



**NATIONAL EXECUTIVE
COMMITTEE MEETING**

February 20-21, 2016

**Washington Hilton Hotel
Washington, D.C.**

MEMBERS PRESENT
SATURDAY, FEBRUARY 20, 2016

National Officers

National President	Sharon Conatser
National Vice President	Mary Davis
Central Division National Vice President.....	Lynda Lancaster
Eastern Division National Vice President	Helen Skelton
Northwestern Division National Vice President.....	Judy Twete
Southern Division National Vice President	Flora Jean Craig
Western Division National Vice President	Linda Workman
National Chaplain	Bird Derrick
National Historian	Debra Noble
National Secretary	Mary “Dubbie” Buckler
National Treasurer	Marta Hedding

Past National Presidents

Linda Boone
Linda Newsome
Virginia Hobbs
Elizabeth Stewart
Kristine West
Katherine Morris
Jan Pulvermacher-Ryan
Rita Navarreté
Carlene Ashworth
Peggy Thomas
Nancy Brown-Park
Janet Jefford

National Executive Committeewomen

Alabama	-
Alaska	Beverly Eads
Arizona	-
Arkansas	Betty Minor
California	Harriet Clendenin
Colorado	Susan Bozella
Connecticut	Joe Anne Jackson
Delaware	Arnita Coleman
District of Columbia	-
Florida	Erna Schwabe
Georgia	-
Hawaii	Laura Hashimoto
Idaho	Jo Ann Bujarki
Illinois	Ann Flanagan
Indiana	Lisa Liford
Iowa	Ann Crawford
Kansas	Tonia Ison
Kentucky	Lana Goley
Louisiana	-
Maine	Mary Jane McLoon
Maryland	Joyce Brown
Massachusetts	-
Michigan	Nancy Knox
Minnesota	Chris Ronning
Mississippi	Mary Barrett
Missouri	Anita Smith
Montana	-
Nebraska	Barbara Skillman
Nevada	Glynis Seeley
New Hampshire	Karyl Horn
New Jersey	Julianne Jandik
New Mexico	Darlene Allen
New York	Diane Gerber
North Carolina	Janice MacLeod
North Dakota	Marlys Aubol
Ohio	Susan Masten
Oklahoma	Linda Keister
Oregon	Angelina McKinney
Pennsylvania	-
Puerto Rico	Haydee Rivera
Rhode Island	Colleen Flynn
South Carolina	Anne Parker
South Dakota	Carol Edwards
Tennessee	Jan Bruce
Texas	-
Utah	Carolyn Stromness
Vermont	-
Virginia	Nancy Harting
Washington	Lorna Deckert
West Virginia	Debra Fox
Wisconsin	Teresa Isensee
Wyoming	Leila Dean

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SATURDAY, FEBRUARY 20, 2016
NATIONAL EXECUTIVE COMMITTEE MEETING

PRESIDENT CONATSER: The National Executive Committee will now come to order.

(Ringing of the bell.)

PRESIDENT CONATSER: Please disable all electronic devices or place them in the silent mode. I'll give you time to do that. Everybody is grabbing for their phones.

Please rise and remain standing for the opening ceremonies.

(Ringing of the bell.)

PRESIDENT CONATSER: Ann Flanagan and Sandy Kirby will advance the colors.

(Colors advanced.)

PRESIDENT CONATSER: National Chaplain Bird Derrick will offer the invocation.

CHAPLAIN DERRICK: Greetings. I read this this morning and I just wanted to share it with you then we'll pray. In Romans it says, in Chapter 12, "Love must be sincere. Hate what is evil. Cling to what is good. Be devoted to one another in brotherly love. Honor one another above yourselves. Never be lacking in zeal, but keep your spiritual fervor serving the Lord. Be joyful in hope, patient in affliction, faithful in prayer, share with God's people who are in need, practice hospitality." Sisters, who does that sound like? Let's pray.

Father we rejoice that by your grace you've brought us together in one place again. We thank you so much for each heart that's here Lord. We thank you for the random acts of kindness, the opportunities to serve that you bring across our paths every day Lord.

So as we gather in this place at this time, we invite your presence to be here with us to rest and rule and abide in our midst. Father, we give you glory for all that is before us that you are leading us to. We give you praise tonight in your most holy and precious name. Amen.

VOICES: Amen.

PRESIDENT CONATSER: Thank you, Bird. The Chair calls upon Americanism Chairman Brenda Collins to lead the Pledge of Allegiance and the national anthem.

CHAIRMAN COLLINS: Join me in the Pledge of Allegiance.

(Whereupon, the Pledge of Allegiance was recited.)

(Whereupon, the National Anthem was sung.)

PRESIDENT CONATSER: Thank you. Thank you. Now, National Constitution & Bylaws Chairman Martha Lee Thatcher will lead us in the Preamble to the Constitution.

(Whereupon, the Preamble to the Constitution was recited.)

PRESIDENT CONATSER: Thank you, Martha Lee.

And if you all would please, on your chairs, you found the mission statement and we're going to read it together. Don't grumble. Okay.

(Whereupon, the mission statement was recited.)

PRESIDENT CONATSER: National Security Chairman Kathy Daudistel will read the POW/MIA resolution. Kathy?

CHAIRMAN DAUDISTEL: The American Legion Resolution 288 adopted at the 67th American Legion National Convention calls for designating a POW/MIA Chair at all official meetings of the American Legion as a physical symbol of thousands of American POW/MIAs still unaccounted for from all wars and conflicts involving the United States of America.

The chair cover on the empty chair, a reminder for all of us to spare no effort to secure the release of any American prisoners from captivity, the reputation of the remains of those who died bravely in defense of liberty and a full accounting of those missing. Let us rededicate ourselves for this vital endeavor.

PRESIDENT CONATSER: Thank you. Would everyone please be seated? (Ringing of the bell.)

PRESIDENT CONATSER: Wow, here are in Washington, D.C. for our Washington, D.C. Conference. Time flies, right? The mid-year meeting of the National Executive Committee is convened. Welcome to everyone and I'm so pleased to see all of you.

Unlike the weather last year, we didn't have -- well, everyone getting snowed out or snowed in. So I'm glad you all could make it. Your dedication and commitment are what will keep our organization strong now and in the years to come.

I have some cards that I'm going to ask the pages to start one on here, here and up top. They are for Past National President Kris Nelson. She's had a little setback. Although, yesterday she had a great day and she now has beautiful new twin granddaughters.

(Applause.)

PRESIDENT CONATSER: Why don't we start one at the head table. I almost forgot the head table, Sandy. Sorry. So if you would just write her a note, we're going to pass them around and I'll make sure they get mailed. Well, or Tamara might have to.

The National Executive Committee is the auxiliary's governing Board which makes each of you the caretakers of our organization. As caretakers, you have a fiduciary obligation to act on behalf of the organization and advance our interests. All decisions made by this governing Board must be informed decisions made with the undivided allegiance to this organization's mission which we just said.

Please know that I take your role and responsibilities very seriously and I hope each of you do the same. I welcome your active participation and invite you to both listen and share as the business before you is presented. Remember, it is both a privilege and a responsibility to ensure the decisions you make are the best for our American Legion Auxiliary.

Past National Presidents, National Chairman, National Committee members, I welcome all of your support in being part of the team committed to getting the job done. I am happy to see so many department representatives here also as well as our National staff members. I would like for the National staff in the room to please stand. Let's take a minute and thank the staff for putting this meeting together.

(Applause.)

PRESIDENT CONATSER: And the ones that aren't in the room, when you see them, please tell them thank you because they do work hard. If you notice, there's not an empty chair, but there's somebody missing from our head table. Marta

Hedding, this is the first National meeting in 21 years she's missed. She's very distraught over that fact, but she's been sick with some bronchitis chesty yucky stuff for about -- well, since Thanksgiving and when she went to the doctor last week, they told her she needed to stay home and away from people for one week. She was contagious.

So please keep Marta in your thoughts and prayers and I know National would love to open a ton of -- give Marta a ton of cards. So if you feel so inclined, please send one to Marta at National Headquarters. Wasn't in my script, but I just thought we needed to mention that.

How many of you are here at the DC Conference for the first time? Wow. Good. That's great.

(Applause.)

PRESIDENT CONATSER: My hope is that we have a terrific National Executive Committee meeting and that everyone here has a productive and informative Washington, D.C. conference.

So let's get started. Please remember that anyone wishing to speak is first asked to make her way to the microphone in the center aisle. This is the only way your remarks can be heard, but for recording by our reporter for the transcripts of our meeting. You must be recognized by the Chair before you speak.

In lieu of having our National Secretary call roll of the National Executive Committee, you should have been checked in at the door by one of our awesome Headquarters staff.

If you feel that you were not checked in, which means if somebody did not say, "What is your name? I'll check you in," that was my editorial, please go to the back table at the end of the meeting. Not now, end of the meeting.

It's my pleasure to introduce those at the head table. Mary Davis, National Vice President.

(Applause.)

PRESIDENT CONATSER: Lynda Lancaster, National Central Division Vice President.

(Applause.)

PRESIDENT CONATSER: Helen Skelton, National Eastern Division Vice President.

CHAIRMAN SKELTON: Hello.

(Applause.)

PRESIDENT CONATSER: Judy Twete, National Northwestern Division Vice President.

(Applause.)

PRESIDENT CONATSER: Flora Jean Craig, National Southern Division Vice President.

(Applause.)

PRESIDENT CONATSER: Linda Workman, National Western Division Vice President.

(Applause.)

PRESIDENT CONATSER: And I think we need to talk about the seating arrangement at this end of the table. Bird Derrick, our National Chaplain.

(Applause.)

PRESIDENT CONATSER: Debra Noble, National Historian.

(Applause.)

PRESIDENT CONATSER: Dobbie Buckler, our National Secretary.

(Applause.)

PRESIDENT CONATSER: Chris Dickey will serve as Parliamentarian for this meeting.

(Applause.)

PRESIDENT CONATSER: Ann Flanagan, Personal Page from the Department of Illinois.

(Applause.)

PRESIDENT CONATSER: And Sandy Kirby, Personal Page from the Department of Illinois.

(Applause.)

PRESIDENT CONATSER: Before we begin the consent agenda, I would like to remind everyone that the Minutes Approval Committee is responsible for approving the NECs mini minutes. This year's committee consists of the NECs from Connecticut, Joe Anne Jackson, Washington, Lorna Deckert and Arizona, Jane Shoemaker.

The Chair has received confirmation that the Minutes Approval Committee duly met, thoroughly reviewed and after making any necessary proofing edits, approved the proceedings from the pre and post 2015 Convention NEC meetings. The proceedings are posted on the American Legion Auxiliary website.

Before we get into the business of the evening, I would like to first report that the Executive Committee to the NEC met twice electronically -- okay. You know the Executive Committee? You know who I'm talking about, right? Okay.

You'll remember that the National by-law revision provided for the establishment of the Executive Committee to the NEC to address urgent matters and report our activities to the NEC. Members of this committee include, National President, National Vice President, National Secretary --

UNIDENTIFIED SPEAKER: National Treasurer.

PRESIDENT CONATSER: National Treasurer and the Chairman of Finance. We met to discuss and electronically voted to recommend the two resolutions on the consent agenda addressing a federal charter for the American Legion Auxiliary and renewing our support for the National Headquarters to work with Council General to resolve the problems American Legion Auxiliary entities may be experiencing with the IRS.

I love the giggles.

Both resolutions include the rationale which reflects our support for each resolution. The Executive Committee to the NEC then met to discuss the proposed change to the wording of Goal No. 1 of our Centennial Strategic Plan and voted to propose the resolution to the NEC. That resolution will be considered tomorrow.

That concludes my report on the Executive Committee to the NEC. So let's get started. You thought we started awhile ago, didn't you? I know.

We will again be utilizing the consent agenda in lieu of multiple motions to handle many of the basic business items. These items are listed on your agenda that you received in advance of this meeting and include the charter cancellation since August 2015, appointment changes from Convention, five National Finance Committee policies have been reviewed and updated.

And they are, American Legion Auxiliary National President Special Project Funds Policy, American Legion Auxiliary Complimentary Ticket and Registration Policy, American Legion Auxiliary Contract Approval and Signature Policy, American Legion Auxiliary National Headquarter Employer Provided Equipment Policy and the American Legion Auxiliary Confidentiality Policy.

Reaffirmation resolution to obtain the federal charter for the American Legion Auxiliary and the reaffirmation resolution work with the American Legion to resolve IRS issues impacting the American Legion Auxiliary.

You received information on each of these items prior to this meeting and I hope that you have thoroughly reviewed all of them.

The consent agenda works as follows. The Chair will entertain a motion to adopt all items as presented with no discussion necessary. If a members wishes to discuss any of the items or make corrections to an item, the Chair will entertain a request to remove that item from the consent agenda prior to voting. Voting on the consent agenda will then proceeding and the item removed from the consent agenda will be handled separately.

I want to once again remind you, that anyone wishing to speak is first asked to make her way to the microphone in the center aisle, wait to be recognized by the Chair. Are there any questions on the use of the consent agenda?

(No response.)

PRESIDENT CONATSER: Does anyone wish to remove an item or items from the consent agenda?

(No response.)

PRESIDENT CONATSER: The Chair will entertain a motion to adopt the consent agenda.

NATIONAL EXECUTIVE COMMITTEEWOMAN SEELEY: Glynis Seeley, Department of Nevada, NEC. I move that we accept the consent agenda as present.

PRESIDENT CONATSER: Is there a second?

NATIONAL EXECUTIVE COMMITTEEWOMAN EADS: I'll second.
Beverly Eads, Alaska.

PRESIDENT CONATSER: It's been moved and seconded to accept the consent agenda. All those in favor adopting the consent agenda say "aye."

VOICES: Aye.

PRESIDENT CONATSER: Oppose, "no."

(No response.)

PRESIDENT CONATSER: Motion carried.

(Ringing of the bell.)

PRESIDENT CONATSER: Thank you. It gives me great pleasure, I think, to call upon National Vice President Mary Davis to bring greetings.

(Applause.)

VICE PRESIDENT DAVIS: National President Sharon, National Officers, Past National Presidents and National Executive Committee women and members and so many new members, it's wonderful to see you all in attendance. I would like to welcome the NEC specifically to Washington, D.C.

I hope that you've had a good day and that your trip here was uneventful. I wish I could say the same about mine. This will be a conference I soon will not

forget. And thank you, madam President, for your assistance with my luggage as we waited for the situation to pack up and clean up.

PRESIDENT CONATSER: Amen.

VICE PRESIDENT DAVIS: I wish for each of you a productive meeting and an enjoyable time here in Washington, D.C.

(Applause.)

PRESIDENT CONATSER: It is now my pleasure to welcome Past National President Janet Jefford to bring greetings on behalf of the Past National Presidents.

(Applause.)

UNIDENTIFIED SPEAKER: (Indiscernible).

PAST NATIONAL PRESIDENT JEFFORD: Good evening, everyone. It is so good to be here and to see everybody again and share all the things that have happened to us over the past year. It's really nice to be home, so I hope you all have a great time this weekend.

You know, Sharon, you reminded me what a difference a year makes. A year ago on Saturday we had a snow storm. Today it's 50 degrees.

PRESIDENT CONATSER: Yeah.

PAST NATIONAL PRESIDENT JEFFORD: So whose ever doing your weather, good job. Good job.

PRESIDENT CONATSER: They get a raise.

PAST NATIONAL PRESIDENT JEFFORD: Oh, give them a --

PRESIDENT CONATSER: They should get a raise.

PAST NATIONAL PRESIDENT JEFFORD: Absolutely. Nothing on a nothing, why not. I do have to tell you it is a honor today to represent the Past National Presidents. These women have been my friends over the years. They've been my mentors and my advisors and sometimes, just like family, when I needed it, they gave me some tough love.

So we all can use that every once in a while. So I would like to introduce them to you, please, and I brought a list up, but the writing is so small I'll never -- so I have to do this. Linda Boone.

UNIDENTIFIED SPEAKER: No, Pearl.

UNIDENTIFIED SPEAKER: Pearl.

PAST NATIONAL PRESIDENT JEFFORD: Oh, Pearl's over there. Pearl Behrend from Wisconsin.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: Hi, Pearl. And Linda Boone from Oregon.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: Linda Newsome, Maryland.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: Virginia Hobbs, Kentucky.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: Kristine West, New Hampshire.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: Katherine Morris, Texas.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: Jan Pulvermacher-Ryan, Wisconsin.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: Rita Navarrete, New Mexico.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: Carlene Ashworth, Texas.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: And I always call this one, Ms. Peggy. Ms. Peggy Thomas from Virginia.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: Nancy Brown-Park from California.

(Applause.)

PAST NATIONAL PRESIDENT JEFFORD: Peggy or somebody was, I think Peggy, was saying, "Boy, it didn't take me long to move up to the front row." There's not too many of us here, but, you know, we are missing a lot and I do have to ask for some prayers for some special people.

First for Carlene and for her son Stuart, I would ask for your prayers and for three Past National Presidents that I know aren't doing too well. Carol Van Kirk, Kris -- wait a minute, I didn't write the sheet down. Okay. Barbra Kranig and, of course, Kris Nelson. So please remember them in your prayers. I would appreciate that.

Sharon, you know, I've read your agenda. It sounds like we're going to have a great Conference and all I could say to you is remember every minute of it. Make great memories and hold them in your heart forever. May you have safe travels and God bless you. Thank you.

PRESIDENT CONATSER: Thank you. Thank you, Janet. Next we will hear from our Audit Committee Chair, Pamela Jackson.

CHAIRMAN JACKSON: Whoops. Thank you, madam President. It is my pleasure to be here in our Nation's capital to present the following report to the National Executive Committee. The National Audit Committee serves as the Audit Committee for the American Legion Auxiliary and the American Legion Auxiliary Foundation.

It operates in accordance with the National Audit Committee Charter adopted by the NEC in 2010 and it meets the non-profit governance expectations of the revolutionary IRS Form 990.

The Audit Committee purposefully operates at arm's length from the rest of the organization to ensure an unbiased approach to performing it's duties.

The Committee continues to function in a conscientious and effective manner and has conducted business primarily via emails and conference calls with one face-to-face meeting per year.

The Audit Committee is comprised of outstanding professionals with appropriate backgrounds and expertise in public risk assessments and audits. This years five-member committee consists of Marybeth Revoir from Department of Illinois representing the American Legion Auxiliary Foundation. I don't think Marybeth is here. Okay.

Past National President Virginia Hobbs from the Department of Kentucky representing the National Finance Committee and the three members confirmed by

the NEC serving in staggered three-year terms, Paula Means from the Department of Indiana, Carol Barbknecht from the Department of Minnesota and myself, Pamela Jackson, from the Department of Ohio.

The Audit Committee is responsible for engaging an experienced independent external auditor to conduct the audit of the previous fiscal year. The Audit Committee thoroughly reviews the IRS 990 reports prepared by the external auditor for both the National Headquarters and the Foundation as we did just two weeks ago in Indianapolis.

The IRS 990 serves as the ALA's annual report to the federal government and to the public. The reports are quite lengthy and serve as documentation that the American Legion Auxiliary operates in a manner consistent with the purpose identified and detailed in the IRS regulations.

The 990 provides information to the IRS that demonstrates that the auxiliary is in compliance with all federal regulations so as to maintain a tax exempt status. In keeping with the expectations for transparency by the IRS, the reports will be posted on the American Legion Auxiliary website upon approval.

The Audit Committee also serves in a risk management role for this organization. One of our main responsibilities is to ensure that the ALA, as a corporate entity, has appropriate governance policies and internal and financial reporting controls that mitigate the organization's policies, standards, compliance and potential for risk.

The committee performed a risk assessment exercise at our last meeting. Also during our meeting in Indianapolis, the committee met separately with the external auditors and staff. Each group shared admiration for the other and extended appreciation for the professionalism, dedication and knowledge of all involved in the task of an in depth audit.

Staff spent many hours gathering information and materials in preparation for our annual audit. Please join me in thanking our incredible staff for all the work they do on our behalf.

(Applause.)

CHAIRMAN JACKSON: Madam President, it is now my pleasure to introduce the American Legion Auxiliary's external auditor to present the audit for fiscal year 2015. Michael P. Alerding is a certified public accountant and is the senior director of the Alerding C.P.A. Group, Incorporated.

Mike has over 40 years -- may I say 45 -- of experience in public accounting serving many corporations and not for profit entities across the nation. He has served as director on over 40 non-profit Boards, professional societies and government entities chairing at least a dozen of them.

He has also served on several independent audit committees and has established several Foundations. He is a frequent writer for business publications and international speaker on best practices and has received numerous leadership awards.

Mike is a believer in our mission and is committed to service not self. Please join me in welcoming Mr. Michael P. Alerding, CPA.

(Applause.)

MR. ALERDING: Thank you. Okay. I'm hooked up. Good evening to everyone. Welcome to Washington and I agree with the weather. I don't know what you're doing, but you did it right because it's wonderful because last year was not. That's for sure.

My role here is to, for the next twenty more minutes or half hour or so, walk you through one of your responsibilities that in many ways is the most important of your responsibilities and that is governance and transparency and accountability to the outside world.

You are a very large organization. I don't know how sometimes we can explain just how big you are, but more importantly, how well respected this organization is and I credit that to a lot of things. One of them is tenure. You've been around a while. A long time and as I'll refer to tonight, your financial statements and your financial condition and your systems appear that way.

You look like you've done a great job of maturing this organization and moving forward. My job is to talk a little bit tonight about those financial statements because as Pam just said, those financial statements go everywhere. Anyone that would like to see them can see them along with your Form 990. And for those of you who have had the incredible pleasure of walking through your financial statements which are a great insomnia issue, you can really get some sleep after doing it, but they're very important.

We take them a little lightly sometimes because we were just in the elevator, I think, and someone said in the elevator, "Oh, my gosh. He's an auditor," and he kind of crept to the other side of the -- for those of you who know me, I'm a bit harmless.

Now, I do say things sometimes that get me in a little trouble, but I do tell you what I think you need to hear from the outside looking in. You have a phenomenal opportunity in the future to do nothing, but just grow this organization and we'll talk about your centennial plan a little bit tonight and tomorrow because you get the displeasure, or whatever, of getting me again tomorrow just for a little bit along with Nicole to talk about fiduciary stewardship which is, again, an agenda item that is critical to this.

Before I get too much further, I want to thank you all, but I also want to commend the leadership in this organization and I don't think you've ever heard me do that from the beginning, but I really think this year -- it particularly hit me this year -- aha, see you like it.

It particularly hit me this year how important and how progressive your leadership has become over the years and I think some of that has to do with the great committee leaderships, leadership, we have in both Nicole and the Finance Committee. She just an outstanding job and Pam and the Audit Committee which those are not the fun committees.

In some ways those are -- I was sitting out in the hall today waiting for the one to end and some -- a couple walked by and they looked at the little thing on the door that say -- they were looking for a room and they looked in and said, "Oh, Finance and Audit Committee," and the guy said, "Well, I'll be that's a lot of fun."

I'm sitting right behind him, but he didn't really care. That's okay. We have a lot of fun. We do try to get along and we get a lot done, I think, when we're in there.

So what I will do, if I can get this to work and not mess it up too badly, is here's what I'm going to talk about. I'm going to talk about our responsibility as your independent auditor. You engage us and I -- when I say "you," I mean this organization. The reason you have an Audit Committee and a Finance Committee is so that you don't have to deal with all of that yourselves each year.

Secondly, there aren't as many repeating members so that sometimes if you're brand new here you don't have a lot of context. As a result of that, the Audit Committee and the Finance Committee has a great deal of tenure and they're able to look at this more in a historical perspective which is what you need. So I'll talk a little bit about that.

I'll review, very briefly, the 930 '15 financial statements. I'll also talk about the key financial indicators and those are the things that you really need. You don't need to know all the details in the financials, but you really do need to know when you're talking to people, and these are very important statistics, how you appear to the outside because, as you know, not all organizations in the not for profit world appear to be very judicious in the way they spend their money. Especially recently, we've seen some of that.

I'll also talk about the report to the Audit and Finance Committee very briefly to give you an idea. I think we just had a great report from Pam. You'll get a great report from Nicole, so I won't spend as much time on that.

A quick Audit Committee update that you just received, I'll go through that pretty quickly and then I'm going to talk at the end about governance, about what you do. You are governors. You don't run the organization, you govern it and there's a big difference between that and actually managing this.

So we'll talk a little bit about that and then each year we come up with some findings and recommendations that we come up with from looking inside from the out. We look from outside in and say what does it look like out there, not just with you, but what does the environment look like in the not for profit world because things do change.

As you know, for those of you who were here and I know a lot of these ladies were here for awhile, they've heard me talk about the radical changes that happened in 2003 when the IRS changed everything and said we're not going to put up with this anymore.

We're going to make you become accountable and we're going to make you do some things that you didn't do before and incidentally, one of those things is having an audit by an independent audit firm, so that you have someone from the outside giving you an opinion on your financial statements.

You've heard me talk about that and now what we'll do is we'll kind of broaden that into some of the subjects that fit into today's world. The auxiliary's financial statements are yours. They're not ours. They're not management's, they're the NEC's. They are your representation of the financial and economic effects of your operations and they're very important.

Our job is to provide an opinion on those and we do set forth a page-and-a-half opinion that has a lot of stuff in it, but basically what it says is we didn't find anything that was wrong. That doesn't always happen. We do, I believe, our firm does 91 not for profit entities and a number of those don't get that same kind of report.

So you will see as I get later, you should be very proud of what's been going on. We focus our work on something that a lot of people don't really -- or a lot of people take for granted and really don't understand and that's the internal control system in an organization.

Internal controls are those processes and those checks and balances that happen every day to make sure that the information you receive periodically

throughout the year is reasonable and valid so that you don't just look at the end of the year at a nine -- or a September 30 statement in February and say, "Well, everything's okay."

You need to know that the systems provide you that information regularly, so we spend a lot of time on that. We do not audit the books and records. We don't audit from the bottom up. We audit from the top down.

So we look at that financial statement that you're putting out to the public and letting them see it and we audit down, forest to trees. That's how we go about this to make sure that we're looking at things that look sense.

These financial statements, you'll note, are called consolidated financial statements and that's because they include Headquarters, all of the information for Headquarters along with its subsidiary, the Foundation. The Foundation is not, although a legally separate entity, it is a captive Foundation. It is there for the sole purpose of serving the auxiliary. It is combined into these financial statements.

Now, keep in mind that there are 9,500 legal entities. Ninety-five-hundred that aren't in these financial statements. When you go back to your State, you know which those are. Those aren't in here. This is Headquarters and that's a very important point to understand.

I can't even fathom -- I can't even fathom what it would look like to try to put them all together from a financial reporting standpoint, so I'll just stop right there because it ain't going to happen.

I'm not doing something right. Here we go.

Okay. When we look at these financials, one of the things we have to do is we have to say to ourselves, how big a risk is this for us to issue an audit report and have it wrong. Do the wrong -- how big a risk is that? So auditors risk rate financial statements. And by that, we mean we have a pie. If you can picture a pie, if you're trying to put a lot of pie filling in it, our pie filling is evidence.

For those who remember Columbo, the show Columbo, he always had to gather evidence and that's what we do. We gather evidential matter independently by going outside the organization and getting confirmations, by observing and by looking at the records internally and if it's a higher risk audit, we have to fill a bigger pie and if it's a lower risk audit, it's smaller.

And I will tell you that all not for profit audits are a high risk. All of them. And there's a reason for that. We'll get into it a little bit more tomorrow about the history of not for profit organizations, but all of them are high risk primarily because they're really not too much different than a public traded company in terms of the exposure of the financial information.

Anyone and everyone can get it which means there's a lot of people, current donors, future donors, a lot of others who are out there. You also have government contracts or you have had for the last three or four, four years. Government contracts always adds another layer of risk because the government requires a little bit different micro focus on the financial statements.

What the financial statements represent is all the economic resources that you have and the economic resources you brought in and those that you spend. That's what this is. This is a whole bit of economic stuff.

Who are they designed for? They're designed for you primarily. This organization. NEC is the primary user of these. However, as you well know, there are a lot of other users. Donors, both current, future and past, those are people who

are interested and they are called investors, the people who invest in this organization including all your members.

There are State agencies that regulate in each State. They have different laws and different statutes that regulate these. State and Federal taxing authorities, UBIT, Unrelated Business Income Tax, is a huge issue right now.

I'm dealing with one right now that's a \$1 Million UBIT issue in Indianapolis with the -- we never had this before. I've been around here a long time and I've not seen the kind of effort the IRS is putting into trying to find Unrelated Business Income Tax out of not for profits, but it's heavy.

Federal granting agencies. Any agency that gives you a grant, be it people or money, they're interested in it and, of course, there are these things that grew out of this new regulation in Form 990 that just spurted out and they're called watch dog organizations and they are primarily headquartered here in Washington and they do nothing but look at not for profit financial statements independently and they read them.

And they say, "Well, this one doesn't look very good. This one doesn't look very good at all because they're spending too much money in some area, not spending enough in others," and you've heard recently with some of the not for profit organizations who have been caught in that web and one of my clients in Indianapolis got caught in that web a few years ago and the public relations effects of that were devastating.

So part of what we look at from the outside, and you as the governing body need to look at, is how do we look to the outside? I won't go through the financials in detail, but there are three primary statements you have.

One of them is called a balance sheet and a balance sheet is also referred to a Statement of Financial Position. What it means is simply this. You ready? Here's what you own. That's your assets. Here's what you owe, that's your liabilities and the difference is what is yours. It's call your equity. That's all it does.

It sets those three out and I'll get to some statistics at the end of here, but that is a statement that is vital to everyone who is looking at you to say how credit-worthy are they of my credit. How worthy are they and how good a stewards are they for taking care of my money and that's how they determine that.

The Statement of Activities and Changes to the Assets is what you will refer to as a profit loss statement. Did you make money or not in your checkbook? Did you bring in more than you spent or not? That's what this one is and it's very important and we'll see some statistics this year.

There are also statements of functional expenses and we'll explain them in a minute, but functional expenses simply put, there are three kinds of expenses in a not for profit. One of them is mission and purpose. When you spend money on your mission and purpose, we would all agree that's a good thing. That's why you're here.

So when you're gathering money from the public and you're bringing it in from your members, your bringing it in contributions, any way you bring it in, you can hold out to your members and to others and say, "We spent," in your particular case about 78 percent, I believe, of your money on mission and purpose. That is really good. No, 90 percent. Sorry.

SECRETARY BUCKLER: (Indiscernible).

MR. ALERDING: Ninety. Huh?

SECRETARY BUCKLER: Ninety.

PRESIDENT CONATSER: Ninety.

MR. ALERDING: Seventy-eight was not the number, 90 was. I keep telling my wife numbers in my life and she keeps going, "No, they're not." No, I really did. I know where I got that one, but anyway 90 is the number. Ninety is a lot. Nine cents out of every dime you're spending on what you're here for. You just read your mission statement before the meeting. That's what you're spending it on and we'll see how that breaks down a little bit later.

Statements of Cash Flows is not really as important. It just kind of tells you where the money came from and where it went. There are also a lot of (indiscernible) financial statements. A lot of that stuff. They keep getting bigger every year and I keep thinking it's the Accountant's Full Employment Act because it keeps giving us more and more work to put in there, but they're important.

If there's anything you need to know in terms of detail about those financials, it's probably in a note. Some of them are a little tough to get through, but I will tell you they're there as a reference more than they are anything else. Again, I wouldn't try to read them. If you're really wanting to get fired up, a novel might be a little better, but they do add a lot of information.

You have supplementary data in the back which takes the Headquarters, adds to it the Foundation and what we report on is the total, the consolidated total. Okay. Here are some numbers.

Numbers are my life. I think I got these today. Okay.

You'll see here that this makes up what happened this year from the financial reporting standpoint in your operations. How did you do? Every year you give dues to the organization. Every year you solicit donations from people. How did it go?

Well, you brought in almost \$9 Million worth of revenues at Headquarters and the Foundation combined, almost \$9 Million. That's pretty impressive. You spent about \$8.5 Million and if you want to compare those two, you're up slightly in your revenues from last year, but you're down significantly in your expenses from last year which is another good reflection.

As I said, when I started the leadership in this organization at all levels has really been good at budgeting and making sure you have a sound budget. Not just a frivolous budget, but also monitoring the budget and making sure you're staying in line.

So you spent \$1 Million or you brought in \$1 Million -- \$9 Million, spent about eight-five, you made \$407,000. That's the critical number. From operating this organization, you made some money this year.

Now, you are a not for profit organization, okay. So the idea isn't to just make all kinds of money, but the idea is you have to make some money to stay financially stable or you won't be able to feed programs as you move forward. You have to have that. It's a matter of degree and in this case, this is very positive. I've got a five-year look for you later on.

There's also some investment income and that comes off of the investments you have, almost all in the stock market and that is just a crap shoot. It depends on when we stop it at the end of the year, but you actually lost \$817,000 this year and you made \$2.3 last year. It's all when it stops.

It's like musical chairs. Where did you stop? We stopped at 9/30 and if we would have stopped at the end of January, we probably would have lost another five or \$600,000. That's just the way it goes. It is not reliable, the money you get off of the investments. It's not reliable.

In the long-term, it's a blessing. It's not always reliable and here's kind of - here's one of my pet peeves every year. It always has been, always will be, but it's one of the things that really makes you successful because you take -- you took some steps the last few years to really move this thing forward.

This gives you a five-year look at contributions and membership dues. Contributions are those things that you receive, generally, from outside membership or from third-parties that are literally that, contributions. They are a measure of how good the dog food is that you're selling to the dogs. Do they like what you sell?

People don't give money to organizations if they don't like what they're doing. Membership dues on the other hand are dues that you pay and all of the members in this organization pay to have the honor of being a part of this organization.

Now, you know you've been losing some members and you can see how some of that affects these. In 2013, after a number of years of pushing and tugging, you had a dues increase. Albeit minor, you did have a dues increase and, ladies, thank the Lord you did because as you can see, when we looked at '13, or look at '12, we were doing about \$3.6 Million in dues income.

It jumped to \$5.4 the year after we had the dues increase. It's \$5.9. It's still staying about \$5.8 and what -- as that has happened is it's giving you the ability to operate, financially, in a stable way. I won't even get into it, but you can do the math with me here. If you would have stayed at those levels that you were at before that dues increase, it really would have made a radical difference. You wouldn't be here. You wouldn't be here in the same position you are.

Okay. I also look at this in operating income. This column is the one you always want to focus on because that's what your responsible for. You're not really responsible and you can't do much about the stock market. You have good people doing investments and I'll show you the returns in a minute, but you can't really control some of the things that go on, but you can control this.

And remember, you're a not for profit organization, so when you see a loss in 2011 of 785 and 2012 and 823, those were years before we had any dues increases and you can see the trend was moving fairly rapidly and three years ago I went ballistic up here because it was really an important thing that we start moving it.

It's still important. You can't stop, and I don't mean you take dues up by six times, but you've got to have a process in place to continue to move those dues forward.

You can see in '13 we had an odd year when that first year had hit. '14 you can see a dramatic effect, '15 you've actually turned this thing around where the dues are starting to cover and that really is important.

Over the last five years, you've still lost a million-nine in operating the business, a million-nine. And that's not -- remember, you're not for profit and if that would say, you're handling that one pretty well. You're not very profitable, but what it really means is you've now straightened it out and you've got a good trend moving forward.

Now, let's compare that to the stock market, the investment income and you can see the radical changes all over this thing. That's why I say, it's really sweet and good Lord, I've got 90 other organizations who would love to have twenty-eight or \$30 Million of investments sitting there.

And where did those come from incidently? They came from being very judicious over the many, many, many years before all of you were here, before I was here, you were very judicious in putting something away to keep it for the future and that's what's ended up happening.

So you're blessed to have it, but you can see how it bounces all over the place. And for that, it's good to have it. On the other hand, you cannot rely on it every year. It can bite you. Over the long haul, you can and you could see here, over the long haul in the last five years, we've had a cumulative gain of about \$7.8 Million which is very good. That's a 6.5 percent return on investment.

So what have you earned on your stock market investments for the last five years? About 6.5 percent pre-tax. Now, what did you earn on your CD? Probably not quite not that much. So this has been a good thing, but it's not very reliable and timing is everything. As you could see, at the end of December then at the end of January is a really good example of what can happen.

Here are the benchmarks I told you that if you don't know anything else from this, and you may not, but if you don't, here's something you don't want to forget and I can get these right this time, Dubbie.

Here we go. The benchmark for program services, when you spend your money, what percentage do you spend on your mission and purpose? Your case, as we indicated earlier, 90 percent of every dollar goes to your mission and purpose. Congratulations, that's wonderful. You just can't do any better of that.

(Applause.)

MR. ALERDING: The benchmark -- yeah, you need to give yourself an applause. Don't forget that. When you talk to people about veteran's organizations, patriotic organizations, whatever, don't forget that. That's a really important point and that's the good news.

When you talk about management and administration, some people call that overhead. Those of us who are overhead don't like to hear that, but that's what it's called. Now, the benchmark is five to 10 percent of every dollar. That's kind of the round benchmark, the range, and you stick right in there at 7 percent where you should be. So 7 percent of every dollar is being spent by the people at Headquarters who have to administer this and it is a yeoman's task. If you could see the amount of cost and time that goes into putting all of this together and making sure at the end of the year that everything works, it's substantial, but this is the tale. It's told right here. You're right in that magic spot.

So .09 cents -- .90 cents goes to your mission and purpose, .07 cents go to the management of the organization, if you will, and the remainder which sometimes can be a little disappointing in my view, is only 3 percent is spent fundraising.

Now, you know, you're a membership organization, so I don't want to get into all of this because I know Linda is sitting here going, "Yeah. Now, come on. I know that." And Linda knows that because she's lectured me many times on this, but you are a membership organization.

Where should your money come from?

VOICES: Fundraising.

MR. ALERDING: Membership.

VOICES: Really?

Oh, membership?

MR. ALERDING: You're members. Here's what happens. You come to me. I'm a great foundation. You say, "Please, can you give us some money for our mission and purpose?" And then you say, "Well, what about your members?"

UNIDENTIFIED SPEAKER: You're a member first.

MR. ALERDING: Yeah, first of all, you've got to get to the members. If the members don't support it -- it's just like the NEC. The first thing they'll ask is, "Well, what's your governing Board doing? How many of those people are giving money to it? They must believe in it because if they don't believe in it, why would I want to do that," and that is, believe me ladies, that is -- 100 percent of the time that's what we hear.'

