<td>Deferred income</td>
<td>214,704</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>214,704</td>
</tr>
<tr>
<td>Deferred dues income</td>
<td>27,841,215</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>27,841,215</td>
</tr>
<tr>
<td>Deferred income – direct membership solicitation</td>
<td>2,336,883</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,336,883</td>
</tr>
<tr>
<td>Accrued vacation benefits</td>
<td>676,332</td>
<td>-</td>
<td>-</td>
<td>32,364</td>
<td>-</td>
<td>708,696</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>644,857</td>
<td>-</td>
<td>-</td>
<td>(391,495)</td>
<td>-</td>
<td>253,362</td>
</tr>
<tr>
<td>Notes payable</td>
<td>2,082,865</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,082,865</td>
</tr>
<tr>
<td>Deferred dues income – Paid-Up-For-Life Membership</td>
<td>23,591,073</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>23,591,073</td>
</tr>
<tr>
<td>Life memberships due to state and local posts</td>
<td>24,084,511</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>24,084,511</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>94,978,798</strong></td>
<td><strong>2,000,000</strong></td>
<td><strong>76,916</strong></td>
<td><strong>(2,430,637)</strong></td>
<td><strong>94,524,762</strong></td>
<td><strong>94,524,762</strong></td>
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<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>28,855,797</td>
<td>(53,401)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,802,396</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>7,639,759</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10,195,241</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>5,000,000</td>
<td>7,137,556</td>
<td>-</td>
<td>949,698</td>
<td>-</td>
<td>12,137,556</td>
</tr>
<tr>
<td><strong>Total restricted assets</strong></td>
<td><strong>41,435,556</strong></td>
<td><strong>7,084,155</strong></td>
<td><strong>2,537,369</strong></td>
<td><strong>949,698</strong></td>
<td><strong>(949,698)</strong></td>
<td><strong>50,865,193</strong></td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>125,804,339</strong></td>
<td><strong>9,084,155</strong></td>
<td><strong>2,555,482</strong></td>
<td><strong>1,026,314</strong></td>
<td><strong>(3,380,335)</strong></td>
<td><strong>135,089,955</strong></td>
</tr>
</tbody>
</table>
## SUPPLEMENTARY INFORMATION: The American Legion National Headquarters
### Consolidating Statement of Activities Year ended December 31, 2010

<table>
<thead>
<tr>
<th>Revenue, gains and other support</th>
<th>American Legion National Headquarters</th>
<th>American Legion Endowment Fund</th>
<th>National Emergency Fund</th>
<th>Haynes and Partners Communications, Inc.</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>National member dues</td>
<td>$ 29,645,796</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>$ 29,645,796</td>
</tr>
<tr>
<td>Direct membership solicitation</td>
<td>5,536,132</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>5,536,132</td>
</tr>
<tr>
<td>Member service fees income</td>
<td>1,288,596</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>1,288,596</td>
</tr>
<tr>
<td>Affinity income</td>
<td>363,312</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>363,312</td>
</tr>
<tr>
<td>Sales of emblem items</td>
<td>11,105,405</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>11,105,405</td>
</tr>
<tr>
<td>Advertising</td>
<td>1,167,904</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>1,167,904</td>
</tr>
<tr>
<td>Fundraising</td>
<td>1,441,544</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>1,441,544</td>
</tr>
<tr>
<td>Contributions</td>
<td>1,908,006</td>
<td>83,902</td>
<td>296,270</td>
<td>-</td>
<td>- $</td>
<td>2,288,178</td>
</tr>
<tr>
<td>Label and printing fees</td>
<td>1,254,591</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>1,254,591</td>
</tr>
<tr>
<td>Interest and dividends, net of fees</td>
<td>2,895,195</td>
<td>342,432</td>
<td>82,038</td>
<td>-</td>
<td>- $</td>
<td>3,109,665</td>
</tr>
<tr>
<td>Net realized gains</td>
<td>370,006</td>
<td>25,487</td>
<td>1,475</td>
<td>-</td>
<td>- $</td>
<td>386,968</td>
</tr>
<tr>
<td>American Legion Endowment Fund income</td>
<td>309,192</td>
<td>-</td>
<td>-</td>
<td>(309,192)</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>1,945,942</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>1,945,942</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>67,021,521</strong></td>
<td><strong>451,821</strong></td>
<td><strong>37,782</strong></td>
<td><strong>(309,192)</strong></td>
<td><strong>(309,192)</strong></td>
<td><strong>67,543,933</strong></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>14,656,208</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>14,656,208</td>
</tr>
<tr>
<td>Employee benefits</td>
<td>2,685,809</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>2,685,809</td>
</tr>
<tr>
<td>Fundraising</td>
<td>600,954</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>600,954</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>7,579,204</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>7,579,204</td>
</tr>
<tr>
<td>Direct publications</td>
<td>11,901,572</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>11,901,572</td>
</tr>
<tr>
<td>Executive and staff travel</td>
<td>1,466,215</td>
<td>3,517</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>1,469,732</td>
</tr>
<tr>
<td>Commission and committee</td>
<td>1,633,066</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>1,633,066</td>
</tr>
<tr>
<td>Printing and postage</td>
<td>5,948,035</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>5,948,035</td>
</tr>
<tr>
<td>Scholarships, grants and awards</td>
<td>1,418,917</td>
<td>309,192</td>
<td>66,990</td>
<td>(309,192)</td>
<td></td>
<td>1,485,907</td>
</tr>
<tr>
<td>Office and other operating</td>
<td>12,996,731</td>
<td>22,484</td>
<td>4,802</td>
<td>-</td>
<td>- $</td>
<td>13,024,017</td>
</tr>
<tr>
<td>Occupancy and usage</td>
<td>1,921,778</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>1,921,778</td>
</tr>
<tr>
<td>Special projects and programs</td>
<td>3,044,974</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- $</td>
<td>3,044,974</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>65,853,463</strong></td>
<td><strong>335,193</strong></td>
<td><strong>71,792</strong></td>
<td><strong>(309,192)</strong></td>
<td></td>
<td><strong>65,951,256</strong></td>
</tr>
</tbody>
</table>

