

THE AMERICAN LEGION,
DEPARTMENT OF GEORGIA

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

For the Years Ended
July 31, 2023 and 2022

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HELTON/SCHUETZE

CERTIFIED PUBLIC ACCOUNTANTS, LLC

Lisa D. Helton, CPA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The American Legion, Department of Georgia

Opinion

We have audited the accompanying financial statements of The American Legion, Department of Georgia (a nonprofit organization), which comprise the statements of financial position as of July 31, 2023 and 2022 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The American Legion, Department of Georgia as of July 31, 2023 and 2022, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The American Legion, Department of Georgia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about The American Legion, Department of Georgia's ability to continue as a going concern for a reasonable period of time.

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

Helton/Schuetze CPA, LLC

Roswell, Georgia
December 1, 2023

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

STATEMENTS OF FINANCIAL POSITION

July 31, 2023 and 2022

ASSETS

	<u>2023</u>	<u>2022</u>
CURRENT ASSETS		
Cash and cash equivalents, unrestricted	\$ 765,907	\$ 841,270
Notes receivable, current portion	43,796	40,869
Other receivables	25,890	24,137
Prepaid expenses	6,644	6,441
Investments, unrestricted	<u>247,453</u>	<u>306,186</u>
Total Current Assets	<u>1,089,690</u>	<u>1,218,903</u>
PROPERTY AND EQUIPMENT		
Building	902,994	902,994
Land	279,225	279,225
Vehicle	50,059	-
Machinery and equipment	94,597	94,597
Furniture and fixtures	<u>43,704</u>	<u>43,704</u>
	1,370,579	1,320,520
Less: accumulated depreciation	<u>(694,202)</u>	<u>(666,773)</u>
Total Property and equipment	<u>676,377</u>	<u>653,747</u>
OTHER ASSETS		
Cash and cash equivalents, restricted	1,178,176	1,102,827
Notes receivable, less allowance for doubtful	109,951	138,740
Operating lease right-of-use	14,190	4,344
Investments, restricted	<u>929,863</u>	<u>947,283</u>
Total Other Assets	<u>2,232,180</u>	<u>2,193,194</u>
TOTAL ASSETS	<u><u>\$ 3,998,247</u></u>	<u><u>\$ 4,065,844</u></u>

See Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable	\$ 39,325	\$ 56,573
Accrued expense	26,916	17,602
Funds held for posts	595,280	589,056
Current portion operating lease liability	5,495	1,880
Income taxes payable	5,551	4,815
Total Current Liabilities	672,567	669,926
LONG CURRENT LIABILITIES		
Operating lease liabilities	8,695	2,464
Total Long Term Liabilities	8,695	2,464
TOTAL LIABILITIES	681,262	672,390
COMMITMENTS AND CONTINGENCIES		
	-	-
NET ASSETS		
Without donor restrictions	3,316,985	3,393,454
With donor restrictions	-	-
TOTAL NET ASSETS	3,316,985	3,393,454
TOTAL LIABILITIES AND NET ASSETS	\$ 3,998,247	\$ 4,065,844

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

STATEMENTS OF ACTIVITIES

	For the Year Ended July 31, 2023			For the Year Ended July 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Support and revenues						
Program revenues						
Members' dues	\$ 283,031	\$ -	\$ 283,031	\$ 201,951	\$ -	\$ 201,951
Commissions and affinity income	56,624	-	56,624	110,778	-	110,778
Donations	65,903	-	65,903	77,843	-	77,843
Special project revenue	-	-	-	47,788	-	47,788
Investment income (loss)	76,756	-	76,756	43,264	-	43,264
Other income	135,014	-	135,014	32,750	-	32,750
Rental income	26,800	-	26,800	24,600	-	24,600
Total support and revenues	644,128	-	644,128	538,974	-	538,974
Functional expenses						
Program services	480,872	-	480,872	524,856	-	524,856
Supporting Services						
Management and general	242,131	-	242,131	166,152	-	166,152
Fundraising	10,121	-	10,121	13,279	-	13,279
Total Functional Expenses	733,124	-	733,124	704,287	-	704,287
Change in allowance for doubtful notes receivable	(12,527)	-	(12,527)	(64,263)	-	(64,263)
CHANGE IN NET ASSETS	(76,469)	-	(76,469)	(101,050)	-	(101,050)
NET ASSETS, BEGINNING OF THE YEAR	3,393,454	-	3,393,454	3,494,504	-	3,494,504
NET ASSETS, END OF THE YEAR	\$ 3,316,985	\$ -	\$ 3,316,985	\$ 3,393,454	\$ -	\$ 3,393,454

Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

STATEMENTS OF FUNCTIONAL EXPENSES

	For the Year Ended July 31, 2023			For the Year Ended July 31, 2022				
	Program Services	Management and General	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals
Salaries and payroll taxes	\$ 182,183	\$ 10,121	\$ 10,121	\$ 202,425	\$ 197,829	\$ 10,990	\$ 10,990	\$ 219,809
Travel	83,099	61,040	-	144,139	85,999	23,792	-	109,791
Miscellaneous	70,373	34,347	-	104,720	61,725	21,097	2,289	85,111
Child and youth welfare	77,996	-	-	77,996	86,992	-	-	86,992
Conventions and conferences	-	45,941	-	45,941	-	41,407	-	41,407
Americanism	34,191	-	-	34,191	37,515	-	-	37,515
Professional fees	-	31,289	-	31,289	-	24,858	-	24,858
Depreciation	17,000	10,429	-	27,429	15,488	15,042	-	30,530
Insurance	-	18,727	-	18,727	-	12,122	-	12,122
Rehabilitation	16,030	-	-	16,030	39,308	-	-	39,308
Printing and supplies	-	14,081	-	14,081	-	12,540	-	12,540
Telephone and utilities	-	8,208	-	8,208	-	2,304	-	2,304
Repairs and maintenance	-	7,695	-	7,695	-	1,900	-	1,900
Bank service charges	-	253	-	253	-	100	-	100
Total Functional Expenses	\$ 480,872	\$ 242,131	\$ 10,121	\$ 733,124	\$ 524,856	\$ 166,152	\$ 13,279	\$ 704,287

See Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

STATEMENTS OF CASH FLOWS

For the Years Ended July 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (76,469)	\$ (101,050)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Loss (gain) on fixed asset disposal	-	27
Unrealized (gains) losses on investments	(9,847)	16,467
Depreciation	27,429	30,530
Change in allowance for notes receivable	(12,527)	(64,263)
Change in operating assets and liabilities		
(Increase) decrease in other receivables	(1,753)	-
(Increase) decrease in prepaids	(203)	(527)
(Increase) decrease in other assets	(9,846)	(4,344)
Increase (decrease) in accounts payable	(7,402)	7,582
Increase (decrease) in accrued expense	9,314	3,187
Increase (decrease) in funds held for posts	6,224	386,519
Increase (decrease) in income taxes payable	736	(18)
Net cash provided by (used in) operating activities	<u>(74,344)</u>	<u>274,110</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Principal payments received on notes receivable	38,389	37,153
Advances on notes receivable	-	(40,000)
Proceeds from sale of investments	436,000	(478,000)
Purchase of investments	(350,000)	580,650
Purchase of property and equipment, net	<u>(50,059)</u>	<u>(14,471)</u>
Net cash provided by (used in) investing activities	<u>74,330</u>	<u>85,332</u>
NET INCREASE (DECREASE) IN CASH	(14)	359,442
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, Beginning of Year	<u>1,944,097</u>	<u>1,584,655</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, End of Year	<u><u>\$ 1,944,083</u></u>	<u><u>\$ 1,944,097</u></u>
Cash as presented on the Statement of Financial Position		
Cash and cash equivalents, unrestricted	\$ 765,907	\$ 841,270
Cash and cash equivalents, restricted	<u>1,178,176</u>	<u>1,102,827</u>
	<u><u>\$ 1,944,083</u></u>	<u><u>\$ 1,944,097</u></u>

See Independent Auditors' Report. The accompanying notes are an integral part of these financial statements.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended July 31, 2023 and 2022

A summary of The American Legion, Department of Georgia's significant accounting policies applied in the preparation of the accompanying financial statements follows:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

The American Legion, Department of Georgia ("the Organization") is a Georgia nonprofit corporation formed in 1919. The Organization's purpose is to enhance the well-being of America's veterans, their families, our military, and our communities by our devotion to mutual helpfulness. The Organization operates in the State of Georgia through 223 local posts.