The second thing is what we talked about and that's donations and contributions. You've got to sell what you're given. Again, you're giving something that people cherish. You're not curing cancer and you're not saving stray dogs, but what you're doing is you're promoting something that we lack so terribly in this country and that is patriotism. That is veterans. The people that -- we're here because of this.

You can't have a better mission and a lot of the ladies in leadership who have been here for awhile know that I am passionate about this organization as you are. I really am. I just think you have a wonderful, wonderful opportunity to move it forward. I think you could do better in terms of raising some of the standards.

Two things, probably you need to re-look at what you're spending on fundraising, number one and number two, you've got to have a process for making sure that those membership dues stay in line with what's going on.

Here's just a couple things I've talked about. In '13 when the membership dues went up, we increased membership dues income by a million-eight that first year. Another five-thirty-one last year and then this past year, we actually had a decline in membership income, but it was directly related to the 23,000 members we lost. Fourteen thousand deaths, 23,000 members were gone.

So part of what is involved with what I think is the greatest thing that's ever happened to this organization and that is your centennial plan, has it at the million member goal and the like and I'm telling you, if you get to that, a whole lot of things happen. Not just financially, but they give you the opportunity to do so much more because you're going to have the resources to do it.

There was no appreciable change in the percentage of drop in your membership related to dues. that is absolutely positively the truth. I'm an accountant, I can tell you this. The percentages were identical over the years, so it was -- really had no affect on membership, but it will do something and it has done something in the last two years that's never been done and you can tell people this as well.

Your membership dues are greater than the membership expenses. It wasn't that way for 70 years or 90, whatever it was. The last two years it has been, so your membership dues income exceeds your membership expenses by a little bit every year. That has to continue. It is narrowing, as we've seen, so we need to kind of keep an eye on that thing within the future.

Your balance sheet, the one I talked about before. What do you own, what do you owe, 86 percent of your assets are in investments. They're invested which

means you are very healthy from a balance sheet standpoint which really doesn't mean much because you don't spend the balance sheet. Your assets are invested for the purpose of providing you ongoing support financially, but you don't take the money out of the investments, you use the earnings off it.

Cash is invested judiciously throughout the year. Phenomenal cash management system at American Legion Auxiliary. You don't leave a dollar. Even though you're only earning half of 1 percent on whatever you're earning, I don't care. It's never ever sitting still and that's really a good, good sign. Ninety-three percent of your net assets are unrestricted.

Now, net assets is your equity. Ninety-three percent of your equity is not restricted to certain things. It allows you, as a governing body, to use that for mission and purpose as you move forward. You've got something. You've got economic resources to take your mission further.

Two percent of the net assets are just temporarily restricted. That is they're restricted for a short period of time and 5 percent are permanently restricted. That's not a bad thing. That's a really good thing. That's your Foundation. I think establishing the Executive Committee was a really bold move and a very important move.

You now have when you go and form your 990 and you fill it out you look like an organization that is as big and as powerful as it is, you look like it because you're really starting to get a great deal of management and governance at the board level. A lot of that has to do with continuity.

Currently 13 states and seemingly from what I heard today many more are considering what I believe, again, is the most important thing you can do and that's get people back here for a second or third or fourth time. Get some education, some context. Get some people who know what goes on. It's hard, I don't care who you are, pretty hard to come one year and understand everything that has to go on. Because we could give you context, but there's no context, there's no knowledge, there's no wisdom that is any better than that that's obtained when you're sitting here every year raising your hand saying aye. Those are ayes you need to take seriously.

Here is our summary of findings. And then one more slide after that and I'll get out of here. We gave you a clean opinion. No material weaknesses in internal control. We give a report every year to management that says here are the problems that we found in your internal control system. For the last five years we've had zero. That is remarkable. You do really deserve a hand.

(Applause.)

I know we have -- everybody loves Tim, right? Everybody has to love Tim. Tim, Marta, Debbie it all starts with them. And the primary starting point is Debbie. Her background came out of a -- her background is one of service to the public, of stewardship of a lot of dollars, and she's very serious about controls. Very serious. So we really appreciate the fact that it comes from the top all the way through the organization.

Membership related revenues have improved markedly since the increase. Don't stop. You've got to come up with a process. And it doesn't have to be a big one, just a process that makes sense. Okay, and if I can hit this right I will do it. And I'm not able to do it. It might have something to do with the fact that it's off. Now, if this battery ran out -- where are you? If this battery ran out it's not my fault, I didn't

do it. They keep telling me -- can we flip that next slide maybe? I only have one more.

Oh, sorry, it came. It is dead. A couple years ago, two or three years ago, is I think, one of the first times we used these little dudes. And I walked out and I was accused for a year of having taken the little dude. I did not, but I was accused of it. So as you can see they got people at the doors waiting on me.

Okay. Here's our recommendations. Establish a process. And this is -- thank you, Tim. Establish a process to address the continuing need to review membership dues. I know I keep saying that, but you need a process. Whether it's every three years, every four years, whatever it is it needs to have something that forces the organization relook at it and redo it every four years. Continue to focus on increasing contributions from third parties as well as from members. And place new emphasis on plan giving. Now, that's something I haven't talked about as much.

There were 14,000 of your members unfortunately who passed away this year. And how many of them gave us money out of their estate? One. One. That means we missed 13,999 of them. And if they'd have just given us a dollar, you can do the math with me, ladies, but it's a lot. And I have got stories after stories and I'd bore you the rest of the evening. You've got a big agenda, so I won't. But I've got stories after stories of organizations that have been clients of mine and that I've chaired where this plan giving has been the difference.

There are 80 million baby boomers out there, folks, and they're going to die. I mean that's just a fact. We've got to make sure -- well, they're going to die. I mean at some point they're going to die. At some point we've got to get in there. And you have the best tools I've ever seen in planned giving. Some of your brochures and some of the things you do are phenomenal. When you go back home to me this should be one of the messages you carry. We need to work with people to get something and it doesn't have to be their whole estate. It just needs to be something to be part of that.

Continuing emphasis on membership is critical in the long term sustainability of the organization, that's part of your long-term plan. Focus efforts in the coming year on improving governance, organizational structure, checks and balances. Continue to keep this continuity thing moving, continue to implement. The centennial strategic plan is a marvelous tool, it truly is. It's something that was born of genius, because it covers so many different things that you can do. We need to make sure it's funded. In order to make sure it's funded, you've got to continue to make enough money to cover your expenses. In order to do that, you've got to work on membership dues, you've got to work a little bit on raising money. If you do that, the sky is the limit.

You've got so many more things you could do. This organization could easily be a \$10, \$20 million organization. Which it's not just about the money, it's what you can do with that money to promote your mission and purpose. And with that, wherever Pam is, that is my report. If there are any questions, I'll be happy to answer.

(Applause.)

CHAIRMAN JACKSON: Thank you, Mike, for that wonderful presentation, informative presentation. He truly is passionate about our organization and we thank him for that. Madam President, the Audit Committee has approved the

fiscal year 2015 audit. Therefore, on behalf of the Audit Committee I move for the acceptance of the external auditor's report as presented.

PRESIDENT CONATSER: It has been moved to adopt the external auditor's FY-2015 audit report. No second is required because this comes from a committee. Is there any discussion?

(Whereupon, there was no response.)

PRESIDENT CONATSER: All those in favor of adopting the external auditors FY-2015 audit report as presented, please say aye.

VOICES: Aye.

PRESIDENT CONATSER: Oppose no.

(Whereupon, there was no response.)

PRESIDENT CONATSER: Motion carried.

(Ringing of the bell.)

PRESIDENT CONATSER: Thank you, Pam.

CHAIRMAN JACKSON: Thank you, Madam President.

UNIDENTIFIED SPEAKER: We have a (indiscernible)? Never mind.

PRESIDENT CONATSER: I thought I did something wrong, they were all-okay. I now call on Finance Chairman Nicole Clapp for the Finance Committee report.

(Applause.)

CHAIRMAN CLAPP: Good evening, everyone.

VOICES: Good evening.

CHAIRMAN CLAPP: Since we met last at National Convention your National Finance Committee held a conference call in November and we met for the past couple of days here in Washington, D.C. As many of you know, because it's nice to see some repeat faces in the NEC starting this year, that our primary role of your National Finance Committee is several fold with a variety of tasks. We monitor the financial statements, we look at investment planning, we look at our fundraising campaigns, member benefits and policy review.

I would like to ask the National Finance Committee members who are in attendance to please stand and be recognized. I will read their names and each one of these members takes great pride and responsibility and seriously brings their knowledge and expertise which is invaluable to our committee. So my sincere thanks to our Vice Chairman Ginny Hobbs.

(Applause.)

CHAIRMAN CLAPP: Jan Pulvemacher-Ryan, Committee Member.

(Applause.)

CHAIRMAN CLAPP: And Peggy Thomas, also Committee Member.

(Applause.)

CHAIRMAN CLAPP: Thank you, ladies, for your time and dedication. As you've heard, we had a very positive audit results that Mike did so graciously report tonight, along with Pam's assistance. And realizing that that national auditing firm we have worked with my entire tenure on the Finance Committee. And it is indeed a pleasure and a learning experience each and every year. And Mike is an entertaining -- I think he's quite an entertainer if you think of an auditor.

But now I'd like to turn it to my other right-hand man, and that is Tim Bresnahan our Controller.

(Applause.)

CHAIRMAN CLAPP: Tim will have his presentation, which will look at the actual to budget summary, as we look at revenue, we look at expense, we look at the assets, the liabilities, all those phrases you just heard Mike repeat for us as of December 31st, which was the end of our first quarter. So please, as Tim is going through the data, ask questions. We'll be more than glad to entertain those. And I think he even has some pictures for you this time. So not just numbers. All right, Tim, it's all yours.

MR. BRESNAHAN: Thank you, Nicole. How's everybody doing tonight?

VOICES: Good.

MR. BRESNAHAN: Can everybody hear me in the back? Okay. I did want to say right off the bat, tomorrow you're going to be learning about fiduciary stewardship. But I wanted to take the time right now to thank each of you for working to fulfill your duty by being at this meeting tonight and taking it seriously, so thank you.

Tonight I'm going to go over the at a glance summary of our financial results for the first quarter ending 12/31/15. It can be found on page 18 of your NEC packet materials. Starting on 18. Has everybody got it? Good. Okay. Our first quarter year-to-date actual revenue including investment earnings was better than year-to-date budgeted revenue by 80,000 or 2 percent. The budget variance is made up by both activities that are better than budget and activities that are worse than budget.

For instance, our general membership and department of services activity is worse than budget by 299,000. But our, sorry, our direct mail contributions are better than budget. And I'm not going to give away the number right now, because Nicole is going to cover that with you in a couple minutes. But also our investment income offset the membership being worse than budget, because our investment income was better than budget by 145,000.

Our first quarter year-to-date actual expense is better than year-to-date budgeted, coming under budget by 361,000 or 18 percent. This was mostly due to timing in various activities that we have. By timing I mean we budget to pay expenses in the first quarter, but we might end up paying those in the second or third or fourth quarters of the year. So they'll be spent, it just didn't happen in the first quarter. And for example, an example of that would be our AEF grants or AEF activity. The AEF grant line budget is better than budget by 63,000. None of these graphs are in your report. I did these yesterday.

CHAIRMAN CLAPP: You didn't have to give it all away.

MR. BRESNAHAN: I know, I'm honest. Our investments, our fair market value of our investments at 12/31/15 and I'm trying to see the colors on the screen. I don't know if they're the same as they were on my computer. The General Fund, which is I want to call baby blue is \$26.8 million. The Spirit of Youth Fund, which is rose, is 444,000. Helen Colby-Small Investment Fund, which is very tiny and it's the yellowish orange one is 227,000. And the National President Scholarship Endowment Fund, which is lavender, is \$1,250,000, or purple. And our PUFL Trust Fund, which is I'm going to call it turquoise, is \$3,450,000. And, yes, I'm kind of living on the edge by having lavender and rose in my presentation.

You're welcome. Just a quick note for you though. Net investment earnings from the National President Scholarship Fund go to pay our National Presidential Scholarships that we award. Net investment earnings from our Spirit of Youth Fund help pay for ALA Girls Nation Scholarships and also the ALA Non-Traditional

Scholarships. And net investment earnings from our Helen Colby-Small fund help pay for AEF grants. Does anybody have any questions for me? Yes, ma'am.

UNIDENTIFIED SPEAKER: (Indiscernible) invested?

MR. BRESNAHAN: I'm sorry?

UNIDENTIFIED SPEAKER: In what did you have these funds invested?

MR. BRESNAHAN: They're allocated. We have it in the ETF stock funds, we have it in alternative investments, we have it in foreign international investments, and they can be mutual funds and some cash. And we do invest our excess cash on hand in CDs to try to keep it rotating through, we straddle them. Does anybody else have any questions? Yes.

UNIDENTIFIED SPEAKER: I thought the Spirit of Youth Fund was (indiscernible) members?

MR. BRESNAHAN: It's also for that.

UNIDENTIFIED SPEAKER: Okay.

MR. BRESNAHAN: Yeah.

UNIDENTIFIED SPEAKER: And it's also (indiscernible)?

MR. BRESNAHAN: Yes.

UNIDENTIFIED SPEAKER: Thank you.

PRESIDENT CONATSER: Tim, would you repeat the question, because they can't hear it since they couldn't get out. She couldn't out to go to the mic, she would have jumped the table.

MR. BRESNAHAN: Okay. She asked me, she said, made the statement that she thought the Spirit of Youth Fund was also for junior scholarships. I said, yes, it was. Anyone, anymore questions? Okay, well, I do want to encourage you that if you do have any questions during the year to feel free to email Nicole or me and we'll get back with you pretty quick, right?

CHAIRMAN CLAPP: Uh-huh.

MR. BRESNAHAN: And I just wanted to thank you again for all that you do for our organization and for those who we serve. So thank you, that's my report.

(Applause.)

CHAIRMAN CLAPP: And to follow up on your question in the upper deck. We have an investment policy that we review on a regular routine basis. And then our investor group also reviews that for us. So those are the parameters in which we follow so that we have a well disbursement from aggressive to more conservative type funds, as well as cash, cash equivalents, et cetera, bonds. If that helps to clarify a little bit more detail for you.

UNIDENTIFIED SPEAKER: (Indiscernible)

CHAIRMAN CLAPP: Yes, it's one of the policies. Like tonight on the consent agenda there were several. It's one that comes up on a rotating basis from time to time for you to review as well. All right.

Well, then let's talk about some of the fun things. Successful fundraising efforts by Innovairre. I know when I open my mailbox and I see that thick little package in the mail, those are new greeting cards. And as we look at those greeting cards there are three campaigns that are designated for the ALA and one is designated for the foundation on a fiscal year basis. Well, by the end of the year we had a net total of \$248,000 in greeting card revenue. So thank you, ladies. That's \$160,000 greater than the guarantee that we are expecting on an annual basis to receive from that direct mail vender. Yes.

UNIDENTIFIED SPEAKER: Where do you get the greeting cards? I've never received them.

CHAIRMAN CLAPP: Okay. Well, the greeting cards, there are what are called mailing lists. And at periodic times we go ahead and purchase mailing lists of names, so that we make sure we look, and you're going to hear as I answer the next comment, that we want to make sure we attract members, but we also want to attract potential members, and individuals who are not eligible to be members, but want to donate to our great organization. And so if you're not on one of the mailing lists and you would like to be, you can give us your name and we can incorporate that as well. And if you give, I'll pretty much guarantee you you'll get asked again.

UNIDENTIFIED SPEAKER: Every issue --

CHAIRMAN CLAPP: Every issue of the magazine --

UNIDENTIFIED SPEAKER: -- we have how you can get it.

CHAIRMAN CLAPP: Right. You can also do it that way. There's a little box ad.

UNIDENTIFIED SPEAKER: (Indiscernible).

CHAIRMAN CLAPP: Yeah.

UNIDENTIFIED SPEAKER: Every issue of the magazine there's an ad about the fundraising and how you can get on the list.

CHAIRMAN CLAPP: Because we started to have that question more repetitively when we would have different items. And people were like, "Well, how did you get that? I didn't get that." So as we want to make the masses available, but we don't buy those mailing lists every time, because there's an expense to it. So I just wanted to let you know that if you do look for in your National News Magazine you will see the ad that you can clip out and that will give you the information so that you can get your name on the next mailing list. All right.

So as we looked at those gifts for calendar year 2015 there were over 153,000 individuals who wanted to make a contribution back to our organization. And of those, 99,000 came from within our organization.

(Applause.)

Yes, exactly. So as Mike was saying that we have to reinvest in ourselves, that's a perfect example of doing that. Then on a very positive note, there were almost 55,000 gifts that came from external donors who know our organization is a wonderful organization, but may not choose to be a member or may not be eligible to be a member. So again, I look at it that we are fortunate to have a tremendous support of inside and outside interested parties in our organization to continue to allow us to reach that 90 percent mission driven activities. So thank you and congratulations ladies.

Then I know I'm talking to a room of all but two women, I think. And I apologize there's two sound check gentlemen as well. But how many of you have a USAA credit card? All righty, that's a nice round number. We started that program, believe it or not, back in 2012. Boy how time flies when that first poppy guard got put up on the screen. Everybody oohed and ahed that everybody wanted the flag card or the poppy card.

Well, we have an annual guaranteed royalty that comes back to the organization in the tune of \$25,000. The benefit to you, and NECs take this home, is that we share that royalty national with the departments. So the more you spend, the more you get back in your department. So it is tracked at that type of level. All right.

So if you don't have the credit card, as I always say, consider obtaining one. But as I also say, charge, but charge responsibly, please.

So for us as we close tonight our Finance Committee through the years we've always believed in investing in ourselves. And in ourselves it's not only financial, but it's educational and it's knowledge. And with that knowledge our members we had our mission trainings this year. And we had the newly minted division junior meetings.

UNIDENTIFIED SPEAKER: (Indiscernible)

CHAIRMAN CLAPP: Yay. There's the Junior Chairman. There were 370 members who attended the mission trainings and that was through the end of January. Anybody have a guess at how many junior members attended?

The podium is excluded. As well as the Junior Chairman. Keep trying.

UNIDENTIFIED SPEAKER: One hundred.

CHAIRMAN CLAPP: 98, 135, around there? Well, somebody in the front row -- if we could win the lottery tonight we could have a positive bottom line every year. It is 98 junior members. That is incredible, because the raw number that were attending national convention was in the 50s to 60s. So we were able to tap into more junior members than we have in years, in years, by having the divisional meetings. So you heard us right, 98 members. So please take that home and as you look at this upcoming year, make sure you're encouraging your junior members to become involved. So for us it's a way, again, to look for our future and realizing that they are our future. They are our future members and our future leaders.

So in closing NEC I'd like to say thank you for approving our policies that were on the consent agenda tonight. And Madam President, this concludes our collective financial report this evening.

PRESIDENT CONATSER: Thank you, Nicole. Are there --

(Applause.)

Are there any questions on the Finance Report?

(Whereupon, there was no response.)

PRESIDENT CONATSER: Thank you. The Finance Report will be filed for audit. Thank you Nicole so much. I now call in Foundation President Linda Boone for the Foundation Report.

PRESIDENT BOONE: Good evening, everyone.

VOICES: Good evening.

PRESIDENT BOONE: As I hope you remember and even participated, at national convention the Foundation began promoting Giving Tuesday, a national day of philanthropy, which was December 1st. Our national staff did an outstanding job communicating to our membership through the website, Facebook, Twitter, e-newsletters and the magazine. Our fundraising partner Innovairre provide a challenge incentive \$10,000 match, which inspired many of us to give in order to double our donation and make a larger impact. And thanks to our donors, many who are in this room, the Foundation received \$18,500, and adding the \$10,000 match we raised nearly \$29,000 to be split between the Veterans Projects Fund and our Endowment Fund.

(Applause.)

PRESIDENT BOONE: This was an outstanding show of support for our first ever Giving Tuesday and cannot thank you enough for participating. Because of our generous donors, like those that participated in Giving Tuesday, for the past two

years the Foundation has been able to provide grants to the American Legion Auxiliary. Beside the grants to districts, departments and units, we have also provided grants to the national organization. Investment interests from the Mission Endowment Fund goes to the American Legion Auxiliary to offset expenses for a specific program as detailed in the annual budget. For the last two years this has been used to support the American Legion Auxiliary Girls Nation program.

At the end of FY'15 the Foundation was able to provide \$10,188. This was about \$3,000 over what we had anticipated in the budget, and will continue to increase as the Endowment Fund increases. Additionally, the Foundation is also able to financially support the National Veterans Creative Arts Festival with \$7,000 for expenses and about \$40,000 to offset the budget of the American Legion Auxiliary.

This year, just so far this year we have provided grants and two sub-grants which went to the Department of Rhode Island of \$500 for their girls, excuse me, for their Christmas gift shop. Excuse me, did I say Rhode Island?

UNIDENTIFIED SPEAKER: Yes.

PRESIDENT BOONE: I lied. Department of Illinois, \$500 for their gift shop. Then to the Department of Rhode Island there was \$3,500 for their girl state program. And also this year we have awarded two V-CAF mini grants for local programs. And that is the Department of Vermont for the Vermont VAMC of \$2,000 and the Department of New York for the Syracuse VAMC of \$750.

Recently a new grant category in the Veteran Projects Fund has been approved by the American Legion Auxiliary Foundation Board that will support branding opportunities in connection with projects serving veterans. We invite you to review the potential funding opportunities in the revised grant application on our website. And you can attend our breakout session tomorrow to get the details and have questions answered.

Each year National Philanthropy Day is celebrated on November 15th. It is an opportunity to thank donors. And you will often see local media coverage in your area. Our national staff has showcased some of our organization's donors with stories in the magazine and online, as well as a feature in the annual report that was distributed at the national convention in Baltimore.

To continue to show appreciation to our donors, the Foundation Board began a contact each week for all the donors. And we make phone calls, we send notes and we have received a wonderful response for this effort. It's just a small way for the Board to show how much we appreciate each one of our donors.

In April the Board will be holding its annual in-person meeting where we will be developing a mission statement and work on a strategic plan that will assist us in growing the Foundation to better provide financial support for American Legion Auxiliary programs. We have made great strides and will continue in an effort to ensure our mission of service endures.

One of the critical ingredients for the Foundation's future is additional members to serve on the Board of Directors. We need diverse skill sets and persons who have a passion to provide for veterans and their families. If you know of anyone, male or female, members or non-members that possess these attributes, please let us know so we can discuss this opportunity with them. The application deadline for this year is April 8th, so you'll need to get on it.

The Foundation's Board expectation is that the NEC women and the divisional vice presidents will promote the Foundation in two ways, by encouraging

financial support through donations and encouraging grant submissions for a veteran projects fund and local creative arts festivals. Also, the Foundation can provide a process to sub-grant funds that need a 501-C3 identity to obtain a grant. If you have questions, please ask a Board member or our national development staff; we are here to help to make sure you get financial support. To reward and thank the NECs and divisional vice presidents, there are awards listed in the Plan of Action so that you can receive at convention. So look these up.

Recently I spent time having individual conversations with each Board member to gather feedback and see how we could best utilize each one of their skills. One of the newer directors stated she never really thought the Foundation was a good idea for the American Legion Auxiliary. As she learned more and was asked by a national leader to volunteer for a Board position, she said she has made a complete transformation in her thinking. She now is convinced that the Foundation is a baseline for the American Legion Auxiliary's future. I hope that all our members will come to this same conclusion as we move forward. Thank you all for your donors, for all of your donations and for helping make a difference in the lives of our nation's veterans and their families. Thank you.

(Applause.)

PRESIDENT CONATSER: Thank you, Linda. We are now going to do the National Program Committee reports. We will, again, do all the reports in an uninterrupted fashion. At the conclusion of your report we will immediately move to the next chairman in line. Keyword there is line. And I would encourage all of you to take this home and read it. All of our chairmen have worked very hard this year and there's a lot of information here. Don't take it home and put it on the stack to read it when you're done with your year. Put it on the stack to read and share with your departments, please, besides the information you're hearing tonight. I now call on National Veterans Affairs & Rehabilitation Chairman Diane Duscheck for her report.

CHAIRMAN DUSCHECK: You know, everyone loves the VA Christmas gift shops. The smiles on veterans' faces when they realize that though they're hospitalized they're still able to obtain Christmas gifts for their loved ones is a reward in itself. The pride veterans have when they know that their gifts are going to be wrapped and mailed to their homes to surprise their families at Christmastime. Volunteers enjoy being able to accompany veterans as they select presents, then help to wrap and mail the packages.

One unit in South Dakota came up with a creative way of engaging their community in collecting items for the Christmas gift shop. Members set up a Christmas gift window in one of the main street businesses, then decorated a festive holiday tree and posted a list of needed gift items for the shop. A sign explained that the purpose of the VA Christmas gift shop is to allow hospitalized veterans to be able to select gifts for their families with no charge to the veterans. Community members were invited to donate gifts for the gift shop. The unit left a guest book with the merchant in which the community members could leave their name, address and record their donations. The guest book allowed Auxiliary members to send thank you notes to the neighbors who made donations. This unit in South Dakota learned that their community was interested in honoring the sacrifice of those who served. They wanted to support veterans.

Over the last years the annual Christmas gift window became so popular that businesses and community members began inquiring about the gift window in

August. This year neighbors donated items valued at \$608. Total setup time for the Christmas gift window was about three hours. If this unit wasn't in the community, they'd be sadly missed, not only by veterans, but also by their neighbors. Under the umbrella of goal one of the strategic plan these members are showing their community who the Auxiliary is, what we do and why we matter.

(Applause.)

CHAIRMAN DUNGAN: Good evening, I'm Kathy Dungan, Children & Youth Chairman. And I'm happy to report that 50 of the 52 departments reported working the Children and Youth program. Departments supported Star Spangled Kids by distributing flags to schools, community centers and participants along the parade routes. Programs about flag etiquette were presented and over 1,200 copies of the Constitution were distributed. Two departments, Connecticut and North Carolina, promoted Kids of Deployed Are Heroes Too by distributing "I'm a Hero Too" button at deployment events. Departments and units supported our hidden heroes, those children of homeless veterans, by providing basic items, backpacks, food and clothing.

Youth hero and good deed awards were given to our young heroes and those performing good deeds. An example of our good deed award recipient is 5th grader Eli of Hedgefield, West Virginia who aims to collect 1,100 pairs of shoes by her 11th birthday and donate them to Soles for Souls, a non-profit fighting poverty by distributing new and gently used shoes. To date she has collected over 800 pairs.

(Applause.)

CHAIRMAN DUNGAN: That's great, isn't it? Eleven years old. An example of our youth hero award was presented to Kenny, a third grader of Ona, West Virginia who rushed upstairs of their burning home, awoke his sister and saved her and the family dog before the firefighters arrived, finding the house a total loss. A third grader now.

Working as a Legion family unit supported the Legion's children and youth programs and recipients of the Legion's Child Welfare Foundation grants, such as Beads of Courage. Florida adopted Beads of Courage as a project and donated \$1,250 and distributed 2,000 bead bag labels.

There are countless ways to help children and youth. And what better way to promote the Auxiliary than supporting and caring for these children. Thank you, Madam President.

(Applause.)

CHAIRMAN THATCHER: The year 1937. National President Mrs. Oscar Hahn from Nebraska offered in her opening address to the convention delegates a message encouraging firmness, effectiveness in all activities. Even the Constitution & Bylaws Committee, orderly by definition, felt the new drive. It seemed to be generally recognized that a solid Constitution like a good friend was a haven of security in a storm. A great deal of change in nearly 80 years, but some have stayed the same. It is as true today as it was in 1937 that a good Constitution really is a haven of security in a storm.

Fast forward to 2015/2016. The National Constitution & Bylaws Committee has engaged and encouraged energy and activity in C&B programs by establishing two-way communication with each department C&B chairman in all five divisions. Sharing a monthly message of encouragement and encouraging questions from both departments and units has increased knowledge allowing the

department leadership to stress, making those all important good governance changes that need to be done in a make it fun approach.

Taking a suggestion from the National Plan of Action, departments have developed games, held workshops, put together teams to take a proactive approach to initiating the necessary Constitution & Bylaws changes and revisions. Using technology to reach out to the ranks, the National Constitution & Bylaws Committee is excited to announce the first ever interactive online webinar session to be held in the spring. We will --

(Applause.)

CHAIRMAN THATCHER: Thank you. We will develop and present important and relevant topics for discussion to provide department leadership with C&B tips and tools to assure success. It's time to reach higher with creativity and innovation so that we can assure departments that strong governing documents will empower all to weather the storms and the challenges with certainty and confidence and trust. Thanks to the committed team leaders in every department the National C&B Committee is proud to announce 100 percent reporting. And we commend and recognize all the members who have made C&B their mission this year. Storms may loom and winds of change blow, but with commitment and confidence it's smooth sailing ahead for the Constitution & Bylaws Committee this year. Thank you.

(Applause.)

CHAIRMAN MCGINN: Good evening, ladies.

VOICES: Good evening.

CHAIRMAN MCGINN: My name is Beth McGinn and I'm from the Department of Delaware and I am honored to be the AEF Chairman this year. And also honored that National President Sharon has designated her special project to be the Auxiliary Emergency Fund. I'm happy to report to National President Sharon that the AEF Committee achieved 100 percent mid-year reporting. And I want to thank all of the department chairmen who shared their fundraising efforts this year.

Departments reported using AEF materials and information about the different applications to their members during their fall and winter conferences. Units have also included the materials in their new member packets. Many units and departments have reported successful water bottle collections, like the Department of Nebraska who raised \$3,900 so far from this fundraiser. The Department of New York Chairman, she went bigger and used a larger bottle to collect coins. She said, "The heck with those dimes, I want quarters." The Department of Michigan AEF Chairman used their President's theme branching out as a Legion family on small paper bags with AEF labels to be used for their donations and created a trifold board to explain the AEF program to their members.

Other successful fundraiser that were reported were basket raffles, auctions for quilts and afghans and even hair in the Department of Kansas. Thank you to whoever did that. And because of these fundraising efforts, as of the end of January, 41 departments have donated to AEF for a total of \$57,380. And we are confident that this amount will grow from the parade of checks on Monday afternoon. Eleven grants have been issued so far this year for a total of \$12,000.

Many letters of appreciation and thanks have been received. I want to mention one from a member in the Department of Arizona who recently received financial assistance to help with bills while experiencing health issues related to cancer treatment. She wrote "I am so proud and so grateful to be a member of such a

great organization and I can't wait to get back into my unit and be around my Auxiliary family again. Thank you AEF for the much needed and appreciated financial help. It just could not have come at a better time. And I am truly grateful and humble for the help. And thank you National President Sharon for your heartfelt phone call. Thank you again for your kindness, your generosity and for your genuine concern."

Ladies, this is who we are. This is why we do what we do. We are keeping the promise not only to our veterans, but to our members in their times of need. Please encourage your members to share their fundraising stories and ideas on the AEF Facebook group and on the national website. I want to thank you all for everything you do every day. Thank you.

CHAIRMAN COLLINS: Brenda Collins, Americanism Chairman. It all started with a phone call from a past unit president to a county president seeking a donation to purchase American flags for a school in New York City. The school had 72 classrooms, no flags. The school had no budget to purchase American flags. The students were doing their daily Pledge of Allegiance to a bare wall.

The county president just happened to have a supply of flags on hand at her home, and she welcomed the opportunity to promote patriotism. Arrangements were made through emails with the school and the flags were to be presented to the principal from the American Legion Auxiliary New York County on December 22nd, 2014. At the school library in front of a group of students the county president presented 84 American flags to the principal. There were 12 more flags than required for the classrooms. These flags would be used in the common areas. Along with the flags there was a letter of introduction to the American Legion Auxiliary, its mission, programs and a copy of Let's be Right with Flag Etiquette. More copies were offered in the introduction.

The county president thanked the school and the students for being patriotic in reciting the Pledge of Allegiance in the absence of an American flag. And thanked her also for allowing the American Legion Auxiliary to be a part of their patriotic program. The immediate results of the county president's remarks was an expression of interest in the girl's state program by one of the students. Madam President, thank you. I'm pleased to announce that we had 100 percent reporting in the Americanism Committee and this concludes my Americanism report. Thank you.

(Applause.)

CHAIRMAN DAUDISTEL: Kathy Daudistel, National Security. Members in all departments are actively working this program as evidenced by 100 percent reporting.

(Applause.)

CHAIRMAN DAUDISTEL: They are keeping the promise to our active military members and their families every day. The National Security Program falls under goal five of the ALA five-year centennial plan, which is "with the American Legion promote or build brand loyalty." A good example of working together with a Legion family to promote a worthy cause is a project that happened just a few months ago. In early December the Department of Minnesota worked together as a Legion family in conjunction with the U.S. Postal Service and other community leaders to operate an annual event called Shop, Ship and Share.

This event, designed to support military members serving overseas during the holidays, is held at a local mall for two days. Shop at the mall, ship a package

without going to the post office, and share by supplying postage and/or items to be sent. Local school children write letters of encouragement and draw pictures to be included in the packages. Local scout troops help by donating things like popcorn and cookies, as well as volunteering with helping to pack. Community members donate items as well as money for the postage. Volunteers pack and label the boxes and the post office loads them right there at the mall, trucks them out to ship them out.

Local celebrities, dignitaries and other community leaders stop by throughout the event to lend a hand and support. A brief ceremony is held towards the end to thank everyone who participated and donated. This year over 800 boxes were packaged and shipped out to our troops overseas.

(Applause.)

CHAIRMAN DAUDISTEL: Madam President, this is but one example of our American Legion Family making a difference in the lives of our service members. Every department is doing something to keep the promise and they are doing it very well. Thank you.

(Applause.)

CHAIRMAN KOUTZ: Madam President. You ask us all to find ways of personally interacting with our members this year and that is just what we have done. Back in the fall the division membership chairmen had conference calls with their department chairmen. Melanie, as Vice Chairman, and Terry and Lisa as members of the Committee were scribes for the calls. They also drafted the minutes and they were sent to everyone in the division. I just happened to be the scribe for the southern division call and thought they were going to keep going and going and going. I finally said, "I think our time is up." It was lots of fun. A special thanks to each of you for coordinating the calls and following up by making sure the minutes were sent out in a timely basis to everyone.

After the first of year I personally spoke to 47 department membership chairmen. In fact, I spoke to the last one just this week. What an awesome rewarding experience. I truly believe after speaking with these wonderful hardworking volunteers that personal contact is definitely effective. Oh, the stories that I heard. We are so privileged to have such a great membership team this year. I cannot say enough about all of you. And I'm also happy to say, like so many of the other chairmen, that we had 100 percent reporting.

(Applause.)

CHAIRMAN KOUTZ: I would like to share with you a few success stories that were in the mid-year reports I did receive. McLeansboro unit in Illinois with 25 members was 256 percent at the time of this report. When asked how they are getting their members they simply said, "We ask." Unit 35 in Georgia has a goal of 24 and they now have 85 members, making them 354 percent. They had --

(Applause.)

CHAIRMAN KOUTZ: Great. Isn't that great? They had a positive attitude with renewed commitment to our organization's goal and with this has new enthusiasm by growing their membership.

The Department of Michigan has received seven requests for new units. They credit their success to good communication, giving encouragement, and being available to answer questions.

Maine has provided each district with the American Legion Auxiliary commercial. One district was then able to get their local cable station to air during local sports events for one year.

New York units hold moving up ceremonies from their juniors to seniors. Isn't that creative? I love all these creative ideas.

Pennsylvania has some units that have started the practice of letting non-members volunteer at events to do a sort of try before you buy.

The Department of Rhode Island received \$250 incentive. They're 3 percent over their last year's goal. They report this is the first time in a long time they have received a membership award with their goal met.

Vermont membership held a special raffle awarding a free year of membership.

And a unit in Colorado handed out pamphlets at their town's local fall festival and shared cotton candy. Well, how else could they get by with that? I mean it's all sugar. This unit is now 170 percent and they plan to continue seeking more members.

The Minnesota Department Member Handbook is helpful for new and seasoned members to use, as it has all the pertinent information needed to have informed membership. They explain the importance of working together and stress being kind to their members so they will rejoin each year. They also offer e-mentors so they will have future leaders.

Nebraska introduced the No Crab promotion to encourage civility within the organization by getting along at all events and meetings. And I believe they had heard what our National President had stated early in the year "leave your attitudes at the door." There were 31 units out of 88 that reached their 60 percent by Veterans' Day in the Department of Tennessee.

And in Kentucky they have a four by eight map of the state that is used as a visual aid. As units reach their promised goals they place a pair of army boots with the unit number and percentage on the map.

At Louisiana's DEC workshop their department membership chairman paraded down the aisle shooting dart guns with a blank application attached to each dart and challenged the members who caught one to return it back filled out with a new member.

The Department of Alabama had a unit that was chartered this year with four female veterans on the charter application.

Virginia reported that any member who pays their 2016 membership by December 31st will be entered into a drawing for a PUFL membership. Wouldn't that be awesome to win that?

The Department of North Carolina has been busy this year also presenting new charters. They currently have three new units and are working on two more. They have also been working with existing units to revitalize them.

New Mexico reported that their units were sending out their own renewal notices and receiving back a good response.

Oregon members changed their way of looking at membership. The members are not numbers, but living and breathing volunteers. Therefore, they don't sell membership, but rather show passion enthusiasm for veterans through their actions.

The Department of Utah is having a sweet 16 contest to get districts and units working together recruiting 16 new junior members.

The word "spark" is part of the president's theme in Wisconsin. Speak positive about the American Legion Auxiliary and renew, rejoin and recruit knowledgeable members.

These were just a few of the little things that count success stories. The others can be found in my written report. And as you heard or read all these stories, it just confirms why we are the world's largest patriotic organization in the world. We have the best volunteers who all believe in our vision by making a difference for veterans and their families in every neighborhood.

There were 13 departments who won the Veterans' Day award. These departments increased their 2016 membership by three percent or more over their 2015 membership as of November 12, 2014 by November 11, 2015. And they receive \$250 each. Congratulations to those departments.

(Applause.)

CHAIRMAN KOUTZ: Due to time 'straints, I would to have loved to have named all these, we had 252 units from 43 departments that won the 100 percent unit award for reaching 100 percent by December 31st, 2015.

(Applause.)

CHAIRMAN KOUTZ: Don't you love all that money? Units that reach their annual target set by national headquarters by this date received their \$100 to use on mission outreach and our membership efforts, plus they will receive a 100 percent flagpole ribbon. A complete list of the winning units is available on the national website and was also shared with our membership in the e-bulletin. Again, congratulations to all of the hardworking units.

