



**NATIONAL EXECUTIVE COMMITTEE  
MID-WINTER MEETING  
SUMMARY OF PROCEEDINGS**

**February 24, 2018**

**Indianapolis Marriott North  
Indianapolis, Indiana**

## MEMBERS PRESENT

### National Officers

National President.....	Diane Duscheck
National Vice President.....	Kathy Dungan
Central Division National Vice President .....	Patricia “Trish” Ward
Eastern Division National Vice President .....	Karyn Porempski
Northwestern Division National Vice President .....	Peggy Miller
Southern Division National Vice President .....	Diane Spencer
Western Division National Vice President .....	Nancy Michalski
National Chaplain .....	Evelyn Espinola
National Historian.....	Susan Campbell
National Secretary .....	Mary “Dubbie” Buckler
National Treasurer .....	Marta Hedding

### Past National Presidents

Linda Boone  
Linda Newsome  
Virginia Hobbs  
Desireé Stoy  
Miriam Junge  
Rita Navarreté  
Carlene Ashworth  
Peggy Thomas  
Nancy Brown-Park  
Janet Jefford  
Sharon Conatser

### National Executive Committeewomen

Alabama.....	Amanda Reese-James
Alaska.....	Lisa Williamson
Arizona .....	Jan Cushing
Arkansas .....	Carol Smith
California.....	Wendy O’Brien
Colorado .....	Susan Bozella
Connecticut.....	Debra Knickerbocker
Delaware.....	Carol Freeley
District of Columbia .....	Lauren Lloyd
Florida .....	Treva Kay Wildrick
Georgia .....	Anitia Owens
Hawaii .....	Josephine Keanu
Idaho.....	Toni Gimpel
Illinois.....	Luella Buske
Indiana.....	Peggy Bishop
Iowa.....	Ann Crawford
Kansas .....	Melissa Burton

Kentucky.....	Betty Butler
Louisiana .....	Ethel Theriot
Maine.....	Debbie Marr
Maryland.....	Patti Lach
Massachusetts .....	Deb Barber
Michigan.....	Ellen Jackson
Minnesota .....	Shirley Frederick
Mississippi .....	-
Missouri.....	Cathi Goth
Montana.....	Jennifer Herman
Nebraska .....	Deb Albers
Nevada.....	Glynis Seeley
New Hampshire.....	Paula-Carol Alger
New Jersey.....	Lynda Stadtler
New Mexico.....	Janet Romero
New York .....	Janet Mahoney
North Carolina.....	Debbie Harris
North Dakota.....	Tammy Ryberg
Ohio.....	Denise Conrad
Oklahoma.....	Patsy Chinn
Oregon .....	Pam Seelye
Pennsylvania .....	-
Puerto Rico .....	Myrna Rivera-Rodriguez
Rhode Island .....	Cathy Card
South Carolina.....	Brenda Holland
South Dakota.....	Susie Clyde
Tennessee.....	-
Texas .....	MaryAnn Paul
Utah.....	-
Vermont.....	Lynda Farmer
Virginia.....	Cheryl Shine
Washington .....	Eva Wallace
West Virginia .....	Susan Wade
Wisconsin .....	Laura Calteux
Wyoming .....	Linda Feezer

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**SATURDAY, FEBRUARY 24, 2018**  
**NATIONAL EXECUTIVE COMMITTEE MEETING**

PRESIDENT DUSCHECK: This National Executive Committee meeting will now come to order. Please disable all your electronic devices or place them in silent mode. Please rise and remain standing for opening ceremonies.

(Gavel.)

PRESIDENT DUSCHECK: National Chaplain Evelyn Espinola will offer the Invocation.

MS. ESPINOLA: Let us pray. Lord, let us take a moment to thank you for this opportunity to be here working together toward the common goal of enriching our veterans and our military. Guide us, Lord, so that we may be united in the spirit of mutual respect and exchange of ideas and goals, not as individuals but as the family and organization we strive to be. In our discussions here this week, let us not forget for whom we do this for. Help us work together to be respectful in our obligations. We seek your guidance in our thoughts and our decisions. We pray for a most productive meeting. And we thank you for the safe travels, Lord. Amen.

ALL: Amen.

PRESIDENT DUSCHECK: Thank you. The Chair calls upon Americanism Chairman Martha Corriher to lead the Pledge of Allegiance and the National Anthem.

ALL: 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.

ALL: (Singing.) Oh say can you see by the dawn's early light what so proudly we hailed at the twilight's last gleaming? Whose broad stripes and bright stars through the perilous fight o'er the ramparts we watched were so gallantly streaming? And the rockets' 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 DUSCHECK: Thank you. And now Constitution and Bylaws Chairman Denise Delaney-Wrolen will lead us in the Preamble of the Constitution.

ALL: 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 during 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 goodwill on earth; to safeguard and transmit to posterity the principles of justice, freedom, and democracy; to participate in and contribute to the accomplishments of the aims and purposes of The American Legion; to consecrate and sanctify our association by our devotion to mutual helpfulness.

PRESIDENT DUSCHECK: Please join me in reciting the mission statement.

ALL: In the spirit of Service Not Self, the mission of the American Legion Auxiliary is to support The American legion and to honor the sacrifice of those who serve by enhancing the lives of our veterans, military, and their families, both at home and abroad. For God and Country we advocate for veterans, educating our citizens and mentor youth and promote patriotism, good citizenship, peace, and security.

PRESIDENT DUSCHECK: National Security Chairman Brenda Collins will read the POW/MIA Resolution.

MS. COLLINS: The American Legion Resolution 288, adopted at the 67th American Legion National Convention, calls for designating a POW/MIA Chair at official meetings of The American Legion as a physical symbol of thousands of American POWs and MIAs still unaccounted for from all wars and conflicts involving the United States of America. The chair cover on the empty chair reminds all of us to spare no effort to secure the release of the American prisoners from captivity, the repatriation of the remains of those who died bravely in defense of liberty, and the full accounting of those missing. Let us rededicate ourselves to this vital endeavor.

PRESIDENT DUSCHECK: Thank you. Please be seated. The Mid-Year Meeting of the National Executive Committee is convened. Welcome everyone.

I hope you had a good trip into Indianapolis. This is our maiden voyage of holding NEC meetings in Indianapolis like The American Legion does. It allows us to be cost effective and good stewards of our members' dues. This change still allows for any Auxiliary member who wants to attend the Legion's legislative meetings in Washington, D.C. to do so and join several of us who will be there as guests of the American Legion.

The National Executive Committee is the Auxiliary's governing board, which makes each of you caretakers of this organization. As caretakers, you have the 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 this organization's mission.

Being a member of the NEC is a shift from showing support for your individual department to being a champion for the entire American Legion Auxiliary organization. I take our roles and responsibilities as officers and directors of the corporation very seriously and I hope you do the same. I welcome your active participating 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 the best for the American Legion Auxiliary.

Past National Presidents, National Chairmen, and committee members, I welcome your support in being part of the team committed to getting the job done.

I'm happy to see so many department representatives as well as our national staff. National staff, would you please stand? And let's take a minute just to thank the national staff for getting the meeting together and getting everyone registered.

(Applause.)

PRESIDENT DUSCHECK: Thank you for all that you do for the success of the Auxiliary. Now, NECs, how many of you are attending as a first-year NEC representative? First-year? Okay. So glad that you're here. Thank you.

How many of you are on your second year as an NEC? Wow. Thank you for serving the organization.

Do we have anyone serving in their third year as NEC? Whoa.

(Applause.)

PRESIDENT DUSCHECK: Outstanding. Thank you. Okay. We're going to go one step further. Anyone beyond, anyone beyond three years?

(Applause.)

PRESIDENT DUSCHECK: We appreciate your dedication. All right. Remember, if you wish to speak, please make your way to a microphone in the center aisle and there's a microphone over here, one over in that aisle. This is for the purpose of recording our proceedings. You must be recognized by the Chair before speaking. Once recognized, please state your name, title, and department.

As I visited your home states, it's been refreshing to see so many departments working on their strategic plans. Many departments are seeing great successes and my hat is off to you. As department leaders, please continue to emphasize the five goals of the strategic plan, especially as you work the mission. In order to maintain continuity in your strategic plan, it's vital to maintain a committee of dedicated members who will serve for two to five years. This is the only way you can ensure that your strategic plan will move forward. If new members are assigned to the strategic planning committee each year, they are making plans for only one year and then they are finished. There is no continuity and there is no forward thinking strategic plan.

The most requested topic that I've been asked to address in departments is goal two, to create an internal culture of goodwill. I give department leadership credit for recognizing the need and requesting that I address goodwill.

As the day progresses, you'll have the opportunity to learn about the organization's finances and budget and your fiduciary stewardship, the audit and risk management, policies, programs, and the strategic plan. As you listen today, please continually ask yourself, who do I need to share this information with when I get home? Because you have an obligation as a director of the board to report back to your department. Now it's my pleasure to introduce the head table. We have Kathy Dungan, National Vice President.

(Applause.)

PRESIDENT DUSCHECK: Trish Ward, National Central Division Vice President.

(Applause.)

PRESIDENT DUSCHECK: Karyn Porempski, National Eastern Division Vice President.

(Applause.)

PRESIDENT DUSCHECK: Peggy Miller, National Northwestern Division Vice President.

(Applause.)

PRESIDENT DUSCHECK: Diane Spencer, National Southern Division Vice President.

(Applause.) (Cheering.)

PRESIDENT DUSCHECK: Nancy Michalski, National Western Division Vice President.

(Applause.) (Cheering.)

PRESIDENT DUSCHECK: Evelyn Espinola, National Chaplain.

(Applause.)

PRESIDENT DUSCHECK: Sue Campbell, National Historian.

(Applause.)

PRESIDENT DUSCHECK: Dubbie Buckler, National Secretary.

(Applause.)

PRESIDENT DUSCHECK: Marta Hedding, National Treasurer.

(Applause.)

PRESIDENT DUSCHECK: Chris Dickey, who will serve as our Parliamentarian for this meeting.

(Applause.)

PRESIDENT DUSCHECK: Don't you sort of like those people who lead their own cheers?

(Laughter.)

PRESIDENT DUSCHECK: The Chair now calls on National Vice President Kathy Dungan to bring greetings.

(Applause.)

MS. DUNGAN: Thank you, ladies. It's good to see everyone here. Welcome to the first ever mid-year NEC meeting held in the city of our National Headquarters. I hope you had a good trip into Indianapolis and it appears that Diane and I think along the same lines because her greeting is exactly about what I was going to say. So I'm going to repeat it.

(Laughter.)

MS. DUNGAN: But mine is short. As members of the Executive Committee, you are charged with the responsibility of guiding this great organization. You are accountable to the organization and its members. I hope that you will be engaged in the meeting, ask questions if you do not understand and vote responsibly. I request that you seek as much information as you can so you can make an informed decision. You are the liaison between the national organization and your department so you have the responsibility of taking this information back that you learn from this meeting and share it with your department. Madam President Diane, I wish you a great NEC meeting and safe travels the rest of the year as you continue to represent the American Legion Auxiliary.

PRESIDENT DUSCHECK: Thank you.

MS. DUNGAN: Thank you. (Applause.)

PRESIDENT DUSCHECK: And now please welcome Past National President Carlene Ashworth to bring greetings in behalf of our National Presidents. (Applause.)

MS. ASHWORTH: Thank you, Madam President.

Good morning.

ALL: Good morning.

MS. ASHWORTH: As Vice Chairman of the Past Presidents Parley Committee I bring you greetings on behalf of Chairman Mary Davis, who could not be with us for this meeting. She asked me to convey to the members of the National Executive Committee these words: you must weigh all that you are asked to consider and remember there are always two sides to every situation. Remember the trail you set will impact the future of our volunteer members.

Madam President Diane, I am honored to represent these special women seated before me over there who have served this organization in the highest capacity possible, that of National President. We wish for you a most successful National Executive Committee meeting and we know that you have represented our organization well in your many travels across this great country and around the world. Your project this year, and our tenth anniversary of the American Legion Auxiliary Foundation, will encourage our members to continue to provide many avenues of support to our children, our members, and our veterans throughout the nation.

And now with your permission I would like to present to you, all of you, our Past National Presidents in attendance. Linda Boone, Department of Oregon. (Applause.)

MS. ASHWORTH: Linda Newsome, Department of Maryland. (Applause.)

MS. ASHWORTH: Virginia Hobbs, Department of Kentucky. (Applause.)

MS. ASHWORTH: Desireé Stoy, Department of Ohio. (Applause.)

MS. ASHWORTH: Miriam Junge, Department of Ohio. (Applause.)

MS. ASHWORTH: Rita Navarreté, Department of New Mexico. (Applause.)

MS. ASHWORTH: Peggy Thomas, Department of Virginia. (Applause.)

MS. ASHWORTH: Nancy Brown-Park, Department of California. (Applause.)

MS. ASHWORTH: Janet Jefford, Department of Connecticut. (Applause.)

MS. ASHWORTH: And Sharon Conatser, Department of Illinois. (Applause.)

MS. ASHWORTH: In closing and on behalf of these awesome women, I want to share with you these words from Harvey Fierstein. "I do believe we are all connected. I do believe in positive energy. I do believe in the power of prayer. I do believe in putting good out into the world and I believe in taking care of each other." And from me, I say, I do believe that with the power of one department in our organization and the American Legion Auxiliary that we can make a difference in this world if we continue to work together for the good of all. Thank you, Madam President.

(Applause.)

PRESIDENT DUSCHECK: Thank you, Carlene.

Before we begin with the consent agenda, I'd 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 Washington, Mississippi, and South Dakota. The Chair has received confirmation that the 2017-2018 Minutes Approval Committee met, thoroughly reviewed, and after making any necessary proofing edits approved the proceedings from the Pre- and Post-2017 Convention NEC meetings. The proceedings are posted on the American Legion Auxiliary website. Thank you for your work.

We'll again be using the consent agenda in lieu of multiple motions to handle many of the basic business items. These items are listed on your agenda and include: the charter cancellations since August 2017; appointment changes since Convention 2017; one National Finance Committee policy that has been reviewed and updated, it's the American Legion Auxiliary Travel Policy; one National Audit Committee Policy that's been reviewed and updated, it is the American Legion Auxiliary Social Media Policy. Each of you received the information on each of these items prior to this meeting and I hope you've 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 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? Does anyone wish to remove an item or items from the consent agenda? The Chair recognizes the NEC.

MS. ALBERS: Hello. Deborah Albers, NEC from Nebraska. I would like to remove the charter cancellations from the agenda because I have something to discuss.

PRESIDENT DUSCHECK: Okay. Is there anything else we wish to have removed from the consent agenda? The Chair recognizes the NEC.

MS. MAHONEY: Okay, Janet Mahoney, Department of New York. I'd like to remove the National Finance Committee report.

PRESIDENT DUSCHECK: The what?

MS. MAHONEY: The National Finance Committee report. Are we allowed to --

PRESIDENT DUSCHECK: That's --

MS. MAHONEY: That will be --

PRESIDENT DUSCHECK: That's not on the consent agenda.

MS. MAHONEY: Is that further down? I'm sorry. I thought that would be part of.

PRESIDENT DUSCHECK: Oh, okay. The things that are on the consent agenda, so it's the charter cancellations, the appointment changes, the travel policy, and the social media policy.

MS. MAHONEY: Okay, just those four? Okay. I just, I'm sorry.

PRESIDENT DUSCHECK: Yeah. That's okay.

We're going to come back to Finance. You're going to have a great time with Finance --

MS. MAHONEY: Thank you.

PRESIDENT DUSCHECK: -- and have lots of questions, okay?

(Laughter.)

PRESIDENT DUSCHECK: Thanks, Janet.

MS. MAHONEY: Thank you. Thank you. PRESIDENT DUSCHECK: You're welcome. So the Chair will entertain a motion to adopt the consent agenda with the charter cancellations removed.

MS. LACH: Madam President?

PRESIDENT DUSCHECK: Yes.

MS. LACH: Patty Lach, NEC Maryland. I move that we adopt the consent agenda with the --

PRESIDENT DUSCHECK: Charter cancellations?

MS. LACH: -- charter cancellations removed.

PRESIDENT DUSCHECK: It has been moved and seconded to adopt the consent agenda with the charter cancellations removed. All those in favor of adopting the consent agenda with the charter cancellations removed, please say aye.

VOICES: Aye.

PRESIDENT DUSCHECK: Opposed, no. Motion carried. Let's go to the charter cancellations. Can we have a motion to adopt the charter cancellations so that we can discuss it?

MS. ALBERS: I move to adopt the charter cancellations so we can discuss it.

(Laughter.)

PRESIDENT DUSCHECK: And it's been moved and seconded. I appreciate that. Deb?

MS. ALBERS: Okay. I would like to remove Nebraska William Egle 281 from the list. It was inadvertently sent in.

PRESIDENT DUSCHECK: Okay.

MS. ALBERS: So I mean, we'll have it back in June, or in August. But --

PRESIDENT DUSCHECK: Okay. So that's an amendment to the charter cancellations, to remove that. Can we have a second to remove --

VOICES: Second.

PRESIDENT DUSCHECK: It's been moved and seconded to remove Nebraska's William Egle Unit from the charter cancellation list. Thank you.

MS. ALBERS: Thank you.

PRESIDENT DUSCHECK: Any further, any discussion on this? All those in favor of the charter cancellation as amended -- all those in favor of the amendment to remove the William Egle Unit from Nebraska from the list of charter cancellations, please signify by saying aye.

VOICES: Aye.

PRESIDENT DUSCHECK: Opposed, no. We are eager today. And now we'll vote on the charter cancellations as amended with the Nebraska unit removed. All in favor of the charter cancellations as amended, please say aye.

VOICES: Aye.

PRESIDENT DUSCHECK: Opposed, no. The motion carries. Thank you very much.

As a member of the Executive Committee to the NEC, I am happy to report that we conducted all of our meetings electronically and therefore handled all of our business with no cost to the organization. Members of this committee include: National President, National Vice President, National Secretary, National Treasurer, and the Finance Committee Chairman.

Now the Chairman of the Audit Committee has shared with me two recommendations that came out of their recent meeting. The first recommendation involves forming a special committee to make recommendations to modernize executive management titles. Also, it's been a decade since the pay ranges within job classifications at Headquarters have been adjusted. After a decade of inflation, it's time to do that.

I want the NEC to understand the task to adjust the pay ranges within job classifications. These have not been adjusted for ten years. No individual's pay will change as a result of adjusting the ranges. As Chairman of the Board, I have appointed a special committee to modernize the executive management titles and perform the ten-year pay range adjustment. I'll work directly with the committee on clarifying the tasks and recommend they meet with outside counsel. The committee appointments are Peggy Thomas as Chairman; Kathy Dungan; Linda Boone; Patty Waltz; Marybeth Revoir; and Pam Jackson.

As required by our Bylaws, the NEC must confirm appointments to special committees. Therefore, the question is on the motion to confirm Peggy Thomas, Kathy Dungan, Linda Boone, Patty Waltz, Marybeth Revoir, and Pam Jackson as members of a special committee to modernize the executive management titles and perform the ten-year pay range adjustment. Is there any discussion?

All those in favor, say aye.

VOICES: Aye.

PRESIDENT DUSCHECK: Opposed, no. The motion is carried.

