



**2017 NEC MID-WINTER MEETING
SUMMARY OF PROCEEDINGS**

February 25-26, 2017

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

**MEMBERS PRESENT
SATURDAY, FEBRUARY 25, 2017**

National Officers

National President.....	Mary E. Davis
National Vice President	Diane Duscheck
Central Division National Vice President.....	Carollee Junge
Eastern Division National Vice President	Patricia Lach
Northwestern Division National Vice President.....	Virginia Nelsen
Southern Division National Vice President	Beverly Mulkey
Western Division National Vice President	Cary Fisher
National Chaplain	Valerie Brown-Debro
National Historian.....	Coral May Grout
National Secretary	Mary “Dubbie” Buckler
National Treasurer	Marta Hedding

Past National Presidents

Janet Jefford
Virginia Hobbs
Linda Newsome
Linda Boone
Carlene Ashworth
Peggy Thomas
Jan Pulvermacher-Ryan

National Executive Committeewomen

Alabama	Barbara Mitchell
Alaska.....	Beverly Eads
Arizona	Jan Cushing
Arkansas	Beverly Mulkey
California	Susanne Tozier
Colorado	Susan Bozella
Connecticut	Margery Sunbury
Delaware	Carol Freeley
District of Columbia.....	Lauren Lloyd
Florida	Kelli Becraft
Georgia	Rosa Scott
Hawaii	-
Idaho.....	Carmen Metzger
Illinois	Kathy Cisna
Indiana.....	Ruth Rairdon
Iowa.....	Ann Crawford
Kansas	Jeanne Haas
Kentucky	Donna Thurman
Louisiana	Ethel Theriot
Maine	Mary Jane McLoon
Maryland	Paulette Caron
Massachusetts.....	Margaret Roy
Michigan	Sue Verville
Minnesota.....	Shirley Frederick
Mississippi	Mary Barrett
Missouri	Gayle Metzinger
Montana	Jennifer Herman
Nebraska.....	Barbara Washburn
Nevada	Glynis Seeley
New Hampshire.....	Jessie Bernard
New Jersey	Doreen Gallagher
New Mexico.....	Barbara Santillanes
New York.....	Janet Mahoney
North Carolina.....	Linda Laws
North Dakota.....	-
Ohio.....	Martha Setlock
Oklahoma	Patsy Chinn
Oregon.....	Pam Seelye
Pennsylvania	Esther Geter
Puerto Rico.....	Haydee Rivera-Almodovar
Rhode Island	Cathy Card
South Carolina.....	Teresia Hayes
South Dakota.....	Laura Clyde
Tennessee	Janice Bruce
Texas	Paula Raney
Utah.....	Cary Fisher
Vermont	Debra Tiernan
Virginia	Janet Renner

Washington	Lorna Ledoschuk
West Virginia	Susan Wade
Wisconsin	Laura Calteux
Wyoming.....	Linda Feezer

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Missouri	-
Montana	Jennifer Herman
Nebraska.....	Barbara Washburn
Nevada	Glynis Seeley
New Hampshire.....	Joyce Flanders
New Jersey	Doreen Gallagher
New Mexico.....	Barbara Santillanes
New York.....	Janet Mahoney
North Carolina.....	Linda Laws
North Dakota.....	Marlene Boyer
Ohio.....	Martha Setlock
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SATURDAY, FEBRUARY 25, 2017
NATIONAL EXECUTIVE COMMITTEE MEETING

(Whereupon, the meeting began at 7:00 p.m.)

PRESIDENT DAVIS: The National Executive Committee will come to order.

That's loud.

Please disable all electronic devices, phones, or place them in a silent mode, and I'll give you a minute to do that.

(One bell-ringing sound.)

PRESIDENT DAVIS: Please rise and remain standing for the opening ceremonies.

(Colors advanced.)

National Chaplain Valerie Brown-Debro will offer the invocation.

CHAPLAIN BROWN-DEBRO: Let us pray.

Heavenly Father, we thank you for this day in which you have provided for us for the privilege, opportunity to serve our veterans, their families and communities.

Father God, you told us in your word to pray one for another. I pray for our leadership, every elected and appointed position, our members and families, those that cannot be with us here today; we include them in our prayers.

Father God, bless our meetings and the decision-making, that it may be fruitful and pleasing in your sight, that we may accomplish the missions intended to better serve our veterans and our organization. Always helping ourselves and posturing ourselves in an upright position, let the words of our mouths and a meditation of our hearts be acceptable in our sights, being mindful that without your word nothing, but with you, we can do all things; these things we ask in your holy name. Amen.

PRESIDENT DAVIS: Thank you.

The Chair calls on Americanism Chairman Sue Britton to lead the Pledge of Allegiance and the national anthem.

CHAIRMAN BRITTON: I pledge allegiance to the flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

(The "The Star-Spangled Banner" is sung)

Oh say can you see, by the dawn's early light, what so proudly we hail'd at the twilight's last gleaming,? Whose broad stripes and bright stars through the perilous fight. O'er the ramparts we watch'd were so gallantly streaming? And the rocket's red glare, the bombs bursting in air, Gave proof through the night that our flag was still there, Oh say does that star-spangled banner yet wave O'er the land of the free and the home of the brave?

PRESIDENT DAVIS: Thank you.

National Constitution & Bylaws Chairman Vickie Koutz will lead us in the preamble to the Constitution.

CHAIRMAN KOUTZ: For God and Country, we associate ourselves together for the following purposes:

To uphold and defend the Constitution of the United States of America; to maintain law and order; to foster and perpetuate a one hundred percent Americanism; to preserve the memories and incidents of our associations in the Great Wars; to inculcate a sense of individual obligation to the community, state and nation; to combat the autocracy of both the classes and the masses; to make right the master of might; to promote peace and good will on earth; to safeguard and transmit to posterity the principles of justice, freedom and democracy; to participate in and contribute to the accomplishment of the aims and purposes of The American Legion; to consecrate and sanctify our association by our devotion to mutual helpfulness.

PRESIDENT DAVIS: National Security Chairman Beth McGinn will deliver the POW/MIA Resolution.

CHAIRMAN MCGINN: The American Legion Resolution 288, adopted at the 67th American Legion National Convention calls for the designation of 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 repatriation 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 DAVIS: You may be seated.

(One bell-ringing sound)

PRESIDENT DAVIS: The Mid-Year Meeting of the National Executive Committee is convened.

Welcome, everyone. I hope you had a really good trip to D.C. and didn't have too many delays or horror stories to tell us. I hope you had nothing but good stories and a fun time.

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

I take your role and responsibilities very seriously and I hope you do the same. I welcome your active participation and invite you to both, listen and share, as the business before you is presented.

It's a privilege and a responsibility to ensure the decisions you make are in the best interests of The American Legion Auxiliary.

Past national presidents, national chairmen, and national committee members, I welcome your support in being part of the team. I'm so very, very happy to see so many department representatives here, as well as our national staff.

Let's take a minute to thank the national staff for putting this meeting together.

(Applause)

PRESIDENT DAVIS: I have to tell you, it really -- in the words of a longtime ago -- or I guess not that long ago -- "it does take a village"; for our organization, it takes a staff and they do a wonderful, dedicated job, working way more hours than I think, but I appreciate them doing.

And could the staff who are here in the room please stand -- and those who are not, you probably don't know I just asked you to stand.

(Laughter)

PRESIDENT DAVIS: How many members are attending the D.C. conference for the first time; could you stand?

This is cool.

(Applause)

PRESIDENT DAVIS: Good for you all. Wow, so many friends. I had no idea you hadn't been here before. I'm thrilled.

It's always wonderful to see new faces; tonight, however, we have something very special. We have our youngest NEC member here. Would the NEC from Department of Washington, D.C. please stand and be recognized.

(Applause)

PRESIDENT DAVIS: Next, would all the NEC members serving longer than a single term, please stand and be recognized.

Look at that.

(Applause)

PRESIDENT DAVIS: So, next year, can we call you "old-timers" or maybe not?

(Laughter)

PRESIDENT DAVIS: Thank you, all. I hope you have a terrific National Executive Committee meeting and everyone has a productive, informative, Washington, D.C. conference.

Anyone wishing to speak is first asked to make her way to the microphone in the center aisle, which is right here in front of me; yes, you have to look eye-to-eye to me.

(Laughter)

PRESIDENT DAVIS: This is for the purpose of recording our proceedings. It's very, very important that we get exactly what we do down and recorded properly. You must be recognized by the Chair before speaking. Agreed?

(No verbal response)

PRESIDENT DAVIS: Good.

In lieu of having our national secretary call role of the National Executive Committee, you should have been checked in at the door by one of the headquarter staff members, okay?

If you feel that you were not checked in, please go to the staff table, which is at the back of the room at the end of the meeting -- not right now; at the end of the meeting -- and they'll take care of you.

It is now my pleasure to present those seated at the head table.

Diane Duscheck, national vice president.

(Applause)

PRESIDENT DAVIS: Carrollee Junge, national Central Division vice president.

(Applause)

PRESIDENT DAVIS: Patricia Lach, national Eastern Division vice president.

(Applause)

PRESIDENT DAVIS: Virginia Nelsen, national Northwestern Division vice president.

(Applause)

PRESIDENT DAVIS: Beverly Ann Mulkey, national Southern Division vice president.

(Applause)

PRESIDENT DAVIS: Cary Fisher, national Western Division vice president.

(Applause)

PRESIDENT DAVIS: Valerie Brown-Debro, national chaplain.

(Applause)

PRESIDENT DAVIS: Coral May Grout, national historian.

(Applause)

PRESIDENT DAVIS: Thelma -- oh, no -- Mary Dubbie Buckler, national secretary.

(Applause)

SECRETARY BUCKLER: Thank you, Louise. There's a story there.

(Laughter)

PRESIDENT DAVIS: Marta Hedding, national treasurer.

(Applause)

PRESIDENT DAVIS: Our very own Chris Dickey, who will serve as our parliamentarian for this meeting.

(Applause)

PRESIDENT DAVIS: And from the great state of Washington, Karen Schwartz, personal page, Department of Washington.

(Applause)

PRESIDENT DAVIS: And Lorna Ledoschuk, personal page, Department of Washington.

(Applause)

PRESIDENT DAVIS: Before we begin with the consent agenda, I would like to remind everyone that the Minutes Approval Committee is responsible for

approving the NEC's meeting minutes. This year's committee consists of the NECs from Illinois, Wisconsin and Virginia.

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- 2016 convention NEC meetings. The proceedings are posted on The American Legion Auxiliary website.

Members of the Executive Committee to the NEC include national president, national vice president, national secretary, and the Finance Committee chairman, and national treasurer.

It is my pleasure to report that there were no urgent businesses that needed to be conducted since the convention.

The Chair now calls on National Vice President Diane Duscheck to bring greetings.

VICE PRESIDENT DUSCHECK: National President Mary and all of you excited members in attendance at this NEC meeting, welcome to our mid-year meeting here at our nation's capitol.

Have you noticed all the blossoms on the trees?

(Whereupon, a chorus of "yeses" resounds)

VICE PRESIDENT DUSCHECK: Yes. Throughout our days here, we're going to have many opportunities to show our ALA member pride. When we join President Mary for the "Welcome Home, Vietnam Veterans," we're going to show our ALA member pride by honoring the sacrifices of so many. And during the conference, we'll show our ALA member pride as we reflect on why we're motivated to continue our "Service, not Self," and how we can reach out to veterans and help them to have a quality life.

NECs, as you gather your information during your days here, it's a responsibility of going back to your departments and reporting; the good news rests on your shoulders. You're the conduit between the national organization and the members in your department. So, be the leader who engages the other members to serve veterans, military, and their families.

On Hill visits, we'll have the opportunity to influence our legislators to be mindful of the servicemembers, veterans and their families. We want only the best for those who have served and are serving.

President Mary, you've been showing your member pride. It's evident that you've enjoyed meeting veterans, military, and their families, and you bring smiles to the faces as you listen to their stories. You've recognized also that when there's an active-duty servicemember, the family is also serving; I think that was really important.

I wish for you a great conference and as you continue your travels for the rest of the year, be safe.

(Applause)

PRESIDENT DAVIS: Thanks, Diane.

Now, please welcome past National President Sharon Conatser to the podium to bring greetings on behalf of our past national presidents.

(Applause)

MS. CONATSER: Madam President Mary and all of you wonderful auxiliary members showing your pride by being here tonight to share in this NEC meeting, the past national presidents, Mary, would like to wish you a very successful NEC and a very successful Washington conference. We know that with all the ALA member pride that you have picked up throughout your travels, that it can be nothing but a great success.

With your permission, I would like to introduce the past national presidents: Linda Boone -- I'm not even going to say yours, because I don't have that memorized

--

(Applause)

UNIDENTIFIED: Twenty-five years ago.

MS. CONATSER: Oh, she says 25 years ago.

Peggy Thomas.

(Applause)

MS. CONATSER: Virginia "Jenny" Hobbs.

(Applause)

MS. CONATSER: Our national president, who served with my husband who's national commander, Jan Pulvermacher-Ryan.

(Applause)

MS. CONATSER: Linda Newsome.

(Applause)

MS. CONATSER: Carlene Ashworth.

(Applause)

MS. CONATSER: Janet Jefford.

(Applause)

MS. CONATSER: Your project to help The American Legion Auxiliary Foundation and our children continue their education does nothing but move our organization forward for many years to come and we will achieve those goals that you have set for you and for our organization.

May you continue to make memories as you continue to serve throughout our great nation. May you continue to show your ALA pride every day and may we all join in your ALA pride so that our organization is here to serve. Remember, ALA pride is number one and we all need to be there every day.

(Applause)

PRESIDENT DAVIS: Thank you, Sharon.

So, the first thing I'd like to do is update some of the things that are going on. I'd like to first of all update Goal Number 1, which is membership. I challenge each of you to find ways you can increase ALA membership in your own departments. As NEC members, you have the responsibility to ensure the future health of the organization; that includes growing membership. Without members, there's no organization to support.

Apathy is dangerous to an organization. If you find units in your department think what are other ways than turning in a charter, then you can help inspire them to rededicate themselves to working the mission.

How can we, as members, help caregivers within our own ranks? Let me tell you a little story. Let me see if I can get through this story. There's a spouse with two children, a hundred percent disabled veteran -- he has PTSD, TBI, back problems, leg problems -- she has a home-based job and she also tries to volunteer because she needs that outside space. She's young; she's only in her late 20s. She has many, many years of caring ahead of her. Her husband just recently spent two and a half weeks in a medical hospital because if he hadn't, he would have become one of the statistics for suicide. She still has worries. She still has two kids to worry about. She still has finances.

How can we help? How can we help? How can the ALA help caregivers around us? I just want you to think about that. You may have noticed it touches my heart.

We'll hear more about this topic on Monday and I really hope those of you who are here on Monday will enjoy what you hear and think of ways that you can take that home.

Now, as Sharon used to do, so, is anybody here waiting with bated breath for the ALA Academy?

(Whereupon, a chorus of "yeses" resounds)

(Applause)

PRESIDENT DAVIS: It's like a rollout of Academy Awards, right?

(Laughter)

PRESIDENT DAVIS: So, on Monday, you'll be treated to a highly anticipated ALA Academy presentation. Many people have been working hard to make this reality, I mean really, really hard, and some of us even got to test it which was cool, and we're very excited to show you a sneak preview of our first academy course. Yeah.

(Applause)

PRESIDENT DAVIS: See, we have some really excited people down here.

(Laughter)

PRESIDENT DAVIS: So, we will, again, be using a consent agenda in lieu of multiple motions to handle many of the basic business items; these items are listed on your agenda and include charter cancellation since August 2016, appointment changes from Convention 2016.

Four National Finance Committee policies have been reviewed and updated and they are: American Legion Auxiliary member benefits policy, American Legion Auxiliary Member Benefits Policy, American Legion Auxiliary Membership List Protection Policy, American Legion Auxiliary Merchandising and Licensing Policy, American Legion Auxiliary National Investment Policy.

Four National Audit Committee policies have been reviewed and updated and they are: American Legion Auxiliary Conflict of Interest Policy, American Legion Auxiliary Fraud and Whistleblower Policy, American Legion Auxiliary

National Headquarters Audit Tax Filing Policy, and American Legion Auxiliary National Headquarters Adherence to the U.S., a Generally Accepted Accounted Principles.

Each of 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 member 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 proceed, and then the item removed from the consent agenda will be handled separately.

Please remember that anyone wishing to speak must use the microphone in the center aisle and wait to be recognized by the Chair before speaking.

Are there any questions on the use of the consent agenda?

(No verbal response)

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

(No verbal response)

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

MS. SEELEY: Glynis Seeley, NEC Department of Nevada. I'd like to make a motion; we accept the consent agenda.

PRESIDENT DAVIS: Is there a second?

MS. EADS: I'll second that motion, Madam President -- Beverly Eads from Alaska.

PRESIDENT DAVIS: Okay. The motion has been made to adopt the consent agenda. There is no debate or consent -- there is no debate on a consent agenda.

All those in favor of adopting the consent agenda say "aye."

(Whereupon a chorus of "ayes" resounds)

PRESIDENT DAVIS: Those opposed say "no."

(No verbal response)

PRESIDENT DAVIS: Motion carried.

So now, please welcome the audit chairman, Pamela Jackson.

CHAIRMAN JACKSON: Thank you, Madam President, and good evening, everyone.

(Whereupon, a chorus of "good evenings" resounds)

CHAIRMAN JACKSON: Let me get adjusted here.

The American Legion Auxiliary's National Audit Committee has certainly come into its own since the inception of 2010. I am proud to say that our committee of five consists of an outstanding group of professionals with expertise in participating in large public risk assessment audits and with appropriate backgrounds for fulfilling our responsibilities to this organization and its governing board.

Since the composition of our National Executive Committee changes every summer, I will remind everyone that the National Audit Committee functions as The American Legion Auxiliary's Risk Assessment Committee. The roles and duties of the Audit Committee are very different than those of the Finance Committee.

As prescribed in the National Audit Committee charter adopted by the NEC, the National Audit Committee serves as the Audit Committee for both, the ALA national organization and the ALA Foundation, both supported by national headquarters.

In keeping with the ALA National Audit Committee charter, we perform the duties delegated to us; we represent you, the NEC, when engaging an experienced, knowledgeable and ethical independent auditor. We represent you as we review the scope of the audit with them and we represent you as we review the reports from our external auditor; reports which are generated after hundreds of hours of work assessing the operations of the national headquarters.

The Audit Committee does not delve into the books and records of the national headquarters, as this is not the role of the Audit Committee.

The ALA Audit Committee met Saturday, February 4th, 2017, to review and approve the audited financial statements of The American Legion Auxiliary and Foundation and to fulfill our obligations to perform a risk assessment of The American Legion Auxiliary, and this, we spent a lot of time on. As part of the risk-analysis exercise, the Audit Committee did identify a potential risk to the organization related to governance and I do believe the national president will be addressing this risk.

On your behalf, the National Audit Committee performs the duties of ensuring that the IRS Form 990s are prepared and carefully reviewed with our external audit firm, and then respectfully filed for both, the ALA national headquarters and the ALA Foundation.

With an ever-present commitment to upholding the reputation and integrity of The American Legion Auxiliary, the Audit Committee develops and recommends policies to assist in safeguarding the assets and reputation of our organization. All policies are on a biennial review schedule, and we thank you for reconfirming some of those policies just now -- just prior to my meet -- or my speech.

To ensure transparency and integrity, the Audit Committee operates at an arm's length from rest of this organization. We do so to ensure a non-biased approach to policy review and performance of our responsibilities.

The Internal Revenue Service Form 990 specifically asks if the organization has an Audit Committee, because the IRS expects every top-functioning nonprofit to have an Audit Committee. The American Legion Auxiliary's IRS 990 report serves as the annual report to the federal government and the public. It requires detailed information about the operations of The American Legion Auxiliary.

So, why does the federal government require such detailed information about nonprofits such as the ALA? Because, like a million other nonprofits, The American Legion Auxiliary has been granted tax-exempt status by the Internal Revenue Service.

The purpose of the 990 is to provide information to the IRS and to the public that substantiates that The American Legion Auxiliary operates in a manner consistent with its exempt, charitable purposes.

If ever audit by the IRS, the supporting information used to create the 990 serves to verify that the Auxiliary complies with all federal laws and regulations, and that through its charitable work, it still qualifies to be exempt from paying income tax. There are a dozen different parts and several detailed schedules in the IRS Form 990 [sic]. The Audit Committee carefully reviews the content of the entire report.

You won't and shouldn't see our committee much at all. We do our work impartially and in the background. As mentioned earlier, we purposefully operate at arm's length. The Audit Committee consists of five members confirmed by the NEC; three who serve staggered three-year terms, plus two designated members; one from the Auxiliary Foundation Board and one from the National Finance Committee.

This year's two designated Audit Committee members are Foundation Vice President Marybeth Revoir from the Department of Illinois and Finance Committee member Nicole Clapp from Iowa.

I think Nicole was here. There's Nicole. Nicole served several years on our Finance Committee and has done an outstanding job.

(Applause)

CHAIRMAN JACKSON: The other three members serving three-year terms include me; I am a former Department of Ohio secretary and currently serve as a public official serving as fiscal officer in Beverly, Ohio.

Paula Means from the Department of Indiana is among her many, many executive positions, a former deputy mayor of the eleventh largest city. Eleventh largest city, well, where would that be? Indianapolis, perhaps? Paula is also a former ALA Girls Nation senator.

In and third year is Carol Barbknecht, a CPA and tax-preparer from the state of Minnesota. Both Paula and Carol have previously chaired the National Audit Committee. It is a joy to work with such talented and committed ladies.

Your National Audit Committee continues to operate in a conscientious and efficient manner. We meet at least three times each year; two by conference calls and one in-person meeting. And at these meetings, we plan the audit schedule, engage the external audit firm, examine the annual consolidated financial audits for The American Legion Auxiliary and the Foundation, review the IRS 990 reports, assess policies, conduct a risk-assessment for the organization and national headquarters and receive training; we're a busy committee.

Currently, our second information technology audit and the Audit Committee will meet in few weeks to review the 990s. We expect all to go smoothly, as did last year's review and filing.

Much appreciation is extended to our exceptional headquarters' staff for all their hard work and support. I truly believe we are blessed with the most professional and dedicated staff and I do thank you.

(Applause)

CHAIRMAN JACKSON: Please, if you have any questions about the purpose and function of an Audit Committee, I encourage you to consult the ALA Department Operation Guide, which has excellent information explaining the roles and functions of an Audit Committee --

(Laughter)

CHAIRMAN JACKSON: Little Vanna over here.

But it explains the roles and functions of the Audit Committee versus a Finance Committee.

Madam President, it is now my pleasure to introduce the The American Legion Auxiliary's external auditor to present the ALA's annual audit report. Michael Alerding is a certified public accountant, founder, and now senior director of Alerding's CPA Group. He has some 40 years of experience in public accounting, serving many corporations and not-for-profit entities across the nation. Mr. Alerding has served as a director on over 40 nonprofit boards, professional societies and government entities, chairing at least a dozen of them. He has served on many independent audit committees with assets ranging up to \$200 million.

Mike has also served on several independent audit committees, established several foundations and received numerous leadership awards. He is a frequent writer for well-known business publications and an international speaker on best practices for governing boards. Mike is a strong believer in our mission and is, himself, to committed to "Service, Not Self." I can personally attest that Mike is a perfectionist and loves the mission of the The American Legion Auxiliary.

It's my pleasure to introduce to you, Michael Alerding, CPA, to present our audit report. Mike?

(Applause)

MR. ALERDING: Thank you, Pam.

It's 46 years, but I really appreciate it only being 40. I feel young.

This is really intimidating. If I stand up there, I get lost behind these people, because I'm too short. If you were standing up now, nobody would see me, except the front row, so I'm going to do my best to kind of walk and I hope that doesn't become too much of a distraction, but when you're giving an Audit Committee report, sometimes you need a little distraction, so it may help actually.

(Laughter)

MR. ALERDING: Okay. I will -- many of you -- and first of all, I want to congratulate you on the number of organizations who have returning members this year. I think that is absolutely wonderful. It is a -- it's a great step forward for the governance of this organization and the only bad side is you get to listen to me again and you've heard this once, so I do apologize in advance for those.

It does change every year because everything changes every year. In our world -- in my world, we pay some very expensive people a lot of money to stay on top of the changes and they have to do it every day, and I'm not talking about taxes as much as I am the IRS' governance models and what they're focusing on, as well as the whole audit and accounting side of our practice.

So, what I intend to do today is walk through very briefly what happened this year in the financial statements. I'll talk to you a little bit about the highlights of the financial information so you don't have to go running through a 20-some page report; I'll try to condense it very quickly. I'll talk to you about what we do in the audit and what your responsibility is.

Because the NEC has an enormous responsibility to, not just your constituent members, seven-hundred-odd-thousand of them -- that's over -- that's just amazing to begin with -- but you have a constituency that covers all donors past, present, and future. So, your responsibility as governors -- that's what you are; you're governors -- is really a huge responsibility. That's why I've always been an advocate of having repeating terms, so that you really do get a sense for all the tremendous magnitude of this organization.

I know sometimes it may seem really simple to you; you just do what you do because you've been doing it so long. But when you look at it from our standpoint -- we stand back and look at all you do in this organization -- it is a bit overwhelming and we try every year to do something a little bit different to make very sure that we don't miss anything and that you engage us for the sole purpose of rendering an opinion as to the veracity of those financial statements, so that when it goes to the public in the Form 990 -- attached the Form 990 of the audited financial statements. They're available for anyone who wants to see them, and all donors will look at them, watchdog organizations, and some others I'll talk about later. So, it's very important.

We do review the consolidated financial statements. When I say "consolidated," that means two of them; that means the ALA and the Foundation are stuck together in these financial statements. They're different entities, but accounting considers them one because the mission and purposes is so related; there's captive issues there.

We -- I'll also talk about, as I said, key financial indicators. I'll talk about what our report was to the Audit Committee who engages us and challenges us every year. I'll talk about the Audit Committee update, what's going on there, because there's some changes happening and some findings we had this year.

Update on governance itself -- and I've had this for the last, at least seven years, a separate segment on governance, and I've done that because of the incredible push that the IRS has on self-governance; it is the motto of every single time you read anything, and we read a lot of this, it calls talks about are you governing yourself and that's your job. So, this is part of the education that we hope we can give you every year and then we do have some findings and recommendation at the end.

The auxiliary financial statement -- and there are copies in the back -- and if you have not looked at those, at some point, you really should. If nothing else, look at the size of that report. It is, I believe, 19 pages of just notes to it, in addition to all the financial statements and all the supplementary information; it's pretty overwhelming.

And when you look at it that way, you start getting a better sense for how much is there. Our responsibility is to do the audit. We're independent. The people who come in from our firm -- and I'm not one of them -- comes in to do the work. I'm what's considered a "quality control partner"; I stand back from it and look at it cold just to make sure I look at it as if I was sitting in your chair and say what is that it could happen here that might provide risk to this organization?

Now, you heard a lot -- Pam talked the word "risk" I think 12 times or something, and that's because that's our job. Our job is to do a risk- assessment on the financial side of the organization, as well as the operating side and our people are skilled at this. We have over 90 not-for-profit audits and we do this for not-for-profit organizations of varying size all over the place and all of them are different.

What makes you special, in addition to a mission that I think is grossly underrated and in this world, especially this culture we're in, it really needs to be brought more to the forefront, because I think you all would agree that what's happening to our veterans and those who give us the opportunity to have placards and run down the street and do all that stuff, the reason they can do that, because a lot of people have spent a lot of time making sure that we have the freedom to do it. That isn't being brought up to the top and I think you've got a real, not only opportunity, but responsibility to do that.

We also do something called internal control evaluation and this is very important to you because internally at the headquarters, they have a whole series of control process they go through and it's incredibly detailed; probably a third of our audit time is not spent looking at any numbers. We don't care about the numbers. What we're looking at is the system; how the system rolls; how the controls are there; and we're talking about checks and balances.

We do that, as you have seen in other situations even this year, when an organization doesn't follow adequate procedures, there's a high risk, a high risk that something could happen. And it doesn't always turn out to be theft; it could be silly things like not keeping your eye on the ball in terms of what you do with the money you collect and how you spend it. Those are the kinds of things that tear up an organization and they make it -- they belittle it and its mission and we try to look at that in that sense.

So every year, the Audit Committee does -- it goes through an incredibly laborious and highly -- it's a lot of work. We go through almost every type of legal risk you could imagine; running from all the legal risks to the cultural risks, operating risks, all of that, and we evaluate them as a group. I lead that discussion, but I just open it up and then the members of that committee start talking about, what could happen here? How could this happen?

It's done to protect you. Instead of all of you doing it as a group, this whole group, if you could imagine -- oh my goodness -- if you could imagine this whole group tried to do a risk-assessment, we'd be here years -- years. We'd have to have a mic at every table, and that can't happen effectively.

So, you have hired or you put together -- not hire -- but organized a couple of committees. The Finance Committee is incredibly important; it carries that

burden of making sure the financial information is done correctly and represents the real financial condition of this organization.

The Audit Committee does, along with risk- assessment, monitors how all of that is coming together to make sure that we're not getting ourselves into any kind of trouble.

The reporting entity I've talked about is the headquarters' organization; we do not include, in these financial statements as you're all well aware, over 8500 or 9,000 other locations. And I told the story today in the audit or the Finance Committee meeting that the first year -- the first day I came in to look at these, first of all, Linda Boone scared the bejesus out of me the first time I met her; that's fact.

(Laughter)

MR. ALERDING: And she knows it, because she did. I was scared and I don't scare easily; I'm old enough, it doesn't bother me much, but that one did.

But I got in there and I looked around and I said, "Whoa, wait a minute; where's all the rest of these organizations? Why are they in these numbers?"

And everybody just immediately broke into laughter. She goes, "Are you nuts? We could never do that."

That's the whole intent; we are an organization that has this wonderful headquarters -- and that's a terrible -- that's almost an Army term -- it's really a controlling entity, a management group that provides services to all of you and all of the people that you represent.

And this year, I think has been a stellar year for some of the things that have been done. We audit that, and although it doesn't sound maybe like -- well, it isn't; compared to all of them put together, it isn't a big enough deal -- but when you think about the size of this organization, eight-million-dollar budget a year to run this thing and almost all of that goes to services, almost all of it. You'll see in a minute what those numbers come down to.

We also have the Foundation, which is finally kicking into gear. The donations are starting to come in and it's starting to really function in a manner that it was intended to function when it was formed a number of years ago.

Okay. When you look at these financial statements -- and you don't have to do it right now -- what those represent is -- the mission and purpose of this organization should pop right off of those pages. And it should show, what do you do with the resources you have? What do you do with them? Here's how you get them and here's how you spend them and here's what's left.

And as you all know, this organization has been around a long time and you've been prudent, as opposed to some that we've just read about in the papers this year who have not been terribly prudent and as a result of that, they've spent the monies that are in investments; the long-term financial security that they had has been spent. Yours hasn't; you have a good slide of investments that continually provides a stable organization.

But you also have a lot of people looking at you. As I talked about earlier, you've not just got potential donors, existing donors past donors -- that's

overwhelming enough -- you've also got members -- that's pretty impressive -- but you've also got state agencies and state agencies have a different role than tax.