Additionally, certain committees affiliated with the organization operate independently. These committees include the Sons of the American Legion, Boys State, and the American Legion Riders. The results of operations of these committees are included in these financial statements.

2. Basis of Accounting

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

3. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net assets classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Basis of Presentation - continued

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature. Those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

4. Cash and Cash Equivalents

The Organization's liquid assets are kept in checking, savings and money market accounts. These short-term investments are reported at fair value on a recurring basis determined by reference to quoted market process and other relevant information generated by market transactions. The Organization considers investments that have original maturity of three months or less, when purchased, to be cash equivalents. The Organization had no cash equivalents as of July 31, 2023 and 2022.

5. Revenue Recognition and Receivables

The Organization's revenues from contracts with customers is disaggregated by material revenue category for the years ended July 31, 2023 and 2022 in the statement of activities.

Revenues are recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Organization and are recognized at a point in time when services are provided to customers, and it is not required to provide additional services.

The Organization has elected to apply the optional exemption in Financial Accounting Standards Board 606-10-50-14(a) *Revenue from Contracts with Customers*, because all of the Organization's performance obligations relate to contracts with a duration of one year or less. Under this exemption, the Organization is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. Any unsatisfied or partially satisfied performance obligations at the end of the year are completed within days or weeks of the end of the year.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Revenue Recognition and Receivables - continued

The Organization's revenues primarily consist of member dues and donations. All member dues are recognized as revenue in the period they are received because they are considered earned in the current year. That is any member paying dues would be paying for the current year which restarts every August 1.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

The Organization determines the allowance for uncollectible notes receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Notes receivable are written off when deemed uncollectable. At July 31, 2023 and 2022, the allowance was \$206,446 and \$218,973, respectively. Restricted contributions received and fully utilized or expiring within the same year are classified as net assets without donor restriction.

6. Fair Value Measurements and Disclosures

Carrying values of financial instruments, including cash and cash equivalents, receivables, prepaid expenses, deferred revenue, accounts payable and accrued expenses, approximated their fair values due to the short-term nature of these financial instruments. There were no changes in methods or assumptions during the years ended July 31, 2023 and 2022.

7. Contributed Services

The Organization receives donated services from unpaid volunteers who assist in running the Organization's activities and events. No amounts have been recognized in the statement of activities since the criteria for recognition has not been satisfied.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

9. Property and Equipment

All purchased equipment is recorded at cost and depreciated over their estimated useful lives using the straight-line method. Major improvements, which extend or improve the lives of existing property and equipment, are capitalized if the cost is greater than \$1,000. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the change of net assets. Repairs and maintenance charges, which do not improve or increase the useful lives of the assets, are included in the change of net assets.

The estimated useful lives of the classes of assets generally are as follows:

Building	5 - 40 years
Vehicle	10 years
Machinery and equipment	5 - 10 years
Furniture and fixtures	5 - 10 years

Depreciation expense was \$27,429 and \$30,530 for the years ended July 31, 2023 and 2022, respectively.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

11. Income Tax Status and Reporting

The American Legion, Department of Georgia is part of the National Organization of the American Legion which is a tax-exempt organization under the provisions of the Internal Revenue Code Section 501(c)(19) and files under their Group Exemption Number. The National Organization received its Section 501 (c)(19) determination letter from the Internal Revenue Service on February 17, 1946, and is classified as a public charity.

The Organization applies the guidance on accounting for uncertain tax provisions in FASB ASC 740 *Income Taxes* and is subject to income tax examinations for the tax period ending July 31, 2023 generally three years after they were filed.

The Organization has unrelated business taxable income for the lease of a billboard located on the Organization's property. Income tax expense for the years ended July 31, 2023 and 2022 was \$5,551 and \$4,815, respectively.

12. Reclassifications

Certain accounts relating to the prior year may have been reclassified to conform to the current year presentation with no effect on previously reported changes in net assets.

13. Date of Management's Review

The Organization evaluated subsequent events through December 1, 2023, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the financial statements.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE B – RESTRICTED CASH AND INVESTMENTS

The Organization’s Executive Committee has elected to restrict certain financial assets for the following purpose.

Building Renewal or Replacement – The Building accounts accumulate funds for the purpose of renewal or replacement of the Organization’s Headquarters. Funds received from the sale of property recovered from defunct Legion posts is set aside for this purpose. Loan assistance to posts is paid from these accounts and any interest for these loans is returned to the building accounts.