The second recommendation generated by the Audit Committee is that action be taken to optimize mission delivery by assessing the number and appropriateness of our national committees so that the ALA remains true to its founding purpose. As part of our strategic plan, our Goal 4 team in the Future Focus Committee have already done extensive research on this topic and this data was reviewed during a joint meeting of the Future Focus Committee and the Implementation Team. Since much work has already been done, it's time to move forward with developing a proposal. As Chairman of the governing board, I'm assigning the Future Focus Committee the responsibility of developing a proposal to be presented to me before May 16, 2018. Future Focus will work with the Goal 4 team. I look forward to sharing information with you during our next meeting.

The ALA's current strategic plan (indiscernible) four years ago when leaders in the organization realized that the best thing we could do for the Auxiliary was to invest our time, talent, and resources in ourselves. The NEC adopted our goals and vision. Five strategic goal teams have been working towards impactful successes aimed at improving organizational effectiveness and membership growth.

An old Greek proverb says, "Society grows great when old men plant trees whose shade they know they shall never sit in." This President has asked members to plant trees as an investment in both ourselves and the future of the organization so we will continue to meet the needs of military veterans and their families and continue to make our communities better places to live.

We strengthen our organization through the strategic plan and the ALA Foundation endowment, both supporting the mission of the American Legion Auxiliary. I wish that I could say in the future there would be no need for the Legion family, that there would be no more veterans or military because there would be no more wars. But that just isn't going to happen. Today's young troops who are only in their teens and twenties don't even realize that, but they'll need the assistance of the Legion family. We need to have trees planted so both we and they can sit in the shade of the support that's provided by the American Legion Auxiliary.

Our first report is from Foundation President Linda Boone. Linda?

(Applause.)

MS. BOONE: Good morning. ALL: Good morning.

MS. BOONE: Okay. So it's been a real exciting year for the American Legion Auxiliary Foundation. We turned ten.

(Applause.)

(Cheering.)

MS. BOONE: I hope that all of you had an opportunity to attend the National Convention and celebrate with us at the National Convention in Reno as we recognized this wonderful milestone and kicked off an anniversary year of celebration and continuing fundraising. In just ten years, the American Legion Auxiliary Foundation awarded nearly \$500,000 toward American Legion Auxiliary programs, which includes \$78,500 in veteran project grants; \$18,800 for veteran

creative arts festival grants; almost \$223,000 for the National Creative Arts Festival; \$97,000 for subgrants; and \$60,000 from investment earnings of the Mission Endowment Fund. But we didn't stop there.

The American Legion Auxiliary Foundation hosted a breakout session at National Convention and was represented at all six mission training providing information to units and departments about how the American Legion Auxiliary Foundation can enhance mission outreach by providing additional and often much needed financial resources through our grant programs.

During FY '18 so far, the American Legion Auxiliary Foundation has awarded an addition \$9,000 for veteran project grants; \$5,000 for veteran creative arts festival grants; and almost \$40,000 for National Veteran Creative Arts Festival; and \$500 in subgrants.

The Department of Connecticut received a veteran projects grant for \$4,000 to purchase a long-armed sewing machine so members can make greater quantities of quilts and lap robes for veterans and returning military. The machine will allow the quilts to be quilted in house, saving donation money to allow for the purchase of more materials with the expectation of tripling the amount of quilts that they are able to provide to veterans and the military. That's great.

(Applause.)

MS. BOONE: The Department of New Hampshire received a veterans project grant for \$5,000 to purchase a computer based touch screen program that assists patients, specifically those suffering from Alzheimer's and dementia at the New Hampshire Veterans Home. The veteran home has 250 residents with an integrated 100-bed Alzheimer's and dementia unit. The program will be used for individual and group therapy with content to help residents relax, reduce anxiety, engage in the present, and remember the past and share together.

Missouri Unit 624 received a subgrant for \$500 to support the 2017 fall fashion show. The show and luncheon helps raise money for scholarships offered to local high school females. And remember, subgrants are where you can't get a grant because you are a 501(c)(19) and so we're the 501(c)(3) so we can basically pass it through to you. So that's money that you would never have access to you unless it went through the Foundation. So remember that.

The Department of Vermont received a veteran creative arts festival grant for \$2,500 to help cover advertising, postage, paper products, and art kit expenses for their local festival.

Illinois Unit 281 received a veteran creative arts festival grant for \$2,500 to purchase art supplies, including ceramic supplies, paintbrushes, craft kits, easels, canvases, and other supporting supplies for the creative arts program of the Captain James A. Lovell Federal Health Care Center for North Chicago. Approximately 300 veterans participate in this program.

And just a couple of weeks ago at our quarterly board meeting, we granted an additional six grants for \$25,275 for departments and units. And watch for those in the, on the website and the national news to see the details of those.

All of this worthwhile mission outreach activities is made possible by our amazing donors and supporters. Because of them, and many who are in this room, we had a very successful third annual giving Tuesday campaign, raising more than \$36,000 to help support veterans, military, and their families, including a \$15,000 match from our direct mail fundraising vendor Innovairre Communications.

The American Legion Auxiliary Foundation Endowment Fund has exceeded \$1 million. Yippee!

(Applause.)

(Cheering.)

MS. BOONE: And it's continuing to grow as National President Diane Duscheck uses and focuses on donations throughout her travels. Reaching the million dollar mark is a huge accomplishment and should be considered a baseline for continued fundraising efforts to ensure the interest earned will fund our programs in generations to come.

This is a major focus for the Foundation Board and one that we continued to address during our annual retreat in November. We evaluated ourselves individually and as a whole. We also discussed grant applications, which led to a modification including the creation of a separate grant that will support branding opportunities in connection with our projects serving our veterans or programs outlined in the National Program Plan of Action. And Illinois got the first one of that new, new mission outreach branding opportunity.

We encourage you to review the potential funding opportunities on the website and look where you may have an opportunity to use some of those funds. We are also going to focus on getting you the information you need to better promote the American Legion Auxiliary Foundation and utilize its resources. Much helpful information already exists and we want to make sure you are familiar with the pathways to access to don't be surprised if you get a call or an email from a board member to provide you with information on grants, upcoming Foundation campaigns, or even open Board of Director positions. Your involvement is one of the keys to our success that we've had this last ten years.

Board applications are currently being accepted until April 2nd. We need Board members with diverse skillsets and passion to provide for veterans, military, and their families. If you know of anyone, male or female, member or non-member, that possesses these attributes, please let us know so we can discuss this opportunity with them for the application.

It has been an exciting, very exciting, ten years and we look forward to the next ten. With your continued support, we can ensure that the American Legion Auxiliary mission of service to our nation's veterans continues. Thank you very, very much. (Applause.)

PRESIDENT DUSCHECK: Thank you, Linda. MS. BOONE: Thank you, Diane. (Laughter.)

PRESIDENT DUSCHECK: Thank all of you who are supporting the American Legion Auxiliary Foundation.

Please welcome the Audit Chairman Pam Jackson. (Applause.)

MS. JACKSON: Thank you, Madam President. And good morning, everyone.

ALL: Good morning.

MS. JACKSON: The American Legion Auxiliary's National Audit Committee serves as the audit committee for both the ALA national organization and the ALA Foundation, both supported by our National Headquarters. 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 Helen Riedlinger, retired CPA, from South Dakota. The other three members serving three-year terms include myself, a former Department of Ohio Secretary and current public official serving as Fiscal Officer in Beverly, Ohio. Paula Means, from the Department of Indiana is, among her many other executive positions, a former Deputy Mayor of the 11th largest city Indianapolis. Paula is also a former ALA Girls Nation Senator. And serving her first year on the Audit Committee is Patty Waltz, retired HR Director of the American Legion. It is my pleasure to work with such talented and committed ladies.

The National Audit Committee had a very productive all day meeting at National Headquarters in Indianapolis on February 3, 2018. The committee met with our external auditor and Headquarters staff to review the annual external audit and to participate in the annual risk assessment exercise. Three accountants from Alerding CPA Firm presented the American Legion Auxiliary and the ALA Foundation consolidated report; The ALA and Foundation audit reports; the report to Governance letter; and the agreed upon procedures as it applies to the ALA National Headquarters. The external auditors concluded their report with the summary that there were, once again, no material weaknesses or problems detected. In other words, we had a clean audit.

After -- yes. Yes. (Applause.)

MS. JACKSON: Congratulations to everyone on that. After close scrutiny, the Audit Committee accepted all reports as presented by the external auditors. As a courtesy, these reports were presented to the National Finance Committee yesterday and today will be presented to you, the NEC, by the Founder and Senior Director of Alerding CPA firm for your acceptance.

The Audit Committee then met separately with all the external auditors and then separately with all of national staff to discuss any issues that either may have wanted to bring up to the committee. In the private meetings, the auditors praised the National Headquarters staff for their professional work ethics. And likewise, staff praised the auditors for their diligence. Both parties expressed much appreciation for the other's cooperation, dedication, and attention to detail.

In the afternoon CPA Mike Alerding led the committee through its annual governance and management risk assessment exercise, which resulted in two recommendations from the Audit Committee. The Audit Committee recognizes that

public perception of the ALA national organization is, in itself, a risk. The Audit Committee was pleased that our recommendation last year for a process for succession planning resulted in recommendations that have been incorporated into national procedure as reported by the special committee to the NEC last summer.

The Audit Committee revisited the accompanying need to consider improving our effectiveness as a corporation by addressing the executive titles of the top management positions at National Headquarters. The Audit Committee believes that titles should be consistent with the functions of each top position and should be easily recognized by the public, government officials, and regulators as the corporate business functions they are. In the corporate world, the top management positions are referred to as chief executive officer, chief operating officer, and chief finance officer. These positions are held by senior executive management staff at a corporation's headquarters who consistently serve in these management positions full time. The chief executive officer reports to the governing board of directors, led by the chief governance officer, the chairman of the board.

I shared the Audit Committee's recommendation with National President. On behalf of the committee, I extend our appreciation that she just appointed a special committee knowledgeable in corporate business standards to review and recommend appropriate contemporary business titles that reflect the actual roles that the -- I always have a problem with this word -- delineate the levels of corporate management as recognized by the independent auditors and consistent with best practices.

Recommendation number two: also as a result of our risk assessment exercise, the Audit Committee discussed the important role of the governing body has to periodically review, modify, combine, and discontinue programs and services in adherence to best practices with the organization's leaders and management to ensure the organization's focus on the mission.

I also shared the committee's recommendation with the National President that a date be established for a report on optimizing mission delivery through the Future Focus Committee's assessment of the number and appropriateness of our national committees. So on behalf of the Audit Committee, I again thank National President Diane for acting to have a report be completed before summer.

Our meeting continued with the National Headquarters report from National Secretary Dubbie Buckler. Dubbie reported that there has been no whistleblower allegations or activity at the national level and that all required conflict of interest forms for national leaders has been filed with no reportable conflicts of interest requiring action. Dubbie also reported that after 35 years, attorney Philip Onderdonk has retired as the National Judge Advocate and will remain as counsel to the American Legion through the 2018 National Convention. The National Judge Advocate serves also as the Counsel General to the American Legion Auxiliary. The new National Judge Advocate is attorney Kevin Bartlett, who previously served on the Legion's National Finance Committee, and who last year served as Deputy National Judge Advocate in preparation for this transition.

Dubbie noted that the ALA Girls State operations manual has been reviewed by both the outgoing and the incoming counsel with an updated version being finalized for circulation in late spring.

Dubbie further reported that the ALA Code of Conduct adopted by the NEC last year is in place in the National Standing Rules now along with the ALA Code of Ethics. She discussed with the committee that a Member Conduct Guide being developed with Counsel General and registered Parliamentarian and professional mediator Chris Dickey will include an expanded how to discipline a member section. The Member Conduct Guide will be incorporated into the Unit Guide later this year.

The National Audit Committee also reviewed the recent IT security assessment. The assessment noted that people are the biggest IT security risk to any organization. So to no one's surprise, the first finding was that the ALA's biggest IT security risk are the members and staff who use the ALA National Headquarters information technology, which includes (indiscernible), the national website, the national email accounts, and national social media accounts.

Finding number two noted a need for entity separation between web development and implementation activities for the ALA main website.

The third finding noted that the current security incident response plan should be updated and recommended for, in more detail and specifics, on roles and responsibilities for handling IT events.

I am happy to report that all recommendations have been implemented and the ongoing need to be on guard for user risk is being diligently and repeatedly addressed.

Our final task for the day was the review of the Electronic Communications Internet and Social Media Policy. The Audit Committee approved the policy for renewal by the NEC with no changes.

Our next meeting will be late in March. 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. This 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.

The Audit Committee extends much appreciation to our exceptional National Headquarters staff for all their hard work and support. I truly believe we are blessed with the most professional and dedicated staff. Thank you.

(Applause.)

MS. JACKSON: We can't say that enough. Madam President, it is now my pleasure to introduce the American Legion Auxiliary's external auditor to present the ALA's Annual Audit Report. Mike Alerding is a certified public accountant, founder, and now senior director of Alerding CPA Group. He has over 40 years of experience in public accounting, serving many corporations and not for profit entities across the nation. Mr. Alerding has served as the director on over 40 nonprofit boards, professional societies, and government entities, chairing many of

them. He has served on numerous 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 committed to service, not self. I can personally attest Mike loves the mission of the American Legion Auxiliary and it's my pleasure to introduce Mike Alerding, CPA, to present our audit report. Mike?

MR. ALERDING: Thank you. Thank you all. (Applause.)

MR. ALERDING: Okay. I can't stand behind these. I say this every year. But when you're my size the only thing you're going to see is the top of my head. So a little easier to stand here. And if you're not hearing or whatever, let me know. Usually that's not a big problem.

Thank you again for allowing me to have the opportunity to do this. I think, I don't know how many years but it's over ten, I know that. I remember -- okay. Okay. I know it's a lot of time. And I'll never forget the first person I met that related to the, believe it or not, what a start, you go right with Linda Boone, day one. It's like oh my goodness. But we really do appreciate it. This is one of our favorite clients in the office and I know this probably sounds a little hokey, but people want, our people want to work on this audit. Because it is an excellent way to learn.

Sometimes you're going to look at these financial statements that you have here today and, aw, they're a bunch of numbers. If you think about all the things this organization does at Headquarters, all the transactions, it is a multifaceted company. It reminds me a little bit of the large public companies because it's got so many pockets and so many things going. It is really a training ground for young people when they really want to see how it all fits together into a financial statement.

The fact that you've got the Foundation in here, and I'm going to add some things to what Linda said about the Foundation today and this afternoon again, the fact that you have that makes it even more robust and gives a view to the outside world of an organization that's really trying to take care of itself. And I need to get a clip. Right? Okay. I did not take it. Oh, okay. Appreciate it.

A couple of years ago I got accused of stealing this and ever since then they don't let me have it much. Or not. Okay. That's the only slide I've got. That's it. We'll get you out of here.

You know, they always put me right before you're going to eat, it seems, or you're going to leave. So I never have this opportunity to really, I know you all want to get out of here and you're hungry and that always makes me go faster. Oh, you just ate, didn't you? I missed that part. I had a piece of toast this morning. Got it. Good. I'll keep this one this time that way I won't have a problem. Okay.

Sorry about that.

What I'm going to talk about today, and I know some of you I was so incredibly pleased to see how many of you are here for the second and even third time. I just can't tell you how impressed I am with that. Considering where you were nine or ten years ago and how you've governed this organization, you've made more

than just remarkable strides. These are really landmark kind of strides in moving an organization.

And it's not easy to move the largest female organization in the world in a harbor. You can't turn that slip very quickly. You've done a marvelous job and I really mean that.

So thank you all for coming again. And unfortunately you have to put up with me again. But we'll make it fast.

I'm going to review very briefly the financial statements. I'm not going to bore you. I've been through this with the Audit Committee and the Finance Committee. That's your, those are your committees that were assigned the obligation to do all the dirty work. So this is really at a very high level just to give you, the governing body, an opportunity to look at it.

We're going to talk about some key financial indicators, things that you need to focus on every year on how this organization works not just to you, but to people from the outside. I'm not going to talk much about the Audit and Finance Committee. I will talk about an Audit Committee update because some things are changing in the future. And we'll talk about governance a lot. And we have a few findings and recommendations and that have come out of that.

These financial statements that you have in front of you, or in the back, they are your financial statements. They are not the auditors'. We type them but those are yours and you have, you're blessed with, and I really, truly mean this, and you all know this, Tim is one of the very finest CFOs or Controllers I've ever met in my life. He is outstanding.

(Applause.)

MR. ALERDING: You are. He takes great pride in making sure there are no weaknesses and no audit adjustments. He's amazing. And we've got one of the toughest guys in our firm on it, Chris Mennel, who is just a tough, he's just one of those auditors that you just kind of chill a little bit when he comes in a room. He's a really nice guy but he knows his stuff. And the two of them go at it every year and it's really quite, quite interesting to watch.

We do the audit in accordance with an unfortunate acronym called GAAS, which I wish it wasn't but it is, it's generally accepted auditing standards. And then we do it when we have government stuff under GAGAS, which is another one that kind of doesn't sound very good. Where we spend our time is not on the numbers. You have these little things called computers and the like. They do the numbers. That's everything. And you all know, especially those who deal with business and any kind of IT, AI, artificial intelligence, has really taken over an enormous amount of what's happening and auditors, our profession, where right now we test, we select a sample of transactions and if you've got 10,000, believe it or not you can get a 95 percent confidence level plus or minus two percent if you select 48 transactions randomly. I kid you not. If you do it randomly, you test them for an attribute, and you can implode into the population your error occurrence rate in that attribute. It's amazing. When artificial intelligence gets here, we're going to do 100 percent. We'll just plug it in, and let it run, and it will look at every transaction that's happened. It

really is a little scary for us. On the other hand, it will make us a whole lot more efficient and help you get a better feel for what's really going on.

So we spend our time looking at systems.

That's where, I'd say 80 percent of our time is not on numbers, it's systems. Do the controls work? Because you, when you go home, part of your obligation every day is to make sure that this organization is running by itself in a safe and at lower risk manner. The only way we can do that is to be sure those controls operate constantly.

This organization, over the years, has done a marvelous job of just keep adding to it and adding to it, and more importantly this organization changes very well with the changing times. With new automated systems, they change. With new growth, they change.

With things like the Foundation, they change. That's what's really important about how these controls have to work.

The statements include both the Foundation and they include ALA. They are together. And the reason for that is one is a part of the other. As Linda said, this is a very good way, and it was brilliantly done, to be able to give you a way to get money to people without the (c)(19) status getting in your way. Because the (c)(19) is a blessing. Phil Onderdonk and I went head to head on that (19) for years, but I'll tell you what. It is a special, very special kind of status. But (c)(3)s, 501(c)(3)s are the only ones that can receive a lot of funding from many of the big donor organizations. So it was brilliantly done.

These statements that you see, which have a lot of money in them, and it's very big, don't include any of the 8,900 odd other units and departments out there. Those aren't in there. If we ever did that, I'd be reporting on about 2001 right now because we'd just be getting done. It's a lot.

We do issue separate statements also for the Foundation so that Linda and her group can really see it separately.

Not for profit entities, all of them, are high risk audits for us. Our malpractice insurance is one of the highest in the business because we now do

111 not for profits. And even though we don't do any publicly traded companies where you would think the real high risk is, there is more risk in not for profits. And this afternoon on the fiduciary talk we'll talk about why that is and how we mitigate that.