Also a congratulations goes out to the Department of Idaho, District of Columbia, and Iowa for winning \$500 by achieving the 85 percent renew/rejoin achievement department award by Valentine's day. Isn't that awesome?

(Applause.)

CHAIRMAN KOUTZ: Once again, congratulations to all of our winners so far. Just keep up the good work, there's more money to be had. I found a quote by Socrates that stated "the secret of change is to focus all of your energy not on fighting the old, but on building the new." And this is what we are doing this year as we keep our promise and do our best to accomplish goal number one, attain a million members.

Enjoy the little things in life, because one day you will look back and realize they were the big things. And this was by an anonymous. Madam President, this concludes my platform remarks. Thank you.

PRESIDENT CONATSER: Thank you, Vickie, good job. And congratulations to all the units and departments that won the money so far. Isn't it fun to get checks in the mail?

Vickie referred to the female veterans that were on the charter of the new unit. And there's one thing I want to bring up. We started the program to sign up our female veterans last year, two years ago. And it's really great, we're getting lots of positive response. However, I will tell you the female vet renewal rate today is at 45 percent. So, but we've got to sign them up. If you sign them up you need to renew them, because we're not making headway if we sign up 1,000 and we lose 800 the next year. So please, ladies, check your department for the names of the female

veterans that were signed up in your department and let's get those renewed. And then extend the invitation to other female veterans. Okay?

National president pins, do we have them? Do we have national president pins?

UNIDENTIFIED: (Indiscernible)

PRESIDENT CONATSER: Yeah, okay. When we end they'll be some national president pins with the pages at the back if you have not received one. The cards for Chris, did we get all those back? Okay. We need to get those finished up. And a big thank you you to all of the national chairmen, those that reported verbally and those that sent in all their oral reports. And please read those, because there's lots of 100 percent chairmen for mid-year this year. So, please, with all the department chairmen and the national chairmen for making sure it happens and their committees, thank you.

Please do not forget to review all the documents for tomorrow. And the Chair calls upon the National Secretary for announcements.

SECRETARY BUCKLER: First I think I need to offer an explanation, because there's nothing worse than not feeling like you're in on a private joke.

Sometimes we check in at a hotel, we're given our key and we go to our room and the room is empty. And we enter and we get situated and we go about our business. Sometimes you have to wait for your room to be ready. You're notified the room is ready. You go down to the front desk. The front desk clerk says "Yes, I believe the room is ready. It's showing that it's empty. Here's your key." And you go to your room. And I wouldn't say that this happened to anybody up on the podium. But our National Vice President opens the door to her room and discovers, I'm putting this judiciously, x-rated activity going on.

Well, there are lots of names for it. With interesting attire.

PRESIDENT CONATSER: Or not

SECRETARY BUCKLER: Well, it wasn't totally or not. It was interesting attire, so she says, in her brief moment of looking and making sure she had become aware of the details, screaming and then running out of the room.

So for those of you who wondered why -- I'm sorry, if I saw some of you in the lobby and I didn't say hi, we had a little issue we had to deal with. Because then she went and reported it at the front desk and said, "I expect you to get" -- because by that time there was a suspicion that there were more than two people in the room.

There might have been traffic coming in and out of the room. And was told that security would be notified, the room would be cleaned. An hour later, "So Mary, how are you doing?" Well, they're still in there. She was in the room next to it with the glass up.

So that's when I went down and discovered that the message had not been conveyed to security. So an hour had gone by, so I was now dealing with security at the hotel and the matter is resolved and Mary is in the room. Oops, sorry. Thank you. Thank you.

So I just want to say when you hear Sharon talk about how we're a team, we are indeed a team. Sharon ended up carrying Mary's luggage to her room once she got in there and allowed Mary to bunk in Sharon's room until she could recover and the situation could be resolved. I will tell you though in the true spirit of Goal 2 and the wonderful support we get from The American Legion Family, several Legionnaires in the lobby offered to go in and deal with the situation.

UNIDENTIFIED SPEAKER: Madam Secretary, (indiscernible) did you offer applications to them?

SECRETARY BUCKLER: If you think Mary is quiet I will tell you at that moment she was just babbling. I said, "Okay, Mary, write down what happened and we will deal with it." So anyway, the situation has been dealt with and she is in her room and the hotel has --

UNIDENTIFIED SPEAKER: (Indiscernible).

SECRETARY BUCKLER: No, she -- the room was cleaned before she went into the room. I met the security guard there and the cleaning people there and the room was cleaned. However, if you see Mary in the lobby with the phone all of a sudden looking at a group of women going like that (indicating) because she believes she saw the same group of women back in the hotel after we had been told that security had removed them. So --

DIVISION VICE PRESIDENT TWETE: (Indiscernible).

SECRETARY BUCKLER: Yeah. Yeah, Judy said they were looking for a membership link. Okay. So anyway, I just felt like sometimes when you -- when Mary got up here and was making her remarks not everybody understood why we were up here trying not to just break out into hysterical laughter.

All right. So moving right from there to the NEC breakfast tomorrow morning, which will not be near as entertaining. That will be at 7:45 at the Lincoln Room East, which is on this level. So 7:45 in the morning Lincoln East, which is on this level. NECwomen, Past National Presidents, national officers and national chairmen are invited. And those who are invited to this should have received your invitation.

We still have a few tickets available for the evening monument tour tomorrow evening, as well as the public spirit award luncheon Monday afternoon. Please see the registration, excuse me, please see the registration area if you're interested in purchasing tickets for either of these events.

To the question earlier about our direct mail fundraising, we have about 700,000 members. It is not economically feasible to mail to every member of the organization. So those mailings go out to people who have shown a history of making a donation to the organization and who continue to make a donation. And then every year we occasionally add new people to the list. And if you haven't made a donation after three times your name drops off of the list.

But I wanted to show you. So how many people know what this is?

This is the audience participation part. Okay. So there are advertisements at the back of the magazine, okay, I'm pointing to. So in this latest issue this is coming to your mailbox, American Legion Auxiliary's all occasion card collection. And there is a toll-free number and a website that you can go to if you want --I'm sorry, there's toll free number and website you can go to if you want to be added to the mailing list. Just understand the expectation is that when you're added to that direct mail fundraising list, you're expected to participate. And if you don't, it's very costly to keep asking you to participate. So at some point in time, probably after about three tries, we will stop asking you to participate.

So that is why we generate the return on that that we do. I get asked that all the time. It's because we don't just broadcast it and, you know, blanket mail it out to everybody. That's very expensive and your return on that is very low. So we do what

we call targeted mailing and that's why we have the returns that we do. So anyway, I just wanted to point that out to you.

The other thing is, so this would be called the cover of the magazine, right. So this is a picture from the National Veterans Creative Arts Festival. I just want you to look at this item here. Because I am giving you a sneak -- well, here's your preview -- I'm giving you a sneak announcement. How many remember that now for the last two national conventions we've had a piece of artwork donated that has been turned into a fundraising challenge? You are looking at the piece of art that has been donated.

UNIDENTIFIED SPEAKER: That's amazing.

SECRETARY BUCKLER: There are -- I wish I had it in my hand -- there are over 3,000, I think, pieces of wood in here. So this is a very, very intricate piece. And anyway, just so that more information on the Department Leadership National Conference the challenge will be issued, the fundraising challenge will be issued. But for those of you who want to gear up just at least know that that's what the item is going to be this year. So and it's really pretty cool. And so with that, Madam President, those are all the announcements.

PRESIDENT CONATSER: Thank you. The National Executive Committee meeting will adjourn until 8:30 tomorrow morning.

(Ringing of the bell.)

(Whereupon, the meeting was concluded at 9:12 p.m.)

SUNDAY, FEBRUARY 21, 2016
PROCEEDINGS

PRESIDENT CONATSER: If you'll take your seats, we need to get started, please.

The committee meeting will now come to order.

(Ringing of the bell.)

PRESIDENT CONATSER: Invocation will be given by National Chaplain Bird Derrick.

(Ringing of the bell.)

CHAPLAIN DERRICK: Thank you, ladies. Let's bow before the Lord.

Father, as we reassemble this morning to conduct further business and to hear speakers and just to learn, Lord, we ask your blessing that we would receive what's being shared today, that you would grant us your wisdom and your favor as we return to our departments later on to share all the good things that have come from your heart.

Father, be in our midst today. I give you praise in the name of my Lord.

Amen.

VOICES: Amen.

PRESIDENT CONATSER: Thank you, Bird.

(Ringing of the bell.)

PRESIDENT CONATSER: Just like last night, everybody got checked in at the door, right?

VOICES: Yes.

PRESIDENT CONATSER: And if there's any doubt, see the back table at the end of the meeting. It is your responsibility to make sure your attendance was recorded. So if you didn't wait in line and snuck in the other door, you're not recorded, right?

Now, with their presentation on fiduciary stewardship, we have our National Finance Chairman Nicole Clapp and Mr. Mike P. Alerding.

That was on purpose, Mike.

(Applause.)

MR. ALERDING: Thank you all for coming back. That's the first thing I say.

(Laughter.)

CHAIRMAN CLAPP: Am I on? I'm on.

(Applause.)

CHAIRMAN CLAPP: Morning.

VOICES: Good morning.

CHAIRMAN CLAPP: Well, while he is getting miked up -- ha-ha, miked up --

(Laughter.)

CHAIRMAN CLAPP: -- NECs, you do have my business cards laying there. So if you have questions, instead of peppering Mike's office, you can pepper us. Okay? So you have that for reference.

MR. ALERDING: Okay. I'm going to have to -- how are we doing in the back on my voice? Okay?

VOICES: No.

MR. ALERDING: No. I'll do the best I can. I don't know why. Call me anything, but don't call me quiet.

(Laughter.)

MR. ALERDING: It should work. I didn't do anything.

(Laughter.)

VOICE: It's Sunday.

CHAIRMAN CLAPP: Uh-huh. It is Sunday.

MR. ALERDING: Okay. Very good.

VOICES: Yay.

MR. ALERDING: Okay. Again, it's always nice to see that people do come back after you've talked one time. And my dad always used to say don't give them a break because they may never come back for the second half. But this was good.

Today Nicole and I are going to double team a subject matter that is of utmost importance to you when you go back home in your departments, your state organizations, every organization. We're going to walk through a couple of the sizes here, but this is really important stuff.

We'll fill in some gaps for you on why it's so important, but I think it's not just apple pie and motherhood. This is pretty serious. And this is hopefully a teaching experience and a learning experience because I've had to learn it over time.

I know Nicole has. She lives this kind of thing every day. And part of what our little firm in Indianapolis does is a lot of forensic work and, unfortunately, we do a lot of fraud work. And we do a lot of fraud work in the not-for-profit sector, so we learn the hard way.

And what we'd hoped today is to give you at least a little preview and a little bit of information on some things you can do in this area and we title it financial or stewardship, fiduciary stewardship and we're going to explain what all that means. The longer the words, it usually means just a lot more things involved.

We'll talk about the definition. We'll talk about fraud in the not-for-profit sector itself in a general sense, why is fraud so prevalent and controls so weak, why is it that the not-for-profit segment tends to have a much higher level of fraudulent activity. We'll go through common types of fraud that you can keep your eye out for and that's the bad news.

Then we're going to start talking about what you can do about it when you go back in a cost-effective way. We'll have best practices. We'll talk about external audits and things you can do with the external auditor or accountant in your location and do it affordably within -- within means that you have.

And then we'll talk about protecting your organization, providing some sort of a shield, keeping in mind that American Legion headquarters, departments are all corporations and are subject to corporate law and liability.

And I know that in 101, you've learned a little bit. We've -- we've spoken a little bit about the liability you have as members of NEC. As any kind of board member, you have personal liability for some of that. So this is one of those subjects that is not to be dismissed. This is a pretty important one.

Nicole and I will jump back and forth here because we do have a little expertise that's different. Nicole gets the opportunity to live it a little more often than I.

There are 2.3 million, 2.3 million not-for-profit organizations in this country and over a million of them are (c)(3)s, 501(c)(3)s. Now, keeping in mind

that although European and Asian and Africa and South America, other countries have not-for-profit entities, but the home of the not-for-profit is the United States. We are by far the most giving society on earth by far. It's not even close.

And there's a cultural reason for that. When our country was started many years ago, the government had no money. When they started revolutionary wartime, they had no money. They couldn't even afford to find a place to meet. That's how bad it was, yet they knew if they were going to offer a country to these people and offer them some sort of organized government, they needed to be prepared to provide them with the necessary benefits, health, welfare, all of those, even though they didn't have any money.

Back then, there was nothing but an excise tax which doesn't surprise too many people. Even back then, it was a sin tax. It was based on alcohol and tobacco. Things just never change. So that's how you paid taxes. You didn't have an income tax till 1913.

So you paid with excise tax. Part of what happened when Congress met, the early Congress, they said, boy, we gotta do something about this because we don't have the money to take care of these poor people or those people in need of health and welfare.

So what they came up with is they said tell you what we'll do, we'll give the people and organizations in this country a credit, in those days a credit against their taxes if they will go out and provide some of these services on their own. And they called them not-for-profit or health and welfare organizations back then.

So the culture of being a not-for-profit started from the very first day here. And if you look at the benefits that society and our country get and you divide them between government, federal and local and state and not-for-profit world, the not-for-profit world does a significantly higher percentage of that in our country than anywhere else.

So that's why you see 2.3 million of those organizations. It's hard to imagine there are that many out there. Eighty-seven percent of the (c)(3)s, those are the charity organizations -- a (c)(3) means you're in an educational or health and welfare or charity of some sort -- 87 percent have revenues of less than 25,000, 87 percent of that million which is really staggering.

So this is not about big organizations. What Nicole and I are going to talk about really is more about the smaller organizations and what you can do. Not-for-profit entities employ 14 million, 14 million people and generate 1.5 that's a T trillion in revenue.

So obviously if you're a crook, the first place you want to look at is where's the money. Well, you can start with 1.5 trillion. That's a pretty good number. Let's see. I think I'd like one-half of one percent of that. That's pretty good. It doesn't quite work that way, but it is something that we have to keep in mind.

The Association for Certified Fraud Auditors, the lady in our office who does this gives me this update every year, but estimates that five percent of those revenues, five percent are lost to fraud. Seventy-five billion dollars is lost to fraud every year. You won't know it. The problem is it's a very silent thief in the night. But the ones you do know are a very small percentage, but they really hit the press and really make things different.

CHAIRMAN CLAPP: Uh-huh. As Mike is saying, my background is a little bit different. I'm a hospital CEO for those of you who don't know and my

company is a 501(c)(3) as well. You have hospitals that you think, oh, they make money, they give care. And mine is a community hospital, so I fall into the nonprofit similar to what the Auxiliary is.

And realizing that it can happen, I've seen it happen in hospitals. I've seen it actually happen in my own hospital in the business office. And when I get to talking later about skimming and things like that, those are the types of things that happen. It's just it happens. And we recognize it. We deal with it. We put better controls in place and that's what Mike and I are going to talk about today.

So please if you have questions, just motion and we'll stop because it's very important information. I see some of you trying to video and take pictures. It will be out on the website so that you'll have access to that later. I'm not sure exactly when, but it will be out there. So --

VOICE: When it's done.

CHAIRMAN CLAPP: When -- yeah, obviously getting back from the conference and things. But I would rather have you listen and if there's something -- I'll kind of tell you when like this is something I really want you to remember. That will be a cue for you to say okay. That's what I say with my staff. Okay. If you don't remember anything else I say today, this is the one thing and we'll get to that as we go through this.

But as Mike was saying as we get back to the subject matter, it happens in our departments. It happens in our businesses. And it tugs at the heart strings. You're all there to do good work. You're all there to give back, but life happens. Good people make mistakes. Bad people choose to make mistakes. You don't know that when you hire people. You trust. We're a trusting nature.

The majority of us in this room, as I said last night, we're females. We're caretakers. We're givers. We're doers. And so realizing that it happens right under our nose at times, it does hurt. And so for us, there are millions of dollars that are lost to fraud.

But the realization is we only hear about this much of it because all of a sudden the books don't quite look right or somebody retires or somebody moves on and then somebody else comes in and asks the same question, maybe just in a different way after how many years and the lightbulb goes on.

So realizing it can happen. Okay? So as we move on to the next slide, looking at these big words, okay, as you know me, I think, well enough through the years, I try to make it understandable and simple so you have your take-aways. Okay?

So this big word fiduciary, it really is your duty, okay, for all nonprofit leaders. And when I look at that, let's break that down. You are the governing body. Here's leadership and management in this organization. All have a responsibility to the organization.

When you were either elected or appointed to your position, you made a commitment to help not only your unit, your department, but the national organization. So in the law, as Mike said, you know, we're responsible to corporate law, there is things that we are responsible for, the heart strings, the trust, the loyalty, and our dedication.

And when we look at that, that's when sometimes there's that conflict happening. So as a steward, the ethical, the heart, and the head is the way I always

look at it. My heart is saying one thing. My head is saying something else. When can I get them back in line to know that I'm making the right decision.

But if I think about it in my hospital, for example, I always say to my staff who are you here for. If you tell me you're here for the paycheck first, I'll help you find the door. If you tell me you're here for the patient, we're going to be fine.

So in this situation, who are we here for, that trust, that loyalty, and dedication, it's to our veterans, our military, and their families. We -- our own personal needs come second in that dedication and that oath that you take.

Then there is the stewardship and that's after you've taken that oath, how are we going to shepherd it, how are we going to take care of it, how are we going to safeguard what's the most valuable thing to us. And realizing when you look at valuables, it's a lot of the nontangibles.

Mike works in the black and white every day, so does Tim, black and white. Numbers are black and white. And hopefully they don't turn red. Okay? So black and white. I deal in the gray area because I deal with humans, gray area, that's those intangibles. The intangibles are your name, your brand, our beautiful emblem. You don't want to tarnish that.

You also need to realize that there are tangible assets which are black and white as last night when Mike went over the balance sheet and then the P&L which is profit and loss. You know, what do we have? Yes, we have investments. And the questions were very good last night. What do we do with our money because we see us up and down with the stock market and then that heart strings kind of tugs like maybe we should just stick it under the mattress.

Now, you can't lose anything under the mattress. So realizing that in the long run our commitment and our dedication and our loyalty and trust, it becomes the information that we share. When we looked last night, about 90 percent hitting member benefits and services. That's wonderful.

So that's the information that we want to share, but there are the behind the scenes things that have to happen. But ultimately it all rolls up into our reputation and that brand and that reputation and that's what the centennial plan is all about is rejuvenating, re-energizing who is the ALA in this century and to beyond.

Okay? So as we move on then to what happens to that reputation if the effects of fraud do happen and they do happen, obviously the reputation gets tarnished. Okay? We can have long-standing credibility issues. It takes a long time to recover.

Sometimes some organizations if they're very, very small can't recover. Obviously in your organizations, you're volunteers, but you do probably -- most all of us have some type of department staff. Morale, it didn't happen to me personally, but it happened in my department. So that's a reflection on all of us, for example.

Obviously our most important asset we have in the American Legion Auxiliary is our human capital which is you, the resources. You're our humans. You are our boots, our boots on the ground. Okay?

So realizing that all those economic and human factors impact and lead down a path of who knew what in what order and why when these things happen. Some, you know, it's hard because you're friends with the other person and you're not sure. And they're just going through a tough time or things will get better. And it's not what I expect and, oh, you know, we'll just help her out.

Well, I'm going to stop and tell you a story about when I was a nurse because I'm a nurse first. And we had a nurse that we figured out ultimately had a drug problem. We didn't realize as nurses we were enabling her because I worked in a burn center, a top ten burn center in the nation. So we had pain medication flowing freely obviously.

Well, I had a patient I had given medicine to before I went to lunch and I had said to the nurse it's sitting on the bedside table. I got it ready. Please hand it to him when he wakes up.

I came back and I said, you know, it's been about an hour. How's your pain meds work. He said, Nic, I never got any pain meds. I said are you sure. Patty was coming in. So we started to watch. So there was diversion happening. Okay?

So I took it personally, very personal, and I was hurt and I was angry and I was really feeling bad for my darned patient. He was the one who was the ultimate victim.

In our situation, our ultimate victims are the veterans and military and their families. Does that make sense?

VOICES: Yes.

CHAIRMAN CLAPP: Okay. So when you look at what happens with your capital and a disruption of your business, it's really hard to get back to what we're here to do because you're so consumed with the situation.

Bless you.

(Laughter.)

CHAIRMAN CLAPP: That was like on cue.

(Laughter.)

CHAIRMAN CLAPP: Thank you, Judy.

So realizing that you do need -- actually, that is perfect because the next thing I was going to say is there's two signs in my office. And at the hospital, it's kind of ironic. Breathe, I have signs of breathe. Like all my staff get me just breathe, breathe signs. That's just kind of my thing, and this, too, shall pass.

So if somebody walks in my office in a hospital, breathe, I hope so. Okay?

(Laughter.)

CHAIRMAN CLAPP: And -- but tomorrow, this, too, shall pass and we're going to breathe again. Okay? You will get past this. But there are people that are watching each and every day no matter -- I'm from Gladbrook, Iowa, a town of 900. Yeah, yay, back home. I live in Wisconsin, so I'll shout out to them as well, in a little town of 3,800 called Lancaster.

But realizing that that town is why I'm here today, but those watchdog organizations and there's pretty much three biggies, and they're typically located here in D.C., are watching all of us.

So in the year when I get an e-mail that says we tried to file our 990, our postcard, and they rejected it or -- what are we going to do, I understand. And what I do is I forward that message directly to Tim's department, to Sara and Kelly, and we figure out what's going to happen to help you.

We can't do it for you, but we can be there to assist you. It's kind of like we're the government, we're here to help. Well, we're the Auxiliary, we're here to help you from national. Okay? That's what all these things are about.

So I'm going to switch back to Mike and he's going to hit the next part of what happens to fraud controls.

MR. ALERDING: To carry on a little bit with that watchdog organization and the taint it puts on your -- your organization, that not -- that doesn't just stop with your department, your state, your local. It goes to national and then not only to national, it bleeds into The American Legion, not only to The American Legion, it bleeds into a patriotic organization, not only the patriotic organizations, it bleeds into the entire not-for-profit segment.

And we all know, I don't need to tell you the stories that are out there all the time and you never forget them, we can be quite judgmental about entities who didn't watch the back room.

Yesterday I mentioned that you spend seven percent of every dollar keeping an eye on things. And I also showed you that it's a range between five and 15. Those dollars are spent to make sure we do everything reasonably possible to prevent and to detect fraud if it exists.

So as you go back home, remember those statistics. When you -- when you think about who's doing what to whom, make sure we've got some money being spent.

Why is fraud -- why are fraud so prevalent in your industry and in our organization, because they -- they can be and they are. Control and power, and we'll talk about those, too, here in a second, control and power are often concentrated either one individual or a small group of individuals in your local -- in your location.

Many of them lack financial expertise and experience. They are what -- and I hope this is taken affectionately because it's certainly meant that way, they are the do-gooders of this world and you cannot get through a not-for-profit organization without them because the passion often resides in that.

But at the same time, the training has to be there to spot these things and to appreciate what controls need to be present in your organization keeping in mind that power, and that's a very important word, power resides with the entity. The entity has the power. The authority resides in the individual and that's a very huge distinction.

So whenever we -- when you assume a new role and you have a new title, you don't have more power. The entity still has that. What you now have is more authority and more authority to use and be judicious about the use of that power. Even though the IRS strongly encourages annual audits, many not-for-profits don't do it. Most not-for-profits don't do it.

And those who get in trouble and the IRS comes in and says where's your audit, the first thing that happens when they say that is you are not good stewards of this organization if you're not doing something to make sure you've got an outside look from someone completely independent that says things are okay.

And remember I talked yesterday at length about the internal control system and how the control comes from the top and Dubbie down, how important that is. It stays the same thing with your organization. The leader should have an appreciation for that and it should flow down.

Too few resources are often allocated to this because you've got a budget. You've got things you want to do. You've got that 90 percent that you want to make sure you're giving as much as you can. And God love you. That's what you're here to do.

But at the same time, you got to watch the shop. You don't watch the shop, the rest of the 90 doesn't matter because you won't be there to deliver it.

Volunteers are -- they provide an ungodly amount of assistance and we know in this organization especially there's no way we could get along without those volunteers. They are the life blood in most of these organizations, but they're not always subject to the same control system as paid employees.

They're just not part of the system often because they are and they should be treated as special people because they're giving freely of their time. So they don't fit into the system as well where if you look at this is the for-profit segment, you don't have that. So that is one of the differences.

All volunteer governing bodies too often lack governance experience and they rotate too quickly. So many of the leadership people, they don't have any governance. And I'm not talking about management. I'm not talking about financial. I'm talking about the concept of governing which is different from the concept of management.

Dubbie, Tim, Marta, they are managing this organization for you. At your pleasure, they're managing it and they're doing a great job. But you are the governors. You are those who govern and in your local organization, it is very critical you draw that line.

Insufficient funds and expertise are spent on internal controls. What are internal controls? Simply put, they are those processes in your organization, policies and processes that disallow someone to be able to do an entire transaction without any other involvement closing the loop. You don't want those things closed. You want to have someone somehow to be able to intercede.

Frauds often go unreported because the fear of repercussion and -- from donors of the constituents. This is a huge problem. We do a lot of forensic work and we get called in to entities. I think last year alone in 2015, we had two very large ones where we got a call from non-client entities who said we have a problem.

We found Bill stealing or our bookkeeper stole money. He took off. He's been doing it now we know for 15 years at a minimum. And in one case, he had taken over 600,000 from these people over a 15-year period. And he did it very easily. I mean, so easily, you go come on, what's the matter.

Bill's a good guy. Bill is a really nice guy. Happens to be a Canadian. He's not really a U.S. citizen. He's here on a work visa 15 years. And also incidentally while we're at it, he's legally blind and he's -- you talk about the heart strings. Oh, my. This is a nice guy.

And here's how he did it. You'll appreciate this. Here's how he did it. I know we did because we're forensic people, so we're a little weird. But when we find how they did it, we go, oh, man, that's pretty good. Anyway, this was pretty good.

(Laughter.)

MR. ALERDING: One of the best ones. If you -- if any of you have ever used a payroll system from an outside payroll agency and you go through and you just -- and it's usually done -- everything is the same except so and so. You have to fill in the blanks along the line for deductions, deductions for uniforms, deductions for taxes, deductions for health insurance, whatever.

And everyone's was done that way. For 15 years when he filled his in, instead of putting just a positive number in there, he put a negative number. And what he did, instead of deducting and added. He did it for 15 years, 620 some thousand.

I mean, that's what we said. We said whoa, that's pretty good. I mean, some -- because you do look at payroll registers. I know the control system. Oh, I looked at that. And if it's a negative, okay, well, we're deducting it for business. Unfortunately, it's just not the way that works. It's the opposite.

So when we see this, we say, oh, my gosh, you've got to do something about him. And they didn't want to touch it. They just said, listen, I know -- I know this, but we just can't do it. We just can't do it. It's not just about him. We can't take the bad press. We can't take all the time. We don't want to have to sue him. We don't want to see him go to jail, yada, yada, yada, yada.

And our counsel along with their lawyer was you must go ahead and prosecute this. It has to be done. And if you don't, you'll see later the insurance or the backups you have don't count unless you carry it all the way through.

They did, in fact, end up prosecuting him and they actually had to put him in jail right away because he's a flight risk back home. He never did and he did end up, I think, for 600,000, I think the cost of that, if I'm not mistaken, ended up being less than a year in jail and restitution. So that gives you some idea how difficult it can be.

Organizations do not maintain their accounting records permanently or on electronic systems. Believe it or not, many are just using checkbooks. They don't have a formal set of accounting records. I got two words for you QuickBooks. Come on.

(Laughter.)

CHAIRMAN CLAPP: You'll see that again on another slide as a reminder, QuickBooks.

MR. ALERDING: Yeah. It's not the end of the world and it is, in fact, Dubbie proof. It will now allow -- it will not let you make a one-legged entry. You can't do it. It is very simple. And I don't sell QuickBooks. I don't have anything to do with it. All I'm telling you is it's the most affordable way to get it on something and make sure it is permanent.

Why do you want to make sure it's permanent? Part of the issue we had with this guy that had been doing it for 15 years is that he had been destroying records along the way.

CHAIRMAN CLAPP: He had a track record.

MR. ALERDING: Well, he did it. Yeah, because he had a retention policy.

CHAIRMAN CLAPP: Uh-huh.

MR. ALERDING: Who came up with their retention policy?

CHAIRMAN CLAPP: He did.

MR. ALERDING: He did. I mean, all these things when you got back, you go come on.

(Laughter.)

CHAIRMAN CLAPP: We didn't practice that either. We both did it the same time.

MR. ALERDING: He was -- he was brilliant. I mean, we don't have him in our hall of fame, but he's out there.

(Laughter.)

CHAIRMAN CLAPP: Okay. So fraud against the organization, you heard me talk about skimming. So I'm going to tell you a very simple one. That's a pretty complex one, but a real simple one that actually happened in my hospital.

Cash was stolen. So what the person did was pot machine money. Dump it off the pot machine. Our receipts for our lunches at the cash register because we did an honor system, wrote down what we ate, put it in the bucket, move on.

Well, the same person took the money, recorded the money, but never deposited the money. And as we started to slowly start to think, gosh, you know, we had more volume, we had more meals than we had money, but we couldn't quite figure it out.

Well, then she got better at it. So then she went on from nickels and dimes and pennies to dollar bills. Patient would come in to pay a bill, paid with cash, no record. She pulled at her own heart strings. She always made the entry in the patient's chart that they paid their bill, but our numbers never quite were right.

This was only a month period thank goodness and it was less than, I think, \$25,000, but it adds up quickly, every dime, every penny. As you saw what we brought in in donations last year, all I can say is I was hurt. I was angry. She was fired on the spot automatically because as Mike said, I couldn't put our company at risk for what potentially would be.

Did I in turn call my board of directors because I have 12 bosses? I have a community board and I have an employment boss to say this is probably going to be in the newspaper just so you know and this is how we handled it internally, but this is not a community message that you shout from the rooftop. You deal with it internally appropriately because you have controls and checks and balances in place.

But for us, it was just a little simple money bag from the dietary department to the business office which those cooks felt terrible. You know, if you think about jobs, in our institution as a hospital, our dietary staff are some of the lowest paid individuals. Not right, not wrong. That's just the economy of scale.

So when they realized that some of that money, hard-earned money was gone to buy, you know, a neat bag or a new suit or whatever, but initially we couldn't figure it out because she would put the money back. But then when it got harder and she took more, you couldn't put it back, exactly, couldn't put it back, Bev.

So it's so simple and it can be the smallest of things. That's also why we have a policy here at national about no solicitation at an event, for example. Passing the hat, do it all the time, don't you? Oh, we need to get a leader dog. We need to help with the Josh dog. We need to -- somebody is down on their luck. Let's pass the hat.

We never knew how much we had to start with, so we're never going to know what we ended up with. So all those things, we discourage that because not only then do you have this pot of money, but now you have to get it somewhere and record it. And somebody is hitting your -- and it's cash usually. That puts everyone at risk.

So that is something we definitely discourage at the national level is passing of the hat because those skimming things can happen.

Credit card abuse, how many of you have ever had a call from the credit card company of saying are you somewhere? And I'm like, no, I'm not in that city. Last time, I was told I was in Phoenix. If I'm not mistaken, I think we had a past national president who was actually told that she was in England, if I'm not mistaken. She wasn't in England, if I'm not mistaken.

Buying a hat, it was Kentucky Derby time, but it wasn't a hat coming from England. Okay? It happens. But these are the times when somebody has your

company credit card and uses it for personal, uses it inappropriately, maybe who gets cash back, you know, when they make a transaction. You know how you do that with debit cards and things like that? All those little things add up.

Then there sometimes are these fictitious vendors, companies. I heard one time of this anesthesia group that was a group out in Colorado, I think it was, or out west, and the CEO of another hospital was hiring them. Well, they never came on site.

Well, how are you going to do anesthesia, that's what puts you to sleep, people, if you're not on site? He owned that company, the CEO did. So he was funneling money back to himself through a fictitious company. Contract looked good. The board signed off on it. You trust, loyalty and dedication, remember those three responsibilities.

Then all of you sign a conflict of interest statement when you came on in August for your role. Conflict of interest, it's not a bad thing. It's just something you have to acknowledge. So that gentleman should have acknowledged if it was up front that he owned a company that they may be working with.

I will tell you like if you're my governing board, you will not have one of your children or your spouse working for me. Gets a little too comfortable, little too much information sharing. Conflict of interest is also information sharing. It's not for the world to know. Okay?

Also, Mike talked about payroll schemes. Right on. They're very easily done except at National Headquarters I'm supposed to be told to say.

(Laughter.)

CHAIRMAN CLAPP: Or Grant Regional Health Center in Lancaster, Wisconsin, but realizing that things do happen. We're not trying to scare you. We're just trying to put a realistic slant on the things that we just do every day and don't even think twice about it.

And, lastly, you could be a sub-recipient of fraud which means maybe you're not the intended individual doing it, but you have the effect of it and it happens to you because you're the recipient of it. Does that make sense? Okay.

MR. ALERDING: Frauds committed on the organization we just talked about here. And just to kind of tag on to that payroll thing, you've heard of ghost employees. And we all kind of go, yeah, that's fun. Well, there's a lot of ghost employees in the not-for-profit world.

The other part, though, that we're finding is that when people are terminated, the policies around hiring are generally pretty good.

CHAIRMAN CLAPP: Uh-huh.

MR. ALERDING: Good controls. The controls around firing are not. So people who get fired continue to get paid. I don't know whether you read the other day on-line. I read this on Yahoo or something. Someone was finally discovered after 13 years. Did you read that? Yeah, that was pretty cool. He's a hall-of-famer in my view. That boy is pretty good.

(Laughter.)

MR. ALERDING: Frauds are committed by the organization, not by people in the organization, but by the organization. It happens all the time. Deceptive fundraising practices, misrepresentation of the -- to the extent of charitable donation will be used in a value.

In other words, a hundred percent of your money will go to veterans, a hundred percent or 80 percent or 90 and it's fraudulent. You're raising on -- on a -- the basis of we're doing all these things right, but when you get behind the numbers, it's not there.

Under-recording of expenses and costs, if you want to be sure to show this new donor that you're fiscally responsible, you will hide things by misrecording them or instead of recording them as an expense, and I know you're not accountants, but you would put it on the balance sheet as an asset. And we see that happen occasionally.

Misreporting costs and expenses relating to a fund-raising event -- and I know that fund-raising events are important. I get that. I come -- in Indianapolis, I went to a high school that's now in its 28th year or something of holding an auction every year and they raise -- just this high school raised about a half a million to 700,000 one night. It's phenomenal. It's really well done.

I was the first treasurer, unfortunately, of that thing and I'm telling you I almost lost all my -- I almost lost my wife, my kids, and everything else because it was horrendous. It was no -- there were no computers then. There was nothing, but we had to write everything down and it was horrendous. The amount of cash that was floating around that place was stupid.

Now --

CHAIRMAN CLAPP: Scarey. Scarey.

MR. ALERDING: Really. It was everywhere. Not only cash, people were taking stuff and it was incredible. I don't ever want to do it again.

But what we did do is we would say at the end we had a half million dollar gain. We may have, but you'd never find it because it walked out the door. We -- we had records that would indicate that, but the cash was gone.

Misrepresenting allocation of expenses between and among program general administrative fund-raising, that is prevalent. We do -- we didn't get to 91 clients in this area by not taking them over quite often. We probably get 20 or 10 new ones a year almost every time we go in.

The first thing we look at is that delineation among those different -- and we find that there's some goofy things that are just -- they're just not right. And it is really important to us.

The young man who runs our audit here and does all of our not-for-profits, a young man named Chris Mennel, is a freak on this stuff. He really understands the allocation process and makes it right.

Reporting misleading or inaccurate information on federal or state government returns, just not a good idea, just not. Those who sign those -- do you sign your 990?

CHAIRMAN CLAPP: Uh-huh.

MR. ALERDING: I thought so. I could tell just the cringe. Whoever signs 990 has criminal penalties if they're fraudulent. Did you hear what I said?

CHAIRMAN CLAPP: I don't look good in orange or stripes.

MR. ALERDING: There are criminal penalties for that. And I didn't say they -- they just come in and slap your hands. They would love to make an example of someone, especially in -- in some of the larger organizations. So in smaller organizations down there where you're signing that 990, do it with -- with the kind of vigor you would do with anything that gets you in trouble.

And then misreporting donor organization -- to donor organizations. A lot of this stuff that we send off to these donors say I need your information to do this. I get amazed at some of the things people will tell them in a letter.

Then you go back and look at the statements and go we don't do that. But they'll tell them that and that's fraud under any -- fraud is willful intent to deceive is what it is. And there's just -- there's just a lot of that.

CHAIRMAN CLAPP: Yes.

MR. ALERDING: Yes.

VOICE: Could you give an example of the misleading reallocation?

MR. ALERDING: Yes. Sure. People will take the expenses that you have. You have this pot of expenses for the year. Certain percentage go to program as we talked yesterday, certainly here. People will misallocate those so that it appears that they're spending more on what they're actually doing than they are. And that's an easy --

CHAIRMAN CLAPP: Making misrepresentations -- excuse me -- is a phrase that's probably more comfortable, yeah.

MR. ALERDING: It's an allocation issue, but it's so simple to do, it's scary.

VOICE: What's the difference between a (c)(3) and a (c)(19)?

CHAIRMAN CLAPP: All right.

MR. ALERDING: I knew it.

CHAIRMAN CLAPP: There's our cue.

MR. ALERDING: That is such an easy question, I think --

CHAIRMAN CLAPP: We'll give -- we'll be right --

MR. ALERDING: -- I'm going to have Dubbie answer it.

CHAIRMAN CLAPP: Yes. The question is, can you explain to us the difference between a 501(c)(3) and a 501(c)(19).

MR. ALERDING: 501(c)(19).

SECRETARY BUCKLER: Now, if I were smarter, like I would say 16. (Laughter.)

MR. ALERDING: Very good. Come on. Come on. That's pretty good. (Applause.)

SECRETARY BUCKLER: But I'm not a smart-aleck, so -- only when I'm being on in the spirit of goodwill. A 501(c)(3), most nonprofit organizations fall in that large bucket. Most nonprofits are 501(c)(3) charitable organizations. The American Legion Auxiliary Foundation is a 501(c)(3) and we emphasize that because most corporations have policies that restrict donations to 501(c)(3) organizations.

