

Finance
Program Action Plan
2018-2019

To oversee the general financial policy of the organization and to prepare and monitor the annual budget and its expenditures.

WHAT DO WE NEED A FINANCE COMMITTEE FOR?

It is necessary to have a finance committee to see that all financial commitments are met and the money is spent wisely.

The purpose of the Finance Committee is to oversee the general financial policy of the organization and to prepare and monitor the annual budget and its expenditures.

The matter of finance is one of great importance to the Unit. To that end, it is recommended that the Finance Committee ensure that proper internal controls are designed, implemented and maintained.

A successful month-to-month program depends, to a large degree, on the ability to pay the expenses incidental to it. Therefore, it is essential that a well-planned budget be one of the first objectives of the administrative year. An adequate budget ensures there will be funds earmarked for all purposes necessary to participate in the various Auxiliary programs throughout the year. A close review should be made each month to make sure that operating expenses are kept within the budget. The Treasurer should give a complete report of all spending and income at each meeting. Please note that the revenue from distribution of poppies should be carried as a separate item in the books, as such revenue is to be used solely for programs benefiting Veterans and their families. Please check your Poppy information to be sure you have the most up to date information on the way Poppy money can be spent. It has changed.

Units should have an annual audit as described in the "Duties of Unit Treasurer" section and must file an annual tax return.

All units should have reserved funds. It is recommended the unit has 2.5 times their annual budget. If your budget is \$10,000 then you should have \$25,000 in savings or C. D.s or bonds.

By provision of the National Constitution and Bylaws, Unit officers having custody of organization funds shall be bonded. The National Organization maintains a blanket position bond whereby all Unit officers are bonded.

The purpose and duties of the Finance Committee is to oversee the spending of the money of the Unit. The committee must meet to go over all the upcoming expense of the Unit for the coming Auxiliary year. These expenses should include: Mandatory fees to both District and Department. V.A. Gift Shop gifts, if you do a family for Christmas, any money you plan to spend for any chairmanship, money allowed to your delegates for Department Fall Conference and Convention and anything else your Unit does during the year.

Your income should come from your dues, any raffles you may have, bazaars, bake sales, or anything else you do for money-making projects.

It is important to remember that a budget is only a guideline for your spending. It can be changed at any time. You may not get enough income to cover all you wanted to do. Or you may get more income and therefore want to give more to a project or add a project that you didn't have the money for before.

Do not overstep your authority. You may recommend that the Unit does something or does not do something because you do not feel it would be a wise financial move, but the decision is still up to the members.

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American Legion Auxiliary Department of Indiana Leadership Fund

The delegates at our 2018 Department Convention in July, voted to support two of our members for National offices. Denise Delaney-Wrolen will be Central Division Vice President and Vicki Koutz will be National President.

As candidates from Indiana it is our job to help support both of our members in their quest. In the past we had a fund called "National Candidate Fund", which was where Past National President Alice Galka's money was kept and your checks were made out to it. Now because of IRS rules we must write our checks to "American Legion Auxiliary Department of Indiana Officer Leadership Fund." I am sure you can abbreviate so it all fits on the check. The fund will also carry the same name.

All Units and Districts are encouraged to have fundraisers to build the "American Legion Auxiliary Department of Indiana Leadership Fund" up. It is expensive to run for a national office, even if you do not have competition. You should send your check to department headquarters made out to this fund. I know we are all proud of Denise and Vicki and want to do all we can to support them financially.

The following is what National has in their Operation Manual for a National Candidate. They have settled on the name of the fund to "American Legion Auxiliary Department of Leadership Fund"

Section 3 Candidate/Upcoming Leadership Fund The appropriateness of using ALA department/intermediate body/unit funds to support ALA candidacies is complex, depending on how the fund is established and structured. Using department, intermediate body, or unit funds for ALA candidate-specific campaign funds has come under the scrutiny of both ALA members and the IRS; therefore, how the fund is structured and the disclosure of appropriations to such funds is important. It is now strongly advised that a fund established for the benefit of a future candidate(s) be called a "leadership fund" or "leadership development fund"; not a candidate campaign fund, which has been interpreted by the IRS to connote a partisan campaign fund. Since the ALA is a non-partisan organization, future candidates should refrain from labeling a fund to support her leadership readiness preparation as a campaign fund. There is a difference between: a. a candidate-specific account, i.e. a non-ALA entity bank account in which the candidate is named on the account (e.g. "Friends of Sue Smith", "Campaign to Elect Sue Smith", or "Sue Smith for President"