The state that you're in controls the organization in which you operate; it incorporates you. It provides you with the guidance to be a corporation. You are a business. Not-for-profits hate it when we say that, but you are. Under law, you're a business; you're a separate, legal breathing entity, and as a result, all of you in those organizations have state regulations to follow. The feds don't get involved in that.

The feds get involved in what was talked about here a moment ago; they provide you with a special exemption -- yours happens to be what's called a C-19 -- a special exemption that says people can give you to and take a deduction for it and people can -- you can earn money, if you will, and not pay taxes on it. That's a huge exemption.

And tomorrow morning, sometime tomorrow, I'm going to be talking about the size of all that and how that all interrelates here.

There's also the watchdog organizations, which this past year in the whole veterans' area really made some hay with a couple of organizations you're aware of that didn't follow the rules. The watchdogs picked them up in a heartbeat and when they did, they'll destroy them. They'll destroy them.

And in a sense, as a taxpayer for a moment, it doesn't bother me if they're not following the rest of the rules that you have to follow and take the time to do. It's just not always fair.

The statements have four or five statements in them. I won't go through them in detail. Most important is a balance sheet which shows you what you have, what you owe, and what's left. So, you have net assets and the like, and I'll give you some statistics here in a minute.

The notes, as I said, are 19 pages long; that's a lot of notes. Believe me, it's a lot of notes. I have to do that review and it's just, oh my God. But every year, we've got more and more. You've got a very involved investment program and you'll see in a minute why it's so involved; you've done so well with it.

You also have a pension plan that comes off of the Legion and you've got a lot of very confusing and detailed and complex areas that have to be discussed.

You, real quickly on the screen, so you can see it, total revenues you'll see this year compare almost identically to the prior year, about nine million, okay -- and that's a big organization -- a little under nine million. What'd you spend? A little under nine million. That's why you're called a?

(Whereupon, a chorus of "not-for-profit" resounds)

MR. ALERDING: Not-for-profit. Good, you did a good job of that.

You made a little; lose a little. This is the key area that we watch from an audit perspective ever year. We don't look at that bottom line; we look at the line that says "income loss from operations." That's where you're paying the people from headquarters to manage that.

It takes -- believe me, without discipline, you can get yourself upside down in a heartbeat. And that's why a few years ago -- I don't know how many years ago; a number of years ago -- the -- I recommended and management identified that if we

didn't have a dues increase, things were going to go, and I'll show you how those numbers have climbed over time.

You'll also see something strange in here and that is since you -- although you made 28,000 this year from operations, which is break-even, you made 2.8 million from your investments -- 2.8 million.

But you'd you do last year? You lost 800,000. How does this work? I don't know. I don't know. If you did, I wouldn't be sitting here; believe me, I'd be on an island somewhere.

(Laughter)

MR. ALERDING: I don't know. It's a mess. You cut out -- you're at 9:30 - - you're cut off at 9:30; at 10:31, it could be completely different. So, we don't rely on that. You can't rely on that, and you don't spend it. You do have to have excess funds for some things and that's your job, is to make sure that they're spent wisely, but you also have to be thinking of the future.

Every year, I do a five-year for you on a couple of things. First of all, the contributions membership is -- and I show you where your money is coming from in terms of those funds needed to run the organization and those break down into contributions and membership dues. And these tell the story pretty clearly about what happens if you don't continually focus on increasing dues at a level that makes sense.

I don't mean -- we're not talking about slamming for \$90 a year or something; we're talking about making sure that that process is evolved to keep those dues rolling and you cover it. You can see here how quickly that has changed. Back in 2012, when there were more members, you were riding at about thirty- six -- 3.6 million. When we had the dues increase in '13, it kicked up -- and you can see that -- to 5.4, 5.9, 5.8, 5.6.

Now, you've settled in, and that settled-in, folks, is huge. In the absence of your settling in, if you go back to that schedule, you don't make any money. And what happened -- and this you can't see; I wish I would have done this in ten years -- if you go back ten, what you see is those first couple of years where you had X -- you had more dues coming because you had a better rate. Those first couple of years, you weren't able to aggregate much, but you were making up for deficits in the past; that's all you were doing.

And that's why one of the recommendations is -- and we'll get to that here to start really looking at a process, a long-term process; that's your job, to set it up in a process.

So this really an interesting schedule. The contributions you can also see are kicking in with the Foundation and that thing is starting to make some hay and that's important. That's really important, because you know, as well as I do, the measure of every organization is how much do people give you that don't have to give it to you. It's do the dogs like the dog food? If you're selling dog food and the dogs won't eat it -- it doesn't matter how pretty it is -- you've got to have something the dogs will eat.

And that's why any time you're in a not-for-profit environment -- I do this all over the country -- I say, whatever it is, if you're not collecting a lot of contributions, you need to look at what you're doing. If people don't want it, they won't give it to you; it's just their nature.

You're the same way. You have people who haggle you all the time like they do me -- in fact, Dubbie got me this year, because I asked to borrow something that she had developed and she made me give another contribution in order to get it.

(Applause)

MR. ALERDING: She's a robber baron. That's what I told her.

UNIDENTIFIED: She's a prudent business woman.

MR. ALERDING: That's right. Good.

I do give to this organization, anyway, and a lot of people do. My father died when he was 90 and that's one thing he never missed was giving to the Legion ever. That was number one on his list. He believed that strongly in it.

But he had something to get from it and that's where I think, as I mentioned earlier, you have a great opportunity here right now and in the near future, to really take this thing up a notch and I think it probably needs to go up.

Back for that operating income that we looked at over here, this is the best way to look at what's happened with those dues. In '12, you lost 800,000 just from operating the business. In '13, you lost 600,000; the dues kicked in, in late '13. And now you've settled in to breaking even a little bit. You're breaking even.

But what you really were doing was making up for some of those deficits -- and they were big back in the earlier days -- but cumulatively, you've still in the last year -- excuse me -- in the last five years, lost \$5 million. That's why these dues things have to be on a rotation of some sort and we've got some ideas on that.

Okay. This is the one that makes you almost cringe, because too many people pay too much attention to this and get themselves in huge trouble. Take a look at this. This is the investment income coming off of your investments. 2012, what a year; almost \$4 million. Now, it's paper -- you understand this isn't cash; it's paper -- but still, I mean it's moogy-foogy (ph), but it counts, because it ends up in an asset. Four million, then three million, then 2.3 million, and then you lost 800,000. What in the world is going on? Then you picked it back up to 2.8.

Cumulatively -- and this is really important -- 11.1 million you've made in the last five years, which is not insignificant. And you have some phenomenal people managing your investment. I don't know how many of the rest of you are getting that well -- doing that well; I'm not, that's for sure. And so I always do this return-on-investment stuff to the side, just to show you what they were making each year, and over the five years, you've made 8.9 percent on average, is what that things has done. It's extremely well managed. Obviously, there isn't -- there aren't a whole lot of people who have been able to say that.

We do know that went it went through 2007, '08, '09, it looked pretty bad. Those were brackets all over that thing, so you can't count on it.

Here's, if not the most-important schedule, it's one of the most important; this is what some of the other organizations got in trouble about this year, is

spending too much money collecting money. They're spending a whole lot of money raising it, but not doing it in a way that provides for the mission and purpose of the organization.

You of all the clients I've ever had -- and I mean ever -- are at the top and I don't think anybody will ever get this high. Eighty-nine cents out of every dollar you get goes to your mission and purpose 89 cents.

(Applause)

MR. ALERDING: It's amazing. It truly is.

And that means that you've been judicious with the way you do it. You've also been tight, because you don't spend a lot of money, as you can see, in the management and administration, and you're way below on fundraising. You're just way below. You could do better. You're only doing -- 3 percent of your total funds are being spent on fundraising and that is part of the reason why membership organizations really should be supported by the membership, so, generally, we don't see a big, high number there.

But there's also opportunities for veterans organizations now, patriotic organizations, they have a heart. Mary's heartstring right here, that's what you've got; you've got the sizzle. And I was mentioning this morning, a lot of organizations would give anything -- anything -- to have the sizzle you've got and the heart-tug you've got and 700,000 members. They'd like that; that's kind of a nice way to start your year, because you know a lot of "not-for-profits" don't have that and it's hard to raise that money.

So, here is something you should be very proud of, first of all, and every time you could tell people, I think you should. I think you should be very easy telling people 90 cents out of every dollar goes to mission and purpose.

One of the other patriotic organizations I read -- something that Dubbie sent out -- that was their propaganda, talking about 100 percent of what you give me goes to this thing. Now, I want you to focus on that for a minute. That means you don't have a Dubbie. They don't have a Tim. They don't have a Marta. They don't have any of these people here -- none. They just randomly throw money around because nobody's watching it and they don't raise any money. It's so much hogwash, I cannot believe it and yet, they got away with it for a long time before the whistleblowers finally got them and finally put them back where they belong.

That's about dues and how it's increased -- I've kind of beat on that a lot, but it's something that I think really needs to be looked at.

Membership dues in 2014, '15, and '16, the amount you collect in membership dues covers your membership expenses; those expenses spent on membership. That's mandatory. And for years, I stood up here and I said, you've got to cover your membership dues.

No organization is going to give you any money, folks, if they look at you and say, well, the first thing you ought to do is get your members to cover the amount that you're spending on them. Duh. I mean, that makes sense.

Well, here, if -- we are now done [sic] it three straight years because we got a dues kick and it helped. As I said, investment or contribution income is starting to

kick into gear a little bit here. It's slowing down somewhat, but it's kicking into gear, and I pay no attention to the investment income; it's just too crazy. Nobody can pay any attention to it.

Eighty-seven percent of the assets in this organization, 87 percent are the investments. What that says is the discipline you had going back 75 years is that you are well aware how important it is to talk about the future and put money into a hard investment so that you've got a future. If you don't do that, you wake up every year when you start the year and you got to do what Channel 20 does -- one of my not-for-profits; I sit on the board at the public television -- we have to have an auction every year to get our first money because we didn't have a foundation. Now we do and it's a little bit easier. You've done a great job of kicking that thing up.

Ninety-two percent of your assets are unrestricted. That's important, too, because it means you've got flexibility in what you can spend on new membership projects and mission and purpose. You've got flexibility because it's not restricted by a donor. Eight percent are restricted; the rest is unrestricted and that's pretty good.

Okay. I think Pam did a phenomenal job of covering what happened in the Audit Committee this year. I think what's important here is that there are a couple of lines out here that really make something I want to say because it's important we do that. Tim and Marta and Dubbie, they just do a phenomenal job, and they don't pay me to say this. I don't really -- they're kind of, I'm the auditor and that's what we try to do.

But I'll tell you, I've got one audit manager on this job, a guy named Chris Mennel, and he is just nasty; he's just mean. And he knows what he's doing. Ask Tim, he'll tell you he knows what he's doing. And he shakes his head every year and says, man, these guys -- I wish -- last year, I think he said, I wish we could bottle this and sell it because we could make a lot of money selling this kind of an approach.

And it comes from the top. Every time we start on a new audit, the first thing we want to do is interview the top people, the CEO, the CFO, and the COO; we want to talk to those people. Why? Because if they have some passion for control, some understanding of control, then right away, we know the rest of it is going to be fine, because it all starts at the top and then it flows down.

That's where your job is. You are the top-top. The more you're concerned about that, the more management will be concerned, the more it falls to the bottom and that's what's happened here. We have virtually no adjustments at the end of the year -- none. I don't know how many transactions that are in the headquarters, but it's tens and tens of thousands and we have no adjustments, which is pretty impressive.

(Applause)

MR. ALERDING: It is. I mean that's just amazing to them.

Now, here's kind of my update on governance and it's good. I mean we're getting to a point where I'm really starting to feel like this thing has made so much progress and you all have been very, very good at kind of upgrading yourselves.

It's a new world out there and as you've seen recently, everybody knows what everybody is going. There's no secrets anymore; you're wide open. That 990 blew everything open. They will see anything they want.

Those pages that Pam was talking about -- and the number of pages, there -- I think for you, there are over 300 questions we have to answer -- 300 -- and some of them are flat just leading questions; they lead you into ask -- and if you say "no" to a question and they want to see a "yes," they're going to be out seeing you. For example, do you have an Audit Committee -- simple -- that's what it says: Do you have an Audit Committee?

Well, if you say no, they'll probably be out to see you, because they cannot be without an Audit Committee. Why? Because someone's got to be there, independent from the governing board, to cover some of these risks; that's what it's there for. But there are hundreds of these questions.

Now, are there numbers in it? There are numbers in the 990 -- very few -- it's all about the governance.

As we're seeing more and more emphasis, more and more publications are coming out from the IRS on it, more rules, and what's stepping up here is if they want to look at this and say eventually, because there have been cut back, cut back, cut back in numbers, they don't have the body count anymore to go out and really monitor the amount of not for profits that are out there.

So what they've done is what all people will eventually will do and say, well, then manage yourselves. We'll just make sure you're managing yourself by having you self-report and that's what the 990 does.

My son is a Constitution lawyer and the first time he looked at that he said, I'm not going to answer any of these questions; they're Fifth Amendment questions. What, do you think I'm nuts? I said, oh, yeah, you will. You'll answer it and you'll enjoy it, because if you don't answer it, you're not going to get your exemption.

(Laughter)

MR. ALERDING: So, we may not like it, because that's the way it is.

Continuity: 46 percent of the states have members here with more than one term and that's absolutely phenomenal. Please give yourselves a round of applause. That is so important. So important.

(Applause)

MR. ALERDING: And it's not that we don't love all of you, one year or not; it's just that it really makes sense, and I think those who are going to be here more than a year or two are -- will get that sense, that it really makes a difference.

Almost done here. Summary of findings: The Audit Committee has been very, very active. Those three meetings a year are tough meetings. We get through a lot.

Our opinion this year was clean. That means there were no null qualifications or modifications.

This is the third bullet, is one of those bullets that you've got to be pretty proud of, as well. As has been the case for the last decade, the last ten years, we have

not disclosed or found or identified any material witnesses in your internal control system in the headquarters. That's amazing. Again, congratulations.

(Applause)

MR. ALERDING: The other things that we've noticed the last four years or so -- three or four years -- are really starting to make a difference. This headquarters organization -- God I hate that word -- but this organization that serves you has started to provide a lot of tools. You're probably going to hold the red book up again, but that's really good. That's one of them I want to steal -- I'm going to have to make another donation, but I'm happy to do it because it's that good. It's really good. It's phenomenal.

(Laughter)

MR. ALERDING: ALA Simplified Strategic Planning Guide: that's one of the things that's available for all of you that came out of here. DEC101 maybe, in my view, one of the most important things that's done every year.

Compliance: Any kind of compliance issues, you call and you get good advice from people who know what they're doing.

Mentoring teams: They go out and help you do any kind of the situations that may arise. They have these teams that will be strategic planning.

And my favorite is the plan-giving: They've got a plan-giving book; that's the one I had to make a contribution to get a copy of again.

(Laughter)

MR. ALERDING: But it is worth every bit of it; it's the best. It is absolutely the best I have ever seen. You really should use that.

Your department -- your state should have hundreds of those and you should be giving them out every time you can. You know the demographics in your organization. I don't need to tell you. I know, you're all going to say "you're all old" -- not really -- but, yes, you are.

(Laughter)

MR. ALERDING: The whole population is, and as a result, you've got 700,000 of them or a significant portion of them are at an age where plan-giving is going to be important. You just can't overlook that, folks. I don't care what they give you, plan-giving makes a huge difference -- huge. So, don't leave that behind. That's something I know we emphasize a lot, but it sure makes a big difference.

Okay, here we go. Here's my recommendations. There are a couple of pages that I'll go quickly here.

Establish an ongoing process to address membership dues. I don't mean -- what I'm talking about is a process that you go through every year; every year you have to do something and virtually every profit -- or not-for-profit we have, has something set up like that.

Continuing to focus on increasing contributions. Make sure the dog food is good dog food, because if it's not, you're not going to get people to give it to you.

Embrace the continuing emphasis on plan-giving that I just talked about and continue to implement the strategic plan. What a wonderful document that is, and it's got marvelous things.

You've got a membership issue and you know it, and you're going to have to do something about it; that's part of what's going on here. Part of what we see, and you see it -- Tim's got some really good statistics on it -- is this trend that's showing it going down, going down, and members leaving after an average of three years and yadda, yadda, yadda. It's just not a good idea. Think about the dog food: Is it good and do they like it? And if they don't, we have to do something about it.

Okay. Last slide organizational structure: I've been after this one for ten years, at least. And you've really -- things have really changed in a positive way. Our recommendation is build an organizational structure that meets the needs of this dynamic, changing environment we have.

You've done that. You've got a couple of things that are very important. Your committees are strong. You now have an Executive Committee that also functions very, very well and, for example, if our audit were to run into something that was something that should be communicated to you, instead of trying to call all of you, which might be a problem, we have an Executive Committee to go to, that that's how this gets handled. Now, we haven't had to do that -- I don't expect we will ever -- but if it happens, you've got that set up.

Installing and monitoring contemporary internal control and management systems. I'm not talking about headquarters here; I'm talking about your location. Start looking at checks and balances and internal controls at your own location. Every one of you needs to do it.

We've all known about Florida. We all know what's happened there. It's an embarrassment. Nothing you can do now, but there were things that could have been done and I'm afraid that it's going to get worse before it gets better, and it doesn't take too many if you don't start on it soon.

Be continuing to improve the effectiveness and efficiency of the governing board by increasing the stakes and have multi-year, which you've done.

And then one of them that we ran in the risk- assessment this year, one of the things we came out with that's very, very important, especially in this environment today, where you can't just do things because you want to do them; you have to document everything -- everything. I think what we feared many years ago, the lawyers would take over; they're getting there. They're getting pretty close. Everything has to be document contemporaneously and that's just -- I cannot tell you how important that is, to get it down and get it down when it happens so you don't have to go back and make it up.

Part of what we noticed was that the documentation of the critical people at headquarters, the people who run it in those top positions, those duties were not clearly defined. So, if they're not clearly defined, how do you and how's the governing board monitor their progress and monitor what they're doing and how well they're doing it? You can't unless we get those done.

So, part of what we want -- what we're recommending is you take a look at this and see if there's some things that you can do to shore that whole thing up, because it really, really is important, and by that, we mean the whole management

team documenting right away, dues -- duties and responsibilities and what they're doing, and to -- more important than anything, set up a succession planning process.

And I'm not trying to kill anybody off here or anything, but at some point, Dubble, Tim, Marta, all of them are going to go and you know what? You don't get this kind of a group -- it's kind of like a good college basketball team; you get four or five good ones and you go, man, I don't want to see that break up. They've really got it going.

You really have to be careful -- and I'm not picking on any one; all three are important -- but you better have something in line so that, God forbid if something does happen, it doesn't become tragic. Indianapolis has a bunch of sorority and fraternity headquarters in our city -- a ton of them -- national and international. And in one of the largest fraternities, the founder of the fraternity and the chief executive officer -- actually, it was a CEO deal -- he quit. And he quit because he got caught with his hand in the till; that's why he quit. That thing just lost everything because no one knew what he did. No one had any idea what was going on. There was nothing written down.

And remember, words mean things. They mean things and anyone who does any of this for a living will find out that you can talk about it all day, but when you start writing it down, it just seems different. And so what we're trying to emphasize here is, let's get a succession plan, let's get the whole management team, who area of control at the headquarters, to appoint where it steps up a bit. It's a little bit more professional.

And then continuing governance and accountability at all levels. That means every state, every department, every one of you, when you go back, focus, focus, focus on how are you doing to be governors and not really just being members, because I think that's as important as anything.

And I believe that's it. It is. Isn't that good? I made it pretty quick.

(Applause)

MR. ALERDING: I think I can ask for questions. Can I do that?

Questions? Anybody have some questions or comments? You only get one shot.

Yes, ma'am? Linda, of course.

(Laughter)

MR. ALERDING: Just my luck.

MS. BOONE: Insurance -- should audit committees be looking at insurance packages and if you have appropriate insurance or not? Because we're going through that in our department right now and we found out that we -- nobody was really looking at it and there was some discussion about how much --

MR. ALERDING: Uh-huh.

MS. BOONE: -- we should have --

MR. ALERDING: Right.

MS. BOONE: -- based on how much assets and things.

MR. ALERDING: Yeah. And there is -- there are some models for that.

What we're talking about here are a couple of things. There are people who handle the funds and who are responsible for transferring funds and moving them; those are

called fidelity bonds. And many of them, we will buy a fidelity bond on Tim and some other people -- on him personally, in case something were to happen.

But more often than not, it comes out of the liability policy and you have a theft provision in your liability policy. What you need to do is get an agent to talk to about the different models you put together, based on your assets, your income, and the like. You need to have somebody who does that for a living who knows not-for-profits.

MS. BOONE: Right.

MR. ALERDING: If you do it with a standard agent that is Uncle Fred or something, you're going to get in trouble. Find someone that knows what they're doing and they will do it and it's not that expensive, but it is vital that you have it.

D&O insurance, directors and officers liability insurance, for all of you, my God, I don't know why you would spend a minute in that chair if you didn't have a D&O policy, which you do here at the headquarters, but I think each of your departments needs to have those, as well.

MS. BOONE: The other thing that we found was that because we didn't have policies in place, we didn't have appropriate financial policies in place, insurance companies didn't want to bid on it or give us a quote.

MR. ALERDING: Right.

MS. BOONE: You go for the -- so, it was that sort of thing, too, anyway.

MR. ALERDING: Well, that's one of the biggest issues we have, is that when they come in to underwrite your organization, they go through and do the same things the auditors do for the simple reason, they're not going to underwrite you if you don't have controls covering the -- all those things.

So, it is a very important part. Florida taught us some things, and others, about what can happen in some cases when you don't have the policies in place that you need.

Yes, ma'am?

MS. CHINN: Patsy Chinn, Department of Oklahoma.

Will your PowerPoint presentation be available on our website?

MR. ALERDING: I think it is. Dubbie? Tim? Somebody?

SECRETARY BUCKLER: Not yet, but --

MR. ALERDING: I'm always looking.

SECRETARY BUCKLER: -- it will be after afterwards.

MR. ALERDING: I think it's always been. I know the fiduciary duty one tomorrow is.

SECRETARY BUCKLER: Yeah, it will be afterwards.

MR. ALERDING: Yeah.

MS. CHINN: Okay. Thank you.

MR. ALERDING: You're welcome to it.

MS. SEELEY: Glynis Seeley, Department of Nevada.

We've had directors and officers insurance in Nevada probably for at least a good five years already --

MR. ALERDING: Good.

MS. SEELEY: -- and it's, really, inexpensive. It was something that we took a look at way before Florida happened, way before. It was something that actually came about because of Girls State.

MR. ALERDING: Uh-huh. Yeah.

MS. SEELEY: We started at looking at what was going on with Girls State, what was looking up with our own department and our officers and we did that a long, long time ago. So, it's not that expensive --

MR. ALERDING: No, it isn't.

MS. SEELEY: -- and even for small departments like Nevada. So, larger departments, it might be a little bit more expensive, obviously, because of assets, but maybe not.

MR. ALERDING: Yeah. But relatively speaking, you're right; it's not.

MS. SEELEY: And the other thing I would like to do is also applaud you, because you have turned finance and audit into something that actually can be a little exciting and somewhat fun, so thank you, Mike.

(Applause)

MR. ALERDING: You know, I -- do we have this taped? Is someone making a copy of this, because I've got a wife at home that would love to hear this, because she thinks that -- she keeps wondering what I'm doing.

(Laughter)

UNIDENTIFIED: Okay. You need to give a donation to make that happen.

MR. ALERDING: Oh, I'm sure I do.

(Laughter)

MR. ALERDING: Boy, you're not going to let that one go, are you?

(Laughter)

MR. ALERDING: That's okay. I'm happy to do it -- and I think you all know that -- but this is really something I appreciate.

Well, thank you all very, very much. Have a wonderful conference while you're here. Enjoy yourselves, and thank God for the weather here, because it's been pretty good. Thanks.

(Applause)

CHAIRMAN JACKSON: Thank you, Mike, for that wonderful presentation.

Can't you just feel his passion for this organization?

(Whereupon, a chorus of "yeses" resounds.)

CHAIRMAN JACKSON: We're blessed to have him on our side.

Okay. Madam President, the Audit Committee has approved the fiscal year 2016 audit for both, the ALA national headquarters and the ALA Foundation, so on behalf of the Audit Committee, I move acceptance of the external auditor's report, as presented.

PRESIDENT DAVIS: It has been moved to accept the external auditor's FY2016 audit report. No second is required, because this comes from a committee.

Is there any discussion?

(No verbal response)

PRESIDENT DAVIS: All those in favor of accepting the external auditor's FY2016 audit report, as presented, say "aye."

(Whereupon, a chorus of "ayes" resounds)

PRESIDENT DAVIS: Opposed, "no."

(No verbal response)

PRESIDENT DAVIS: Motion carried.

CHAIRMAN JACKSON: Great. Thank you, Madam President.

Mike, thank you for not telling the story about your dog when you were referring to the dog food. We won't even go there, okay.

(Laughter)

CHAIRMAN JACKSON: Madam President, this concludes the Audit Committee's report.

PRESIDENT DAVIS: Thank you, Pam.

(Applause)

PRESIDENT DAVIS: After hearing concerns from the Audit Committee that the national organization does not have a plan for rehiring upper management, I am forming a special committee to develop a plan. This committee will consist of Chairman Marybeth Revoir, Nicole Clapp, Kathy Dungan, and the liaison from the Future Focus Committee.

The question is on the confirmation of these appointees. Is there any discussion?

(No verbal response)

PRESIDENT DAVIS: All those in favor say "aye."

(Whereupon, a chorus of "ayes" resounds)

PRESIDENT DAVIS: All those opposed say "no."

(No verbal response)

PRESIDENT DAVIS: The appointees are confirmed.

I call on Finance Committee Chairman Peggy Thomas for the Finance Committee report.

(Applause)

CHAIRMAN THOMAS: Good evening, everyone.

(Whereupon, a chorus of "good evenings" resounds)

CHAIRMAN THOMAS: Is everyone happy and in a good mood?

(Whereupon, a chorus of "yees" resounds.)

CHAIRMAN THOMAS: Good. Since we met at national convention, your National Finance Committee has held a conference call in November and met for the last few days, here in D.C.

As you know, the primary roles of your National Finance Committee include a variety of tasks; monitoring financial statements, investment planning, fundraising campaigns, member benefits and policy review.

I would like to ask the National Finance Committee members to please stand and be recognized. Each member takes his or her responsibility very seriously and brings invaluable skills and knowledge to our discussions. My sincere thanks to

each of them for their time and dedication: Vice Chairman Jan Pulvermacher-Ryan Pulvermacher-Ryan --

(Applause)

CHAIRMAN THOMAS: -- Committee Members Nicole Clapp --

(Applause)

CHAIRMAN THOMAS: -- Liz Foster and Sharon Conatser.

(Applause)

CHAIRMAN THOMAS: Thank you, ladies.

As you've just heard, the 2015/2016 external audit was completed by our independent external auditors, Alerding CPA Group, with very positive results.

Tim Bresnahan, our controller, will now present the actual to budget summary, highlighting revenue expenses, assets, liabilities, investments, as of December 31st, 2016.

Please feel free to ask any questions you may have of Tim. Tim works very hard and it goes on and on and on and he is very dedicated, so give him a round of applause.

Tim?

CONTROLLER BRESNAHAN: Thank you, Peggy.

How y'all doing tonight?

(Whereupon, a chorus of "goods" resounds)

CONTROLLER BRESNAHAN: That "y'all" was for you, Peggy.

(Laughter)

CONTROLLER BRESNAHAN: Can everybody hear me in the room?

(Whereupon, a chorus of "yeses" resounds)

CONTROLLER BRESNAHAN: Okay. Good.

Let's get right to it. When I gave my first report to the NEC back, I think it was in 2009, this is pretty much how I felt.

(Laughter)

CONTROLLER BRESNAHAN: I'm feeling much better now, though.

(Applause)

CONTROLLER BRESNAHAN: And for those of you who don't know this, that little guy is from the kids' movie "Madagascar" and it's actually my family's favorite movie and we watch it once a year. So, I bet you didn't know you were going to get that little tidbit tonight, did you in?

(Laughter)

CONTROLLER BRESNAHAN: Okay. So I'm going to go over the "at a glance" summary, which is on Page 32, and I wanted you all to know I'm -- we're aware of that it's a landscape document that's on -- in your packets, portrait, but I'm going to be going over the box section, so it's still okay, but we're going to go ahead and email out to y'all on Monday, a different -- a new -- another one that's landscape. And you should have, I think, gotten one earlier in the month or at the end of January. So, we're going to take care of that. So, it's on Page 32.

So, first off, our revenue, our first quarter year to date actual revenue -- does everybody have -- is everybody there?

(No verbal response)

CONTROLLER BRESNAHAN: Our first quarter, year to date actual revenue, including investment earnings, was under year to date budgeted by 334,000 or 8 percent. This budget variance is made up by year to date actual membership dues being under year to date budgeted by 347,000 or 11 percent.

This is really due to dues coming in slower than expected, as of 12/31. I did want to point out, as of January 31st, membership dues are under budgeted, but they're under budget by 6 percent, so it's timing.

Also on the revenue side, our investment income is better than year to date budgeted at 12/31, by 72,000.

On the expense side of our financials, our first quarter year to date actual expense is better than the year to date budgeted, coming in under budget by 438,000 or 21 percent. This was due to timing and various activities. We budget to pay expenses in the first quarter that we will actually pay out during the remainder of the year.

There are costs such as IT support costs, were -- have caused to enhance the process for donors to give online and implementation of centennial strategic plan initiatives.

Okay. Our investments, the fair market value of our investments, as of 12/31/16, the General Fund -- which I didn't change the colors this year, so it should have been the same as last -- the baby blue one, that's 28 million; the Spirit of Youth Fund, which I think has rose -- I don't know -- is 483,000; Helen Coley Small Fund (ph) in the yellow section, is 242,000; and the National Presidents' Scholarship Endowment Fund, which is the lavender, is 2.6 million, and then the PUFL Trust Fund, which is the turquoise, in my mind anyway --

(Laughter)

CONTROLLER BRESNAHAN: -- is 3.6 million.

As a reminder for the NEC, I wanted to just briefly touch on the fact that we did, per the NEC action, we moved 1.2 million from the general investments to the National Presidents' Scholarship Endowment Fund.

And I then also, I wanted to remind you that the investment earnings from that fund go to pay our National Presidents' Scholarships during the year.

Also, I wanted to point out -- and I think Mike touched on this when he said it was paper -- the 28 million in the General Fund is at fair market value and it includes 5 million in unrealized gains.

So, does anybody have any questions for me?

Yes, ma'am.

UNIDENTIFIED: What do you use for the fair market value on 12/31, is it just the total value or do you add a figure or a calculation that you use?

CONTROLLER BRESNAHAN: It's the total value of the statements.

Could you -- would you mind?

UNIDENTIFIED: (Indiscernible)

CONTROLLER BRESNAHAN: She's asking what do we use -- I'm sorry -
- she's asking what do we use to calculate the fair market value and we -- the
investment advisor's statements we get; that's how they're calculated.

UNIDENTIFIED: As of 12/31?

CONTROLLER BRESNAHAN: As that date, yep; the close of business on
12/31.

So, does anybody else have any questions?

(No verbal response)

CONTROLLER BRESNAHAN: Okay. Was that -- Stephanie, was there
another question?

MS. ABISI: No.

