Ohio Unit Plan of Action

FINANCE

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FINANCE

What is this committee and why do we have it?

The Department Finance Committee is subject to the ratification of the Department Executive Committee and is charged with oversight of the general financial policy of the Department of Ohio including preparation of the annual budget and supervision of the expenditures under that budget.

What you should know as a Unit:

Planning for our Future
The Core Values of the Auxiliary and our Mission do not change; they endure. For the organization itself to endure, everything we do needs to be directed towards the five goals of the American Legion Auxiliary's Centennial Strategic Plan: 1) Enhance membership strength. 2) Create a culture of goodwill. 3) Develop leadership at all levels. 4) Strengthen Departments and Units. 5) With the American Legion, build brand loyalty.

Setting Financial Goals
The organization's strategic plan includes financial goals. Strategic planning is an organization's process of defining its strategy or direction and making decisions on allocating its resources to pursue. Ideally, the plan should cover multiple years—which include targets for expected accomplishments—and propose specific performance measures used to evaluate progress toward those targets which are outlined in the annual budget development.

At times, Units often focus only on the current year budgeting process and neglect looking three to five years ahead. Units should reflect on trends of the recent past and their implications for the current and future on financial planning for the organization. Each unit is strongly advised to replicate this process of defining its own set of goals through a strategic plan.

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The Unit needs to measure where it is now and set goals in the strategic plan to strive to reach the benchmarks for expenses and to broaden the sources of potential income streams. So at each of your meetings, the strategic plan and progress toward those annual and multi-year goals should be reviewed. Remember, this is normally a multi-year process, so members need to understand and be able to measure progress of the organization through financial reports.

Financial Reporting
The Unit Treasurer must present a detailed report at each Unit meeting and file the IRS 990 Form. This filing must be reported at a Unit meeting and be included in the Secretary's Minutes

Since 2008, the IRS began requiring small exempt organizations, many of which previously were not required to file tax returns, to submit an annual electronic report, known as a Form 990-N. **This has been a mandate for every unit.** The Form 990-N, entitled the *Electronic Notice Tax-Exempt Organizations Not Required to File 990 or 990-EZ* (and also known as the e-post card) is required of charities whose annual gross receipts are $50,000 or less.

The Pension Protection Act also requires the IRS to ***revoke the tax-exempt status of any organization that fails to meet its annual filing requirement for three consecutive years.*** This requirement applies to small tax-exempt organizations and the e-Postcard.

Audits
An Audit Committee should audit Unit records annually before installation of new officers. Records to be audited include check registers, receipts, ledgers, bank statements, reconciliations, and the Treasurer and Secretary books. The Audit Committee should also provide oversight to ensure the Unit has appropriate policies and internal and financial reporting controls that mitigate exposure to financial risks.

In Summary
Additional information is attached for your convenience. Please remember, the Department Finance Committee is here to assist Units with financial questions.

Attached Information:

- How to Complete the 990 Filing Process
- How to Set Goals Through Annual Budgeting
- Unit Donation Form
- Financial Control Checklist

Additional Resources Available on the Ohio American Legion Auxiliary Website: www.alaohio.org

Programs: Finance

- Incorporating Your Unit
- Secretary Filing Forms Link
- Tax Information and Filing
- IRS Information for Non-Profits
- IRS Fact Sheet on Reinstatement
- Inclusion Letter
- IRS Form 1024

Resources: Financial Information

- Operations Guide
- Benefits of Incorporating a Unit
- Unit Fidelity Bonding and Tax Information
- Unit Bonding Form
- Inclusion Letter
- IRS Form 8822-B Change of Address
- Explanation of Reinstatement of Tax Status
- Instructions for Units Filing IRS Form 1024
- IRS Form 1024
- How to File 990N e-Postcard
- Sample Donation Thank You Letter
- Best Practices

HOW TO COMPLETE THE 990 FILING PROCESS

Objective:

Provide for compliance with IRS regulations to maintain non-profit tax exempt status annually

Note: If your Unit's annual gross receipts of $50,000 or less, then your Unit qualifies to file the 990N e-Postcard. The Unit must designate a member responsible for filing online. You will need the Unit EIN, a user name, and password. The procedure is very simple. Please remember to report the filing to the Unit for notation in the minutes. For Units with annual gross receipts over $50,000, please proceed as follows:

Step-by-Step Instructions:

- Appoint a three-member Finance Committee for your Unit
- Appoint a three-member Audit Committee for your Unit
- Obtain the Form 990, Form 990 EZ, or Form 990-N from the IRS website at www.irs.gov
- Have your Unit Treasurer attempt to complete as many forms as possible
- Have the Finance Committee work with Unit officers and an outside accountant to finalize the tax form
- If you have an outside auditing firm, get its approval of the tax form
- Have your Audit Committee review the completed tax form
- Have the Audit Committee vote to approve the Form 990, Form 990-EZ or Form 990-N and forward on to Unit membership
- Have Unit membership vote on the adoption of the Form 990, Form 990-EZ or Form 990-N
- Submit the form prior to the annual deadline, which is based on the Unit's fiscal year, not calendar year

HOW TO SET GOALS THROUGH ANNUAL BUDGETING

Objective:

Provide for financial stability by setting goals through the annual budget process.