campaign fund; and b. a general geography-centered candidate support fund, which was not created for a specific person(s). Regarding candidate-specific funds: If Jane Smith is a declared candidate running for a specific office, it is not advised that her campaign fund be managed by the ALA entity (department/intermediate body/unit). While there may not be anything contrary to law to do so, the IRS is questioning nonprofits about using membership dues and general funds to support a specific candidate, even if the candidate is an endorsed member of the nonprofit organization. The IRS does not distinguish between campaign activities that are external (partisan political party candidates seeking public office) and internal (ALA members seeking leadership position within their departments/intermediate bodies/units). While the Legion and ALA disagree with the IRS' position that ALA candidate campaigns constitute "political campaigns", the IRS, nonetheless, has taken the position the two (2) types are not dissimilar, and, in a recent IRS field audit of a unit, cited the unit's donation to a national Legion candidate campaign as improper. Regarding non-candidate specific funds: If your department has or is planning to have a "Department YY national officer campaign fund" (by any such name), the authority to manage the fund or establish policy regarding the fund would be under the purview of the department governing board (Department Executive Committee), not the Finance Committee. Some states have such funds, and their existence is included in the budget as an identified category or "line item". Since the information about the funds is disclosed, reviewed, and the fund listed in the budget adopted by the DEC, using members' dues to fund such a fund cannot be considered a "coerced contribution" because the budget item is disclosed upfront, and the adopted budget is in turn available to any member to review upon request. American Legion Auxiliary Department Operations Guide Chapter 10: Fundraising & Development. The purpose of a department fund to support its national candidate(s) would be to support future candidates emanating from the department (and similarly for any such fund at the intermediate body or unit level). Distributions could then be made from a department's generic national candidate fund to a national candidate-specific fund. Because of the IRS considerations described above, the candidate-specific fund needs to be managed by a person/committee independent from the department. In discussing with Counsel General, the intended use of funds in an ALA national candidate campaign account, Counsel General advised that a department establish a "national leadership development fund". The department and the leader(s) endorsed to become a national officer can solicit donations to this fund for national candidate training and leadership development. A unit/intermediate body/department could then appropriately donate entity funds to a national leadership development fund, such as "The Smith Leadership Development Fund" or the Department of XYZ National Officer Leadership Development Fund", because the account would be established as a separate fund solely for the purpose of national leadership training and development. The department DEC could then make disbursements from the department national officer leadership development fund (e.g. "The Smith Leadership Development Fund" or the Department of XYZ National Officer Leadership Development Fund"), to the national officer candidate's separate fund (e.g. "Team 2019 Campaign" or Smith for National President Campaign") and to which individuals

and outside groups could also contribute. It is advisable that a department name its campaign fund for future national officers “Future National Officer Leadership Development” or “Future National Leadership Development”. Expenditures from the fund would appropriately be restricted to endorsed department leaders aspiring to a national office. Then, when a department leader becomes a department endorsed candidate seeking a national office, the department can make an expenditure from the department national leadership fund to the national candidate committee’s leadership fund. Doing so in this manner appropriately separates ownership and control from the department and the national candidate’s leadership development activities.



RESPONSIBILITIES OF THE ALA FINANCE COMMITTEE

ASSET DEVELOPMENT and FUNDRAISING

Assets are items that can be converted to cash: furniture, investments, receivables or special project funds. The Finance Committee is responsible for the oversight of assets.

The committee is also responsible for ensuring the operation and programs of the organization are adequately funded through diversification of funding sources. Diversification means not relying on one primary funding source (like membership dues). A variety of income streams is necessary so that the organization is less vulnerable should there be a downturn in membership or in the economy.

Relying on membership dues for the majority of the department's revenue stream is not a best practice. The Department Finance Committee should work with the staff and leadership to develop an annual fundraising campaign plan that encompasses several techniques for generating additional revenue streams. These can be from indirect donations, corporations, donations, special event fundraising, direct mail fundraising, planned giving programs, and in-kind donations. Often foundation and government grants are mentioned as potential revenue opportunities, but since the American Legion Auxiliary is a 501c19 organization not a 501c3 organization it is unlikely your department would be eligible for grant funds. However, unless otherwise prohibited by its bylaws, a corporation can donate to a 501c19 and received the same tax benefits as if they donated to a 501c3.

Some departments might consider setting up a 501c3 organization to be able to access grant funds. This organization could be for children and youth projects which would include Girls State and other department specific programs for youth. If you want to explore this option visit the IRS website (www.irs.gov) to learn what steps are necessary and discuss with your auditing firm.

To learn more about nonprofit fundraising, the committee should actively participate in training programs offered through community colleges, and professional associations like the Association of Fundraising Professionals (www.afpnet.org) that has local chapters in every state.