CONTROLLER BRESNAHAN: Okay. So, I wanted to tell you, if you
have any questions during the year, feel free to email Peggy --

(Laughter)

CONTROLLER BRESNAHAN: -- and me -- and me.

Thank you, and I did sincerely want to thank you all for what you do for our
organization and our investments. So, that's my report. Thank you.

(Applause)

CHAIRMAN THOMAS: The successful fundraising efforts by ALA are
continued this fiscal year with three campaigns designated for the ALA and one for
the ALA Foundation. Fiscal year Direct Mail donations for the ALA, as of
December 31st, 2016, totaled a net of \$104,000.

(Applause)

CHAIRMAN THOMAS: We appreciate your continued support. Thank
you.

The analysis of the 2016 Direct Mail donations indicated a total of 105,749
gift were received and that --

(Applause)

CHAIRMAN THOMAS: -- and of these gifts, 74,407 came from members
of the ALA and 31,342 came from non-ALA members.

The ALA is fortunate to have such generous donors both, inside our
organization and outside our organization.

I want to thank each of you here tonight for giving and helping us ensure
that our vital mission continues. We need you.

The USAA Credit Card Affinity Program began in April 2012. There is an
annual royalty guarantee of \$25,000 and I repeat, \$25,000. We share the royalty
revenue with the department, so if you have not gotten a USAA card, go out and get
one, please. Your participation will benefit both, national and your department.

Your Finance Committee believes in the value and knowledge gained by
our members through mission trainings and the national junior meetings. There
were 490 members who attended the mission training sessions this fiscal year; as of
January 31st, 2017, a 32- percent increase over last year.

There were 140 --

(Applause)

CHAIRMAN THOMAS: That's great. That is great.

There were 144 juniors who attended the national junior meetings this fiscal year as of January 31st, 2017, a 47-percent increase over last year -- 47- percent increase.

(Applause)

CHAIRMAN THOMAS: As a committee, we are excited by the continued growth of member training and we support the future of these learning opportunities for our members.

The committee would like to thank you for your support and approval this evening of the ALA National Member Benefit Policy, the ALA National Membership List Protection Policy, the ALA National Merchandising and Licensing Policy, and the ALA National Investment Policy. Thank you so much.

Thank you, Madam President. This concludes my Finance Committee report.

(Applause)

CHAIRMAN THOMAS: Madam President, I have two items for the NEC.

PRESIDENT DAVIS: Thank you.

CHAIRMAN THOMAS: But first, I want to thank the committee for their work -- they're really good -- and we really appreciate Tim, who does just an outstanding job for us as our national control and finance director.

(Applause)

CHAIRMAN THOMAS: We should never take for granted how well-managed our national finances are and what a great national headquarters we have, and that's includes our national treasurer, Marta, and our national secretary, Dubbie.

Aren't we fortunate to have such a great executive team at headquarters?

(Applause)

CHAIRMAN THOMAS: Now, there's two motions that I need to make to you. The first one is for the NEC to ratify an action taken by the Finance Committee and it does not involve any new money, so you can relax. It does not require any more money.

The NEC has, for many years, done an excellent job of earmarking money in reserves for future retirement obligations. That's great, but we need to fix a problem and that was, how to pay it down -- pay down the road, in light of the fact that the Legion froze its National Pension Plan ten years ago, and we only just recently learned that it is going to stay frozen, which negatively only affects very few people at headquarters.

So, given that the Legion Pension Plan is permanently frozen, I asked some outside experts to help us figure out what to do to fulfill our future obligations; for you know, an HR consultant, tax lawyers, and CPAs, they provided much detailed advice and explained all the federal laws and regulations that have to be met.

Based on the advice of counsel, our financial advisor, and an external audit firm, Alerding CPA Group, they recommended and the Finance Committee approved, establishing a 457(b) financial plan at national headquarters for the purpose of fulfilling future retirement obligations.

I will point out that one of the people that I asked to help with the task is Nicole Clapp. Stand up Nicole, because I'm sure nobody knows you.

(Laughter)

CHAIRMAN THOMAS: And since she is the CEO of a hospital, she has to deal with such things as running the corporation, and her hospital has explored this retirement vehicle. They found it to be a very beneficial instrument that they are now considering implementing, so it was very helpful that she is familiar with all this.

Another person who helped tremendously is Patty Waltz, who was the Legion's national HR director for many years. She is now retired and is quite the expert on the subject matter, especially since she has had to help the Legion figure out their similar situation as well.

We weren't sure this required ratification by the NEC, so we asked counsel general. The Legion Finance Commission recently had to take similar action, which was then authorized by the Legion NEC. We were advised to do likewise.

Now, remember, the NEC already voted to earmark reserve funds required for future retirement obligations, so, again, no new money is involved, and I say "no new money is involved" --

(Laughter)

CHAIRMAN THOMAS: -- I want to make that clear.

This is only to set up the 457(b) financial accounting instrument, so the Auxiliary can fulfill its future retirement obligations for those few people adversely affected by the Legion permanently freezing its pension plan.

And I'll make just one more comment on this. We have no reason to believe that we will need to make any payouts any time soon; we just need to get this

(Laughter)

CHAIRMAN THOMAS: -- we just need to get this in place for when that time comes down the road. I have already emphasized to the people that I think will be involved that can't do it.

And so with that, Madam President, I move that the NEC ratify the National Finance Committee's action, establishing a 457(b) retirement plan with the national controller serving as the trustee, as required, to handle the paperwork. And as you know, the national controller is Tim.

Madam President?

PRESIDENT DAVIS: Since the motion comes from a committee, it does not require a second. It has been moved that the NEC ratify the National Finance Committee's action, establishing a 457(b) retirement plan with the national controller serving as the trustee, as required, to handle the paperwork.

Is there any discussion?

(No verbal response)

PRESIDENT DAVIS: Hearing none, all in favor of ratifying the actions of the Finance Committee, say "aye."

(Whereupon, a chorus of "ayes" resounds)

PRESIDENT DAVIS: Opposed, "no."

(No verbal response)

PRESIDENT DAVIS: The “ayes” have it and the action is ratified by the NEC. Thank you, everyone.

Peggy, you have a second motion, you mentioned?

CHAIRMAN THOMAS: Yes, Madam President, I do.

And on your behalf, I bring to the following to the NEC's attention. As you all know, Nicole Clapp has served on the National Finance Committee for about eight years and was chairman for the last five or so, and so, Madam President, I move that the NEC accept the resignation of Nicole Clapp, effective on the adjournment of this NEC meeting and that the National President Appointee Helen Riedlinger be confirmed to physical the remainder of that term on the Finance Committee, which will expire in August 2017.

Thank you. That completes my --

PRESIDENT DAVIS: Madam Chairman, would you like to say 2019?

CHAIRMAN THOMAS: Did I say -- not say August of 2019?

PRESIDENT DAVIS: You '17.

(Laughter)

CHAIRMAN THOMAS: Oh, excuse me, I lost two years.

Which will expire in August of 2019.

PRESIDENT DAVIS: Thank you. Since the motion comes from a committee, it does not require a second.

The motion is to confirm Helen Riedlinger to fill the remainder of the term on the National Finance Committee, upon Nicole Clapp's resignation, effective upon adjournment of the midwinter NEC meeting.

Is there any discussion?

(No verbal response)

PRESIDENT DAVIS: Hearing none, all in favor say “aye.”

(Whereupon a chorus of "ayes" resounds)

PRESIDENT DAVIS: Opposed, “no.”

(No verbal response)

PRESIDENT DAVIS: The “ayes” have it and the action is ratified by the NEC.

Nicole brought a clear understanding of the budget process and shared her financial expertise with the organization. Please, join me in thanking her.

(Applause)

PRESIDENT DAVIS: It's also nice that she's tall enough that we can see her over everybody.

(Laughter)

PRESIDENT DAVIS: I don't have that luxury.

Are there any questions regarding the finance report?

(No verbal response)

PRESIDENT DAVIS: The finance report will be filed for audit.

Thank you, Peggy. I appreciate the proactive work of the Finance Committee.

CHAIRMAN THOMAS: Thank you, Madam President.

Thank you.

(Applause)

PRESIDENT DAVIS: Ladies, please remember to review all documents for tomorrow morning's meeting.

The Chair calls upon the national secretary for any short updates.

(Laughter)

PRESIDENT DAVIS: So, just so you know about Helen, she's from -- am I too close -- she's from South Dakota and she's a 30-year CPA, so she brings great background to the Finance Committee. She's also a dual member, having been in the Army.

(Applause)

PRESIDENT DAVIS: Oorah. Go Army.

(Applause)

PRESIDENT DAVIS: So, I just wanted you all to know that. Thank you.

SECRETARY BUCKLER: Thank you, Louise.

When you were listening to both, the audit and the treasurer's report, certainly, in the audit report, it was mentioned about the Department of Florida. I will just offer an update.

A former department secretary/treasurer from the Department of Florida was convicted in federal court of embezzling \$657,000 and sentenced to two years in prison a few weeks ago and then two years probation after that, and ordered to pay restitution.

The reason we spend so much time talking about internal controls, creating seven-pound operations guides that still just kind of scratch the service, because there's so much more that goes to that, is to help mitigate that from happening. That happened because there were no internal controls.

Now, the sad thing is your over 600,000 that's gone, the Department was able to recover \$100,000 from the bond they had. You can do the math of how much is not recovered.

If the former department secretary/treasurer, once she is out of prison, began paying the restitution at the court-ordered rate and paid it upon her expected lifespan, the department will still only have recovered about 9 percent of its loss. So, I just wanted to add my two cents' worth about why sometimes you think we just talk ad nauseam about governance, management, and proper operations; it's just there's an awful lot at risk.

And you all -- those of you who are on the NEC know that when we go through the orientation, your primary responsibility is the duty and care of the organization. You have to care and protect the reputation of the organization and you have to protect the financial health of the organization. Those are your two -- we can put 20 million words to it, but the two primary responsibilities are to protect the reputation and the financial health of the organization.

So, not only is the financial health of the organization severely damaged when you have theft -- that's pretty big -- but the reputation damage is very bad. I will tell you there was a lot of bad press, as you can imagine.

I want to say something positive about this, and that is, the department secretary who succeeded the one that has been convicted, worked with their department finance chair, so that was Kimberly Sullivan and Peggy Harrelson, who's the finance chair, and you can only imagine what a couple years of their lives were like as they waded through, discovered, had to do the forensic audit.

The loss doesn't even calculate the amount of money they had to pay to have an external audit done, which had never been done and then a forensic audit, which had never been done. Hopefully, you never want to have a forensic audit done; when you have reached that point, you are -- you have crossed a line. You are already in trouble; you've crossed a line.

So, I want to extend my appreciation to the good people in Florida who took it on the chin, stepped up to resolve the problem, and that's not an easy thing to do. So, thank you to those who did that.

(Applause)

SECRETARY BUCKLER: Now, some of you -- oh, so, who are social media users in the room? So, who knows that when I'm talking about Instagram, I'm not talking about Western Union --

(Laughter)

SECRETARY BUCKLER: -- and when I'm talking about Twitter, I'm not talking about bidders?

(Laughter)

SECRETARY BUCKLER: Well, don't forget to use hashtag -- now, who knows what I'm talking about with the hashtag; that's the pound sign -- #ALADC. So, be sure to post things that are of interest -- appropriate things that are of interest following our social media policy on Facebook, Instagram and Twitter.

Also, some of you may have noticed that before the meeting was convened, the national secretary/national treasurer had a special assistant helping us, and so I want to thank Lucas Hedding, who is the 7-year-old grandson of our national treasurer, Marta Hedding, and he will be assisting us both again tomorrow.

(Applause)

SECRETARY BUCKLER: And he has his own name badge and he feels very official.

(Laughter)

SECRETARY BUCKLER: Also tonight, at eleven o'clock on HGTV, Chrystal -- it's tonight -- yes, Chrystal Daulton -- how many of you know Chrystal Daulton?

Okay. Chrystal Daulton works at National Headquarters. She and her husband moved from Hawaii to Indianapolis -- a little change in the climate -- and they -- so, the spoiler, they bought a log cabin and they are being -- they are featured tonight's episode of "Log Cabin Living" on HGTV. So, it comes on at eleven o'clock.

(Laughter)

SECRETARY BUCKLER: I have not seen where she lives. I'm going to be watching, because I'm curious too. We've seen pictures and heard a lot about it. So, anyway, that's on tonight and so for any of you that want to get together and have slumber parties.

(Laughter)

SECRETARY BUCKLER: I was trying not to put it out there that Louise is having a party for the -- she is the consummate fan of HGTV.

So, a funny story. Sharon Conatser and I are in the national president's room at the National Veterans Creative Arts Festival and we're getting organized for the next thing to do and Mary said, "Did you see the ghost?"

You know, we're talking. We were just keep working. "There it is again; did you see it?"

Now, Sharon and I are going, "Sure, Mary --"

(Laughter)

SECRETARY BUCKLER: -- "Sure, we saw it. How long have you been on the road, Honey?"

(Laughter)

SECRETARY BUCKLER: And finally, she jumps -- so, what she's got on in the background, which we're -- you know, none of us are really, you know, watching it, so what she's got on in the background is HGTV and around Halloween, there was this little ghost that would occasionally go across the bottom of the screen.

(Laughter)

SECRETARY BUCKLER: So, finally, she jumps up and she goes, "Look, there it is."

(Laughter)

SECRETARY BUCKLER: Anyway, I know more about HGTV than I ever did.

Now, tomorrow -- part of the -- so, tomorrow, how many are going to the -- excuse me -- welcome home ceremony for Vietnam veterans, hosted by the Vietnam Veterans Memorial Fund. Okay. That's an awful lot of you.

Now, you'll hear more about that in the morning. If you have traveled here with anyone who is a Vietnam veteran, we would love to have them be part of the ceremony, so please visit the registration table -- and you all know where that is -- or talk -- just talk to anybody -- catch anybody from the national headquarters, because we would really like to include them, if you are here with -- and want to admit it anyway -- if you are here with a veteran from the Vietnam Era.

(Laughter)

SECRETARY BUCKLER: So -- and we would love to have them as part of the ceremony. So, with that, Madam President, we'll have more announcements on this tomorrow morning.

PRESIDENT DAVIS: Yes?

UNIDENTIFIED: I have an extra ticket for the bus and guess what? I can't go on it.

PRESIDENT DAVIS: We have one extra ticket if someone needs it, because we have someone who can't --

UNIDENTIFIED: I'll probably (indiscernible).

PRESIDENT DAVIS: Okay. Dubbie has another page of announcements; they're short, I'm sure.

SECRETARY BUCKLER: They're a whole page shorter. They would have been faster if I had found them.

Okay. Tomorrow morning, 7:45, Georgetown Room, which is on this level -- oh, they're right there -- NEC women, past national presidents, national officers, and national chairmen are all invited to the NEC breakfast.

We have a few tickets available for the Public Spirit Award luncheon on Monday afternoon.

Anything that has to do with tickets, check with headquarters staff at the registration table.

PRESIDENT DAVIS: Thank you, and thank you for the story I forgot about.

(Laughter)

PRESIDENT DAVIS: So, believe me if I tell you I saw a ghost.

All right. The National Executive Committee meeting is adjourned until 8:30 tomorrow morning.

Thank you, all.

(One bell-ringing sound)

(Whereupon, the meeting adjourned at 8:54 p.m.)

SUNDAY, FEBRUARY 26, 2017
PROCEEDINGS

PRESIDENT DAVIS: The National Executive Committee meeting will come to order. Please rise -- before you do that, please disable all your phones, beepers, laptops --

(Laughter.)

PRESIDENT DAVIS: -- tablets, all the vocabulary. Would you please rise for the Invocation by the National Chaplain?

(Ringing of the bell.)

CHAPLAIN BROWN-DEBRO: Great morning.

ALL: Good morning.

CHAPLAIN BROWN-DEBRO: Now that everyone is awake from their nice coffee this morning, let us pray.

Heavenly Father, we just thank you for another day, another opportunity, and another privilege that you provided for us to be here today in the land of the living. As we pray for our leadership and members, Father God direct our thoughts, open our minds, (indiscernible) to obtain wisdom, knowledge, and understanding, which our health comes from you to better serve our veterans, their families, and communities. Always (indiscernible), asking for your help to guide us, speak to us, all of you and none of us, in your Holy Name we pray, Amen.

ALL: Amen.

PRESIDENT DAVIS: Thank you.

(Ringing of the bell.)

PRESIDENT DAVIS: Your attendance should have been taken by one of the Headquarters staff as you arrived this morning. If it didn't happen, please see them at the back of the room after the meeting.

Our first report is from Foundation President, the person whose heir is our auditor, ready ladies? Linda Boone.

MS. BOONE: You don't want to believe that, what she said. Good morning, everyone.

ALL: Good morning.

MS. BOONE: Can you believe it? That 2017 is the tenth year since the American Legion Auxiliary Foundation was created? We have made huge strides. But what is still puzzling to me is that many of our members are still unaware of the American Legion Auxiliary Foundation and evidently many departments are also. Not every department has made a donation to the Foundation and we are counting on each of you NECs to change that. Help us encourage your departments to participate.

There have been 34 departments that have given donations since January of 2016, totaling \$54,000.

(Applause.)

MS. BOONE: Which is terrific. But one department alone is responsible for one-third of that total. So a big thank you to the Department of Wisconsin.

(Cheering.)

(Applause.)

MS. BOONE: The National Staff has continued to be creative and consistent in informing members through the magazine and social media. Our website has the stories and information about the \$68,000 in grants that we gave in FY 2016, which shares the importance of donations to support these diverse veterans programs throughout our nation. Of that \$68,000, over \$27,000 were subgrants to five departments who may not have been able to obtain these grants without using the Foundation as a pass through. Encourage your departments to think about how they could take advantage of this process when potential investors need a 501(c)(3) organization as a recipient for funds. We are here to help, at no cost to you.

Another puzzling fact is that the Foundation has received no grant applications for the Veteran Projects Fund or the local Veterans Creative Arts Fund this year. What is up with that?

(Laughter.)

MS. BOONE: Your departments don't have any projects that they need funding for? The process is simple and online and the next cycle for the board to review will be in April. So the applications need to be in by the end of March. Think about these unique projects that received grants in FY 2016. Connecticut for a clothing label maker at a veterans home. A gazebo at a veterans home in New Mexico. Therapeutic garden at a women veterans housing program in Massachusetts. Thirteen waiting rooms in Illiana's VAMC were made child friendly. California assisted with a child learning center project at a women veterans program. Physical therapy equipment was provided to a veterans home in Nebraska. A music therapy program was funded at a New Mexico veterans home. An art therapy program was funded at a veterans home in North Dakota. A blanket warmer was provided at a veterans housing program in Colorado. Do any of those projects sound like something your department might need funds for?

Because of you our second annual Giving Tuesday campaign was a wonderful success. This year our incentive match from our direct mail vendor Innovairre Communications was for \$15,000. And adding that to the donations we received from members and supporters we ended with over \$42,000.

(Cheering.)

(Applause.)

MS. BOONE: That is \$42,000 that will go directly back to helping our veterans and their families. Thank you to everyone who participated.

Now I know that many of us are increasing our online shopping that we do. If you use Amazon then you need to be using Amazon Smile, which provides funds to charities you select. The Foundation has received \$1,800 so far from being selected by buyers. Use your same password and make AmazonSmile.com a favorite and keep on shopping with the Auxiliary credit card.

(Laughter.)

MS. BOONE: Do you know someone who is a businessperson and may be connected to corporations and has a desire to help veterans? Member, non-member, female, male, the Foundation is recruiting for directors for the board. The application deadline is April 1st and we encourage you to think of individuals that may want to volunteer in a non-traditional Auxiliary style.

In April, 2016 the Foundation board met to develop a strategic plan with the assistance of a consultant. Since then the board has fine-tuned and added some tactics to accomplish. We are now ready to present the goals for ratification by the American Legion Auxiliary NEC.

The three goals are increase philanthropic support; ensure adequate resources, both human and capital; and create messaging to inspire giving. We are excited that the endowment fund of the Foundation is very close to the million dollar. Please encourage --

(Applause.)

MS. BOONE: It's taken us ten years, a little long in my opinion. But we're excited we're growing because more of you know who we are.

Thank you to all the Foundation supporters. We are growing and able to provide assistance to hundreds of veterans through our grant programs because of you, so thank you.

Madam President, I have a resolution to present? Okay. All right. I'll read the resolve card within your packet. Resolve, that the American Legion Auxiliary National Executive Committee at its meeting February 26th, 2017 in Washington, D.C. ratify the actions approved by the American Legion Auxiliary Foundation board of directors and adopt the American Legion Auxiliary Foundation mission statement and three American Legion Auxiliary Foundation strategic plan goals which are as follows.

The mission statement. The mission of the American Legion Auxiliary Foundation is to positively impact the lives of our veterans, military, and their families by funding programs of the American Legion Auxiliary today and for future generations.

The strategic goals are increase philanthropic support; ensure adequate resources, both human and capital; and to create messaging to inspire giving.

I'm not sure that I can move. Can I? I'm not really on the committee so I wasn't sure. Okay, I move to adopt the resolution number whatever it is.

(Laughter.)

PRESIDENT DAVIS: Give it a number.

MS. BOONE: Do you have a number?

VOICE: It's Foundation --

MS. BOONE: Oh, three. No?

VOICE: I'll make one up.

MS. BOONE: Okay. Thank you.

(Laughter.)

PRESIDENT DAVIS: Thank you, I think, Linda.

(Laughter.)

PRESIDENT DAVIS: There is a motion on the floor. As it comes from a committee, we do not need a second. The motion is to, is a resolution to ratify the Foundation mission statement and strategic goals. Is there discussion? All those in favor, please say aye.

VOICES: Aye.

PRESIDENT DAVIS: Those opposed, no.

(No response.)

PRESIDENT DAVIS: The motion has passed. Thank you --

(Ringing of the bell.)

(Applause.)

PRESIDENT DAVIS: Thank you, Linda. Please now welcome National VA&R Chairman Kathy Dungan with her report.

(Cheering.)

CHAIRMAN DUNGAN: Good morning.

VOICES: Good morning.

CHAIRMAN DUNGAN: I'm pleased to report that I received 100 percent midyear reporting.

(Cheering.)

(Applause.)

CHAIRMAN DUNGAN: They were excellent reports. But also in those reports were comments that indicate a breakdown in communication from departments to units and vice versa. Some departments reported the numbers of reports received, although that information was not requested. As I read through the reports I began to see a disturbing trend. I talked with National President Mary and we agreed I should address the lack of reporting in the VA&R program.

Now our mission is serving veterans, active military, and their families. So you would expect to receive a report in the VA&R program. Well units are not submitting a report. So to me that indicates a problem. We know our units and members are working the mission. We just need to get them to report. I'll take some excerpts from the reports I received, and I won't use them as actual quotes but consider them quotes. I will give the total units in the departments but not the department name. I don't want to embarrass anybody.

Quote, I received seven reports out of 23 units and two of those reported no activity; received five reports out of 74 units; received three reports out of 65; received 23 reports out of 92 units; received nine reports out of 96 units; received five reports out of 89 units; received ten reports out of 87 units; received 26 units out of 132 units; received five reports out of 142 units; received eight reports out of 87 units; received 11 reports out of 103 units; and received five reports out of 39 units. Now that's a total of 117 reports received from 1,029 units. And remember, the above numbers were reported without being asked. Had all of the departments reported how many reports they received, what would the impact be?

The one good comment I received, quote, I heard from 60 of our 62 counties. Great job, New York.

(Cheering.)

(Applause.)

CHAIRMAN DUNGAN: We know that members and units are doing awesome work. We're getting great stuff but there is a lot more to report. So how do we get these unit members to tell us what they are doing for our veterans? How do we get them to report their successes and stories, their special out of the ordinary projects? We must do a better job of getting the information to our units.

It is a trickle down effect. Information flows from National, down to departments, then departments to units. Then in reverse, unit information flows up to departments, then to National. But if the information stops flowing it causes a problem. And Houston, we have a problem.

(Laughter.)

CHAIRMAN DUNGAN: I ask that each of you commit to share with your units all the information you are given. Then we will really see the awesome work of this great organization. Think about it. If all the units reported, our impact numbers would go through the roof. So can we have that commitment from you? Thank you.

(Applause.)

PRESIDENT DAVIS: I just want to say that not all of the chairmen are going to be reporting. Because really with the amount of time that we would give them it wouldn't be a quality report. So I felt it better for Kathy to speak to our need to be proactive in our organization and that really speaks to all of the programs that we have. It's not just VA&R, it's all of the programs. So with Kathy and with all the rest of the leadership, we truly appreciate that you will be able to take this back and share and maybe even monitor to make sure that the reports get done. It is important for us to know what the units are doing and show some pride and be able to say, this is what they are doing in my state. That wasn't in my script.

All right. So now with that in mind, I would like to welcome our Membership Chairman Martha Corriher.

(Applause.)

(Cheering.)

CHAIRMAN CORRIHER: Good morning.

VOICES: Good morning.

CHAIRMAN CORRIHER: Okay. Making membership meaningful. Think about that just a minute. Let's see why membership is not meaningful because there are some barriers. So with that in mind, let's move on to the next slide where -- is it on? Where are we? Let's first look at where we are and if nothing changes where we will be going.

Okay. In the last five years, we've lost nearly 100,000 members. That's almost 13 percent. Since the start of the administrative year, we're averaging about 2,500 members less each week than we did last year at this time. So this past week our membership is down 27,447 members from last year. Why is that, ladies?

If things continue as we are, you can see from this graph, our membership is projected to be by our centennial another 100,000 members less. We have to stop this slide. Getting new members isn't the problem. The problem is keeping them.

The chart shows how many members from 2012 that were new members remain members in 2017. It's just 36 percent. That means 60 percent of those new members have dropped out. Why is that?

Departments and unit membership chairmen have shared their concerns about the challenges they are facing with the decline in membership. Membership is not declining because we are using technology to collect dues or because certain people are chairmen or officers. All members need to assume the responsibility for the decline. Membership is everybody's responsibility, not just your membership committee's. Action is needed to identify and address the real barriers preventing our membership from growing.

NECs, we're asking for your help. You play a valuable role in addressing these barriers within your department. You are the conduit connection between the national organization and your department. I'd like to share some of the barriers we've identified and then we're going to think about what you can do as an NEC to address them.

The previous slide reflected by year four is over new members dropped out, the number one reason was behavior, how members treated each other. Can we relate to that?

VOICES: Mm-hmm. Yes.

CHAIRMAN CORRIHER: The organizational assessment backs this up. Bad behavior is the main reason people leave. It's a serious problem that has to be addressed at all levels of the organization and should be the priority in your department.

Wonderful. Ah, looky there. Genius young man.

(Cheering.)

(Applause.)

CHAIRMAN CORRIHER: If I had a daughter that wasn't married, I'd send her your way.

(Laughter.)

CHAIRMAN CORRIHER: All of mine are married.

VOICE: (Indiscernible).

CHAIRMAN CORRIHER: Too late. But bad behavior is the number reason people are leaving. It's a serious problem and we have to identify it at all levels of the organization and in your departments. If the ALA had a nicer culture, we wouldn't lose so many new members. Our renewal rate would be higher and instead of roughly losing 200,000 members over the last decade, we would be closer to our goal of reaching that million members. Think about it. That's true. We have to be nicer. We have to do what we can. National can't fix that behavior. But we, everybody in this room, can be that example on how to treat members. In fact we should look at our membership as a blessing. Giving the gift of membership is a blessing. Have you been a blessing to others lately?

Have you considered how disrespectful it is to a member who has paid her dues -- no, let me back up. It's disrespectful when a member, when her dues aren't remitted from the unit to department promptly, or when she doesn't get her

membership card promptly when she pays those dues. This happens far more than you would think. They send their dues to the unit, the unit sits on that money and holds it, and holds it, and holds it. Some have held it for a year and turned it in for 2016. So we can't do that, ladies. They think they're members in good standing. Heaven forbid they would need to apply for an AEF grant. They would be denied because they're not members in good standing.

The National Headquarters and the IT staff have fielded more than 1,500 calls since the second renewal notice went out. About half of those calls were members stating that they had already paid their dues, some as early as last June. Yet their dues still had not been transmitted to the department or the national organization. Some of those members paid it again just to make sure that they were a member in good standing. So those units have a double payment for that member.

Several members reported that they had paid their dues for the last two or three years, yet the national organization is still not showing them as a paid member. They have not had their renewal dues sent in. Others reported that they paid online, which is a wonderful thing. How many in here have paid online? You love it, don't you? But yet, believe it or not the units refuse to give them their official card that they received from the national organization because they didn't have proof in their hand from the department or from National that they had paid. Various reasons for them, the units saying they had no record, just doesn't fly. Department gets a report from National every two weeks of everyone that pays online or by phone. And so regardless of how a member pays her dues, she is entitled to that card. Even some units say they will not give that card until they get their unit dues. Some departments only transmit those dues quarterly to those units. So if they have the proof in hand, ladies, don't be disrespectful and don't be mean, and give them their card because you're going to lose that member if you're not doing due diligence to help them. The membership cards are provided by the national organization, and they are given to the department, and the department then transmits them to the units. So those cards are there.

What does this say to the members when the membership is not transmitted in a timely manner or properly? It lets them know that they are not being cared for, they are not valued, and they aren't a valued member. These members and potential members who complete the volunteer interest form is another way for units to get members. These forms are reviewed by the national organization and then they are sent out to the department leadership and the membership chairmen for them to disseminate them out to the units that would best fit that potential member or those interests of where they can volunteer. And units take advantage of this recruiting tool? Some do and some don't. But please check with your department NECs when you get back and say, hey, I know we've got interest forms that have come out. How many have you actually made sure and checked to see if they had been recruited?

We got a lot of reports this week from the national organization that some departments have actually recruited some of these members. But I got an email just Friday from a department, or what a department had done. And it just floors me.

Our goals, or the goal that the department has set for the units, is not a quota. It is a goal. A goal is something you strive for. Remember, we want to be overachievers. We want to reach that million member sooner than later. But if units are telling them when they get that interest form, oh I'm sorry, we've reached our quota, we can't sign you up.

VOICES: Oh --

CHAIRMAN CORRIHER: This happened this week. No, ma'am. No. That doesn't work. That's being disrespectful. You're shooting yourself in the foot, where you may have the best member potential in your unit and you just let her go. They are not going to come back. They're not going to wait until the next year. They'll go find another organization to do this work.

Then there are the thousands of members who are mistreated simply because they just want to pay their dues in honor of their veteran and not be expected to attend meetings or do anything that you tell them to do. You need to give them the opportunity to volunteer for what interests them and they like to do.

One barrier facing departments and districts are the membership committees are too small to cover the large area with their membership base, especially in our larger states. A lot of these membership committees only have two to three members on there. It's not that membership committee's responsibility to sign up those members in those units. The responsibility of the membership team is to give you the information and the tools to help you as unit members to recruit your own members.

Communication is the key to recruiting and retaining and attracting members. Many chairmen rely on snail mail and email as their only communication tool to reach their members. Have we forgotten how to use the telephone? And heaven forbid we drive somewhere and get out of the car and go knock on the door and say, hey, how are you? We have forgotten that personal touch. And how many of those members really need to hear that voice on the other end? They are not able to come and you just think they are not coming because they don't want to. You don't know their stories. You need to get to know your members.