Now, if they were informed, they would also be able to donate to a 501(c)(19). A 501(c)(19) is a special category that the IRS created for veterans' service organizations. It is a special and a narrow classification.

And while I'm here, so one of the things that you voted on yesterday, last night, was to continue working with the IRS to resolve some of these issues negatively -- negatively impacting the American Legion Auxiliary and The American Legion and the Sons of The American Legion.

Because 501(c)(19) is such a narrow -- narrow category and people change and people in the IRS change and Mike alluded to last night that they've now hired close to 2,000 new, over the course of the last several years, IRS auditors just for the

nonprofit sector, so you have a lot of people out there doing field audits who -- who don't go back to the law to look at things. They just look at their field guide, their -- their auditors manual.

Well, now, those are important things, but they're not sacred, especially when they're contrary to what the law is. So 501(c)(19) is very special. We were classified, the American Legion Auxiliary, as a 501(c)(19) by the IRS some 40, 50 years ago.

Well, so the issue is a 501 -- a 501(c)(19) veteran service organization has to be comprised of 75 percent veterans. That's our -- this stays inside this room. This is -- this is something you don't need to go back and talk about because it's too confusing.

I just want you to understand why it's important to resolve this. So you have field auditors out there saying the American Legion Auxiliary doesn't have 75 percent veterans, so, therefore, off with your heads. And they've proverbially tried to do that.

Well, I'm sorry, but the IRS, your company classified us as that. So if you want to chop somebody's head off, go chop your own heads off because you're the ones that did that.

So for our dear esteemed court reporter who's making notes, strike that comment from the record.

(Applause.)

MR. ALERDING: Excuse me. That was Dubbie. Dubbie said that.

SECRETARY BUCKLER: These do get published.

CHAIRMAN CLAPP: Mike and Nicole did not.

MR. ALERDING: We did not say that.

SECRETARY BUCKLER: But, anyway, that -- so that's the classification, but I wanted to take just another minute to explain why we have a heck of a mess we're trying to resolve because the law says one thing. Their field guides, their manuals say another thing. And the only way we're going to resolve this is for Congress to clarify it.

It literally is going to take an act of Congress to fix this or else an executive order from -- from the Executive Branch, the President of the United States to say, IRS, knock it off. This is -- this is the way the world works.

So that's a very nutshell about that, but those are the distinctions. 501(c)(3) are your big bucket charitable organizations. 501(c)(3)(19)s are -- are veteran service organizations. And the reason this whole issue is so important is because we advocate for veterans.

So when tax exempt organizations at the unit and department level -- we haven't had any departments that are in that problem now, but units and districts that lose their tax exempt status and they can't come back in under our group exemption, the IRS is bringing them back in as a 501(c)(4).

So there's (c)(3), (c)(4), (c)(5) and go up the -- and (c)(4) are lobbying organizations to which membership dues or -- or donations are not tax deductible. So it is a big deal and we are trying to resolve it. And it is the reason why, you know, this is even wider than it was probably a couple years ago. So more than you wanted to know, but hope that helped.

MR. ALERDING: Good.

CHAIRMAN CLAPP: Okay.

HARRIET: Can I ask you a question first before you --

CHAIRMAN CLAPP: Yes, Harriet.

HARRIET: -- and it's about that sort of. The letter that we -- we have received in 1976 with the four digits that we are still using, is that why it has not been updated because I --

SECRETARY BUCKLER: Yes.

HARRIET: -- thought you had sent us --

CHAIRMAN CLAPP: Uh-huh.

SECRETARY BUCKLER: Yes.

HARRIET: -- an e-mail.

SECRETARY BUCKLER: Oh, that's -- that's a -- that's a good question.

CHAIRMAN CLAPP: Great one.

SECRETARY BUCKLER: So you know -- so hopefully you all know this and if you don't --

MR. ALERDING: Thank you.

SECRETARY BUCKLER: -- your Department Secretary and -- and key people know this. We -- the American Legion Auxiliary is comprised of approximately 9,500 separate entities that operate independently, but fall under one group exemption.

MR. ALERDING: Group exemption.

VOICE: Yes.

SECRETARY BUCKLER: And the group exemption is that four digit number. And the IRS, the same people that we might have mentioned a minute ago -- he's looking at -- love looking at the court reporter when he's doing this. He's just talking. He did smile. Okay.

So the same -- so the same IRS issues what is called a letter of determination. We have determined that you are a verifiable, bona fide tax exempt organization because you're doing charitable work that makes you worthy, key word, worthy of being deemed tax exempt which is why you have to do all these annual reports.

These 990s are so huge now because guess what, tax exempt organizations don't pay --

VOICES: Taxes.

SECRETARY BUCKLER: And if you took all the nonprofit organizations in the United States and combined them, their budgets, their annual operating budgets, it would be equivalent to the seventh largest world economy.

So the government has noticed that there's a whole lot of people out there not paying money and if we became taxable entities, that would add trillions with a T dollars back into the government coffers. So it's a big, big deal. The implications are really big and that's why we just have to try to stay on top of it.

Thanks.

MR. ALERDING: Thank you, Dubbie.

Just one little -- the (c)(3) is a charitable organization that has either religious, education, or health and welfare. Those are the only three. And Dubbie pointed out a (c)(4), (c)(6), and others are membership organizations or trade associations, something of that sort.

And the big, huge difference is when you give money to ALA and the Foundation, you get to take a tax deduction. When you do give it to a (c)(6) or (c)(4), you don't. That's where the rubber meets the road.

Those are excellent questions and thank you for doing that.

CHAIRMAN CLAPP: Okay. So as we look at what is that best practice that we can safeguard those assets that we have and we establish internal controls. So we're first going to talk about you, the governance. All right?

So understanding the difference between management and governance. As I said, I have 12 bosses. Okay? Here we have 52, 53 depending on how many of you are here that are the governing body.

Then we have management that runs our corporation, Dubbie, Marta, and the team, okay, with the leadership of the National President, et cetera. All right. I run my hospital, so I am management. I do the daily work. You don't do the daily work of running the national office. You come in twice a year, maybe have communication in the meantime, but you are here as oversight, not to worry about the nitty gritty.

For example, if somebody would say, board, just fire that person, hire that person, fire this one. That's not your job. Okay? I personally take offense when somebody says to me I think you should hire so and so.

Well, let me see why I should hire so and so. Is it because it's a conflict of interest? Is it someone that you know, you think you want to work for me, which is a compliment, but maybe it's not the right situation? Okay?

So you deal with the over body of what's going on. Now, we've talked about this the last few years. And as I said last night, it was nice to start to see some repeat faces sitting in these chairs. So that's the composition of the governing body.

We know we're still a really big governing body. I told you my board, I have 12 and only 11 of them get to vote. Okay? So this is a big body and I'm a big corporation, too, but realizing what that role has to be. Continuity is very important because how can you learn and apply when you're still learning and you've only had one meeting and now you're supposed to make overarching decisions?

We understand that. That's why you have N -- NEC 101. We have trainings like this. It's not that I don't expect you to understand it. It's just also a refresher because you don't work it. You don't live and breathe it every day, okay, because you're governance. You're not management.

So as we look at your rotation in each of your departments, last night we heard there are 13 state's departments that have more than a one-year term for the NEC. So that's starting that continuity path. Hopefully I think we're hearing there will be more hopefully this year that will get on to that train as we ride way into the future.

But as you look at your department, you do need to have some internal controls in place, not just the governance, but you do need to have some internal controls of an Executive Committee which at breakfast this morning, we were -- actually, I was sitting with some of the P&Ps and we were all talking about how each department is different, who has a vote, who has voice, who has voice and vote. Okay? It's all unique to your own department. But you need to have an Executive Committee. All right?

You need to have a Finance Committee. And remember I said a little while ago, I'm a nurse. So I'm in the gray area, but you learn the black and white. You all

can do this. You all have people in your department that are scared to death of the numbers. I understand that.

They say to me what are you on? I say Finance. They're like, oh, thank God you have that job. That isn't for me. I understand. You heard Mike say last night to those people walking by and said we were sure having a good time in that audit meeting yesterday. That's not their -- they're not their comfort zone.

But you know how to manage your checkbook, right? I always say to run our company, it comes out of checking. It doesn't come out of savings. And in our organization, you hear the word reserves. There are certain projects that we take out of our savings because we want to use that hard-earned money for something for the future.

Centennial plan has come out of reserves and now is being managed in the budget. Are you following me? Okay. Good. So with finance then, you don't want everybody coming off all at the same time because it's just like your governing body. Then you start from scratch again.

We've done some really hard work, you know, as you look at your departments. I mean, this is my -- I think my seventh year maybe on Finance. I think it is. And from where that progression has gone to where we are today, it doesn't always mean that the numbers look good because we know the stock market just kind of kicked us all in the pants last year. And that's okay.

But realizing that you need to have some continuity, so staggering those terms of when people come off so that you can replace them with the expertise that's necessary. It doesn't mean you're all going to be accountants.

On my Finance Committee at my hospital, I have a dairy farmer. She runs a dairy farm. She's my board chair actually, but she sits on that committee. I do have a banker. I have a construction company owner and he's the chair of my Finance Committee. He knows debits and credits. He knows when that profit and loss -- if you start to see red, we got a problem. Okay?

And I have five on that committee. We have five at the national organization. Most likely in departments, you maybe have three is what I typically see. I know back home, it's three, for example.

The Audit Committee then, you heard last night from Pam Jackson. That committee is usually a shorter-term committee. And they are off in the distance. They aren't you governing. They are not management. They are not us as Finance. They are there to come in as Mike does, swoop in, look at the information. Swoop, it's like Superman, right?

MR. ALERDING: Swoop in. Never swooped.

CHAIRMAN CLAPP: So realizing that their role is to check and balance, but it's not as you heard last night to go through the checkbook. It's oversight again. That needs to be staggering, too, because, gosh, you know, maybe it was a special year. Maybe your unit celebrated your 75th year and you had a lot of changes that year.

Well, if you all come off next year, the next people are going to like, well, those are the expectations. Well, no, that was a special year. That was an anomaly year. Okay?

So from there, though, you have to have continuous training. So we will continue as the centennial plan has a portion of education not only to you but you know what I hate to tell you, we're all replaceable, you know. Some people think

they're irreplaceable or if I don't share that much information, then somebody else won't be able to take my job.

Heaven forbid, I hope somebody does my job better than me every day. I'm 45, but there will be a time I'm going to retire. You know, I haven't figured out who I'm grooming yet for that, but that's okay. But realizing that, you know, we are replaceable. We're not irreplaceable, right?

Okay. Then you come on to the Finance Committee. The Finance Committee, we are accountable to you, the governing body. That's why I stand up there twice a year or three times a year and give you a report. And the post NEC, I ask for -- to approve the budget that's been months in the making.

So when we look at the internal financial reporting and the controls that are appropriate -- just this week, we put our budget time line together for the entire '16, '17 year and it's only February. But that's the internal processes that need to be there.

Investments and spending policies. Last night, we had the question about investments. Dubbie echoed in my ear remember they approve the -- you approve the investment policy. We looked at it the other day. We know there's volatility going on in the market right now. We also know there's this thing called an election year going on, so we got to ride the wave, but that doesn't stop us from doing our due diligence.

And so we've asked our investment advisors as we do periodically look at our policy. Does it still fit our mission? Personally where I'm at in my life, I'm a little more aggressive in my investing because I don't think Social Security is going to be there possibly to take care of me when I get there.

But with this company, it's none of our own money. I'm much more conservative with the hospital money and your money as an organization than I am my own personal money and that's the mind set we have to continue to have because what happens is as we look at those budgets and we see, we have to be realistic.

We all want to increase our membership. We all want to get to that century mark and improve and have somebody right beside that we've been able to hand that application to, but realizing it takes time. And so you have to put realistic budgets in place or else you're shooting for the moon and we may only make it to Venus. Okay?

It doesn't mean hitting a budget every year is ideal, is perfect. There's nothing ever perfect. It's called life. Things happen. Changes happen. But when that budget is presented to you, I'm feeling confident that we are as close on target as we possibly can be. But a budget is just a guide. That's one of those remember moments. A budget is just a guide. All right?

Okay. Audit Committee.

MR. ALERDING: Okay. Audit Committee, and I know when you get back home, the Finance Committee, you all will have, I'm sure, a Finance Committee. And as Nicole said, they don't always have to be all accountants and -- and bankers and -- and finance people.

You can have people on there and I think one of your good examples is the construction contractor. I had a lot of construction contractors and they're a whole lot smarter about some of this stuff than I am because they have to watch it every day.

Well, the Audit Committee is a little bit different animal. It's just a little different. An Audit Committee is based on the concept of independence. Every publicly traded company in the country has an independent, and that's the key phrase there, independent Audit Committee.

These are people who work outside the overall governing body, but they work for the governing body. So it's an interesting -- one of the very few times you'll see dotted lines, if you will. You couldn't possibly do, as a group this large, couldn't possibly do what the Audit Committee does. It would not be possible because there's too many things going on.

They require secondly a very high level of expertise and it's not about count -- accounting and it's not about books. An auditor is not an accountant. An auditor is to accounting as a dog is to a horse. They both are animals and they run on tracks, but we would clearly say they're not the same. That's the -- there's a complete difference.

So the Audit Committee is responsible for ongoing risk assessment which we just completed in Indianapolis a couple of weeks ago. And it is not for the faint of heart because when we go through that risk assessment, Pam will tell you there -- we don't miss a thing. We don't -- we turn over every rock and stone.

And the Audit Committee is trying to get ahead of anything that might get us in any trouble. It focuses on internal controls and compliance matters especially, compliance meaning regulation, rules, taxes. We're focusing on that to be sure that you all as a governing body and this organization is protected to the extent we can.

It works alongside the Finance Committee in financial reporting, compliance matters, but it does not in any way micromanage anything at all. The Audit Committee just kind of is -- I hate to say aloof, but they're a little bit out there.

Remember, remember power is with the entity. Authority comes with the responsibility of the individuals on that committee. That is a really good example of that. It can be as few, when you get back home, as few as three members and can actually be -- in a couple of really small non-for-profits I have, there's just one Audit Committee member and that would be in a couple cases me.

The Humane Society of Indianapolis, I don't sit on the board. All I am is a volunteer Audit Committee chair. That's what I do. I go to these -- three times of year, we have an Audit Committee meeting. Three times a year, I'm there and I'm completely independent.

The only thing I have a relationship to -- well, two things. I give them money every year and my wife is a professional dog trainer. And so she gets involved in -- in some activities over there with -- with service dogs. But I don't have any vested interest in that. I'm a volunteer.

When you get home, there are people like me and they don't need to be accountants or CPAs. They can be anything. The best member like your -- your Finance Committee, best member I had on the Audit Committee of St. Vincent Hospital in Indianapolis which is -- is a \$4 billion organization, the best member on there was a blood physician, an M.D.

He was incredible. I'm telling you as a chair, I was in awe and everyone on the committee was. And we had a bunch of suits, you know, accountants and lawyers and all these fancy guys. And then this doctor comes in and he asked the best questions every time. He was on the Audit Committee to do one thing, to inquire. He was the master of the stupid question and that was a great way to do it. And if you've ever done what I do for a living, you got to be a master of the stupid question or you're in trouble.

Members should be as independent of the organization as possible and that means not hold any other leadership positions. And the IRS looks very favorably

upon you if you have an Audit Committee. In fact, we're already seeing that they will do about a third of what they normally would do if you have an Audit Committee.

Why? Because they know what the Audit Committee's role is and the Audit Committee is doing its job, they just made things a lot easier.

CHAIRMAN CLAPP: Okay. So we look at internal controls, segregation of duties, this is one of those big -- it's in bold. I want you to remember.

MR. ALERDING: Yeah.

CHAIRMAN CLAPP: The Secretary and the Treasurer cannot be the same person and the responsibilities of those both officers, okay, they cannot write the check, cash the check. We get that question asked a lot. So you need to have segregation of duties.

So as we look at that, your bank statement, it needs to be reconciled every month. I know some of you don't like to balance your checkbook, but we got to do it on a monthly basis.

Credit card statements, for example, national leadership, I get their credit card statements to review independently of the action of the transaction. So I'm looking at that and I'm signing off on that.

Deposits like I talked about our little problem that we had, the deposit was happening with the same person who was taking the cash out. All right? You can't do that. And there's the QuickBooks.

MR. ALERDING: There it is.

CHAIRMAN CLAPP: Okay.

MR. ALERDING: Go buy it, 149.95 special. You can use the one on-line. It's the one in the Cloud. It's really efficient. I mean, it's scary.

Protecting your organization, let's talk a little bit. We talked a bit about budgetary controls and I'm talking about you at your organization. I'm not talking about headquarters now. I'm talking about if you really want to do a pretty good job without spending a lot of money, how do you do it because you do want to make sure first and foremost you're protecting and be a good steward of all those donors who have given you money and all those members who have donated their -- their membership interest.

So budgetary controls, number one, number one. Nicole is right. It doesn't have to be a perfect budget, but you have to monitor it every month. If you sit down and do zero-based budgeting, zero-based budgeting means you don't start with last year and say all right, what's different. You start with nothing and you build the budget every year.

Why? Because if there was fraud in last year, you're going to budget it. How bad is that? So zero-based budgeting is really an effective tool. And, ladies, trust me, if it's done right in a small organization like your department, your local, whatever it is, it's not a big number.

And it takes a little time, but, boy, when you get done really doing a good job on that budget, you know everything there is to know about that organization. Trust me, you -- your knowledge of how things run is pretty good.

And then every month when you get your financials in, you compare them to that and you say all right, what happened here. Why is that different because we thought through this at the beginning and we thought this and this and this and it's

not happening. Tell me. That's called budgetary controls that are extremely powerful. I'm sure in hospitals, they're perhaps as powerful as anything.

Now, strongly advise and -- strongly advise you to look into purchase if you can a fidelity bond for individuals handling money. Talk to your agent. Just talk to your agent. I'm not -- I can't make the cost-benefit test decision for you. There's a cost. There's a benefit.

If you bond people who handle cash, it's a separate distinct bond covering them in case something happens, keeping in mind that once you bond them, once you pay that premium, in order to collect on it, you have to prosecute them. So it's not for the faint of heart.

Fidelity theft insurance is part of your general liability policy. Many of you don't even look at your general liability policy for your -- look at it. See what it says about theft. And I will tell you, and I don't mean to imply that insurance underwriters purposely keep it out, but I am just shocked at how many when we finally get in to look, there's no provision for theft. It could be in there. And usually the agent goes, oh, God, yeah, we got to do that. I mean, it's one of those. Make sure it's in there.

D&O insurance, directors' and officers' liability insurance. D&O insurance, D&O insurance. Why would you serve on a board without it? Now, you could get a personal umbrella you could get on your own. You could pay for that, but an organization should look into D&O. It may be too expensive.

The cost-benefit test may not be met. If it is, that's fine. I can't make that judgment. Only you can. But in order to get really good directors, many of them won't sit without D&O or you have to get a personal umbrella for yourself and have them do that. Tools.

CHAIRMAN CLAPP: The big red book, yes, familiar, look familiar to you? Perfect. Your -- your department operations guide, that is a great daily resource for you. All right?

MR. ALERDING: That is amazing. I'm not kidding. Our people, the auditors kind of get chills when they see stuff like that. I know that's strange. It is strange. And they are strange.

CHAIRMAN CLAPP: Helps me -- helps me sleep at night.

MR. ALERDING: We're all strange. But this is really -- this is really powerful stuff. It gives you a lot of answers you otherwise would not be able to get.

And what's really good about the way this is set up is that although this is written for the most part in black and white, Dubbie and her folks can add color. That's what I think the national office does in this particular case better than anyone. They add color to it. If you have a black and white question, it's covered there, but there's other things to it. So the color, you can get.

Lastly on this slide, excess cash. To the extent you have it and sometimes you do, put it into something. I don't care whether it's earning one percent. That's not the point. The point isn't what earnings are coming off it. It's the control that's set for by setting it aside into something that can provide a level of control and that's important.

Annual audits or other assurance, now, I'm not going to spend all day on this, but there are different levels. When you hear the word audit, you get different connotation, right, Dubbie? Somebody says we had an audit done. Folks, if you have an audit done, you'll know it. Okay?

In fact, if you've had certain kind of procedures done physically, you would know it, right? Okay.

(Laughter.)

MR. ALERDING: Well --

CHAIRMAN CLAPP: Like a colonoscopy.

MR. ALERDING: Yeah. I didn't say that, but I would tell you it's pretty close. You will not mistake an audit.

CHAIRMAN CLAPP: That's an internal audit.

MR. ALERDING: It is. Pretty good.

(Laughter.)

MR. ALERDING: You know, I -- I have never been a straight man as often as I am with her. Amazing.

(Laughter.)

MR. ALERDING: An audit, you will know it and it covers everything. It's the highest level of assurance your outside accountant can give you. You can't do any more than that.

And if you really want to look at it in a -- in a hypothetical way, and this is purely hypothetical, it has no -- these numbers don't mean anything, but relative, you'd get about 95 percent assurance out of an audit because they're testing the internal control system. They're not just looking at the numbers or the -- they're looking behind it into the internal control system.

And if it were an organization -- I'm not suggesting this is the fee, but let's establish the highest level fee at 7,000. The next level is what's called a review, one of my least favorite things in the world. I'm old. I grew up when there were only audits. I believe in audits and I think the cost-benefit test is met in an audit.

And you know what? That procedure if you have cancer, it's worth every bit of it, right? Okay.

CHAIRMAN CLAPP: Absolutely.

MR. ALERDING: Same thing with the audit. A review only provides you with moderate level of assurance. Why? Because they don't look at the internal control system. The accountants don't look at any of that at all. All they're looking at are numbers.

Well, so they don't know what -- how good those numbers are when they got to it. And that would be about a \$4,000 fee if -- if the audit is a seven. A compilation is exactly what that word sounds like. They compile. They bring the numbers in and they add them up and they put them on a page. That's it.

If you read the report, a compilation report from the accountant, it basically says this. I didn't do anything. These are all your numbers and so don't bother to try to sue me because I haven't done anything. And that's exactly what they do. They don't do anything. They just put them into a format that looks like a financial statement.

There's another procedure that Dubbie and I have been through with Tim and Marta called agreed upon procedures. Agreed upon procedures are surgical procedures. They are where a -- an organization says, you know, I can't afford an audit every year. I just can't.

But what I do need is someone to come in and take a look at this part of our organization. What are the high-risk parts, credit card, payroll, all those things where

you think, you know, I got a little indigestion over this. Can you come in and just do surgical work. That's it.

Go in and look at that part of the system or this, the investment account. Maybe I need for you to go and confirm the investments. Maybe I need something like that. And you -- you combine that with the cheaper service of a compilation where you have a financial statement.

It looks like a financial statement you didn't pay much for because they didn't do anything except they supplement it with what's called an agreed upon procedures report. You come up with what you want them to do. They do it and they report back to you. So you could supplement. In the years where you can't afford to do an audit, you can supplement that.

So my suggestion even though I know you're small, in many cases, you don't have the funding, I don't care, you do have a responsibility as you've learned for the last couple of days to be sure of this, I would say every so often, every two years, three years, or so, have an audit done.

Have it done by a CPA, not a PA. A PA is a public accountant. A CPA is a certified public accountant and it's a huge difference. The difference is the CPAs have a certain level of performance they must meet ethically. A PA doesn't.

It can't be done by your favorite banker who walked in and he happens to have a degree in history, but he got into the banking business and he's going to do the audit. That's not an audit. That's not an audit.

You will know an audit. As I said, you'll feel it. It's there. Focus, focus, focus on cost-benefit test here. That's what we're trying to get across. It's important you do it, but we're also very sensitive to the fact it's not cheap. It's not cheap.

Now, the longer you do it, the cheaper it becomes. Annual independent audits are preferred. May rotate annual, as I said. The CPA firm while they're doing the audit will prepare the 990 too. That doesn't mean you're relieved of your responsibility because Nicole is signing it and so are you. That's where the -- but it does help -- help you out.

Cost should be budgeted annually. It should be part of your annual budgeting cost. And here's the good news that discounts in our firm, we do the work for about 70 percent of standard. And in some cases, especially a newer one, we'll do for 50 percent of our standard rates.

Why? Well, couple reasons. One, we believe in the whole not-for-profit sector or we wouldn't do as much as we have. But more importantly, it's our off-season work. It's seasonal work, so we can do it at a time when it's more convenient for us. And, frankly, our people call them country club audits because they kind of -- they're not in a big rush.

Lastly, final comments. Each member of the organization's leadership has a fiduciary duty to be good stewards of the organization's money. Each of you do, not just these fine people at headquarters. They know that and they live it every day. You have that same responsibility.

The constituency to which you owe this duty is incredibly broad. We looked at it yesterday. It includes all these people, government agencies, employees, some of your vendors, some of those -- all those people, your members, and those people who are serving and have served and will serve the Armed Forces.

Those are all part of your constituency and you have a duty to them. Your fiduciary duty and responsibility, it's not something I think I'll do this today. It is a

legal binding responsibility. Once you said I do in becoming a leader in that organization, you did.

Nicole.

CHAIRMAN CLAPP: I just want to say thank you. I know we're probably well over our time, but I hope you felt it's been worthwhile this morning. And your questions and your comments --

(Applause.)

CHAIRMAN CLAPP: Thank you.

MR. ALERDING: Real quickly, we do have a question that came through with -- can they get copies of these slides and will they be available?

And, Tim, you're responsible as it will all be posted on the website including the slides as well as this presentation; is that not correct?

MR. BRESNAHAN: Yeah, it will be on the website, but also (indiscernible).

MR. ALERDING: Right. Yeah. There's a video. I did one in Indianapolis.

VOICE: In Indianapolis.

CHAIRMAN CLAPP: He didn't have his sidekick with him, so --

MR. ALERDING: Yeah. I had a different tie on that was a lot better.

CHAIRMAN CLAPP: But thank you again. We appreciate your time.

(Applause.)

PRESIDENT CONATSER: To make sure you all heard that, Mike's -- Mike did this presentation at the Department Leadership Conference in May. We videotaped that, so this -- a very similar presentation to what today's is already on the website so that you can go to our video channel, ALA video channel. It's on there.

The slides are going to be put on the website. They will now make more sense because you can go to the actual presentation and see what some of these bullet points mean.

MR. ALERDING: Question?

MS. BOSS: Besides changing -- Debbie Boss, Department of West Virginia. We would have to change our Constitution & Bylaws if we separate our Secretary and Treasurer because they are one person. So do you want someone elected or do you want someone appointed to the treasurer?

CHAIRMAN CLAPP: They can be either. It could be someone that could be a different unit member. It could be a department representative. It does not have to be -- it could be either appointed or elected.

MS. BOSS: Well, we have one office, so you want us to have two offices then?

CHAIRMAN CLAPP: No. You could bring someone in at some other time to sign the checks, for example. It could be the -- you could be -- your Finance Chairman could be signing the checks.

MS. BOSS: Well, I see that that's going to be more costly for our -- for the smaller departments.

CHAIRMAN CLAPP: We understand. It's just a protection that you need to have because if you're the one signing your own paycheck, that raises a question.

PRESIDENT CONATSER: I know in some departments, ours, for instance, our Treasurer is elected. It's a volunteer and she has check signing privileges.

CHAIRMAN CLAPP: Uh-huh.

PRESIDENT CONATSER: She does not get paid. She's just like a chairman or a department officer.

CHAIRMAN CLAPP: Yeah. Yes.

MR. ALERDING: Again, we're -- we're concerned about cost benefit. This is -- you can have 40 people, but there are always ways to do it.

Yes, ma'am.

VOICE: One quick question. For a department that does not have an Audit Committee and has a three member Finance Committee, if the Finance Chairman has indicated that it's not necessary for them to review any of the monthly bills, maybe except for credit card bills or anything like that, and it's totally up to our Treasurer to handle all of that and report on that and there's no necessity for reviewing the monthly expenses and stuff, is that cause for concern?

VOICES: Yes.

CHAIRMAN CLAPP: I think you have your answer.

MR. ALERDING: Now, I will say this, that in the interest of efficiency and Bylaws and costs, many organizations that are smaller combine the Audit and Finance Committee.

CHAIRMAN CLAPP: Uh-huh.

MR. ALERDING: I don't like it because I think that one is completely different from the other. But in the interest of efficiency, many of those have the dual role for them. As long as the charter, the charter they're using includes those elements that are required in an Audit Committee charter, then it will be covered.

And I think, Dubbie, do we have an Audit Committee charter in that red book?

CHAIRMAN CLAPP: In the operations guide an audit charter?

MR. ALERDING: Do we have an Audit Committee charter in there? Our committee charter, is there one in that red book, a model charter?

VOICE: We'll look.

SECRETARY BUCKLER: Well, I don't know if the audit charter itself is in there, but the American -- but you, the governing board, adopted the --

CHAIRMAN CLAPP: Sorry.

SECRETARY BUCKLER: -- the charter for the Audit Committee. So it -- it --

(Laughter.)

CHAIRMAN CLAPP: Sorry.

SECRETARY BUCKLER: If it's -- if it's not in the department operations guide, it -- we do have it available.

MR. ALERDING: Yeah, it'll be available.

SECRETARY BUCKLER: So it's -- it's accessible.

MR. ALERDING: So if you -- if you can get your finance people to say, yeah, we could cover this, then you're fine to do that.

CHAIRMAN CLAPP: Sorry about that. I was trying to hold it and not sneeze.

MR. ALERDING: Thank you all. Have a great -- a great time.

PRESIDENT CONATSER: Thank you, Mike and Nicole. Thank you.

(Applause.)

PRESIDENT CONATSER: As you all know, Kris Nelson, our Centennial Strategic Planning Committee Chairman, could not be with us today. I got her out of

order, I know. So joining us this morning is our Auxiliary headquarters' special projects and operation administrator and the vice chairman of our implementation team, Stephanie Abisi, with the Centennial Strategic Planning Committee update.

Stephanie.

(Applause.)

MS. ABISI: Good morning.

VOICES: Good morning.

MS. ABISI: Thank you, National President Sharon.

As you all know, Kris is the Chairman of the ALA Centennial Strategic Planning implementation team and could not be with us this weekend.

The other implementation team members are National President Sharon, Dobbie Buckler, Janet Jefford, Nancy Brown-Park, and Jan Pulvermacher-Ryan.

This morning, I'd like to share an excerpt from you from a report to the NEC that may sound familiar to some of you.

It starts over the years, programs were added to those put into place during the founding of our organization. Maybe we need to review that long list.

It goes on. We also recommend that the membership application be revised to the same specifications as The American Legion.

And we also recommend the development of a procedure manual for Department Secretaries similar to the one available for the Legion Manual of Adjutants.

Our last recommendation was for reevaluation of the structure of the national regional workshops to better meet the expectations of attendees.

When do you think the NEC received this report? Any guesses? 1991, 25 years ago. Good news. Many recommendations of the Future Planning Committee made that year have been enacted and we are still working on some of them 25 years later.

What we are doing today and what this committee did 25 years ago and what any organization must do to continue to reevaluate its effectiveness by asking these questions. Are we serving our purpose? Are we meeting the needs of those who we serve? And if we are only meeting our own needs, what action can we take to stop doing that?

These past couple of years, we have addressed the stark realities about the future of our organization. We looked candidly at our long-time declining membership trend, the need to increase brand awareness, strengthen our departments and units, attract and develop leaders, and to foster an internal culture of good will so that people will want to join and stay once they become members.

Remember the NEC has made bold decisions the last three years. Our first step, we invested in the awareness campaign and found that people like what we do, but we don't follow through with those who are interested in becoming part of our organization.

And we realized that we needed to do a better job of addressing our membership and the mission service needs. So we developed a five-year strategic plan called the centennial strategic plan. Just a fancy name for a five-year strategic plan that will lead us to our hundredth anniversary.

As we got into this plan, we realized this was a really big undertaking and it is critical that we succeed. So we then asked ourselves do we have the capacity to

deliver this plan. The ALA retained a professional consulting company, JGA, to do extensive research compiling input -- input -- input from over 8,000 members.

Those results known as the ALA organizational effectiveness assessment presented in August at the National Convention details members' concerns with our organization's ability to survive in the long run. That publication and the presentation is available on-line and at our website.

The findings are telling and they cut right to what people have been saying informally for years, identifying what our members want and need to become effective and impactful at fulfilling our mission.

As a result of the assessment findings along with other information we have gathered, the organization has retained Brilljent to develop an American Legion Auxiliary Leadership Academy. This training will be a combination of delivery methods for learning how to be an effective organization and an effective leader.

Brilljent will be here tomorrow to present the initial overview of the academy. We are excited that we are moving forward with the recommendations by those 8,000 members and a recommendation by a committee 25 years ago.

What else have we been up to? What else have we been up to? The 125 centennial plan team members are navigating their way through the plans that they've developed over the last year. Teams are continuing to meet virtually including the implementation team. All teams have realized that as our assessment found, our plan is really complicated.

We know that there's a need for constant review of our plans and to make adjustments so that we can exceed with our five goals. As a result, some of our initiatives have been reworked and some combined.

The implementation team recently approved the combination of five strategies reducing our total number of strategies to 22. Following this report, there was a proposal to reword goal one which you have in your packets.

Here are some of the highlights of the strategy teamwork. As a direct result from findings from the assessment encouraging the organization to become more diverse, goal one team members created a Spanish membership application which is now available on our website.

And over 10,000 members, 10,000 have reviewed their membership on-line as a direct result of this plan. That's a --

(Applause.)

MS. ABISI: Goal -- goals two and three are reworking initiatives and strategies to better reflect the recommendations in the assessment including the development of qualifications of leaders and mentors. This information may be utilized in the development of the ALA Leadership Academy.

Throughout the week, you will see many branded items that our goal five teams have been working to develop to fit into our branding strategies and practices. Don't -- don't forget to continue to use the ALA rock stars hash tag and to like their Facebook page.

I did not forget goal four. They continue to work to strengthen departments and units, specifically the support of the development of the departments' strategic plans. We know that many departments are continuing to work hard at developing their plans and realize -- and have realized what we have that this is a lot of hard work, but so important to our organization.

Nine departments have applied for and received the full \$1,000 National Headquarters is offering for achieving incentives and promoting their strategic plan, milestones. And a total of 18 departments have received some of the incentive -- incentive awards.

Good news. That's over 20 percent of the departments. There's an opportunity for 80 percent of you to still earn up to a thousand dollars by becoming champions of the departments' strategic plans.

Your challenge this morning is to not only promote the national centennial strategic plan but your own departments' plans when you get home. When discussing the makeup of your Strategic Planning Committee, don't be restricted by your Bylaws that may state that leaders can only serve in one position or that they may only serve for one year. Bylaws address appointed positions.

Strategic Planning is a special committee. Any Department President or Executive Committee can establish a special committee. Appointments to special committees are not restricted by the rules listed in your governing documents.

Yes, the Department Chairman can be on our strategic plan. Yes, an upcoming leader can be on your Strategic Planning Committee. Yes, a member of our DEC can be a member of your Strategic Planning Committee and a department officer can also be on this committee.

So don't limit yourselves by misinterpreting your department governing documents if they state a member can only serve in one chairmanship or leadership role. Remember a Strategic Planning Committee is a special committee and needs to have people serving on it who are dedicated to implementing your department plan. They must understand achieving the department's strategic plan requires working with other people who they may not -- who may not always agree with one another. This is how we grow.

Also, it is important that these members serve multi-year appointments to provide for the continuity and the execution of your strategic plan. We know and even that committee 25 years ago knew it is a lot of work and it will only succeed if everyone in this room stays onboard making sure that we succeed. Everything that we do has to be aimed at achieving the five goals.

In summary, this plan was important. It is still important. It will continue to be important for the future and it is still our number one priority for this organization.

Madam Chairman, this concludes the centennial strategic plan implementation team report. As you know, there is one resolution for this board to consider.

PRESIDENT CONATSER: Thank you, Stephanie.

(Applause.)

PRESIDENT CONATSER: Again, thank you, Stephanie.

And a huge thank you to our fearless Centennial Planning champion, Kris Nelson. I know that we all wish she could be here in person.

A resolution was circulated in advance to the NEC regarding modifying the wording of the ALA centennial strategic plan goal one, enhance membership strength.

VICE PRESIDENT DAVIS: Madam President, I move the adoption of the ALA's Centennial Strategic Plan Goal 1, Enhance Membership Strength resolution as presented in the packet.

VOICE: Second.

PRESIDENT CONATSER: It is moved to approve the resolution. Is there any discussion? I'm giving them time since they have such tight quarters if anybody is getting up. Any discussion?

(Whereupon, there was no response.)

PRESIDENT CONATSER: All those in favor of approving the resolution regarding the ALA's Centennial Strategic Plan Goal 1, Enhance Membership Strength, say aye.

VOICES: Aye.

PRESIDENT CONATSER: Opposed, no.

(Whereupon, there was no response.)

PRESIDENT CONATSER: The ayes have it and the motion is carried.

(Ringing of the bell.)

(Applause.)

PRESIDENT CONATSER: Now, ladies, I know that we are more through the morning than -- and I forgot to announce this morning to please put your cell phones on silent, but we're up here and we're looking out, so -- and I know you're looking up here. So watch your ringers and watch your texting and stuff, please, because it is disrespectful to the speakers.

Okay. We're going to deviate again, right? Okay. We're flexible. This year, I have asked our five Division Vice Presidents -- they have 60 seconds or less.

(Laughter.)

PRESIDENT CONATSER: And I just wanted them to pick out one or two quick things to share with you about their travels because they are national officers and I feel that they're doing a great job. And I think that all of you would just like to hear what maybe another division is doing.

So we're going to start with Central Division, Lynda Lancaster.

(Applause.)

PRESIDENT CONATSER: Ladies, you want to get in line like the chairmen did last night, then we can be quicker, please.

VICE PRESIDENT LANCASTER: Good morning, President Sharon. I've had the opportunity to attend three departments and that's Wisconsin, West Virginia, and Iowa. I think Iowa is going to claim me as a permanent resident.

But Wisconsin had a great conference. It was their membership conference. It was very informative. The cohesiveness of that department was absolutely wonderful. And when you talk about the culture of spirit of good will, that's -- they're really doing that.

West Virginia, they had the midwinter conference and it was nice to be home, back in my home state, and it was nice to see everybody working together. They have a comfort item drive where the units bring in, and they use the whole American Legion family, comfort items and it's donated to the different hospitals and the veterans' home in our state.