You did have, there's, audit risk increases with government contracts. This year we were able to overcome that, mitigate it, by doing some special procedures that allowed us remedy what kind of risks were there.

The Auxiliary's audited financial statements, why do you even do those, other than you get a report? It's real thick. It's got a lot of, I mean, if you ever really can't fall asleep, trust me, those notes will get you right away. It is, why do you do that?

And you think to yourself sometimes, boy, we pay a lot of money, we spend an enormous amount of time, why is that? And why it is is because the outside public, people outside the organization, donors, constituents of all kinds, use this as a

measuring tool for how well you're doing. So it reflects the economics part of your mission and purpose. That's what this does. It says what do you get and what do you spend on the mission and purpose? So that's why these are here.

There are a lot of people who use those. The IRS uses them. All the public uses them. Potential and actual donors. There's federal granting agencies. And there's watchdog organizations. People who make a living out of looking at not for profits and criticizing them, or critiquing them. And then they issue reports on them. And it will have a dramatic, could have a dramatic plus or minus impact on the ability to raise money.

I won't go through individual statements unless you really want to because these are pretty obvious to you. Basically you have a balance sheet, which is a picture of where you are today. Stop everything. What do we own? What do we owe? And what's the difference? The difference is your equity. And you'll see in some of the numbers here, you are very solid. You have very few liabilities per se.

The cash flow statement rolls into the income statement, rolls into the balance sheet, they all work together so that you can see an entire picture of where economic resources come in and what they are spent on.

Here's some highlights, if you will. And keep in mind, even though you'll see ups and downs and over amounts, it is really remarkable how close you are on your budget and your actual, really when you think about it. With all you've got going on, you had \$8.3 million, \$8.257 million in total income this year.

That's kind of a funky number in a way because it includes so many different elements. It includes membership dues. It includes contributions. It's got all kinds of stuff in there.

So one can go here and there, and I'll break it down for you here in a minute. It was down a bit from last year. So were your expenses down a little bit. And you can see that bracketed number \$324,000 with brackets around it. That means you lost money from operating the entity. You had a loss this year. That's not unusual when you consider you start at \$8 million, \$8.5 million, when you get it that close, you know what? I'll take that any day of the week. It's pretty good. You're still a not for profit. That's why they call you a not for profit. Twenty-eight thousand last year was the gain. So you're really not too far off from that.

The next line is your investment income. And for anyone who knows anything about the stock market or has any money in your 401K, whoa, mama. I have a grandson who could have done this this year, I think, because it's pretty easy when the market just goes through the ceiling. And you did, you have a 9/30 year end so you get a pretty good shot. It is really a substantial gain this past year. Now much of that is paper, but it's real economic resources that came to you. And I'll break that down for you here in a minute.

This is something I show you every year and I show you because I like trends. I like to see how things are rolling over time. Because the mark of a good organization, especially a not for profit member organization, is the long term. It's how this organization looks at itself and operates in the long term. And you can see this past year was an interesting year in a lot of different ways. It, the contributions

in 2013 were only \$900,000. Then we went to 893 and then 1,304, 1,335, and 1,300. We've had some drops in those. And this afternoon we're going to talk a lot more about contributions because that is a mark of what people from the outside feel about your organization. How many people, how many dogs will eat the dog food? Is it something they really like? And if they do and they're passionate about it, they'll contribute to it. So we're going to talk a little bit about that more this afternoon.

Membership dues is the most interesting and, you know, from those who have had to put up with me for even three years, and I apologize for that, you've heard this over and over and over. I'm really impressed with what you did with dues. And you can take a look at this thing. \$5,400,000, \$5,900,000,

\$5,800,000, \$5,600,000. We're right back again to \$5,400,000, just where we were at the beginning of this period. So we haven't really gained any economic gain there. But you have to understand that there's been about a ten percent drop in membership there. So the dues flipped it up.

I want to just mention one thing. God help us if we wouldn't have done those dues. We would have been knocking ourselves out right now trying to find money. Because that really makes this thing run. And it's really important we continue that, do not let it slide. If you do -- just as an example, for those of you who own farms, you have an estate or whatever.

Back in when they started the estate law in 1960, when Kennedy in his inaugural address said, I want to make dying a taxable event, and he did, when he did that they set the mark for \$1.2 million was the amount of an estate you could have below which you didn't pay tax, above which you did. And when you got to that point, you were paying 45 percent of your estate to the government. That's just not good. You work your whole life and pay income taxes, and then when you're done you pay them again. It's really a double tax and it's the worst of all. If they had done what they do in many cases, and that's simply index it, index it to anything, COLA, cost of, I don't care what you index it to, but every year recognize the borrowing power or the economic power of the dollar. If you don't, it sits there. It wasn't until two or three years ago that Congress finally woke up and said, oh my goodness, \$1.2 million back in 1960 is a whole lot different than \$1.2 million today. Farmers all over the world were just going crazy when \$4,000 an acre, \$5,000 an acre, \$3,000 an acre, they have estates that there's no way they could possibly pay the estate tax. So fortunately Congress got back on the stick. Now we're up to \$10 million each and that's going to sunset again, unfortunately in '25, but we've got to make sure that happens. This could happen to your dues if you don't index somehow, and I'm not going to suggest how, but in some stairstep way you watch those dues, the same thing is going to happen to you.

Operating income, what I told you, we've been breaking even all these years. And you can take a look at this. But there is a, in '13 we lost five, almost \$600,000, we lost 70, we made four, so we made 28, and we lost 324. Now why is this important to watch?

Cumulatively from an operations standpoint you've lost \$557,000 in five years. In five years. Now, you don't measure that to \$8 million, you measure it to

\$40 million, because it's five years. You think about \$40 million of revenue, you slip it down to only \$500,000 of loss, again, I tell you, you're pretty much breaking even.

We all want to see it, we all want to you see you making money. But keep in mind, if you make too much money they take your certificate away. You're no longer a not for profit. So you kind of have to be careful with that.

Now this is one of my favorites here because it does try to show how brilliant the Finance Committee has been and those who manage the investments. Pretty good stuff. Here's a five-year summary of how much money you made in your investments, on your investments every year. Thirteen, you made two-nine, two-three, you lost \$816,000 when we had that bubble. Then you made 2.8, and you made 3.8 this past year. There was a year, '09 or '08, where you lost eight, you lost \$5 million. Yeah. But it's \$5 million, and we didn't have as big of an endowment. I mean, the numbers weren't big. So relatively speaking, it was huge. It was gigantic.

You can't count on this. I mean, I've been around, the only good news about being old is I've watched these things come and go. And I've been around to watch them come and go a lot. This is never going to be something you can count on for the long term but as people look at you from the outside in, you have a very stable organization because you do have effectively reserves built. That's effectively what that is.

You secondly, you have an endowment in terms of the Foundation. Every not for profit I work for, I beat on them to get some sort of Foundation or endowment put up. Because it's a cosmetic thing, number one. More importantly it tells your donors, I'm interested in being here next year. If you give me money it's not going to just be we're going to go out of business in three years. And you can see in some of the cancer organizations right now, there are four or five that are really big, cancer, they are starting to really hurt themselves because they are beating each other to death. Eventually they are going to have to combine all those. They don't have permanency. You have permanency.

So the other thing that's really remarkable to me, over the five-year period your return on investment has been nine percent in your investments, overall nine percent. I don't know how you feel about that, but wow. That is pretty impressive. Very impressive. So congratulations. The Finance Committee is responsible for that. That was really well done.

This is stuff we talk about every year. How do you look internally and how are you doing spending money on mission and purpose? A lot of not for profits recently, especially a couple, or one or two maybe, of the other patriotic organizations had a little trouble with this. They collect money and they spend it on collecting more money, and you can't really do that for very long. You get in trouble. You have 87 cents out of every dollar is spent directly on your mission and purpose. Eight-seven cents, yeah. You need to tell people that.

(Applause.)

MR. ALERDING: When you go back to your folks, tell them that, that when they go out to look for donations and talk to people about what's going on, 87 cents. Now if it was 100 percent like you'll hear some of the, read or hear we spend

100 percent of your money on mission. They'd better not be. Because that means they don't have any accounting staff, they have nothing. So that would sorry me a little bit.

You have nine percent in management and administration. And if you can see the benchmark of five to ten, you're right where you need to be. You're certainly not, you don't have a corporate jet or anything in your overhead. You haven't had a lot of raises at home. But you're right where you should be.

Now, I'll tell you the ones who are too low in this get really criticized. Because there is an indication of a lack of backroom strength.

Fundraising is the one every year. We've had a little chat about this. We're going to have another little chat about this. You're at four percent of every dollar raised is spent on raising more. Now I'm just, I'm just the accountant here so I can't really tell you all this. But if we go back and look at membership dues again, but more important we go back to that contribution line. The contribution line has not grown the way it should. And as a result, the natural instinct of the watchdog or anyone looking in is, well wait a minute, if they are not growing those contributions let's go see how much they are spending on, investing in, getting more contributions. Only four percent of your dollars are being spent to do that.

Now I know the worst thing I can do is stand up here and tell you to spend more money. Someone is going to chase me out of here real quickly. But I do think you need to really think about how that could change going forward. And I know there are some things in the works to move things around a little bit. I just want to show you that four percent of every dollar is spent on raising the next one. That's by far the lowest I've got. I don't have anywhere close. I also don't have anywhere close to 87 percent being spent on it. So that's pretty good.

And this I kind of just went through so I won't spend much time on the dues because I hit it already. Funding for the strategic plan is part of these numbers. So keep in mind when you look at the expenses in these last couple of years, they've had that money in there that's an unusual expenditure, if you will, relative to the history. In spite of that, the membership dues have kept up with that and been able to absorb a lot of that, which has been very important. So you've been funding it out of your membership dues for the last three or four years. Do not under any circumstances stop doing that if you can. That plan is really important to you. I think your organization, part of what I congratulated you for when I came in, the changes, the culture changes that you've had have been marvelous and all of it really resides in if you plan, it will happen. If you don't, nothing will happen or it will be chaotic.

Contribution income, as I said, and I'll harp around that later, has just been dropping and we've got to do something about it. We just have to. If I'm going to give you money, and I'm Lilly Endowment, the first thing I'm going to ask is, number one, does everyone, every single soul on the NEC make a contribution? Not membership dues. A contribution to this organization? If not, then well, you're done, we're not even going to talk to you now. Why? Because of the leadership of the organization isn't embellished, isn't embedded in this, doesn't really believe in it, why should they? And that is really, that's not a joke. I've done a lot of, I've knelt

on my knees many times before foundations begging for money. And the first thing they do is say, what's your percentage? And if it's any less than three digits, you're gone. You won't be doing anything. So that's one thing.

Secondly, we've got to find out and move this Foundation along. We've got to kick it up. You're at one-two, 1.2 I think now, or close. That is marvelous. When you get to three or four, watch what happens.

Three or four turns to seven or eight, to ten. I don't know why. Don't ask me why. It's the rich get richer thing. But once you get substance, it just explodes.

You're in the part now where you're really doing a great job of utilizing it for the things you want. But you got, we've got to get some, we've got to get some folks who just love us a lot, a whole lot. And we'll probably be willing to name something after them, wouldn't we? I mean, we'll give them a name on something. If they want to give us \$10 million, we'll name something in this organization for them, I'll tell you that, in a heartbeat.

And then I'm also going to add in this afternoon talking about something I know is near and dear to you, Linda, and that's planned giving. Because the average age of the members here is about 61. Now I don't want to be morbid but I have to just say this.

You're not going to be here forever. And we've got 600,000 or 700,000 who have got estates and it doesn't take much. I was telling the Finance, the Audit Committee, or the Audit Committee yesterday, my dad left. He didn't have much money. Too many kids and not enough money. But he left \$100 in his will to this Legion. One hundred dollars. And when we were going through his will I said, now, you know, he's got all these things he's giving money to. It was just crazy. And I said, so you want the Legion? And he said, oh, absolutely. I've never missed a payment to the Legion. He said, that Legion, I've been in it since day one. I never, it's one of those organizations you just feel good about. And he said, I want to make sure I give them something. I know it's not much. But it's a few years' dues. That's kind of what he said. So if it's dad, my dad, who really didn't have, he never made more than 40 grand a year and raised seven kids. I assure you, he didn't have much. He was that serious about it. And we need to get serious with some other folks here.

Eight-seven percent of your assets are in investments. Cash is very well invested here. You will see the reason you earn what you earn is you don't leave cash laying around. You've constantly got it being invested. Nine-two percent of your assets are unrestricted. That means they are there for mission and purpose. They are not restricted to something.

And eight percent are.

I think we've run through what the audit was and the Audit Committee. We did not again have any material weaknesses. Now let me just tell you what a material weakness is. It's an internal control weakness, a problem in the internal control system, the severity of which is so bad that if it was not corrected, it could represent a material error in your financial statements. That's how serious those are. I believe in how ever many years we've been doing this audit, we've never had one here. There is absolutely no one else. What? What did I do now? She knows.

Now that is really remarkable. Again, think about, just think about what is going on here, how much, it's really well done and that is something that it can't last forever because things change too much. But I congratulate you and more importantly the whole staff has really done, Marta, Dubbie, Tim, everybody has done a phenomenal job of making sure that's being done correctly.

Okay. Governance, transparency, accountability. For those who have had to put up with me before, you've heard those three years every year since 2003 when the IRS moved to the new 990. That's what they are looking for. They want those three in every not for profit. They don't want, the government does not want to put you under government control. But if the fraud, the abuse doesn't stop, they are going to do something. You know, history is pretty clear. They are not going to put up with it. So we've got to watch it. We are self-governing. And what is happening to a lot of not for profits is what's called mission creep.

Mission creep is where you establish the organization in, you know, 1910, and it was to do these three things, or these four things in your mission.

But times change. Times change a lot. The economy changes. The needs of your constituency change. As they do, your mission many times actually changes but you don't go back and change the actual mission. So when you go out to collect money, you're collecting on the basis of your old mission but that's not what you're doing.

In the 990, for those of you who have had to look through those nice forms, and they are a pain, 482 questions in certain organizations, 482. It's not easy. Very few numbers, just a lot of questions. But when you look through that you will see question number so-and-so says this. List the three primary activities of the organization directed toward your mission and purpose. You have to list, what did I do this year, what activity did we do that directly relates to that mission and purpose? If you can't come up with it, or if you can only come up with one, you're in trouble.

You'd better find something else. Because what they are looking for is mission creep. And what they are trying to get everyone to do is go back and look at your mission statement. And I know you are doing that. I don't think there's any Headquarters issues. What I do get concerned about are all the departments and the units, just making sure that from a corporate standpoint back there your mission and purpose is still being done and you're not doing other things that don't relate to that. That's where I get some concern.

Continuity of the membership, again, I have to keep saying this. But I have to congratulate you on those, those states who are having multi-year people here. You are 28 out of 54, I'm sorry, 54 percent, 28 of the states now allow multiple years. And that is marvelous. And for those of you who have been here more than one year, you can probably, you can see how much difference it makes. Unfortunately you have to put up with me. But there's all kinds of things changing.

Let's see. Headquarters personnel. Okay. Yeah. On here I think I've covered most of that already. And you do have the opportunity, each of you, to see

the Form 990 if you request it. And it is, it's kind of a fun thing to look at if you're really bored.

Establish an ongoing process to -- these are our recommendations. Number one, it will always be number one if I'm sitting here. We've got to get the dues under control on a long term basis. You did a wonderful job, and thank goodness you did. But we've got to get a system put together. I don't care, I'm not the one to make up a system. Whether it's indexed or whether it's a staircase system. Stairstep is where you redo the dues on a periodic basis, every two years, three years, whatever. And you use empirical data for it. You don't just throw a dart at a dartboard and say let's make it two dollars and five dollars. You spend some time, and Tim's group can do that. Let's do some empirical research and see how much those steps should be. I prefer that. A couple of the other membership organizations I have do it on a two- or three-year cycle. That's the way all the members know that we're going to relook at this. Not unlike your cable bill or your Direct TV bill or any other bill. They look every so often and it goes up. Well, that's because they are paying their people more and they've got to take care of things.

We've got to continue on increasing donations, the contributions. We've just got to work on it. I'll hammer that this afternoon perhaps more.

Planned giving, I will take some time this afternoon to go through it. You have unquestionably the very best planned giving document I've ever seen. I've copied it to steal it. She keeps making me pay for it every time I take one, which is fine. A donation, right, every time. And I'm okay with that because it is so good I could never have written that thing. It is really, and if you have not seen it, if you have not seen it, I'll get a copy of here to make sure you've looked at it. Make sure you take it back. Make sure you give it to everybody. And I will talk this afternoon about a couple of more recommendations along that line.

Questions? Comments? Sick stomachs?

VOICE: (Indiscernible). Can you talk about the fundraising? What is the normal fundraising? You said we're four percent. What is the normal --

MR. ALERDING: It's usually somewhere between ten and 15 or five and 15. It's ten and 15 usually.

And if you go back to that slide, that's what I think it said. That there's a norm in there. And I kind of went too quickly, didn't I? I can't believe I did that. Ten to 15. If you're over 15, let's just put it, that's kind of a threshold number. If you're over 15, you're going to have to explain it. Really.

You're starting to get some high dollars. If you're under ten, you're going to have to explain it. Because you're not spending enough money to drive it.

Now I know why. You all know why, too.

Because you look at membership dues as where the money -- membership dues is just covering the basics to get things moving. It is not really a contribution. It's a due. So the contributions are in addition to that, and that's why the money, that's why you don't spend as much, I'm pretty sure. Yes, ma'am?

VOICE: I wonder if we could get a copy of those slides?

MR. ALERDING: Sure. Right, Dubbie? The answer is yes.

(Laughter.)

MR. ALERDING: And how do they do that? Okay.

Will you put them on the web? Or on the, put them on the --

MS. BUCKLER: We can mail them out.

MR. ALERDING: Okay. Okay. You're welcome to have them.

VOICE: Oh, thank you.

MR. ALERDING: For what they're worth. They are pretty good because it does cover a lot of stuff. Next year, just so you know, there's a lot of accounting changes that probably no one in this room, except for a few of you who are accountants, will really care about much. But they are going to change radically in some cases the way your statements look, the way they are sort of, and next year I'll spend time talking about that. There's no sense in getting too ahead of myself this year. No questions, comments, other than that? I do appreciate that.

I hope this afternoon we have a lot more questions because I'm going to get a little bit more to the edge this afternoon on some things that we want to talk about. So hopefully we can have a good little common discussion. Yes, ma'am?

VOICE: You are going to make available what you were talking about what Dobbie makes you pay for?

MR. ALERDING: Oh, no. You know, that's a good idea. I like, where are you from?

(Laughter.)

MR. ALERDING: Maine. No wonder you're from Maine. Those people from Maine. Did you hear what she said? Uh-huh.

MS. BUCKLER: He has already been paid. (Laughter.)

MR. ALERDING: Yeah. Yeah. Yeah, let's don't get into that one. Yeah. Yeah. Yes, ma'am?

VOICE: Hi. My question, so for the 990, in order to make it a resource available for us to encourage people to donate, have we thought about creating an infographic that actually creates a picture so people can see what it is that we do, how we impact things, so it's more user friendly? Because I think as a whole we do so much as an organization that people don't know about.

MR. ALERDING: Absolutely.