NECs, you can help and you are the support. You are essential to making this membership of the national organization, the departments, and the units to succeed and to thrive. Why do we need members? It should not be because of a numeric goal. It should be because our mission is important and we still need that mission to be important in the future. We are always going to have a military and that should be our focus. There is always going to be a veteran somewhere out there.

NECs, I know you are going to get tired of hearing me say NECs, we need you. But as members of the national governing board, you have the responsibility to turn things around. So I ask you, what have you done to grow membership in the Auxiliary, to keep it alive and well, in your department, even in your own unit?

Before I share some of the suggestions, I have to tell you a little story about a post and a unit that was chartered in 1946. The unit was chartered with 62 members in 1946. The Legion chartered the year before with 198 members. That sounds like a big, pretty doggone big unit and post, which is really good. During the

late forties and into the fifties, the family grew. They'd show up with some decline over the years after the fifties, but they'd always bounce back with the membership, both in the Legion and the Auxiliary. Fortunately the Auxiliary continued to recruit, not just for the Auxiliary but for the Legion. The Legion thought, oh, we've got enough. We don't want to, you know, fool with that. We're going to sit back and rest on our largesse, and we'll just, you know, keep going. So they didn't really push the recruitment. If it hadn't been for that Auxiliary wanting to recruit even more members for their unit, the Legion probably wouldn't have grown.

We're going to move forward really quick because it would fluctuate year after year until 1993. The population in this town was about 3,000 and then there were five or six Posts or Auxiliaries in the surrounding area and the other little towns that this Legion family was searching for membership through. The Post thought that they weren't going to be around very much longer because all their charter members were dying off and they weren't recruiting new Legion members. So they gave up on the recruitment. They just sat back and decided, well, you know, we're just going to bide our time and we all die off and then, you know, there's not going to be any more wars, you know, there's not going to be any more fighting. You know, we're just going to sit back. So they didn't recruit. They came and attended the meetings. But they sat in with the Auxiliary because nobody in the Legion would step up and be the Commander. They were afraid. They didn't want to do the work.

So they helped the Auxiliary with their projects. They didn't do any fundraisers. You know, to help. They just sat back, oh, we'll come help when we can. So realizing that the aging members didn't want to drive at night, this unit decided to do something outside of the box, not the norm, not traditions. They made a change. Now it's 2015. They decided they're going to meet and have activities held during the daytime hours and on Saturdays so no one would have excuses about driving at night or I can't get off of work. In the first month after the change, they were pleasantly surprised when potential new Legion members and Auxiliary members came to their fundraisers and their meetings. A lot of these people just showed up. Some would call and say, is it okay if we come to the meeting? They said, sure. So they'd show up unannounced just to check it out and see if what was in their social media and in the papers was true.

So one day one Legion member visited who was considering transferring from another Post. He didn't like going to the night meetings. He wasn't made to feel welcome. And he just wanted to remain a member so he came to the meeting and he was informed that the Legion was not very active, they had no Commander, that he was welcome to transfer if he'd liked what he saw the Auxiliary doing. And so he said, well, I'll think about it. So he stayed for the meeting and he decided at the end, he goes, yeah, I like what you're doing. He said, I think I'll transfer but, you know, there's no way I can step up and be a Commander. I don't know that much about it he said. But I did want to remain a member. So he transferred to this Post that was inactive, the only thing active was the Auxiliary.

So the next month's meeting he shows up and brings his wife. They were greeted by the Legionnaires that were there and all the Auxiliary members because they were really excited. They thought, hey, there's another female. Maybe we'll get another member. So they sat down for the meeting and so they listened to the meeting. And one thing that one member told the lady, the wife when she came in, she said, you know, we hope that after you attend our meeting you will consider joining us at some time as a member of our Unit. She said, well, I'll think about it. So at the end of the meeting she came up to her and she said, you know, I really like what you're doing. I like your message. I like the activities you're doing. She said so, you know, I want to join. So she filled out the paperwork, her husband paid her dues, and they were off and running.

The next month the Legionnaire comes in, his wife had to work that day because she works most weekends. And he does the unimaginable. Now what are you thinking? He decided he's going to transfer out. No. He did the totally unimaginable. He stepped up and volunteered to serve as commander. And the reason being he said, now I've got to get this right, so that the Auxiliary would not have to do the work of two organizations. It was his responsibility as a veteran to keep the Legionnaires doing their part.

So that post grew from some 30, maybe 30 members, to 55 members in two years. Now that's a pretty big growth for a post in a small town of 3,000, where you've got five or six other posts gathering those same members. The Auxiliary grew from around 60 members to 98 members in that two-year time. How is that for success? Now you're probably thinking --

(Applause.)

CHAIRMAN CORRIHER: -- this is a made-up story. I'm pulling all these numbers out of my hair. It's not. This is my Legion family story. This was my post and my unit.

(Applause.)

CHAIRMAN CORRIHER: So I'm telling you, you can make a difference. So now for suggestions.

How can you help the units fulfill their obligations? Number one and foremost, make sure those dues are transmitted promptly and the membership cards are given out as soon after those dues are received as possible. The key is to not retain that money in your unit. Send it to department, and transmit it to National. Encourage and let them know that they are not doing their fiduciary responsibility holding that membership. They are obligated to send that into department and then onto National.

Remember the Golden Rule: Do unto others as you would have them do to you. They wouldn't want somebody that owed them money to sit and hold it and hold it and hold it and hold it, and say, oh, I'll give it to you whenever I feel good and ready. So we have to remember that. We need to be respectful but we need to let them know that, yes, you have to transmit these dues.

Don't let the units give you the excuse that they don't know about members who pay online or via phone. That's just an excuse. I know many of them

are not on the computer. They don't have access to the ALAMIS system. That's still no excuse. They can call their department headquarters and they can let them know who has paid online or by phone. So we have to keep that line of communication all the way around. And that can be done 24/7. They can go on the ALAMIS any time day or night, everyday.

Also make sure your department and your unit leaders follow up with those volunteer interest forms. Remember what I said earlier, your best members could be coming from those forms. You need to make sure that we follow up on those.

And NECs, you can offer that helping hand to support your department membership team. Like I say, they are small. But you may say, I can't drive. Use the phone. Use that personal voice. People love to hear different accents. They love to hear, you know, different terminologies. So just ask how their day is going before you jump right into it and say, why haven't you paid your dues? Check up on them. Find out if there is a problem going on before you attack. Don't, and we shouldn't ever attack anybody about paying their dues. Because like I said earlier, we don't know their story. We don't know their situation. So don't let our members or potential members ever be neglected. As department leaders we're asking you to do what's needed to assist your membership committees and to communicate. Again, emphasize the importance of the phone calls and the personal visits. Help make those contacts. I can't say it enough. We have to do everything we can to create a culture of goodwill, to be more communicative with everybody in our department, and to make that personal effort.

Units are where the mission delivery begins. If the unit is not doing the mission out in the field, how can they expect to have the community to come to them for membership? They need to make the information that they get from their department membership chairmen and from National available as soon as they get it via phone call or any way, shape, or form. So just like with you, as NECs, you need to share your information when you get back the fastest and best way that you can with all your department leadership.

NECs and all leaders in the room and all members in the room, please set that good example and be the helping hand to your units. Just because you're a Past Unit President, Past Department President, or a past committee chairman, and you have no leadership role, you do have a leadership role. Past doesn't mean you're done. Past means you have the experience --

(Applause.)

CHAIRMAN CORRIHER: -- and that you should go out and teach and be that mentor to those newer unit members.

Treating members with courtesy and respect, following through on our obligations promptly, is key. In conversations with both the seasoned and the new members, many are seeing that they have to have a unified membership effort to make the programs work and they do this by having events, meetings, but one thing they have taken it a step farther -- they have a fun social time so that members can get to know each other in a relaxed setting and forget Robert's Rules and following

protocol. They have fun. We have taken fun out of the membership and we need to put it back.

(Applause.)

(Cheering.)

CHAIRMAN CORRIHER: And then we have the members that are experiencing in bullying and slander by other members within their unit and in their department. So what are these ladies that are experiencing this doing? They are not running away. They are finally saying they are going to stand up and they are going to stand up for those that are afraid to say anything, and they are holding workshops on how to handle those that are bullying and slandering others. They are wearing buttons and say, be kind to one another, every member counts, you are a valued member. So that comes into play with our strategic plan goal two, culture of goodwill. That is the key. We have to be a nicer group of ladies. And I use that word ladies because if we're ugly and we're mean we're not being ladies, we are something else. And that word I cannot say.

(Laughter.)

CHAIRMAN CORRIHER: It is vital that you and your units respect and appreciate the women who simply want to honor their veteran and be a member. If you honor that request and let them know, yes, it's okay to not attend meetings. Just know that when you're ready, when you have time, we'd love for you to come and sit in our meetings. We'd love to have you help with an event or a project, if you can. You're more, nine times out of ten, going to get them to help you with an even or a project than to come sit in a boring meeting where you're doing nothing but backstabbing and calling others names. That's why they don't come to those meetings. We have to stop it.

Also encourage your units to provide opportunities to those members that don't come. You don't know why they're not there so send out newsletters, phone calls, postcards, let them know what's coming up. My unit just lost our oldest member. We've got another one that's creeping up on her, but she was 102 when she died last October. And she hadn't attended a meeting in over 30 years and that was due to because of her health and where she had relocated to, which was a good drive for her to get there and she had no one to bring her. And so she didn't want to burden others. But we sent her our newsletters every month. We made calls and we let her know what events were going on. She would always, now mind you she was in a nursing facility and she was on a fixed income. But she always made the financial contribution to our events because she felt that was her contribution and it made her feel valuable. And she was. She was a valued member. And the one thing that you're thinking, well how did she know? Because we sent thank you notes. We sent her cards. We made phone calls. That's how she felt so valued. And her daughter, when I talked to her after her death, she said she loved the Auxiliary. That she really, it bothered her so bad that she could not physically be there. But she appreciated the notes and the cards so that she could stay, and she would, she had the most beautiful handwriting, she would handwrite her notes. And she said you don't know how good this makes me feel.

So just try it. Send a note to somebody. Give them a call. And see if they give you something back. That was worth \$1 million to me, to know that she really appreciated us keeping her in tune with what was going on. Because she was important.

What about our Juniors? Are we utilizing our Juniors? The interviewees from the assessment that the firm did said that we need to renew our focus on our Junior Activities Program and recruit these Junior members to build the membership over time. We have to customize our outreach for both membership groups. We can't recruit the same way for our Junior members that we recruit for our Senior members. We're not doing that. We're just signing members up. So you have to let the Juniors know what's for them, and what the Seniors have for them also.

It's designed, the Juniors program is designed to be a feeder program into the Senior program. But if you're not teaching them about our programs, and what they can do as a Junior member now, then when it comes time to be a Senior member they are not going to know and they are not going to want to take part. So we have to work on that. Your Junior members do not want to come to your Senior members and sit in on boring reports or no report and just gossip or just a social time to eat tea and cookies and then go home. They want to make use of their time because their time is valuable. They have other opportunities that they could focus their time on so we have to customize their priorities to keep them active. Set up a time to create your own Junior meeting in your Unit and only have the Juniors there with your Junior leader.

And it's also important to try to find someone to take that Junior activities leadership role within your Unit and your department, to do it more than one year. You can't create a program in one year. You have to work on it. You have to fine-tune it. You have to see what works. And best of all, get the input of your Juniors. Ask them what interests them. Use them in an area that they feel comfortable in.

If we focus more on how many members -- let me back up. If we focus less on how many members belong and focus on more why our members belong, our membership will grow. Now think about that. We focus less on the numbers but we focus more on the why. How many of you actually go out in your community and tell and share the story why they need to belong? What the organization has to offer? We just go out and say, hey, I need members in my unit. You don't tell them why you need the members, to do the work for our veterans, our active duty, and our military families.

And remember, a goal is not the reason to grown your membership. We need members to deliver our mission to the next generation. That is the goal of membership, to be able to continue delivering our message.

According to the assessment that was taken by the JGA Group, the top drivers of the ALA experience was what makes membership meaningful so that people want to join and stay members. That was it. That was the driving force. Our veteran and community service and leadership opportunities. Those were the three, the driving force. But the bad thing is we're not creating that many leadership opportunities in our units because we're not letting those units take part, those

members take part in the units. We're trying to squash them. We don't want to relinquish our leadership role. We think we're done and nobody is going to listen to us. No, you sit back and you be that mentor. You say, hey, I'm here, I've got your back. If you don't know anything and you have a question, come to me. I'll help you. If I don't know the answer, I'll find it. Be willing to be that person to say, I'll let you fall but I'll catch you before you hit the ground.

Just like in my story, the new Legion Commander stepped up to a leadership role to support his Auxiliary. Because that was what was important to him, because he saw what the Unit was doing for the veterans, the active duty, and their families, and he wanted to be able to make sure that our Auxiliary is here for another 50, 60 years, 100 years to carry out that mission.

We know why most people join and stay members: it's our mission. That's why, how many of you have been members for over 30 years in here? Raise your hand? That's why you stay members. It's not so that you get up in the morning and say, oh good, I get to spend \$25 for another year of membership. No, that's not why you belong. You belong because of the veteran you joined under and the smile and the happiness it puts in your heart when you see that you're doing something good for those veterans. We can make membership meaningful by emphasizing our mission moments and activities at our meetings and events rather than individualized plans or parliamentary procedure. Sometimes less is more.

If units are working the mission, they will grow in membership. Mission activities bring people in and keep them coming back. Potential members, when you meet them on the street they may not remember your unit name, they won't remember your unit number, but they will remember what you were doing. But they're only going to remember if you're out there doing it. So you have to be visible in your area and in your community for them to want to be a part. By focusing on our mission, my unit was able to grow and not only our membership but we grew our Legion membership. That was our goal. We did not want to be a widowed unit.

So NECs, I ask you these questions. You don't have to answer them now. You can write them down and go home and answer them, and if you want to send me your answers that would be wonderful. But the questions are, are members in your department teaching and practicing the positive message and to keep this organization alive? Or are they sitting back watching members leave the organization for lack of respect, communication and productivity, mission related events? What about you? And not just NECs, but every person in this room. Are you teaching and practicing a positive message and being an example to others?

I encourage the NECs and everyone in the room to be a leader of change that is needed in your department to ensure the following: courtesy and respect for all members regardless of how they pay their dues or their level of involvement; positive communication reaching all levels; and finally, productive mission related events. They don't have to be large and grandiose. Smaller is sometimes better. But as long as you reach your target group, that's what we're aiming for. Help make membership a positive, welcoming, and meaningful experience for all. Mark Twain

sums up goal two, the culture of goodwill, like this: kindness is a language the blind can see and the deaf can hear. Did you ever think about it that way? Thus with eyes we see too much, so we need to open our eyes. If we have our hearts open we're going to see the good.

So quoting a quote from the organizational assessment, it says now is the time for the American Legion Auxiliary to be bold and embrace change as this is a paradigm shift to the best, fulfill its mission, and to communicate its relevancy in today's society. So I ask the NECs again and all leaders in this room, are you going to be bold and fearless as you help your units and your departments address the barriers that we've discussed? Are you going to be the leaders of this organization in change within your department and in your units? Because it's vital.

I have to close with one of my grandchildren's favorite shows. How many of you are familiar with Bob the Builder? Okay. So it goes like this. (Singing.) Bob the Builder, can we fix it? Bob the Builder, yes we can! Bob and his crew have so much fun, working together to get the job done.

Okay, so I know that sounds a little corny but I spend a lot of time with my grandchildren and we watch a lot of TV. But, and you think, oh, you're just cartoons. The children's programs that we watch, they have a mission. They have a message for the youth. And that is exactly it, we work together to get the job done. So I'd like for Madam President Mary to stand up, because she's our Bob the Builder this year, right?

(Laughter.)

(Applause.)

CHAIRMAN CORRIHER: Okay. Now I want the National Membership Committee, if you're in the room, stand up. I see Donna Ray, Jacqueline, who else is here? Yeah. Okay. They are working hard. Josie? They are working hard to get this job done. So if you want to join Madam Mary's team, her crew, to work this, to fix our problem, I want you to stand up and join our crew. If you're willing to work this membership --

(Applause.)

CHAIRMAN CORRIHER: If you're willing --

(Applause.)

CHAIRMAN CORRIHER: Now, Madam President, you might need to get your camera out, oh, we've got pictures going, to see who all is standing at this time. Because we're going to hold you to this.

(Singing.)

VOICES: So Bob the Builder, can we fix it? Bob the Builder, yes we can! Bob the Builder has so much fun working together to get the job done.

(Cheering.)

(Applause.)

CHAIRMAN CORRIHER: Can we fix it?

VOICES: Yes, we can!

CHAIRMAN CORRIHER: Madam President, I would like to thank the National Staff for putting together this live presentation and getting me all the graphs

and the statistics for this presentation. But most of all, I want to thank you for giving me the team that you've given me this year. We're working hard. I know that sometimes I get a little discouraged when I get a report but then I sit back and I think, no, we're just halfway through the year. You know, give them some time. But I know if everybody in this room goes back and takes care of what we just asked, that membership is going to climb. And so not this week, because you know, you're not going to get home before this next report. But I expect next week's report to be way up here. So go out, happy membership, and thank you, Madam President.

(Applause.)

PRESIDENT DAVIS: You know, I truly believe that we need this all the way down to the Unit level and that's why Martha has re-energized each and every one of you and we hope that you'll go out, take that energy, give the message. It's not one person's job, it's each one of our jobs. Each one of our jobs. Thank you so much, Martha.

(Applause.)

PRESIDENT DAVIS: All right. We do have several chairmen who are going to come up and share their committee announcements. So if we could have Kathy Daudistel, Pam Ray, and Elaine Mackenzie, oh I almost can't say your last name today, please come up. Thank you.

CHAIRMAN DAUDISTEL: Hi, Kathy Daudistel, Department of Kentucky, and the National Poppy Chairman. I have two interesting tidbits to share with our members today regarding the Poppy. The first one is if you ordered poppies last year from Emblem Sales and you found the labels a little bit difficult to work with, they have been revamped. They are available at Emblem Sales this year. And the holes that you thread the little stem through are much bigger. So I think you'll like that.

And really exciting news, Congress is expected to accept a courtesy type resolution that was presented by the American Legion to make the Friday before Memorial Day a National Poppy Day.

(Applause.)

CHAIRMAN DAUDISTEL: So as soon as it's accepted we will let you know. And meanwhile, think of really cool things for your units and members to participate in because we hope that the whole week will be National Poppy Week with a big project culminating on that Friday. That is it.

(Applause.)

CHAIRMAN RAY: Good morning. Pam Ray from the Department of Illinois and I also have exciting news. I'm Junior Activities Chairman, for those of you who do not know, and I'm excited to report that the commemorative certificates that have been online, that type of thing, you can now purchase them through Emblem Sales. So they are beautiful certificates. They will still be available on our website as well, but you can purchase those and they are very reasonable indeed. So please consider that.

And our final numbers are in. The 2016-2017 national Junior meetings attendance, as we heard last night, increased from 98 Juniors to 144 Juniors attending.

(Cheering.)

(Applause.)

CHAIRMAN RAY: This year, as a reminder, we did add a sixth Mission Training and national Junior meetings. So even with subtracting the one additional Junior meeting this year and comparing five events last year to five events this year, the attendance numbers still show a remarkable increase of over 53 percent from last administrative year.

(Applause.)

CHAIRMAN RAY: I want to thank everybody who brought Juniors and I hope that many more of you will bring Juniors next year to their meeting. I know they have a wonderful time and our evaluations show, when we ask them what they want to see next year, it's more Juniors. So the girls want to see more, too. So thank you, Madam President, for this opportunity.

(Applause.)

CHAIRMAN MACKENZIE: Good morning. My name is Elaine Mackenzie. I'm from the Department of Vermont. I'm the Legislative Chairman this year. And I'm just showing you the newly minted American Legion legislative agenda drop sheet. It's for the 115th Congress. I would like to remind everyone to go to the Commander's call tomorrow morning, 8:00 -- I'm sorry, Tuesday morning at 8:00. We go there before we go to the Hill to talk to our lawmakers. It's in the Imperial Ballroom. And there's one of these in your packet and I'd really like you to stop and read it. The American Legion works very hard to work on its priorities and to get the lawmakers to understand what they're doing. But there is one fun thing in here. I'm not going to tell you what it is. You have to read it. Thank you.

(Laughter.)

(Applause.)

PRESIDENT DAVIS: Thank you, ladies. To give us an update on the accomplishments of our National Headquarters is National Secretary Dubbie Buckler. (Indiscernible).

(Laughter.)

SECRETARY BUCKLER: I'm going to go through speed delivery. So as my mom used to say, listen faster.

(Laughter.)

SECRETARY BUCKLER: Okay. Just to remind you that when the proceedings are published we now have a summary of motions and look at how those are done. I encourage you follow that practice at your department level. It just makes things so much easier when you're doing your annual reports, doing your annual reviews and audits. If you've got those motions for every meeting you have summarized at the end of whatever that is it just makes it easier to do that.

Paying dues, remitting dues, to date, just for 2017, we added a new way to pay dues. We added, last year remember we, to pay online, and you can pay by

phone to National Headquarters. So over 1,000 people have paid by phone just this year. They love the convenience. And nearly 26,000 have paid their dues online. I'm telling you --

(Applause.)

SECRETARY BUCKLER: -- members love the ability to pay their dues online. Now as you just heard from Martha's report, there are a couple of concerns. And I'm going to hit them again. Units and departments have got to remit those dues timely. This is becoming a crisis and crises begat solutions maybe not everybody likes. So we either do a better job of getting dues remitted on time or we're going to have to look at remedies for not getting them remitted on time. Because that is, literally is an ethical violation and in some areas it's a legal violation.

Also if they have renewed online, they are a member and they should receive their membership card in a timely manner. And that shouldn't be withheld just because they've paid online and the department doesn't have the money to remit down to the unit. We remit back to the departments twice a month. So in case you're not aware of that, the dues money is remitted back to departments twice a month. Now where, so be timely in getting it down to the units. And make sure your units understand they have to deliver that card. It does not matter if your member paid online or not. She's a member once she's paid online. So let's not, so I'm being candid in the interests of time. Don't play games with people's membership cards and don't play games with people's membership dues. Because you're treading bad territory now and there may be some things that have to be happening down the road to address that.

ALAMIS is our management information system database. We have 134 department users, 109 district users, and almost 1,500 unit users. Nine departments have no units online and up until now, just giving you kind of fair warning, up until now it's been a courtesy afforded by National Headquarters to allow departments to grant the authority for their units to be online. We have a real disparity. We have a real unfairness with departments who, most departments allowing them and those few departments that don't. So just kind of a heads up that we're going to revisit whether that should be a courtesy allowed any further. It's much more efficient when units can manage their record keeping.

(Applause.)

SECRETARY BUCKLER: Email volume. We live in an ecological world. For 2016, 1.4 million emails came into National Headquarters and that is through the very thick firewall office security software we have. So, you know, all the spam that got filtered out before it ever got to us, 1.4 million emails coming in. I have been informed that the Help Desk and Dobbie received 57 percent of those. You break that down further I get about 26 percent of them and the Help Desk gets 31 percent of them. I only say that because I'm human. I try to answer them. At any given moment I have about 1,400 backlogged email. That's my running average. So in the spirit of goodwill, if you have emailed me and you are concerned because you don't have a response, please do not assume I'm avoiding you. I hope you realized I

don't do that. And please don't assume that I don't care about your problem. And don't hesitate after a reasonable period of time to ask if I received it. And 24 hours is not a reasonable period of time.

(Laughter.)

SECRETARY BUCKLER: Okay. Little thing call the Department Operations Guide, I know it's a wonderful exercise tool. So this was updated. (Indiscernible). So this was updated. And I want to be real crystal clear about this. If you have the original one that was distributed a little over a couple of years ago, everything in that original one is still accurate. This has more stuff in it, so it now weighs over seven pounds. And people, and so at department secretary we had -- you're doing a good job. This is called strength training now, endurance training, stress training. You hold something up until your muscles can't take it anymore, that's called stress training. I'm very proud of you. So we provided originally three copies free of charge to departments. And this time around at the department secretary training that we had in December we provided three copies again to the department free of charge. And that was red binder and all.

Now many others of you -- let me just ask. How many in the room have a copy of the Department Operations Guide, not one of the three that your department gets? Okay, that's awesome. That's music to my ears. You can buy, excuse me, you can buy the update. Now originally our plan was to, here are the pages. We realized and from a cost effective standpoint, we just reprinted the innards. It's going to be faster and it was just as cheap, cost effective, the cost was the same to print all the pages with instructions for where to put them than to just reprint the inside, because you're talking about a lot of pages anyway. So it's going to be faster to just order the insides, and that's \$27, and that's on the member resources order form on the website. No, I did not bring copies to sell.

So when you order the new innards, it tells you, there's a cover sheet that shows where the changes, the additions were made. I'm trying to correct myself and not call them changes. We didn't really change anything, we just added more information. So \$27 if you already have it. It's still \$45 if you want a whole thing with a new binder, and that's just because it is a little heavy to ship and it's a little costly to print.

Okay. So in the Department Operations Guide there are a number of things. It talks about, Linda asked a question yesterday about insurance, what types of insurance should your department have? It's in here. Two new things that we've added, these are the results of Centennial Strategic Plan initiatives, and Janet is nodding her head, smiling, we created, one of the goal teams created, goal four, created a DEC 101. And that's now completed and that's now available. It's available online. And it's basically a training tool for your department governing boards. Those of you on the NEC know how we've done the NEC 101. And several of you said to several others, and it got filtered through the Centennial Strategic Plan, gosh we really need something like this for departments. So we have come up with a DEC 101 orientation for your governing boards. And where did Eva go? I'm just going to -- do you have her in the corner now?

So Eva was very excited. She asked for it before it was in final, final form. So we sent her the near final draft. And she, they've used it in her department and only got halfway through it in, what, an afternoon or something like that.

VOICE: (Indiscernible).

SECRETARY BUCKLER: And so they're going to schedule a second orientation to go through it because they found it very helpful. So that's why we do these things to try to be helpful.

The other thing that we're real excited about is the Centennial Strategic Plan drives everything we do at National Headquarters and we heard loud and clear, oh, can you make it simpler for us at the department level? So with the help of Johnston Grossnickle and Associates and several volunteers and staff working on this, there is now a Centennial Strategic Planning Guide for departments, Centennial Strategic Planning Simplified for Departments. So it's the future of the organization. We can't stumble along and think we're going to be here and thriving by our 100th anniversary or our 110th anniversary if we don't plan for our future. So those are some things that we're pretty proud of.

It also talks about branding in the Department Operations Guide. I'm just going to remind you of this again, not go into detail, we're missing a huge opportunity of doing a better job of branding ourselves, particularly our number one program, that the public understands that we present, and that's our American Legion Auxiliary Girls State Program. So just be prepared that we've provided logo templates for everybody and we just updated what we call the swoosh logo. If you use that, you know what I'm talking about. If you don't, don't worry about. To make American Legion Auxiliary even, stand out even more. So please, please, please, it's not Girls State. It's American Legion Auxiliary Girls State. It's ALA Girls State. Now I'm not going to stand up here and sing this to you. But let's in the spirit of the Bob the Builder, let's do a real quick together, the name of this program is --

VOICES: American Legion Auxiliary Girls State.

SECRETARY BUCKLER: Okay. Now that took an awful lot of time for you all to say it, and I understand that. So the faster way to say it is ALA Girls State. So the speed version of that is --

VOICES: ALA Girls State.

SECRETARY BUCKLER: Okay. That didn't say that long to say. But at least make somebody ask the question about, what's this ALA business? Okay.

Department secretary training, we had our third department secretary training in December. That is a direct benefit of investing in the Centennial Strategic Plan. I point blank asked the question, okay, this is the third time for doing this. A lot of the topics are the same topics because it's how to run a corporation, because your departments are corporations and your department secretaries are responsible, the primary person responsible for making sure that corporation is operating, running, being managed effectively. So should we do this every other year? Should we -- and I mean people were jumping up out of their seats, and I'm not kidding, I mean, that's no exaggeration and the staff in the room can attest to that. No, we

need to do this every year. And some that surprised me said, I know the topics are the same but I learn something new about these topics every year. So please, we need to do it every year.

So I'm just giving you a heads up, NEC, that you are the ones that have made the decision to resource the Centennial Strategic Plan and your benefactors love the fact that you're doing that. So hats off to you for doing that and it's showing dividends. And when they come to National Headquarters, I will just tell you, there is no down time. They walk in, introductions, we do the two thing clap. People know who is new, people know who has been around for a while, and we go right in to the business topics, and they are tired when they're done.

So just some highlights from what we heard. We always do sort of a state of the department survey before we do these. Thirty-eight departments now have audit committees, hurray. Five years ago only one had an audit committee. So hats of to your departments that now have audit committees in place. Seventeen departments now have the department secretary and department treasurer as separate positions. Of those that still have them combined, ten now have a separate bookkeeper. I'm not going to preach on this now, your biggest risk is that you have no internal controls, you have no checks and balances. And when the person, the money in is the person doing money out, you've got a huge risk there. And you're going to hear a big presentation about this. So I will not steal any thunder from Nicole and Mike.

Twenty-one departments have one or fewer staff members, and twenty-eight have somewhere between one and a half and four. Eight department headquarters are located in someone's home; twenty-five share space with the Legion; 16 are located in a separate building. Five department secretaries serving in that position are not paid anything; seven are only paid part-time. I don't know if they are saints or if we need to have them analyzed, but --

(Laughter.)

SECRETARY BUCKLER: -- for the ones who do this voluntarily, oh my gosh. Thank you and beyond, and let's consider can somebody really do this as a volunteer with all of the responsibilities that they have on their plate? So just not preaching, just saying wow, we've got seven who aren't paid anything, or five who aren't.

Forty-four departments have an incorporated ALA Girls State Program. The biggest problem that we have at National Headquarters in terms of promoting organizational effectiveness is that we have over 60 percent department secretary turnover. That position, we've got to have some continuity in that position. You as the NEC, you know you've heard us talk about this over and over again. We're not going to go into the problems in our department. I think of those, 25 percent of those emails that come to me, most of them start out with, I hate to bother you but we have a department in our unit, district, department. So I understand that. All of that said, department turnover is a huge factor in efficiency in getting membership processed, your corporation managed, and oh by the way, 990s are due and if that's something you're not understanding make sure that you look into the Department

Operations Guide and get on board with making sure you get your 990s done and done in a timely manner.

I want to thank National Headquarters staff. They really are committed to doing the mission. They get ready or prepare for about 100 meetings. And for those of you who don't know, I was especially proud that we all got here this time because the day before pack out the elevator in National Headquarters became inoperable and will be inoperable for some time. So you know we're located on the second floor. You know that to put stuff on a truck it's got to go from floor two to one, and the windows don't open. So we had, it was quite the challenge to get everything here for D.C. And they truly went above and beyond to do that this time.

(Applause.)

SECRETARY BUCKLER: Hopefully you know we put out a little thing called a magazine. Just a comment on that, a lot of magazines are going out of business. Our magazine is not. It's actually one of the benefits that we provide to members that our members say they now really like. And I'm very proud that this year we won three honorable mentions in the Ozzies category, and that's kind of like the academy awards --

(Applause.)

SECRETARY BUCKLER: -- the academy awards for magazines are called Ozzies. They got three honorable mentions. There's no first, second, third place. You either win it, or like all the other supporting actors and actresses you bask in the fact that you were nominated. But we actually received a honorable mention in three categories so we're really, really proud of that.