Membership Program: Departments depend heavily on membership revenues to fund programs of the organization. A good membership benefits package will help to attract new members and retain inactive members. Most departments promote the use of our national member benefit package in their membership campaigns, but departments are encouraged to go beyond that and establish additional membership benefits within the departments. Consider not only those benefits that would appeal to current members, but those that prospective members will value as well. Women of all ages are into fitness today. There are many health clubs that would consider offering a discount to members statewide. Additional benefits that have appeal to large numbers of women include beauty salon/spa, auto sales and service center, restaurant, wireless, child care and discount club membership discounts.

Direct Mail: is a long term investment which often takes three years to mature and provide predictable revenue. Its advantages include: creating a broad base of smaller donors; promoting image and message; cultivating donors and identifying major gift prospects. This requires a good data tracking system.

Direct mail can effectively supplement revenues when service providers offer creative packages at reasonable costs and generate research information on the donor base that becomes the property of the organization. Any and all contracts should be reviewed by a lawyer. Remember to personally sign thank you letters for any gift over \$100. Phone every donor who gives more than \$1,000.

Special Events: are intended to be celebrations which reinforce and communicate the mission as well as fulfill goals of outreach and involvement in the community. These are labor intensive and often raise awareness more than revenue.

An annual statewide special event has the ability to produce revenues and to generate member enthusiasm. Larger departments would be wise to schedule such an event in conjunction with a convention or statewide conference. Auctions, casino nights, gourmet tasting parties, golf hole-in-one tournaments, and variety shows are just a few ideas. Large businesses near the event site may be interested in supporting the event through different levels of sponsorship.

Earned Income: traditionally departments prepare a registration package with program and badge, creating income from registration fees and business advertisements during department conventions. When this income is retained by The American Legion, Auxiliaries might consider the sale of an item or items at the registration site (i.e. souvenir T-shirts, nonperishable food items and calendar lotteries where allowed). Product sales may extend to additional statewide events, as well. Most unrelated business income is subject to tax. Check requirements in your state.

Individual Donors: Potential donor lists can be secured from a record of direct mail donors. Contributions may be solicited by personal contact, personalized letters, telemarketing, and direct mail in that order. The most successful approach is always personal contact. When that option isn't feasible, departments with available volunteers may want to consider handwritten and addressed letters in note card sized envelopes. Sample mailings show that handwritten letters regularly outperform standard pre-printed direct mail.

Major Gifts: are generally contributions made by individuals after being asked by a peer to join them. For major donor prospects an individual approach is best.

Planned Giving: enables individuals to support a nonprofit through their estate planning of a deferred gift or transfer of assets (cash, property, securities, real estate, etc).

Corporate Donations: usually need a project that provides the corporation with community visibility of their support. Internet browsing or visits to large corporations may turn up funding that is yours for the asking. It just takes a little resourcefulness.

Grants (Corporations/Foundation): formal rules to submit applications are bureaucratic in the sense there are policies and procedures to ensure decisions are based on objective criteria. Most grants are given to IRS designated 501(c)(3) nonprofits and not to 501(c)(19) veteran service organization nonprofits, like the American Legion Auxiliary.

Fundraising via the Internet: offers a magnitude of prospective customers or donors, depending on the activity. Departments can set up on-line auctions or simply offer a number of donated products directly

through eBay. Those departments seeking donors for programs can promote said programs on their websites and offer a phone number for inquiries or set up on-line donations. In the event a phone number is used, someone familiar with the program in question must always be available to answer calls.

Regulatory Issues: approximately 45 states have some kind of regulation of fund raising groups, and around 40 require registration and the filing of financial reports. Departments submitting application to their respective states should include a mission statement and financial statement. Charges can run as high as \$250, depending upon the amount raised. Postal regulations require that any personalized appeals be sent first class.

Proper Asset Development & Fundraising

- Ensures the operation and programs of the national organization are adequately funded through diversification of funding sources and that requirements and assistance for departments are clearly defined
- Establishes gift acceptance policies and guidelines for the cost-effectiveness of fundraising efforts
- Ensures adequate staff and resources are allocated to conduct the development and fundraising plans
- Enthusiastically engages organizational leadership in participating in the fundraising and development plans

AUDITS

Audits are a very crucial step in the process of sound financial management and, in the absence of a functioning Audit Committee, it is the responsibility of the finance committee to ensure that audits are performed on a timely basis. Audits should be performed annually (preferred quarterly), by an independent Certified Public Accountant, and

submitted to the finance committee in the absence of a functioning Audit Committee, where they will be reviewed before presentation to the Department Executive Committee. The audit should consist of statements reflecting the financial status of the organization:

- ◇ statement of financial position (or balance sheet)
- ◇ statement of activities and changes in net assets (or income statement)
- ◇ statement of cash flows

The statements should:

- ◇ be straightforward, readily understood, and candid
- ◇ be concise
- ◇ report all activities of the organization
- ◇ be submitted on a timely basis
- ◇ provide notes to the financial statements and, where appropriate, supplementary information

The *statement of financial position* (or balance sheet) summarizes the assets, liabilities, and net assets of the organization. The balance sheet shows how liquid and solvent the organization is on a given date, and is essential Department Executive Committee information.

