



## Ohio Unit Plan of Action



### FINANCE

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#### **Key Program Statements:**

- American Legion Auxiliary Department Committee Roles & Responsibilities
- Unit Treasurer Focus
- Additional Information for Financial Success

#### **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, finance recommendations, and supervision of the expenditures under that budget.

#### **What Units Should Do:**

##### **Plan for the Future**

Realizing that Unit Treasurers are elected annually, it is a challenge to extend your Unit's focus beyond the current year budgeting process; however, Units should not 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.

##### **Set Financial Goals & Measure Progress**

Each unit is strongly advised to define its own set of goals. The Unit needs to measure where it is now and set goals to strive to reach the benchmarks for expenses and to broaden the sources of potential income streams. 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.

- 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%

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## Pay Unit Bonding Fee

Each year every unit has a financial obligation to the department to pay a **MANDATORY** bonding fee. The national organization bills the department this bonding fee for all units in the department. Therefore, it is only fair that all units pay their obligation. The National Fidelity bond covers all members of the American Legion Auxiliary. The bond covers loss through larceny, embezzlement, theft, forgery, misappropriation, willful misapplication, or any other act of fraud. The yearly fee is \$6.00 due to department by December 31<sup>st</sup>. The units should think that this is a type of insurance. It is important to protect all unit funds.

## 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
- How to Complete an Audit

**Additional Resources Available on the Ohio American Legion Auxiliary Website:** [www.alaohio.org](http://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
- IRS Form 1024
- Audit Forms and Instructions

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## 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
- 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 username, 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](http://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:

- Appoint a three-member Finance Committee for your Unit or some Units use their officers & committee chairs
- 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 (as mentioned in the "What Units Should Do" section of this POA).
  - Review your progress status of your long-range goals.

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- Review your annual ALA obligations (use attached Donations Form as a guide, 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

### 2022-2023 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 Leadership Fund (Department)

#### DEPARTMENT PRESIDENT'S SPECIAL PROJECT

\$ \_\_\_\_\_ Education (Ohio Scholarships)

#### EDUCATION

\$ \_\_\_\_\_ Scholarships (Department)

#### NATIONAL HEADQUARTERS

\$ \_\_\_\_\_ ALA Foundation  
\$ \_\_\_\_\_ National President's Special Project – National Veterans Creative Arts Festival companions\*\*

#### 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 – \$ \_\_\_\_\_ Columbus \$ \_\_\_\_\_ Parma \$ \_\_\_\_\_ Toledo  
\$ \_\_\_\_\_ 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 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 \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

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## ANNUAL AUDIT PROCEDURES AND CHECKLIST

*An audit is required and should be completed as soon as possible before installation of officers and then presented to membership at earliest possible meeting.*

**Purpose:** An audit involves a review and report on the records for the financial transactions and the procedures used to conduct those transactions. Its purpose of assuring both the membership and the executive board that the funds have been properly administered and that good financial practices have been followed. The audit committee investigates, examines facts, draws conclusions from the facts and presents a written report of its work to the executive committee. The executive committee receives the report and has the obligation to act upon the report and then share with the membership at the first general membership meeting of the year, or as soon as possible.

Check your Constitution and Bylaws along with your Standing Rules to see what guidelines have been put into place for appointing the audit committee and how it should be handled.

### What should be provided for the Audit?

Financial records should be placed in order shortly before the end of the term for office of treasurer. The outgoing treasurer cannot pay bills after the books are closed for end of year. The treasurer shall deliver all records to the audit committee and should also include the following:

- A copy of the last audit report
- Checkbook and cancelled checks
- Bank statement and deposit receipts
- Treasurer's book and/or ledger
- Annual financial report (if applicable)
- Itemized statement and receipts of bills paid
- Check requests submitted during the year
- Copies of executive committee and membership meeting minutes with approval motions for expenditures
- Most recent tax forms filed (990)
- Copy of Constitution & Bylaws and if applicable, Standing Rules
- Any other information requested by audit committee not listed above

Begin with records posted after the last audit.