I'm going to wrap up this part with one thing. I want to talk to you about real quick about a project and try to, and try to, kind of like Mary yesterday when she talked about the veteran caregiver. How many recognize the person who is the centerpiece of this issue of the magazine? Nesse Godin. Monday you're going to hear from Bob Massie, who produced Letters Home, the film. He came to us last year and said he really would like, the Legion is on board with this, we really would like the Auxiliary to help us with Letters Home. Not raise money for them or anything but just help raise awareness, blah, blah, blah. And we did that. And kind of like, Mike if you want to use our planning guide, go right ahead. As long as you make a donation in advance and then --

(Laughter.)

SECRETARY BUCKLER: So I said to Bob Massie, on one condition. We've got a story that needs to be told, and that is from the survivors of the Holocaust. Most of these women who survived the Holocaust have never allowed their stories to be made into any kind of a film because they didn't want it Hollywood-ized. And you all know what I'm saying there. So four survivors have agreed to be the subject of a documentary. The documentary has gone from being a one-part documentary to a four-part documentary. And Nesse is one of those survivors that will be featured in this documentary.

Long story short, it is going to require some involvement from the American Legion Auxiliary National Headquarters. I think this is important enough,

and that means getting sponsors on board. That means going and talking to them. So I would, I would like to ask for a motion, I'm kind of in Linda's boat now, I'm going to ask for a motion and if I'm not allowed to make it I would ask for somebody else to make it.

I would like for the NEC to be on record supporting this. If the film is produced the way we plan, all of our expenses would be reimbursed. And I'm not talking a lot of money. I'm just, but this is the kind of thing where people with big hearts and bigwig corporate pockets need to help underwrite the development of this film. That's going to require going and talking to people who can make half a million donations because we have now a \$2 million film project. I talked with PBS already. They say if you get it produced we will help get it aired. And the American Legion Auxiliary would be listed among the credits. So I don't know how to do this -- oh, so Madam Chair, would you figure out a way --

(Laughter.)

PRESIDENT DAVIS: I'd like to entertain a motion.

MS. WALLACE: Eva Wallace, Department of Washington. I move that we accept, be a sponsor on this project. I think it's wonderful.

PRESIDENT DAVIS: Do I hear a second?

VOICES: Second.

VOICE: Lots of seconds.

PRESIDENT DAVIS: Is there any discussion? All those in favor please vote aye.

VOICES: Aye.

PRESIDENT DAVIS: Those opposed, no.

(No response.)

PRESIDENT DAVIS: Thank you.

(Applause.)

SECRETARY BUCKLER: Who is not going to be here on Monday? Well, we're going to hear more about this on Monday. I'll just say that it's gone from being a one-part to a four-part. How do we get from World War I, World War II, this is our transition time if you're trying to get situated. How do we get from World War I to World War II? What was life like before the Holocaust? What was the Holocaust like? And then how in the world could people like Nesse go through that and come out preaching a message of love? With that, that's our Headquarters report. Thank you.

(Applause.)

PRESIDENT DAVIS: What I ask the NEC to do is think about units and departments ordering, because you can order extra copies of the Auxiliary magazine. As I go to the VA hospitals I see the waiting rooms and I don't see any Auxiliary magazines. Consider making that a project, to put that magazine, which is a fabulous, do you all agree? We have a fabulous magazine.

(Applause.)

PRESIDENT DAVIS: Great articles, in the VA hospitals.

Now to give us an update on the accomplishments being -- oh wait a minute, we did that. Thank you.

(Laughter.)

PRESIDENT DAVIS: Is there any new business?

MS. CLYDE: Madam President, Laura Clyde, Department of South Dakota. You can call me Susie. As NEC, we're here to take stuff back to our departments. We're also here to bring you information, complaints, and compliments from our members. And I've had a lot of complaints. So with regards to that, our members are a little upset over the fact that many of them have not received dues cards when they are used to getting them. I realize that our average member is 61 years old. We still have a lot of members that are older than 61. They don't want to pay their dues until they see a card in front of them. And I think that's a lot of the reason that we are way behind this year.

VOICES: The notice.

MS. CLYDE: The notice. Because they've been emailed out and a lot of people aren't getting their emails. Some of them maybe don't have the same email anymore. I almost had my email wrong, so I don't know how many others. However, with this being said, I would like to make a motion that the American Legion Auxiliary mail out their first notice of the year by United States Postal Service.

PRESIDENT DAVIS: There is a motion on the floor to have the first dues renewal notice mailed out via U.S. Postal Service. Is there a second?

VOICE: (Indiscernible) from Rhode Island. I second that motion.

PRESIDENT DAVIS: There is a second. Is there discussion? Please go to the center mike.

MS. CHINN: Patsy Chinn, Department of Oklahoma. What would the financial ramifications be if this were adopted?

PRESIDENT DAVIS: Can we please have one of the staff discuss the ramifications?

MS. BUCKLER: A number of things to address that. Obviously we used to mail all the notices. When you look at repayments, there's not a correlation between no longer mailing the first notice to those people who have email addresses. If we have your email address, you received an email notification of your dues renewal. If -- it's all right. So a number of comments.

We email them to about, I'm rounding the number, we email to about 100,000 because that's who we have email addresses for in the system. If the email address is wrong, it's really, it's easy to go in and correct it and a member can do that. If the member doesn't have, use email, they are going to get a mailed notice in the first place anyway. So that's, Susie, that's not the first time we've heard that complaint, which is why I can address some of this. The people who want it mailed because they don't use email don't need to worry about it. We don't, we're not emailing it to them because we don't know how to email it to them.

But here's, here's from an efficiency standpoint here's the point of consideration. Email out 100,000, we got fewer than 100 back undeliverable. And

we know immediately that that renewal notice was not delivered. We mail them out through the U.S. Postal Service, that non-delivery rate is a lot higher and we have no idea of knowing who didn't receive it. We have instant notification who didn't receive it. We have no notification from the Postal Service.

There is no way to compare the non-open rate. What we know anecdotally is, and I'll talk rounded numbers, maybe up to about half didn't open the email. But we also knew from past studies that almost about half didn't open the mailed notice, the first mailed notice. Everybody who has not renewed their dues by mid-December is mailed the notice. So everybody receives the mailed second notice.

It would be very costly to mailing all of them. We have, it's horrible because we use bulk mailing. The only way to ensure delivery or know about delivery is to move, and you know where the cost is going, to go up into delivery where you have some way to track that it's been received. That would be a huge expense. Not knowing the motion was coming I don't have those numbers because we didn't crunch them in advance. But it would be a huge expense to do that. Even just look at you take 100,000, and we can do the math, by the time you print the extra 100,000 and mail the extra 100,000, you're looking close to a dollar apiece, so you're looking at close to \$100,000 to mail those first notices. Now that's just ballpark and off the top of my head.

And for those who don't want to have their renewal notice emailed, they can opt out. And we've had several do that. No, I want to receive it by mail. Okay. We're happy to do that.

If I could make a comment, I think part of the problem with membership not being processed is what I was referring to earlier. When you have over 60 percent turnover in your departments, we have a lot of departments that didn't have people capable of processing membership. And we have a big problem with units not transmitting. When the renewal notices went out, I'll do this quickly, in about a three-, four-day period of time we got close to 3,000 phone calls at Headquarters. The number one call, I paid my dues, why did you send this to me? You're not in the system. Explain, explain, explain. In the process of that we got lots of feedback and the feedback we got was, while people didn't know they could pay online, we love that we can pay online. I didn't know that you could email me the notice. Would you please add me to the notification list? So I'm not, I'm just trying to be sympathetic but I'm trying to be practical about what the cost would be if we did that, Susie. So that's what I can add to that.

PRESIDENT DAVIS: Is there any further discussion?

MS. BOYER: Madam President, I'm Marlene Boyer from Department of North Dakota. When I just looked, before I left I looked through the membership and I think one of the other big problems that we're having with notification is that I'm going down the list. Either they're out of state and I don't know the people at all, or they're dead. They've died and I'm not even aware of that. Some of them have now gone to their daughter's, to their son's, they're all the way across the country. And we didn't even know they were gone. That's where we're at right now. And I, you know, what would, to me it wouldn't make any difference whether

there were two or three notices sent out because they're a long ways away. They are not connected to us in our unit, into our department. A lot of them stay because their children, grandchildren, or whatever. But they are a lot ways from us. We don't know them.

PRESIDENT DAVIS: So you can speak twice on, in discussion on a motion but you have to wait until, the second time until others who have not spoken speak. So if you just trade places right there?

VOICE: Oh.

MS. KRYCZKOWSKI: Hi.

VOICE: Hi.

(Laughter.)

MS. KRYCZKOWSKI: President Mary, I'm not sure if I can speak because I'm not an NEC but I am an alternate.

PRESIDENT DAVIS: Is there any objections to an alternate speaking?

VOICES: No.

MS. KRYCZKOWSKI: Okay. This is Debra Kryczkowski, Department of New York. I'd like to say it is truthfully all our jobs to make sure this information is correct when we get their membership. We've got to remind them through newsletters, emails, email blasts, whatever we're doing, we should be asking them for updated information. And I think what they are doing is correct, emailing to people, the dues notices to people who have emails and sending out the notices to the people without email. I don't know much more what National can do. But I think it's a great way and we should move towards that in gathering email. Because times are a-changing and truthfully everybody has emails. It's very few that don't. That's how I feel. And it's all up to ours, really we should think of that.

MS. BOONE: Linda Boone, Department of Oregon. When the first dues notice was disconnected by National, that was when I was Finance Chairman, we had a lot of discussion about that. And what, the discussion ended up being the deciding factor to eliminate that was that the units were now relying on National to take care of all the dues notices. Why isn't the unit involved with sending out the dues notices and connecting with them? So.

(Applause.)

MS. CISNA: Kathy Cisna, NEC, Department of Illinois. As the NEC we've been told that it's our responsibility to look out for the national organization. And Dobbie just gave us a bunch of numbers off the top of her head. But as NEC I don't feel this is something I could vote in favor of without more research on what it would cost our organization and how much it would help.

(Applause.)

MS. CLYDE: I can talk again?

PRESIDENT DAVIS: (Indiscernible).

MS. CLYDE: Okay. Okay, so please understand that I just, I came here because the members were upset and that's part of my job. A lot of the unit membership chairmen get complaints from the members themselves. And I understand the whole email thing. I love email. I pay my bills over the computer, I

do a lot of emailing. But I also understand there's a lot of older women. Now, with that being said some of their children have signed their emails up, put their emails on things. This I know because I've been told, and they don't check their emails. When my mom was a member, yeah, she had an email but it was for me to print out stuff from her family to take to the nursing home to her. There's a lot of circumstances. And I have no problem with the people that want to get the emails, so long as we know that. But didn't we used to mail out all of the dues notices?

PRESIDENT DAVIS: Ladies (indiscernible) please. Please make your point.

MS. CLYDE: Okay. So my point is, if we mailed out the first and emailed the second or third, because aren't we emailing the first to the ones and then mailing out the second or third? It's just a suggestion.

PRESIDENT DAVIS: There is no other discussion. I call for the motion. All in favor -- the motion is to have the American Legion Auxiliary send out the first membership renewal notice via U.S. Postal Service. All those in favor say aye.

VOICE: Aye.

PRESIDENT DAVIS: All those opposed?

VOICES: No.

PRESIDENT DAVIS: The motion fails.

Our next order of business is fun. I'm all about that -- no. Back by popular demand with their impressive presentation on fiduciary stewardship, we have our National Finance Committee Member Nicole Clapp and Mr. Mike Alerding.

(Applause.)

MR. ALERDING: Thank you. I know not all of you got up this morning just thrilled to see me again up here, so I apologize.

(Cheering.)

MR. ALERDING: Yeah, yeah, right. This is a, we're going to go through this in what Dubbie calls speedy time but there's a lot of very important information here. There's, it dovetails into a lot of what's already been said. And just as an aside, it's the only one I'll do up here, Martha whatever dog food you're making, I'm buying, because I think you do a wonderful job, really a wonderful job.

(Laughter.)

(Applause.)

MR. ALERDING: Okay. What we're going to chat about today is the definitions of fiduciary stewardship. These are, if you're a member of a governing body these are two words you must always focus on. They are the essence of what you're doing, and we'll talk a little bit about that. We'll talk about fraud in the not for profit sector as a whole. It's not going to be about you in particular, but I've got some statistics that will probably scare you a little bit. If they don't, they should. We'll talk about why it's so prevalent in the not for profit world and kind of look and dig into a little bit how we can overcome that. We'll talk about the common types of frauds that are out there for you to keep your eye on. And you don't have to be the bookkeeper or the accountant, the treasurer, you don't have to be that person. The biggest part of control is at the very top every time. You just have to be nosy.

You're in a wonderful position to ask stupid questions. Nothing is better than a stupid question because you'll find some pretty stupid answers with them. We'll talk about best practices relating to how you safeguard your assets and external audits, reviews and comps. And then at the very end protecting your organization keeping in mind, as I said yesterday, you are all live organizations that breathe and have a legal standing. So you really have to keep an eye on those.

Here's some stuff I'll run through very quickly. And Nicole, last year we did this together and it's very helpful to have Nicole because she lives in this world and she is at the top. She has the responsibility everyday. So even though my dad used to define a consultant as someone from Chicago, that's kind of his definition, well hopefully, I don't even manage my own practice anymore and it's kind of nice. But this young lady does it all and I think she lives it so it will make a little more sense. One --

(Applause.)

MR. ALERDING: -- I mean that, she's really good. 1.6 million, this is 2015 data, 1.6 million not for profits, and that's dropping. And it's dropping because of the 990. The 990 was designed to get rid of the riffraff. That's what it was for. They at one time estimated one-third of the not for profits out there were bogus. And it's probably every bit of that, maybe even more. One million 501(c)(3)s, that's the charitable piece. Those are the ones that are hot topics. There are many other kinds of not for profits, associations, membership units, all kinds of stuff that are all over. The ones that everybody focuses on are the (c)(3)s. Sixty-five percent of the (c)(3)s, this is an astounding number and it's down 20 percent from last year, 65 percent have revenues under \$25,000 a year. That's how many are out there that are under \$25,000. I mentioned last year one of my clients is the Indiana chapter of the American Association of Miniature Collectors. I'll just tell you. And they were originally a 501(c)(3). How? God only knows how that thing ever got to be a (c)(3). Well they have changed to a (c)(6) to get it out of that mess. That's what Congress was after. Get rid of that.

The not for profit entities employ, look at these numbers, 11.4 million people are employed in this industry. 11.4 million, that's huge. Ten percent of the entire workforce is not for profit. And not for profit entities had \$124 trillion, that's a T, trillion dollars worth of revenues, and \$1.6 trillion of expenses. That's how much money is pumped back through and back out of the economy. Again, astounding numbers and it's really not going to probably percentage wise get any less.

The one that, the last comment I'll make on this one before Nicole takes over, is the National Association of Certified Fraud Examiners, which is a very, very extensive organization, very large. Two of our people in our firm are members of that and do pretty much fraud work all the time. It's a sad statement but we have people full time in our firm and 90 percent of what they do are not for profits because there is so much fraud out there. They estimate five percent of all revenues, five percent of all revenues are lost to fraud. And that's \$87 billion. That's annually, every year. So you can imagine, it's not you, it's you in particular, and

those who gasp all have to understand most of it comes from a lack of a couple of things that are incredibly basic and we'll fill in the blanks on here a little bit later. Nicole?

CHAIRMAN CLAPP: So if you think about that five percent, and you think about our organization, we heard last night through financials we're an \$8 million corporation. Just think five percent. So if you think five percent of your unit assets, your department assets, that's a big chunk of change. And so we know that there's problems. We know there's problems in our own units, our own districts, counties, departments. We heard about one of our departments that struggled in the last year or so. So for us it's what's not known. What is not discovered yet. And so hopefully this morning we'll be able to help you once again more as a refresher, new NECS welcome, that we can help you get those triggers. When your heart and your head aren't in line, there's probably something going on. And so for us it's we all want to trust but we have to trust by making sure we can document what we said we did. And so for us that leads us into our two definitions today, fiduciary and stewardship.

So big words, but if we break them down. Fiduciary, it's a duty. Plain and simple. All nonprofit leaders, well every one of you in a room, in this room, is some type of leader. You're either in governance, governing body, management, you are at your department level, again, our your county or your unit level. And by law the three main goals of that are what we learned as a child. We heard Martha talk about the Golden Rule this morning. Trust, loyalty, and ultimately our heart and soul is our dedication to this organization.

Then you look at stewardship. What does a steward do? It's going to help ensure that fiduciary responsibility by shepherding. It's Sunday morning. I know I didn't get to church. There's our shepherd. So this morning, shepherd, we're going to safeguard our assets, our value of our organization.

Sometimes valuables are different. Sometimes they are tangibles. Sometimes they are things that we can see. Other times they are the things that you feel and that are in your heart and soul. So for us, our number one of course is our emblem. We heard about that today. It's not just Girls State, it's American Legion Auxiliary Girls State. It's ALA Girls State. The emblem is our ownership. Looking at our assets, as I talked about tangibles and intangibles. And then it's all of us. It's our member information, it's privacy. It's also looking ultimately at our organization's reputation and what does that message convey, and as we move through that then as we look at the fraud what happens in our not for profit sectors?

There is damage to that reputation can be very quickly and tarnished very easily. For the entire industry we know if we hear about veterans service organization we still have that adage about hanging out in certain establishments. That's not who we are. That's an activity that can be condoned, accepted, or moved on realizing that it's long lasting negativity and publicity. So those of you that know me, I don't do Facebook. And it's a kind of a standing joke that Nic doesn't do social media. I know I do when I have to, but it's not my thing. I do not like to see our organization being negatively put in the light. I don't like that about my

corporation. I have a marketing department that works on that. We have a branding organization in our, you know, in Auxiliary that works on that. We don't need to convey a message that's not representative of who we truly are.

So when you look at that, what does it do? It does lower morale. It gets frustrating. You hear goodwill. We shouldn't have to talk about it. We shouldn't have to have a button on that says goodwill, be kind to each other. We weren't brought up that way. So for me it disrupts what we're here to do, it diverts our focus, and most importantly for us it's not just about us. If we want people to contribute to us, want us to be the gold standard, they are watching us. And those are the watchdog organizations that we heard about last night in the audit and the finance report. All right?

MR. ALERDING: When you get back to your home base and you start looking around, and you ask yourself well how could this possibly happen? I have one forensic auditor in our firm who could stand up here for a day and you would spend the entire day gasping at what, and I mean that too. Because the most intelligent clients we have are the ones that steal. They are phenomenal. I'm telling you. They are incredible. We shake our heads. We've got a hall of fame up there at our firm because we've got some people that go, wow.

CHAIRMAN CLAPP: They're on the wall.

(Laughter.)

MR. ALERDING: Yeah. First of all, control and power. Big words in an organization where you get all kinds of ego things flying all over the place and almost every not for profit has that. Remember, this is the most important thing I ever learned from Dubbie. And that is that power rests with the entity and authority rests with the individual. So you don't have power, you have authority. You have authority to use that power but the power is still the American Legion Auxiliary. It has to be.

Even though the IRS strongly encourages annual audits, you better have one done. If you don't, I'm telling you, you can see me now or see me later but there's going to be, long term there's going to be some issues.

CHAIRMAN CLAPP: It will be cheaper if you see him now --

(Laughter.)

MR. ALERDING: Believe me --

CHAIRMAN CLAPP: -- than when he has to bail you out later.

MR. ALERDING: -- much cheaper. Too few resources are allocated to a control system. It's not number one on your budget. It's very seldom when you are trying to get the mission and purpose done, we saw yesterday 89 cents out of every dollar goes out to doing what you are supposed to be doing. Congratulations. Only eight percent are going into making sure that the money stays there to do that. So don't short sheet yourself. Put the money out there you need.

Volunteers provide substantial assistance. Volunteers are rampant in this organization and it's wonderful. But unfortunately they don't always fall under the same control requirements as employees do. They are not easy to manage sometimes. And so they don't follow the rules sometimes.

CHAIRMAN CLAPP: Hey now.

MR. ALERDING: Yeah, many of them. Not all of them. All volunteer governing bodies often lack, when you are an all volunteer body, governance experience, they rotate too often, and it's a challenge when you're sitting in an organization and you look and say I'm being held accountable by people who have other jobs that only come here every so often to do this. And that's scary. When you rest your career and the organization's livelihood on that it gets a little scary.

Frauds often go unreported, often. And the numbers I can't even repeat because it makes me, it's just I can't believe them. But again, the forensic folks estimate that over 50 percent of them never get reported. So the numbers we're talking about they say are way low. They don't report them because they brush them under the rug. They fire the person, they get rid of them, they pretend it didn't exist because they don't want the negative publicity and that's the only way they can do it.

Now one of the other good things we'll talk about in insurance in a minute is if you do not report it and you do not prosecute, you don't recover. So that's kind of a benefit to that. And organizations just don't keep their records in an electronic way. And I don't care whether you like it or you don't like it, for God's sakes, ladies, Quickbooks is \$199 and it will do everything but go to the bathroom for you. And it may even do that, I don't know. It's amazing.

Frauds against the organization, skimming. Remember, you can actually, honestly audit or feel got about what's reported. What if it's not reported? It's when it doesn't get there. That's the danger in a lot of it. And a good part of this does come from that. Credit card abuse, I don't even want to talk about, credit card abuse is number one, incidentally. Number two is payroll abuse. Payroll meaning someone is on the payroll, they quit, or they are fired, but they don't go off the payroll.

CHAIRMAN CLAPP: Or heaven forbid they passed away and they still --

MR. ALERDING: Yeah, but they are still alive when it comes to your payroll.

CHAIRMAN CLAPP: You keep paying them.

MR. ALERDING: And I thought the only people that did that were in Chicago. No offense, Illinois. But that's a terrible --

(Laughter.)

MR. ALERDING: That's an old joke. My dad used to use it, for crying out loud. Payroll schemes are really, really sharp. These are the hall of famers. Quickly, a controller, private organization for 15 years. He did the payroll using Paychex or one of those. And when he'd put in the withholdings for his paycheck, for everybody he put the withholdings in, and for his he put his withholdings in. The only thing he did differently was he put a negative number. And when he put a negative number it added to his check instead of taking it away. Fifteen years, \$620,000-some.

CHAIRMAN CLAPP: You have to watch for the parentheses.

MR. ALERDING: You've got to watch --

CHAIRMAN CLAPP: Parentheses mean loss, take away.

MR. ALERDING: And boy, we do, he is number one on our list. He got away with that without anybody seeing it. And then there's some subrecipient fraud that you don't have to worry about very often.

CHAIRMAN CLAPP: Okay, so frauds by the organization. Again, fundraising. You heard about fundraising activities. We have three percent in fundraising. We should be closer to ten to 15 percent in our organization. So the fundraising is did we ask, did we receive, and did we do what we said we were going to do with what we received? You heard last night 100 percent of your donation goes to X in some organizations. You know that's not possible. Even my foundation director said, well, Nic, I don't want, you know, I don't want to put that on there. I said, you can't. I've got to pay you somehow. We've got to keep the lights on in your office. There is a cost of doing business. We've all heard that you've got to spend a dime to make one. So you cannot put that ploy out there, that you're going to be able to do that.

The under-recording of expenses or costs, making it look better than it should. I'm very proud that we're 89 percent. But you know, when you look at our mission deliver where we should be we should be a little it lower than that to show our reinvesting in ourselves as well as what it costs to do our business. Or else you wouldn't have Mike up here giving his dog and pony show last night, and today repeat, versus if we didn't put that money back into the operational costs and administrative fees. Realizing that not only is it looking at the program, we again have to look at those three areas. And that's what the watchdogs do. So if you go home and you can remember 89, eight, and three. Those were our numbers. We were 89 in mission deliver; eight in administrative in general; and three in fundraising to equal 100. That's if someone asks you where does Auxiliary's money go. That's where it goes. Okay?

And lastly, reporting it. So there's ways to make it look at whole lot better on the 990. Do I like that my salary is on the 990? No. But it has to be for my corporation. That's just the way it is. It's the law. And so there's things that we can control. There's things that we can't control. The things we can't we're going to abide and we're going to follow appropriately.

So when you look at governance, then, that's what this meeting is, National Executive Committee. So the governance. We have to understand the difference between governance and management. Yes, I'm a President and CEO of a hospital. I am management. I have a governing board. I have 12 bosses. Let's put it that way. This is management, that is governance. Fifty-two bosses.

(Laughter.)

CHAIRMAN CLAPP: If you think about it in that context, okay? Sometimes governance isn't that large. Sometimes it's very large in our history, okay? But realizing that titles are one thing but it doesn't matter what a title is if it's not reflective of what the job is to be done. So it needs to be representative so that from the outside world people looking in can understand what that definition means.

So as we talked about secretaries. I think we all can concur that the department secretary, the national secretary, is more than just, "a secretary." From

the outside world it -- exactly. From the outside world, if someone calls my office 90 percent of the time I try to answer my own phone. Oh Nic, you answered the phone. Yeah, if I'm in the office I do answer my phone. My administrative assistance has more things to do than just answer my phone. They are not just a secretary. And so I think the language of executive director, that has really started to show the outside world that we're not a clerk position. I hope you can understand that. I don't mean to be disrespectful. I'm just saying that's what the outside world is looking at us and it also makes us look a little more modernized to what the expectations of the world are today.

Then looking at the rotation, we've talked about this I think ad nauseam. We are very proud of you, 49 percent, 24 departments have the multiple year NEC. Congratulations once again.

(Applause.)

CHAIRMAN CLAPP: And from that we were then able through the years to not only we added the Audit Committee, and now we of course have our Finance Committee with five-year rotation terms. The audit has three. And just about four years ago now we added the Executive Committee to the NEC. You heard about that last night. The National President, the National Secretary, the National Treasurer, the Finance, and the National Vice President are the five intermediaries when it needs to happen.

From there then I guess my expertise says, you know, and a point of personal privilege, Madam President. Thank you. I've never had a standing ovation. So last night, thank you.

(Laughter.)

(Applause.)

CHAIRMAN CLAPP: I tried to hold back the tears. So thank you very much. But this obviously is my baby. So Finance from Linda, training me all those years ago, realizing that we're here to deal with management. We report to governance. That's a difference. Yes, some of us have expertise in that, some of us don't. Just like everything else. Some of the jobs I had at the hospital, I don't know the difference between asbestos and drywall to be really honest. But I'm building a \$29 million expansion right now. I'm learning. I'm learning. Okay? So realizing that the difference is how we're spending, how we're investing. We all bring expertise to the table.

I was sitting in the back last night and when we were talking about 8.9 percent return, I heard a lady say, I wish I had that at home on my investments. You know, we all bring that to the table differently. But that's what Finance is here to do. Very different than Audit. So as Mike transitions into Audit, we have members on our board, traditionally years ago it was all past department presidents or Past National Presidents. Now our committees have evolved to looking at expertise instead of historical trends and practices. So thank you. So moving on to the Audit Committee then?

MR. ALERDING: The Audit Committee, we went through a bit ad nauseam yesterday so I won't hack it too much. It does do, as I mentioned probably

four times last night, it provides overall risk assessment for you. It does the job of floating to the top issues that do arise. And there may be the lack of something or the presence of something, and that's the only job, that's what they do. They don't cure many things other than if there might happen to be a whistleblower issue they will oftentimes monitor it to make sure it gets resolved. And for those of you who don't know, whistleblowers, each state has its own whistleblower law now or statute, as does the federal government. And it's serious, serious business. So if you hear of something in your organization, you do need to have protocol to get it to the right people to get it done.

The last, the only other comment I want to make is they should be as independent as possible. Anyone on your Audit Committee should try to maintain as much stand back from the organization as you can. I chair the Audit Committee of the Humane Society. I will not be on the board. I will not do any of that. I won't sponsor fundraisers. I have to remain as aloof as I can so that I can obviously just be objective. That's all they want me to do. And I get paid the same thing today as I did before, zero. But you do enjoy have something to do with it.

Protecting your organization internal controls, same person can't do the whole transaction. That simple. You can't have one person being able to fill the whole role. Make sure you can divide those up and have others intercede. This is where the top person in an organization can play a huge role by stepping into that system occasionally and in the old vernacular we used to require or really suggest strongly that the executive director or whoever was in charge get the bank statements unopened directly to them. Now what are they going to do with them? What do you want to do with the bank statement? You're not running the thing. What do you want to do? You just want to look at it. You just want to be stupid. Open it up and ask a couple of questions. It's a deterrent. It's a deterrent control. And it's so simple it's scary. Deposits independent of recording them; review expenses instead of having to fill the whole thing; all of those things are really absolutely critical to getting it done.

One of them that I think is the best, and this organization is definitely one of the best, is budgetary controls. Budgetary controls means you put together a budget. The governing body reviews and approves the budget. And once it's there, you measure against it. So if you provide, let's say you're going to spend \$10,000 on travel and you're going to do it \$1,000 a month for the first ten months. Well as the actual numbers come in and you compare them, and it doesn't work that way, right away it's a simple control. Why? Why? Why is that off? What do we think in our budgeting process that's not occurring? Very simple budgetary controls.

Use zero based budgeting, use zero based budgeting. Zero based budgeting means you start with zero. You don't start with last year. I cannot tell you how many organizations fund, they budget fraud because they were doing it last year. This guy that was doing the thing, was stealing from the payroll? He had it in there every year to budget. Well no wonder it never got caught. He budgeted the fraud. So you start with zero based budgeting as often as you can to do it.

Purchasing, purchasing your insurance, I mentioned before. Last night fidelity bonds, make sure it's in your overall liability policy, and D&O insurance, directors and officers liability insurance. You've got tools that we talked about over and over and you are very fortunate at the department level to have so many tools available to you.

And the last thing I'll say is you shouldn't have a lot of cash around. That may not be a problem for a lot of you. It's not a problem at my house. But it can be.

CHAIRMAN CLAPP: Yeah, cash is king as long as it's in the bank.

MR. ALERDING: Yeah, it's got to be somewhere, or invested, or something that makes it difficult to get to. Let's put it that way.

Protecting your organization with annual audits, now I'm an auditor. Okay? And it sounds right away pretty tinny. What's he selling? Well he's selling what he does. I'm telling you, I don't sit on a board, I will not be a member of a board, I won't be associated with it if they don't have an audit. I'm not stupid. I am not going to rely on anyone. I want an independent checker on it every year. And everyone really feels like it's so ungodly expensive. It's not ungodly expensive, folks, especially when you compare the cost benefit. Yeah, it does cost something. But the benefit is you get an awful lot of assurance that things are going to do what they are supposed to be doing.

You can see if, these are just kind of, this is for a smaller but a reasonable kind of organization. If an audit is \$5,000, a review is \$3,000, and a compilation is \$1,500. The problem with those is you get a whole lot more for an audit because they are looking at internal control. That's what you're primarily interested in. There are other ways to skin that cat that can be more cost effective. Talk to them. And if you haven't come up with a good idea to overcome that, call me. I'll be happy to talk to you on the phone about some ideas on how to minimize that control. You are a not for profit entity, right? Okay, we give huge discounts to not for profit entities. Every accounting firm I've ever been with or heard of does the same thing. Use it. Don't, that's part of what they do. It's part of what we do for the community is we give back.