| Change in net assets from operations | 1,168,058                        | 116,628                       | 307,991                 | -                                        |              | 1,592,677 |
| Net unrealized gains - investments | 507,002                            | 221,852                       | 41,687                  | -                                        | - $         | 770,541 |
| Net change in PUFL                | 3,285,143                            | -                             | -                       | -                                        | - $         | 3,285,143 |
| Amortization of pension loss       | (783,605)                           | -                             | -                       | -                                        | - $         | (783,605) |
| Pension-related changes other than net periodic pension cost | 1,363,940                        | -                             | -                       | -                                        | - $         | 1,363,940 |
| Merger of HPC                      | -                                   | -                             | -                       | -                                        | - $         | -|
| **Total**                         | **65,853,463**                       | **335,193**                   | **71,792**              | **(309,192)**                            |              | **65,951,256** |

<table>
<thead>
<tr>
<th>Change in net assets</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, beginning of year</td>
<td>41,225,566</td>
<td>7,084,155</td>
<td>2,555,482</td>
<td>949,698</td>
<td></td>
<td>50,865,193</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41,225,566</strong></td>
<td><strong>7,084,155</strong></td>
<td><strong>2,555,482</strong></td>
<td><strong>949,698</strong></td>
<td></td>
<td><strong>50,865,193</strong></td>
</tr>
</tbody>
</table>

| Net assets, end of year 2010 | $ 46,766,084 | $ 7,422,635 | $ 2,905,160 | $ - | $ - | $ 57,093,889 |

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## Supplementary Information