Medical Research – The Medical Research accounts were established for the purpose of collecting and distributing funds in the interest of national health. The funds are to be spent only as authorized by the Organization’s Executive Committee.

Funds Held for Posts – These accounts hold funds for closed posts that occur as a result of a property sale pending determination of the viability of the post.

Reserve for Emergency – The Reserve accounts accumulates funds as a reserve in case an emergency or extreme shortage should occur in any given year. Funds are collected and deposited to this account at a rate of \$.05 per member, per year. No monies can be expended from the reserve without a majority vote by the Organization’s Executive Committee.

	<u>2023</u>	<u>2022</u>
Designated for building renewal or replacement	\$ 1,089,485	\$ 1,042,646
Designated for medical research	347,279	342,819
Designated funds held for posts	595,280	589,056
Designated reserve for emergency or shortages	<u>75,995</u>	<u>75,589</u>
	<u>\$ 2,108,039</u>	<u>\$ 2,050,110</u>

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE B – RESTRICTED CASH AND INVESTMENTS – CONTINUED

Restricted cash and investments as presented on the Statement of Financial Position:

Cash and cash equivalents, restricted	\$ 1,178,176	\$ 1,102,827
Investments, restricted	<u>929,863</u>	<u>947,283</u>
	<u>\$ 2,108,039</u>	<u>\$ 2,050,110</u>

NOTE C – AVAILABILITY AND LIQUIDITY

The Organization's unrestricted financial assets at July 31, 2023 and 2022 were \$1,013,360 and \$1,147,456, respectively. They are available to meet general expenditures over the next twelve months. The Organization's goal is generally to maintain financial assets to meet 180 days of operating expenses. Cash in excess of daily needs is invested in money market funds.

Financial assets available to meet cash needs for general expenditures are summarized as follows:

	<u>2023</u>	<u>2022</u>
Financial assets at year end	\$ 3,121,399	\$ 3,197,566
Less restricted financial assets	<u>(2,108,039)</u>	<u>(2,050,110)</u>
Financial assets available to meet cash needs for general expenditures	<u>\$ 1,013,360</u>	<u>\$ 1,147,456</u>

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE D – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB Accounting Standards Codification ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to valuation are unadjusted quoted prices for identical assets or liabilities in active markets the Organization has the ability to access.

Level 2 – Inputs to the valuation methodologies include (1) quoted prices for similar assets or liabilities in active markets; (2) quoted prices for identical or similar assets or liabilities in inactive markets; (3) inputs other than quoted prices that are observable for the asset or liability; (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the hierarchy is based on the lowest level of an input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in the methodologies used.

Corporate bonds, money market funds, and stock and mutual funds are valued at fair value based on quoted prices of the debt or equity securities held by the Organization at year end.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE D – FAIR VALUE MEASUREMENTS – CONTINUED

The following table sets forth by level, with the fair value hierarchy, the Organization’s investments at fair value as of July 31, 2023:

Description	Level 1	Level 2	Level 3	Total
Corporate Bonds	\$ 401,331	\$ -	\$ -	\$ 401,331
Money Market	695,376	-	-	695,376
Stock and Mutual funds-equity	80,609	-	-	80,609
Total	<u>\$ 1,177,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,177,316</u>

The following table sets forth by level, with the fair value hierarchy, the Organization’s investments at fair value as of July 31, 2022:

Description	Level 1	Level 2	Level 3	Total
Corporate Bonds	\$ 670,662	\$ -	\$ -	\$ 670,662
Money Market	513,917	-	-	513,917
Stock and Mutual funds-equity	68,890	-	-	68,890
Total	<u>\$ 1,253,469</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,253,469</u>

NOTE E – CONTINGENCIES

The Organization is subject to certain contingent liabilities resulting from litigation, claims, and other commitments which arise in the ordinary course of business. Management believes that the probable resolution of such contingencies will not materially affect the financial position, results of operations, or cash flows of the Organization.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE F - NOTES RECEIVABLE