VOICE: And it's already shown in the 990, which is intimidating for people who have never had to read one or do one.

MR. ALERDING: Yeah.

VOICE: But if it's done in an infographic, which is so pretty and pictures and percentages and statistics that are really for people --

MR. ALERDING: Yeah.

VOICE: -- that like things, I think that would actually be a very valuable resource for us to have to be able to increase --

MR. ALERDING: I do too.

VOICE: -- donations. VOICES: (Indiscernible).

MR. ALERDING: And that, ladies, is why she's the President of the Board, that right there. That's it.

(Laughter.) (Applause.)

MR. ALERDING: She knows.

MS. BUCKLER: That's why we do the impact report in the annual report. On one page it shows at a glance that the impact of what the American Legion Auxiliary does is worth over \$1.5 billion, with a B.

So that is in my opinion the number one thing we have and what we show to potential donors and contributors. Here's who we are, what we do, why we matter. Here's the footprint we make in the veteran and military service space. So and then with the, and in that, the narrative in there states that -- well it changes every year. But so this next one we will do will state that 87 percent of every donation goes, all the income goes to. So that's, in my opinion, that's the number one thing. There are lots of tools on the website about fund development. But the at a glance is the impact numbers. And that's why we do that so big in the annual report and why we repeat it in the, well in mission training, but is it the November issue of the magazine? So in the November issue of the magazine, we always include it. It's a two-page spread in there that's easy to pull out and carry around. Plus, it's something that you can lift out. Because you can go on the website and you can flip through the pages of the magazine and you can take, bookmark, and send pictures in the magazine, individuals pages in the magazine. So there are a number of ways that you can easily extrapolate that from the document that it resides within so that we can share it.

MR. ALERDING: Thank you. And if there are other examples of that, I think that would be something that would be interesting to look at.

Okay. I very much appreciate it. I think, we're not done, I thought you were going to eat now. But you're not. But you will be soon.

(Laughter.)

MR. ALERDING: Thank you. No, I'm not hungry. MS. JACKSON: I think Mike is hungry. (Laughter.)

MR. ALERDING: Thank you. (Applause.)

MS. JACKSON: Thank you, Mike, for that informative presentation. He is a true friend of this organization. We really do appreciate him taking time to speak to us today.

Madam President, the Audit Committee has reviewed and accepted the Fiscal Year 2017 audit for both the ALA National Headquarters and the ALA Foundation. On behalf of the Audit Committee, I move the acceptance of the external auditor's report as presented to the NEC.

PRESIDENT DUSCHECK: It has been moved to accept the external auditor's Fiscal Year 2017 Audit Report. No second is required because this comes from a committee. Is there any discussion?

All those in favor of accepting the external auditor's Fiscal Year 2017 Audit Report as presented, say aye.

VOICES: Aye.

PRESIDENT DUSCHECK: Opposed, no. Motion carries. Thank you, Pam, and the Audit Committee for all of your excellent work.

MS. JACKSON: Thank you. Thank you, Madam President.

(Applause.)

MS. JACKSON: This concludes my presentation.

PRESIDENT DUSCHECK: Thank you. I now call on Finance Chairman Peggy Thomas with the Financial Committee report. We've got all these numbers running around our heads. We're just on a roll here.

(Applause.)

MS. THOMAS: Madam President, good morning, everyone.

ALL: Good morning.

MS. THOMAS: Since we met at National Convention, your National Finance Committee has held a conference call in November and met yesterday here in Indianapolis. As you know, the primary roles of your National Finance Committee includes 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 here today to please stand and be recognized. Each of these members take their responsibility very seriously and brings in valuable skills and knowledge to our discussions. My sincere thanks to each of them for their time and dedication.

Vice Chairman Jan Pulvermacher-Ryan, who could not be with us, but sends her best to each of you; committee members Helen Riedlinger, Sharon Conatser, and Paula Raney, who could not be with us due to family matters.

As you have just heard, the 2016-2017 external audit was completed by the independent external auditors of Alerding CPA Group with very positive results. Tim Bresnahan, our dedicated controller who does a great, great job, will go over our quarterly actual to budget report highlighting revenue, expenses, assets, liabilities, and investments as of December 31, 2017. Listen carefully but feel free to ask any questions you may have. Tim?

MR. BRESNAHAN: I'm right behind you. MS. THOMAS: Oh, you scared me to death.

MR. BRESNAHAN: I'm behind you all the way, Peggy.

(Laughter.)

MR. BRESNAHAN: Can everybody hear me okay?

Okay. New this year we wanted to -- first of all, how is everybody?

ALL: Good.

MR. BRESNAHAN: Good. Good. We wanted to walk you through the quarterly financial report we sent to you. You should have it in your packet. It looks like the -- everyone got it? Okay. So when you look at this thing when we send it to you, you may actually be saying this --

(Laughter.)

MR. BRESNAHAN: Well that's what we want to go over this morning, is to try to answer that question and help you be able to read these. So first I want to go over quick overview of this.

On page one, I'm just going to start from the left to the right. The first column on your left, those are footnote numbers that correspond to the footnote sections. As we work over, you'll remember when you passed the budget last August

we had that budget presentation that had all the activities listed on the left side and then you had a description of the activity itself. And if you go over to the third column over there, the Fiscal Year '18 Annual Budget, this is the actual budget that you passed last August. Then right of that is your revenue, this whole first page is revenue, is your first quarter revenue, and then the three columns to the right of that, the last three columns on the right, are your year to date revenue. Now because this is the first quarter, they are going to equal.

The bottom part of this, I wanted to point out the bottom left hand box there, the at a glance. This is really kind of a snapshot for you and this is a good starting point, where I would look at it first because it gives you a highlight of all the revenue we brought in, the expenses we paid out, our budget for the year that we voted on that passed, and then also our balance sheet items. It's a nice one-stop shop to get you started. And then over to the right you'll see there's footnotes. On this first page, those are footnotes that correspond to revenue. And we're going to go into these in a couple slides.

On page two of the report, the columns work the same way. It's just that page two is your expenses. These are all your expenses and it works the same way from left to right. You've got your budget in the first quarter, and then year to date. And then you have your total expense. You see there down at the bottom? Does everybody see that? Okay. And then underneath that total expense there is the net revenue over/under expense is our net revenue, revenue over expenses or sometimes expenses are over revenue.

But I wanted to point out that this is budgeted. Okay? This includes the investment income. This does not include unrealized gains and losses, or realized gains or losses from the sale of investments.

If you go to page three, the first thing you're going to see on page three is a section that's basically called other revenue and expense. And these are all unbudgeted items. And the major part that's going to be in here will be unrealized gains and losses from investments, or if we sell an investment realized gains or losses from that.

If you look over to the mid-southeast of there is the --  
(Laughter.)

MR. BRESNAHAN: Yeah, I'm going to use that a couple of times here because I'm not a very good communicator. There's the year to date expense footnotes. And we'll get into those later. But then at the bottom is your balance sheet, which I personally like.

Okay. So let's turn back to page one. And we're going to, before we send these out to you each quarter the accounting staff, which would be me, you know, and I want to mention that Susan Stewart, she's been here like how long now? Almost 40 years now.

Yeah. Susan Stewart and then Diana Giraldo, each month we do financials, but each quarter before we send these to you we review this report and before we send it to you we start with revenue. So I'm going to show you kind of what we do. We start with revenue and the at a glance box. So everyone's got, on page one,

everybody to find the at a glance box. If you look at bullet point one, you're going to see the year to date actual revenue is greater than the year to date budgeted by \$12,000 or less than .4 percent.

Now what I want to show you is what we do is we go find that number to make sure it's accurate. So if you go to the bottom number on the northeast of the at a glance box, see it? Can everybody find it? Did everybody find that number? Yeah? Find it? The \$12,000 over here. Okay. All right. I'm just making sure everybody is with me. Okay. Good. So you might be asking this question now, what does that mean basically? Well to be greater than budget, actual greater than budget in revenue, is normally a good thing. But you need to look at actually what makes up that number. Because if you look above, it's just not one number. There's a bunch of different numbers above it. And they have variances. And if you see variances with brackets in them, that's not a good thing. Or that's something that we looked at and we try to point out to you and we do that through footnotes. So we always look at the right column labeled variance. And if you look at the variances there, you'll see there's a negative \$74,497. Does everybody see that number?

Okay. So then what we want to do is try to explain to you what's going on with that activity. And that activity happens to be our development and fundraising activity.

So we have the footnotes. And we provide the footnotes for you to give you the story of what's going on and we write them with you in mind. You might even say that we are trying to knit you a story of what is going on with that number. Okay? Yeah. Oh, this is my dog. This is Takoda. His name means friend of everyone. Well, except squirrels. He doesn't like squirrels. And he does enjoy knitting. He helps my wife knit. So let's get back to here.

So let's find out the story behind that negative \$74,000 in development activity. If you look at on page one, look over to the far left column, you see the footnote five. Does everybody see that? Okay. That corresponds to a footnote five in the year to date footnote box. And you'll see down there that our year to date actual for direct mail was \$28,000, which was

\$74,000 under budget. But the reason is we received a direct mail guarantee from our third party vendor of

\$83,000 in January, which brings up back up to \$100,000 and back in budget. So basically it's timing. But it's stuff like that we want to point out to you as we try to do on these reports. So I would encourage you to when you get these reports, start at that at a glance box and look for variances and look at the footnotes.

Okay. Next is expense. So let's go back to the at a glance box -- I know I'm going back and forth but this is kind of how we do it. If you go to bullet point two, you'll see that year to date actual expense is better than year to date budgeted by \$141,000 or eight percent. So does everyone see that number?

Okay. Now let's find the variance of that number and turn to page two. Let's go find that number.

So if you go to page two and you go to the bottom right and you go up one row. Does everybody see the \$141,000? Okay. Again, you're going to ask the

question, is that a good number or a bad number? What do you all think? Shall we just —

AUDIENCE: Good.

MR. BRESNAHAN: Good? Yes, because this expense is under budget. But is there more you need to look at you think, and where would you look? Would you go up in the variance column, and if you could tell me real quick on those numbers that you see in that variance column, what number pops out to you that you might want to look — know a little bit more about?

AUDIENCE: (Indiscernible.)

MR. BRESNAHAN: Yes, thank you. You are great. Okay. So if we go find a footnote for that, if you go to page three and you find footnote eight you will see that the year-to-date actual — that's our auxiliary or emergency fund and we pay those out as we go. It's okay for that to be over budget or worse than budget because it's a need. I think it's one of the best things we do is pay our AEF emergency grants. Why we're able to do so, if you would go back to page one and you find the AEF row, you'll see that the income is actually better than budget there so your generous contributions to the AEF fund and our investment earnings has helped us to pay out those grants and I'll set some of that overage and expense. But then also we have reserves. We have reserves which we'll go into to pay out where there's a need, and we all know this past couple of years there's been really a lot of need, so thank you for your contributions to that. But that's why we're able to do that.

Okay. So then after expense, we're going to go look now at net revenue over and under which, if you go back to the At-a-Glance box on page one and you go to bullet point four — everybody find that? You'll see that it's our revenue over expense is a positive

\$1.8 million. Now let's go find that number on page two and if you go to the bottom row on page two, go over to the right — far right — and then work your way back two columns. Does everybody see the \$1.8 million? Okay, that is — this means that we've actually brought in more money than we've spent for the quarter and it's \$1.8 million, and this I wanted to point out again is before any realized or unrealized gains or losses from investments. This has our interest and dividends we earned, contributions, and our expenses we pay out. But there's nothing unbudgeted in that number.

So that's a good thing, and I also wanted to point out that this usually happens, and I'm going to point this out again when we get to the cash, is that with our dues they come in hot and heavy early in the year, in the Fall, and then we work — whittle it down throughout the year and then of course we all know that late summer we have our biggest expense for Convention, so that will lower as we go throughout the year.

Okay. And then I think one of the last things we're going to go over is one of my favorite things and it is the balance sheet, and for the balance sheet notes we've still got to go back — and this will be the last time I think I take you back to page one — but if you go to footnote five or bullet points five, six and seven, those

are some of the balance sheet notes that you'll see — does everybody see the note on cash and then investments, and then accounts payable?

Okay. So then we're going to go back to page three and talk about those but I wanted to point out that on the balance sheet there's things you need to know. Like first of all, the balance sheet on page three should indeed balance which means your left side — your total on your left side should always match your total on the right side. If ever you get one of these quarterly reports and you look down at that bottom and like the \$40 million, 40.7, the 40.7 don't match, there's a problem and you need to call Peggy.

(Laughter.)

MR. BRESNAHAN: You're welcome. But I would like to point out that right now today when you look, they're balanced, right?

AUDIENCE MEMBER: Good job.

MR. BRESNAHAN: Thank you. Okay. Our cash, you'll notice that we have \$1.3 million and again kind of like the \$1.8 million on net revenue, the 1.3 hasn't got our dues and then it will lower throughout the year. Then our investments, I wanted to point out that — I'm catching up with myself, bear with me — we have

\$33 million in total non-(indiscernible) investments, but of that \$33 million, \$4.1 million are restricted for scholarships and AEF. So I almost kind of deduct those away from that, and then 2.7 is designated reserves which you all voted on last August which — you know, our contingency reserve, equipment reserve, the pension reserve that we have and also the Centennial Plan. That makes up that number. And then also I wanted to point out that built into that \$33 million, like what Mike talked about earlier, there's \$7.9 million of unrealized gains built into that number so we know how the investments go.

Our accounts payable, this usually kind of stays about the same each quarter. I mean it's just a natural function. Like this \$130,000 this quarter is really made up of direct mail accounts payable, professional fees, and legal bills still from the convention that we got from the Legion during the Fall. We posted those as expenses as of 9/30. We just haven't paid them yet because we never got the official bill from them.

That's my report. Do you have any questions? I would like to say this is my cat but it's not. I do have a cat, but it's not her. And it might be feeling this way and because I don't like to really talk in front of people, I'm kind of feeling this way too so.

(Laughter.)

MR. BRESNAHAN: So does anybody have any questions for me?

MS. THOMAS: Did you like that? Let's hear it.

(Applause.)

MS. THOMAS: Thank you, Tim. That was a great report. The successful fundraising efforts continue 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 31, 2017 totaled a net of \$28,000. The ALA received our \$83,000 guarantee just last month, bringing the total net to over \$100,000. The ALA

continues to be fortunate to have such generous donors both inside our organization and outside our organization.

Ladies, I would be remiss if I did not thank each of you for giving generously and helping us ensure the financial future of this organization and the future of its vital mission.

USAA Credit Card Affinity Program began in April 2012. There is an annual royalty guarantee of \$25,000. Plus this year, for the first time, we received an additional \$6,000 in performance dollars due to your increased, but prudent, spending. We share most of the \$31,000 royalty revenue with the departments and please remember, last year we increased the percentage we share with your departments from 50 percent to 90 percent, and I repeat from 50 percent to 90 percent. So if you have not gotten your USAA card, go get one now. No, not now. Tomorrow will be just fine and if you can't make it —

(Laughter.)

MS. THOMAS: — if you can't make it between your plane transfers, do it on Monday. Your participation really benefits your department, so spend it.

Your Finance Committee continues to believe in the value and knowledge gained by our members through mission training and the National Junior meetings. There were nearly 500 members who attended the mission training sessions this fiscal year as of January 31st, 2018. National Junior meetings attendance continued to grow this year with over 150 juniors attending as of January 31st, 2018. As a committee, we are excited by the continued growth of members training and we support the future of these learning opportunities for all of our grassroots members.

The committee would like to thank you for your support and approval of the ALA National Travel Policy and I would like to thank Tim and all his committee, and the Headquarters staff, for all their contributions in compiling the numbers for us. Thank you, Madam President. This concludes my report.

(Applause.)

PRESIDENT DUSCHECK: Now just as a review from what you just heard, Tim said if the balance sheet numbers on the bottom don't match, who do you call?

AUDIENCE: Peggy.

(Laughter.)

PRESIDENT DUSCHECK: Are there any questions regarding the finance report? And the finance report will be filed for audit. Thank you Peggy and Tim.

(Applause.)

PRESIDENT DUSCHECK: I think we've had a good productive morning so far. What do you think?

AUDIENCE: Yes.

PRESIDENT DUSCHECK: Learned a lot? AUDIENCE: Yes.

PRESIDENT DUSCHECK: All right. Thank you to everyone who presented this morning. We appreciate you taking the time to be with us during the NEC meeting.

Now we're not done with the morning but let's take a brain break and the other end break and we'll see you back here in 15 minutes, which would be about 12 minutes after the hour, okay? Okay.

(Short recess taken.)

PRESIDENT DUSCHECK: We're ready to start our next report, she said subtly. Some of you may have noticed this. For your comfort and convenience the people at the hotel came by and changed the men's room sign to a ladies' room sign, so there are now two ladies' rooms right out here for us.

Now here to give us an update on the accomplishments being made at our National Headquarters is our national secretary, Dubbie Buckler. Dubbie.

MS. BUCKLER: Thank you, Diane. Well first I just want to show that Lauren Lloyd, who is the NEC from Washington, D.C., just came up and said this is a present from one of the veterans in their D.C. VA Medical Center. So this is a gift from D.C. Unit 1 and the D.C. VAMC, and the one that she presented to me I'm going to make sure it's hanged somewhere in the new National Headquarters. So thank you, Lauren. Oh, why my goodness, oh. So, okay, let's show the artwork. So Nicole Clapp has one and National President Diane has one, and Foundation President Linda Boone has one. So, Lauren, thank you, thank you, thank you, thank you. So what a nice gesture. So I just wanted to thank you Lauren and I just want you to know where this one is going to go. It'll find a prominent home somewhere in the new National Headquarters.

Okay. My report's going to be short, only a couple of hours.

(Laughter.)

MS. BUCKLER: As was mentioned, the summary of proceedings are always posted on the national website. I do this every time because over time people are starting to realize what we do and why we do this. They include a summary of motions and I'm just continuing to draw your attention to that because we get calls at National Headquarters, what happened or what was done and instead of having to traipse through the entire proceedings like you used to, at the back of every summary of proceedings for the NEC meeting, the pre-Convention NEC meeting, post-Convention NEC meeting, is the summary of motions and the reason you do that -- this is a training sort of NEC meeting in case you haven't caught the theme -- and so the reason we do that is so that literally at a glance what action did they take. Now it's not what they didn't do, it's what action did they take. So just to remind you all because it's going to take a while for everybody to understand what that is. It's just an at a glance of the actions that have been adopted by the governing board.

And the reason it's important to do that, I'm going to be sharing with you some findings when we surveyed departments and one of the great news to report is that 38 departments now have had an external audit done, so applause, applause, to the 38 departments that have had an external audit done. Yes, that's worthy of applause.

(Applause.)

MS. BUCKLER: You just came back from a break. This is the way to wake you all up. We want lots of applause. So the reason a summary of motions is helpful is because when you do have audits, one of the things the auditors ask is what actions did your governing body take? Don't make them, because it's costly if you do, don't make them have to read through pages and pages and pages and pages and pages and pages. If you have a summary of motions, how easy is that? Turn to the back, rip it off, photocopy, here. Here's the summary of motions, here's the actions that the governing board took.

So I'm just, again, today's theme is training, educational and I just wanted to draw your attention to that. It's a best practice and we recommend that you all do that.