Protecting the audits, I won't get into that very much. The reason I bring this one, this slide up, was in a couple of situations where there had been fraud in some departments the CEO or the executive director or someone alleged to the committee, the Finance Committee, that they had an audit done every year. And the audit was done by Uncle Fred, and Uncle Fred would come in and sneeze a few times, have a cup of coffee, and go home. And they said, well Uncle Fred look at it. An audit, folks, is an audit. It's a very defined term. It's not just some accountant coming in and looking at a few things. It's got a very defined, so if you're going to do an audit, do an audit. Don't go halfway on it. And that's okay.

CHAIRMAN CLAPP: Okay. Well we were talking earlier about segregation of duties, Secretary and Treasurer. As Finance Chairman all those years, that was probably the number one question I got is how can I separate the duties? How do I not hurt feelings? How does this person, you know, how do we do that?

Because if people want to give, they want to give of their time. There's ways to do it. And I'm going to use my example.

There's electronic signature that you see when you get the direct mail that has Mary's signature on it. There's also stamps. Like right now back at the homefront there's a stamp with my name on it. The first time I became CEO and I went to cash a reimbursement check, the bank played a joke on me. They said, Nic, we can't take a check from you that you signed to get you reimbursement. Because it had my signature on it. The electronic signatures are there for a reason. Someone else controls that. Okay? Does that make sense? So of course they did give me my reimbursement after a little me panicking in the car, not knowing what to say. But the thing is somebody has control of that, other than yourself. And that's how there are no adjustments in our audit here because of segregation of duties. And that's the key, is we look at, and our final comments this morning for you, are that each one of us has a leadership responsibility of that fiduciary duty and the way of doing that is to be a good steward for our organization.

We're approaching 100 years. We want to be here 150. We want to be here for the great-grandchildren and great-great-grandchildren and for Lucas, you know, to be able to come in. He's out in the hallway right now. I waved at him a couple of minutes ago. That, you know, they want to have an organization they can be proud of. Because I do not think we're not going to have military in 100 years or 150 years. We need to support the troops. So with that, we have to take care of our responsibilities. We have to do the tough jobs. And the tough jobs are our constituency is broader than just us. It is those people that serve. It is those donors. It is the people that gave us a bequest. It's our Presidents. It is looking at our history and our relationships and who are we here for. And you heard Dubble say, why do we matter? We matter because it's a greater thing of self, service not self. And with that, there comes responsibility. Everybody always like autonomy, but not accountability and responsibility that go along with it.

So looking at that, that was my thesis in grad school. Well gee, it's nice to have shared governance, as we have, but that becomes autonomy and job satisfaction, but there also is responsibility. There is legal responsibility. There is ethical responsibilities. But more importantly there is a moral responsibility. You heard me say at the beginning, if you heart and your head aren't in the same position, we got a problem. Or if it's too good to be true, we got a problem. Kathy said this morning, Houston, we got a problem. That's when you have a problem.

So realizing that going forward I cannot stress enough that our primary responsibility, our primary role of the NEC, and of our board of governors, is to protect our organization. Our reputation, I cannot stress it enough from a financial perspective, our financial health. Every time I've ever spoken with you I've talked about the checkbook. We have to be able to pay our bills out of the checkbook. The rainy day fund is our savings, is our investments. We dip into those such as things as the Strategic Centennial Plan, the big initiatives. It's not to maintain that we can keep the lights on. So I cannot stress that enough this morning.

We just want to say thank you for your time. I know we're over this morning. I know we have a big Vietnam Veterans event this afternoon. But thank you for your time and thank you for your conscientiousness and dedication to our organization.

MR. ALERDING: Thank you all. Appreciate it.

(Applause.)

PRESIDENT DAVIS: You have just heard a discussion of the need to invest in ourselves and to fulfill our duty to care for the organization. Upon adjournment of this meeting we will analyze our projected revenue needs versus our expenses. We will take those numbers and come up with the necessary dues increase and a way to address dues adjustments in the future. This will be shared in advance with the NEC, department leadership, and National leadership so that everything is documented and we are up front about the need to be good financial stewards.

You, the members of the NEC, should expect to receive information about the proposed dues increase in correspondence circulated well in advance of National Convention. This will be required, this will require a special electronic meeting of the NEC now and in August, between now and in August. So why are we bringing this up to you? The recommendation for a dues increase needs to have the endorsement of the NEC and the NEC should propose the amendment. Thank you for being proactive in the financial health of the organization.

To finish up today's business, National Secretary Dubbie Buckler will take a few minutes to address some of the most common governance issues involving departments, districts, and units.

SECRETARY BUCKLER: Thank you. And in the interests of time, I'm going to cut the 45-minute presentation down to just three bullet points.

(Laughter.)

SECRETARY BUCKLER: First off, this is not quite on topic but I meant to announce it earlier. We talked about investing in the Centennial Strategic Plan and investing in ourselves and one of the things I neglected to mention is one of the things we invested in was through a company called MLS, is a professional PR development firm doing press releases for us. And last year we invested about \$110,000 that you all approved in resourcing the Centennial Strategic Plan. So 2016, so we did five stories. They are called, (indiscernible) that five lengthy news releases. One on flag etiquette, one on American Legion Auxiliary Girls Nation, one on the National Veterans Creative Arts Festival, one on Veterans Day, and one on advocacy. The average pickup for these was about 140,000 online pickups, 300,000 print circulation pickups, and that includes small, medium and large markets, including L.A., Chicago, San Francisco, Baltimore, San Antonio. The cost to buy the equivalent ad space as a result of their placing these for us would have been in print and electronic \$1.6 million. So our return on that investment is well over 176 to one. So investing in ourselves paid off on that --

(Applause.)

SECRETARY BUCKLER: There are lot of topics I get asked about. In the interests of time I just want to say I still get a lot of questions about units and

districts incorporating. There's a whole discussion about that in the Department Operations Guide, so I'm not going to go into it.

I still get a lot of questions about the 990, surety bond issues. There is a whole resource in there, important tax information document, and it's in the Department Operations Guide and all these things are also separately under the members portal of the website. You can get to them through members resources that way.

What I am going to spend just a second on is the biggest question we receive, regardless of how it's asked, is somebody is doing something bad. Somebody is behaving bad, somebody is being bad, somebody is doing something bad. So member behavior is, and member discipline, constitute most of the questions we get. And it usually is how do we deal with it? That ends up being the question, after a lengthy description of what the problem is. How do we deal with it? So I just want you to know what we're working on and it will be finished when it's finished.

The Unit Handbook at some point will be revised and become a Unit Guide. In the Unit Guide will be a lengthy section on member conduct, member behavior, how to discipline a member and it will basically be from can we talk about this privately, quietly, how to deal with people issues. We tell you in our governing documents that you have the authority to do things. And the good news is people are now understanding you have the authority to do things. The questions are how do we say? What do we say? When do we say it? Who needs to be in the room? Just what does this due process stuff mean? Just what does advance notice mean? Well really, does it have to come to that? How can we deal with it?

So our roughed out draft so far in sort of outline mode is about 30 pages. So if we're going to go into that depth, what to do, when to do it, how to say, what to say, how to say it, we're going to do it thoroughly which is why I say it will be done when it's done. But I want to compliment Chris Dickey, who is working with counsel general, Marta, and me, and others, to write this. It's one of those big projects.

(Applause.)

SECRETARY BUCKLER: (Indiscernible) and Chris had a meeting in Indianapolis with another client and we were able to piggyback on their bringing her in expense, underwriting those expenses, and she came in early and spent a day and a half with us. So our cost was nominal to have her come in and spend time helping with that.

What will come out of that sooner rather than later will be, and goal two is working on this and others, and that is a proposed code of conduct. So that the NEC meeting at Convention, you can expect that there will be a code of conduct. Remember, you approved, NEC approved a few years ago the code of ethics. That's in the governing document. Code of conduct will bring it down to a personal level. What am I obligated to do? So that one in more detail, Madam Chair, that's the hot topics right now.

PRESIDENT DAVIS: Thank you. That's a new section. We'll call it hot topics.

All right. As a governing body, please go back to your departments and report what went on during our meeting and the things you learned. At a minimum you should be sharing these five things.

We again had a great external audit of the National Headquarters finances.

Each NEC needs to help her department membership chairman figure out a way to enhance the member experience and enhance your membership.

The ALA Academy is ahead and ALA 101 is ready to roll out. Have your members watch for the announcement that we have gone live and encourage them to take the course. The announcement will come via mass communication, email, social media, enews, you name it. If we could put it up on a big board outside your city, we would do that.

There is a DEC 101 resource online. Please promote it as a training tool and conduct DEC orientation for new DEC members.

And finally don't forget that we have a new Strategic Planning Guide for departments. It's an easy to use resource guide available on the National website. This Guide was created so that we can ensure all departments have the resources they need to actively participate in achieving the five national strategic goals.

So as we close I would like to recognize the successes of our 2016-2017 mission training attendants. How many attended mission training. Wonderful. Wonderful. Wow, that's really great. Attendance at these trainings, as you have heard, has increased 37 percent from the last administrative year. By adding an additional training site this year, we were able to reach members who might not have been able to participate and that was adding the roving training. Even if you eliminate the attendance at this additional meeting, attendance was still up by 20 percent. This is really, really, really something to get excited about, that our members quest for learning and that we are giving it to them.

In closing, thank you everyone for your participation this morning. For those of you who needed a potty break, thank you for letting me sneak out. We covered a lot of material and all of you were actively engaged, and I appreciate it, truly appreciate it. Please remember to share what you learned during this conference with your units and departments. Sharing this information can only help strengthen our organization.

I look forward to seeing all of you this afternoon for our Vietnam War Memorial wreath laying. The buses will load at 12:45 from the terrace level, which is one level above us. Please bring your pictures of those listed on the wall, for those of you that brought pictures.

Tomorrow's sessions are packed with excellent speakers and information that will benefit each and every one of you. Make sure to pay close attention to the panels so that you can go back to your departments and easily share and apply all that you have learned.

We will also be honoring our very special Public Spirit Award winner, the Woodruff Foundation, during tomorrow's luncheon. And that is Bob and Lee

Woodruff, who founded the foundation. So if you don't have your tickets yet, stop by the registration table and grab one. You don't want to miss out on this special event.

Do you have announcements? She has quick announcements.

SECRETARY BUCKLER: But don't get excited when they're done. First, the Past National Presidents Luncheon today at 11:00, or close to it, and the Department Presidents Meet and Greet tonight from 8:00 to 9:00 will be in Room 5101, Room 5101 for the Luncheon for Past National Presidents upon adjournment and the reception for Department Presidents between 8:00 to 9:00, Room 5101.

Some of the resources we've mentioned, we brought some extra copies of the Advocacy Guide, VA&R Guides, (Indiscernible), the Step Up for the ALA PSA, our commercial. We've got some of those. Certainly not enough for everybody in the room, but if you have a burning desire see somebody who is one of the staff members as we do have a few of those.

Lastly we are going to take a picture. We're turning right and left up here. Who's right? No one. No, I'm looking at the photographer. Which right side? My right side or your right side?

VOICE: Where are we taking the photo?

SECRETARY BUCKLER: Yes.

VOICE: This side.

VOICE: In the front?

VOICE: Yeah. Yeah. NEC --

VOICE: Just say right or left. Oh, NEC stay --

SECRETARY BUCKLER: Okay. So NEC stay where they are.

VOICE: Yes.

SECRETARY BUCKLER: So you're going to come up here and do all of that?

VOICE: Yes.

SECRETARY BUCKLER: We've got, I'm just saying that they're going to go through the official closing things and all the things. Don't leave. Because the very last thing you do is we're actually going to get a picture of the NEC.

VOICE: Yes.

SECRETARY BUCKLER: Okay. So there will be people up here telling some of you how to move over there. Okay.

PRESIDENT DAVIS: Would the National Chaplain offer a benediction? Stand and remain standing for the retiring of the colors immediately following the benediction.

(Ringing of the bell.)

CHAPLAIN BROWN-DEBRO: Before I close out I'd like to have a special prayer. We have a prayer request. Our Arkansas NEC, Carol Westergren, she has serious health problems; as well as Candidate for National Commander Denise Rohan's son, Nick.

There may be someone here hearing the sound of my voice that needs your healing power, Father God. So we just come to you right now in unity, with love

and grace, and ask that you bless and touch and heal (indiscernible) each and every person who is here hearing the sound of my voice. Those that are left at home, they have family members that need your healing power.

So Father God, we leave this place but not your presence. Angels go before us. We just thank you for this meeting which you provided for us. Father God, may your will and purpose that you have designed to fulfill our goals and mission be prosperous and pleasing in your sights. May our accomplishments go forth in victory as we continue to serve you, our veterans, and community.

As we leave this place, Father God, angels go before us and prepare our way and keep us safe from any harm and danger until we come back together in unity. In your Holy Name we pray, Amen.

VOICES: Amen.

PRESIDENT DAVIS: Pages, please retire the colors.

(Retiring of the colors.)

(Whereupon, at 10:58 a.m. on Sunday, February 26, 2017, the above-entitled meeting was concluded.)

APPENDIX A



**NATIONAL MID-YEAR REPORTS:
NATIONAL CHAIRMEN**

AMERICANISM
CHAIRMAN: SUE BRITTON

All four Americanism objectives have been promoted with various activities. We created and distributed nationwide a listing of patriotic holidays. Every division reports education on flag history, etiquette, nighttime illumination, flag disposal, and the purchase of flags for businesses, schools, town halls, etc.

Comic books, For Which It Stands and Indivisible have been used with Boy and Girl Scout troops to enhance flag education. Pocket flags have been folded and sent to front line troops, and patriotic events have been hosted that demonstrated the proper respect for the flag.

Color Guards Getting Out The Vote was a noteworthy activity nationwide due to the Presidential election. Members helped at the polls, transported citizens to vote, register new voters and sponsored mock elections in schools.

Support of the flag amendment has taken on renewed strength since the election and plans are underway through The American Legion to support a major renewal of effort for legislation on flag desecration.

The Americanism essay contest has been promoted intensely nationwide. A few Departments asked for assistance regarding further explanation of the essay title and once provided, several developed one-page instructions for contest entrants. The promotion of American Legion Americanism programs is receiving great attention.

Members are involved with the Oratorical contest by serving as judges, hosting fund raisers, and recruiting candidates at local schools. The Junior Shooting Sports and American Legion Baseball programs are receiving major support for sponsoring, concession stand, transporting participants and providing refreshments.

Intense nationwide renewed revitalization efforts by the CFA for flag desecration legislation are forthcoming

- Continued positive promotion of the Americanism Essay Contest
- Attention to upcoming Citizens Flag Alliance renewed promotion for flag protection legislation
- Promotion of flag respect during national anthem and at all AL & ALA sponsored events (awareness of AL Resolution 16)

Congratulations to all departments for 100% reporting!

AUXILIARY EMERGENCY FUND CHAIRMAN: LISA WILLIAMSON

This year, National President Mary Davis has chosen to highlight “ALA Member Pride”– pride in one’s accomplishments, pride in making a difference in another’s life, and pride in belonging to an organization that embodies the mission work of the American Legion Auxiliary – and the Auxiliary Emergency Fund exemplifies her philosophy through “Members Helping Members.”

With the flooding in Louisiana and Hurricanes Hermione and Matthew that affected Florida, North Carolina, South Carolina and West Virginia last fall, as well as the many other weather-related emergencies around the country, you can only speculate that we need to recoup the AEF coffers with 37 disaster grants being approved! Temporary assistance was granted to another 25 ALA members during a time of financial crisis when no other source of aid was readily available, or they needed educational training to gain necessary skills for employment.

Grants disbursed since September 1, 2016 have totaled \$103,863.96. On the flip side, total donations to the AEF during the same timeframe amounted to only \$33,119.88, a \$70,744.08 shortfall. However, most Departments collect for the AEF throughout the year, and send in one large amount shortly after their Department Conventions. By the time we get to National Convention in August, we should see a much clearer picture. So, there’s still time!

Outstanding donations received at NHQ so far this calendar year include (they are all #ALARockStars):

- Departments (\$2,000+): North Carolina - \$2,067.48; Iowa - \$2,191.81; Ohio - \$2,525.00; Pennsylvania - \$2,913.42; and Minnesota - \$10,776.35.
- Units (\$1,000+): Kentucky’s Latonia Unit 203 presented me with a \$1,000 check while attending Mission Training in Columbus in response to the weather-related issues across our country.

It’s apparent that the Department of Minnesota is onto something! During their department fall conference, they took the idea of silent auctions to a new high level by adding four other elements to your typical silent auction. They put together theme baskets – cooking baskets, movie baskets, spa baskets – that raised \$10-60 a piece with over 25 baskets. In conjunction with this, members brought baked goodies as part of a bake sale. Other members made 50 grab bags filled with small items that were sold for \$1 each. If this wasn’t enough, they also created a competition wall where districts would make a donation and it would be posted on the wall. The districts had fun “competing” against one another trying to raise the most. Who doesn’t like a little friendly competition, especially when the AEF and our members are the real winners? They raised nearly \$6,200 during a few days at their fall conference! Donations directly from units and posts made up the difference

of the nearly \$11,000 contributed thus far to NHQ, earmarked to the AEF. Way to go, and heartfelt thanks to the entire TAL Family in Minnesota!

About a dozen departments report the use of the new ALA In The Know eBulletin series that provides tips on different ways to raise funds for the AEF. Ideas range from simple efforts, like collecting \$1 per member, to more complex fundraising events. This eBulletin series also is designed to raise member awareness about the fund, which focuses on helping ALA members in need. Be sure to check out past and future issues at <https://alaintheknow.wordpress.com/>. It is our hope that this series will also encourage Unit members incorporate AEF fundraising into their annual plans -- in true "Members Helping Members" fashion.

All Departments should first know that the National AEF Committee is deeply thankful to claim 100% Mid-Year Reporting! Thank you, thank you, thank you! However, it wasn't as easy as it should be as the entire national AEF committee had to reach out to the last few. What can we do to ease this?

We expect to have a repeat performance at Year-End with another 100%! ALA Member Pride!

CHILDREN & YOUTH

CHAIRMAN: NICOLE CLAPP

ALA Member Pride is being demonstrated daily throughout our organization to protect, care for, and support our children and youth, and particularly those of veterans and military families. Our Departments have used their own creativity and generosity to carry out the mission of Service Not Self in countless ways. There is not a day that goes by when events and activities related to the Children and Youth program's three objectives are not being addressed; Support Children and Youth in Your Community, Support Military Children and Youth, Support Veterans' Children and Youth.

As we help to shape our future leaders, the American Legion Auxiliary is focusing our efforts on educating youth. Children are learning about being a "Star Spangled Kids" through education on the history of the United States, the U.S. Constitution, and flag etiquette presentations, especially during a presidential election and inauguration year.

The larger task is the physical care of our children by supporting their basic human needs with tangible items, such as food, health care, supplies, shelter, with the Sleep Train, Project Linus, Dignity Bags, and the Children's Organ Transplant Association (COTA) initiatives. Arizona Unit 65 members along with the rest of the American Legion Family collected 5,000 backpacks and school supplies for the annual back to school drive.

Just as important is addressing our children's emotional needs through support with the Tragedy Assistance Program for Survivors (TAPS), promoting Kids of Deployed are Heroes 2 (KDH2), distributing Junior Patriot Booklets, recognition with Beads of Courage, and Every Child's Hope initiative. We know children and animals have a natural connection. So, GI Josh, Klinger the Horse, and Josh Dogs are such welcomed sights when units present them to our veteran and military children.

Each ALA division has been diligently trying to keep relevant with what is important to today's youth while trying to balance their safety and security. Halloween Safety continues to be an annual effort with Trunks with Treat events and the sharing of Trick or Treat Safety Tips.

Units partnering with school districts and Social Service departments across the county have identified children who are the silent victims of abuse, bullying, neglect, and homelessness.

Many units have recognized our younger citizen's heroic and generous efforts of service not self by giving back with Youth Hero and Good Deed Awards through their connections with Law Enforcement, Fire and Rescue Service Departments.

Year to date there have been 2 Youth Hero Awards presented, one of whom is Ben Dailey, age 9 of New Mexico, who steered their car onto the median when his mother had seizure while driving. Across the country so far this year, 30 youth have been honored with Good Deed Awards.

Several Military Child Table Setting Ceremonies have been performed following our presentation at the American Legion Children and Youth Conference.

Reminder: April is the Month of the Military Child and The American Legion's Children and Youth Month

COMMUNITY SERVICE
CHAIRMAN: CAROL EDWARDS

The Centennial Strategic Plan calls for us to work on service projects that support our veterans, servicemembers and their families while involving other community organizations.

Volunteering on 'days of service' and holidays are one of our most productive ways to have visibility. Members participated on 9/11 National Day of Service and Remembrance weekend in various service projects, including a Freedom Walk as tribute to fallen veterans and first responders; a "Remembering Our Fallen" ceremony that was held for the Gold Star Children of the fallen from the War on Terror candlelight vigils for law enforcement, firefighters, EMTs and dispatchers.

ALA members served as project leaders for Points of Light's volunteer service fair, which brought local youth together to make various items for veterans, servicemembers and their families. They also volunteered at the AARP Foundation's Meal Pack Challenge to end senior hunger.

Blessing Bags and Christmas events for veterans and homeless veterans generates a lot attention. These are not only great activities that members are willing to get behind but also activities that other community organizations are willing to support.

Community service projects are not just limited to benefitting veterans and servicemembers; they also enhance our communities as a whole – to show that we care about our friends and neighbors.

Many departments participated to make a difference" by raising money for victims of Hurricane Matthew, floods in Louisiana, tornados across the country, and those that were evacuated from their homes due to large fires. A "National Night Out" is a great way for a community or a block to come together. This event can take on the atmosphere of a party and can consist of games, firetruck rides, concessions, dunk tanks and also include vendors and organizations providing information on events and activities within their community.

The numbers that were reported were incredible! Volunteer hours exceeded 136,000; members made donations in excess of \$400,000 and raised more than \$73,000 for local charities. Members truly embraced Goal 5 by becoming brand advocates; by flaunting the ALA brand in our local communities we demonstrate who we are, what we do and why we matter. All of the reports made mention to wearing ALA apparel, some Units reported wearing matching scarves and ALA apparel in order to attract more attention. Gift Certificates to Emblem Sales are being presented to members who do amazing things - another way to promote the ALA brand.

Achieving the goals of the ALA 5-Year Centennial Strategic Plan will lead to success in achieving Goal 1- Enhance Membership Strength, and the departments are reporting that it is working! At least 100 new members were reported as the

result of Community Service projects. Imagine what the true impact may be if this was included in all reports.

100% of the departments submitted mid-year reports, so I am sure we will receive the same for year-end reports. However, it is disappointing when reports are received that state "we didn't do much or anything". Community Service is a program that has so many opportunities. Members do not need to be near a military base, they do not need to be near a VA - they just need to be active in their community. By simply volunteering with other organizations they are participating in the Community Service Program. Encourage your units to flaunt their service a little more. I know they are doing community service programs, so let's exercise our ALA pride a little more and brag.

Please encourage your department chairmen and units to include in their narratives their hours, money spent and donations made for Community Service. Our impact cannot be based on words like "a lot" or "some." Actual figures are required in order to measure our true impact.

EDUCATION

CHAIRMAN: NORMA TRAMM

Through classroom activities, literacy programs, scholarship promotion and support of education beyond high school, ALA members build brand loyalty and awareness of the ALA's mission through their education-related community service projects.

Veterans in Community schools is a program that touches many in a positive way. Our Veterans take the time to share their stories with young people so students can understand how our soldiers keep American free. It was reported that some veterans also shared small flags and military branch bracelets with the students. There were memorial displays for students to observe. Veterans from WWII, Korea, Vietnam and Afghanistan spoke at various schools and shared their stories. Veterans were also honored at many Veteran's Day programs.

Scholarships are a huge highlight this year as it is National President Mary's special project. Units are spreading the word on how to apply and are sharing applications with students. Some departments held instructional classes to assist in judging scholarship applications. Many departments /units have their own scholarships and some have already been distributed. Units provided funds through fund raisers and PR in their communities.

"Give 10 to Education" continues to be a popular activity for many units. One unit member connected with a new teacher and described the opportunities the ALA would be able to provide for students. Units donated many school supplies and volunteer time along with including their junior members in the activity. "BoxTops for Education" is another avenue for assistance by many units. A new initiative in NJ is to help children with special needs by providing behavior modification treasure boxes. The boxes contain small prizes for the children and are awarded for good behavior and accomplishments.

American Education Week found many units recognizing teachers and staff with various treats during the week. They also made sure to recognize the often forgotten bus drives. PNP Kristine West designed a card for members to distribute throughout the schools as they delivered treats during American Education Week. We have such creative and caring members.

Participation in the Veteran pursuing higher education program is sparse throughout the country. Those unit participating do a great job including visiting local colleges to let them know the ALA is available to assist veterans in their quest for additional education.

A unit collaborated with the Family Readiness Groups and Dollar Tree in a project called Operation Home Front. This allowed them to distribute school supplies to military children. Scholarships are another avenue to assist military children. Some departments have found working with churches they could locate military children to assist with their educational needs.

“The function of education is to teach one to think intensively and to think critically. Intelligence plus character – that is the goal of true education.” Martin Luther King, Jr.

Congratulations and thank you to the department/divisional education chairman for 100% reporting. Also a special shout out to members of A C Buckner Unit #111 from the Department of Montana who escorted a 98 year old veteran of WWII for a speaking engagement at Sky View High School to share events and conditions of his 4 years in Europe and Adak, Alaska. What a great impact on those students who were fortunate enough to hear his presentation.

Scholarships are to be forwarded from the departments to the division chairman on or before April 1, 2017. It is so important that any scholarship that is forwarded has met all the requirements of the scholarship. Only fully completed scholarships with signatures will be considered. “Campbell Soup Labels” program will soon be completed. Please instruct your members to quickly clip the coupons and forward them to a nearby school for redemption before the program is terminated.

ALA GIRLS NATION
CHAIRMAN: MELANIE TAYLOR

All five objectives in the ALA Girls Nation Program Action Plan have been promoted within the departments and shown progress.

Units reported reaching out to their community businesses to solicit donations for sponsorship to their ALA Girls State programs. Many states reported an increase in the number of girls attending ALA Girls State and Tennessee reported home school and private school students were included in their session last year. One department reported that their chairman put up display tables with information about their particular program at the ALA Girls State program fair. The delegates were allowed time to visit the displays and talk with members about each of the programs. Blue Star Banners were presented to the citizens who have family members serving in the military. POW/MIA tables and orientations were present during ALA Girls State sessions.

Many departments reported a mission-based service project at their ALA Girls State session. Letters to active duty military were written, pocket flags were folded to be included in care packages being sent to the troops in Afghanistan, and canned food was collected for the local Food Banks.

All eligible ALA Girls State citizens were encouraged to join the American Legion Auxiliary. Membership Applications, "ALA At A Glance", "Legion Family", Scholarship, and Juniors brochures were included in packets and given to the citizens as they checked in.

College Scholarship and Military Information booths were present at ALA Girls State sessions. Information was provided to the citizens about all scholarships provided by the American Legion Auxiliary with particular emphasis on the Samsung Scholarship. The Girls who were eligible to apply for the Samsung scholarship were encouraged to go on line and apply at the state level.

Congratulations go to California, Colorado, New Jersey, Oklahoma and Utah Girls State Citizens who won the \$20,000 Samsung Scholarships for 2016. This year the American Legion has made changes to the 2017 Samsung Scholarship award structure and some scoring changes. This new information was shared with all 2016 ALA Girls State Directors/Chairmen as well as the 2016 Department Secretaries.

The Department of Montana takes their ALA Girls State citizens to the state capitol building where the girls are allowed access into the House and Senate Chambers to debate bills the delegates wrote themselves. Colorado also takes their citizens to the state capitol to meet with their legislators.

The Department of Hawaii will be holding ALA Girls State this year, after a successful session last year.

Many departments have adapted to modern technology with online registration, electronic voting and establishing ALA Girls State Facebook Pages.

The ALA Girls Nation Committee was 100% mid-year reporting. Thank you everyone!

JUNIOR ACTIVITIES

CHAIRMAN: PAM RAY

We have encouraged Units to consider organizing their Juniors to increase our Junior membership. Congratulations to Atlantic County, New Jersey, and Winchendon, Massachusetts, for organizing their Junior groups! Almost all departments report that more units are including Juniors in their meetings and activities. Many organized Junior groups are including work on the patch program after a short meeting.

The Department of Colorado is reporting an increase in Junior members after making the effort to include them in their meetings and mission projects. Through the support of the American Legion Family they were able to send 10 Juniors to the national Junior meeting in Minneapolis. They report 3,213 hours of community service and they are only halfway through the program year!

The Department of Kentucky Juniors collected socks, hats, and gloves and distributed them while serving dinner at a local shelter. In the department of South Carolina there is a Junior that participates in a Military teen panel speaking out for military kids. Juniors in the department of California help serve monthly dinners for veterans at their local post and provide some entertainment as well as visiting. Congratulations to ALA Junior Jeanne Haverhill from the department of Delaware. She organized "Home of the Brave BBQ" event and was recognized by the Walt Disney Company with a monetary award. Jeanne says she will use that award to host the event again next summer.

The department of Indiana has a Junior that is the first Junior in the nation to receive our new History Patch.

Registration and participation at the national Junior meetings increased significantly! There was a 129% increase in the numbers of Juniors attending a national meeting. A total of 144 Juniors registered for the national Junior meetings, with the largest attendance of 40 in Minneapolis.

Many departments have expressed that Juniors want to do more with the mission. The Juniors have expressed during our national Junior meetings the desire to be involved more with our veterans and active military. The Socks of Love program for our homeless veterans was so successful at our national Junior meetings. Many Juniors voiced interest in returning to their departments and starting the project.

We need to listen to and assist these young women in starting mission-based projects in their local units or districts. Juniors want to serve, not sit in meetings. Remember, many Juniors do not belong to an organized group, but they can still plan and execute a mission project with the help of senior members.

LEADERSHIP

CHAIRMAN: JERI BROOKS GREENWELL

The Centennial Strategic Plan, Goal 3, challenges all members to consider the following questions: Where have all the leaders gone? Are they, like the flowers of the haunting folk song, “long time passing?” Some believe that finding leaders is a thing of the past, however; for our organization to continue in the future we can, and must, change that mindset. As illustrated by 100% reporting, departments are doing just that!

Building leadership capacity within our organization is an integral part of our strategic planning process, and has been a central activity in many units and departments this year.

Numerous departments reported encouraging the use of the unit member data survey as a critical component toward matching projects based on individual member’s strengths and interests. It was further documented that the influx of new members, each with diverse viewpoints, backgrounds and experiences, produces a tremendous potential for the next generation of leaders.

Members are realizing that a successful and sustainable leadership development program requires that we identify those who have the potential for increased leader responsibility. Departments reported striving to identify and remove barriers when considering and selecting leaders at all levels of our organization.

Reports indicated that Unit Management Guides, power point presentations and videos have been developed and/or updated; as well as many units and departments have presence on Facebook and other social media outlets.

Departments reported holding on-going Leadership trainings and workshops to include Juniors; ABC Schools; DEC101; mini-workshops; and “boot camps” as well as participation in American Legion Family Colleges.