1. Reconcile each month's bank statements with:
  - a. The cancelled checks
  - b. The checkbook
  - c. The treasurer's report
  - d. The total expenditures of the unit
2. Verify that every check written is substantiated with a receipt, invoice or bill and disbursement/voucher request form (if used).
3. If a check was issued and there is no receipt, verify the expenditure through membership meeting minutes. This would also include those expenditures that have lost receipts and member wrote a note explaining expenditure.
4. Reconcile each deposit slip with
  - a. The bank statements
  - b. The checkbook
  - c. The total income of the unit
5. Verify that a receipt was written to appropriate person for all funds received by the treasurer.
6. Verify that all income and expenditures are allocated into the same categories on the approved budget (if applicable).
7. Prepare a written report of findings, signed by all audit committee members and forward to the President to share with the executive committee and them the members.

When audit is completed, provide comments to executive committee with findings that should be brought to their attention.

Notes should be made of any checks and/or deposits included in audit but not cleared by bank. All funds that are not a part of an approved budget should be recorded in Secretary's Minutes and verified by an approved motion by

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membership. If Unit has a budget, it should be recorded in Secretary's Minutes and verified by an approved motion by membership.

Comments of audit should be provided with audit report noting any items that should be brought to executive committee's attention. Some items could be, but are not limited to:

- The need to file federal tax document(s)
- Failure to resolve bank statement issues
- Exceeding budget amounts without proper authorization
- Keeping poor financial records, etc.

Things to look for that are common when reviewing financial records:

- Neglecting to record returned checks and bank charges
- Transactions not entered in all documents (checkbook, receipt book, minutes, etc.)
- Reversal of numbers when entering amounts for transactions
- Mistakes in adding and subtracting
- Missing copy of bills
- Missing copy of receipts for funds
- No notation in secretary's minutes for expenditures or income

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## American Legion Auxiliary Annual Audit Report

Date \_\_\_\_\_ Fiscal Year \_\_\_\_\_

Name of ALA Unit and # \_\_\_\_\_

Bank Name \_\_\_\_\_

Dates covered by this audit \_\_\_\_\_

Balance (at start of fiscal year) \$ \_\_\_\_\_

Receipts (total for fiscal year) + \$ \_\_\_\_\_

Total Assets \$ \_\_\_\_\_

Disbursements (total for fiscal year) - \$ \_\_\_\_\_

**BALANCE (at end of fiscal year)** \$ \_\_\_\_\_ \*

Latest Bank statement balance (at end of audit period) \$ \_\_\_\_\_

Outstanding Checks: - \$ \_\_\_\_\_

# \_\_\_\_\_ Amount \$ \_\_\_\_\_

# \_\_\_\_\_ Amount \$ \_\_\_\_\_

# \_\_\_\_\_ Amount \$ \_\_\_\_\_

Outstanding Deposits: + \$ \_\_\_\_\_

**Final Checking Account Balance** \$ \_\_\_\_\_ \*

\*two lines must match

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We have examined the financial records of the treasurer of ALA Unit # \_\_\_\_\_ and find them:

\_\_\_\_\_ correct

\_\_\_\_\_ substantially correct with the following recommendations. (see attached sheet)

\_\_\_\_\_ partially correct – more adequate accounting procedures need to be followed so that a more thorough audit report can be given.

\_\_\_\_\_ incorrect

Date Audit Completed \_\_\_\_\_

Printed Names and Signatures:

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

Presented to membership on: \_\_\_\_\_



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## AUDIT RECOMMENDATIONS

The following are the recommendations of the Audit Committee:

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## AUDIT CHECKLIST

Date \_\_\_\_\_ Fiscal Year \_\_\_\_\_  
Name of ALA Unit and # \_\_\_\_\_

1. Was all the income properly allocated and categorized? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
2. Were all expenditures properly allocated and categorized? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
3. Is there a proper bill or disbursement request/voucher for each expenditure ("Paper trail" for each)? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
4. Was each expenditure a part of a budget? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
5. Did the unit file a form 990N/990EZ or 990 with the IRS? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
6. Did the authorized officer properly sign all checks? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Authorized Unit Officers for signature: \_\_\_\_\_  
\_\_\_\_\_ Explanation: \_\_\_\_\_  
\_\_\_\_\_
  
7. Are all checks sequentially numbered: \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
8. Are all checks accounted for? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
9. Were all bank statements properly reconciled on a monthly basis by treasurer? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
10. Is there an approved motion in the meeting minutes for all expenditures not included in a budget? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
11. Did you unit approve a budget and document the appropriate motion in the meeting minutes? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
12. Did the treasurer submit monthly written financial reports to membership? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_
  
13. Were the financial records maintained in an orderly fashion? \_\_\_\_\_ YES \_\_\_\_\_ NO  
Explanation: \_\_\_\_\_