One of the things that is taking off like hot cakes is paying dues and remitting dues online. Now I've got to tell you, members seem to love it. So they love the convenience of paying online, by phone, and joining online. And I want to remind everyone, because I know this was a discussion in the past, if members have not paid their dues by 12/15 of the year before the actual membership year, they all who haven't paid their dues -- when I say paid their dues, dues that have been paid and remitted to the national organization and deposited so that we know that they have paid their dues -- they will receive a mailed notice and the mailed notice says if it crossed in the mail, you know, we're sorry, but they get a mailed notice.

So it's important for those of you who are concerned about our members need to get mailed notices if they haven't paid by the first renewal, if they don't want their first renewal emailed to them they can individually call and ask to have a mailed statement, but the opposite is happening. More people are contacting us saying please email my renewal notice instead of mailing my renewal notice. So we just have to realize that when you plan, you plan for -- this is the audience participation part -- you plan for the -- okay, this was really kind of weak. When you plan, you plan for the --

AUDIENCE: Future.

MS. BUCKLER: -- future. Okay. We want to be conscious and take care of people who aren't there, can't do that and we will. All they have to do is let us know that they want their statement mailed to them. But please know as a reportable item, that more people are asking to have their renewal notice emailed to them and more people are paying online as opposed to writing and submitting a check.

So in just one week alone, National Headquarters took over 3,000 telephone calls. Most who got their reminder notice and most of those calls were from people who had already paid. Yes, and for those of you who didn't hear Marta, and we weren't aware of it because the payment hadn't been remitted to the National Headquarters. So if it's not remitted, we know that lots of people pay their dues and I'm just pointing out it is a big problem and we're talking thousands and thousands of people who pay their dues and their dues don't make it to National Headquarters.

MS. HEDDING: Our membership numbers might be a lot higher --

MS. BUCKLER: Now, yes Marta's saying our membership numbers might be a lot higher but if those dues remittals are sitting in a mailbox that's never opened

or worse yet, sitting in someone's pocket, it's a big problem. So the most prevalent comment we get are I just want to pay my dues to support the American Legion out of respect for my veteran. I don't want to go to meetings or anything. So we love them, we've got to foster that culture of love. If they don't want to be involved, great, but we're hearing lots and lots and lots and lots of comments about how members who aren't active feel like they're second class members or worse, berated, because they're not active and we get that comment so frequently it's worth sharing with you that it is a concern that we need to address in this organization. So most of the disgruntledness is about units not processing dues, but so here are some good numbers. In 2017, how many months are in 2017?

AUDIENCE: Twelve.

MS. BUCKLER: Oh, great. You're on it. I know what time of day it is so if I engage you in this then maybe, you know, you'll stay awake. So in 2017 over 1,700 renewed by telephone, and we just really rolled that out last year. As of February 21st in 2018, so how many months is that?

AUDIENCE: Two.

MS. BUCKLER: Over 4,000 have paid by phone. (Applause.)

MS. BUCKLER: So that's 132 percent increase just in like a month and a half. So people love the convenience. Why am I sharing that with you? You just heard the report earlier this morning. At some point in time National Headquarters is probably going to have to look at having sufficient staff to take those telephone calls because we had to hire some temporary people during the high volume time because there were so many calls coming in. In fact, our thanks goes out to Marti Drake who's the former department secretary for Indiana who happened to live nearby -- yes, thank you. So we hired her part time because she's familiar with how you do this so she came in and helped us out for a while during the high volume time.

But good news, you can call and you can pay several members dues at one time. The impact to all of us, it may mean that we need to be sufficiently staffed in short pockets of time. So I'm not talking full time, full time, 12 months but, you know, we're going to have to have some temporary pocketed staff to take care of that increased call volume. In 2017 the number that renewed online -- 2017 has how many months again?

AUDIENCE: Twelve.

MS. BUCKLER: Okay. Okay, so almost -- 15,700, Tim I'm rounding, 15,700 paid in 2017. In 2018 as of February 21st, 16,900 had renewed online.

(Applause.)

MS. BUCKLER: So that already is an eight percent increase paying online. In all of 2017, we had 432 new members join online and we already this year have had over 200 join online. So people like the convenience that technology brings and we just need to be helpful of those who don't have access to technology. They still have the ability to get a mailed statement and pay their dues by mail, but we've got to see where the trend is heading.

So the huge concern is units and departments need to remit dues timely. Units who are not cashing membership checks or submitting them in a timely

manner to the department really are opening this organization up to risk and we need to understand that. I paid my dues. I have a right to feel like I'm a member of this organization and truly if six, eight months, a year, two years, three years -- Marta, I don't know what the record is -- but for the number of years that people thought they have been a member because they've been paying their dues and nothing has ever shown up in the remittance. So it's a problem.

Now the other concern that's coming to our attention is a member who renews online is a renewed member and departments and units need to distribute their membership cards in a timely manner. That's a complaint we're getting. I paid online and it's been six months. I still don't have my membership card because my unit is saying I'm not distributing cards until everybody has paid their dues.

AUDIENCE MEMBER: Or until I get my money.

MS. BUCKLER: Or until I get my money. So those of you -- how many know we remit in a really timely manner at National Headquarters? Anybody have any concerns about that? In high volume time, if we need to, we remit weekly. We at least remit bi-weekly. The longest we would go, and it's only because it's truly in a non-activity time, would be a month. But I don't think we've ever even gone that long. I think we've been remitting on at least a bi-weekly basis. So if it comes to National Headquarters, it's going back out to departments in a timely manner. But it is a real concern the number of people who are paying and it's not being processed, and who have paid and who are not getting their membership card. So it's just a huge training need. And I raise this, not in an advocacy way so don't anybody walk out here reading into what I'm about to say, but it is time to revisit and have a discussion about how we pay and process dues. This is a huge risk to the organization to have thousands, and that's not an exaggeration, thousands of members who have paid their dues and that money is somewhere other than where it's intended to go, so that they're registered as a member. Marta, anything else on that that --

MS. HEDDING: You did good.

MS. BUCKLER: Thank you.

MS. CONRAD: Madame Secretary, NEC Department of Ohio, Denise Conrad. I have a question that was raised just recently in Ohio. We had a mother pay online who has four daughters and she couldn't pay the four daughters online. And I had said to her if you cannot, then you need to call National and they will take everything, I said, or we can transmit them by mail as we've done in the past.

So I just ran into her last week and I want to say that she did renew hers online and when they told her she needed a separate email for each one of her daughters that she chose not to do that. So she called National. She said they took everything. She said I got it all done in about ten minutes time. She said the staff was wonderful. So I'm here to say that they did a very good job for that lady.

(Applause.)

MS. BUCKLER: Thank you.

MS. CONRAD: I do hope though that in the future maybe that's something that, if a grandmother or a mother wants to pay for other people that -- I mean that

seems to be, you know, her children are all minors and so it was difficult for her to make sure that they all had an email that she could do that all online.

MS. BUCKLER: It's hard for two-year-olds to do that. We understand that. And Marta, and for security reasons you can't have one person go on and pay a bunch of people's dues with one email logon. So from an accountability standpoint, it's set up the way it is for security system protection. And I think you all in this day and age, even if you don't personally understand it and I'm guessing most in this room don't really understand it, but at least we know it's bad.

So -- but that's why the paying by telephone is, you heard the numbers, is catching on.

You know, we are trying to make it as convenient as possible for people to pay their dues, and I will thank you for the compliment because the people who work in the membership -- well the people, I think everyone who works at National Headquarters, but the people who work in membership and IT really love our members and I think you know one of them, Bonnie Vest, was previously the Department Secretary for the department of Maryland and we kind of encouraged her to relocate to the Midwest and we're delighted. Because the people who are working there are members themselves and they understand. You know, they're not just staff. They're members themselves invested in the mission. So thank you, and that was not planned or orchestrated.

Thank you very much.

MS. CONRAD: I didn't get paid for that. (Laughter.)

MS. BUCKLER: Yes, well, speaking of paying.

So the comment, because some people didn't hear, so Mike Alerding really does appreciate some of the materials that we have at National Headquarters and he always wants to use them. Well I know how many clients that he has and I said what are you going to do with it? Okay. It's got a little trademark thing on it and that's fine. You give us credit and you have to give us a significant donation before you can have the privilege of using that, and so it's not a joke. I mean, that's the way we roll.

So the comment that some of you on this side of the room didn't hear was -- who was it that said it to him that maybe I should pay him for this report?

AUDIENCE MEMBER: He totally misunderstood the question.

(Laughter.)

MS. BUCKLER: Oh, okay, okay well good.

Because I was going to say we have paid him for this report.

AUDIENCE MEMBER: I had asked him the form, the giving form --

MS. BUCKLER: Oh, the giving form.

AUDIENCE MEMBER: -- because I wanted to see this afternoon.

MS. BUCKLER: Oh, okay. All right. Okay. Well --

AUDIENCE MEMBER: That's why.

MS. BUCKLER: -- okay. So thank you for clarifying it but it did lead to something that I was going to mention and that is you would never want somebody doing what Mike Alerding does, or your audit firm doing this gratis. You just don't.

I mean lots of things can happen. Oh, I really like her, I'm just doing this as a favor so oh, if I kind of make this look better that'll be okay, you know -- and the old adage you get what you pay for. This is a ton of work and it's costly. We know it's costly but we are a big organization and we need to pay the costs. So as wonderful as he is, he is compensated for what he does and including being here today to make the presentations. I mean he does give us a nice discount sometimes on like, answering questions. He doesn't bill us for every hour that he spends with us, but he is appropriately, adequately, and market rate compensated for what he and the audit firm do for us and that's the way you want it. You don't want favors going around when it comes to the integrity of your financial statements.

Okay. ALAMIS, the ALA's Management Information System. We have now 141 users at the department level. We have 159 district users and we now have about 1,900, getting close to 2,000 unit users. Now this is huge and this is helpful. We still have nine departments that have no units online because the department's not authorizing their units to access the system. Now when we started this -- so I'm just being kind of straightforward here -- when we started this it was a courtesy to let departments decide if/when their units could come online. It is now something that so many people are using that it is being considered a disservice and discrimination that some units are not able to do it and other units are. So I'm just telling you that this may change, the discretion to allow departments to do this may change because of the disparity among departments is generating a lot of ill will because some units can do it and some units can't. So I hope everybody understands that you may see some changes coming.

The department Operations Guide was last updated last year. Remember it's online. I can't lift it. I'm going to ask Vanna, the lovely little eight pound document, it is heavy. I'm telling you, you guys, you will pump iron and look much better if you use this every day, and use it with both arms. So you can get the whole thing in a binder for \$45. If you already have the binder you can buy the guts or the innards of it for \$27. The order form is online. The Operations Guide is online. You can download the entire thing and crash your computer or you can download it -- well, check by check. Oh, we're late for lunch? Thank you National President. Someone decided to let the break go longer.

(Laughter.)

MS. BUCKLER: Well, okay. I can't get done in five minutes. I can maybe blitz through it in ten, but I can't get it done in five minutes. Do you want to hear what we need to talk about or not? Madam President?

PRESIDENT DUSCHECK: You're in for it now.

MS. BUCKLER: Well, Madame President, is it all right if I proceed?

PRESIDENT DUSCHECK: Sure, I mean I don't mind it.

MS. BUCKLER: Okay. As my late mother used to say, listen up, I'm going to talk fast. ALA Girls State programs, we have to become compliant with branding. It is American Legion Auxiliary Girls State. It is ALA Girls State. It is not -- okay, for the one person who got it right you get a prize after the break -- it is not -- you have to have ALA in it so it's not Girls State. We have about 900,000, we're getting

close to a million alums, and most of them have no idea who put on this program. That is a source of membership. That is a source of donations. Your biggest pool of prospective donors, prospective members, prospective volunteers, have no clue who put this program on. So I'm going to beat this horse until it starts galloping with full branded saddles. ALA Girls State, at least if you say ALA Girls State it makes them come up and say what does the ALA stand for.

So I'll tell you a quick funny story. I know, I'm taking another minute. ALA Girls Nation, Washington, D.C., a gentleman's there, he's walking around, it almost getting kind of creepy because he's kind of going through us the whole, you know, as we're waving through. Get down to the bottom, he comes up and approaches me, he goes, oh, are you with this group? Duh. We're branded in case you haven't looked at the pictures. Yes. Oh, my daughter went to Girls State. So I said really, who put the program on -- I'm going to shorten this because there was a lot of ums in there -- and he's in a business suit so I mean he's not like on a tour. He's there on a business trip. American Civil Liberties Union. Not kidding. I said no. Um, no. Um, more of that. Some sort of foreign legion organization. No. So at that point I said, read the chest --

(Laughter.)

MS. BUCKLER: I didn't say that but I kind of

-- I said American Legion Auxiliary. He goes, he did exactly -- ding, ding, ding, ding -- who? Really.

They're the ones that put this on? Okay. I could tell you story after story like that. So I'm going to keep beating this. We just continue to hear from people wanting to know who put that program on.

Okay. Email volume. We get a bunch of email. We have one and a half million emails coming in. The help desk and I, and Marta, get about 57 percent of those. So I'll say again in the spirit of goodwill, I try to answer emails. I try to be prompt. I'm human. I'm going to overlook one. I've overlooked one from National President recently. She let me know.

(Laughter.)

MS. BUCKLER: In a kind thoughtful way, perhaps you didn't see this, and I hadn't. So, you know, we do our best. Just understand it's a high volume.

I do want to go through real quick.

Department secretaries, we have the organizational effectiveness training. That is supported by funds out of the Strategic Plan budget that you all as the NEC resource. And we make it crystal clear to them, this training is made possible because the National Executive Committee resources the Centennial Strategic Plan budget. So they get thanked by you right off the bat. And so we always ask them a number of questions, so I'm going to go through these quickly.

How many department headquarters staff -- so this is what it looks like. I've made a cheat sheet so I'm going to go through my cheat sheet. So 38 departments now have an external audit, woo hoo, that's a big improvement over the past six years. Twenty-four departments now have the department secretary and department treasurer as separate positions. I'll say that again. Almost half of the departments now have the department secretary and department treasurer as a separate position

and of those that still have them combined, eight have a separate bookkeeper. I've got to hammer this. This is the biggest risk your department has that you have one person responsible for money in and money out.

The two positions can be separated. The biggest myth is that well, if we separate them, we now have to pay two people. No, you can separate them and the treasurer can be a volunteer position. Only needs to come in a couple of times a month and sign stuff and look at stuff and, you know, according to the rules and delineation of duties. But if your department is resistant to that, all I can say is please, you've got to think about that. Because Marta and I were trying to keep track, that we know of in the last decade eight departments have had an officer, director or headquarters staff member commit fraud, steal, embezzlement. Two currently are in prison. That's 15 percent of our departments that have experienced embezzlement fraud. This is why we keep talking about this. Every year we're asked, how come departments can't come under the national bond like our units do? Because you're too big a risk. You're too big a risk. The rate of theft and embezzlement at the department level is such that our national underwriter will not, through our blanket bond, include you. So, yes, you're going to continue to hear about this because it's a big concern, big problem.

Twenty-five departments have one or fewer staff members. Twenty-three departments have between one and a half and four staff members. Eight department headquarters are located in someone's home. I understand -- you need to understand what a huge risk this is for your organization that you have your department headquarters located in someone's personal residence. All we can do is bring it to your attention.

Twenty-seven share space with the Legion.

Thirteen are in a separate building on their own. Eight of the department secretaries serve as the department secretary and are not paid anything. There's no compensation. We call them committed or need to be.

(Laughter.)

MS. BUCKLER: I mean they're saints. Eight are not compensated. It's a business. Your department is a corporation. It is a business. I'm just advising. I think you need to rethink that.

A majority of the departments have incorporated ALA Girls State programs. Remember your ALA Girls State boards are subsidiary corporations which means they're wholly W-H-O-L-L-Y -- some of them may think they're H-O-L-L-Y -- but they're wholly W-H-O- L-L-Y accountable to your department governing board. As the NEC you've got to help your departments understand this.

You may have wonderful ALA incorporated Girls State programs doing wonderful things. This is not a character aspersion thing, it is an accountability thing that we're trying to impress on you. Your department governing boards need to know -- you have to approve, not just know -- you have to approve the board of directors, you have to approve the by-laws, you have to approve any changes, you have to approve their budget, and they have to report to you on a monthly basis. They are a subsidiary corporation. So I keep reminding you that because we still have a ton of

questions that come up every year because of the problems the lack of understanding is causing.

In the past now going on for four years, we are still hovering at 60 percent turnover in department secretaries. This is huge. One of the things those of you in this room know that we have mentioned to all of you in the training is there's got to be some continuity at your department headquarters. The department secretary is not the secretary to the president. She's an officer of the corporation and I'm not saying that there aren't some out there that need to be replaced. Don't misunderstand what I'm saying.

Do a good job of selecting one in the first place. Get a good one and then, please, work with your leadership to keep a good one because too many of you know what the problems are when you don't have a good one. Okay.

990s, stay on top of it. They're due. If you didn't file for an extension, they're due March 15th. If you filed for an extension they're due May 15th.

Recommended types of insurance for departments. We have gone over this, covered it.

Every year it's on the website. Every year the department secretaries come back from the training with that information. Every year we're surprised at the number of departments who still don't understand what officers and directors liability insurance is and the fact that you need it. So I'm not going to spend any time on it. Just know that every year the department secretaries come back with a bunch of stuff and that's in that bunch of stuff that they come back with.

New building update. In your packet, did any of you see a picture of it?

AUDIENCE: Yes.

MS. BUCKLER: Okay. I hope -- I have to draw your attention. This is an artist's rendering of what it would look like if we take the Zeta Tau Alpha letters off and put American Legion Auxiliary on there. It still says Zeta Tau Alpha. It doesn't look exactly like this but I know we've sent this out electronically at least twice, sometimes three times to departments, so I just wanted you to see that we did buy one. As of about a couple of weeks ago, the staff in the building

-- the Zeta staff -- did move to their new headquarters but they still have stuff in the building. We're obligated where we are through the end of the year.

We're in no hurry to move. Everything that will need to be done was included in that analysis that was sent out about buying the building so there's stuff that's got to be done.

Okay. The building is 25 years old. What's happened to technology in 25 years? Okay. The building has Cat 2 wiring, for those of you who understand that. We're up to Cat 8 so we've got to rewire the building for automation, for computerization. We knew that. That's built in there. You don't go in there and do that in a day. So there's lots of things that have got to be done before we can move in.

Now the other thing about the building is how many know that the American Legion Auxiliary every year pretty much repeats the same schedule that it had the previous year, and the year before that, and the year before that, and the year

before that? There are only a few times in the year that we could move. Well we could move anytime, but without a lot of disruption.

It's likely we won't be moving until after National Convention. I mean, really, just from a practical standpoint when can you do this? Probably not until after National Convention. So trust me you'll all be the first to know if that changes, but it's not -- the point I'm making is it's not any time soon. The building was not such that we could meet in it today because they still have some of their belongings in it so, you know, we're sorry we weren't able to give you a tour today but eventually this is where these meetings will be held.

Mike Alerding -- somebody mentioned the Member Conduct Guide. Somebody did. Pam, Pam did.

See it'll be shorter because Pam gave a lot of what I was going to talk about. The Member Conduct Guide. It started out as a how to discipline a member. Now what kind of a tone does that have?

(Laughter.)