Whether formal or informal, each provided a forum for members to learn more about our organization including such topics as: membership, leadership and strategic planning and how they relate to one another; assessment tools available; finance, fundraising, audits and 990 reporting; effective writing skills and unit reporting; the history of our organization and the meaning of our preamble and vision/mission statements; initiation ceremonies and new member materials; parliamentary procedure and protocol; elections, officer and chairmen responsibilities and duties; the importance of branding and assisted Junior members in earning the leadership patch. Many programs included round table discussions and interactive sessions, providing members an opportunity to role play and concluded with time for questions and answers. Unique and creative ways were shared including such highlights as: theme related Who Dun It mystery programs, teachable moments, Trivia, Jeopardy, and word search Challenges; through the distribution of reference

documents and materials; encouraging mentoring partnerships; and cultivating a culture of goodwill.

Numerous Junior and senior members have completed the Auxiliary basics courses and certificates have been presented.

Every member, no matter how much she already knows and how well she already functions as a leader, needs to continue learning and growing. Much appreciation is extended to the national organization for its commitment toward investing resources in identifying and incorporating ongoing leadership learning and training through its numerous resources available on its website, ALA Mission Training opportunities, the greatly anticipated-- ALA Academy and in rewarding innovative leadership recruitment and development practices, through the Innovative Leadership Video Contest Challenge and Shout Outs from our National President on Facebook and/or Twitter. Check out #ALARockStars!

Members agree that fostering a culture of goodwill and inclusiveness is of highest importance to our organization. By exhibiting civility toward one another, our organization will be enriched and, ultimately, our programs strengthened--enabling us to showcase our ALA Member Pride!

LEGISLATIVE CHAIRMAN: ELAINE MACKENZIE

This program is about supporting The American Legion (TAL) in promoting its legislative agenda. Members, units and departments are enthusiastically advocating for our veterans, servicemembers and the flag in a nonpartisan manner. They've signed up for and acted on TAL's action alerts, telephone their lawmakers visited them in person and have invited them to coffee nights. Many members report they've got an ongoing relationship with their lawmakers. The use of social media, such as Facebook and Twitter, by lawmakers and citizens alike is proving a powerful tool for this program, as it gives members the opportunity to stay informed on their legislators' positions and to make their concerns heard. The department of Wisconsin reported starting a new legislative Facebook group (Wisconsin ALA Legislative Group) to keep members up-to-date. Units in the department of Alabama reached out to local civic groups to share TAL's legislative priorities, and they asked these groups to add their voices in support.

The legislative chairmen in most departments provide lists of the names and addresses of lawmakers at the state and national levels. Chairmen are also using the resources found on www.Legion.org and www.ALAforVeterans.org to provide high quality instruction to members, units and districts on the best ways to research the issues and to be effective advocates. The outstanding efforts of these chairmen has resulted in many members and units showing their ALA Member Pride as they successfully advocate for our veterans, service members and their families.

We need to emphasize the importance of working together with The American Legion posts and departments in advocating TAL's legislative priorities. Relatively few instances of the program being worked in this manner were reported. Sometimes we need to telephone or visit a lawmaker alone, but we can be most effective as advocates when our voices are multiplied.

A new Congress means rebuilding the Legislative Mini-Council. If any of your members have a connection to the following legislators or a member of their staff (listed on the next page), please contact Legislative@ALAforVeterans.org.

Alaska: Sen. Dan Sullivan

Arkansas: Sen. John Boozman

California: Rep. Julia Brownley, Rep. Luis Correa, Rep. Mark Takano

Colorado: Rep. Mike Coffman

Connecticut: Sen. Richard Blumenthal

Florida: Rep. Gus Bilirakis, Rep. Neal Dunn, Rep. John Rutherford

Georgia: Sen. Johnny Isakson
Hawaii: Sen. Mazie Hirono
Illinois: Rep. Mike Bost
Indiana: Rep. Jim Banks
Kansas: Sen. Jerry Moran
Louisiana: Sen. Bill Cassidy, Rep. Clay Higgins
Maine: Rep. Bruce Poliquin
Michigan: Rep. Jack Bergman
Minnesota: Rep. Tim Walz
Montana: Sen. Jon Tester
Nevada: Sen. Dean Heller
New Hampshire: Rep. Ann McLane Kuster
New York: Rep. Kathleen Rice
North Carolina: Sen. Thom Tillis
Ohio: Sen. Sherrod Brown, Rep. Brad Wenstrup
South Dakota: Sen. Mike Rounds
Tennessee: Rep. Phil Roe
Texas: Rep. Jodey Arrington, Rep. Beto O'Rourke
Vermont: Sen. Bernie Sanders
Washington: Sen. Patty Murray
West Virginia: Sen. Joe Manchin

MEMBERSHIP

CHAIRMAN: MARTHA CORRIHER

After reviewing the reports, most departments were confused by the weekly membership comparison reports at first, but I am happy to report that most departments are now over 60% of their target membership. Their reports indicate they feel better about achieving their goal since they had the opportunity to set it themselves. They attribute their numbers to making personal phone calls, personal written letters and encouraging members to become more active. They offer early bird renewal programs, give verbal praises and praise certificates for renewing and signing up new members. Departments are also making unit challenges to raise their membership. Units and departments have created or enhanced their social media sites, are using the ALA branding in their efforts toward membership and all programs when taking part in community events. They are working the culture of goodwill by including handwritten thank-you cards when sending membership cards to members. They promote the ALA member benefits as a recruiting tool, as well as embracing the Honor Our Female Veterans program. Most departments are following national's lead by waiving their dues portion for this program as well.

They attribute their success to new members when distributing poppies, attending Veterans Day programs, volunteering at VAMC's, nursing homes or senior daycare centers. Many are trying new ideas to show a culture of goodwill by holding new member luncheons and renewal member parties. Units are partnering with other civic organizations to work the ALA programs thus showing new member activity. New ideas were shared through weekly updates to the department executive board, unit presidents and any member that has registered their email at their department headquarters. Some are holding special prize drawings for members that have paid their dues early as well as for new members recruited. Departments are giving certificates for successes reached in many various areas to show member value. Many units gift membership to active duty members and sick or shut in members that may have financial or medical problems that would limit them to remain a member. Some successes on recruiting come from working with their Post and SAL members, helping to sign up their females relatives. Making a unit Strategic Plan has worked for some by making small growth plans for the next 5 years. Many have already seen recruitment surpass their 5 year plan. When working within the community, story boards showing the units successes have been a drawing card for recruiting new members. They see what they do and want to know how they can join. Many units would love to have more help in creating a plan for membership and the Division Membership Chairman have already helped units in their division come up with a weekly plan to meet their need. One challenge many departments have had this year is department secretary/membership clerk/department staff turnover which has lead delays in processing membership. I leave you with two thoughts shared by many department chairmen in their reports: all members need to realize it's their job to get renewals and new members and to not leave it to one

person in the unit. How can you sell a product if you don't know about it? It is imperative all members know, who we are, what we do, and why we matter. They state without these things, how can we expect the organization to survive.

Departments embraced and welcomed the ideas of setting their own goals for the year. They indicated a burden had been lifted off their shoulders. It's also great to report that all national chairman and national leaders have indicated they are working membership within their own unit and assisting their department in various ways to get membership turned in.

Remind units and departments not to hold membership when they get it. Membership needs to be sent in from units at least every two weeks, and every week by departments. A member is not a member in good standing until it reached the national organization. It would be a shame if a member need to apply for an AEF grant only to find her membership had not been transmitted to national and then she would not be eligible for assistance.

NATIONAL SECURITY
CHAIRMAN: BETH McGINN

Objective #1: Units and departments have reported supporting current and transitioning servicemembers and their families. Some of the most frequently mentioned items in reports were participating in Red Shirt Fridays, connecting with FRGs to support military families, distributing Blue Star banners, sending holiday cards and packages, clipping coupons and participating in Yellow Ribbon events.

Objective #2: Departments are assisting military spouses in getting and maintaining employment. Three departments reported assisting at job fairs for current servicemembers and their spouses. This is an area that needs more promotion.

Objective #3: Members are supporting the National Security programs of The American Legion. There was significant reporting of blood drives and completing CERT courses. Many units participated in POW/MIA ceremonies at their Post homes and included their ROTCs and JROTCs as well. Many units also supported local law enforcement and first responders with dinners, donations and certificates. The department of North Dakota reported hosting a National Security night at their local Emergency Management Office where the Emergency Manager of Carrington hosted a forum on natural and national emergencies.

Unit 28 of the department of Delaware set up a Yellow Ribbon tree where Post members and guests could hang a yellow ribbon in honor of a family or friend for \$1. Money collected will be used for monthly troop packaging. A Red Shirt Cutout is also on display at each of the tables in the Post dining room to encouraging everyone to wear red shirts on Friday.

The Department of South Carolina supported Operation Homefront's Back to School Brigade, which partners with Dollar Tree stores to collect school supplies. In South Carolina alone, the families of 20 National Guard units received school supplies. The department of Ohio's President's project is "The Military Family Assistance Fund", a program developed and introduced by the ladies in Ohio. Units are holding monthly events to support the project that will raise funds for current and transitioning military families.

A unit in the department of Nevada raised \$1,000 during a dinner for National POW/MIA Recognition Day, presenting the full POW/MIA ceremony. Two former POWs were recognized at the events and black balloons were released for each of the servicemembers still missing from Nevada.

Please emphasis the importance of reporting what ALA members are doing in our communities to create awareness of the brand. Members should be using traditional and social media outlets on a daily basis to get the word out. Pictures in papers and

on social media sites like Facebook, Twitter, Instagram, and Pinterest are worth a 1,000 words! Continuous in your face marketing of the Legion Family brand is needed to ensure that our servicemembers and military families know we're here to help.

Also, please don't forget that there are guides on the website that can help members with the National Security plan. We'd like to see more use of tools like the Welcome To Our Hometown action guide, how to support hiring events for military spouses and how to serve a military spouse eMentor.

PAST PRESIDENTS PARLEY
CHAIRMAN: VIRGINIA HOBBS

Twenty-three departments reported activities in the Past Presidents Parley program. activities reflect significant promotion of the program objective of mentoring. departments report lesser participation in the remaining objectives of promoting the Unit Member of the Year and the Salute to Active Duty Servicewomen.

Mentoring activities occur at all levels of our organization. Mentoring includes guiding new members as well as members in leadership positions at all levels.

Promotion continues for historic features of the Past Presidents Parley. Units, districts and departments award scholarships for nursing and other medical students to further education to serve others. Scholarship awards range in amount from \$300 to \$6,000. Scholarship funding is generated from a variety of activities from dues to raffles, dinners, selling homemade candies and even a black-tie gala.

Reports included accounts of reaching out to the female veteran and female service members. Female veterans are remembered at the holidays with cards and gifts. Clothing drives support the needs of female veterans in a Florida VA domiciliary. Homeless female veterans were assisted with housing and comfort items. One unit in California embraced the contacts offered by a member who serves at the Los Angeles County Commissioner for Veterans Affairs. Other units also reported stand downs to serve female veterans.

Past President Parleys report continued varying activities on behalf of American Legion Auxiliary programs. Efforts extend to poppy distribution and sharing the significance of the poppy. Parleys reach out to support children's hospitals and host children's holiday parties.

Last, but not least, parleys remember their own members by holding periodic luncheons or meetings. Members receive cards for birthdays, illness, and just to say we think of you.

POPPY
CHAIRMAN: KATHY DAUDISTEL

Members are very dedicated to sharing the meaning of the poppy with the public. Unit members are collaborating with the Legion and SAL and working as a united front when presenting poppy programs.

Division chairmen work hard to stay in contact with the departments and use conference calls, personal phone calls and emails. Many questions have been answered through these means as well as great ideas are being shared.

The ALA Poppy Program Facebook page is a wonderful venue to share ideas and ask questions. Members are also able to participate in contests where they are asked to post photos of their projects.

With 100% reporting, I can confidently say that all departments are actively working the ALA Poppy program. To date 823,100 poppies have been ordered and \$157,588.00 dollars in donations have been raised. The monies raised are being distributed throughout departments to assist veterans who have a financial or medical need.

Members are using new and innovative ways to showcase the poppy and raise awareness of the tradition and meaning. The traditional poppy flower once used mostly in corsages and centerpieces has expanded to poppy cookies, cakes and even jewelry. Minnesota created a beautiful poppy Christmas card for the holiday season. Other departments are making poppy t-shirts, scarves, vests, tote bags and crocheted pins. One can look around at any American Legion family function to see the myriad of poppy ideas.

In Waterville, Maine, Mrs. Poppy arrived with her poppy bonnet on. She spoke on poppy etiquette and mentioned ideas for distribution of the poppy. Examples given were flea markets, craft fairs, auto shows. In Connecticut, over 100 Legion Family members volunteered approximately 400 hours of their time to distribute poppies and accept donations of approximately \$40,000. A New Mexico unit worked with a local school to make handmade poppy pinwheels. The pinwheels were sold at a Memorial Day event to raise funds that were later used for homeless veterans.

Units are also working with the local schools to spread awareness. In Virginia, chairman Sarah Markel reads “the Poppy Lady Story” to students. When finished, she discusses the book and gives each child a poppy. She also provides the children with construction paper and helps the children write cards and letters to service members. Before leaving, she donates the book to the school with a card in the front saying the book was donated by the American Legion Auxiliary. After one reading, a third grade student asked for an extra poppy for his grandfather. He told her that he had never met him but wanted to put it by his picture and tell him all about what he learned.

As Danie Wilson from Wisconsin quipped “Creativity is abundant”. In Wisconsin, this is especially true. Members are sponsoring a Poppy Garden at Bookworms Garden, a 3.5 acre botanical garden inspired by children’s literature and geared especially for children. The poppy garden portion will be designed around the Poppy Lady book. Instead of real poppy flowers that don’t last throughout the seasons, the oversized poppies will be constructed of metal. Children will be able to visit the garden and read the book to learn more about the meaning of the poppy.

Overall, departments are raising awareness of the poppy while having fun with their creative ideas and all for the benefit of our veterans. The word is getting out and the public is starting to realize what the poppy represents. This was recognized recently when a bride-to-be sent a request to headquarters. She wanted to honor veterans who were invited to her wedding as well as the veterans she knew who passed. She plans to place a poppy on each of the guests’ plate to symbolize the sacrifices made by our veterans.

Job well done, ladies!

PUBLIC RELATIONS
CHAIRMAN: BRENDA COLLINS

Communications is the hot button for Public Relations. Units from north to south and east to west have started Facebook accounts and upgraded/maintained their department Facebook accounts and department websites. Social media has played an important part for the PR chairmen across the country with new Twitter and Instagram accounts — promoting programs for the units and departments. A Rhode Island unit received a \$5,000 grant from CVS Pharmacy. The unit was able to use social media to promote the grant and to get the votes needed to win. CVS presented the unit the check at a Boston Red Sox Game.

The Maryland department president and the eastern division vice president were both interviewed by a local cable network. They were able to promote the Auxiliary and National President Mary's theme: ALA Member Pride. Many units have good working relationships with their local newspapers. Hundreds of articles were submitted and published to local media. A Wisconsin unit wrote and submitted articles to their local newspaper that were published. During the process, the unit was also interviewed on the radio to promote the Auxiliary.

Iowa's First District went full speed ahead after setting up their Facebook page. Members from the entire district posted pictures from meetings and shared fundraising information. The district president had a desire to decorate all of the graves at the Keokuk National Cemetery through Wreaths Across America. Through their fundraising on Facebook, they were able to raise \$6,000 which allowed them to place wreaths on over 600 graves.

Units not only reported they had articles published in newspapers, but also had Public Service Announcements (PSA) on radio and television stations in all divisions. South Dakota had a highlighted PSA by a former Miss South Dakota about the Veterans Relief Drive. Units in Minnesota also promote events through all media outlets. They have been submitting letters to the editors and photos to different publications. One district chairman is adapting the Letter to the Editor templates on the ALA National website and sharing it with the units in her district.

Unit members have made it their mission to wear branded clothing to all unit and department functions. The Department of Florida encourages members to wear approved Auxiliary branded shirts, sweaters or jackets to all of their functions and to post on social media while doing so. One unit worked with a Major League Baseball team to hold a Veterans Day tribute, it was well attended and the surrounding area was able to learn about the American Legion Auxiliary.

A unit in South Carolina held an annual golf tournament. They publicized the tournament on the post and unit Facebook pages. They also had PSA's on a local radio station. The members also promoted the tournament on their personal Facebook, Twitter and Instagram pages. The tournament raised \$7,500 which was

donated to the Veterans Reintegration House and the Armed Forces Assistance Program that feeds veterans and their families in the county.

A large number of departments have a media contact list. The department of Arizona has made some headway in finding good contacts throughout the state. The American Legion Public Relations chairman shared his state media list with the Auxiliary department chairman. An article in Auxiliary magazine featured a New Mexico unit for the donation and dedication of a gazebo to Fort Bayard Veterans Home.

We are pleased to announce that all departments reported at Mid-Year.

This report is dedicated in memory of Massachusetts Public Relations Chairman Mary Ellen Morissette who, though very sick, reported to the division chairman before the due date. She passed away shortly after. Mary Ellen will be missed.

All departments have been contacted and our contact list has been updated.

VETERANS AFFAIRS & REHABILITATION
CHAIRMAN: KATHY DUNGAN

Our mission of serving veterans, active military and their families were observed time and time again in the reports received of the awesome work units and members doing in the VA&R program. All five divisions had 100% reporting from their departments.

There were reports of Christmas Gift Shops, bingo parties, holiday parties, Veterans Day and Memorial Day parades, outings for veterans such as fishing, helping with Honor Flights, the Veterans Creative Arts Festivals, VAVS volunteer work, and touring and visiting VA medical facilities. There is not enough room to tell about all the excellent reports received so I will highlight a couple from each division.

Western Division: California members visited a transitional housing for women veterans bearing gifts. Arizona Juniors assisted Senior members by handing out birthday and holiday cards to veterans at the VA Hospitals. Arizona Stand Downs also provided haircuts and medical services to veterans as well as the homeless. Idaho presented six WWII veterans with Quilts of Valor at a Veterans Day Dinner. New Mexico members assisted with Wreaths Across America.

Central Division: Kansas Juniors assisted in the Poppy ceremony at their VA&R program. Michigan donated money needed to purchase woodworking equipment at the Grand Rapids Home for Veterans. A member in Wisconsin decorated a tree in the Governor's Executive Residence in honor/memory of our troops. Illinois Legion family sponsored two Fishing Days for veterans including a meal for the veterans and a fishing pole!

Eastern Division: District of Columbia prepared 300 ALA Poppy tote bags with membership information and applications and distributed to women veterans attending their VAMC event. Maine has an adopt-a-veteran program for residents in the VA homes, and during the summer months, they provide root beer floats weekly at one of their nursing wards. New York served 5800 veterans with a monetary value estimated to be \$530,000. Rhode Island provided free dental work for veterans using a \$5000 grant from CVS Pharmacy.

Northwestern Division: Colorado supports Crawford House which helps veterans get off the streets and back into society. Nebraska's Dollar Day program asked units to provide donations, and then veterans are given those donations to meet their needs. South Dakota supports Quilts of Valor providing quilts to veterans and the homeless.

Southern Division: I saw firsthand Georgia's wonderful work at their Christmas Gift Shop. It was a Legion Family event with over 1200 gifts being provided, and also a visit from Santa. Veterans shopped for gifts for their loved ones and the veteran also

received a gift. Alabama held a baby shower for female veterans providing car seats, baby blankets and gifts of baby clothes. Mississippi hosted the National Veterans Creative Arts Festival in October, and I was honored to be a part of it. What an awesome event! Thanks to the many departments who support Creative Arts, locally and nationally. Florida donated over \$20,000 to Final Salute whose mission is to provide homeless women veterans with safe, suitable housing.

A lot of awesome work serving our veterans, active military and their families are done by our members. So much of it is not reported, so my challenge to you is to encourage your departments to focus on promoting and getting those reports from the units. We can do this!

**AMERICAN LEGION AUXILIARY FOUNDATION
BOARD PRESIDENT: LINDA BOONE**

Can you believe that 2017 is the tenth year since the ALA Foundation was created? We have made huge strides, but what is still puzzling to me is that many of our members are still unaware of the ALA Foundation, and evidently many departments are also! Not every department has made donations to the Foundation and we are counting on each of you NEC's to change that. Help us encourage your departments to participate.

There have been 34 departments that have given donations since January 2016, totaling \$54,000, which is terrific. One department alone is responsible for one-third of that total. So a big thank you to the Department of Wisconsin.

The national staff has continued to be creative and consistent in informing members through the magazine and social media. Our website has the stories and info about the \$68,000 in grants awarded in FY2016, which shares the importance of donations to support these diverse veteran programs throughout the nation.

Of that \$68,000, over \$27,000 were subgrants to five departments who may not have been able to obtain those grants without using the Foundation as a pass through. Encourage your departments to think about how they could take advantage of this process when potential investors need a 501c3 organization as a recipient for funds. We are here to help!

Another puzzling fact is that the Foundation has received no grant applications for the Veteran Projects Fund or local Veterans Creative Arts Festival's this year. What's up with that? Your departments do not have any projects they need funding for? The process is simple and online and the next cycle for the Board to review will be in April so the applications need to be in by the end of March.

Think about these unique projects that received grants in FY2016: Connecticut for a clothing label maker at a veterans' home; a gazebo at a veterans' home in New Mexico; therapeutic garden at a women veterans housing program in Massachusetts; 13 waiting rooms at Illiana VAMC were made child-friendly; California assisted with a child learning center project at a women veterans' program; physical therapy equipment was provided to a veterans' home in Nebraska; a music therapy program was funded at a New Mexico veterans' home; an art therapy program was funded at a veterans' home in North Dakota; a blanket warmer was provided in Nebraska at a veterans' home; and, a dining room remodel was provided at a veterans housing program in Colorado.

Do any of these projects sound like something your department might need funds for?

Because of you, our second annual #GivingTuesday campaign was a wonderful success. This year our incentive match from our direct mail vendor, Innovairre Communications was \$15,000, and adding that to the donations we received from members and supporters we ended with over \$42,000. That is \$42,000 that will go

directly back to helping our veterans and their families. Thank you to everyone who participated!

I know that many of us are increasing the online shopping that we do. If you use Amazon then you need to be using AmazonSmile which provides funds to charities you select. The ALA Foundation has received \$1,800 from being selected by buyers. Use your same password and make amazonsmile.com a favorite and keep on shopping.

Do you know someone who is a businessperson and maybe connected to corporations, and has a desire to help veterans? Member-nonmember-female-male? The Foundation is recruiting for directors for the Board. The application deadline for this year is April 1, and we encourage you to think of individuals that may want to volunteer in a non-traditional Auxiliary style.

In April 2016 the Foundation Board met to develop a strategic plan with the assistance of a consultant. Since then the Board has fine-tuned and added some initiatives to accomplish. We are now ready to present the goals for ratification by the ALA NEC. The three goals are:

- Increase philanthropic support
- Ensure adequate resources, both human and capital
- Create messaging to inspire giving

We are excited that the endowment fund of the Foundation is coming very close to a million dollars. Please encourage our members to assist in reaching that milestone in our 10th year. Thank you to all the Foundation supporters, we are growing and able to provide assistance to hundreds of veterans through our grant programs, because of you!

ALA CENTENNIAL PLAN IMPLEMENTATION TEAM
CHAIRMAN: JANET JEFFORD

Members of the American Legion Auxiliary Centennial Strategic Plan teams have been working diligently to accomplish our vision: By 2019-2020, the American Legion Auxiliary's million members will be making a difference for veterans and their families in every neighborhood. Since the last report to the national convention body in August, many exciting things have been happening.

In September 2016, a meeting, led by Center for Strategic Planning's Christian Drouin, was held in Indianapolis for the strategy captains, goal champions, and implementation team. Each Goal Team performed a mini SWOT analysis (Strengths-Weaknesses-Opportunities-Threats) on their goal, then reported what has been accomplished, where they see weaknesses, what opportunities now exist for adding or subtracting initiatives, and what factors threaten the accomplishment of their goals. The implementation team and goal champions have compiled a list of metrics to help each team assess achievements of the Strategic Plan's strategies.

Two critically important resource documents for departments have been developed and are now available on the website. The new ALA DEC 101 is a training resource for department governing boards and department officers describing-governing board and officer roles and responsibilities. DEC101, is the result of a successfully completed initiative from Goal 4: Strengthen Departments and Units. DEC101 is available on the ALA website at: <https://www.alaforveterans.org/Members/ALA-Department-and-Unit-Resources/>. ALA DEC 101 is under the Ethics/Accountability: Officers, Board, Committees.

The new ALA Strategic Planning Guide for Departments, is a simplified step-by-step guide on "How to Develop, Write, and Implement a Multi-Year Strategic Plan at the Department Level." The guide was developed with help from Angela White of Johnson Grossnickle & Associates, the company that conducted the *ALA Organizational Effectiveness Assessment*, also on the ALA national website. The ALA Strategic Planning Guide for Departments is available on the ALA website at: <https://www.alaforveterans.org/Members/Strategic-Planning/>. The guide is linked under Department Strategic Plan Support documents.

The ALA Centennial Strategic Plan Monthly Update reports on the progress and activity in each of the 5 goals. The report is circulated to department and national leadership and is now included in the monthly *eNews* bulletins – emailed to over 100,000 members and supporters. The monthly update is easy to read and provides motivating information about the initiatives that have been successfully completed, any changes in strategies, and news about incentives for departments achieving milestones in their department strategic plans. Some of the many initiatives making progress include creating updated job descriptions for officer and chairmen positions

and creating materials for recruiting new members, and recommendations for streamlining impact number reports are being reviewed. A Goodwill Ambassador Model which stresses positive behavior is in the final review stages.

Mentoring teams have been established to help Departments complete their strategic plans and receive the full Phase One awards totaling \$1000. These, and many more action items, have been keeping everyone engaged in ensuring the success of the ALA's five strategic goals very busy and productive.

APPENDIX B



FINANCIAL STATEMENTS



**AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY
FOUNDATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016 AND 2015



**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

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**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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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, 2016 and 2015, 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, 2016 and 2015, 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 the Uniform Guidance 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 4, 2017, 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, 2016. 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.

Alending CPA Group

February 4, 2017

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Assets:		
Cash and cash equivalents	\$ 772,602	\$ 760,805
Investments	31,617,301	28,678,958
Investments - PUFL	3,728,969	3,613,901
Prepaid expenses	104,690	81,598
Furniture and equipment, net	113,626	160,255
Other assets	<u>171,698</u>	<u>227,292</u>
Total assets	<u>\$ 36,508,886</u>	<u>\$ 33,522,809</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 1,017,235	\$ 727,354
Accrued expenses	295,653	401,756
Accrued scholarships	32,500	43,500
Deferred revenue - dues	2,466,689	2,660,966
Deferred revenue - PUFL	3,598,235	3,424,951
Deferred revenue - other	59,555	46,057
Liability for pension benefits	<u>1,302,044</u>	<u>1,006,744</u>
Total liabilities	<u>8,771,911</u>	<u>8,311,328</u>
Net Assets:		
Unrestricted net assets	26,897,289	24,397,314
Temporarily restricted net assets	819,120	598,715
Permanently restricted net assets	<u>1,459,901</u>	<u>1,333,338</u>
Total net assets before accumulated other comprehensive loss	29,176,310	26,329,367
Accumulated other comprehensive loss	<u>(1,439,335)</u>	<u>(1,117,886)</u>
Total net assets	<u>27,736,975</u>	<u>25,211,481</u>
Total liabilities and net assets	<u>\$ 36,508,886</u>	<u>\$ 33,522,809</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, 2016

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Revenue, Gains & Other Support:				
Contributions	\$ 782,703	\$ 425,845	\$ 126,563	\$ 1,335,111
Federal grants and cost sharing	-	839,293	-	839,293
Membership dues	5,619,470	-	-	5,619,470
Advertising	450,804	-	-	450,804
Other	680,155	-	-	680,155
	7,533,132	1,265,138	126,563	8,924,833
Temporarily Restricted Net Assets Released From Restrictions	1,196,833	(1,196,833)	-	-
Total revenue, gains, and other support	8,729,965	68,305	126,563	8,924,833
Expenses:				
Member services	4,897,101	-	-	4,897,101
Youth and education services	826,476	-	-	826,476
Veteran and military family programs	2,194,004	-	-	2,194,004
Total program services	7,917,581	-	-	7,917,581
Management and general	698,190	-	-	698,190
Fundraising	281,200	-	-	281,200
Total expenses	8,896,971	-	-	8,896,971
Change in net assets from operations	(167,006)	68,305	126,563	27,862
Investment Income, Net of Expenses	2,674,108	144,973	-	2,819,081
Change in net assets	2,507,102	213,278	126,563	2,846,943
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	24,397,314	598,715	1,333,338	26,329,367
Interfund Transfers	3,573	(3,573)	-	-
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	\$ 26,907,989	\$ 808,420	\$ 1,459,901	\$ 29,176,310

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	674,455	-	-	674,455
	7,763,120	1,034,948	112,918	8,910,986
Temporarily Restricted Net Assets Released From Restrictions	1,011,340	(1,011,340)	-	-
Total revenue, gains, and other support	8,774,460	23,608	112,918	8,910,986
Expenses:				
Member services	4,775,870	-	-	4,775,870
Youth and education services	792,584	-	-	792,584
Veteran and military family programs	2,049,867	-	-	2,049,867
Total program services	7,618,321	-	-	7,618,321
Management and general	648,169	-	-	648,169
Fundraising	237,899	-	-	237,899
Total expenses	8,504,389	-	-	8,504,389
Change in net assets from operations	270,071	23,608	112,918	406,597
Investment Income (Loss), Net of Expenses	(778,808)	(38,011)	-	(816,819)
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 Transfer	(3,573)	3,573	-	-
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	\$ 24,397,314	\$ 598,715	\$ 1,333,338	\$ 26,329,367

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, 2016
(WITH COMPARATIVE TOTALS FOR 2015)**

	Program Services	Management and General	Fundraising	2016 Totals	2015 Totals
Personnel and related benefits*	\$ 3,018,822	\$ 401,769	\$ 115,368	\$ 3,535,959	\$ 3,099,322
General operating expenses	319,068	84,551	15,017	418,636	556,094
Conventions and meetings	1,632,756	60,762	7,658	1,701,176	1,668,878
Occupancy	210,966	35,178	10,051	256,195	267,204
Professional services and fees	758,686	100,781	80,852	940,319	827,238
Printing and publications	910,365	4,099	23,480	937,944	897,893
Postage and freight	753,050	3,347	28,774	785,171	784,917
Grants and scholarships	282,577	-0-	-0-	282,577	368,569
Other	<u>31,291</u>	<u>7,703</u>	<u>-0-</u>	<u>38,994</u>	<u>34,274</u>
Total expenses	<u>\$ 7,917,581</u>	<u>\$ 698,190</u>	<u>\$ 281,200</u>	<u>\$ 8,896,971</u>	<u>\$ 8,504,389</u>

*Includes AmeriCorps National/VISTA member living allowances and related benefits of \$726,891 in 2016 and \$599,140 in 2015 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, 2015

	Program Services	Management and General	Fundraising	2015 Totals
Personnel and related benefits*	\$ 2,651,032	\$ 348,460	\$ 99,830	\$ 3,099,322
General operating expenses	437,619	98,510	19,965	556,094
Conventions and meetings	1,600,726	66,670	1,482	1,668,878
Occupancy	222,616	34,097	10,491	267,204
Professional services and fees	676,672	88,270	62,296	827,238
Printing and publications	871,430	3,845	22,618	897,893
Postage and freight	761,763	1,937	21,217	784,917
Grants and scholarships	368,569	-	-	368,569
Other	<u>27,894</u>	<u>6,380</u>	<u>-0-</u>	<u>34,274</u>
Total expenses	<u>\$ 7,618,321</u>	<u>\$ 648,169</u>	<u>\$ 237,899</u>	<u>\$ 8,504,389</u>

*Includes AmeriCorps National/VISTA member living allowances and related benefits of \$599,140 in 2015 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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 2,846,943	\$ (410,222)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	78,014	201,397
Gain on disposal of assets	(215)	(187)
Net realized (gain) loss on investments	(64,770)	(217,006)
Net realized (gain) loss on investments - PUFL	-	(344,847)
Net unrealized (gain) loss on investments	(2,046,477)	1,576,234
Net unrealized (gain) loss on investments - PUFL	(286,479)	555,793
Net periodic pension expense	8,851	1,478
Changes in operating assets and liabilities:		
Prepaid expenses	(23,092)	86,043
Other assets	55,594	17,664
Accounts payable	289,881	(175,730)
Accrued expenses and scholarships	(117,103)	32,426
Deferred revenue - dues	(194,277)	170,758
Deferred revenue - PUFL	173,284	(346,855)
Deferred revenue - other	13,498	(492)
Liability for pension benefits	(35,000)	(25,000)
Net cash provided by operating activities	<u>698,652</u>	<u>1,121,454</u>
Cash Flows From Investing Activities:		
Fixed assets purchased or donated	(31,385)	(44,410)
Proceeds from sale of assets	215	187
Purchase of investments	(2,305,191)	(1,960,835)
Proceeds from sale of investments	1,478,095	815,632
Purchase of investments - PUFL	(96,600)	(94,213)
Proceeds from sale of investments - PUFL	268,011	19,139
Net cash used in investing activities	<u>(686,855)</u>	<u>(1,264,500)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,797	(143,046)
Cash and Cash Equivalents, Beginning of Year	<u>760,805</u>	<u>903,851</u>
Cash and Cash Equivalents, End of Year	<u>\$ 772,602</u>	<u>\$ 760,805</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, 2016 AND 2015

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
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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. 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.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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, 2016, 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, 2013.