Step-By-Step Instructions:

- Create a three-member Finance Committee for your Unit.
- Conduct a budget planning meeting of the Finance Committee prior to the start of your fiscal year; make sure to invite Unit officers at which time the agenda should include, but not limited to the following:
  - Review your current financials in comparison to the IRS and nonprofit watchdog organizations' benchmarks.
    - Program Services (expenditures related to primary mission and purpose) 65-75%
    - Management and Administrative (expenditures spent on managing the operations) 5-10%
    - Fundraising (expenditures spent on raising additional funds) 10-15%
  - Review your progress status of your long-range goals.
  - Review your annual ALA obligations (Buckeye Girls State, Veteran Affairs and Rehabilitation, etc.)
  - Review your annual operating expenses (bank fees, rent, utilities, conventions, etc.)
  - Review your membership numbers and related dues income.
  - Review other sources of revenue (donations, events, bequests)
  - On a 12-month calendar, plot out when you anticipate your revenue and expenditures.
  - Compare your total estimated revenue vs. your estimated expenses.
  - Determine which areas need further consideration to accomplish your long-range goals and meet the IRS and non-profit watchdog organizations' expense benchmarks.
- Try to create a positive bottom line. Remember, budgets are guidelines.
- The Finance Committee approves the budget and submits to the Unit for adoption.

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AMERICAN LEGION AUXILIARY
Department of Ohio, Inc.
(740) 452-8245

2018-2019 DONATION DESIGNATION FORM

The following donations must be included on a separate check. Please specify the amount credited to each program. A copy of this form should be kept for your records. Below Indicate where you would like your donation acknowledgement sent.

AMERICANISM
$ _____ Americanism/Government Test Trip (Department)
$ _____ Spirit of Youth (National)

AUXILIARY EMERGENCY FUND
$ _____ AEF – Financial Emergency Assistance for ALA Members

****BUCKEYE GIRLS STATE***
$ _____ Buckeye Girls State Donation (for general operations **NOT** the Endowment Fund Scholarships)

CHILDREN AND YOUTH
$ _____ Children and Youth Fund (Department)
$_____ The American Legion Child Welfare Foundation (National)

COMMUNITY SERVICE
$ _____ Ohio Community Service Disaster Fund (Department)

****DEPARTMENT HEADQUARTERS***
$ _____ Capital Improvement Fund (Department Headquarters Building)
$ _____ National Candidates Fund (Department)

DEPARTMENT PRESIDENT'S SPECIAL PROJECT
$ _____ Department Scholarship Funds and Americanism and Government Test Trip

EDUCATION
$ _____ Scholarships (Department)

NATIONAL HEADQUARTERS
$ _____ ALA Foundation
$ _____ National President's Special Project- Homeless Women Veterans

NATIONAL SECURITY
$ _____ U.S.O. **
$ _____ Military Family Assistance Fund ** (Ohio Veterans Only)

PAST PRESIDENTS PARLEY
$ _____ PPP Nurses Scholarship (Department)
$ _____Support for Women Veterans (Department) **

VETERANS AFFAIRS AND REHABILITATION ** (Poppy Funds May be used for those items listed below)
$ _____ Chillicothe VA $ _____ Cincinnati VA $ _____ Cleveland VA
$ _____ Dayton VA $ _____ Ohio Veterans Home
VA Outpatient Clinics – $ _____ Akron $ _____ Columbus $ _____ Parma
$ _____ Toledo $ _____ Youngstown
$ _____ Fisher Houses – Ohio $ _____ Veterans Creative Arts Festival (Nat'l.)
$ _____ Marie Moore Fund (Department-Donations for purchase of items for Veterans in VA Hospitals)

***** Indicates programs where Poppy Funds may be used***
Only VA Birthday Party contributions are to be sent directly to your District President

$ _____ *TOTAL AMOUNT ENCLOSED* *CHECK #* _____ DATE _____/_____/_____

Please enclose a separate check made payable to "American Legion Auxiliary Dept. of Ohio***" and send to:***

AMERICAN LEGION AUXILIARY, DEPARTMENT OF OHIO, PO BOX 2760, ZANESVILLE, OH 43702-2760

Acknowledgement will be sent to the following:

Name_____ Unit_____District_____

Address_____

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AMERICAN LEGION AUXILIARY
DEPARTMENT OF OHIO, INC.