MS. BUCKLER: Doesn't that sound fun? So it's the Member Conduct Guide, it will hopefully address the most prevalent questions we get. We understand we need to do something. How do we do it? And I just want to say hats off and I would like you to join me in showing our appreciation to Chris Dickey because she and former Counsel General Phil Onderdonk, new Counsel General Kevin Bartlett, this started out as an idea, a goal to strategy. So it started out with lots of people involved and ideas, and the ideas have percolated and, you know, you know the process. Well now it's down to where it has to be written and it has to be written in one voice and with people who are professionals, you know, doing the final reviews of everything. Our goal -- our goal -- is to have it done before Convention. If we don't meet our goal, we don't shoot the person who stated it was a goal.

(Laughter.)

MS. BUCKLER: But our goal is to have it -- it currently is, it's about 30 pages. So it's not a two-pager.

The next thing real quick -- yes, I see you Diane looking at your watch -- just want to remind you when Peggy Thomas was National President, she raised money through the National Security Chairmanship -- who was Mary Davis at the time -- when she came back from visiting the Demilitarized Zone in Korea, she said oh my gosh, those troops have nothing to do when they're off duty, and they don't. It's a small place. So she was hoping to raise \$8,000 and raised something like \$40,000.

(Applause.)

MS. BUCKLER: So, you know, we have some over-achievers in the organization and it's wonderful because people saw the value in it. We couldn't spend all that money at the time, so then when Nancy Brown-Park went the next year she came back and she said wow, they could use some TV type monitors to go with it. So we spent some more of that money. So we still had a bunch of the money left is what I'm saying. So this year it's been five years since that. What do you need? What can we do to help you? So we're sending them a couple of super power

gaming computers, and those of you who have kids know that there's computers and then there are gaming computers, and there are monitors and then there are gaming monitors. So anyway, we're spending another \$12,000 of that money for equipment to go over to the demilitarized zone and I just –

(Applause.)

MS. BUCKLER: Also the Air Base in South Korea is developing a place for the troops to gather. Today's generation, what's today's generation's socialization? So they get halfway around the world. They're kids -- I'm sorry, yes, I know they're adults to our younger people in the audience -- but to us they're kids over there, 18, 21, 22 years old, they're not socializing with each other. After a while this gets boring and then they find other ways to occupy their time which are not necessarily productive or healthy. So the base is creating a place to foster socialization and when they do we'll be able to spend some of that money to help them get stuff for them to socialize with. So that's in the works.

When we met last time, or the time before last anyway, but I talked about a project that was near and dear, at least to my heart, developing a women of the holocaust film project and it was started -- so I just wanted to give you a real quick update -- yes, Diane, I still see that you have the -- we've learned a lot. Public television is not a simple thing to navigate. Without going into a ton of details, the Jewish Federation of Indianapolis is so enchanted with this project that they have dedicated their grant writer to help us raise money for the project. It's gone from being approximately a \$2 million budget to a \$4 million budget.

(Applause.)

MS. BUCKLER: Not that we have raised the money. I'm saying the budget, the budget has gone there because they want to turn it into a whole community education project. So it's not just going to be a film, it's going to be a film with a score, a soundtrack, art projects, community engagement projects, and educational materials. So the time line's been pushed out at least a year. The budget's going to be more than twice what we originally anticipated because to do a documentary, you know, you can all kind of envision what that would take to do all these other things. It's going to be bigger. Bob Massie, who most of you have met, is the lead on that. The Foundation did receive a \$25,000 grant so I have not incurred hardly any -- no direct cost, I've not incurred any direct cost -- but if I were to incur any direct cost there is a grant that was given specifically for that purpose. So the American Legion Auxiliary, your dues, your donations are not paying for that. That grant would help provide any -- if I needed to travel somewhere to do something and I haven't yet because Bob's been the one that's been doing all of this. So, and you all voted to support that, so yes, there are times during the day when I might take a phone call about it, but most of the work I'm even doing on it is on evenings and weekends.

But that leads me into something else that I know many of you know, but for those of you who don't, Nessie Godin, who was at this meeting last year and who has for about a decade been presenting to ALA Girls Nation and Legion Boys Nation was admitted to an assisted living facility and has let us know that this

-- she will not be doing the presentations anymore to ALA Girls nation, Legion Boys Nation.

Now I just want you to know we knew -- she is 89 years-old and when I say bless her heart, I mean it the way my family meant bless your when you say bless your heart. Bless her heart, she's almost 90 years old. She lost her husband a little over a year ago. We're all getting older. We knew this was going to happen. So she allowed us to videotape her and said as

-- with the cross your heart, as long as you don't lose it, use it until I can no longer do these presentations. So we do have her presentation on tape. It's not like the real thing but at least we do have that and Bob Massie did go out and has done significant videotaping of her and her story in her home, so we've got a lot of good footage of her. So anyway the project is a really big project and I just wanted to give you a quick update on that.

And finally, just everything that we do is driven by the Centennial Strategic Plan. So I wanted to share what the number one question we get asked about, is that Strategic Plan doing anything to grow membership? That's the number one question. Lots of people see all the value that's come out of it, but for those who are little more on the skeptical negative side, the question usually is what's it doing for membership?

Okay. We had an ambitious goal. I'm looking at Nancy because when we were all sitting around talking about this initially it was like get a million members and it still should be the goal of this organization to attain a million members because there are six million eligible members out there and that's doable. The number one reason it's not doable is that 45 percent of our members drop out by the third year after they've joined and the reason they give for dropping out is behavior and conduct in this organization. No Strategic Plan is going to change that.

However, there is good news. In 2007 to 2017, membership dropped 15 percent. In the four years before the Strategic Plan was adopted, membership declined ten percent. In the three and a half years since investing in the Centennial Strategic Plan membership has dropped six percent. Now, is six percent better than ten percent? Six percent is forty percent better than ten percent. So we have a 40 percent improvement in reducing the rate of decline of membership. Are we growing membership yet? No. But when you've been going this -- this hurts -- when you've been going this direction for 40 years, you're not likely to just do that. What do you have to do before you go back up?

AUDIENCE: Level off.

MS. BUCKLER: You've got to level off before you go back up. So we are leveling off and it's not because fewer people are dying every year. You're dying at about the same rate that you've been dying all along, so anyway I just thought that was a positive thing to think about. It's making a difference and I think because you all have been the decision makers investing in that I think you ought to know some good news to take back to your departments.

So now I know I'm standing between you and lunch. Madam President, this concludes my report.

(Applause.)

MS. BUCKLER: 12:01.

PRESIDENT DUSCHECK: She rues the day when I got an iPhone in my hand. Thank you, Dubbie. What a great report. So many exciting things happening at National Headquarters. So we're going to break for lunch now. When we return at 12:45 we'll jump right in with any program announcements our National Chairmen might have for us. So thank you everyone. This meeting is recessed. Go for it.

(Whereupon, at 12:01 p.m., there was a recess for lunch.)

PRESIDENT DUSCHECK: Okay, everyone. If you're ready to settle in for the afternoon, let's have at it here.

All right, ladies. We're going to start our afternoon with some updates. Updates, yes, new information. So I'm going to ask you to please welcome a whole host of people. And I'm going to introduce them all right up front and then we'll let them just rotate through and give you information.

So you will now be hearing from National Junior Activities Chairman Pam Ray; National Veterans Affairs and Rehabilitation Committee Chairman Nicole Clapp; followed by National Leadership Committee Chairman Norma Tramm; and then National Legislative Committee Chairman Carol Edwards; National Community Service Chairman Beth McGinn; and National Americanism Chairman Martha Corriher. Ladies?

MS. RAY: Good afternoon. ALL: Good afternoon.

MS. RAY: Madam National President Diane and NEC, we have completed our six Junior meetings for this year and I'm so excited to announce that once again our attendance increased over last year.

(Cheering.) (Applause.)

MS. RAY: Since starting the practice of holding five or six National Junior meetings in the ALA divisions, the number of Juniors participating has grown by 300 percent.

(Applause.)

MS. RAY: The number of Juniors participating has grown each year, with this administrative year's numbers increasing by nine percent. Along with this exciting statistic is the number of new Juniors we continue to reach each year. This year, 56 percent were new first time attendees.

Our Honorary Division National Junior Vice Presidents led their meetings well. At each meeting this year we also asked our older Juniors to do some of the presentations. For instance, Poppy was a presentation in skit form written by our Honorary Central Division National Junior Vice President. It included four Juniors. Some of our get to know you games were created by the Honorary Western Division National Junior Vice President. Our game for the Star Spangled Kids Patch was led by and performed by three to four Juniors at each meeting. The Military Child Table Ceremony was also done by our Juniors as well.

And our National Security and Americanism presentations were given by volunteer Juniors. As senior members we were there for guidance, but we gave more of the meeting to these amazing Juniors.

NEC, please return to your departments and contact your American Legion Posts and SAL Squadrons. Let them know that the patch program is available for the young SAL members. Perhaps they could share this information in their department newsletters. The department Junior Activities Chairman should be their point of contact for patch order requests. Someone in their unit who has a members only number for our website can retrieve the requirements for the patches. For now, until we see more young SAL members utilizing the program, this is how we will proceed. This is something we will look at for the future as the need arises. And remember, our Junior program is only as good as the Seniors who include the Juniors in all they do and provide them with support and positive feedback. Thank you, Madam President, for the opportunity to update the NEC on Junior Activities.

(Applause.)

MS. CLAPP: Good afternoon. ALL: Good afternoon.

MS. CLAPP: From Veterans Affairs and Rehabilitation, sometimes we think about our stories and our stories we think, oh, everybody does that. Or I don't need to report that. Well as we were looking through our midyear reports, here is a story that I think touches many of our hearts and hopefully it will touch yours as well.

One very touching experience in South Dakota occurred during one of the gift shops. How many of you have a gift shop you help at? Absolutely. When a veteran was walking around. He was carrying a watch and he asked if he could have it for himself. Jeannine Loesch, the Department VA&R Chairman and First Vice President replied that shopping for himself would be done the next day. And today was his opportunity to select items for his family. He stated he had not been in contact with them for years.

Jeannine asked him if he knew where they were. On the phone they found out that one of his daughters worked at an insurance company in Florida. Jeannine tried calling and due to the time change of course they were closed for the day. The Gift Shop Chairman told him she would try to Facebook him the daughters to let them know that he was enrolled in the VA program and he wanted to try to make his life right and wanted to send gifts to his daughters and granddaughters for Christmas. None of the daughters replied.

So before the VA Christmas party, Jeannine tried one more time. She found the daughter in Florida again and called her. She told her that she was from the American Legion Auxiliary serving as the VA&R Chairman for the Department of South Dakota and had worked with her father and they really needed his shipping address so he could send them gifts to Florida for his daughters and granddaughters. Jeannine told her that she didn't have to give the address to her father if she didn't want to. She would be more than glad to keep it to the VA but really wanted these presents to make it in time for Christmas.

The daughter gave her the address and said it would be fine to share it with her father. The news brought the veteran and the Gift Shop Chairman to tears during a huge embrace.

Then Jeannine had not seen the veteran till the Christmas party. And he knew she was responsible for the efforts. He hugged and thanked her too for all she had done. So when we think about the little things we do, Christmas gift shops can bring families together.

So thank you for all you do and these are the stories that we hope you share, NECs, for us to share from the platform at National Convention. Thank you.

(Applause.)

MS. TRAMM: National President Diane, I have a quote from President John F. Kennedy. He said, “leadership and learning are indispensable to each other.” So raise your hand if you’ve taken any of the ALA Academy classes? Wow. Well, most of you. Hmmm.

Everyone, everyone should take a few moments to gain information provided on our national website. This is such a great opportunity, especially for our members that maybe don’t live in our communities or maybe aren’t able to make it to our meetings. They will still have the road to knowledge of our American Legion Auxiliary.

Encourage your Junior members to assist members that don’t have the internet. They can each teach them how to navigate through the courses and through the different things. You might be surprised because you might find them, these Senior members, taking trips to the library to get on the internet so that they can use some of the over 2,000, nearly 3,000 resources on our national website. They’ll get hooked.

A common thread that weaves through Leadership in our departments is to have fun while learning. Those of us who have been in the American Legion Auxiliary for a long time have a tendency to forget there are a lot of things that new members need to learn. The more they understand, the more dedicated they will be to our mission and our traditions. Our willingness to try new things will keep our younger members coming back for more. Sometimes the best leaders take a step back and let others lead.

My final quote by Harvey S. Fierstein, “the growth and development of people is the highest calling of leadership.” Thank you, Madam President.

(Applause.)

MS. EDWARDS: Madam President Diane, NECs, since most of you arrived in Indianapolis, 20 veterans have committed suicide. Before you return home, at least another 20. As a mother of a 25-year-old veterans, excuse me, that suffers from depression and PTSD and anxiety issues, these numbers are frightening. We need to commit ourselves to reducing these numbers through support, education, and research. We need to embrace not only the veteran, but the families. We need to let them know they are not alone and don’t leave them alone.

Many of our veterans suffering from PTSD and chronic pain have told the American Legion that they have achieved improved healthcare outcomes by forgoing VA prescribed drugs in favor of medical cannabis. We need to conduct more research to determine the impact of marijuana. However, because the federal government lists cannabis as a Schedule 1 drug, it is almost impossible for medical

professionals to conduct the necessary research. All of the opioids contributing to our current drug crisis are listed as Schedule 2 drugs and lower.

We have veterans that are suffering. The government is standing in the way. The American Legion is urging Congress to reclassify marijuana and to recognize its potential medical value. We need you to convince Congress to act. Thank you, Madam President.

(Applause.)

MS. MCGINN: Madam President Diane, NECs, good afternoon. National Community Service, all 52 departments reported their involvement in community service projects, especially during suggested ALA National Days of Service to include 9/11, Make a Difference Day, and Veterans Day. They promoted their events through both traditional and social media, wearing their logo attire, to promote the brand and increase awareness of the ALA's commitment to veterans, military, and the community. Unit members were also busy during the holidays mailing cookies, delivering meals, visiting nursing and veterans homes, sending troop packages, and collaborating with other organizations and businesses for assistance to achieve their goals.

An example of how creating connections can work was reported by a small unit of 25 members who with the help of Bob Evans, their local high school culinary school, the members of the National Guard, and Unit and Post volunteers, baked many, many dozen cookies that were sent in packages to the troops by another unit that was larger in their department. And that was great collaboration to get that done.

If community service is a reflection of who we are and what we do as illustrated in the reports that I receive, then the result is that people will begin associating the ALA with their members with an organization and cares and supports veterans, military, and the community and ultimately be attractive to potential new members. Thank you, everybody, who submitted reports, and thank you, Madam President.

(Applause.)

MS. CORRIHER: Thank you, Madam President, for letting me make this presentation. At the beginning of the year we had a lot of units to approach us about the student essay contest. They said, how do we explain how to do the essay contest? So we came up with an idea that we promoted, step by step how to write an essay for the essay contest and we put it on the eBulletin. And then I had a brainstorm, well, why don't we open it up to the Senior members? If you write an essay, then you know how to actually go into the schools and be able to explain how to do the essay. So I'm happy to say we had 56 Senior members throughout the five divisions to submit essays. And I'm here to report the winners, because I promised a winner in each division and they will be receiving a special prize from me personally, in the Central Division is Catherine Auffert from the Department of Missouri. And the Central Division had ten entries. In the Eastern Division Sharon A. Beeke, Department of New York. And the Eastern Division had 24 entries. I'm happy to report that the Southern Division winner is from the Department Arkansas, Charlotte Purdy. And they had 19 entries in the Southern Division. In the Western Division,

the Department of Idaho, Jo Ann Bujarski is the winner from the Western Division, with three entries. I'm sorry to say that the Northwestern Division had no entries for the Senior essay contest.

These opened their eyes and they all commented this was something that they never thought they could do but without the step by step guidelines, it was on the eNews or the eBulletin, they were able to do it, and they were better to go into their schools to get the students to write these essays. Thank you, Madam President, for letting me make these announcements.

(Applause.)

PRESIDENT DUSCHECK: Thank you to all those National Chairmen for sharing important updates with us.

Just so you have a little heads up for the afternoon, we're not going to stop for a scheduled bathroom break. However, should you feel the need please take care of your own needs. I'd like you to please welcome Past National President and Chairman of the 100th Anniversary Celebration Committee Linda Newsome.

(Applause.)

MS. NEWSOME: Thank you, Madam President.

Wait a minute. That's what happens when you're short.

(Laughter.)

MS. NEWSOME: Nothing works. Madam President, what is it? When? Who is doing it? Where can I find it? Why is it being done? Why do we matter? Not too hard to figure out, since I was introduced as the 100th Anniversary Chairman, right?

(Laughter.)

MS. NEWSOME: Do you have it? I do. I'm focusing on our future with 2020 vision and I want to put the 100th bug out there traveling from unit to unit, department to department. And of course, enthusiasm throughout our great organization.

The American Legion begins celebrating its 100th Anniversary at the 2018 National Convention and ending at the 2019 National Convention. And at that 2019 National Convention is when the ALA begins one year of our 100th Anniversary Celebration. I encourage your units and departments to work with the Legion so you don't need to reinvent the wheel.

So where are we so far? Well, a national committee has been formed and has already been diligently planning for, as Dubbie would say, the huge celebration. The members of the committee have been assigned to several responsibilities. The first is for each committee member to contact three or four departments to act as conduits, passing and receiving information from each of our departments.

The second is to be part of a task assignment: public relations, history, or our programs. You may already have seen an example with the ebulletin in January and again in February. I am excited to tell you that a 100th Anniversary Celebration Facebook group is up and running with over 300 in just the first month. Please join by going to, and I'll read this twice, [www.facebook.com/groups/alacentennial](http://www.facebook.com/groups/alacentennial). Need it again? Okay, [www.facebook.com/groups/alacentennial](http://www.facebook.com/groups/alacentennial).

Other social media is just down the road. But please do me a favor and don't ask me about the media portion. My knowledge is close to zero. I can barely tell a Facebook page from a YouTube. And when it comes to Flickr, Pinterest, and Instagram, I throw up my hands. So any questions should be directed to the PR

Subcommittee Chair Lisa Williamson. (Cheering.)

(Laughter.)

MS. NEWSOME: From Headquarters I'm delighted that Stephanie Holloway and Aaron Meyer are working so diligently with us. If history is your passion, contact Carlene Ashworth, who is Subcommittee Chair for the History Task Force. And here's where my show and tell. The Department of Texas has produced this book, which not only contains recipes but also contains a history of Texas ALA. It contains tributes in memory. It contains programs. And they are even making money on it. So if you want to know more, talk to Carlene.

And Betsy Lee Hodges holds that position on the ALA Programs Subcommittee.

Rounding off our committee is the Vice President, the VA&R Chairman, the C&Y Chairman. Dubbie is our go-to person handling such items as vendor products, communication with VIPs, and of course always more.

So far we've learned that departments have either established a 100th Anniversary Committee or plan on doing so at the upcoming department meetings. We'd love to hear more about how you plan to honor and celebrate the American Legion Auxiliary's Centennial.

I encourage you all to take the survey, and I have to admit I'm a little disappointed if you haven't already. Because there were very few who did. So the link came out in email to each of you about a week ago. So please go back into your messages and follow the Survey Monkey link. The National 100th Anniversary Committee will be in touch with you soon.