Iowa, I tell you what, what a great bunch of women they are. They have what's called a program's fair and it's put on through The American Legion family. And they're together working those programs, so it's nice to see everybody working that program and what the Legion is doing, what the Sons are doing. And they're passing out information on that. And they also have what's called the quilts of valor, so I've had that opportunity and I look forward to visiting the other states.

Thank you.

PRESIDENT CONATSER: Thank you, Lynda.

(Applause.)

PRESIDENT CONATSER: Eastern Division, Helen.

VICE PRESIDENT SKELTON: Hi, ladies. My trip this year was in Maine. I got stuck in the airport for like ten hours and these ladies were sitting on a luncheon for me and they sat there all that time.

(Laughter.)

VICE PRESIDENT SKELTON: And I walked in and they said it's about time you got your --

(Laughter.)

VICE PRESIDENT SKELTON: -- self here. And I walked around and -- and talked to every one of them because they -- they had my lunch ready for ten hours. But they -- they said they were going to give me a new one.

(Laughter.)

VICE PRESIDENT SKELTON: So I ended up with a new lunch and it was my favorite thing. It was a lobster roll. Have you ever had a lobster roll in Maine? Fabulous. But these ladies had such great compassion for me because I was in that airplane all that time.

But then we got in a car and went on. And the next day, everything was started. And they had -- their membership there was about trains. So I made a comment about the trains and they had embroidery on the back of a shirt. And then they had a hat embroidery on the back. Then they had a scarf and I said that's really a neat idea, doing that for -- for membership.

So the next day I come in and here was the shirt and the hat and -- and the scarf. And I had to wear that the whole time I was there. But it was fun and they had lots of memberships. And they raised a lot of money that day, too.

Their Junior members brought in everything they could find at home, I think, and put it up for sale, but it was fabulous. I would go back to Maine again.

Maryland, I did Ocean City and I had to wear this little hat. It was navy blue and feathers. And they stuck it in my hair and I walked around for two days with that hat on, but I could have sold it. Somebody wanted to sell -- buy it from me. Am I done?

VOICES: Yes.

VICE PRESIDENT SKELTON: I'm only half -- I'm not even there all the way.

VOICE: I know.

VICE PRESIDENT SKELTON: Sorry. I did do six states, though.

PRESIDENT CONATSER: Judy Twete, Northwestern.

(Applause.)

VICE PRESIDENT TWETE: Good morning. I have seven departments in my division. I have been lucky enough to visit five wonderful American Legion families in my travels. I'm still hoping to be able to attend an event in Wyoming and Montana.

When I go into a department, it's like going home because we are friendly. We are so inclusive. And I love every minute of it. This quote, quote job has been absolutely fabulous.

I have been treated like royalty. And as I have told people before as I'm on stage, I wish that you could have the chance to come up here and look at the welcoming, the loving members that are sitting out there in the audience. You've done a fabulous job and I hope you continue to serve our veterans, our serving military, and their family.

Thank you all and God bless you for giving me the opportunity to serve as your Northwest Division Vice President.

(Applause.)

PRESIDENT CONATSER: Southern Division, Flora Jean Craig.

(Applause.)

VICE PRESIDENT CRAIG: Thank you, Madam President.

I've had the privilege of attending four departments and, unfortunately, Tennessee got snowed out, iced out, not out of Charlotte. Couldn't get into Nashville. But the other department visits have been awesome to South Carolina, Alabama, Mississippi, and Arkansas.

And the one thing that impressed me, something in each department, but the one I think most of all was Alabama with their department VA&R work with their four hospitals, their four state veterans' homes, the hospital at Gulfport, Mississippi as well with all of the monies that the units contribute and the work being done by the Legion and the Auxiliary in that department.

And that is the primary purpose of this organization. And while other departments are doing really well, I just was overly impressed with what Alabama did and wanted to recognize the Department of Alabama. And I look forward to visiting lots of other people.

Thank you, Madam President.

(Applause.)

PRESIDENT CONATSER: Western Division, Linda Workman.

(Applause.)

VICE PRESIDENT WORKMAN: Okay. I've had the great opportunity of visiting five of the ten Western Division departments so far this year. I was asked to highlight, you know, the department, the one department, and you can't do that in 60 seconds. It would be impossible.

Each department is unique in their own way. And I was impressed in Arizona as they mentor their Juniors. In Utah, they had a great Christmas gift shop. In Oregon, there was a great leadership program highlighting the centennial plan and the unit handbook.

In Washington, they highlighted Santa's castle and the Girls State program and we all shared -- it was shared with all those in attendance. In Idaho, they visit -- they invited any organization that has a service employee who assists a veteran or military personnel and they share their ongoing and upcoming events and issues.

The great Western Division are all working together to keep our promise. Thank you.

(Applause.)

PRESIDENT CONATSER: Thank you.

Now, wasn't that fun getting to hear a little bit from each of them?

(Applause.)

PRESIDENT CONATSER: And I hope that those of you that are on Facebook are following all of us. There's been great pictures posted by departments,

all five -- all five of them and myself visiting the departments. And it's really fun to see the mission work that everyone is doing. So thank you.

Oops, I skipped you again. Let me go back. I skipped Dubbie twice now. Sorry, Dubbie.

To finish up today's business, I thought it would be helpful to all of us if National Secretary Dubbie took a few moments to address some of our most common governance issues involving our departments, our districts, and our units.

I do want to say that Dubbie and I have talked about this and we've shared back and forth. So I hope that it benefits you also.

Dubbie will also give a National Headquarters update and finish up with announcements, right? Okay. Here comes Dubbie.

(Applause.)

SECRETARY BUCKLER: Thank you, Sharon.

First, I want to go into the report just for National Headquarters. One of the reasons we have spent so much time today and at this meeting about the Audit Committee, the Finance Committee report, you are the governing board and you do need to understand how serious your responsibility is.

And we want you to understand how seriously we take our responsibility. And we do want you to understand that, you know, we kind of get in little funny comments here and there, but we do have an awful lot of internal controls at National Headquarters to prevent fraud and theft and that has not happened at your National Headquarters.

(Applause.)

SECRETARY BUCKLER: And -- well, thank you.

I think sometimes we need to stop and we get so caught up in the details, we do need to pause and celebrate that we really -- we really do take it seriously and you really do have a lot to be proud of.

I -- I can't write a check at National Headquarters. I don't have that authority to write that check at headquarters. I don't want that authority. If a check is over a certain threshold, Marta and I have to sign it together. The National Treasurer signs the checks.

But there is a multiple-stage process before any payment can be tendered at National Headquarters. It's not just that somebody says we need a check for this. There has to be a request for the check. The check has to be requested and then approved by the supervisor. That check request has to align with a budget category. We have to know what that is for. There has to be documentation with it. Over certain amounts, I have to approve those.

And then we have the internal controls about who actually writes or cuts a check. So by the time that somebody says we need to pay for this, there literally are about ten people at National Headquarters that have had a role in that check being issued.

So that's -- it's important and those safe -- and sometimes people say, well, why can't National Headquarters turn -- turn checks around faster. Well, because you wouldn't want us to. I mean, it may be an inconvenience sometime when somebody is waiting for a reimbursement check, but you don't want us turning that money over any quicker than we do because if we did, it would be -- mean we would be remiss in the process we have in place to make sure we're doing it honestly and accurately.

So I'm going to try to -- I've got a -- I'm going to try to just blitz through a lot of information. Oh, and I've just been told I'm doing good. Okay. I'm only on one bullet point out of 20 pages.

(Laughter.)

SECRETARY BUCKLER: Not quite 20. But I do want to contrast that with -- I'm kind of jumping between my report and the other topic I was going to address. I do want to contrast that with issues that occur at the department level.

The biggest risk in this organization to the American Legion Auxiliary is the family of organizations at all levels is at the department level and that's where the big -- it's not where -- it's where the biggest risk is and it is where the greatest amount of fraud has occurred. And that's just a track record.

In the last decade, last decade, we've had five departments that have had a -- have experienced a significant fraud incident. And we're talking five digits to six digits of money involved. Because it's public record, I will do a shout out to Carol Edwards.

South Dakota had to deal with an issue that is not pleasant. The Department Secretary was convicted of fraud and of a -- it was a felony conviction and ordered to pay restitution. That was about a -- by the -- from front to end a good year and a half, close to two-year process from the time there was suspicion to the time there was an adjudication because what we talked about earlier, what Nicole and Mike Alerding talked about earlier were reviews and audits.

Well, there's another level they didn't talk about and that is a forensic audit because now when there is a suspicion, now you're in a whole new level of -- you're beyond the colonoscopy. You are into serious internal surgery.

(Laughter.)

SECRETARY BUCKLER: I'll just say it that way. But hats off to those who have done that. It is -- it has been circulated, so I'm not going to share anything I can't share.

The Department of Florida is in the midst of an investigation that has been shared. That's all I will say about that at this time. And that has been two years and it still hasn't come to any charges being filed yet, but all the right things have been done.

And I want to -- I want to shout to -- because our NEC who was present last year, that was not --

VOICE: Erna 35.

SECRETARY BUCKLER: Ern -- Erna -- I was trying to think what that -- what the -- it's -- I knew that there was a funny thing they called you. Erna 35. Anyway, you're trying to think of real names and all that can jump into your head is the -- is a -- the -- and so she -- and a shout out to their Department Secretary, Kimberly Sullivan, who discovered the fraud.

So she, in essence, was your whistleblower and brought it to the attention of the governing -- well, she did it the right way. I will just say you start out notifying a very few people because at that point, you're not sure who's -- why, you know, why you're seeing the suspicious stuff. And then, you know, so you appropriately keep your circles of information very, very closed and very, very confidential and quiet. And then they appropriately brought in the right people.

So in -- in South Dakota and Florida, they've had a forensic audit and those are -- and they're expensive. So if you think having a review is expensive, if you

think having an external audit is expensive, wait till you get yourself in the situation where you have to have a forensic audit done because they do come in with the scalpels and -- and -- and necessarily so.

So all -- when we talked earlier about the cost benefit of doing this, if you can't have an external audit done every year, please have an external review done every year and then every three or four years, budget for an external audit. It's -- it's just critical that you do that.

So I wanted to -- I'm jumping and I know that, but be -- I thought that was the best segue for some of the things that we just talked about. So just for a real quick report and then I'm going to get into some other things that are questions that I get asked a lot.

So from a report standpoint, the summary of proceedings is published. And Sharon earlier gave thanks to the or gave credit to the Minutes Approval Committees that work on that. That -- that's a huge responsibility. They take it seriously. They do a great job.

Also, the summary proceedings also has -- includes a summary of motions and that's something that I would encourage you to look at and start to replicate at your department level because anybody ought to be able to go to the minutes and see without reading through lengthy pages and pages and pages but what they do, not what they consider and not do.

So you don't have a summary of motions denied. You just have a summary of motions adopted, what did they do. So I'm just drawing your attention to that and remind you that that's -- if you look at that now, you can -- you can see and hopefully that's very helpful.

You all remember that at National Convention last year, the organizational effectiveness assessment done by the Johnson, Grossnickel & Associates, that was delivered. Very telling information. As it was explained before, there's articles in *Auxiliary* magazine.

The response rate was over 12 percent which is an absolute phenomenal rate. Over 8,000 people participated. That shows people care because that was no short little survey. I mean, if you participated in it, and I know many of you in this room did, you know how long it took for you to -- to do that. Whether you were interviewed or did a focus group or you did the survey on line, that was very time consuming.

So people do care about our mission. That's the good news. So that report is on the national website. It's about 48 pages. Don't hold me to the exact number, but it's about -- it's not a short report, but it's on the national website, and you'll hear more about the Leadership Academy tomorrow.

I do want to report on the second Department Secretary organizational effectiveness training. And that was held at National Headquarters in December. It went very well. It was very well-attended. Again, more than 40 departments and it's very much appreciated.

I want to share that with you because as the National Executive Committee, it's your investment in resourcing the centennial plan that helps make that training possible.

I keep coming back to Florida. Kimberly Sullivan has learned a lot in those two trainings and we hope that the Department Secretaries take that back so that they can help your departments run more effectively.

We have terrific Department Secretaries and as history has shown, we've had some that have taken advantage of situations. So I would put them in the not so terrific category.

You all can look at your organization and say, gosh, we've had terrific Department Presidents. Most of them have been and I will bet you probably think and maybe there's one or two that maybe have not been so terrific.

So -- so there's no finger pointing across, you know, governance and management. For the most part in this organization, we have great people in management. For the most part in this organization, we have great people in governance.

The whole reason we are spending this time together this morning is because we've got to be aware of the opportunities for those few, and it is the few, who give the organization a black eye when they don't behave properly.

So here's some things about the Department Secretary training. We -- we covered a lot. We get -- there's no fun time when they come. Well, I mean, they -- there is, but -- but not because we've -- we allocate time for that.

We talk about fiduciary matters, tax, risk aversion, liability insurance. We talk about risk associated with the department structure and process, risks associated with conducting programs for children, especially our ALA Girls State programs, risks associated with having department subsidiaries.

Thirty-five departments have incorporated American Legion Auxiliary Girls State programs. I'm not going to go into that now, but that creates a whole new set of issues for departments to have to -- to -- to be aware of and deal with.

So we always do a short state of the department survey. Now, we'll share that with you. So these are 47 responses out of 52. Thirteen departments now have some provision for their NEC to serve more than a single one-year term. And to our knowledge, about another dozen are considering it.

Thirty-four departments now have Audit Committees and four years ago, there was only one. So that is -- you know, kudos to you. Again, reason -- (Applause.)

SECRETARY BUCKLER: Here, here. The reason we spend so much time now -- now that you've got an Audit Committee, it's critical that you understand what their role is and critical that you understand what their role is not. So that's why we have spent a lot of time on this because -- because first off, it's called an Audit Committee.

And so what do you think when you hear the word audit? You think what we just presented, the external audit, the review of the numbers, overlooking the bookkeeping. And really an Audit Committee is a risk assessment committee.

You look at the things like, gosh, I wonder what kind of risk we have in our department when we have the department -- when we have one individual -- in most departments, it would be the Department Secretary and Treasurer -- when we have one individual who's responsible for accounting, for logging in and depositing money coming into the department and writing all the checks to take that money out.

That's an awful lot of trust and maybe we should look at having checks and balances. So to the question earlier about, yes, we do recommend that Department Secretary and Department Treasurer be separate individuals. It doesn't mean they have to be separate paid positions. And I think that's a real mental block -- I don't know any other word to use -- that we need to overcome.

Don't have to be separate paid positions. Your Department Treasurer can be a volunteer. And if she doesn't live in close proximity to Department Headquarters, then the Department Finance Committee, the department governing board at your department level can appoint somebody to have check signing authority.

You just need to know who has it, so you need to have somebody with -- with the authority to make a decision making the -- making that decision who's going to have the authority to sign a check. And it should be more than one person.

And for certain amounts of money, our recommendation is you require two signatures on those checks. And whatever that level is is -- is relative to how much money you have all together in the big checking account you call your department assets or your department bank account.

So I can't tell you what to recommend as the threshold, but at a certain level, have two people sign it. I've served on a lot of other nonprofit boards and I have been the Treasurer for other nonprofits. And I would drive to that headquarters every couple of weeks. There's a folder for me. Here's all the stuff you need to look at. Here are the checks you need to sign.

So my contribution was about an hour of my time every other week to do that. And that's -- so that's doable. So don't be scared when you hear that recommendation and -- or don't assume that we mean you need to incur a lot of extra expense.

Fifteen departments now have the Department Secretary and the Department Treasurer as separate positions. Of those that still have them combined, half of those have a separate bookkeeper. So that's -- that's critical.

You can have somebody else being responsible for the books. Not that you don't have responsible people looking at it. The issue is where do you have -- you don't want total control responsibility resting with one individual.

There have been a lot of improvements made in putting financial checks and balances in place. A lot of appreciation for the department operations guide. There's an ALA Girls State program's operations guide. And the Constitution & Bylaws revision at the national level does include the overview of what the roles and responsibilities of your -- of your significant committees are. So it describes -- you know, it gives you the snapshot of what a Finance Committee should do.

Twenty-three departments have fewer -- have one or fewer headquarters staff members. Your departments are corporations. I understand finances. But, boy, one or fewer people in charge of a department in this day and age with the legal and regulatory landscape in which we operate, I'm just asking you to be aware of that. Twenty-three have one and a half to four staff members.

Seven department headquarters are still located in someone's home. Twenty-four departments share space with their American Legion counterpart and 15 are in a separate building from their American Legion counterpart.

I can't comment other than to say I understand tight finances, but if you're operating your corporation out of someone's home, you need access to those corporate records. And -- and now -- and I'm not -- you know -- you know, Carol, that when I mentioned South Dakota, I'm not trying to call you out. I'm trying to share learning experiences.

In South Dakota, the Department Secretary operated the corporation out of her home. That made it all the more difficult when they had a suspicion of fraud

because now they had to go get the records. Well, no. I said when they had a -- when they had a suspicion of fraud, it made it more difficult to get the records.

I mean, it required law enforcement intervention. So just understand the risk you are assuming when you do that and make sure you've got controls in place.

Five Department Secretaries are serving as their Department Executive and they are not paid anything. I don't know if that makes them saintly or -- or in need of serious counseling.

(Laughter.)

SECRETARY BUCKLER: But five are serving in the Department Secretary role as a volunteer and seven are only paid part time. You just need to understand what a -- what -- the additional risk when you have somebody doing that. God bless them.

I mean, please don't misunderstand what I'm saying. God bless them for doing it as a volunteer. Just understand that the additional risk you have if you don't have someone who's -- who's accountable because they're an employee of the corporation.

In the past two years that you -- I -- we haven't gotten any better. We still had 60 percent turnover in the Department Secretaries. Thirteen currently have been in their positions less than two years.

Do you on the governing board -- you have all been past department -- you've been -- you've all been your Department Presidents. The Department Secretary is not your personal secretary. And I'm not preaching to you. I'm not believing that any of you sitting here believe that, but it's a message that you need to take back to your departments.

The Department Secretary is the corporate officer managing the corporation. And if you've got a competent one, if you've got a good one, love her, compensate her, and keep her as long as you can keep her.

You should not be replacing your Department Secretary just because your Bylaws give someone the authority or the power to do that. Look at what's in the best interest of the corporation. The corporation needs continuity in running the corporation.

So that is my personal plea to you and my personal request to you as NEC members. Please go back to your departments and share the importance of -- of maintaining continuity with your Department Secretary if you've got a competent one in there.

And most of you do. In fact, right now I -- I don't know. All of you might right now. I really don't know all of them personally, but certainly most of you do.

I'm sticking together up here. I apologize. Okay. We asked the departments -- thank -- we are a team. Thank you for keeping me from falling apart up here.

Some -- I do -- I always ask what -- did you have the full support of your department to attend this Department Secretary training. And for the most part, the answer was yes. Some of the quiet comments were, well, they wondered what the heck we were going to be doing there.

So I just want to share with you that we talk about the things I just mentioned. There were no -- and I'm -- I seldom use the word no in an absolute form. There were no discussions about personalities, no grousing, no, well, my Department President -- there was none of that and you need to know that.

We got down to business. First off, even if it had gone off in that direction, I would just tell you I would not let -- I would not let it. I've got a big hook and I would bring it back. We -- we wouldn't go off in that direction. But it didn't go off in that direction. They want to do a good job.

And they have their own Facebook group and internally they are now asking questions of each other and have a way to do that. They are -- they're referencing the guide. So I just wanted to share that with you.

Now, one of the things we distributed was the recommended types of insurance companies for American Legion Auxiliary's departments and entities. Your departments all have this.

And if you -- in case you're wondering up here, this is -- this is an unusual podium. The bottom of it is rounded. So you know on a podium how you put your stuff up there and it stays. You put the stuff here and it just keeps sliding. So I'm sorry. If I look distracted, it's -- and, Madam President, would you get your stuff off of here, please?

PRESIDENT CONATSER: I will.

SECRETARY BUCKLER: Thank you.

(Laughter.)

PRESIDENT CONATSER: Happy to do it.

SECRETARY BUCKLER: But even so, I mean, it just -- it's just -- paper just -- there's nothing to keep it from sliding. So I'm sorry. I've had my moment up here now.

Okay. So, anyway, you all have this. And we talk about fidelity bond, fidelity insurance, crime bond, crime insurance. We get a lot of questions about that. They're different. The overall -- the overall purpose is the same. If somebody steals from your department, you need to be covered.

Now, remember earlier I said the biggest risk is at the department level? So the American Legion Auxiliary National Headquarters has crime insurance, fidelity insurance for the national organization and for the units.

Why do we not have it for departments? Because our insurance carrier kicked you all off. I mean, there's really no simpler way to say.

And, Jenny, would you -- would you -- was that about as eloquently put as I could have put that?

JENNY: I would have said too many claims, but --

SECRETARY BUCKLER: Okay. All right. Okay. So I -- so --

(Laughter.)

SECRETARY BUCKLER: So the bank examiner would have said you -- the departments were removed because of excessive claims. Insurance is risk. I mean, insurance companies are in the business of making bets that they don't have to pay out the thing they're insuring. That's how they make their money.

You take out life insurance. They -- they've made a bet that you're going to be healthy and live a long life and that they're not going to have to pay out prematurely. You take out insurance on your house. That insurance company has made a bet that your house isn't going to burn down.

You live in a flood zone. You better have flood insurance because they're not going to take a bet that your house isn't going to flood unless you pay extra money for flood insurance.

So just understand the principle of insurance is the same thing for -- for corporations. There are different types. So the reason that we don't have -- we can't provide it at the department level is because of the five incidences in the last decade. So you have to get this for yourself. You can't afford not to have this. Double negative intended. You can't afford not to have this.

General liability, I'm going to go through these. I just want to -- an -- you hear an umbrella policy. We live in a litigious world. You know, people sue for the max and then they go for the max beyond the max. And if you have an umbrella policy, you're protected.

You hear D&O policy. The first time when I came onboard, in our first meeting with the Department Secretaries and I said so -- so how many of you have D&O policies. And I -- God love all of you. I got most of -- I got lots of deer in headlight looks at me.

How many of you know what D&O insurance is?

(Whereupon, there was a show of hands.)

SECRETARY BUCKLER: You do now, thank you, because we've been educating you. Yes, I love that show of hands. But early on, it was not something we had talked about very much, so people didn't know what we were talking about.

So we've been sharing that directors' and officers' liability insurance, that's the other one. Oh, please make sure you have that.

Now, why do we talk about all of these, these are -- fraud and all of this so much, because if you have been diligent, if you have practices and procedures in place to reasonably safeguard your assets, to reasonably control the flow of cash in and out and something happens, you're protected.

You're protected personally through directors' and officers' liability insurance and you're protected with the bond or your fidelity insurance or -- or crime insurance or whatever you want to -- it's called different things. They're all -- it's all about the same thing. I mean, the purpose is the same.

If you haven't done your diligence, if you didn't have controls in place, the bond won't pay off. You won't collect on a bond if you have a theft. And if they can show that you as governing board members have been negligent, you personally can be sued and your directors' and officers' liability insurance will not cover you.

So it's really important that we understand our roles, what it is, what it isn't, everyone fulfill the role that -- that we have in this organization. So I just want you to know that this exists and your departments have it. And -- and it's also available on the website and will be added as addendum to the department operations guide.

990s are due for most departments. Please stay on top of this. I want to let you know -- how many departments file your 990s via the 990N? That would be the postcard, the --

(Whereupon, there was a show of hands.)

SECRETARY BUCKLER: Okay. Well, up until the end of this month, there has been -- so if I say Urban Institute, does that ring a bell with anybody? Okay. Okay. The Urban Institute is no longer doing this. If you file a 990N -- even if you don't understand what I'm saying, go back and ask your department, your Department Secretary or your Department Treasurer.

If you file a 990N as in Nancy, you now have to file that directly with the IRS, not through the Urban Institute. And you have to re -- you have to re -- you

have to put all your information in again. You have to enter -- you have to sign up again.

But you have to do that before February 28th. So literally when you get back, you've only got a few days before this has to be done. So before the end of February, if you file the 990N, you have to go back to the IRS and you have to go through the resubmission process as an organization.

It's -- it's just something you have to do. It's not going to be expensive or time consuming, but it's going to be expensive and time consuming if you don't do it. So go back and find out about that.

Okay. Sara, you happy with how I covered that? Oh, no, you got to -- yes?

MS. RIEGEL: So it's basically the Urban Institute will continue to take 990N up until the 28th.

SECRETARY BUCKLER: I'll repeat it.

MS. RIEGEL: On the 29th, the IRS will take over and you will have to re-register. Those that filed before, it kind of pre-populates, but you put in your user and ID number. But, unfortunately, the IRS is not going to pull the information from the Urban Institute. So you will have to re-register under the IRS's filing guidelines.

SECRETARY BUCKLER: Okay. So the short what she just said, you have to re-register. That was where I said you have to re -- input it all again. Yes, re-register, that was the phrase that --

MS. RIEGEL: On the 29th.

SECRETARY BUCKLER: So the 28th, you can still do it the way you've been doing it. On the 29th, you will -- you will have to have had re-registered. On the 29th, you have to make sure you have done that. This is a leap year, by the way.

VOICE: Whether you do it Urban or not, on the 29th (indiscernible).

SECRETARY BUCKLER: Oh, your -- your 990s are due unless you have filed for an extension. Now, at the national organization -- at the national organization, we always file for an extension. We're a big organization. It -- so rather than have it done in February, we file for the May 15th deadline.

And that's automatic. If you ask for an extension, it's automatically granted. So we automatic -- we ask for it because our -- our audit is not even done, you know, until that time.

Yes, Sara.

MS. RIEGEL: I'm sorry. Just to clarify, 990N filings do not require an extension, but please keep in mind you have to file within the year of your due date. That's the 15th day of the fifth month, okay, after your fiscal year ends. So --

SECRETARY BUCKLER: Yeah.

MS. RIEGEL: And everybody has a different fiscal year, so different -- it's just basically the IRS will now be hosting this, so what we just want everybody to do is walk back and I can't file, you know, I can't be able to do this. The IRS will be taking over the hosting. That's basically what I wanted to make sure because the IRS as of the 29th of February will take over the hosting.

SECRETARY BUCKLER: So here's my -- here's my request. I know there -- we could talk -- we could talk about this all day and we don't have a lot of time. So hold -- if you've got those kinds of questions, Sara is going to be at the back of the room when -- when we break.

(Laughter.)

SECRETARY BUCKLER: Aren't you, Sara?

Do you all -- do you all know -- you all know Sara Riegel? Okay. Okay. Well, I'm -- I'm going to continue talking. Just make your way up front so they at least see who you are. Sara Riegel is our compliance accountant and -- and Sharon said she's amazing. And she is amazing.

So, actually, I'm again kind of jumping all over the place. One of the reasons that we have the people at National Headquarters is because we're a big corporation. We're, you know, approximately a \$25 million asset corporation. There are a lot of regulations that we have to comply with and we've got to have the separation of responsibilities so we have our checks and balances.

So Sara is our compliance auditor. She works in the accounting division with Tim. A lot of you know Sue Stewart who's been there for over one-third of the history of the organization. She's not here to hear me say that.

But, anyway, she and -- and so she and Kelly Harrier in the membership department work an awful lot with units and departments having IRS 990 issues. So, again, we -- I'm -- I'm -- I'm just not going to take any questions now. I just want you to see who she is and if you've got questions afterwards, we're -- we're here to help. We really are here to help.

MR. BRESNAHAN: Would it be helpful if she could send e-mails?

VOICES: Yes.

SECRETARY BUCKLER: Oh, yeah. Oh, yes. Well, actually, not only will it be helpful, we had planned to do that. I was remiss in not mentioning that. So what I just shared with you will be e-mailed to the departments to your Department Secretaries.

My takeaway is if you file the -- if you file the shortest, shortest, shortest form you can, the 990N, just know that the whole process has changed or the process is changing. And you do have something you need to do. Okay. If you file the longer ones, you're -- you're in the regular queue. I mean, your -- that hasn't changed.

Okay. All right. One other -- let's see. I'm being conscious of time. One of the things that I was -- have been asked about and was alluded to in the earlier remarks, there was an organization that was the subject of a recent two-part investigate -- investigative report on CBS and also was a New York Times -- the subject of a New York Times article.

And I read the on air transcripts and I read all the comments. And there were nearly 100 comments posted and most of those comments centered around how big -- how both our government and big charities fail to meet our obligations to those we're supposed to be serving. So this was a very large organization that -- whose project is to work with wounded warriors.

(Laughter.)

SECRETARY BUCKLER: And the criticism of this organization is that only 60 percent of their expenses on an annual basis actually go towards supporting veterans. Well, first I will digress. There have been other organizations that have been called out with far worse records and -- and we just need to know that.

The key is how you present this. So I want to make -- first of all, I want to say right up front The American Legion nor the American Legion Auxiliary will make any public comments on the operations or finances of other organizations.

So for some of you who wondered why I didn't send something out, that's why, and why I carefully tried to mention what we were talking about without mentioning the organization's name.

So our response if asked has been we're proud that for nearly a hundred years, history has shown the positive impact that the Legion, Legion family of organizations have made in the lives of veterans, active-duty military, and their families.

So another point to note, the Legion was congressionally chartered in 1919 and annually provides a detailed report to Congress. And right now because we -- the American Legion Auxiliary is not federally chartered, we are part of their report to Congress.

That's important for us to all know. If somebody wants to know what the American Legion Auxiliary is doing, there's a -- there is a report filed with Congress and anybody can go there and -- and see how we're doing on delivering our mission. It's a lot of work to do that report. And if we become federally chartered, it will be a lot more work to do that.

But that improves, enhances, maintains our reputation because people can see what we are doing. And, again, we are classified as a 501(c)(19) which is a very special category in the first place.

So please refrain from commenting about other organizations. If you're asked about it as a leader of the organization, refrain from commenting about that organization, but instead draw the conversation to focus back on us. Our American Legion Auxiliary members have a \$3.1 billion impact serving our mission as volunteers raising money for and conducting our American Legion Auxiliary programs.

Now, remember in the -- in the convention guide and annual report, we do that two page and we put it in really big numbers how valuable is the American Legion Auxiliary. Our impact for last year for June 2015 through June 2015 was \$3.1 billion. Kudos to all of us. That's huge.

(Applause.)

SECRETARY BUCKLER: That is money that we raise, money that we award, if we were paid as volunteers, what we -- what our volunteer service is worth if we were actually paid for all the things that we do. And by the way, I will say that includes your staff at National Headquarters. We do an awful lot of volunteer service, too.

So for those of you who had that, well, you're paid, of course, you do that, we do an awful lot of things we're not paid for. And we do that with great pride because we believe in the mission, too.

(Applause.)

SECRETARY BUCKLER: Thank you.

So as you -- so remember -- so this is kind of a memory retention, so how much of -- what percent of our annual revenue raised goes toward mission delivery?

VOICES: Ninety percent.

SECRETARY BUCKLER: Yes. So that's -- that's what we want to say, 90 percent. You can look at our 990. Keys words. You can look at the American Legion Auxiliary's 990 and 90 percent of our annual revenue is expended on mission delivery, only 10 percent on administrative and overhead.

Now, the other thing that you can say is we are a membership organization. All of our administrative and overhead and fund-raising expenses are paid for by members' dues. All of our overhead is paid for by membership dues.

A hundred percent, 100 percent, every dollar donated to the American Legion Auxiliary or American Legion Auxiliary Foundation goes to support our mission programs. That's also a key distinction. We are a membership organization. Our dues support our overhead expenses. Our external donations, our internal donations, a hundred percent of those support what we're doing. Kudos to us.

(Applause.)

SECRETARY BUCKLER: So I'm not going to ask if there are any questions on that. Have I kind of covered that and do you -- those of you who wondered why I'm trying not to make eye contact with a lot of you who asked me about that personally? But that's why I didn't put anything out in writing. I can say what I said here and so we're good on that.

Okay. The -- there's now a fillable form -- I mean, I'm kind of jumping topics here. There's a fillable form for VAVS. There's a fillable form and a code for VAVS in ALA MIS. And for those of you who know, that's -- that's a big deal. So --

(Applause.)

SECRETARY BUCKLER: -- we -- we think we've addressed something that you wanted us to address. I don't want to talk a lot about American Legion Auxiliary Girls State except in the -- in the broader sense.

This is -- this is probably enterprise-wide which means across all avenues of the American Legion Auxiliary the biggest program that we operate. And we probably have now -- we are -- we are close -- we have about 900,000 American Legion Auxiliary Girls State alumni. We're getting -- we're actually getting close to a million American Legion Auxiliary Girls State alumni.

I challenge you to go back and run into some of them and ask them who put on the program. I'm telling you we have missed the boat on branding our American Legion Auxiliary Girls State program.

So you'll notice I'm not saying our Girls State programs. We have to start training ourselves to say ALA Girls State, American Legion Auxiliary Girls State. And it's hard because for 75 years, it's just been our Girls State program. Well, isn't that wonderful? Guess what? We got 900,000 alums out there. Most of them don't know who you put -- that you are the ones that put it on. And they don't know that it's the American Legion Auxiliary that paid for it.

So I've done my own little unscientific tests by -- by asking those at ALA Girls Nation, so who do you think put this on. My school did. Who do you -- who do you think is paying for you to be here. The government. We're in Washington. Is that not the source of all money for everything?

(Laughter.)

SECRETARY BUCKLER: But I share that because like, oh, my gosh. So we have the ALA Girls State directors conference. And for those of you who might hear some they're just making us change the way we look, we're asking you to make sure big and bold you include American Legion Auxiliary Girls State in how you look because I can't -- and you don't know them.

We -- we've got the apparel. Who's your Girls State? I've got my -- I -- I was -- I have my Hoosier Girls State shirt. I will not wear it because it's not as clean as it was a few years ago when I -- ten years ago when I was in Girls State.

(Laughter.)

VOICE: I don't have my boots on.

SECRETARY BUCKLER: But -- but I was. I -- I'm -- I'm going to direct my attention this way right now.

(Laughter.)

SECRETARY BUCKLER: I still have that shirt. Cool shirt. And I look at the -- at the ones that come to our ALA Girls State directors conference and we ask them to bring -- you know, show and tell, bring us your paraphernalia. Let's see what you're wearing.

And so, yes, we're getting really serious about you have got -- I'm sorry. Some of you need to redesign your things. That's why we come up with branding, branding, branding, branding, branding. Goal 5 of the American Legion Auxiliary 5-Year Centennial Strategic Plan: With The American Legion, Build Brand Loyalty, our promise.

Well, if you don't know who -- who did it, how do you know -- how do you build brand loyalty if you don't even know who the brand belonged to? So just -- I'm not going to stay on my soapbox on that, but just know we're not mean, evil people. We really want people to know who we are, what we do, why we matter. And we've got to do a far better job than we have done with branding our American Legion Auxiliary Girls State program.

Now, I want to do a shout out to Laura from Department of Hawaii. For the first time --

(Applause.)

SECRETARY BUCKLER: -- Department of Hawaii is organizing it's first ever ALA Department of Hawaii Girls State program.

(Applause.)

VOICE: Not the first.

SECRETARY BUCKLER: Not the first time?

VOICE: No, no. They had it 47 years ago.

SECRETARY BUCKLER: Okay. Well, so for -- since some of us have been born, there is -- so you said it was 47 years ago. Okay. Well, since some of us have been born. No, we were not -- we weren't aware of that. Okay. So they're reinstating it after 47 years.

Yes, Laura.

LAURA: Because you talked about branding and because we -- because I -- we did -- I did attend that, you need to redo your -- your -- your thinking because the Girls State is a lot -- a lot larger and because I pushed it when I went back home to make sure it's a -- American Legion Auxiliary. And so you noticed that we've been putting it on. We put it on track.

SECRETARY BUCKLER: She -- she is --

LAURA: But the Girls State does not say American Legion Auxiliary.

SECRETARY BUCKLER: I agree with you completely. Now, that was before my time and my nose isn't going to grow on that one. The -- the -- what we call swoosh logo, that was created before I got here and it's -- and some people really love it.

But American Legion Auxiliary is teeny tiny, so, you know, it is a brand -- it is a trademarked logo. If you want to continue using that, I'm not saying you have to stop continue using that. But there are other ways that -- so we have created one. We've created just a -- what we call the text logo, American Legion Auxiliary Hoosier Girls State with the emblem.

Now, whatever design you -- if you want to put -- you want to put -- like for New York, you want to put the Empire State Building underneath it, you know, you want -- we can work with you on that, but we've got to do a better job of branding it.

Laura.

LAURA: That's the one we just did. You just happened to mention that. So I'm sorry I don't have copies for you. I just brought one last minute and -- but also I would like to thank all the different states that offered all their ideas and -- and whatever they had.

My -- my team really went through a lot of the Girls State programs from the different states. So this gives me a chance to say thank you so much. And we're going to do a half year. And -- and at first, I thought we couldn't.

But I have a young lady. I didn't know which Girls State she went to, but she was outstanding. She's our -- our -- our girl that's doing all of this. I mean, she's helping. She could do a lot more than my original team because they were not -- they were never involved in Girls State, but they -- they researched it. But she was -- so she was a really great help. So whoever she came from, thank you very much.

(Applause.)

SECRETARY BUCKLER: So, again, so --

LAURA: Whatever they did must have been so great because those are the two young ladies that are working with my team because they're the ones that are doing a lot of the work plus my -- my advice that I have. But thank you all so much. We're going to have to do a half one this year because it's our first one.

(Applause.)

SECRETARY BUCKLER: So the first time -- so the first time in 47 years; is that -- that correct? It's --

LAURA: Twenty years. About 20 years. The last time was about in 1982 which isn't that long considering.

(Laughter.)

SECRETARY BUCKLER: Has it been -- all right. Well, anyway, okay. All right. I stand corrected on that.

Okay. I'm -- I'm going to plow through some things. Sharon and I talked about this. I'm going to go through -- in depth, yes, I'm going to go through some things that -- that land in my inbox frequently. So if you're sitting there thinking, oh, my gosh, she's calling out my department or my whatever, no, because if I haven't heard it from multiple source -- sources, I'm -- or departments, I'm not going to be talking about it up here.

Get a lot of questions about the Secretary, Treasurer position. I hope we've covered that. Get a lot of questions about the role of the Finance Committee. I want you to know that in the department operations guide, there is a pretty detailed description about -- discussion about the role of a Department Finance Committee.

And I understand that history has been that the Finance Committee has been the source of control in a department and you're just opening yourself up for risk if you continue to let it remain as such.

It is a conflict of interest for a Finance Committee to serve as an HR Committee. Con -- it's a conflict of interest for a Financial Committee to serve as an HR committee.