The *statement of activities* summarizes the income, expenses, and net assets of the organization over a period of time. The report should provide comparative information.

The finance committee, in the absence of an audit committee, may wish to engage the same audit firm for a period of several years, but should consider changing auditors from time to time to ensure growth, accuracy, relationship and service.

The auditor's report should include a management letter, the auditor's general narrative assessment of the organization's internal controls,

accounting system, and related operational issues. The finance committee can formally review the management letter, discuss pros and cons, and make recommendation to the Department Executive Committee.

In addition to audits, the finance committee should verify that bank reconciliations are made each month. Many organizations have found themselves in trouble because bank reconciliations weren't performed for many months.

BUDGETING

The first rule of developing a budget is that it must be linked to an overall strategic plan for the organization. The strategic plan is the goals and objectives for the organization the governing body has adopted. It sets the priorities for use of the organization's resources.

A budget is developed using a variety of data sources. Historical data from the previous fiscal years is a good tool to develop an initial set of numbers. Information on anticipated expenses from vendors, employee costs, rent, etc should be incorporated into the budget. Income projections should be cautiously optimistic. The budget needs to be balanced, which means total income equals total expenses. You cannot spend more than you take in unless you have reserves to take from.

Budgets should also be developed not on just an annual total but on a month-by-month plan. This will help determine projected cash flow and help anticipate any shortfalls. It will also assist when you review monthly financial statements of the budget plan to the actual expenses. When there are significant disparities this might lead to budget or strategic plan revisions during the administrative year.

Proper Budgeting Includes:

- An effective annual budget development processes
- Requires that the budget is linked to an overall strategic plan
- Requires that senior staff and volunteer leadership have adequate opportunity for input regarding budgeting needs in their areas of responsibility
- Projects cash flow necessary to reflect proper resource management based upon trends in income and expense over time
- Establishes guidelines for separation of operating and capital expenditures
- Ensures budget structure provides adequate cost center information and appropriate fund accountability
- Establishes reporting structure that includes staff and finance committee reports
- Presentation to the Department Executive Committee
- Regular monitoring and holding staff accountable for actual performance against budget

FUTURE PLANNING

Finance Committees need to anticipate financial positions of the organization 3-5 years ahead. The committee should reflect on trends of the recent past and their implications for the current and future on financial planning for the organization. Long range strategic plans need financial plans and action to support priorities.

The development of proper operating reserves is part of that reflection for the future to ensure proper resources are available for the future operation of the organization. The recommended reserve is 2.5x the annual expense budget to ensure a temporary downturn in revenues can be overcome.

INVESTMENTS and ASSEST PROTECTION

For those Departments that have funds invested the finance committee is responsible to ensure a sound investment policy is adopted detailing investment purpose, strategies and overall organizational financial goals. The committee may also hire a professional investment manager and then review the performance of the investment manager in light of organizational goals and investment policy.

Proper Asset Protection

- Ensures the organization's reputation is protected through sound internal financial controls that protect the assets against fraud and abuse and real or perceived improprieties
- Ensures the organization has adequate insurance coverage
- Ensures appropriate risk-management policies are adopted and implemented

TRANSPARENCY IN REPORTING

Often the finance committee believes that they must keep the financial information confidential from the membership and provide only big picture information. That is not accurate. The members are the investors of the organization and have a legal right to know how their investments are being managed and what results are being realized.

The finance committee makes recommendations to the governing body and that body is responsible for the actual policy decisions. The DEC should receive clear, timely and accurate information regarding the financial status of the organization at each of their meetings and at additional times as deemed necessary.

In partnership with the staff, the committee ensures that all tax reporting is completed within appropriate time frames for federal, state and local jurisdictions.

Proper Reporting

- Ensures that all tax reporting is completed within appropriate time frames for federal, state and local jurisdictions
- Provides departments and units with information appropriate to their level regarding their tax reporting requirements
- Ensures the DEC receives clear, timely and accurate information regarding the financial status of the organization at each of their meetings and at additional times as deemed necessary
- Ensures reporting is transparent and open to members and the public as required by law and sound business practices

External Resources

Find numerous websites that offer ideas and advice for fundraising, finances, and nonprofit management.

[Association of Fundraising Professionals](#)

[Fundraising Success](#)

[Board Source](#)

[National Council of Nonprofit Associations](#)

[Wiley](#)

[Jossey Bass](#)

[Pfeiffer](#)