In addition I urge you to review the Legacy and Vision Booklet, which you all should have a copy in your hands because they were out on the back table today. This is produced by the American Legion. The publication is available as a free download at Legion.org so you can easily share it with your fellow Legion family members.

We need to get our units and departments involved. Many departments are in full swing already. Some are still in the infancy stage. If we get all of our units and departments involved, that illusive million members will be a reality.

There are several members of the committee here and I would appreciate your standing to be recognized. Gee, don't hesitate.

(Applause.)

MS. NEWSOME: You know, I didn't mention it but of course our National President is ex officio of all committees. Trying to get out of that one for me, woo.

(Laughter.)

MS. NEWSOME: So please, go back to your department, share what you have learned, contact the members, at least the ones you see here, and get going.

(Applause.)

PRESIDENT DUSCHECK: Thank you, Linda, for that advertisement about our 100th Anniversary Celebration.

Please welcome Past National President and Chairman of the Long Range Strategic Planning Committee Janet Jefford, and Vice Chairman Stephanie Abisi.

(Applause.)

PRESIDENT DUSCHECK: I feel like I should say come on down!

MS. JEFFORD: Okay, strategic planning. I know when you hear those words you all go, oooh. But I want you to get really excited about this. All right we need you to get excited. All right. So first we're going to start. Stephanie is going to share some stuff that has been happening since our report at Convention. Stephanie?

MS. ABISI: I almost said good morning. Good afternoon. It's still raining out. Janet and I, as Janet said, we have several exciting things to tell you about this afternoon that have been developed because of the Centennial Strategic Plan. So I'm going to start, you probably all know where I'm going, how many people have taken the ALA, at least one course in the ALA Academy, or you know what it is? Great.

So launched in May of 2017, the ALA Academy is a professionally developed online training program that is an initiative derived from the Strategic Plan to help us achieve our five goals. In May the Academy launched with ALA 101 and Communications 201, and then in August we added a third course, ALA Leadership: Living our Motto of Service Not Self. Who, I already asked, who has taken at least one course? Okay. Who has taken two? Who has taken all three? Good job.

Thank you.

Well over 1,000 members have taken ALA 101.

Over 900 members have taken ALA Communications 201. And almost 250 members have taken ALA Leadership. And we are excited to announce that the fourth online course will be launched in early March. This course, Establishing an ALA Culture of Goodwill, is a thought provoking course designed to help ALA members better understand our attitudes, beliefs, and behaviors and how they impact ALA membership and the ALA's ability to serve our mission.

So how can you help your department utilize the ALA Academy for training? The first, refer new members to the ALA NHQ website and the ALA Academy. If you log in, it's the first drop down under member resources. And especially refer them to ALA 101 since it really is designed for all members. Your department could also begin asking those applying for certain leadership positions to complete the ALA Academy courses. And National Headquarters will work with the departments to provide the information on who in the department has taken those courses.

Besides the ALA Academy there are some other exciting opportunities to members that have been created out of the Strategic Plan. From Goal five, with the American Legion build brand loyalty, we have the brand ambassadors and an award. We now have 25 volunteer National ALA PR Ambassadors who promote certain ideas and themes across our social media. All of the ambassadors are active on at

least Facebook. In addition, about half of the group uses Twitter. And some individuals also post to Instagram and LinkedIn.

And in an attempt to reach some younger members, they are also expanding to a social media platform called Snapchat.

Originally the PR ambassadors were promoting the ALA blog. But the posts have branched out to include items from the NHQ website, the ALA eNews, and the ALA and American Legion YouTube channels. I believe there are a few members in our audience who are PR Ambassadors and we thank you for your continued brand promotional efforts.

Did you know that there is a member award called the ALA Brand Ambassador that is part of the Public Relations Action Plan, which is an expansion of the ALA National Brand Ambassadors? It will be awarded to one member in each department who achieves excellence in promotion of the American Legion Auxiliary with her use of social media, wearing ALA branded attire, and other activities that showcase the Auxiliary unique branding through visual identity.

Want to find out more information? Check out the Public Relations Program Action Plan.

And coming in 2019 is the much anticipated Goodwill Ambassador Award from goal two. As an American Legion Auxiliary Goodwill Ambassador, we'll deliver goodwill, promote ALA ideals, and volunteers their time, talents, and passions to raise awareness of serving veterans. Some characteristics of ambassadors include brand knowledge and appreciation, established community presence, a high level of professionalism, and a passion for growing relationships. The official information will be released during the Department Leadership National Conference in May, so your incoming department presidents and membership chairmen will receive that then. And the first Goodwill Ambassador Award will be presented at the 2019 Convention in Indianapolis. Janet?

(Applause.)

MS. JEFFORD: Okay. So we have some new, exciting initiatives coming out of goal one. Who knows what goal one was? Somebody? Okay. Enhanced membership strength, right? Okay. Goal one. So they've come up, the first one is called the Service Not Self Volunteer Toolbox. Basically this will provide members with new ideas and more volunteer opportunities.

You know, now if you go on the website you have to go from program to program to find things. Well what this toolbox really does is compile everything together so you go on one place on the website, click on it. Everything is in that toolbox. Just like you should have your little toolbox at home. So you'll find a lot of links there to program pages. You'll find a lot of new ideas for volunteering. And we hope that you do promote this in your departments.

Let's see, the toolbox will be available very soon. It should be available in March. And the team is working -- pardon? It's now? Okay. Is it up? All right. Fresh off the press, it's now on the website.

Very good. And the team is going to be looking for ways to promote this so that, you know, if it's on the website and it just sits there, it doesn't do any good, right? We have to use it.

Okay. The second one that's coming out of goal one is, I'm really excited about, and it's almost finished. They have created ALA branded programs and service learning projects for students, teachers, and parents. And I think this could be really cool, a great way to promote our spirit of volunteering to the younger generation. So please, look for that coming soon. Do you know when that's coming? Soon.

Okay. Goal four, who knows what goal four was? Is? Strengthen departments and units. We heard so much today, this morning, on how good we are doing at the national organization. I want you to just think about, ask yourself maybe, is my department as strong as the national organization? Are we doing things right? Can we need help? Can we use help? And if that question is yes, then you start, you need to start promoting everything that is out there under goal four.

So goal four is all about strengthening our departments and units. One way to accomplish that is to help and encourage departments and units to have their own strategic plan based on our five national goals. Over the last two years, this goal team has been devoted to promoting what we call the phase one awards. Departments could earn up to \$1,000 for writing their strategies and initiatives, putting together action plans, and looking towards outcomes.

Twenty-four departments have completed phase one and received \$1,000. Seven departments have completed only a part of phase one. And sadly to say 21 departments haven't begun at all.

So NECs, if your departments are one of those 31 that have started their strategic plans or finished phase one, please stand up. You know who you are? Congratulations. I think you all deserve a hand.

(Applause.)

MS. JEFFORD: This year this team is beginning the phase two awards. Department presidents and secretaries of departments that completed phase one have been contacted with information. Just think, you could earn another \$1,000. So we've made a commitment, the national organization, to give you incentives to do this. So please, go back and help your departments.

Over the last three years, the NEC has voted to commit over \$1 million to the strategic planning process. You voted to invest in the future of the ALA, to keep this organization strong and growing for the next 100 years. You're going to hear from Mike this afternoon talk about fiduciary responsibility. Each of you, each of the NECs sitting here, has a fiduciary responsibility to see that that \$1 million is well spent. We need your help. As the NEC, you are one of the leaders in your departments, especially those that have been elected for more than one term. You need to become actively involved in keeping your department engaged in the strategic planning process. I am asking you to promote all the materials, all the toolkits, all the trainings that are available on our website.

You know that saying, you can take a horse to water but you can't make him drink? Well we could put everything out there but unless it's used, unless you help us to promote those resources and those trainings and use them to strengthen your departments, to create leaders, to grow membership, they are not doing any good.

Okay. So on a lighter side, everyone that's wearing something that identifies you as belong to the American Legion Auxiliary, stand up. Oh wow. Okay.

Congratulations. You're all on your way to becoming those brand ambassadors. Goal five, which has all to do with branding, they have created something called a branding game and it's on our website. This branding game is to get you thinking about the brands you know and use, why you recognize them, and how you feel about them. They hope that the game challenges you to care for and protect the ALA brand with a new awareness of how others see the American Legion Auxiliary as an organization.

Branding is more than just wearing ALA clothing or emblems. Branding is being aware that how we act and how we treat others reflects on how other people see the American Legion Auxiliary. If we want a positive reputation, a good brand, a brand that people recognize and respect and know what it stands for, then each of us has to be aware that how we act reflects on the organization, not just on ourselves.

At National Convention I read a quote and I think it bears saying it again. "Your smile is your logo. Your personality is your business card. And how you leave others after having an experience with you becomes your trademark." Remember, each of our trademarks, whether it be positive or negative, determines the trademark and reputation of the American Legion Auxiliary. Thank you.

(Applause.)

PRESIDENT DUSCHECK: Thank you, Janet and Stephanie. There is one more matter that I waited until now to share. National Treasurer Marta informed the Executive Committee to the NEC of her intention to retire this summer.

(Groans.) (Laughter.)

PRESIDENT DUSCHECK: Because she is a member of the Executive Committee to the NEC, I felt it important to have a committee of five to review options and make a decision in the best interest of the organization. The five people I called to serve were National President, National Vice President, National Secretary, Chairman of the Finance Committee, and the National Veterans Affairs and Rehabilitation Chairman. We met electronically and via teleconference. We noted with much admiration and respect that Marta has served this organization for 24 years as a full time compensated officer.

(Applause.)

PRESIDENT DUSCHECK: I'm the 25th National President? Wow. I am special.

(Laughter.)

PRESIDENT DUSCHECK: But humble. Marta shared candidly that the position of National Treasurer has changed a great deal in those 24 years and fulfilling the officer duties of Treasurer is no longer a full time undertaking. Given

that we have a very competent Finance Division headed by our very talented CPA and Finance Director Tim Bresnahan, in recent years Marta's time spent executing the duties of Treasurer has required only about 15 hours a month. Now, Marta has been a full time employee as part of the management team but fulfilling her Governance duties as Treasurer has only required a very limited amount of time each month.

How this position has evolved is admirable and we owe a debt of gratitude to Marta for the exemplary manner in which she served as an officer.

(Applause.)

PRESIDENT DUSCHECK: She is a big reason National Headquarters has enjoyed the longstanding track record of eight plus audits.

(Applause.)

PRESIDENT DUSCHECK: Yeah, that's huge.

Quietly the current and previous chairs of the Finance Committee were aware of Marta's plans to retire sometime in the foreseeable future and Marta has made sure that key members of the Finance Division were aware of what she did in her Governance role as National Treasurer. Marta hasn't set an exact date but does intend to retire this summer sometime before Convention.

Because of this timeline, the committee I assembled to review options agreed that a new National Treasurer should be confirmed at this meeting so that she can be ready to take on the officer duties at the time Marta retires. After much thoughtful discussion, I asked each member her opinion. The committee was very positive and recommended to me that Sara Riegel, Compliance Accountant at Headquarters, be confirmed today to become National Treasurer upon Marta's retirement.

Many of you know Sara. She and Kelly Harrier have been presenting the optional Compliance Matters 990 EIN Tax Information sessions before the mission trainings to filled rooms and to great reviews. Sara is an ALA member eligible through her grandfather who served in World War II. She is also an active participant of her goal four strategy team.

Planning for this transition has been underway for some time. Marta retiring this summer allows ample time for a very smooth transition. In the coming months, Marta will fully train the already knowledgeable Sara on the governance duties of the National Treasurer. When the transition is finalized, Sara will not only serve as National Treasurer but will continue as a full time staff member, combining her governance duties with her compliance work. Marta's management responsibilities will be taken over by other National Headquarters staff.

One of Marta's main responsibilities has been to oversee the Membership Services Division at National Headquarters. She has prepared Kelly Harrier to step up and take on more responsibilities there. Also, Marta's duties overseeing IT have come a long way from 2009 when the ALA imported our database from the Legion into our own system. After a couple of years of intense growing pains back then, we now have a well oiled ALA MIS that doesn't require Marta's constant oversight

thanks to Tammy Wiggins, who capably manages not only the ALA MIS database and the help desk for users, but also a myriad of other IT applications and equipment at National Headquarters.

Marta has been preparing those who will be taking on new duties that she currently executes. This will be a very smooth transition. Also, after she retires Marta has agreed to help with projects at National Headquarters as needed within the existing budget.

So the question is on the confirmation of Sara Riegel as National Treasurer upon Marta Hedding's retirement. Is there any discussion?

All those in favor of confirming Sara Riegel as National Treasurer effective upon Marta Hedding's retirement, please say aye.

VOICES: Aye.

PRESIDENT DUSCHECK: Opposed, no. Motion carried. Thank you.

(Applause.)

PRESIDENT DUSCHECK: Sara, I see you in the back of the room. Stand, smile, wave.

(Applause.)

PRESIDENT DUSCHECK: Congratulations, Sara.

Dubbie has also worked closely with Marta over the years and I know that she has some things she would like to say. Dubbie?

MS. BUCKLER: I do have some things to say.

Give me a second. Say something funny.

PRESIDENT DUSCHECK: I don't know any. I'm not a humorist. Tim? Do you want to help?

(Laughter.)

MS. BUCKLER: Okay. That was funny. (Laughter.)

MS. BUCKLER: Okay. That was funny. I love all of you, but I hope you understand when I say that Marta has been my closest friend, my best friend, thank you, in the American Legion Auxiliary. And nobody is going to miss her more than I will, which is why she will be coming back to help us with some special projects.

(Laughter.)

MS. BUCKLER: I want to touch a little bit on what Diane said. I want to say a little bit about Marta. And then I want Marta to talk about how the organization has changed in her 25 years. Because Diane talked --

PRESIDENT DUSCHECK: Twenty-four.

MS. BUCKLER: Twenty-four. Oh, that's right.

Twenty-four. Okay.

Well so you know Marta is a member of the American Legion Auxiliary. She is eligible because her grandfather was in the Army during World War I, and her father was in the U.S. Navy during World War II. She's exceptionally knowledgeable. She's a very bright businesswoman. And many of you have heard me say that when you do things like the DiSC Profile and the Myers Briggs and all that jazz to tell you what kind of a leader you are, Marta and I are identical in every category except one. And one of us is an extrovert and one of us is an introvert.

PRESIDENT DUSCHECK: Who would have known?

MS. BUCKLER: So guess.

(Laughter.)

MS. BUCKLER: But I want to emphasize all the other, where we're alike. She, I think the organization probably doesn't recognize or maybe just takes for granted just how knowledgeable and how experienced she is. Prior to becoming National Treasurer, she operated her own consulting business.

And she provided marketing, organizational development, and advised on accounting services to small businesses. Before that she had the idea for an literally birthed, she helped birth, you're right, she helped birth, you're being modest, work with me here, work with me here --

MS. HEDDING: I didn't. It wasn't my idea.

MS. BUCKLER: -- a nonprofit charged with long range economic development planning for the State of Indiana. And she served as Vice President of the Economic Development Corporation, of Indiana's Economic Development Corporation. She was Vice President of Business and Public Affairs. She was the Secretary of the Board, the corporate Secretary. So she served in, from a governance standpoint, the role that I serve in with this organization, and she was the Assistant Treasurer. So she came to the organization well educated, well experienced. And when she started, and I'm going to ask her to talk about this, the position of National Treasurer, to comment on some things that Diane, before I could meet you, to comment on some things that Diane mentioned.

She was hired as a full time National Treasurer and she had lots of things that she's going to talk about that constituted that position being full time. Well since then things have changed. We have an HR Director. We have an IT Director. We have a --

MS. HEDDING: Controller.

MS. BUCKLER: -- Controller. We have, I mean, so the things that she did full time have been consumed into other --

MS. HEDDING: Bank rolls.

MS. BUCKLER: -- roles and responsibilities, which is why she has her sanity and is able to stand up here today before you. Because we've made the position of Treasurer a more manageable position and it really is the duties of Treasurer are part time. So the things she's been doing as a full time management executive are going to be absorbed by other people.

The role of National Treasurer, which is a governance role, is what Sara is going to be taking on. And so I know you heard it once, and I just think you should hear it twice, because after 24 years and counting it is a big change.

Marta, I can't begin, and I won't because I won't get through it if I do, I can't begin to tell you just how wonderful she is at National Headquarters.

You are.

MS. HEDDING: You're embarrassing me.

MS. BUCKLER: Well, get embarrassed. Suck it up, buttercup.

(Laughter.)

MS. BUCKLER: She is very knowledgeable.

There is not a major project that goes on that she is not an integral part of it. She and I talk frequently, every day, and at all hours of the day. Long hours are the norm. And it's because of the commitment to this organization. So without just going on, I want her to talk about how the role has changed since she first came to the organization. Because just think in your own minds as she's talking what the world was like 24- plus years ago.

(Applause.)

MS. HEDDING: Well Dubbie warned me I have to say something, and my husband said, oh, you'll just think of something when you get up there. I'm not sure I will.

But yeah, my first day on the job, I walked into the office, I thought I'd gone back in time. I mean, only like two or three people had desktop computers. I had to do payroll manually on green bar paper. They were filling orders from handwritten notes from members. I mean, it was, and Susan Stewart was still using these giant, yeah, ledger books, yeah. So yeah, things have changed a whole lot since then.

There were only like six of us to do all the accounting, all the membership, all the sales stuff, membership. We also did meetings. We did the registration for all the meetings. We did the ticket sales. So we did a lot of stuff. So fortunately, we've added some great people to help with that.

I guess, you know, it's been really challenging. But even with all those challenges, I've been really proud to work for an organization that put God and country first and I've been really glad to work with a lot of great people.

I've been proud to help modernize things and to see how those improvements and adding some really great staff have made National Headquarters more efficient and more professional. And I think as long as Dubbie is around it's going to keep getting better. So.

(Applause.)

MS. BUCKLER: So we don't have a gold watch for Marta. And since we have a few days to think about a parting gift, for right now here's your green paperclip back.

MS. HEDDING: Thank you so much. (Laughter.)

MS. BUCKLER: And an extra dessert.

MS. HEDDING: Oh, thank you. (Laughter.)

MS. BUCKLER: I just hope that you all appreciate everything that she has brought to this organization. And --

MS. HEDDING: That's enough.

MS. BUCKLER: -- we're glad that she's, we're glad that she's going to stay with us.

PRESIDENT DUSCHECK: You're wasting time. MS. BUCKLER: Okay. (Laughter.) (Applause.)

MS. BUCKLER: We're done here.

PRESIDENT DUSCHECK: I think that says thank you, Marta, for everything you have done.

MS. HEDDING: Thank you.

PRESIDENT DUSCHECK: And thank you, Dubbie, for your kind words. (Applause.)

PRESIDENT DUSCHECK: So is there any new business?

MS. DONNA RAY: Madam National President, Donna Ray, National Membership Chairman. On behalf of the Membership Committee I move for the adoption of the resolution regarding online printed American Legion Auxiliary membership cards as valid ID, same as preprinted cards.

PRESIDENT DUSCHECK: You received the resolution in advance via your packet. If there are no objections, we won't read the resolutions. Is that okay, or do you want me to read it? No? Okay.

(Laughter.)