Now, the Finance Committee's responsibility is to develop, propose a budget. Then your department governing board adopts the budget. Finance

Committee responsibility is to oversee the tracking of that budget, expenses, you know, the things that you get as the NEC members that come out.

We do a pretty good job, we think, at National Headquarters, Tim Bresnahan, his team of informing you with our financial statements, our -- our -- it's tracking how are we doing with what we thought we were going to have in terms of money coming in, how are we doing with what we budgeted for expenses going out.

The role of the Finance Committee is to oversee that, get reports on that. So as part of developing a budget, yes, the Finance Committee establishes an amount for personnel. Finance Committee is not the Personnel Committee.

Finance Committee would be responsible for recommending the salaries or the compensation for your compensated officers only. Then any other staff hired by the department, that is the Department Secretary if that's the title that she bears in that role. I'm going to use department executive in small lower case letters just so we're -- we're all talking about the same thing.

Whoever is -- is at Headquarters day in, day out managing Department Headquarters, that's the person executing the policies of the organization which is why we say department executive by whatever title. So that person establishes the compensation and does the hiring and the termination of other staff members.

The department governing board makes the decision regarding the Department Secretary or Department Secretary Treasurer if that's how you're operating.

The Finance Committee does not do any of that. Finance Committee does not decide who the Department Secretary is. Department's Finance Committee does not fire Department Secretary. Department Finance Committee does not tell a Department Secretary who she must hire, who she must fire.

And the Department Finance Committee does not have the right, the legal right -- it's not just that it's not a good practice. You don't have the legal right to know what those -- what those individuals are being -- are making in terms of wages or salary or compensation.

Your responsibility is, is all of that being done within the budget category approved because it's a conflict for you to know that. And you can just see why I just said that. Hey, hey, Sharon, let's put together -- let's put together the budget for the department. Now, is it your -- is it your -- well, I don't -- if I start to say your sister, but everybody knows Pam, so that's not a good example.

(Laughter.)

SECRETARY BUCKLER: So -- so -- so is it your daughter you want -- so -- so we want to make sure that they hire your daughter and we want to make sure that they hire my sister. So let -- and -- and, oh, you know, they're having a tough time, so we need to get their -- their compensation up, yeah. So -- so are we good on that? We -- okay. Okay. Not, that is -- that's not how you do it.

I mean, that -- see -- do you see where the inherent conflict is? So now we're putting together a budget and, oh, by the way, this is how you're going to spend it because we are in charge. We have control.

So my observation is at the department level, budgets are used as retaliatory tools and Constitution & Bylaws are retribution tools. And when you can read them and see, boy, somebody didn't like somebody. I don't have to know the personalities.

I can just tell looking at some of them from time to time, whoa, there was a problem there, a personal problem, not a personnel problem, a personal problem there. So that's why we just keep harping on all of this stuff.

I get asked a lot about 990 issues. We have lots of resources on-line. Sara and Kelly can deal with your personal issues -- I mean, your personal level issues, not your personal issues.

(Laughter.)

SECRETARY BUCKLER: Well, sometimes when -- sometimes when you hear the questions coming in, that's really what they are. They -- with your -- with your personal level, with your department and unit level issues, thank you, they can deal with that.

MR. BRESNAHAN: And they charge a fee.

(Laughter.)

SECRETARY BUCKLER: Yeah. Yeah, if it gets into personal issues.

Now, here's one I get asked a lot. We're experiencing a behavior department -- a behavior problem in our department with Suzie member, only I usually get all the gritty details and Sharon does as well.

How do you handle it? So I'm not going to go into great detail here. I just want you to know that you have to do it through due process. You do have the responsibility. Membership should not be retaliation for personality differences.

And -- and I will tell you my observation is we have too many people being kicked out of this organization because I didn't -- because --

PRESIDENT CONATSER: You don't like me.

SECRETARY BUCKLER: Yeah. God, can't stand Sharon. Okay. Let's just vote her out. And right now units have the ability to determine membership and departments are the ultimate determiner of membership.

Now, when that was originally established in the history of our organization, it meant you're the ultimate determiner of who's eligible. That's what it was -- that's really what -- what was meant to be because, you know, you have to show eligibility. Well, you can't be kicking that up, you know, to the national level. You have that responsibility.

You also have the responsibility if you've got -- if you've got a member who has committed a fraud, a crime, you can suspend that member. You can remove that member. You can remove them from the organization, but you need to do it through due process.

They have a right to know why they are being removed. You can't just kick them out. Your units can't just kick them out. And this more happens at the unit level as you all well know, but -- but it's kick -- but you are the ultimate determiner of that action.

If I'm a unit member and I'm kicked out because, well, they said that I -- they just said that I was a problem, well, I may be a problem, but is that a reason why I should no longer be a member of the American Legion Auxiliary?

VOICE: No.

SECRETARY BUCKLER: We need to try to find places where members who may not fit into this unit -- okay. Well, you know, you're -- you don't fit in. Okay. Well, don't kick them out. Help them find another unit where they might, you know, might fit in better.

Again, I'm not going to spend a lot of time on this, but here's what I have promised to do. And it will be a really big project and it will get done when it gets done.

In the department operations guide, it tells you what you must do from a -- from a overall procedural standpoint. You have the responsibility and the obligation to do this and the overall purview under which you do it is -- is guides by due process.

I will help develop what to say, when to say it, how to say it because that's where people are getting concerned. Okay. But really, what -- I mean, who makes that motion, who tells the person? I understand.

And so, anyway, we're going to try to develop something that will be a tool for you and it's not going to happen next week. And it may not even happen by the end of this year or next year, but we're going to start working on it.

Okay.

VOICE: I have one question. In that guide book, it says eligibility does not mean acceptability.

SECRETARY BUCKLER: That's true. Be --

VOICE: That seems to be the problem with the personal problem of somebody comes to join and I say don't like you, we're not going to take you.

(Laughter.)

SECRETARY BUCKLER: Okay.

VOICE: (Indiscernible) if you are eligible, you have to be accepted.

SECRETARY BUCKLER: Well --

VOICE: We want our members.

SECRETARY BUCKLER: And -- and so we -- that's what I'm saying. We need to address that because you're right. You can remove people who are not acceptable, but it needs to be for legitimate reasons that they're not acceptable, not just merely because you personally like them or don't like them.

VOICE: Right.

SECRETARY BUCKLER: Yeah.

VOICE: That's under transferring. But then it also says eligibility does not mean acceptability. Sometimes the guide says one thing and then when I e-mail national, national gives me a different answer than what's in the guide book.

SECRETARY BUCKLER: Well, the guide -- well -- so guide book is a guide and that's -- and the unit guide book is -- probably needs to have a real significant review at some point in time. And that's not happened. It's been -- it's been --

VOICE: Years.

SECRETARY BUCKLER: Yeah, which is what --

VOICE: But if you go by the guide book, but the guide book is a guide --

SECRETARY BUCKLER: Well -- so if you want to -- if you want a hierarchy, your Constitution, Bylaws, standing rules, department operations guide, and your unit -- the unit guide book. So if -- if your -- if you want to err on the side of where the conflict is, you err on the side of the next document up. Okay?

VOICE: If we don't let somebody in because of acceptability when they want to become a member, we may not find out what good they could be. (Indiscernible.)

VOICE: That's right.

SECRETARY BUCKLER: Yeah.

(Applause.)

SECRETARY BUCKLER: You -- you -- you've just summarized the point I'm trying to make and the point -- and so -- so what did we talk about earlier? Gray -- oh, the -- the comment was -- the comment was we too often -- I'm going to paraphrase -- we too often at the unit level reject an applicant for membership whether it's a new applicant or a transfer member because of personal differences or personality considerations, they're deemed unacceptable and you don't find out until it's too late that they would be perfectly acceptable and be a great contributor to the organization.

So we're not -- so in many -- too many cases, we're not even giving them a chance because we're making a decision not to accept them.

VOICE: We're being bullies.

SECRETARY BUCKLER: So -- okay. Well, like I said, I'm -- I know what the time is. I'm getting all the signals. Okay. I'm moving forward.

Just know that that's the hierarchy in which you determine what to do, how to address the problem. We've got a serious problem with bullying. We also have a serious problem of bullying at the expense of bringing members into the organization that we would really benefit from having.

Okay. I get asked an awful lot about serving more than a single one-year term on the NEC and what impact that has on your department governing documents. That's going to have to be a case-by-case situation. I can't address that up here.

Just know that a lot of you are asking that question. Well, if we do that, how do we need to change our governing documents. We'll be happy to work with you and offer guidance or suggestions, but there's no standard answer I can give to you on that.

Some departments would have their NEC member is a member of your DEC. If you now elect your DEC -- your NEC member, then according to your department Bylaws, they're still a member of your governing board. And if that means that the number of the governing board increased by one, then it increased by one.

If that puts your Bylaws in conflict, then you need to address where the conflict is. But I can't address any more on that other than I know that a lot of you were asking that question.

In the interest of time, I'm going to leave some of the other things that I was going to reference out. Just know that we really do care about trying to improve the overall governance of the organization. That's why we have spent this amount of time this morning on an awful lot of things. So thank you for your patience on that.

And with that, Madam President, I will wrap up. Oh, I didn't do announcements. You want me to do them?

PRESIDENT CONATSER: Why don't you do them in a minute?

SECRETARY BUCKLER: Okay.

PRESIDENT CONATSER: All right. We'll come back to announcements. Good job. Thank you, Dubbie.

(Applause.)

PRESIDENT CONATSER: Is there any new business?

(Whereupon, there was no response.)

PRESIDENT CONATSER: I would like to just ask what are -- are the goal -- are there any goal champions in the room? Would they please stand and be recognized because they're working very hard on our centennial plan. Goal champions.

(Applause.)

PRESIDENT CONATSER: The Strategic Plan, they're all working very hard and I can't recognize all of them, but our gold champions are the ones leading the race and they are really doing a great job.

Okay. Before I give my closing remarks and we adjourn for the day, I would like to call on National Chaplain Bird to the podium for a very short but special report.

And I want to thank the Department Chaplains and I want you to take this back. No report was required and she did -- they did a lot of it electronic and got a lot of reports, so please thank your Department Chaplains when you go home. I probably just stole half her report, right?

CHAPLAIN DERRICK: There it is, yes. Thirty-one Department Chaplains reported. Again, not required, but they saw the need. I submit to you that as a viable part of the Legion family, documenting the mission of ministry is part of our accountability and it represents best practice.

Chaplains are not superhuman. They put on their pantyhose one leg at a time like any of the rest of us. And they face challenges like any of the rest of us. But in the face of personal struggle, our Chaplains are actively involved in others' lives.

Early this year, Diane lost her husband. Barbara's husband died only recently. Valerie has cared for her husband when his jaw was completely removed and replaced with an implant. Julie's son was deployed to Afghanistan. And I honor these beautiful women for altruism in the face of adversity.

Just to highlight some of the things that they brought forth, Charlotte, Terry, Sharon, and others have conducted and overseen many memorial services.

Pam, Vicky, all of us together have sent thousands of cards and made hundreds of personal calls. Judy, Jerilyn, Debo, Margaret, and others visit veterans in their living quarters.

Susan includes Junior members in POW-MIA ceremonies. Lois participates in Wreathes Across America. Rhonda is always full of joy to be asked at any Legion event to offer prayers.

Valerie, Bird, Juliana, and Lois are administrators of their department Facebook groups. And Julie participates in Legion rider events. Beverly, Sue, and most of us as Chaplains write articles for department publications and we present reports.

Beverly doesn't use Facebook, so I copy and paste Facebook posts from the national Facebook group to her in an e-mail so that she can stay included and participate with us.

Ann has helped at Junior conferences -- this one tore my heart out -- helping Junior members make memorials for their deceased members.

Betty created her own survey for units and districts that included submissions for the national book of prayers.

Vicky developed a leadership workshop based on Bible passages that relate to veterans past, present, and future.

Barbara collects food for the homeless vets in her area and teaches religious activities education at her church.

Another Jerilyn sees that families of deceased members receive Bibles.

Linda invited a lady ordained minister to participate in one of their midwinter conferences.

Another Linda conducts POW MIA ceremonies at correctional facilities.

Debbie sought her President's permission to implement a department-wide prayer chain.

A veteran in Sue's department suffered cancer, hepatitis C, and loss of a leg and an arm and one of her Chaplains provided her own make a wish and arranged for him to take a motorcycle ride in a sidecar before he passed.

Mary Lee encourages unit Chaplains with lyrics from music written by her own choir director.

Kay says that they use a lot of the reflections articles as devotionals.

And Diane has played a role in the demonstration of a draped coffin and the folding of a flag a number of times in student assemblies. She says this time, I was the recipient of the folded flag. And she's included a plan of music in her plan of action.

We stand tallest when we are on our knees and the Lord only knows the hours of carpet time logged while standing in the gap of intercession on behalf of others.

We praise God for his faithful responses to our prayers. He is the sovereign hope of our future, loving and always good.

There are three little things -- they're not little -- three things I'd like to highlight to you. On our national website under the members resources Chaplains tab, there is a really nice certificate of remembrance that any of our members can use to present to families that lists the deceased person's name. So take that back. Any of our members can use that. It's not just for your Chaplains.

One of the recommendations that I might make in the fall when we have the combined Americanism conference, very few Chaplains are able to get to that. I think we're running about five or six. If we had a Chaplains group at the division mission trainings and past National Chaplains or Department Chaplains who could facilitate that training, that would be really beneficial and I think cost effective. So maybe consider that.

(Applause.)

CHAPLAIN DERRICK: How many of you have signed on to the National Chaplain's Facebook group?

(Whereupon, there was a show of hands.)

CHAPLAIN DERRICK: Many. Okay. It's there for you. It's where we post prayer requests and God's answers to those prayers. And there are guidelines there that we appreciate so much when people adhere to.

I think those are the three main things that I -- I wanted to bring. Just that that certificate of remembrance is there for you, the Chaplain sessions maybe at the division mission training, and then the national Facebook group. Please avail yourself of those resources.

Thank you so much, President Sharon.

(Applause.)

PRESIDENT CONATSER: Thank you, Bird.

And I want to share that I get cards at least one weekly and I get text messages. She always seems to know when -- when I'm in need of those special thoughts and prayers as you travel because you don't always know what's going on in someone else's world. And Bird seems to always know. We're very connected.

Thank you, Bird.

I apologize for many of you that heard it's affected the American Legion family that the past National Commander of the Sons, Ray Geil, his daughter-in-law and grandson were murdered on Thursday. And it's affected our American Legion family a lot. Ray and Debbie and Ray -- in fact, Raymond and Katie got engaged when Jan and Connie and us were in Hawaii together. So we're very, very good friends. And I apologize. I've held it together the whole week, so -- so far. I apologize.

VOICE: You don't need to.

PRESIDENT CONATSER: I would like to thank everyone for your participation and reiterate what an important role each of you play in the success of this organization. As the governing body, you need to go back to your departments and report what you learned, not just one thing or -- in the interest of time, I'm only going to give you the highlights. This is what I did. No, everything. You please do that. It's important for the future.

I look forward to seeing all of you this evening at the National Mall tour and monument wreath laying. The buses will load at 6:30 p.m. from the terrace level which is one level up from here.

Tomorrow's sessions are packed with excellent speakers and information that will benefit each and every one of you.

At the end of each presentation, we have created take-home segments that will help to break down all the information into action steps. This way, when you go back to your departments and easily share and apply all that you have learned.

We will also be honoring a very special Public Spirit Award winner, Josh Bleill, during tomorrow's luncheon. So if you don't have your tickets yet -- I didn't check. Do we still have tickets?

VICE PRESIDENT CRAIG: (Indiscernible.)

PRESIDENT CONATSER: Oh, Flora Jean has extra, but check at the desk if you're still interested. I think you'll really, really like Josh.

As I've traveled, I've asked everyone to do three things and I'm asking everyone here to practice them this week and take them home and implement them. They are be helpful, be kind, and be thoughtful. Remember one person can make a difference and that one person could be you.

The chair calls upon the National Secretary for announcements.

SECRETARY BUCKLER: Lori, can you make your way to a microphone while I'm jumping into this. An earring. Okay.

The Monday morning -- today is Sunday. Tomorrow morning, there is a breakfast for the National Chairmen and officers. That starts at 7:30 to 8:15 in Georgetown East which is on this level.

Tomorrow's session, National President Sharon has asked that -- she has reserved seating for the officers in the front row.

And I am going to ask Lori Skallerud who has a fun announcement about the poppy cards.

CHAIRMAN SKALLERUD: Yes. I'm very excited. Along with our new poppy label this year with the holes, it makes it easier to stay on the poppy.

We have another idea that has come to fruition. We used last year's poppy poster winners and put them on greeting cards, but the greeting card at this time is just a thank you card. It says thank you inside, but the -- the posters are explained on the back how the poppy poster contest works.

And it's such a -- an amazing tool to work with our strategic planning. It gets our brand out there. We're reaching the public and we're bringing in members.

And these cards are going to be available -- this is February. They're going to be available in March. So I don't have any with me to show you, but I don't know if they can go through national emblem sales right away in March. I know they're going to be available through there.

SECRETARY BUCKLER: There -- they will be available through Emblem Sales and I really don't know when they will have them posted.

CHAIRMAN SKALLERUD: Right. When --

SECRETARY BUCKLER: They won't be in the current catalog obviously, but if you go to Emblem Sales' website, you'll be able to drill down and find them.

CHAIRMAN SKALLERUD: Right. If you didn't hear that, we can go to the emblems, national emblem sales website and they should be on there. Of course, they are not going to be in the book yet, but they will be available in March. And I'm encouraging every single department to get them and use them.

Thank you so much for your time.

SECRETARY BUCKLER: Thank you, Lori.

(Applause.)

PRESIDENT CONATSER: I now call upon Chaplain Bird to offer the benediction and I ask that we all remain standing for the retirement of colors.

(Ring of the bell.)

CHAPLAIN DERRICK: A good benediction should send you forward with confidence to know that the Lord loves you. He has a plan for you and he is always present with you. So from psalm 20, please receive this benediction.

May the Lord answer you when you are in distress. May the name of the God of Jacob protect you. May he send you help from the sanctuary and grant you support from Zion. May he give you the desire of your heart and make all your plans succeed.

We will shout for joy when you are victorious and will lift up our banners in the name of our God. May the Lord grant all your requests. In his holy and precious name, I bless you with that benediction. Amen.

PRESIDENT CONATSER: Amen.

Will our pages please retire the colors.

(Whereupon, colors retired.)

PRESIDENT CONATSER: This meeting of the 2016 National Executive Committee meeting is now adjourned. And don't forget the breakouts this afternoon.

(Whereupon, the meeting was concluded at 11:38 a.m.)

APPENDIX A



**NATIONAL MID-YEAR REPORTS:
NATIONAL CHAIRMEN**

AMERICANISM

CHAIRMAN: BRENDA COLLINS

The American Legion Auxiliary is promoting the American flag as a common symbol of our shared values. Members went around their communities to find businesses that were flying the flag. Thank you cards and certificates of appreciation for displaying the American flag were distributed from coast to coast. Units have presented flags to schools along with the booklets, "Let's Be Right on Flag Etiquette."

Unit members placed American flags on veterans' graves for Memorial Day and Veterans Day. They donated books such as "America's White Table" to elementary and middle school libraries to assist children in understanding the need to remember military personnel who are fallen, missing, or held as captive in line of duty.

Flag Day services were held. Citizens were asked to bring discarded American flags for proper disposal. Participating in flag disposal ceremonies is another way our members show respect for old or worn-out flags. Many members participated in the "Star Spangled Banner Challenge" by singing the National Anthem, recording it and posting it on Facebook as #ALANationalAnthemChallenge.

One charter school invited an Auxiliary unit to do a day long pocket flag folding program, involving six classrooms of students and members of the Legion Family. Pocket Flags were purchased, folded and distributed to deploying Armed Forces troops and active duty personnel. One department folded 4,000 pocket flags. A total of over 10,000 flags have been folded.

One unit taught students the reason for placing their hands over their hearts when the flag is presented. At the end of the programs the students were given the opportunity to thank the veterans that were there.

Another unit had an American Bald Eagle at their Christmas event and over 100 children of deployed airmen were able to see the eagle while having their picture taken.

Members of one department worked with Citizens' Flag Alliance to lobby for the flag amendment that prohibits desecration of the American Flag. Members contacted their Representatives asking them to support the Flag Amendment.

Units promoted "Get out to Vote" in their hometown. Most of units reported they have contacted the schools to promote participation in the Americanism Essay contest. Some units and departments have added monetary prizes for the winning essays.

**AUXILIARY EMERGENCY FUND
CHAIRMAN: BETH MCGINN**

Department Chairmen have reported distributing Auxiliary Emergency Fund materials and information about the different applications to their members during their Fall and Winter Conferences. Units have also included the materials in their "New Member" packets. Many units and departments have reported successful water bottle collections like Department of Nebraska who has raised \$3,900 so far from this fundraiser. The Department of New York Chairman went bigger and used a larger bottle to collect larger coins.

Department of Michigan AEF Chairman used their President's theme "Branching out as a Legion Family" on small paper bags with AEF labels to be used for their donations and created a tri-fold board to explain the AEF program to attendees. Other successful fundraisers that were reported were basket raffles, auctions for quilts and afghans and even hair in the Department of Kansas! All funds benefit the AEF.

Letters of appreciation were sent from ALA members who obtained assistance from AEF. Examples include a letter from a unit in the Department of Oregon where two of their members have been helped over the past 2 years and another note from a member in the Department of Arizona who needed financial help during her cancer treatment.

Encourage more of their members to share fundraising stories and ideas on AEF Facebook Group or on the national website to create awareness that AEF is a program for members funded by other members of the American Legion Auxiliary.

CHILDREN & YOUTH CHAIRMAN: KATHY DUNGAN

The Children & Youth chairmen are promoting our four objectives: 1) Star Spangled Kids; 2) support and care for military children; 3) support and care for veterans' children; and 4) support and care for children in our communities. We had 50 out of 52 departments reporting, with Central, Northwestern and Western Divisions obtaining 100% reporting.

Star Spangled Kids: units and departments have embraced this objective of educating children about patriotism, Americanism and the U.S. Constitution. Pennsylvania, Colorado California and Washington printed or purchased copies of the Constitution and distributed them to school children. Nebraska, Louisiana and New Mexico distributed flags to classrooms and/or taught flag etiquette. **Support and Care for Military Children:** New Jersey distributed GI Josh dogs to children of deployed families. Utah sponsored an "Angel Tree" for military children. Iowa adopted a military family for Christmas. New Mexico read the story of "Klinger" in classrooms, and Arkansas and South Carolina provided Hero Packs to children of deployed. Another C&Y program is Kids of Deployed are Heroes 2 (KDH2). Juniors and Units of Connecticut donated stuffed animals and KDH2 pins at a deployment ceremony. North Carolina held a KDH2 program with crafts and refreshments honoring 200 children.

Support and Care for Veterans' Children: North Dakota helped six families (eight children) who were broke and homeless by providing basic items and school supplies. Tennessee purchased food and gifts for a Navy veteran family. Ohio provided Thanksgiving and Christmas baskets to veterans' families. Wisconsin provided school supplies and back packs to a veteran's family.

Support and Care for Children in our Communities: The Good Deed and Youth Hero Awards were promoted by departments and units. Maine presented a Good Deed Award to an elementary school for raising \$5000 for WWII veterans to visit the DC WWII Memorial. Rhode Island presented a Good Deed Award to a child recognizing her 1000 hours of community service. Minnesota developed a Department Good Deed Award. Florida presented a Good Deed Award to a SAL member who raised over \$30,000 for his Super Hero Fun Runs project to support Honor flights. Kentucky donated \$3500 to their State Police project "Shop with a Cop." Wyoming made donations to a Family Violence Center. New York raised over \$48,650 benefiting 6378 children. Massachusetts provided 50 suitcases with supplies and backpacks (value \$3500) to children in foster care and safe house programs. Florida donated \$1250 to Beads of Courage and distributed 2000 Bead Bag labels. South Carolina provided stuffed animals for a Police Department to give children who are in accidents. Arizona partnered with UPS helping sort and pack 5500 back packs. Alaska, Nevada, Oregon, and Montana held Christmas parties for community children and veterans' families. Kansas created a series of "Junior Patriot Booklets" to encourage good values and citizenship and the importance of America's heroes. Missouri supports "Every Child's Hope" for neglected/abused children. Oklahoma Juniors sponsored a tea for female veterans. Virginia donated to a child safe house.

Idaho sponsored a children's cancer hospital "toy barn." South Dakota sponsored Easter egg hunts. Alabama donated to Children's Miracle Network. Illinois collected Toys for Tots. Texas provided \$20,000 in direct aid to children. Georgia gave \$1605 in direct aid. Mississippi donated \$500 to purchase school uniforms for needy children. Delaware, New Hampshire, Vermont, and Michigan promoted The American Legion's Children and Youth programs by distributing their brochures. West Virginia supports the Child Welfare Foundation. As you can see, Auxiliary members are dedicated to protecting, caring for and supporting today's children and youth.

COMMUNITY SERVICE
CHAIRMAN: NANCY HANSEN

The progress made so far this year in the Community Service program is that members are making their local communities more aware of whom we are by becoming more visible when they are carrying out our mission. They are wearing our American Legion Auxiliary emblem when they are volunteering both with the ALA and with other organizations.

During the local Team Red, White and Blue's annual 9/11 Pentagon Memorial Run members from the department of DC let people know who they were by not only the apparel they wore but they also handed out relabeled water bottles letting each recipient know who donated them, what we do, and how to find out more information about the ALA at the run.

It's the little thing in Community Service that makes big impressions about who we are, what we do and why we matter in the lives of our veterans, the active duty military, their families and our communities. One small act of kindness to an individual may not change the world, but it may change the world of that one individual.

EDUCATION

CHAIRMAN: SUE BRITTON

Four of the five areas of promotion within the Plan of Action have seen effort and progress. The newly revised program "Veterans in Community Schools" has been widely promoted in many Departments. This expanded program has seen widespread participation, including reading programs, literacy assistance and veterans sharing their stories within the classroom especially on Veterans Day. Promoting National Auxiliary scholarships has been a priority for departments, as well as the promotion of local scholarships. Major areas of focus for scholarships include fund raising, promotion within the schools and meetings with school counselors to provide timely assistance. "Give 10 to Education" and school supply donations in general have seen vast amounts of activity and is an easy way to promote education while serving local schools and needy students. The collection of "Box Tops for Education" and "Campbell Soup Labels" have had enormous reporting totals. American Education Week was also widely promoted with reports of teachers and other school personnel being thanked with gift cards, gift baskets and certificates of appreciation. Teacher Appreciation Week continues to be a favorite with teachers receiving recognition for their efforts and positive impact on our youth. Work with veteran student associations on campuses has been reported with numerous methods of assistance including mentoring and promotion of the GI Bill opportunities for those eligible.

Education had 100% midyear reporting across the nation. Congratulations to every department chairman-your efforts are exemplary.

- 1) One item from within the Plan of Action that saw very low reporting specifically was "assist and support military children with educational opportunities." This activity, of course, is hard to report since it is difficult to determine which children in a classroom setting are military and which are civilian. Any specific data and numbers that can be obtained would be useful in determining the efforts within this category.
- 2) While obtaining mid-year reports, several department chairmen noted they were not aware that a "mid-year" report was required to the national organization. It would be helpful if the NEC's could emphasize this point so that all Department Chairmen are fully aware of this responsibility.
- 3) It would be beneficial if all NEC's would stress the importance of a quick downward flow of communication from national to the department chairman on down to the local Unit level based on how each department disseminates information to the grassroots members.

**ALA GIRLS NATION
CHAIRMAN: PAM RAY**

The ALA Girls Nation Committee was 100% in mid-year reporting. Many departments are already incorporating a mission-based project into their programs. There are other departments that have shared they would like to start doing this. Several departments reported that they do not track membership eligibility of their citizens. Our committee has written an eBulletin article on this encouraging the departments to track those eligible and how to contact them during the week of ALA Girls State and after the week is completed using the ideas in the Plan of Action. Some departments report scholarships to be money to send young ladies to the program. Others report scholarships as college scholarships by the host university for those that have completed the ALA Girls State program. Either way, it is certainly a great way to get our program some much needed marketing and boost in attendance. Many departments are utilizing social media to effectively stay in touch with Units as well as alumnae. Our goal is to have every department have a website and/or a Facebook, Twitter, Snapchat or Instagram account set up. If there are questions, our National Headquarters PR staff is an excellent resource for how to do this correctly and safely.

ALA Girls State programs throughout the nation are doing great things to bring awareness to not only our ALA Girls State, but also to our programs and what we do for our Veterans, Active Military and their families. The Department of Wisconsin shares the book America's White Table by Margo Raven to increase the citizens' awareness of the sacrifice of our soldiers and the plight of our POW's and MIA's and their families. The department of Missouri is doing a great job at growing their contributing organizations to more than 350! The department of Rhode Island is writing successful grants. They have received grants from the Rhode Island House of Representatives, the Senate, and AT&T. The Colorado ALA Girls State program has recently donated a flag pole to their host university. This has enabled them to have flag raising and lowering each day. The department of Hawaii is currently researching the possibility of holding an ALA Girls State in the future.

Please return to your departments and assist your ALA Girls State program to increase their numbers this year. 90% of Departments have reported a decrease in attendance over the last few years. We need to be our own public relations group and get the word out!

JUNIOR ACTIVITIES CHAIRMAN: CORAL MAY GROUT

Objective #1 asked departments and units to increase their membership. Several departments have begun to work on this area. There have been several "firsts" under this objective, including Unit #2 in Delaware where the junior members held their first junior meeting. Pennsylvania reported 12 new junior members joined through a membership drive. Objective #2 was to engage our junior member's in our programs. The posts to our Junior American Legion Auxiliary and Senior American Legion Auxiliary Facebook pages, included in publications (local, state and National), and identified in the 52 department reports indicate that our junior members are very much involved in our programs. We have asked our junior members at the various Mission Trainings to help us accomplish the Centennial Plan and the enthusiasm has been amazing, To that end, the number of posts to #ALARockstars has increased since its inception last spring. This is in line with Objective #3 which asked our junior members to become involved with our service projects. The variety of service projects reported was exceptional, including projects for our deployed military and homeless veterans and their families. Junior members from many departments including Colorado, Idaho, North Carolina and Florida sent care packages, cards, and other items to troops. New Mexico junior members volunteered 1870 hours in 14 trips to the State Veterans Home and packed 87 care packages, and made 10 lap blankets. Nevada junior members made, decorated, and added messages before sending 100 paper airplanes to our troops. Junior members from New York, Kansas, and Arizona have also been hard at work raising funds for the Auxiliary Emergency Fund. Unfortunately, space does not allow for our committee to recognize every department's efforts at this time, so we ask that you stay tuned to Facebook and the National Convention for more junior activities. Objective #4 asked our junior members to participate in the Patch program. While the totals will not be available until later this year, we are happy to report that junior members from Indiana, South Dakota, and Connecticut earned their first patches. In conjunction with the National History Chairman, we are developing a new History patch for the patch program. Details will be announced soon.

We have held five very successful Mission Training workshops. The attendance has helped us achieve our goals of increasing the number of junior participating in activities at the National level. 98 Junior members registered for the five meetings, with over 80% of those never having attended a national meeting before. Also, the Maine Honorary Junior Department President prepared and handwrote her own report!

Please remember that junior members are an important part of our future, as well as our present. It is important to impress upon units the necessity of adding junior members to their membership and of including junior members in their activities and their programs. We have several departments with such low numbers of junior members that it will be difficult, if not impossible, to continue the department in future years, because we have few leaders coming up the chairs. One junior member in a department cannot ensure that the department will survive, but hundreds can give the department a boost in its future and present. It is also very important to have

a Department Junior Activities Chairman, who can encourage units to increase their population of junior members. Our committee has made many personal contacts in departments without a chairman. We ask the National Executive Committee urge these departments to locate an enthusiastic, child-centered person to serve as chairman. Finally, please encourage unit reporting so that information can be gathered and shared across our land.

LEADERSHIP
CHAIRMAN: MARTHA CORRIHER

After review of the Plan Of Action, most departments have worked hard to encourage the members to utilize all the leadership information provided in the POA and on the website. Eleven departments had no report. These departments were from the Eastern and Western Divisions. The other three divisions had 100% reporting. The Junior and Senior Leadership Courses were reported being used by members. Other topics covered were: American Legion Auxiliary Branding, Culture of Good Will, Strategic Plan, and Communication with units, Membership and the Computer training, Explanations on unit obligations, Parliamentary Procedure, and Americanism topics. Some new ways of getting members involved in a fun way and to learn more about programs happened at a division wide workshop consisting of games and prizes while learning about the ALA and its programs. A few members knew some of the answer, while others found it a fun new way to learn the program and got rewarded for their participation. Most departments reported good participation at their Fall Conferences sharing what they were doing to promote leadership within their units.

The departments that reported shared the same sentiment; sharing information with members is the key in preparing members to take on a leadership position.

I would hope the National Executive Committee would share how important it is for the departments to have the correct information for their department chairman sent in on time. It frustrates the division chairman when they cannot get in touch with the correct person and if they reach the wrong person they don't get any help trying to find out any information.

Departments that did not send in a report: Connecticut, DC, Hawaii, Idaho, Maryland, Massachusetts, Nevada, New Jersey, Pennsylvania, Rhode Island, Washington.

**LEGISLATIVE
CHAIRMAN: LISA WILLIAMSON**

The Legislative Program provides information and assistance for American Legion Auxiliary members to advocate for the legislative agenda of The American Legion. This can be done by encouraging and empowering member to be more knowledgeable – and the first step is educating oneself.

One tool is to subscribe to The Legion’s Legislative Action Alerts to receive notification when The Legion calls on Legion Family members to take immediate action on veteran and military legislative topics. An eBlast was sent out to nearly 98,500 ALA members in mid-October asking members to sign up. Although the open rate may have been a little bit lower than normal for ALA eNews, 2,055 of 17,542 members clicked on the subscribe link. Think of it this way – that’s over 2,000 more than before the eBlast. As well, the sign-up link continues to be brought to the top of social media feeds, mostly Facebook and Twitter, and more members are signing up daily. Remember the more numbers, the louder our voice.

Most departments report that many members also subscribe to The Legion’s Legislative Update to stay informed on veteran and military legislative issues, as well as the Dispatch. The Legion’s legislative website, www.legion.org/legislative, is also a wealth of information that many ALA members frequent to help stay on top of current legislative priorities.

All reports stated that members have contacted their members of Congress – via email, social media, letter, and phone – and many were surprised at how accessible and responsive those elected officials are. Some are confirming that talking with staff can be just as important and productive as speaking to the elected officials themselves. All the more reason to remember to contact local offices of Congressmen, not just those in Washington D.C.!

Additional town hall meetings and “Meet the Candidate” nights are being planned throughout the country, with specific questions being asked of candidates at local, state and national levels. Stay tuned.

In joint effort with their Legion counterparts, the Department of Georgia has worked hard at the state-level to contact their lawmakers concerning bills that would sustain the quality of life for our service members and their families, and provide the troops with the resources, training and equipment they need. In response to a bill passed by Congress allowing \$6.4 million to relocate a veteran’s medical clinic, Georgia members have mustered support of remodeling a recently-closed hospital rather than new construction; the outcome appears favorable.

In Virginia, a state with one of the largest populations of veterans, the needs of veterans are forefront in the minds of our members as well as state lawmakers. They’ve actively lobbied to ensure that low-income veterans have access to free legal services, as well as helping to find permanent homes for 1400+ homeless

veterans. Legislation for two new Veteran Care Centers was also successfully passed, with TAL Family support.

Iowa's entire Legion Family takes their legislative responsibilities seriously. Although our organization is non-partisan, Iowa members are not shy about asking pointed questions when it comes to legislature affecting our military and veteran.

Some Iowa members continue to work with elected officials when it comes to protecting Old Glory. At the time of this writing, three Iowa Congressmen have signed on as supporters of H.J. Res. 9, proposing an amendment to the Constitution giving Congress the power to prohibit the physical desecration of the Flag of the United States.

Departments should first know that the National Legislative Committee is deeply thankful to claim 100% Mid-Year Reporting! #ALARockStars. Thank you, thank you, thank you! In formulating Year-End Reports, please refer to the Legislative Plan of Action as there are three specific questions that we would like answered as a part of each department's narrative report; units should be made aware of these questions so they can provide input. Also, for those that participated in Hill Visits in DC or meet with members of Congress or their staff back home, please remember to complete the Legion's Congressional Meeting Report Form that can be found at www.legion.org/legislative/aar.

MEMBERSHIP

CHAIRMAN: VICKIE KOUTZ

The 2015-2016 Membership Team has been working non-stop promoting membership in the American Legion Auxiliary. From the unit level up through the department level, the team has been busy recruiting members to help us in “Keeping the Promise”.

Indiana, Alaska and Washington were three of the hard working states that were 3% over their previous year’s membership. Those departments received \$250 each. Iowa and Texas members are taking the initiative to “Just Ask”, if a person they are talking to is eligible to join our organization. Some potential members are just waiting for an invitation. The Units in Natoma, Kansas and Williamsburg, Ohio go out into their small communities utilizing the personal touch promoting membership.

Legionnaires in Missouri invited the Department Membership Chairman to speak about the importance of gifting Auxiliary membership to their eligible female family members. A unit in West Virginia did an early bird membership drive for the first time and saw an increase of membership. Connecticut reported they had 6 units that reached their 100% goal by December 31st. Arkansas and Mississippi reported they each had 8 units to reach their 100%. One unit in Delaware pays the following year’s dues for 30 members whose dues are paid by October 31st. District of Columbia reports their largest unit will launch an “Everyone get One” membership drive.

The Membership Chairman from the Department of Maryland challenged the members to assist a unit in their District who had not reached a promise date. A unit in Massachusetts held a meat shoot to help their more seasoned members. If the member is 70 or older, with at least 3 years of membership; their dues are paid. Promise Date certificates have been a huge success in New Hampshire. New Jersey waived the dues for first year of membership for female veterans. What a nice way to say “Thank you for your service.” Female veterans as ALA members can help us better serve our female active duty service personnel.

Monthly letters were sent out in Montana stressing the three “R’s.” It takes all 3 of the “R’s”, RECRUIT, RENEW, and REJOIN to grow our organization. North Dakota’s membership chairman stays in contact with districts and units by making phone calls and sending letters stressing the importance of getting memberships remitted in a timely manner. South Dakota and Wyoming Membership Chairmen use Facebook, monthly letters and department website “blog” to get the word out to their membership. Using social media is quick and efficient.