Notes receivable at July 31, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Notes receivable from posts with monthly installments of \$744 and \$1,801 with 6% interest per annum, final payment due in 2029, secured by property.	\$ 156,236	\$ 177,702
Notes receivable plus unpaid accrued interest from posts with monthly installments of \$386 and \$755 with 6% interest per annum, final payment due prior to 2023, secured by property.	53,756	54,056
Note receivable plus unpaid accrued interest from a post with monthly installments of \$935 with 6% interest per annum, final payment due in April 2025, secured by property.	52,502	53,202
Note receivable from a post with no interest and monthly installments of \$700 until April 2027.	34,400	40,000
Notes receivable plus unpaid accrued interest from posts with monthly installments of \$177 to \$977 with 6% interest per annum, final payment due prior to July, 2021, secured by property.	26,095	26,894

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE F - NOTES RECEIVABLE – CONTINUED

	<u>2023</u>	<u>2022</u>
Notes receivable from posts with monthly installments of \$232 and \$967 with 6% interest per annum, final payment due in 2024, secured by property.	19,173	26,605
Note receivable plus unpaid accrued interest from a post with monthly installments of \$399 with 6% interest per annum, final payment due prior to November 2021, secured by property.	15,711	16,011
Note receivable from a post with monthly installments of \$327 with 6% interest per annum, final payment due prior to May 2023, secured by property.	<u>2,320</u>	<u>4,112</u>
	360,193	398,582
Less current portion:	<u>(43,796)</u>	<u>(40,869)</u>
	316,397	357,713
Less: allowance for doubtful notes receivable	<u>(206,446)</u>	<u>(218,973)</u>
	<u>\$ 109,951</u>	<u>\$ 138,740</u>

The Board approved suspension of all interest accruals on notes receivable as of April 1, 2022. Accordingly, these notes receivable outstanding balances include interest through March 31, 2022.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE G – OPERATING LEASES

The Company accounts for leases in accordance with FASB ASC 842. The Company is a lessee in a cancelable operating lease for office equipment. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Company determines if an arrangement conveys the right to use an identified asset and whether the Company obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Company recognizes a lease liability and right-of-use (ROU) asset at the commencement date of the lease. Beginning August 1, 2021, operating lease ROU assets and related current and long-term portions of operating lease liabilities have been presented in the balance sheet.

Right-of-Use Assets - A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued lease payments. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

Lease liabilities - A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Company uses its incremental borrowing rate. If the implicit rates of the Company's leases are not readily determinable; accordingly, the Company uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE G – OPERATING LEASES - CONTINUED

The Company has obligations as a lessee for equipment with an initial term of 5 years. The Company classifies this lease as operating lease. The Company’s lease does not include guaranteed residual values or restrictive financial or other covenants.

The following summarizes the line items in the statement of financial position which includes amounts for operating leases as of July 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Operating lease right-of-use assets, net of amortization	\$ 14,190	\$ 4,344
Less: Current portion of operating lease liabilities	<u>(5,495)</u>	<u>(1,880)</u>
Operating lease liabilities, long term	<u>\$ 8,695</u>	<u>\$ 2,464</u>

The maturities of operating lease liabilities as of July 31, 2023, are as follows:

Years Ending July 31,	<u>Amounts</u>
2024	\$ 5,992
2025	4,471
2026	3,964
2027	661
Thereafter	<u>-</u>
Total lease payments	15,088
Less: interest	<u>(898)</u>
Present value of operating lease liabilities	<u>\$ 14,190</u>

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE G – OPERATING LEASES – CONTINUED

	<u>2023</u>	<u>2022</u>
Weighted average remaining lease term:	<u>2.52</u>	<u>2.25</u>
Weighted average discount rate:	<u>4.25%</u>	<u>4.25%</u>

In 2007 the Organization entered into a long-term agreement for a billboard located on its property. The lease commenced in January 2007 and ends in December 2036 with an increase of \$3,000 rental every 5 years. This activity gives rise to unrelated business income which is taxable. Future minimum rental income to be received is as follows:

<u>Years Ending July 31,</u>	<u>Amounts</u>
2024	\$ 21,000
2025	21,000
2026	21,000
2027	23,000
2028	24,000
Thereafter	<u>215,000</u>
	<u>\$ 325,000</u>

NOTE H – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balance at local financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to various limits depending on whether the account is interest bearing or not.