**American Legion National Headquarters**

### Consolidating Statement of Activities

**Year ended December 31, 2009**

<table>
<thead>
<tr>
<th>Revenue, gains and other support</th>
<th>American Legion National Headquarters</th>
<th>American Legion Endowment Fund</th>
<th>National Emergency Fund</th>
<th>Haynes and Partners Communications, Inc.</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>National member dues</td>
<td>$31,571,415</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>$31,571,415</td>
<td></td>
</tr>
<tr>
<td>Direct membership solicitation</td>
<td>366,876</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>366,876</td>
<td></td>
</tr>
<tr>
<td>Member service fees income</td>
<td>1,208,786</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,208,786</td>
<td></td>
</tr>
<tr>
<td>Affinity income</td>
<td>309,293</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>309,293</td>
<td></td>
</tr>
<tr>
<td>Sales of emblem items</td>
<td>11,030,222</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,030,222</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>9,545,830</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>9,545,830</td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>2,012,115</td>
<td>45,692</td>
<td>319,517</td>
<td>-</td>
<td>2,377,324</td>
<td></td>
</tr>
<tr>
<td>Label and printing fees</td>
<td>1,740,118</td>
<td>-</td>
<td>-</td>
<td>(237,558)</td>
<td>1,502,560</td>
<td></td>
</tr>
<tr>
<td>Sales – HPC</td>
<td>2,413,741</td>
<td>384,368</td>
<td>61,707</td>
<td>5,683</td>
<td>2,865,499</td>
<td></td>
</tr>
<tr>
<td>Interest and dividends, net of fees</td>
<td>1,764,063</td>
<td>(6,870,136)</td>
<td>293,927</td>
<td>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$53,850,500</td>
<td>127,492</td>
<td>8,845</td>
<td>-</td>
<td>(437,573)</td>
<td></td>
</tr>
<tr>
<td>American Legion Endowment Fund income</td>
<td>347,596</td>
<td>-</td>
<td>-</td>
<td>(347,596)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Net loss in subsidiary</td>
<td>(396,910)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>396,910</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2,250,806</td>
<td>-</td>
<td>20,154</td>
<td>(216,705)</td>
<td>2,054,315</td>
<td></td>
</tr>
<tr>
<td><strong>61,826,098</strong></td>
<td>557,552</td>
<td>390,069</td>
<td>7,189,900</td>
<td>(7,275,085)</td>
<td>62,688,534</td>
<td></td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Expenses</th>
<th>American Legion National Headquarters</th>
<th>American Legion Endowment Fund</th>
<th>National Emergency Fund</th>
<th>Haynes and Partners Communications, Inc.</th>
<th>Eliminations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>13,162,728</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13,162,728</td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>2,404,942</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,404,942</td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>8,270,729</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8,270,729</td>
<td></td>
</tr>
<tr>
<td>Cost of sales – HPC</td>
<td>6,444,713</td>
<td>-</td>
<td>-</td>
<td>(237,558)</td>
<td>6,207,155</td>
<td></td>
</tr>
<tr>
<td>Direct publications</td>
<td>11,970,525</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>11,970,525</td>
<td></td>
</tr>
<tr>
<td>Executive and staff travel</td>
<td>880,681</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>880,681</td>
<td></td>
</tr>
<tr>
<td>Commission and committee</td>
<td>1,626,714</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,626,714</td>
<td></td>
</tr>
<tr>
<td>Printing and postage</td>
<td>1,770,499</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,770,499</td>
<td></td>
</tr>
<tr>
<td>Scholarships, grants and awards</td>
<td>1,224,558</td>
<td>347,596</td>
<td>43,766</td>
<td>-</td>
<td>1,628,324</td>
<td></td>
</tr>
<tr>
<td>Office and other operating</td>
<td>8,188,328</td>
<td>31,857</td>
<td>-</td>
<td>864,812</td>
<td>8,395,160</td>
<td></td>
</tr>
<tr>
<td>Occupancy and usage</td>
<td>1,616,982</td>
<td>-</td>
<td>277,285</td>
<td>(216,705)</td>
<td>1,677,462</td>
<td></td>
</tr>
<tr>
<td>Special projects and programs</td>
<td>3,198,013</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,198,013</td>
<td></td>
</tr>
<tr>
<td><strong>54,314,899</strong></td>
<td>379,453</td>
<td>43,766</td>
<td>7,586,810</td>
<td>(7,671,995)</td>
<td>54,652,733</td>
<td></td>
</tr>
</tbody>
</table>

### Change in net assets from operations

| Change in net assets from operations | 7,511,399                          | 178,099                        | 346,303                | (396,910)                                | 396,910     | 8,035,801 |

### Net unrealized gains (losses) - investments

| Net unrealized gains (losses) - investments | 885,976                          | 19,091                         | (50,255)                | -                                        | 854,812     |

### Change in net assets

| Change in net assets | 5,558,591                          | 197,190                        | 296,048                 | (396,910)                                | 396,910     | 6,051,829 |

### Net assets, beginning of year

| Net assets, beginning of year | 35,666,965                          | 6,886,965                      | 2,259,434               | 1,346,808                                | (1,346,808) | 44,813,364 |

### Net assets, end of year

| Net assets, end of year | $41,225,556                          | $7,084,155                     | $2,555,482              | $949,698                                | (949,698)   | $50,865,193 |
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