Every Wednesday night, members in Florida have an hour to ask membership questions and share ideas on their Facebook page. The only unit in Oklahoma to meet 100% membership goal was the first unit to be revitalized. Puerto Rico states they are a small department with big hearts that love their Veterans. Units in South Carolina have purchased banners for promoting awareness of the branding to promote membership. Arizona organized a membership training team that went to

each district and illustrate the correct way to fill out forms. Units in California sent out post cards and reminders to their members. Hawaii, Idaho and Nevada units are all making every effort to increase their membership numbers over last year.

Units and departments have definitely stepped up their efforts in order to meet membership goals. Our journey continues in our efforts to achieve our #1 goal which is to “Attain A Million Members.” Thank you for working so hard to insure that the American Legion Auxiliary will have members dedicated to “Keeping the Promise”.

**NATIONAL SECURITY
CHAIRMAN: KATHY DAUDISTEL**

Members are actively working every aspect of the National Security program. They are collaborating with their posts, local businesses and the community in order to reach more service members and their families. The division chairmen are hosting regular conference calls for department chairmen in order to exchange ideas and give everyone a chance to ask questions regarding the program. The calls have been very successful and great ideas have been shared.

Mailing packages and cards to deployed troops was the number one reported activity in departments. A unit in Utah packed Santa hats full of goodies and cards that were then sent to deployed military units in Romania along with blankets. South Dakota members packed holiday treats and included pillow cases with the thought that you should always have a clean pillow case to rest your head on after being out on maneuvers. A unit in Virginia takes a photo of the deployed parent and transfers the image on a pillowcase and presents it to the child. If the child misses the parent, they can give the pillow a tight hug or even talk things out with their 'huggie.' Other departments are crocheting hats, making blankets and neck pillows and stuffing stockings for our troops.

For the past five years, a unit in Coolidge, AZ has participated in the 'Mail for Military' project. This year, a SAL member challenged the ladies to collect 5,000 cards and if they did, he would shave his head. The ladies accepted the challenge and one lady set a big goal for herself. She was assured that if she collected 1,000 cards, she would be the 'official shaver.' Last year the ladies collected 1,685 cards and this year they exceeded the new goal and collected 5,525 cards. And yes, one lady collected 1,100 cards and was given the honor of shaving the head.

Cookies are very popular with deployed troops as well as those stateside. One unit in Delaware reached out to a local Bob Evans for help with a cookie drive. The restaurant donated the cookie doughs and local high school students baked and decorated the cookies. Auxiliary members and even the State Adjutant General were on hand to supervise the project. The cookies were then packaged by a different unit and 109 packages of cookies were shipped to the troops.

A member in Alaska cooked dozens and dozens of cookies to be delivered to local enlisted service members who were unable to go home for the holiday. To her; baking is therapeutic, to the men and women receiving the cookies; it is like a little bit of home in each bite.

During the Department of Washington's Convention, a member hosted a baby shower for 'Operation Stork'. Members donated items such as diapers, layette clothes and other newborn related items. All were donated to the Fairchild Air Force Base to be distributed to new mothers.

Units are also hosting ceremonies to honor families with active duty members and are presenting them with Blue Star banners. A unit in Deming, IL advertises in the

local newspaper encouraging families with a child serving to contact them for a banner.

Members are partnering with local Emergency Management Agency and Citizen Corps to prepare for emergencies caused by natural disasters. They are offering Emergency Response Training (CERT), passing out brochures with lists of local resources to contact in case of emergency and educating the community on safety plans. Units and members are also hosting blood drives and donating blood.

These are just a few examples of the many wonderful ways that our members are keeping the promise to our Military and their families. For more examples and pictures of members in action, go to the ALA National Security Facebook page.

The need for eMentors is high. Encourage Auxiliary members to serve as a mentor in the career e-mentoring network. Visit www.ALAforVeterans.org for more information and www.milspousementor.org to sign up!

Promote the New National Security guide and How to sheets in your departments: "How to Support the Troops and their Families on Military Installations" covers the Department of Defense's policy change allowing nonprofit groups to access installations. "Welcome To Our Hometown Action Guide" helps you welcome new military families to your community.

PAST PRESIDENTS PARLEY
CHAIRMAN: JANET JEFFORD

Although a mid-year report is not mandatory, nine departments reported working the objectives of the program. The first objective of the Past Presidents Parley is to encourage departments to choose one member as their "Unit Member of the Year" and submit that member's name to the national organization for further recognition. Units report that they are excited about the opportunity to recognize a unit member who quietly works the mission by sending in nominations to their departments. Departments are also raising money to send their winner to the American Legion Auxiliary National Convention in Cincinnati. The second objective asks PPPs to recognize the military service of active duty female service members by nominating individuals for the "Salute to Servicewomen Award." Reports show that both unit and department PPPs are already working on their nominations. Although not listed as objectives in the Plan of Action, past presidents are actively raising money for nurses/health career scholarships. The most important role being played by our past presidents, at all levels of the organization, is that of being a mentor. These past leaders continue to serve in leadership roles and help new officers and members, teaching them how to conduct meetings, how our governance structure works, and what it means to be a leader. They are active in recruiting new members, in revitalizing units, and most importantly, in helping with unit and department strategic planning.

I was happy to see that so many departments encourage their units and districts to have active Past Presidents Parleys that are involved in mentoring and leadership development at those levels. Some innovated ideas were reported:

1. California honors their Unit member of the year with a sash that she wears at all meetings so that others can recognize her achievement.
2. Illinois holds a Gold Star/PPP dinner each year. What a wonderful way for past presidents to honor the sacrifices of these women.
3. Arizona presents a "Most Active Past President" plaque at convention. This is a great way to encourage and reward all their past presidents to remain active.

Please encourage your department to raise money to send their Unit Member of the Year to the National Convention to be honored at the Woman of the Year Luncheon. Much of the good work done by our organization is done by the unit member. We should take advantage of all opportunities to recognize and celebrate their accomplishments. One of the best ways to honor our female warriors is by nominating one for the ALA Salute to Servicewomen Award. Now is the time to begin the process in your department and units. Every year, these awards are one of the highlights of the National Convention.

Karen Smith, Department of Arizona PPP Chairman reported that "the key to this program seems to be mentoring as we must work hard to reach our strategic plan goals and our membership goals. One small thing that we do for a member may be a really big thing for them. A touch of kindness goes a long way in this organization

and in our lives." These words are worth remembering as we continue to work the mission of the ALA.

POPPY
CHAIRMAN: LORI SKALLERUD

Our division chairmen have been in contact with each of their departments monthly, offering ideas how to get the information out.

Many members, units, districts, and departments are using social media to give information about our Poppy Program, along with pictures.

The poppy is being distributed and used continually throughout the year.

Units are using larger public events, more often, to promote and distribute the poppy.

Several units are increasing the number of poppy makers, including local veterans and auxiliary member. Some departments have poppy makers, who are making more poppies than their department can use. One small department has only five poppy makers that produce 5-7 thousand beautiful poppies a month.

Another department held a Poppy Bonanza at a veteran's home where the veterans taught the American Legion Auxiliary members how to make the poppies.

Reports show more activity in the schools, with help from junior members, educating students utilizing the Poppy Story, the In Flanders Field poem, bookmarks, and the Poppy Poster Contest.

One department had a Poppy Hat Contest. Legionnaires, Riders and Sons of the American Legion members modeled the hats. Many units are making and using the felt poppy pins.

One unit gifted their Little Miss Poppy girls with ALA membership.

Reports show that the members and units are using the national web site for poppy information. Overall, the members, units and departments are working within our Plan of Action, promoting and educating people about the history of the poppy, and bringing awareness to the sacrifices of our veterans.

I have been so impressed by the members' creativity in the use of, and promotion of our poppy.

No reports were received from fifteen departments.

PUBLIC RELATIONS
CHAIRMAN: ELAINE MACKENZIE

We asked our membership to pursue goals 1 and 5 of the Centennial Strategic Plan, and they jumped in wholeheartedly. Our members, units and departments are working every day in their communities to fulfill the mission of the American Legion Auxiliary. They're doing this while wearing their emblems and pins and being photographed with open, smiling faces in front of their banners and displays. This makes for some impressive news coverage, and units and departments across the country are getting their share.

Unit members are writing letters to the editor, explaining "Who we are, what we do and why we matter." They're being interviewed on local television and radio programs to educate the community and appeal to potential members, sharing their successes in serving our veterans, service members and their families.

Many units and some departments started new websites and social media accounts, such as Facebook, Twitter and Instagram as a way to share their stories. Traditional news media outlets such as newspapers, television and radio continue to be utilized successfully.

Media contact lists are being updated and shared; PSA's are being sent to local television stations; and news releases are submitted for every type of holiday and event.

Most departments are holding a "ring your bell" publicity contest, because a little friendly competition makes everything a little more fun.

Units and departments continue to publicize their collaboration with The American Legion and others in the community for special events and projects that serve our veterans, active duty service members and our youth.
Is there anything exceptional to report?

The units are excited to share what they are achieving in their communities, as evidenced by the large number of reports submitted complete with pictures, clippings, and links to articles, Facebook groups and websites. They posted, tweeted and published information about their participation in stand-downs, honor flights, Quilts of Valor events, poppy distributions, parades, patriotic holiday celebrations, and gift shops. One unit member in Iowa made her own YouTube video, titled "Why I belong to the American Legion Auxiliary" - <https://www.youtube.com/watch?v=IyqRJkNl6Q>.

Departments are finding very creative ways to promote the ALA. Illinois made buttons with the ALA emblem and the phrase "Ask Me Why I'm 1 in a Million". The purpose of the button campaign is to both raise awareness of, and start conversations about, the ALA, and raise funds for two special projects. The Department of Texas hosted a patriotic flash mob event at a mall in San Antonio that included ALA members, Sons of the American Legion members and Legionnaires.

This event went over so well they're planning another for Austin later this year. The Department of New York reports 14,249 minutes of radio and TV time, 32 interviews, 138 articles written and published, as well as the widespread use of social media and websites.

Reports were not received from Connecticut, Alaska, Utah, and Hawaii.

VETERANS AFFAIRS & REHABILITATION CHAIRMAN: DIANE DUSCHECK

Department Veterans Affairs & Rehabilitation Chairmen are setting goals in their own departments, one of which is to increase communications in order to help members better understand this program and to be more active. American Legion Auxiliary members have busied themselves in service to veterans and their families, accumulating hours of volunteer service.

VAVS volunteers are regularly donating their time to make the VA experience better for veterans and their families. Duties attended to include greeting veterans and families as they enter a VA facility, helping veterans find their appointment rooms, and administrative work. To spice up monthly visits to homes and hospitals, unit members dressed up for the holidays-- in their favorite football team's attire, in ugly sweaters for Christmas, and as ghosts and goblins for Halloween, doing anything to bring a smile to a veteran. The updated and fillable forms for the "Certification of VAVS Representatives/Deputies" and "Certification of VAVS Associate Representatives/Deputies" are now available online and easy to use.

The former Field Service and Home Service have conveniently been combined as Service to Veterans in order to address the needs of veterans who are not in a VA facility. In the local community, members busied themselves knitting hats and gloves for veterans, supporting Quilts of Valor, packing Buddy Baskets, and providing transportation to medical appointments, grocery stores and general stores. Shut-ins and ill veterans are checked regularly just to make sure they have everything they need.

Volunteer hours are being used to help veterans enjoy creative writing and drama, to learn to play guitar, and to take up fiber arts. In many departments, unit funds are spent in the purchase of craft kits for veterans: mosaics, paint by number, rug hooking, weaving, and ceramics. As a culminating event to months of art and music therapy, local Veterans Creative Arts Festivals (VCAF) are like the icing on the cake, encouraging veterans to share their creative talents with other veterans, family, and the community. Though the purchase of art and craft supplies and medals for award winners can become costly, more units and departments are utilizing ALA Foundation VCAF mini-grants to help fund their local art therapy efforts.

This year, ALA members have been made more aware of the "Hidden Heroes" in our communities; the parents, children and friends who provide continuous care for ill or infirm veterans. Caregivers at times need a helping hand or a compassionate listening ear in order to lighten their burdens. Picking up prescriptions, doing housecleaning, preparing and delivering a meal once a week, and spending time with the veteran while the caregiver takes a break, are only some of the ways members have lent a helping hand to caregivers. The Military and Veteran Caregiver Network is available for Auxiliary members to be supportive of caregivers and to receive support if they are caregivers.

Units and departments are actively supporting VCAF, recognizing that there is great benefit to veterans who are able to participate in art and music therapy, drama, and recreational therapy programs. Many units are beginning to think along the lines of sponsoring a VCAF in order to provide this positive experience to local veterans. Since funding for a local VCAF is outside the realm of the VA hospitals, units are applying to the ALA Foundation for VCAF mini-grants.

Not all veterans are aware of the benefits available to them and to their families through the VA, including VA hospitals, Vet Centers, and Community Based Outpatient Clinics. Encourage veterans to explore the VA health care system and its services with the help of the local Veterans Service Officer.

Reports were not received from Alabama and Kansas.

APPENDIX B



FINANCIAL STATEMENTS



**AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY
FOUNDATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2015 AND 2014



**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

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**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

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INDEPENDENT AUDITOR'S REPORT

National Executive Committee
American Legion Auxiliary National Headquarters and
American Legion Auxiliary Foundation, Inc.
Indianapolis, Indiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the American Legion Auxiliary National Headquarters and the American Legion Auxiliary Foundation, Inc. (collectively referred to as the "Organization"), which comprise the consolidated statements of financial position as of September 30, 2015 and 2014, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Legion Auxiliary National Headquarters and the American Legion Auxiliary Foundation, Inc. as of September 30, 2015 and 2014, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of Federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 6, 2016, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended September 30, 2015. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Legion Auxiliary National Headquarters' internal control over financial reporting and compliance.

February 6, 2016

Blending CIA Group

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Assets:		
Cash and cash equivalents	\$ 760,805	\$ 903,851
Investments	28,678,958	28,892,983
Investments - PUFL	3,613,901	3,749,773
Prepaid expenses	81,598	167,641
Furniture and equipment, net	160,255	317,242
Other assets	<u>227,292</u>	<u>244,956</u>
Total assets	<u>\$ 33,522,809</u>	<u>\$ 34,276,446</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 727,354	\$ 903,084
Accrued expenses	401,756	367,080
Accrued scholarships	43,500	45,750
Deferred revenue - dues	2,660,966	2,490,208
Deferred revenue - PUFL	3,424,951	3,771,806
Deferred revenue - other	46,057	46,549
Liability for pension benefits	<u>1,006,744</u>	<u>597,637</u>
Total liabilities	<u>8,311,328</u>	<u>8,222,114</u>
Net Assets:		
Unrestricted net assets	24,397,314	24,909,624
Temporarily restricted net assets	598,715	609,545
Permanently restricted net assets	<u>1,333,338</u>	<u>1,220,420</u>
Total net assets before accumulated other comprehensive loss	26,329,367	26,739,589
Accumulated other comprehensive loss	<u>(1,117,886)</u>	<u>(685,257)</u>
Total net assets	<u>25,211,481</u>	<u>26,054,332</u>
Total liabilities and net assets	<u>\$ 33,522,809</u>	<u>\$ 34,276,446</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Revenue, Gains & Other Support:				
Contributions	\$ 845,882	\$ 345,630	\$ 112,918	\$ 1,304,430
Federal grants and cost sharing	-	689,318	-	689,318
Membership dues	5,807,991	-	-	5,807,991
Advertising	434,792	-	-	434,792
Other	<u>674,455</u>	<u>-</u>	<u>-</u>	<u>674,455</u>
	7,763,120	1,034,948	112,918	8,910,986
Temporarily Restricted Net Assets Released From Restrictions	<u>1,011,340</u>	<u>(1,011,340)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>8,774,460</u>	<u>23,608</u>	<u>112,918</u>	<u>8,910,986</u>
Expenses:				
Member services	4,775,870	-	-	4,775,870
Youth education services	792,584	-	-	792,584
Veteran and military family programs	<u>2,049,867</u>	<u>-</u>	<u>-</u>	<u>2,049,867</u>
Total program services	7,618,321	-	-	7,618,321
Management and general	648,169	-	-	648,169
Fundraising	<u>237,899</u>	<u>-</u>	<u>-</u>	<u>237,899</u>
Total expenses	<u>8,504,389</u>	<u>-</u>	<u>-</u>	<u>8,504,389</u>
Change in net assets from operations	270,071	23,608	112,918	406,597
Investment Income (Loss), Net of Expenses	<u>(778,808)</u>	<u>(38,011)</u>	<u>-</u>	<u>(816,819)</u>
Change in net assets	(508,737)	(14,403)	112,918	(410,222)
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	24,909,624	609,545	1,220,420	26,739,589
Interfund Transfers	<u>(3,573)</u>	<u>3,573</u>	<u>-</u>	<u>-</u>
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	<u>\$ 24,397,314</u>	<u>\$ 598,715</u>	<u>\$ 1,333,338</u>	<u>\$ 26,329,367</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2014

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Total</u>
Revenue, Gains & Other Support:				
Contributions	\$ 388,016	\$ 389,195	\$ 115,637	\$ 892,848
Federal grants and cost sharing	-	710,962	-	710,962
Membership dues	5,955,996	-	-	5,955,996
Advertising	450,098	-	-	450,098
Other	<u>838,588</u>	<u>-</u>	<u>-</u>	<u>838,588</u>
	7,632,698	1,100,157	115,637	8,848,492
Temporarily Restricted Net Assets Released From Restrictions				
	<u>1,080,068</u>	<u>(1,080,068)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>8,712,766</u>	<u>20,089</u>	<u>115,637</u>	<u>8,848,492</u>
Expenses:				
Member services	5,138,216	-	-	5,138,216
Youth education services	820,504	-	-	820,504
Veteran and military family programs	<u>2,041,027</u>	<u>-</u>	<u>-</u>	<u>2,041,027</u>
Total program services	7,999,747	-	-	7,999,747
Management and general	622,052	-	-	622,052
Fundraising	<u>296,400</u>	<u>-</u>	<u>-</u>	<u>296,400</u>
Total expenses	<u>8,918,199</u>	<u>-</u>	<u>-</u>	<u>8,918,199</u>
Change in net assets from operations	(205,433)	20,089	115,637	(69,707)
Investment Income, Net of Expenses	<u>2,202,613</u>	<u>76,499</u>	<u>-</u>	<u>2,279,112</u>
Change in net assets	1,997,180	96,588	115,637	2,209,405
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	<u>22,912,444</u>	<u>512,957</u>	<u>1,104,783</u>	<u>24,530,184</u>
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	<u>\$ 24,909,624</u>	<u>\$ 609,545</u>	<u>\$ 1,220,420</u>	<u>\$ 26,739,589</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	Program Services	Management and General	Fundraising	2015 Totals	2014 Totals
Personnel and related benefits*	\$ 2,651,032	\$ 348,460	\$ 99,830	\$ 3,099,322	\$ 2,963,354
General operating expenses	437,619	98,510	19,965	556,094	590,947
Conventions and meetings	1,600,726	66,670	1,482	1,668,878	1,566,662
Occupancy	222,616	34,097	10,491	267,204	257,103
Professional services and fees	676,672	88,270	62,296	827,238	713,810
Printing and publications	871,430	3,845	22,618	897,893	1,388,564
Postage and freight	761,763	1,937	21,217	784,917	781,998
Grants and scholarships	368,569	0-	0-	368,569	506,012
Other	<u>27,894</u>	<u>6,380</u>	<u>0-</u>	<u>34,274</u>	<u>149,749</u>
Total expenses	<u>\$ 7,618,321</u>	<u>\$ 648,169</u>	<u>\$ 237,899</u>	<u>\$ 8,504,389</u>	<u>\$ 8,918,199</u>

*Includes AmeriCorps National/VISTA member living allowances and related benefits of \$599,140 in 2015 and \$588,371 in 2014 relating to Federal grant awards.

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2014

	Program Services	Management and General	Fundraising	2014 Totals
Personnel and related benefits*	\$ 2,474,082	\$ 329,373	\$ 159,899	\$ 2,963,354
General operating expenses	447,162	108,565	35,220	590,947
Conventions and meetings	1,509,537	56,306	819	1,566,662
Occupancy	204,144	35,306	17,653	257,103
Professional services and fees	603,088	80,694	30,028	713,810
Printing and publications	1,360,629	3,789	24,146	1,388,564
Postage and freight	750,982	2,381	28,635	781,998
Grants and scholarships	506,012	-0-	-0-	506,012
Other	144,111	5,638	-0-	149,749
Total expenses	<u>\$ 7,999,747</u>	<u>\$ 622,052</u>	<u>\$ 296,400</u>	<u>\$ 8,918,199</u>

*Includes AmeriCorps National/VISTA member living allowances and related benefits of \$588,371 in 2014 relating to Federal grant awards.

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (410,222)	\$ 2,209,405
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	201,397	252,404
Gain on disposal of assets	(187)	(325)
Net realized (gain) loss on investments	(217,006)	(493,556)
Net realized (gain) loss on investments - PUFL	(344,847)	(252,941)
Net unrealized (gain) loss on investments	1,576,234	(1,272,765)
Net unrealized (gain) loss on investments - PUFL	555,793	(30,448)
Net periodic pension expense	1,478	(14,545)
Changes in operating assets and liabilities:		
Prepaid expenses	86,043	(9,084)
Other assets	17,664	(55,270)
Accounts payable	(175,730)	375,140
Accrued expenses and scholarships	32,426	53,491
Deferred revenue - dues	170,758	(166,012)
Deferred revenue - PUFL	(346,855)	108,421
Deferred revenue - other	(492)	1,360
Liability for pension benefits	(25,000)	(25,000)
Net cash provided by operating activities	<u>1,121,454</u>	<u>680,275</u>
Cash Flows From Investing Activities:		
Fixed assets purchased or donated	(44,410)	(54,762)
Proceeds from sale of assets	187	325
Purchase of investments	(1,960,835)	(794,903)
Proceeds from sale of investments	815,632	120,069
Purchase of investments - PUFL	(94,213)	(88,173)
Proceeds from sale of investments - PUFL	19,139	255,349
Net cash used in investing activities	<u>(1,264,500)</u>	<u>(562,095)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(143,046)	118,180
Cash and Cash Equivalents, Beginning of Year	<u>903,851</u>	<u>785,671</u>
Cash and Cash Equivalents, End of Year	<u>\$ 760,805</u>	<u>\$ 903,851</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation and Description of Entities

The accompanying consolidated financial statements include the accounts of the American Legion Auxiliary National Headquarters (the "Auxiliary") and the American Legion Auxiliary Foundation, Inc. (the "Foundation"), collectively referred to as the "Organization". All significant intercompany transactions and balances have been eliminated in consolidation.

The Auxiliary is a national membership veterans' service organization headquartered in Indianapolis, Indiana. The Auxiliary was founded in 1919 in conjunction with the establishment of The American Legion by the United States Congress and was incorporated as a not-for-profit organization on November 11, 1932 under the laws of the State of Indiana. Members of the Auxiliary are women who served, or whose relatives served, in the United States Armed Forces during times of declared war and conflict. The mission of the Auxiliary is to honor, advocate for, and enhance the lives of U.S. veterans, military, and their families, and to promote patriotism, national security, and good citizenship. The Auxiliary enacts its mission through scholarship, educational, mentoring, and outreach programs, and by administering and supporting various projects that benefit veterans and military families at home and abroad.

The Foundation was incorporated on September 27, 2007 as a not-for-profit entity under the State of Indiana Not-For-Profit Incorporation Act. The Foundation was organized by the Auxiliary exclusively for the benefit of the Auxiliary and assists in fundraising and offers support in carrying out educational, charitable, and other programs sponsored by the Auxiliary. Accordingly, as required by accounting principles generally accepted in the United States of America ("U.S. GAAP"), the Foundation's accounts and related disclosures are consolidated herein with those of the Auxiliary.

The accompanying consolidated financial statements only include the accounts of the Auxiliary Headquarters and the Foundation and do not include the accounts of other independent affiliated Auxiliary locations including departments (state-level organizations) and units (community-level organizations).

The significant accounting policies followed by the Organization in the preparation of its consolidated financial statements are summarized below:

Basis of Presentation

The Organization utilizes the principles of fund accounting in the preparation of its consolidated financial statements. Therefore, net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The three fund accounts include the following:

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Unrestricted Fund

The unrestricted net assets are net assets not subject to donor-imposed restrictions. The unrestricted fund is used to account for all contributions, revenues, and expenses used for the general operations of the Organization.

Temporarily Restricted Fund

The temporarily restricted fund is used to record contributions and revenues that are received or generated that have donor restrictions that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are classified as unrestricted net assets and are reported as net assets released from restrictions in the statement of activities and changes in net assets (Note 5). In addition, the temporarily restricted fund includes, in the absence of explicit donor restrictions, earnings on permanently restricted funds that have not yet been appropriated for expenditure.

Permanently Restricted Fund

Assets held in perpetuity are held in the permanently restricted fund and include certain funds restricted for scholarships and other restricted purposes. The net income from these investments and all non-restricted contributions are available for release to the unrestricted fund.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and notes to the consolidated financial statements. Actual results could differ from those estimates. Principal estimates made in the preparation of the consolidated financial statements include the allocation of functional expenses and assumptions employed in the determination of pension expense.

Cash and Cash Equivalents

Cash and cash equivalents represent cash invested in checking and money market accounts. All liquid investments with original maturity dates of three months or less are classified as cash equivalents.

Investments and Investment Return

The Organization's investments are valued at fair market value and have a readily determinable fair value. Investment return includes dividends, interest, and realized and unrealized gains and losses on investments carried at fair value.

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Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is first recorded as temporarily restricted and then released from restriction. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted, or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Furniture and Equipment and Depreciation

Furniture, equipment, and leasehold improvements purchased and expenditures which substantially increase the useful lives of existing assets are recorded at cost. Cost of repairs and maintenance are expensed as incurred. Furniture, equipment, and leasehold improvements are depreciated over the estimated useful lives, which range from 5 to 10 years, using the straight-line method of depreciation.

Support and Revenue Recognition

The Organization records gifts as revenue at the date it receives either cash or an unconditional promise to give from a donor. Assets received from a donor are recorded at fair value and are recorded as unrestricted revenue unless the donor includes stipulations that limit the use of the assets, in which case the revenue is recorded as either Temporarily or Permanently Restricted revenue. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported as "Net assets released from restrictions" in the consolidated statement of activities and changes in net assets.

Contributions raised through direct mail campaigns by third-party vendors are reported net of the associated cost in the consolidated statement of activities and changes in net assets.

Functional Expenses

Expenses are allocated among various Programs, Management and General, and Fundraising based on management's estimates of time spent by employees, space utilization, or other rational bases.

Dues Income

Dues are recognized as income in the applicable membership period. Membership dues are paid annually based on a calendar year-end.

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Income Taxes

The Auxiliary and the Foundation are organized as not-for-profit corporations and, accordingly, are exempt from Federal and state income taxes under sections 501(c)(19) and 501(c)(3) of the Internal Revenue Code, respectively.

Management of the Organization evaluates all significant tax positions to ensure compliance with the exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of September 30, 2015, Management does not believe the Organization has taken any tax positions that are not in compliance with its exempt purpose. The Organization's Federal and state tax returns remain open and subject to examination beginning with the tax year ended September 30, 2012.

Subsequent Events

Subsequent events have been evaluated through February 6, 2016, which is the date the consolidated financial statements were available for issuance.

2. FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. U.S. GAAP also establishes a fair value hierarchy, which requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels are defined by U.S. GAAP as a means of measuring fair value:

Level 1

Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Organization has no Level 2 investments at September 30, 2015 and 2014.

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Level 3

Unobservable inputs reflecting the entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets measured at fair value at September 30, 2015 include the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 760,805	\$ -0-	\$ 760,805
Investments	26,749,071	1,929,887	28,678,958
Investments - PUFL	<u>3,613,901</u>	<u>-0-</u>	<u>3,613,901</u>
	<u>\$ 31,123,777</u>	<u>\$ 1,929,887</u>	<u>\$ 33,053,664</u>

Assets measured at fair value at September 30, 2014 include the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 903,851	\$ -0-	\$ 903,851
Investments	27,179,903	1,713,080	28,892,983
Investments - PUFL	<u>3,749,773</u>	<u>-0-</u>	<u>3,749,773</u>
	<u>\$ 31,833,527</u>	<u>\$ 1,713,080</u>	<u>\$ 33,546,607</u>

The following schedule summarizes the changes in assets measured using Level 3 inputs during the year ending September 30, 2015:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	<u>Hedge Fund</u>	<u>Partnerships</u>	<u>Total</u>
Beginning Balance, 9/30/14	\$ 1,153,332	\$ 559,748	\$ 1,713,080
Additions	250,000	-0-	250,000
Withdrawals	-0-	(33,651)	(33,651)
Realized gains	-0-	69,152	69,152
Unrealized losses	<u>(14,851)</u>	<u>(53,843)</u>	<u>(68,694)</u>
Ending Balance, 9/30/15	<u>\$ 1,388,481</u>	<u>\$ 541,406</u>	<u>\$ 1,929,887</u>

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The following schedule summarizes the changes in assets measured using Level 3 inputs during the year ending September 30, 2014:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	Hedge Fund	Partnerships	Total
Beginning Balance, 9/30/13	\$ 1,081,473	\$ 638,876	\$ 1,720,349
Additions	-0-	-0-	-0-
Withdrawals	-0-	(77,103)	(77,103)
Realized losses	-0-	(26,128)	(26,128)
Unrealized gains	71,859	24,103	95,962
Ending Balance, 9/30/14	\$ 1,153,332	\$ 559,748	\$ 1,713,080

3. INVESTMENTS AND INVESTMENT RETURN

A summary of the Organization's investments and investment returns as of September 30, 2015 and 2014 and for the years then ended is as follows:

	2015		2014	
	Cost	Market	Cost	Market
Investments:				
Money market funds	\$ 643,532	\$ 643,532	\$ 6,089,954	\$ 6,089,954
Certificates of deposit	1,005,866	1,005,866	-0-	-0-
Exchange traded funds	6,067,878	8,060,446	6,126,136	8,636,788
Mutual funds and other	17,620,741	18,969,114	11,759,718	14,166,241
Total investments	\$ 25,338,017	\$ 28,678,958	\$ 23,975,808	\$ 28,892,983

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The following schedule summarizes the investment income (loss) and its classification in the statements of activities and changes in net assets for the years ended September 30, 2015 and 2014:

	2015						
	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted Funds	Auxiliary Total	Foundation Total	Total
Dividends and interest (net of expenses of \$32,536)	\$ 485,438	\$ 30,226	\$ 515,664	\$ 16,557	\$ 532,221	\$ 10,188	\$ 542,409
Net realized gains (losses) on investments	208,722	12,921	221,643	1,398	223,041	(6,035)	217,006
Net unrealized gains (losses) on investments	<u>(1,425,490)</u>	<u>(90,625)</u>	<u>(1,516,115)</u>	<u>(44,456)</u>	<u>(1,560,571)</u>	<u>(15,663)</u>	<u>(1,576,234)</u>
Total investment income	<u>\$ (731,330)</u>	<u>\$ (47,478)</u>	<u>\$ (778,808)</u>	<u>\$ (26,501)</u>	<u>\$ (805,309)</u>	<u>\$ (11,510)</u>	<u>\$ (816,819)</u>

	2014						
	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted Funds	Auxiliary Total	Foundation Total	Total
Dividends and interest (net of expenses of \$30,073)	\$ 451,100	\$ 36,247	\$ 487,347	\$ 16,692	\$ 504,039	\$ 8,752	\$ 512,791
Net realized gains (losses) on investments	489,786	19,313	509,099	(13,660)	495,439	(1,883)	493,556
Net unrealized gains (losses) on investments	<u>1,150,969</u>	<u>55,198</u>	<u>1,206,167</u>	<u>46,413</u>	<u>1,252,580</u>	<u>20,185</u>	<u>1,272,765</u>
Total investment income	<u>\$ 2,091,855</u>	<u>\$ 110,758</u>	<u>\$ 2,202,613</u>	<u>\$ 49,445</u>	<u>\$ 2,252,058</u>	<u>\$ 27,054</u>	<u>\$ 2,279,112</u>

4. FURNITURE AND EQUIPMENT

The Organization's furniture and equipment for the years ended September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Furniture, office equipment and information technology	\$ 1,466,883	\$ 1,429,492
Leasehold improvements	<u>38,039</u>	<u>38,039</u>
	1,504,922	1,467,531
Accumulated depreciation and amortization	<u>(1,344,667)</u>	<u>(1,150,289)</u>
	<u>\$ 160,255</u>	<u>\$ 317,242</u>

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5. UNRESTRICTED NET ASSETS

Unrestricted net assets are internally designated for the following purposes at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Auxiliary Unrestricted Net Assets:		
General operations	\$ 22,934,658	\$ 23,461,316
NEC designated reserves	370,000	335,000
Auxiliary Emergency Fund	359,493	381,750
Spirit of Youth Fund	162,514	173,369
National President's Endowment Fund (NEC designated)	455,391	439,415
Other	106,887	106,830
	<u>24,388,943</u>	<u>24,897,680</u>
Foundation Unrestricted Net Assets:		
General operations	11,944	11,944
Undistributed endowment earnings deficit	(3,573)	-0-
	<u>8,371</u>	<u>11,944</u>
 Total consolidated unrestricted net assets	 <u>\$ 24,397,314</u>	 <u>\$ 24,909,624</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Auxiliary Temporarily Restricted Net Assets:		
Undistributed endowment earnings	\$ 53,544	\$ 125,045
Spirit of Youth Fund	324,833	338,608
Emergency Fund grants	40,838	-0-
Other	41,871	40,334
	<u>461,086</u>	<u>503,987</u>
Foundation Temporarily Restricted Net Assets:		
Undistributed endowment earnings	-0-	18,125
Veteran Projects Fund	91,496	64,162
National and Local Veteran Creative Arts Festival(s)	46,133	23,271
	<u>137,629</u>	<u>105,558</u>
 Total consolidated temporarily restricted net assets	 <u>\$ 598,715</u>	 <u>\$ 609,545</u>

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7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions from the temporarily restricted fund to the unrestricted fund by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors, are as follows:

	<u>2015</u>	<u>2014</u>
Purpose restrictions accomplished:		
Auxiliary:		
Veteran services capacity building (CNCS)	\$ 689,318	\$ 716,905
Emergency Fund grants and related expenses	145,239	196,482
Spirit of Youth Fund scholarships and related expenses, net of forfeitures	41,790	30,569
National President's Endowment Fund scholarships and related expenses, net of forfeitures	45,000	42,500
ALA Girls Nation expenses	8,752	-0-
Foundation:		
Endowment distributions in support of Auxiliary operations	10,188	8,752
Veteran Projects Fund Grants	18,921	11,456
National and Local Veteran Creative Arts Festival(s)	48,382	73,404
Auxiliary mission sub-grants to ALA Departments, Districts, and Units	3,750	-0-
	<u>\$ 1,011,340</u>	<u>\$ 1,080,068</u>

8. PAID-UP-FOR-LIFE (PUFL) TRUST

In February 1981, the National Executive Committee approved the establishment of a life membership plan to be available to any member. In November 1981, the assets of the Paid-Up-For-Life (PUFL) Plan, formerly known as the Very-Important-Member (VIM) Plan, were segregated into a trust account from which funds equal to the annual dues of life members will be withdrawn each year. The trust agreement provides that the Auxiliary 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. Investment income from the PUFL Membership trust is recorded as a component of deferred revenue and is not reflected in the consolidated statement of activities and changes in net assets.

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The financial position of the PUFL Membership trust is as follows:

	<u>2015</u>	<u>2014</u>
Assets:		
Cash	\$ 96,223	\$ 325,064
Investments - PUFL	3,613,901	3,749,773
Other	<u>20,186</u>	<u>12,638</u>
Total assets	<u>\$ 3,730,310</u>	<u>\$ 4,087,475</u>
Liabilities:		
Due to General Operating Fund	\$ 305,359	\$ 315,669
Deferred revenue - PUFL	<u>3,424,951</u>	<u>3,771,806</u>
	<u>\$ 3,730,310</u>	<u>\$ 4,087,475</u>

The cost and market value of investments in the PUFL Membership trust as of September 30, 2015 and 2014 are as follows:

	2015		2014	
	Cost	Market	Cost	Market
Investments:				
Money market funds	\$ 333,482	\$ 333,482	\$ 26,375	\$ 26,375
Exchange traded funds	1,350,351	1,588,359	1,202,330	1,912,669
Mutual funds and other	<u>1,774,257</u>	<u>1,692,060</u>	<u>1,809,464</u>	<u>1,810,729</u>
Total investments	<u>\$ 3,458,090</u>	<u>\$ 3,613,901</u>	<u>\$ 3,038,169</u>	<u>\$ 3,749,773</u>

The following schedule summarizes the PUFL Membership trust investment income for the years ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Dividends and interest (net of expenses)	\$ 75,074	\$ 68,717
Net realized gains on investments	344,847	252,941
Net unrealized gains on investments	<u>(555,793)</u>	<u>30,448</u>
Total investment income	<u>\$ (135,872)</u>	<u>\$ 352,106</u>

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9. PENSION PLAN

Prior to 2008, the Auxiliary participated in a defined benefit pension plan covering substantially all of its employees. The plan was frozen on June 30, 2008. Participating employees will continue to vest in the plan; however, benefit payments will be based on the years of service and salary level as of June 30, 2008. The Auxiliary's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Auxiliary may determine to be appropriate from time to time.

Significant balances, costs, and assumptions are as follows:

	<u>2015</u>	<u>2014</u>
Projected benefit obligation	\$ (3,298,919)	\$ (3,146,529)
Fair value of plan assets	<u>2,292,175</u>	<u>2,548,892</u>
Funded status	<u>\$ (1,006,744)</u>	<u>\$ (597,637)</u>
Accumulated benefit obligation	<u>\$ (3,298,919)</u>	<u>\$ (3,146,529)</u>

Based on actuarial calculations, and in accordance with the provisions of the Employee Retirement Income Security Act (ERISA), there are no payments currently required to be made to the plan.