Financial Control Checklist

The executive board has a "fiduciary" responsibility for the Unit finances and must ensure proper controls are in place.
If "No" is checked for any question, procedures need to be re-evaluated.

Completed: **Audit Committee:**

Guidelines/Recommendations	Compliance?		Remarks
A. Accounting procedures and requirements	Yes	No	
1. Are proper books and records kept of all transactions?			
2. Are accounts formally approved by the members at an annual budget meeting?			
3. Is an annual audit conducted by an Independent Certified Public Accountant?			
4. Is a 990 form filed with IRS as required?			
5. Is the responsible party provided information regarding IRS filing requirements?			
B. Budgets	Yes	No	
1. Are annual budgets prepared and approved to cover both income and expenses?			
C. Fund-raising events, campaigns, and collections	Yes	No	
1. Are records maintained for each fund-raising event?			
2. Are collections counted in the presence of collector and receipt given from a duplicate pad?			
3. Is dual control over accounting and recording in place?			
4. For drawings/raffles using tickets, are:			
* Tickets pre-numbered?			
* Records kept of all persons issued tickets and which ticket numbers allocated?			
* Records kept of which tickets sold?			
* Reconciliations made of money received against tickets sold?			
5. Is money paid directly into the Unit's bank account?			
D. Banking and custody procedures	Yes	No	
1. Are incoming receipts banked promptly and regularly?			
2. Are keys to file, safe or cash box secured?			
3. Is all incoming money banked and no amounts held for petty cash feeding/replenishment?			
4. Is a written statement of banking and custody procedures available?			
5. Is money belonging to the Unit held separately from that of any individual?			
E. Checks of income records	Yes	No	
1. Are accounts balanced monthly to ensure records are accurate?			
2. Are restrictions placed on designated income identified, observed, and upheld?			
F. Controls over expenditure	Yes	No	
1. Are all expenditures properly authorized?			
2. Is there supporting documentation (receipts) required and maintained for all expenditures?			
3. Are blank checks kept in secure place with access only by nominated persons?			
G. Controls over purchases	Yes	No	
1. Are invoices checked against orders made?			
2. Are payments only made against original invoices?			
H. Payment by check	Yes	No	
1. Are designated check signers in accordance with the governing document policy?			
2. Are there at least 2 signatories on the bank mandate?			
3. Is procedure for voucher system adhered to?			
4. Are all check numbers accounted for on vouchers, bank statements and reconciliations?			
5. Is there a policy of not signing blank checks?			
6. Is every effort made to minimize cash payments?			

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Guidelines/Recommendations	Compliance?		Remarks
7. Are all check expenditure recorded in the check book and noted with check number?			
8. Are transactions recorded at time of payment?			
9. Are checks signed only with documentary evidence of the nature of the payment?			
I. Payment by cash	Yes	No	
1. Are all payments by cash made from a petty cash account?			
2. Is petty cash drawn from the bank and not from incoming money?			
3. Do all payments have supporting documentation?			
4. Are amounts of claim entered on a petty cash voucher?			
5. Are all payments noted in a petty cash book?			
6. Are all replenishment withdrawals from bank noted in the petty cash book?			
7. Are regular checks made of petty cash records by someone other than the treasurer?			
J. Investments	Yes	No	
1. Are full records held of all investments and records kept in a secure place?			
2. Is professional advice taken on selection or disposal of investments?			
3. Are statements of investment performance reviewed regularly by an officer or committee?			
K. Bank accounts	Yes	No	
1. Are secure records held of all accounts?			
2. Are regular bank reconciliations carried out and reviewed?			
3. Are instructions to open or close accounts properly authorized?			
4. Are credit card account statements and receipts reviewed?			
5. Are checks made to ensure that there are no dormant accounts?			
6. Are bank statements regularly inspected by officers not assigned bookkeeping duties?			
7. Do all accounts of the Unit contain the words "American Legion Auxiliary"?			
8. Are all bank accounts identified by the Unit Federal EIN?			
L. Indirect Records and Documents	Yes	No	
1. Does the Unit pay the annual bonding fee to the Department of Ohio?			
2. Are official copies of Unit Constitution & Bylaws securely filed and available to members?			
3. Are Corporation papers up to date and filed in secure location?			
4. Are transcribed and recorded proceedings filed for posterity and audit?			