Subsequent Events

Subsequent events have been evaluated through February 4, 2017, 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, 2016 and 2015.

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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, 2016 include the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 772,602	\$ -0-	\$ 772,602
Investments	30,862,533	754,768	31,617,301
Investments - PUFL	<u>3,728,969</u>	<u>-0-</u>	<u>3,728,969</u>
	<u>\$ 35,364,104</u>	<u>\$ 754,768</u>	<u>\$ 36,118,872</u>

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>

The following schedule summarizes the changes in assets measured using Level 3 inputs during the year ending September 30, 2016:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	<u>Hedge Fund</u>	<u>Partnerships</u>	<u>Total</u>
Beginning Balance, 9/30/15	\$ 1,388,481	\$ 541,406	\$ 1,929,887
Withdrawals	(1,098,750)	(25,364)	(1,124,114)
Realized gains (losses)	70,561	(5,791)	64,770
Unrealized gains (losses)	<u>(121,725)</u>	<u>5,950</u>	<u>(115,775)</u>
Ending Balance, 9/30/16	<u>\$ 238,567</u>	<u>\$ 516,201</u>	<u>\$ 754,768</u>

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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)		
	Hedge Fund	Partnerships	Total
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	(14,851)	(53,843)	(68,694)
Ending Balance, 9/30/15	\$ 1,388,481	\$ 541,406	\$ 1,929,887

3. INVESTMENTS AND INVESTMENT RETURN

A summary of the Organization's investments and investment returns as of September 30, 2016 and 2015 and for the years then ended is as follows:

	2016		2015	
	Cost	Market	Cost	Market
Investments:				
Money market funds	\$ 1,757,163	\$ 1,757,163	\$ 643,532	\$ 643,532
Certificates of deposit	1,012,061	1,012,061	1,005,866	1,005,866
Exchange traded funds	6,284,688	9,355,018	6,067,878	8,060,446
Mutual funds and other	17,175,971	19,493,059	17,620,741	18,969,114
Total investments	\$ 26,229,883	\$ 31,617,301	\$ 25,338,017	\$ 28,678,958

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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, 2016 and 2015:

	2016						
	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted Funds	Auxiliary Total	Foundation Total	Total
Dividends and interest (net of expenses of \$33,077)	\$ 622,767	\$ 44,336	\$ 667,103	\$ 22,311	\$ 689,414	\$ 18,420	\$ 707,834
Net realized gains (losses) on investments	64,770	-	64,770	-	64,770	-	64,770
Net unrealized gains (losses) on investments	<u>1,825,496</u>	<u>116,739</u>	<u>1,942,235</u>	<u>58,644</u>	<u>2,000,879</u>	<u>45,598</u>	<u>2,046,477</u>
Total investment income	<u>\$ 2,513,033</u>	<u>\$ 161,075</u>	<u>\$ 2,674,108</u>	<u>\$ 80,955</u>	<u>\$ 2,755,063</u>	<u>\$ 64,018</u>	<u>\$ 2,819,081</u>

	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>

4. FURNITURE AND EQUIPMENT

The Organization's furniture and equipment for the years ended September 30, 2016 and 2015 are as follows:

	2016	2015
Furniture, office equipment and information technology	\$ 1,498,268	\$ 1,466,883
Leasehold improvements	<u>38,039</u>	<u>38,039</u>
	1,536,307	1,504,922
Accumulated depreciation and amortization	<u>(1,422,681)</u>	<u>(1,344,667)</u>
	<u>\$ 113,626</u>	<u>\$ 160,255</u>

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5. UNRESTRICTED NET ASSETS

Unrestricted net assets are internally designated for the following purposes at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Auxiliary Unrestricted Net Assets:		
General operations	\$ 25,194,753	\$ 22,934,658
NEC designated reserves	480,000	370,000
Auxiliary Emergency Fund	432,368	359,493
Spirit of Youth Fund	204,230	162,514
National President's Endowment Fund (NEC designated)	456,875	455,391
Other	117,121	106,887
	<u>26,885,347</u>	<u>24,388,943</u>
Foundation Unrestricted Net Assets:		
General operations	11,942	11,944
Undistributed endowment earnings deficit	-0-	(3,573)
	<u>11,942</u>	<u>8,371</u>
Total consolidated unrestricted net assets	<u>\$ 26,897,289</u>	<u>\$ 24,397,314</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Auxiliary Temporarily Restricted Net Assets:		
Undistributed endowment earnings	\$ 134,498	\$ 53,544
Spirit of Youth Fund	306,738	324,833
Emergency Fund grants	150,848	40,838
Other	63,859	41,871
	<u>655,943</u>	<u>461,086</u>
Foundation Temporarily Restricted Net Assets:		
Undistributed endowment earnings	42,016	-0-
Veteran Projects Fund	81,548	91,496
National and Local Veteran Creative Arts Festival(s)	39,613	46,133
	<u>163,177</u>	<u>137,629</u>
Total consolidated temporarily restricted net assets	<u>\$ 819,120</u>	<u>\$ 598,715</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>2016</u>	<u>2015</u>
Purpose restrictions accomplished:		
Auxiliary:		
Veteran services capacity building (CNCS)	\$ 839,293	\$ 689,318
Emergency Fund grants and related expenses	161,190	145,239
Spirit of Youth Fund scholarships and related expenses, net of forfeitures	39,368	41,790
National President's Endowment Fund scholarships and related expenses, net of forfeitures	-0-	45,000
ALA Girls Nation expenses	10,190	8,752
Other	4,251	-0-
Foundation:		
Endowment distributions in support of Auxiliary operations	18,429	10,188
Veteran Projects Fund Grants	39,777	18,921
National and Local Veteran Creative Arts Festival(s)	57,335	48,382
Auxiliary mission sub-grants to ALA Departments, Districts, and Units	<u>27,000</u>	<u>3,750</u>
	<u>\$ 1,196,833</u>	<u>\$ 1,011,340</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>2016</u>	<u>2015</u>
Assets:		
Cash	\$ 142,358	\$ 96,223
Investments - PUFL	3,728,969	3,613,901
Other	<u>29,213</u>	<u>20,186</u>
Total assets	<u>\$ 3,900,540</u>	<u>\$ 3,730,310</u>
Liabilities:		
Due to General Operating Fund	\$ 302,305	\$ 305,359
Deferred revenue - PUFL	<u>3,598,235</u>	<u>3,424,951</u>
	<u>\$ 3,900,540</u>	<u>\$ 3,730,310</u>

The cost and market value of investments in the PUFL Membership trust as of September 30, 2016 and 2015 are as follows:

	2016		2015	
	Cost	Market	Cost	Market
Investments:				
Money market funds	\$ 162,071	\$ 162,071	\$ 333,482	\$ 333,482
Exchange traded funds	1,350,351	1,796,408	1,350,351	1,588,359
Mutual funds and other	<u>1,774,257</u>	<u>1,770,490</u>	<u>1,774,257</u>	<u>1,692,060</u>
Total investments	<u>\$ 3,286,679</u>	<u>\$ 3,728,969</u>	<u>\$ 3,458,090</u>	<u>\$ 3,613,901</u>

The following schedule summarizes the PUFL Membership trust investment income for the years ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Dividends and interest (net of expenses)	\$ 78,589	\$ 75,074
Net realized gains on investments	-	344,847
Net unrealized gains (losses) on investments	<u>286,479</u>	<u>(555,793)</u>
Total investment income (loss)	<u>\$ 365,068</u>	<u>\$ (135,872)</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>2016</u>	<u>2015</u>
Projected benefit obligation	\$ (3,708,812)	\$ (3,298,919)
Fair value of plan assets	<u>2,406,768</u>	<u>2,292,175</u>
Funded status	<u>\$ (1,302,044)</u>	<u>\$ (1,006,744)</u>
Accumulated benefit obligation	<u>\$ (3,708,812)</u>	<u>\$ (3,298,919)</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>2016</u>	<u>2015</u>
Liability for pension benefits	\$ 1,302,044	\$ 1,006,744
Unrecognized losses (Note 16)	(1,401,458)	(1,074,715)
Unamortized prior service cost (Note 16)	(37,877)	(43,171)
Net periodic pension cost	8,851	1,478
Employer contributions	35,000	25,000

Weighted-average assumptions used to determine benefit obligations are as follows:

	<u>2016</u>	<u>2015</u>
Weighted-average assumptions:		
Discount rate	3.23%	4.02%
Rate of compensation increase	N/A	N/A

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Weighted-average assumptions used to determine benefit costs are as follows:

	<u>2016</u>	<u>2015</u>
Weighted-average assumptions:		
Discount rate	3.23%	3.99%
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:

2017	\$ 182,156
2018	206,086
2019	206,753
2020	203,213
2021	199,452
2022-2026	<u>1,022,475</u>
	<u>\$ 2,020,135</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, 2016 and 2015 were as follows:

	<u>Target</u>	<u>2016</u>	<u>2015</u>
Equity securities	40 - 60%	47%	41%
Debt securities	40 - 60%	50%	51%
Other	0 - 20%	3%	8%

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 \$63,943 and \$44,533 in 2016 and 2015, respectively.

11. OPERATING LEASES

The Auxiliary leases its National Headquarters' office under an agreement that calls for monthly lease payments ranging from \$19,461 to \$20,042 through January 2019 plus the Auxiliary's proportionate share of operating costs. Total lease expense for the National Headquarters' Office was \$222,595 and \$233,604 in 2016 and 2015, respectively.

The Auxiliary also leases certain office equipment under terms in excess of one year. The lease requires minimum monthly lease payments of \$1,614 expiring in July 2019. Lease expense for this lease and other short-term cancelable leases was \$21,180 and \$24,204 for the years ended September 30, 2016 and 2015, respectively.

Future minimum lease payments under the terms of all noncancelable operating leases at September 30, 2016 are as follows:

Year Ending <u>September 30,</u>		
2017	\$	255,226
2018		258,711
2019		<u>94,967</u>
	\$	<u>608,904</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, 2016 and 2015 are summarized below:

	<u>2016</u>	<u>2015</u>
Disbursements to Legion:		
Conferences and convention	\$ 63,955	\$ 73,067
Legal services	7,500	13,027
National emblem sales	17,567	26,206
Contributions to the Legion and its affiliates	2,500	2,500
Other	<u>10,384</u>	<u>10,388</u>
	<u>\$ 101,906</u>	<u>\$ 125,188</u>
Receipts:		
National emblem sales	\$ 59,158	\$ 56,720
Conferences and convention	<u>-0-</u>	<u>101</u>
	<u>\$ 59,158</u>	<u>\$ 56,821</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. 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, 2016 include the following:

	NEC	Donor	
	<u>Designated</u>	<u>Designated</u>	<u>Total</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, beginning of year	<u>455,392</u>	<u>722,829</u>	<u>1,178,221</u>
Additions to endowment	-0-	10,178	10,178
Scholarships paid, net of forfeitures	(45,000)	-0-	(45,000)
Interest and dividends, net of fees	12,070	22,311	34,381
Unrealized gains	<u>34,413</u>	<u>58,644</u>	<u>93,057</u>
Change in endowment net assets	<u>1,483</u>	<u>91,133</u>	<u>92,616</u>
Endowment net assets, end of year	<u>\$ 456,875</u>	<u>\$ 813,962</u>	<u>\$ 1,270,837</u>
Historic gift value	\$ 343,290	\$ 679,463	\$ 1,022,753
Accumulated earnings	<u>113,585</u>	<u>134,498</u>	<u>248,083</u>
Endowment net assets, end of year	<u>\$ 456,875</u>	<u>\$ 813,961</u>	<u>\$ 1,270,836</u>

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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>

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.

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Endowment Draws

Endowment draws, net of forfeitures, of \$45,000 per year were made during the years ended September 30, 2016 and 2015, 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%

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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, 2016 and 2015 include the following:

	<u>2016</u>	<u>2015</u>
Historic gift value	\$ 664,053	\$ 565,758
Accumulated earnings (losses)	<u>(3,573)</u>	<u>18,125</u>
Endowment net assets, beginning of year	<u>660,480</u>	<u>583,883</u>
Additions to endowment	116,385	98,295
Endowment distributions	(18,429)	(10,188)
Interest and dividends, net of fees	18,420	10,188
Realized losses	-0-	(6,035)
Unrealized gains (losses)	<u>45,598</u>	<u>(15,663)</u>
Change in endowment net assets	<u>161,974</u>	<u>76,597</u>
Endowment net assets, end of year	<u>\$ 822,454</u>	<u>\$ 660,480</u>
Historic gift value	\$ 780,438	\$ 664,053
Accumulated earnings (losses)	<u>42,016</u>	<u>(3,573)</u>
Endowment net assets, end of year	<u>\$ 822,454</u>	<u>\$ 660,480</u>

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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, 2016 and 2015 were \$18,429 and \$10,188, 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, 2016 AND 2015

16. COMPREHENSIVE INCOME

Comprehensive income (loss) for the years ended September 30, 2016 and 2015 includes the following:

	<u>2016</u>	<u>2015</u>
Change in net assets	\$ <u>2,846,943</u>	\$ <u>(410,222)</u>
Other comprehensive income:		
Unrecognized losses, beginning of year	1,074,715	636,792
Unrecognized losses, end of year	<u>1,401,458</u>	<u>1,074,715</u>
Change in unrecognized losses	<u>(326,743)</u>	<u>(437,923)</u>
Unamortized prior service cost, beginning of year	43,171	48,465
Unamortized prior service cost, end of year	<u>37,877</u>	<u>43,171</u>
Change in unamortized prior service cost	<u>5,294</u>	<u>5,294</u>
	<u>(321,449)</u>	<u>(432,629)</u>
Comprehensive income	\$ <u>2,525,494</u>	\$ <u>(842,851)</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) Enhance Membership Strength; 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 \$840,000 in 2017 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, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Increases:		
Membership dues	\$ 171,024	\$ 140,739
Investment income	365,068	(135,872)
	<u>536,092</u>	<u>4,867</u>
Decreases:		
Distributions to departments	305,326	307,184
Administrative expense	57,482	44,538
	<u>362,808</u>	<u>351,722</u>
Net Increase (Decrease)	173,284	(346,855)
Deferred Revenue, Beginning of Year	<u>3,424,951</u>	<u>3,771,806</u>
Deferred Revenue, End of Year	<u>\$ 3,598,235</u>	<u>\$ 3,424,951</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, 2016

	<u>ASSETS</u>			
	<u>Auxiliary</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 565,205	\$ 207,397	\$ -0-	\$ 772,602
Investments	30,800,180	817,121	-0-	31,617,301
Investments - PUFL	3,728,969	-0-	-0-	3,728,969
Prepaid expenses	104,690	-0-	-0-	104,690
Furniture and equipment, net	113,626	-0-	-0-	113,626
Other assets	<u>237,242</u>	<u>7,447</u>	<u>(72,991)</u>	<u>171,698</u>
Total assets	<u>\$ 35,549,912</u>	<u>\$ 1,031,965</u>	<u>\$ (72,991)</u>	<u>\$ 36,508,886</u>

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable	\$ 1,013,818	\$ 76,408	\$ (72,991)	\$ 1,017,235
Accrued expenses	295,653	-0-	-0-	295,653
Accrued scholarships	32,500	-0-	-0-	32,500
Deferred revenue - dues	2,466,689	-0-	-0-	2,466,689
Deferred revenue - PUFL	3,598,235	-0-	-0-	3,598,235
Deferred revenue - other	70,255	-0-	(10,700)	59,555
Liability for pension benefits	<u>1,302,044</u>	<u>-0-</u>	<u>-0-</u>	<u>1,302,044</u>
Total liabilities	<u>8,779,194</u>	<u>76,408</u>	<u>(83,691)</u>	<u>8,771,911</u>
Net Assets:				
Unrestricted net assets	26,885,347	11,942	-0-	26,897,289
Temporarily restricted net assets	645,243	163,177	10,700	819,120
Permanently restricted net assets	<u>679,463</u>	<u>780,438</u>	<u>-0-</u>	<u>1,459,901</u>
Total net assets before accumulated other comprehensive loss				
	28,210,053	955,557	10,700	29,176,310
Accumulated other comprehensive loss	<u>(1,439,335)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,439,335)</u>
Total net assets	<u>26,770,718</u>	<u>955,557</u>	<u>10,700</u>	<u>27,736,975</u>
Total liabilities and net assets	<u>\$ 35,549,912</u>	<u>\$ 1,031,965</u>	<u>\$ (72,991)</u>	<u>\$ 36,508,886</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, 2016**

	Auxiliary		Foundation			Eliminations	Total
	Unrestricted Funds	Temporarily Restricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Foundation Total		
Revenue, Gains & Other Support:							
Contributions	\$ 893,008	\$ 318,201	\$ 1,191,397	\$ 107,644	\$ 376,361	\$ (231,637)	\$ 1,335,111
Federal grants and cost sharing	-	839,293	839,293	-	-	-	839,293
Membership dues	5,619,470	-	5,619,470	-	-	-	5,619,470
Donations	890,155	-	890,155	-	-	-	890,155
Other	7,613,437	1,157,494	8,770,931	107,644	116,365	(231,637)	8,924,833
Net assets released from restrictions	1,054,292	(1,054,292)	-	(142,541)	-	-	-
	8,657,729	103,202	8,760,931	(34,897)	116,365	(231,637)	8,924,833
Expenses:							
Mentor services	4,884,829	-	4,884,829	-	-	20,272	4,897,101
Member support services	2,124,724	-	2,124,724	-	-	2,124,724	4,249,448
Veteran and military family programs	7,832,268	-	7,832,268	-	-	(54,850)	7,777,418
Total program services	806,556	-	806,556	-	-	175,296	981,852
Management and general	206,359	-	206,359	-	-	43,966	250,325
Fundraising	8,842,453	-	8,842,453	-	-	(293,873)	8,548,580
Total expenses	(177,704)	103,202	(74,502)	(2)	(34,897)	116,365	27,862
Change in net assets from operations	2,674,108	80,955	2,755,063	-	64,018	-	2,810,081
Investment Income, Net of Expenses	2,496,404	194,157	2,690,561	(2)	145,504	10,700	2,846,943
Change in net assets	24,386,943	461,086	24,848,029	8,271	810,053	-	25,329,367
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	-	-	-	-	-	-	-
Interfund Transfers	-	-	-	3,673	-	-	3,673
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	\$ 20,885,947	\$ 645,243	\$ 21,531,190	\$ 103,177	\$ 769,438	\$ 10,700	\$ 22,174,310

independent Auditor's Report on pages 1-2.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2016

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
Corporation for National and Community Service		
AmeriCorps National	94.006	\$ 102,900
VISTA State	94.013	<u>\$ 736,393</u>
Total Expenditures of Federal Awards		<u>\$ 839,293</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, 2016

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 the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses, 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 4, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 4, 2017



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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 THE UNIFORM GUIDANCE**

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 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, 2016. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Attesting CIA Group

Indianapolis, Indiana
February 4, 2017

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2016

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 2 CFR 200.516(a)? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
94.013	VISTA State

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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, 2016

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 2 CFR 200.516(a)?

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
None		

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
SEPTEMBER 30, 2016

There were no findings or questioned costs reported during the 2015 audit.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015



**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

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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, 2016 and 2015, 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, 2016 and 2015, 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 CPA Group

February 4, 2017

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS)**

STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
Assets:		
Cash	\$ 207,397	\$ 234,438
Investments	817,121	642,507
Other assets	<u>7,447</u>	<u>500</u>
Total assets	<u>\$ 1,031,965</u>	<u>\$ 877,445</u>

	<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:		
Accounts payable	\$ 3,417	\$ 10,672
Due to related party, net	<u>72,991</u>	<u>56,720</u>
Total liabilities	<u>76,408</u>	<u>67,392</u>
Net Assets:		
Unrestricted net assets	11,942	8,371
Temporarily restricted net assets	163,177	137,629
Permanently restricted net assets	<u>780,438</u>	<u>664,053</u>
Total net assets	<u>955,557</u>	<u>810,053</u>
Total liabilities and net assets	<u>\$ 1,031,965</u>	<u>\$ 877,445</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, 2016

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
Revenue, Gains & Other Support:				
Contributions	\$ -0-	\$ 107,644	\$ 116,385	\$ 224,029
In-kind contributions	<u>151,332</u>	<u>-0-</u>	<u>-0-</u>	<u>151,332</u>
	151,332	107,644	116,385	375,361
Temporarily Restricted Net Assets Released From Restrictions	<u>142,541</u>	<u>(142,541)</u>	<u>-0-</u>	<u>-0-</u>
Total revenue, gains and other support	<u>293,873</u>	<u>(34,897)</u>	<u>116,385</u>	<u>375,361</u>
Expenses:				
Program services:				
Personnel and related benefits	20,344	-0-	-0-	20,344
General operating expenses	506	-0-	-0-	506
Grants	142,493	-0-	-0-	142,493
Professional services and fees	<u>11,955</u>	<u>-0-</u>	<u>-0-</u>	<u>11,955</u>
Total program services	<u>175,298</u>	<u>-0-</u>	<u>-0-</u>	<u>175,298</u>
Management and general:				
Personnel and related benefits	18,820	-0-	-0-	18,820
General operating expenses	2,929	-0-	-0-	2,929
Conventions and meetings	8,865	-0-	-0-	8,865
Professional services and fees	<u>13,352</u>	<u>-0-</u>	<u>-0-</u>	<u>13,352</u>
Total management and general	<u>43,966</u>	<u>-0-</u>	<u>-0-</u>	<u>43,966</u>
Fundraising:				
Personnel and related benefits	28,899	-0-	-0-	28,899
General operating expenses	3,087	-0-	-0-	3,087
Conventions and meetings	5,827	-0-	-0-	5,827
Professional services and fees	<u>36,798</u>	<u>-0-</u>	<u>-0-</u>	<u>36,798</u>
Total fundraising	<u>74,611</u>	<u>-0-</u>	<u>-0-</u>	<u>74,611</u>
Total expenses	<u>293,875</u>	<u>-0-</u>	<u>-0-</u>	<u>293,875</u>
Change in net assets from operations	(2)	(34,897)	116,385	81,486
Investment Income, Net of Expenses	<u>-0-</u>	<u>64,018</u>	<u>-0-</u>	<u>64,018</u>
Change in net assets	(2)	29,121	116,385	145,504
Net Assets, Beginning of Year	8,371	137,629	664,053	810,053
Interfund Transfers	<u>3,573</u>	<u>(3,573)</u>	<u>-0-</u>	<u>-0-</u>
Net Assets, End of Year	<u>\$ 11,942</u>	<u>\$ 163,177</u>	<u>\$ 780,438</u>	<u>\$ 955,557</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	\$ -0-	\$ 121,249	\$ 98,295	\$ 219,544
In-kind contributions	122,384	-0-	-0-	122,384
	122,384	121,249	98,295	341,928
Temporarily Restricted Net Assets Released From Restrictions				
	81,241	(81,241)	-0-	-0-
Total revenue, gains and other support	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 Loss, 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)**

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 145,504	\$ 126,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized loss on investments	-	6,035
Net unrealized (gain) loss on investments	(45,598)	15,663
Changes in operating assets and liabilities:		
Other assets	(6,947)	(500)
Accounts payable	(7,255)	6,670
Due to related party	<u>16,271</u>	<u>(17,731)</u>
Net cash provided by operating activities	<u>101,975</u>	<u>136,930</u>
Cash Flows From Investing Activities:		
Proceeds from sale of investments	-	8,752
Purchase of investments	<u>(129,016)</u>	<u>(110,691)</u>
Net cash used in investing activities	<u>(129,016)</u>	<u>(101,939)</u>
Net Increase in Cash	(27,041)	34,991
Cash, Beginning of Year	<u>234,438</u>	<u>199,447</u>
Cash, End of Year	<u>\$ 207,397</u>	<u>\$ 234,438</u>

See accompanying Notes to Financial Statements.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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.
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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 are allocated among Program, Management and General, and Fundraising based on management's estimates of time spent by employees, space utilization, or other rational bases and have been included in the accompanying statements of activities and changes in net assets for the years ended September 30, 2016 and 2015.

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, 2016, 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, 2013.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

Subsequent Events

Subsequent events have been evaluated through February 4, 2017, 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, 2016 and 2015 is as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments:				
Money market funds	\$ 28,847	\$ 28,847	\$ 16,375	\$ 16,375
Exchange traded funds	275,347	328,876	246,225	265,388
Mutual funds and other	<u>462,984</u>	<u>459,398</u>	<u>375,562</u>	<u>360,744</u>
Total investments	<u>\$ 767,178</u>	<u>\$ 817,121</u>	<u>\$ 638,162</u>	<u>\$ 642,507</u>

The fair market values of the Foundation's investments are measured by Level 1 inputs 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, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 19,016	\$ 10,691
Investment fees	(596)	(503)
Net realized losses	-0-	(6,035)
Net unrealized gains (losses)	<u>45,598</u>	<u>(15,663)</u>
Total investment income (loss)	<u>\$ 64,018</u>	<u>\$ (11,510)</u>

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Undistributed endowment earnings	\$ 42,016	\$ -0-
Veteran Projects Fund	81,548	91,496
National and Local Veteran Creative Arts Festival(s)	<u>39,613</u>	<u>46,133</u>
	<u>\$ 163,177</u>	<u>\$ 137,629</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>2016</u>	<u>2015</u>
Endowment distributions in support of Auxiliary operations	\$ 18,429	\$ 10,188
Veteran Projects Fund Grants	39,777	18,921
National and Local Veteran Creative Arts Festival(s)	57,335	48,382
Auxiliary mission sub-grants to ALA Departments, Districts, and Units	<u>27,000</u>	<u>3,750</u>
	<u>\$ 142,541</u>	<u>\$ 81,241</u>

5. RELATED PARTY TRANSACTIONS

During the years ended September 30, 2016 and 2015, the Foundation received contributions of \$151,332 and \$122,384 from the Auxiliary to fund certain organizational and other costs incurred by the Foundation. In addition, the Foundation granted \$91,005 and \$57,720 to the Auxiliary in 2016 and 2015, respectively, for program support, and the Foundation granted \$51,488 and \$23,521 in 2016 and 2015, respectively, to affiliated Auxiliary departments and units.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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 the historic gift value is classified as permanently restricted in the statements of financial position.

Endowment net assets at September 30, 2016 and 2015 include the following:

	<u>2016</u>	<u>2015</u>
Historic gift value	\$ 664,053	\$ 565,758
Accumulated earnings (losses)	<u>(3,573)</u>	<u>18,125</u>
Endowment net assets, beginning of year	<u>660,480</u>	<u>583,883</u>
Additions to endowment	116,385	98,295
Endowment distributions	(18,429)	(10,188)
Interest and dividends, net of fees	18,420	10,188
Realized losses	-0-	(6,035)
Unrealized gains (losses)	<u>45,598</u>	<u>(15,663)</u>
Change in endowment net assets	<u>161,974</u>	<u>76,597</u>
Endowment net assets, end of year	<u>\$ 822,454</u>	<u>\$ 660,480</u>
Historic gift value	\$ 780,438	\$ 664,053
Accumulated earnings (losses)	<u>42,016</u>	<u>(3,573)</u>
Endowment net assets, end of year	<u>\$ 822,454</u>	<u>\$ 660,480</u>

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

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, 2016 and 2015 were \$18,429 and \$10,188, 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 25-26, 2017
Washington Hilton Hotel
Washington, D.C.**

2016-2017 NEC MEETING

**AMERICAN LEGION AUXILIARY NATIONAL EXECUTIVE
COMMITTEE 2016-2017
February 25-26, 2017**

Summary of Motions/Resolutions Adopted

- M/S/C to approve the items on the Consent Agenda as circulated in advance.
- to grant the American Legion Auxiliary Unit Charter Cancellations for the period August 2016 – January 2017 (as listed in the published 2/25/17 NEC Agenda/Meeting Packet)
 - to adopt the National Appointment Changes
 - to adopt the updated ALA Member Benefits Policy (as recommended by the National Finance Committee and included in the 2/25/17 NEC Agenda/Meeting Packet)
 - to adopt the updated ALA Membership List Protection Policy (as recommended by the National Finance Committee and included in the 2/25/17 NEC Agenda/Meeting Packet)
 - to adopt the updated ALA Merchandising and Licensing Policy (as recommended by the National Audit Committee and included in the 2/25/17 NEC Agenda/Meeting Packet)
 - to adopt the updated ALA National Investment Policy (as recommended by the National Audit Committee and included in the 2/25/17 NEC Agenda/Meeting Packet)
 - to adopt the updated Conflict of Interest Policy (as recommended by the National Audit Committee and included in the 2/25/17 NEC Agenda/Meeting Packet)
 - to adopt the updated ALA Fraud and Whistleblower Policy (as recommended by the National Audit Committee and included in the 2/25/17 NEC Agenda/Meeting Packet)
 - to adopt the updated ALA NHQ Audit Tax Filing Policy (as recommended by the National Audit Committee and included in the 2/25/17 NEC Agenda/Meeting Packet)

- to adopt the updated ALA NHQ Adherence to USA Generally Accepted Accounting Principles)

M/S/C to adopt the external auditor's fiscal year 2016 audit reports of both the American Legion Auxiliary and the ALA Foundation, as orally presented by Mike Alerding, CPA

M/S/C to ratify ALAF Strategic Plan Goals and Mission Statement

M/S/D to sponsor the Holocaust Film Project

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