Amounts recognized in the consolidated financial statements are as follows:

	<u>2015</u>	<u>2014</u>
Liability for pension benefits	\$ 1,006,744	\$ 597,637
Unrecognized losses (Note 15)	(1,074,715)	(636,792)
Unamortized prior service cost (Note 15)	(43,171)	(48,465)
Net periodic pension cost	1,478	(14,545)
Employer contributions	25,000	25,000
Benefits paid	132,817	129,870

Weighted-average assumptions used to determine benefit obligations are as follows:

	<u>2015</u>	<u>2014</u>
Weighted-average assumptions:		
Discount rate	4.02%	4.55%
Rate of compensation increase	N/A	N/A

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Weighted-average assumptions used to determine benefit costs are as follows:

	<u>2015</u>	<u>2014</u>
Weighted-average assumptions:		
Discount rate	3.99%	4.02%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	N/A	N/A

The Auxiliary has estimated the long-term rate on plan assets based primarily on historical returns, adjusted for changes in target portfolio allocations, and recent changes in long-term interest rates based on publicly available information.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of September 30:

2016	\$	144,717
2017		164,903
2018		184,853
2019		185,701
2020		182,440
2020-2024		<u>980,703</u>
	\$	<u>1,843,317</u>

Plan assets are held by a bank-administered trust fund, which invests the plan assets in accordance with provisions of the plan agreement. The plan agreements permit investment in equity and debt securities based on certain target allocation percentages.

Asset allocation is primarily based on a strategy to provide stable earnings while still permitting the plans to recognize potentially higher returns through a limited investment in equity securities. Plan assets are re-balanced quarterly. The most recent target asset allocation percentages and the actual plan assets by category at September 30, 2015 and 2014 were as follows:

	<u>Target</u>	<u>2015</u>	<u>2014</u>
Equity securities	40 - 60%	41%	31%
Debt securities	40 - 60%	51%	69%
Other	0%	8%	0%

The market values of the investments are measured by a Level 1 input in accordance with U.S. GAAP.

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10. PROFIT SHARING PLAN

The Auxiliary established a 401(k) Profit Sharing Plan subsequent to the freezing of the pension plan in 2008 (Note 8). The plan covers all eligible employees meeting certain age and term-of-employment provisions. Contributions are made by the Auxiliary at the discretion of the National Finance and National Executive Committees. Participants become fully vested in employer contributions after five (5) years of service. The Auxiliary contributed \$44,533 and \$45,127 in 2015 and 2014, respectively.

11. OPERATING LEASES

The Auxiliary leases its National Headquarters' office under an agreement that calls for monthly lease payments ranging from \$19,170 to \$20,042 through January 2019 plus the Auxiliary's proportionate share of operating costs. Total lease expense for the National Headquarters' Office was \$233,604 and \$223,503 in 2015 and 2014, respectively.

The Auxiliary also leases certain office equipment under terms in excess of one year. The leases require minimum monthly lease payments of \$1,999 expiring at various dates through July 2019. Lease expense for these leases and other short-term cancelable leases was \$24,204 and \$24,733 for the years ended September 30, 2015 and 2014, respectively.

Future minimum lease payments under the terms of all noncancelable operating leases at September 30, 2015 are as follows:

Year Ending <u>September 30,</u>	
2016	\$ 255,590
2017	255,226
2018	258,711
2019	<u>96,311</u>
	<u>\$ 865,838</u>

12. RELATED PARTY TRANSACTIONS

The Auxiliary and The American Legion National Headquarters (the "Legion") are related parties that are not financially interrelated organizations. The Legion is a national veterans' organization created by an Act of Congress to provide various programs to support veterans, their families, and children and youth. Many of the Auxiliary's programs mirror and/or supplement the efforts of the Legion in supporting these groups. Accordingly, there are shared resources between the two organizations.

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Activities between the Auxiliary and the Legion for the years ended September 30, 2015 and 2014 are summarized below:

	<u>2015</u>	<u>2014</u>
Disbursements to Legion:		
Conferences and convention	\$ 73,067	\$ 57,131
Legal services	13,027	87,353
National emblem sales	26,206	10,535
Contributions to the Legion and its affiliates	2,500	2,500
Other	<u>10,388</u>	<u>8,178</u>
	<u>\$ 125,188</u>	<u>\$ 165,697</u>
Receipts:		
National emblem sales	\$ 56,720	\$ 62,306
Conferences and convention	<u>101</u>	<u>-0-</u>
	<u>\$ 56,821</u>	<u>\$ 62,306</u>

13. NATIONAL PRESIDENT'S SCHOLARSHIP ENDOWMENT

Composition of Endowment Net Assets

The Auxiliary created the National President's Scholarship Endowment Fund (the "Endowment") in 2008 to provide funding for scholarships awarded by the Auxiliary. The endowment consists of quasi endowment funds set aside by the National Executive Committee (NEC) and donor-designated funds. In 2008, the NEC designated \$280,810 of unrestricted net assets as a component of the endowment. The NEC-designated and donor-designated portions of the endowment are classified as unrestricted and permanently restricted, respectively, in the consolidated statements of financial position, and the components are tracked separately for the purpose of recording investment income.

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Endowment net assets at September 30, 2015 include the following:

	NEC	Donor	
	<u>Designated</u>	<u>Designated</u>	<u>Total</u>
Historic gift value	\$ 312,948	\$ 654,662	\$ 967,610
Accumulated earnings	<u>126,467</u>	<u>125,045</u>	<u>251,512</u>
Endowment net assets, beginning of year	<u>439,415</u>	<u>779,707</u>	<u>1,219,122</u>
Additions to endowment	30,342	14,623	44,965
Scholarships paid, net of forfeitures	-0-	(45,000)	(45,000)
Interest and dividends, net of fees	8,788	16,557	25,345
Realized gains (losses)	(3,679)	1,398	(2,281)
Unrealized losses	<u>(19,474)</u>	<u>(44,456)</u>	<u>(63,930)</u>
Change in endowment net assets	<u>15,977</u>	<u>(56,878)</u>	<u>(40,901)</u>
Endowment net assets, end of year	<u>\$ 455,392</u>	<u>\$ 722,829</u>	<u>\$ 1,178,221</u>
Historic gift value	\$ 343,290	\$ 669,285	\$ 1,012,575
Accumulated earnings	<u>112,102</u>	<u>53,544</u>	<u>165,646</u>
Endowment net assets, end of year	<u>\$ 455,392</u>	<u>\$ 722,829</u>	<u>\$ 1,178,221</u>

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Endowment net assets at September 30, 2014 include the following:

	NEC	Donor	
	<u>Designated</u>	<u>Designated</u>	<u>Total</u>
Historic gift value	\$ 312,948	\$ 643,230	\$ 956,178
Accumulated earnings	<u>99,871</u>	<u>118,100</u>	<u>217,971</u>
Endowment net assets, beginning of year	<u>412,819</u>	<u>761,330</u>	<u>1,174,149</u>
Additions to endowment	-0-	11,432	11,432
Scholarships paid, net of forfeitures	-0-	(42,500)	(42,500)
Interest and dividends, net of fees	8,976	16,692	25,668
Realized losses	(2,163)	(13,660)	(15,823)
Unrealized gains	<u>19,783</u>	<u>46,413</u>	<u>66,196</u>
Change in endowment net assets	<u>26,596</u>	<u>18,377</u>	<u>44,973</u>
Endowment net assets, end of year	<u>\$ 439,415</u>	<u>\$ 779,707</u>	<u>\$ 1,219,122</u>
Historic gift value	\$ 312,948	\$ 654,662	\$ 967,610
Accumulated earnings	<u>126,467</u>	<u>125,045</u>	<u>251,512</u>
Endowment net assets, end of year	<u>\$ 439,415</u>	<u>\$ 779,707</u>	<u>\$ 1,219,122</u>

Governing Board's Interpretation of Relevant Law

The Auxiliary, incorporated in and governed by the laws of the State of Indiana, has interpreted the Indiana statute Uniform Prudent Management of Institutional Funds Act, enacted in 2007, to require the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and to not require the maintenance of purchasing power. As a result of this interpretation, the Organization 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 direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Endowment Draws

Endowment draws, net of forfeitures, of \$45,000 and \$42,500 were made during the years ended September 30, 2015 and 2014, respectively, to fund scholarships.

The Auxiliary has adopted a spending policy relating to future endowment draws. The available endowment draw for each fiscal year beginning October 1 shall be limited to an amount determined by applying a 5% rate to the three-year rolling average market value for the period ending the preceding May 31. The actual endowment draw will be recommended by the National Finance Committee to the National Executive Committee for its approval during the annual budgeting process. Should the National Finance Committee deem it advisable to exceed the 5% limit, the change must be approved by the National Executive Committee.

The NEC-designated portion of the endowment may be added to or expended by the National Executive Committee at their discretion. At the recommendation of the National Finance Committee, and by approval of the National Executive Committee, the endowment spending policy may be suspended in any given year. However, it is the intent of the Auxiliary that the endowment fund shall be maintained in perpetuity.

Investment Policy for the Endowment

Purpose

The primary goal of the Endowment's investment policy is to provide a sustainable level of income to support the Auxiliary's national scholarships awarded from this fund while also striving to preserve the inflation adjusted purchasing power of the fund.

Investment Objectives

The objectives of this policy are to invest funds in a method that will generate a return of at least 4.5% over the Consumer Price Index. This model is based on an investment horizon of greater than ten years. Within this model, the parameters of the asset allocation should be as follows:

	<u>Target</u>
Equities	55%
Fixed Income	28%
Cash and Equivalents	2%
Alternative Investments	15%

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Investment Plan

The plan is to be reviewed by the Finance Committee and their advisors at least semi-annually at a time set by the Finance Committee.

14. AMERICAN LEGION AUXILIARY FOUNDATION ALA MISSION ENDOWMENT

Composition of Endowment Net Assets

The Foundation created the ALA Mission Endowment Fund (the "Mission Endowment") in 2007 to generate and maximize funds available to benefit and assist in carrying out the educational, charitable and similar programs of the Auxiliary over the long-term. The Mission Endowment consists entirely of donor-designated funds and is classified as permanently restricted in the consolidated statements of financial position.

Endowment net assets at September 30, 2015 and 2014 include the following:

	<u>2015</u>	<u>2014</u>
Historic gift value	\$ 565,758	\$ 461,553
Accumulated earnings (losses)	<u>18,125</u>	<u>(177)</u>
Endowment net assets, beginning of year	<u>583,883</u>	<u>461,376</u>
Additions to endowment	98,295	104,205
Endowment distributions	(10,188)	(8,752)
Interest and dividends, net of fees	10,188	8,752
Realized losses	(6,035)	(1,883)
Unrealized gains (losses)	<u>(15,663)</u>	<u>20,185</u>
Change in endowment net assets	<u>76,597</u>	<u>122,507</u>
Endowment net assets, end of year	<u>\$ 660,480</u>	<u>\$ 583,883</u>
Historic gift value	\$ 664,053	\$ 565,758
Accumulated earnings (losses)	<u>(3,573)</u>	<u>18,125</u>
Endowment net assets, end of year	<u>\$ 660,480</u>	<u>\$ 583,883</u>

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Governing Board's Interpretation of Relevant Law

The Foundation, incorporated in and governed by the laws of the State of Indiana, has interpreted the Indiana statute Uniform Prudent Management of Institutional Funds Act, enacted in 2007, to require the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and to not require the maintenance of purchasing power. As a result of this interpretation, the Organization 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 direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

Endowment Draws

Endowment draws during the years ending September 30, 2015 and 2014 were \$10,188 and \$8,752, respectively.

The Foundation has adopted a spending policy relating to future endowment draws. The available endowment draw for each fiscal year beginning October 1 shall be limited to an amount determined by applying a 5% rate to the three-year rolling average market value for the period ending the preceding May 31. The actual endowment draw will be recommended by the American Legion Auxiliary Foundation Board to the National Finance Committee during the annual budgeting process for approval by the National Executive Committee. Should the Foundation Board deem it advisable to exceed the 5% limit, the change must be approved by the National Executive Committee.

15. CONCENTRATIONS

The Organization maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

16. COMPREHENSIVE INCOME

Comprehensive income for the years ended September 30, 2015 and 2014 includes the following:

	<u>2015</u>	<u>2014</u>
Change in net assets	\$ (410,222)	\$ 2,209,405
Other comprehensive income:		
Unrecognized losses, beginning of year	636,792	460,637
Unrecognized losses, end of year	<u>1,074,715</u>	<u>636,792</u>
Change in unrecognized losses	<u>(437,923)</u>	<u>(176,155)</u>
Unamortized prior service cost, beginning of year	48,465	53,759
Unamortized prior service cost, end of year	<u>43,171</u>	<u>48,465</u>
Change in unamortized prior service cost	<u>5,294</u>	<u>5,294</u>
	<u>(432,629)</u>	<u>(170,861)</u>
Comprehensive income	<u>\$ (842,851)</u>	<u>\$ 2,038,544</u>

17. STRATEGIC PLAN

In 2014, the National Executive Committee adopted the vision and five goals of a 5-year strategic plan to help ensure that by the Auxiliary's 100th anniversary in 2019-2020, the Auxiliary is effectively serving its mission in every community. The American Legion Auxiliary 5-Year Centennial Strategic Plan is the map with some 25 strategies and 115 initiatives for achieving the five primary goals so the Auxiliary can meet the needs of its veterans and military families in the community for another 100 years. The national strategic plan was developed by some 200 members and depends on the organization at all levels achieving the five strategic goals by 2020: 1) Attain 1 Million Members; 2) Create an Internal Culture of Good Will; 3) Develop Leadership at All Levels; 4) Strengthen Departments and Units; and 5) With The American Legion Build Brand Loyalty.

Departments are at various stages of developing and implementing statewide plans customized to achieving the five goals. With overwhelming member support, the National Executive Committee budgeted \$990,000 in 2016 to resource the Centennial Strategic Plan, recognizing the critical need to invest in the future growth of the Auxiliary.

SUPPLEMENTARY INFORMATION

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

ANALYSIS OF DEFERRED REVENUE – PUFL
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Increases:		
Membership dues	\$ 140,739	\$ 123,258
Investment income	<u>(135,872)</u>	<u>352,106</u>
	<u>4,867</u>	<u>475,364</u>
Decreases:		
Distributions to departments	307,184	317,820
Administrative expense	<u>44,538</u>	<u>49,123</u>
	<u>351,722</u>	<u>366,943</u>
Net Increase (Decrease)	(346,855)	108,421
Deferred Revenue, Beginning of Year	<u>3,771,806</u>	<u>3,663,385</u>
Deferred Revenue, End of Year	<u>\$ 3,424,951</u>	<u>\$ 3,771,806</u>

See Independent Auditor's Report on pages 1-2.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2015

ASSETS

	<u>Auxiliary</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 526,367	\$ 234,438	\$ -0-	\$ 760,805
Investments	28,036,451	642,507	-0-	28,678,958
Investments - PUFL	3,613,901	-0-	-0-	3,613,901
Prepaid expenses	81,598	-0-	-0-	81,598
Furniture and equipment, net	160,255	-0-	-0-	160,255
Other assets	<u>283,512</u>	<u>500</u>	<u>(56,720)</u>	<u>227,292</u>
Total assets	<u>\$ 32,702,084</u>	<u>\$ 877,445</u>	<u>\$ (56,720)</u>	<u>\$ 33,522,809</u>

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable	\$ 716,682	\$ 67,392	\$ (56,720)	\$ 727,354
Accrued expenses	401,756	-0-	-0-	401,756
Accrued scholarships	43,500	-0-	-0-	43,500
Deferred revenue - dues	2,660,966	-0-	-0-	2,660,966
Deferred revenue - PUFL	3,424,951	-0-	-0-	3,424,951
Deferred revenue - other	46,057	-0-	-0-	46,057
Liability for pension benefits	<u>1,006,744</u>	<u>-0-</u>	<u>-0-</u>	<u>1,006,744</u>
Total liabilities	<u>8,300,656</u>	<u>67,392</u>	<u>(56,720)</u>	<u>8,311,328</u>
Net Assets:				
Unrestricted net assets	24,388,943	8,371	-0-	24,397,314
Temporarily restricted net assets	461,086	137,629	-0-	598,715
Permanently restricted net assets	<u>669,285</u>	<u>664,053</u>	<u>-0-</u>	<u>1,333,338</u>
Total net assets before accumulated other comprehensive loss	25,519,314	810,053	-0-	26,329,367
Accumulated other comprehensive loss	<u>(1,117,886)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,117,886)</u>
Total net assets	<u>24,401,428</u>	<u>810,053</u>	<u>-0-</u>	<u>25,211,481</u>
Total liabilities and net assets	<u>\$ 32,702,084</u>	<u>\$ 877,445</u>	<u>\$ (56,720)</u>	<u>\$ 33,522,809</u>

See Independent Auditor's Report on pages 1-2.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2015**

	Auxiliary			Foundation			Eliminations	Total
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds		
Revenue, Gains & Other Support:								
Contributions	\$ 902,692	\$ 204,094	\$ 1,141,698	\$ 123,384	\$ 121,249	\$ 98,295	\$ 341,628	\$ 1,004,490
Fees	-	-	689,319	-	-	-	-	689,319
Fundraising and cost sharing	5,807,981	-	689,319	-	-	-	-	6,497,309
Membership dues	434,782	-	5,807,981	-	-	-	-	5,807,981
Advertising	674,455	-	434,782	-	-	-	-	434,782
Other	7,819,840	913,699	674,455	-	-	-	-	674,455
Net assets released from restrictions	930,099	(930,099)	-	122,384	121,249	98,295	341,628	819,086
				81,241	(81,241)	-	-	-
Expenses:								
Total revenue, gains, and other support	8,749,939	(16,400)	14,623	203,625	40,008	98,295	341,628	8,910,366
Member services	4,775,870	-	-	-	-	-	-	4,775,870
Youth education services	787,619	-	-	15,153	-	-	15,153	792,584
Veteran and military family programs	2,008,549	-	-	87,850	-	-	87,850	2,049,857
Total program services	7,572,038	-	-	103,003	-	-	103,003	7,618,381
Management and general	26,203	-	-	1,475	-	-	1,475	27,678
Fundraising	1,162	-	-	58,427	-	-	58,427	59,589
Total expenses	8,479,868	-	-	203,625	-	-	203,625	8,504,389
Change in net assets from operations	270,071	(16,400)	14,623	268,294	40,008	98,295	138,303	406,587
Investment Income, Net of Expenses	(778,098)	(26,501)	-	(805,309)	(11,510)	-	(11,510)	(816,819)
Change in net assets	(508,027)	(42,901)	14,623	(537,015)	28,498	98,295	126,793	(410,222)
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	24,897,680	503,987	654,662	26,056,329	11,944	105,558	683,260	26,739,989
Interfund Transfers	-	-	-	(3,573)	3,573	-	-	-
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	\$ 24,389,653	\$ 461,086	\$ 699,285	\$ 25,519,314	\$ 8,371	\$ 137,629	\$ 810,053	\$ 26,329,367

See Independent Auditor's Report on pages 1-2.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2014**

	Auxiliary			Foundation			Eliminations	Total
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Auxiliary Total	Unrestricted Funds	Temporarily Restricted Funds		
Revenue, Gains & Other Support:								
Federal grants and cost sharing	\$ 462,697	\$ 237,167	\$ 11,432	\$ 701,296	\$ 91,448	\$ 162,028	\$ 357,681	\$ 692,649
Membership dues	-	710,962	-	710,962	-	-	-	710,962
Advertising	5,955,996	-	-	5,955,996	-	-	-	5,955,996
Other	450,098	-	-	450,098	-	-	-	450,098
	838,588	-	-	838,588	-	-	-	838,588
	7,707,379	938,129	11,432	8,656,940	91,448	162,028	357,681	8,848,492
Net assets released from restrictions	986,456	(986,456)	-	-	99,612	(99,612)	-	-
	8,693,835	(46,327)	11,432	8,656,940	186,060	68,416	357,681	8,848,492
Expenses:								
Total revenue, gains, and other support	8,693,835	(46,327)	11,432	8,656,940	186,060	68,416	357,681	8,848,492
Member services	5,138,216	-	-	5,138,216	-	-	-	5,138,216
Youth education services	817,888	-	-	817,888	-	-	-	817,888
Veteran and military family programs	2,006,912	-	-	2,006,912	99,819	-	-	(65,704)
Total program services	7,963,016	-	-	7,963,016	111,167	-	-	7,999,747
Management and general	683,723	-	-	683,723	30,002	-	-	(91,673)
Fundraising	252,597	-	-	252,597	46,093	-	-	298,400
Total expenses	8,897,046	-	-	8,897,046	186,262	-	-	(166,729)
Change in net assets from operations	(205,211)	(46,327)	11,432	(242,106)	(222)	68,416	172,399	(69,707)
Investment Income, Net of Expenses	2,202,610	49,445	-	2,252,055	-	27,054	-	2,279,112
Change in net assets	1,997,402	1,118	11,432	2,009,952	(222)	95,470	199,453	2,209,405
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	22,900,278	562,869	643,230	24,046,377	12,166	10,088	461,553	24,530,184
Interfund Transfers	-	-	-	-	-	-	-	-
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	\$ 24,897,680	\$ 563,987	\$ 654,662	\$ 26,056,329	\$ 11,944	\$ 105,558	\$ 565,758	\$ 26,739,589

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2015

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Corporation for National and Community Service		
AmeriCorps National	94.006	\$ 125,548
VISTA State	94.013	<u>\$ 563,770</u>
Total Expenditures of Federal Awards		<u>\$ 689,318</u>

See Notes to Schedule of Expenditures of Federal Awards.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2015

Note 1: Basis of Presentation

This schedule includes the Federal awards activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic consolidated financial statements.



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**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

National Executive Committee
American Legion Auxiliary National Headquarters and
American Legion Auxiliary Foundation, Inc.
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the American Legion Auxiliary National Headquarters and the American Legion Auxiliary Foundation, Inc. (the "Organization"), which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion of the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alending CIA Group

Indianapolis, Indiana
February 6, 2016



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**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

National Executive Committee
American Legion Auxiliary National Headquarters and
American Legion Auxiliary Foundation, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited the American Legion Auxiliary National Headquarters and the American Legion Auxiliary Foundation, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major Federal programs for the year ended September 30, 2015. The Organization's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Atending CIA Group

Indianapolis, Indiana
February 6, 2016

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2015

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §510(a) of OMB Circular A-133? Yes No

Identification of major programs:

Name of Federal Program	CFDA Number
VISTA State	94.013

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
SEPTEMBER 30, 2015

Findings Required to be Reported by Government Auditing Standards

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
None		

Findings Required to be Reported by OMB Circular A-133

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
None		

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014



**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

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SEPTEMBER 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the American Legion Auxiliary Foundation, Inc. (the "Foundation"), which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the American Legion Auxiliary Foundation, Inc. as of September 30, 2015 and 2014, and its changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 1 to the financial statements, the Foundation is an affiliate of the American Legion Auxiliary National Headquarters (the "Auxiliary"), was organized by the Auxiliary, and operates exclusively for the benefit of, and to assist in carrying out, the educational, charitable, and other exempt purposes of the Auxiliary. The Foundation presents its financial statements on a consolidated basis with those of the Auxiliary, whose consolidated financial statements are presented in a separate document. The accompanying financial statements include only the accounts and disclosures related to the Foundation.

Blending CIA Group

February 6, 2016

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

	<u>ASSETS</u>	
	<u>2015</u>	<u>2014</u>
Assets:		
Cash	\$ 234,438	\$ 199,447
Investments	642,507	562,266
Other assets	<u>500</u>	<u>-0-</u>
Total assets	<u>\$ 877,445</u>	<u>\$ 761,713</u>

	<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:		
Accounts payable	\$ 10,672	\$ 4,002
Due to related party	<u>56,720</u>	<u>74,451</u>
Total liabilities	<u>67,392</u>	<u>78,453</u>
Net Assets:		
Unrestricted net assets	8,371	11,944
Temporarily restricted net assets	137,629	105,558
Permanently restricted net assets	<u>664,053</u>	<u>565,758</u>
Total net assets	<u>810,053</u>	<u>683,260</u>
Total liabilities and net assets	<u>\$ 877,445</u>	<u>\$ 761,713</u>

See accompanying Notes to Financial Statements.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2015

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Revenue, Gains & Other Support:				
Contributions	\$ 122,384	\$ 121,249	\$ 98,295	\$ 341,928
Temporarily Restricted Net Assets Released From Restrictions	81,241	(81,241)	-0-	-0-
	203,625	40,008	98,295	341,928
Expenses:				
Program services:				
Personnel and related benefits	13,212	-0-	-0-	13,212
General operating expenses	285	-0-	-0-	285
Grants	81,241	-0-	-0-	81,241
Professional services and fees	8,265	-0-	-0-	8,265
Total program services	103,003	-0-	-0-	103,003
Management and general:				
Personnel and related benefits	17,117	-0-	-0-	17,117
General operating expenses	3,810	-0-	-0-	3,810
Conventions and meetings	8,561	-0-	-0-	8,561
Professional services and fees	12,287	-0-	-0-	12,287
Total management and general	41,775	-0-	-0-	41,775
Fundraising:				
Personnel and related benefits	26,312	-0-	-0-	26,312
General operating expenses	6,358	-0-	-0-	6,358
Conventions and meetings	1,388	-0-	-0-	1,388
Professional services and fees	24,789	-0-	-0-	24,789
Total fundraising	58,847	-0-	-0-	58,847
Total expenses	203,625	-0-	-0-	203,625
Change in net assets from operations	-0-	40,008	98,295	138,303
Investment Income, Net of Expenses	-0-	(11,510)	-0-	(11,510)
Change in net assets	-0-	28,498	98,295	126,793
Net Assets, Beginning of Year	11,944	105,558	565,758	683,260
Interfund Transfers	(3,573)	3,573	-0-	-0-
Net Assets, End of Year	\$ 8,371	\$ 137,629	\$ 664,053	\$ 810,053

See accompanying Notes to Financial Statements.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2014

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Total</u>
Revenue, Gains & Other Support:				
Contributions	\$ 91,448	\$ 162,028	\$ 104,205	\$ 357,681
Temporarily Restricted Net Assets Released From Restrictions	<u>93,612</u>	<u>(93,612)</u>	<u>-0-</u>	<u>-0-</u>
	<u>185,060</u>	<u>68,416</u>	<u>104,205</u>	<u>357,681</u>
Expenses:				
Program services:				
Personnel and related benefits	17,439	-0-	-0-	17,439
General operating expenses	136	-0-	-0-	136
Grants	<u>93,612</u>	<u>-0-</u>	<u>-0-</u>	<u>93,612</u>
Total program services	<u>111,187</u>	<u>-0-</u>	<u>-0-</u>	<u>111,187</u>
Management and general:				
Personnel and related benefits	10,082	-0-	-0-	10,082
General operating expenses	3,391	-0-	-0-	3,391
Conventions and meetings	4,397	-0-	-0-	4,397
Professional services and fees	<u>12,132</u>	<u>-0-</u>	<u>-0-</u>	<u>12,132</u>
Total management and general	<u>30,002</u>	<u>-0-</u>	<u>-0-</u>	<u>30,002</u>
Fundraising:				
Personnel and related benefits	32,558	-0-	-0-	32,558
General operating expenses	1,204	-0-	-0-	1,204
Conventions and meetings	583	-0-	-0-	583
Professional services and fees	<u>9,748</u>	<u>-0-</u>	<u>-0-</u>	<u>9,748</u>
Total fundraising	<u>44,093</u>	<u>-0-</u>	<u>-0-</u>	<u>44,093</u>
Total expenses	<u>185,282</u>	<u>-0-</u>	<u>-0-</u>	<u>185,282</u>
Change in net assets from operations	(222)	68,416	104,205	172,399
Investment Income, Net of Expenses	<u>-0-</u>	<u>27,054</u>	<u>-0-</u>	<u>27,054</u>
Change in net assets	(222)	95,470	104,205	199,453
Net Assets, Beginning of Year	<u>12,166</u>	<u>10,088</u>	<u>461,553</u>	<u>483,807</u>
Net Assets, End of Year	<u>\$ 11,944</u>	<u>\$ 105,558</u>	<u>\$ 565,758</u>	<u>\$ 683,260</u>

See accompanying Notes to Financial Statements.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 126,793	\$ 199,453
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized loss on investments	6,035	1,883
Net unrealized loss (gain) on investments	15,663	(20,185)
Changes in operating assets and liabilities:		
Other assets	(500)	-0-
Accounts payable	6,670	4,002
Due to related party	<u>(17,731)</u>	<u>71,901</u>
Net cash provided by operating activities	<u>136,930</u>	<u>257,054</u>
 Cash Flows From Investing Activities:		
Proceeds from sale of investments	8,752	-0-
Purchase of investments	<u>(110,691)</u>	<u>(129,049)</u>
Net cash used in investing activities	<u>(101,939)</u>	<u>(129,049)</u>
 Net Increase in Cash	 34,991	 128,005
 Cash, Beginning of Year	 <u>199,447</u>	 <u>71,442</u>
 Cash, End of Year	 <u>\$ 234,438</u>	 <u>\$ 199,447</u>

See accompanying Notes to Financial Statements.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

1. SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

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

The significant accounting policies followed by the Foundation in the preparation of its financial statements are summarized below:

Financial Reporting

The accounts of the Foundation are reported on a consolidated basis with those of the Auxiliary in a separate document. The accompanying financial statements include only the accounts and disclosures related to the Foundation. Related party transactions with the Auxiliary are reported in Note 5.

Basis of Presentation

The Foundation utilizes the principles of fund accounting in the preparation of its financial statements. Therefore, net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. The three fund accounts include the following:

Unrestricted Fund

Unrestricted net assets are net assets not subject to donor-imposed restrictions. The unrestricted fund is used to account for all contributions, revenues, and expenses used for the general operations of the Foundation.

Temporarily Restricted Fund

The temporarily restricted fund is used to record contributions and revenues that are received or generated that have donor restrictions that limit the use of the donated assets. When a donor restriction expires, temporarily restricted assets are classified as unrestricted net assets and reported as net assets released from restrictions in the statement of activities and changes in net assets. In addition, the temporarily restricted fund includes, in the absence of explicit donor stipulations, earnings on permanently restricted funds that have not yet been appropriated for expenditure.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Permanently Restricted Fund

Assets held in perpetuity are held in the permanently restricted fund and are held for the donor-designated purposes of the endowment. The net income from these investments and all non-restricted contributions are available for release to the unrestricted fund.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

Support and Revenue Recognition

The Foundation records gifts as revenue at the date it receives either cash or an unconditional promise to give from a donor. Assets received from a donor are recorded at fair value and are recorded as unrestricted revenue unless the donor includes stipulations that limit the use of the assets, in which case the revenue is recorded as either Temporarily or Permanently Restricted revenue.

Contributions raised through direct mail campaigns by third-party vendors are reported net of the associated cost in the statements of activities and changes in net assets.

Functional Expenses

Functional expenses for Program, Management and General, and Fundraising expenses are included in the accompanying statements of activities and changes in net assets for the years ended September 30, 2015 and 2014.

Income Taxes

The Foundation is organized as a not-for-profit corporation and, accordingly, is exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

Management of the Foundation evaluates all significant tax positions to ensure compliance with the exempt purposes of the Foundation as required by U.S. GAAP, including consideration of any unrelated business income tax. As of September 30, 2015, Management does not believe the Foundation has taken any tax positions that are not in compliance with its exempt purpose. The Foundation's Federal and state tax returns remain open and subject to examination beginning with the tax year ended September 30, 2012.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Subsequent Events

Subsequent events have been evaluated through February 6, 2016, which is the date the financial statements were available for issuance.

2. INVESTMENTS AND INVESTMENT RETURN

A summary of the Foundation's investments as of September 30, 2015 and 2014 is as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments:				
Money market funds	\$ 16,375	\$ 16,375	\$ 121,681	\$ 121,681
Exchange traded funds	246,225	265,388	169,745	191,316
Mutual funds and other	<u>375,562</u>	<u>360,744</u>	<u>250,832</u>	<u>249,269</u>
Total investments	<u>\$ 638,162</u>	<u>\$ 642,507</u>	<u>\$ 542,258</u>	<u>\$ 562,266</u>

The fair market value of the Foundation's investments is measured by a Level 1 input in accordance with U.S. GAAP, defined as quoted prices in active markets for identical investments that can be accessed as of the measurement date.

Investment income for the years ended September 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 10,691	\$ 9,064
Investment fees	(503)	(312)
Net realized losses	(6,035)	(1,883)
Net unrealized gains (losses)	<u>(15,663)</u>	<u>20,185</u>
Total investment income	<u>\$ (11,510)</u>	<u>\$ 27,054</u>

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Undistributed endowment earnings	\$ -0-	\$ 18,125
Veteran Projects Fund	91,496	64,162
National and Local Veteran Creative Arts Festival(s)	<u>46,133</u>	<u>23,271</u>
	<u>\$ 137,629</u>	<u>\$ 105,558</u>

4. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions from the temporarily restricted fund to the unrestricted fund by incurring expenses satisfying the restricted purposes, or by occurrence of other events specified by the donors, are as follows:

	<u>2015</u>	<u>2014</u>
Endowment distributions in support of Auxiliary operations	\$ 10,188	\$ 8,752
Veteran Projects Fund Grants	18,921	11,456
National and Local Veteran Creative Arts Festival(s)	48,382	73,404
Auxiliary mission sub-grants to ALA Departments, Districts, and Units	<u>3,750</u>	<u>-0-</u>
	<u>\$ 81,241</u>	<u>\$ 93,612</u>

5. RELATED PARTY TRANSACTIONS

During the years ended September 30, 2015 and 2014, the Foundation received contributions of \$122,384 and \$91,673 from the Auxiliary to fund certain organizational and other costs incurred by the Foundation. In addition, the Foundation granted \$10,188 and \$8,752 to the Auxiliary in 2015 and 2014, respectively, for program support, and the Foundation granted \$23,521 and \$19,156 in 2015 and 2014, respectively, to affiliated Auxiliary departments and units.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

6. AMERICAN LEGION AUXILIARY FOUNDATION ALA MISSION
ENDOWMENT

Composition of Endowment Net Assets

The Foundation created the ALA Mission Endowment Fund (the "Mission Endowment") in 2007 to generate and maximize funds available to benefit and assist in carrying out the educational, charitable and similar programs of the Auxiliary over the long term. The Mission Endowment consists entirely of donor-designated funds and is classified as permanently restricted in the statements of financial position.

Endowment net assets at September 30, 2015 and 2014 include the following:

	<u>2015</u>	<u>2014</u>
Historic gift value	\$ 565,758	\$ 461,553
Accumulated earnings	<u>18,125</u>	<u>(177)</u>
Endowment net assets, beginning of year	<u>583,883</u>	<u>461,376</u>
Additions to endowment	98,295	104,205
Endowment distributions	(10,188)	(8,752)
Interest and dividends, net of fees	10,188	8,752
Realized losses	(6,035)	(1,883)
Unrealized gains (losses)	<u>(15,663)</u>	<u>20,185</u>
Change in endowment net assets	<u>76,597</u>	<u>122,507</u>
Endowment net assets, end of year	<u>\$ 660,480</u>	<u>\$ 583,883</u>
Historic gift value	\$ 664,053	\$ 565,758
Accumulated earnings (losses)	<u>(3,573)</u>	<u>18,125</u>
Endowment net assets, end of year	<u>\$ 660,480</u>	<u>\$ 583,883</u>

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Governing Board's Interpretation of Relevant Law

The Foundation, incorporated in and governed by the laws of the State of Indiana, has interpreted the Indiana statute Uniform Prudent Management of Institutional Funds Act, enacted in 2007, to require the preservation of the fair value of the original gift as of the date of the gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and to not require the maintenance of purchasing power. As a result of this interpretation, the Organization 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 direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization.

Endowment Draws

Endowment draws during the years ending September 30, 2015 and 2014 were \$10,188 and \$8,752, respectively.

The Foundation has adopted a spending policy relating to future endowment draws. The available endowment draw for each fiscal year beginning October 1 shall be limited to an amount determined by applying a 5% rate to the three-year rolling average market value for the period ending the preceding May 31. The actual endowment draw will be recommended by the American Legion Auxiliary Foundation Board to the National Finance Committee during the annual budgeting process for approval by the National Executive Committee. Should the Foundation Board deem it advisable to exceed the 5% limit, the change must be approved by the National Executive Committee.

APPENDIX C



**SUMMARY OF MOTIONS/RESOLUTIONS
ADOPTED**

**February 20-21, 2016
Washington Hilton Hotel
Washington, D.C.**

2015-2016 NEC MEETING

**American Legion Auxiliary National Executive Committee 2015-2016
February 20-21, 2016 Washington, D.C.**

Summary of Motions/Resolutions Adopted

M/S/C = Moved/Seconded/Carried

M/S/C to approve the items on the Consent Agenda as circulated in advance:

- to cancel the charters of those units listed in the document “American Legion Auxiliary Unit Charter Cancellations for the period August 2015 – January 2016”, (as listed in the published 2/20/16 NEC Agenda/Meeting Packet)
- to adopt the updated National President’s Special Projects Fund Policy as recommended by the National Finance Committee (as included in the 2/20/16 NEC Agenda/Meeting Packet)
- to adopt the updated Complimentary Ticket and Registration Policy as recommended by the National Finance Committee (as included in the 2/20/16 NEC Agenda/Meeting Packet)
- to adopt the updated Contract Approval and Signature Policy as recommended by the National Finance Committee (as included in the 2/20/16 NEC Agenda/Meeting Packet)
- to adopt the updated NHQ Employer-Provided Equipment Policy as recommended by the National Finance Committee (as included in the 2/20/16 NEC Agenda/Meeting Packet)
- to adopt the updated Confidentiality Policy as recommended by the National Finance Committee (as included in the 2/20/16 NEC Agenda/Meeting Packet)
- to confirm the appointment of Julianne Jandik as a member of the Americanism Committee
- to confirm the appointment of Ann Crawford as Auxiliary Emergency Fund Central Division Chairman
- to intensify efforts with The American Legion to obtain a Federal Charter for the ALA and request the Legion renew obtaining an ALA Federal Charter as a Legion national legislative priority for the 115th Congress
- to intensify efforts collaboratively with The American Legion to resolve IRS issues negatively impacting units and posts

M/S/C to adopt the fiscal year 2015 national audit reports of both the American Legion Auxiliary and the ALA Foundation as reviewed and recommended by the National Audit Committee in accordance with the National Audit Committee Charter, and as presented in person by ALA's national external auditor Mike Alerding, CPA.

M/S/C to adopt the re-wording of Goal 1 of the American Legion Auxiliary 2014-2019/20 Centennial Strategic Plan from "Attain a Million Members" to state: "Enhance Membership Strength" (as circulated in advance and available on the ALA national website)

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