The Organization's uninsured cash balance total was \$1,177,395 and \$464,325 as of July 31, 2023 and 2022, respectively. If the financial institutions were not to honor their contractual liability, the Company could incur losses. It is management's opinion that there is low risk because of the financial strength of the institutions involved.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE I – RETIREMENT PLAN

The Organization maintains a SIMPLE IRA plan for all eligible employees. The Organization contributes 3% of gross wages to the participating employees' Simple IRA accounts. The Organization's contributions totaled \$4,804 and \$4,173 for the years ended July 31, 2023 and 2022, respectively.

NOTE J – DISAGGREGATION OF REVENUE FROM CONTRACTS

The Organization's revenue from contracts with customers is earned through members' dues, commissions and affinity income, rental income and other miscellaneous income. The following table disaggregates the Organization's revenue based on the timing of satisfaction of performance obligations for the year ended July 31:

	<u>2023</u>	<u>2022</u>
Performance obligations satisfied at a point in time	\$ 501,469	\$ 417,867
Performance obligations satisfied over time	-	-
Non-contract revenue	<u>142,659</u>	<u>121,107</u>
Total Net Revenues	<u>\$ 644,128</u>	<u>\$ 538,974</u>

NOTE K – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The Organization paid \$-0- for interest for the years ended July 31, 2023 and 2022, and \$4,815 and \$4,833 for income taxes for the years ended July 31, 2023 and 2022, respectively.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE K – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION - CONTINUED

Cash flows from lease activities were as follows:

Cash paid for amounts included in
the measurement of lease liabilities:

Operating cash flows-operating lease	<u>\$ 5,992</u>
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Right-of-use asset obtained in
exchange for lease liabilities:

Operating lease	<u>\$ 14,836</u>
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Reductions to right-of-use assets
resulting from reduction to lease
liabilities:

Operating leases	<u>\$ 5,267</u>
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NOTE L – RELATED PARTY TRANSACTIONS

The Organization pays the national American Legion a portion of collected dues each year. Revenues in the statement of income and expenses is shown net of amounts collected and paid to the National Organization. Total dues paid to national for the years ended July 31, 2023 and 2022 was \$86,310 and \$98,585, respectively.

The Organization also advances funds to financially struggling posts to cover outstanding debts as needed. These monies are classified as other receivables until a determination of a definite payment amount and structure is determined. Advances to posts included as an other receivable in the statement of financial position totaled \$25,890 and \$24,137 as of July 31, 2023 and 2022, respectively.

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE L – RELATED PARTY TRANSACTIONS -CONTINUED

The Organization also holds funds for closed Posts that occur as a result of a property sale. Proceeds from the sale are returned to the Organization pending determination of the viability of the Post. Funds held for posts totaled \$595,280 and \$589,056 as of July 31, 2023 and 2022, respectively.

NOTE M - CHANGE IN ACCOUNTING POLICY

In February 2016, the Federal Accounting Standards Board (FASB) issued ASU 2016-02, *Leases (Topic 842)*. FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Company adopted FASB ASC 842, as of August 1, 2021 by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. The Company did not restate prior periods presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to net assets as of August 1, 2021 was necessary for the cumulative impact of adoption of FASB ASC 842.

The most significant effects of adopting FASB ASC 842 were the recognition of \$6,145 of operating lease right-of-use assets and a total of \$6,145 of current and long-term operating lease liabilities on the balance sheet as of August 1, 2021. No cumulative effect adjustment to net assets as of August 1, 2021 was necessary. FASB ASC 842 did not have a significant effect on the results of operations or cash flows for the year ended July 31, 2023.

As part of the transition, the Company implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

Election not to reassess whether any expired contracts contain leases

Election not to reassess the lease classification of any expired leases

Election not to reassess initial direct costs on any existing leases

THE AMERICAN LEGION, DEPARTMENT OF GEORGIA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

For the Years Ended July 31, 2023 and 2022

NOTE M - CHANGE IN ACCOUNTING POLICY - CONTINUED

Other Practical expedients:

Election whereby the lease and non-lease components will not be separated for leases of office space.

Election not to record right-of-use assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than 1 month. Leases of 1 month or less are not included in short term lease costs.

NOTE N – RECENTLY ISSUED ACCOUNTING STANDARDS

During 2023 the Financial Accounting Standards Board issued several other updates to the Accounting Standards Codification which have been incorporated into the accounting records and financial statements of the Company.