PRESIDENT DUSCHECK: You guys are so easy this afternoon. Because this comes from a committee, we don't need a second. The question is on the adoption of the resolution concerning online printed ALA membership cards as valid ID, same as preprinted cards. Is there any discussion? The Chair recognizes the NEC.

MS. HERMAN: Jennifer Herman, Montana. With these printed online, than that means that the unit membership chairman doesn't have to give them what we receive in our packets at Convention? Or they get both? Or how is that going to work?

PRESIDENT DUSCHECK: You can give them both.

You can give them the card that you receive, the little one. But what we're trying to get across here is if they come in with one of those preprinted sheets from their computer, that's as valid as the little membership card.

MS. HERMAN: So that once they get that printed off, they can take it to their membership even though she hasn't gotten her money, and say I've got this, where's my card?

PRESIDENT DUSCHECK: Yes. MS. HERMAN: Okay.

PRESIDENT DUSCHECK: Very definitely. That you for that. Any other discussion?

All those in favor of adopting the resolution concerning online printed ALA membership cards valid ID, same as preprinted cards, please say aye.

VOICES: Aye.

PRESIDENT DUSCHECK: Opposed, no. Motion carried. Thank you.

Is there any further new business? Yes, ma'am?

MS. MAHONEY: Madam President, Janet Mahoney, NEC for New York. In the spirit of goodwill and positive energy, I would like to make a comment and I have a question. First of all, I'd like to note that it was an exceptionally good presentation of our budget today and I appreciate Peggy Thomas and Tim for really going over what each of the items really mean. That being said, at our Post-

Convention meeting we passed the budget, which included a footnote which was about the NEC meeting being ended. If you voted for the national budget and it passed, that was a vote meaning that we were going to be ending our D.C. conference.

Many did not realize that the footnote meant that, though that when we found out that there was an automatic change and that our meeting would be here in Indianapolis rather than in Washington, there was a lot of disappointment in a lot of states or departments, posts, members. Because actually the D.C. conference was a happening. We have all worked very hard to become the American Legion Family. So we go there to support not only our own initiatives, our Legion and our Sons, as well as the agenda on our legislative program.

So by not being able to attend the D.C. conference, I think it cuts out the number of people really going there and many people actually love to come to the NEC meeting as a guest and listen to all the information and hard work that our committees put together.

So that being said, with only the NEC coming here, with a small group of guests are our alternates or whatever, a lot of the information is not being, you know, shared. So I would like to know is there any way we could have a little bit more explanation on the D.C. decision? And perhaps have the NEC actually vote that we don't continue it? I realize that there is a fiduciary responsibility for all of it. And I realize that coming to Indianapolis, you know, cuts back a lot of that cost. But I think we all sometimes have to make an investment in our organization. So my question is, is there a possibility of having a motion to discuss that and actually have our NEC group vote?

Thank you.

PRESIDENT DUSCHECK: So the National American Legion has found that the cost of them having meetings in Washington, D.C. has skyrocketed. We also found that the number of people going to the D.C. conference was mostly being paid for by the national organization.

If you remember D.C. conference from like 20 and 30 years ago, that room that we had the conference in was packed. I mean, they were full of women. And they were coming on their own dime. The number of people that come on their own dime has decreased continually every year, until the percentage that were coming on their own was very slim and the number that we were paying for was getting larger and larger. So there didn't seem to be a good reason to have the national organization paying for people to come to Washington, D.C. just for the NEC meeting and a lot of them were not staying later on for the conference.

Now people are still welcome to come to the Commander's Call. They are welcome to go on the Hill with their Legion Family. We hope that they do. That part of it is still there. The Legion has cut back tremendously. Do you have any stats on things like that?

MS. BUCKLER: I don't have any statistics. Many of you know that the Commander's testimony, it used to be that anybody could go to that. And the

Legion has cut back the number of people they bring into that and it's now a ticketed event. And we only get 20 tickets to go to the Commander's Call. Well that 20 tickets is 20 tickets. I mean, so -- Commander's testimony. I beg your pardon, Commander's testimony.

The Commander's Call is still the Commander's Call so anybody can still go to Washington, D.C. and attend that and hear all the presentations that take place at Commander's Call. And you can still be involved in going on the Hill visits. Conducting a meeting or a conference, except for National Convention, is an executive decision. National Convention is the only gathering that is required in our governing documents. Everything else is a decision driven by need, budget, and all of that. I'm not saying one way or another whether you agree with it not, but that, but you have to make decisions based on what the facts show you.

Somebody handed me something just ironically last week. When Linda Boone was Finance Chair, and this was well over ten years ago, and the very reasons for eliminating the D.C. conference were discussed back when you were Finance Chair. Don't hold me to the exact numbers, but it used to be that only about this many were underwritten by the national organization and this many attended. Well only about this many are attending and this many were underwritten by the national organization. The purpose is to conduct a business meeting. And many of the people who were underwritten to attend the business meeting in D.C. did not stay for the Commander's Call or the Commander's testimony or the Hill visits.

So what the American Legion Auxiliary was essentially doing was putting on a one-day conference in Washington, D.C. And when you look at the cost per participant, it was well into the four digit figure.

I'd have to look. So I'm sorry. If I'd known in advance the question would come up I would have been better prepared with exact numbers. But it's a high, it's well into four digits that it was costing to put on that one-day meeting and to hold our board meeting in Washington, D.C.

So the discussion was the Legion doesn't hold its board meetings in Washington, D.C., and precisely for that reason. Because it's just so expensive. So what was the, so you have to, as a, as fiduciary stewards look at the costs benefit of doing anything.

What is the return on investment? And when you put a lot of work into planning a one-day meeting, and your numbers decrease steadily every year and the cost goes up every year, the information that's presented could be presented in a different way. The information that the Legion presents is still disseminated to everyone. The Legion's legislative priorities are communicated through the Legislative Chairs of the National Legislative Committee. So don't misunderstand what I'm saying. I understand that it was wonderful to have a meeting in Washington, D.C. I just will explain the decision was purely based on the declining attendance, the purpose of the meetings, and the dramatically escalating cost.

PRESIDENT DUSCHECK: Okay. Wendy?

MS. O'BRIEN: Wendy O'Brien from the Department of California. Have you looked into -- I was myself very disappointed because I was looking forward to that portion and I know our state is unable to afford sending me there. So that was something that I kind of felt I earned by coming through and representing my state and then coming to national. So I was disappointed in that myself. However, have you looked into that impact that it will have by the Auxiliary not being in Washington? Because I know in our own states, the more people that are in there the more attention is paid to us. So has anyone looked into the effect of not having people on the Hill? How does the government view us? I mean, are we as strong an entity as we used to be?

PRESIDENT DUSCHECK: What we were -- thank you for the question. What we were finding with the Hill walk is that more and more people were staying home and not going on the Hill walk. So they would be there for some of the sessions but they weren't doing the Hill walk. So those who are still interested are still welcome to go.

The Legion has also encouraged us to pay more attention to our elected officials when they are in our home state because it's much easier to get their attention there and to make sure that you're actually talking to your elected official as opposed to one of their aides.

Okay. So Dobbie was just saying they told the secretaries when they were in at their conference, and they actually said that a number of the departments had budgeted for their members to go and they expected about 40 ALA members that were going to be there in order to go on the Hill. So that was a great thing.

Glynis?

MS. SEELEY: Glynis Seeley, Department of Nevada. Excuse me. Like a number of the ladies, I too was also disappointed. However, for the last four years I have gone as the NEC for Nevada because we've done multiple terms in Nevada on my own dime. The only night that was paid for was the first night reimbursed by National. I would have to budget, I'm on social security and a widow's pension. Every year I would have to make sure I saved up anywhere between \$1,200 to

\$2,000 on my own to go to Washington, D.C. Now mind you, I was very, very proud to do so. But I also still have to consider National Convention, the other things that I do out of my own pocket to be NEC in the Department of Nevada. Because Nevada does not have a budget to reimburse me for in state travel. We do our President. We don't do our NEC. So any in state travel that I do is on my own dime as well. So I totally understand. And what was the hotel last year? \$279 a night?

PRESIDENT DUSCHECK: Huge. Huge.

MS. SEELEY: For a hotel that my bathroom in this hotel was bigger than my hotel room in Washington. Mind you, I love the east coast. I'm a New Yorker by birth.

PRESIDENT DUSCHECK: No.

(Laughter.)

MS. SEELEY: Right? I know. All of you are shocked, right? However, and I love going to Washington. Washington is one of my favorite cities in the whole world. It just in between travel time from Nevada to go for one night, never ever made any sense to me. I'm still working on jet lag. For me to do the meeting Saturday night, Sunday, and then turn around Sunday afternoon and fly back to Nevada just didn't make a whole hell of a lot of sense.

On top of that then we get a couple of years ago, everybody do the Legion Family, Legion Family, Legion Family. So as a family, we said, okay, we'll stay and do Capitol Hill Day, Commander's Call, Commander's testimony. Because the first two years it still wasn't ticketed yet. So I was able to be in Commander's testimony. But again, that was a \$2,000 out of my personal budget. Now, yes, okay, make the commitment to be part of this organization. All right. I'm good with that. Things are starting to change. My house taxes have gone up. My electricity has gone up. My car registration has gone up. I don't have \$2,000 that I can just say, okay, I'm going to Washington, D.C.

I too did not realize that the vote meant we would be here. I like Indianapolis. My own personal opinion, I'd rather be a little closer to downtown because that way we can kind of walk around and see some of the monuments in Indianapolis because walking around Indianapolis, it's a really cool city. We're a little far away. I just wanted to let everybody know that I also believe that part of the Legion Family is being a little disrupted but I also agree with the decision monetarily.

PRESIDENT DUSCHECK: Thank you. Yes?

MS. WILDRICK: Good afternoon. Treva Kay Wildrick, alternate NEC for Department of Florida. We're talking about the American Legion Family and I'm very proud to say that Florida is working with the American Legion and our VA rep Alan Cohen is working with one of our Auxiliary members out of Madeira Beach, Florida and the unit is footing the bill for her to go to Washington, D.C. so that the two of them can go and visit our representatives, as well as we're taking one of our Medal of Honor recipients and he's also going up there.

So it's two-sided. Every coin is two-sided.

I agree, personally agree with the decision from the NEC for the fiduciary responsibility we have. But there are other ways to be creative to make sure that we have our representation in Washington, D.C. Thank you.

PRESIDENT DUSCHECK: Thank you. The Parliamentarian has informed me that we don't have a motion on the floor and we're just sort of talking here. So we'll take these, we'll just take these last two quickly and then we'll move on. Thank you.

MS. CARD: Just a question. This is Cathy from Rhode Island, Cathy Card, the NEC. Just a question, is it possible that we have this meeting on a different weekend so that it's possible instead of trying to get from here to there on the same weekend it would be possible for us just to go to D.C. then and here another weekend?

PRESIDENT DUSCHECK: That can be looked into. Thank you. Okay. Yeah. This, sometimes the schedule is so full, this year this was the weekend that was available.

MS. ALBERS: Deb Albers, Department of Nebraska NEC. I would just like to say that I asked National, I told them that I was going on to Washington, D.C. They are paying, instead of my trip home, my trip to D.C. So that has cut down the cost of my amount. I only have to find my way home. And I may stay. But I will be going to D.C. Our Legion Family was very disappointed when they heard that the Auxiliary would not be there. And we have five members of the Auxiliary attending from Nebraska so they can be on the Hill on Tuesday.

PRESIDENT DUSCHECK: Great. Thank you. And now back by popular demand with his impressive presentation on fiduciary stewardship, please welcome Mike Alerding once again.

(Applause.)

MR. ALERDING: Thank you. That's quite a lead in, isn't it? Anything I say from this point on is going to be boring, compared to that. So I'll do the best I can.

Okay. We're going to try to do the next slide show, right? Somebody? There we go. Okay.

Some of you have been through this before and it is very important, not just for you as part of this group, but more importantly for you to take back to the people in your department. And this is really important stuff.

As the world changes, and we all know what's going on and I won't go through all that, but we're changing a lot in how we have to organize ourselves and take care of ourselves. And when we talk about fiduciary stewardship, they sound like two words that don't really overlap. But you'll see in here they really do. And I've heard a few people here today bring up fiduciary duty and how important it is. So we're going to define that. Then I'm going to walk through a little bit of the size of the not for profit organization, but I'm going to skip most of that because of my timing here. I'm going to talk about fraud and I'm going to talk about fraud and I'm going to talk about fraud. Because fraud in the not for profit sector is horrendous. Beyond what you can possibly even imagine. I'll show you some statistics. We'll go through the common types of fraud so you'll be aware of the kind of things you need to look for when you're there. Best practices, external audits, and we'll talk some kind of philosophy here at the end.

First of all, real quickly, there's 1.6 million not for profit entities, 1.6 million. Sixty- five percent of which are less than \$25,000 in revenues, which is kind of hard to imagine. 11.4 million employees, ten percent of the work force, is in the not for profit sector. Now look at this number,

\$1.7 trillion is the revenue, \$1.7 trillion. That's a lot of money. I can't tell you how many zeroes but it's just a big number.

The Association of Fraud Examiners, Certified Fraud Examiners, CFE, says that it's probably, it's probably bigger than this, but about five percent of revenues

are lost to fraud every year. If you do the math that turns out to be \$87 billion American. And that's, I'm sure that's much lower than it actually is.

ALA departments have had multiple fraud issues, as you know. There haven't been, it's not been always clean. And you wouldn't, you would expect something to happen because of your size. But they are of such magnitude that it really can bring an organization down.

Fiduciary, let's talk about those two words.

It applies to a duty that all not for profits have toward the organization. It's your duty. Just think of it as your duty. And it's a duty in the law of trust, loyalty and dedication. Now those are three words that are kind of motherhood and apple pie. But look at it. Trust, if you're trusting yourself and you're trusting others, you have to be trusted. If you're loyal, loyalty is an absolute critical factor to this. You want to be part of that organization. And then dedication, you know, speaks for itself. That's what fiduciary means.

Now think about that in the law. You are held to that standard. Every one of you in this room, all those who are in leadership positions in your department are held to that standard. Legally, ethically, morally they are held to that standard.

Now shift to stewardship. Stewardship is a really broad, it's in the Bible all over the place and you can see it in all kinds of context. But what it really boils down to, it means you are accepting the responsibility to shepherd and safeguard your assets. Shepherd them and safeguard them so people don't get in.

We've talked this morning about internal control and safeguarding. What assets do you have? We know about the investments and the cash and all that stuff. But here are the real assets: your name, your brand, and your goodwill. That is an asset and it's a very, very valuable asset. And you just heard some really excellent talks on what were you going to do to kind of build that brand.

Assets are tangible and intangible.

Intangible we just talked about. Members' information. Every day it seems you hear about some breach in information. That is an asset you have. All those statistics that Dubbie comes up with and all the things that the Headquarters can come up with, that's an information base. That's a very valuable asset. In fact, in this world today most of the people who are making the money are the ones that have the information. It's the sale of information. So we can't lose sight of that.

Your reputation, and you saw what happened last year with a couple of organizations in the patriotic world who didn't do such a good job. And for those that are older here, if you remember Goodwill back in ten, 15 years ago. They didn't overcome that forever. It took them forever to get through that.

There's a lot of that that will last and last and linger and kind of paints and picture.

And then organizational integrity. And by that I mean if you aren't doing the right thing, if you aren't doing the right thing everybody in the organization has an inborn excuse to not do the right thing. Because they look from the top down. So your fiduciary duty to be a steward of all the assets is there in every single department you have.

The effects of fraud I could, I'm sure you are very familiar with this, but the damage is to the reputation of the entity we just talked about. It creates long term negative publicity and it does lower employee morale. One of them that I had some time ago that really blew up, it was a national sorority had a major fraud from the controller. And anyway, it brought that whole organization down for years. Almost everybody left eventually. It depletes human and economic resources because you are spending them on litigation, investigation. You're doing all that stuff that really is a challenge. All that money, all that energy gets internalized instead of externalized. And that's an expensive cost. And it disrupts your business operations. All of a sudden, instead of running smoothly, you are hitching. Everything is a hitch because you're kind of thinking, gee, did I get it all? Am I paying attention to it? It creates a negative image in the mind of regulators and others.

So you already start with a bad rap, if you will, if you've got this kind of a history. Why is it? Well, the biggest problem is, and I think we all know this, you all in your departments come from a smaller organization that doesn't have a lot of people to be able to divide responsibilities with. I'm not trying to be facetious here. I do know that you can only do what you can do with what you have. You can't do anymore. There are some things you can do even with a small group, with a small headquarters and a small department to help protect these things. And if you don't know what they are, I can't go through all of them here but I'm going to give you a few, your accounting firm should be able to do that in a heartbeat, or some of your volunteers who are on your own finance committee or audit committee should be able to help you say, all right, here, we know you only have three people or two people. But here's what you can do to kind of mitigate that.

The IRS strongly encourages audits. Do you know what strongly encourages means? Okay. I don't need to say anymore. They have a specific question out of the 400 questions. One specific, do you have an audit? Now you only have two answers, yes or no. And it's pretty simple, if you answer no they are probably going to come see you. Too few resources are allocated to control systems and financial oversight. Budgets are so tight that the allocation to overhead or to more controls tends to take a backseat. It creates risk but people kind of go, well, we can live with that risk.

Volunteers are really interesting.

Volunteers provide a substantial amount of the assistance in many of these but they aren't usually subject to the same control systems. They are not employees so we don't ask them to do things that we would require an employee to do. That creates all kinds of issues. I can tell you from personal experience that a lot of the fraud we've seen in not for profit did come out of that particular area, in the volunteer area. And it was not overwhelming, the dollars. But it's so frequent that it just puts fear in you.

Funds, frauds often go unreported and the reason they do is because they are afraid. They just don't want anybody to know about it. They are embarrassed, they are afraid. If you have the proper insurance, which you all should have. Every one of you in your department, every corporation, every unit, every one of them who

have money or the handling of money should have insurance, theft insurance on your general liability policy, or fidelity bonds for those who handle the money. And you can talk to your agent. In fact, Dubbie's got a lot of information in -- where is that information? Department Guide. There's a really good bunch of information of what all of those things mean. But basically if you get caught in a fraud, you have to be insured, you'd better be, because you are protecting all of those people who have given you money. It's dirt cheap, for the most part, to get bonding. Now, if you've got a thief in the spot and they know it they are not going to bond you. But, and you are never, ever, ever insured for negligence. I'll repeat that. Never insured for negligence. So if you don't have a decent set of controls, I don't care how much insurance you've got, it's not going to pay off. Because they are going to say you were negligent. So you have to have a basic set of controls even with that.

Believe it or not there are many not for profit organizations that don't maintain their records in an electronic manner. They still have handwritten records. And, this is the worst part, because the treasurer changes every year the records keep disappearing. That's a problem, folks. That's a real problem. There has to be, and the only way to really do it is electronically, is get all that in one system so that each year or every two years or whatever it is the person who takes over is using the same system. It doesn't cost that much. For crying out loud, I think QuickBooks is so cheap it will scare you and they've got a special not for profit deal. Our people in the office who are QuickBooks specialists, it is so easy it is dummy proof. Because you can't issue, you can't do some things that you might want to do, like a one-legged entry. It won't let you do that. It creates all kinds of controls.

Now these are frauds against the organization. Skimming, taking cash off the deal before it gets to the records. In other words, they get a donation in and it goes in a pocket instead of into the organization. Well it's really hard to control that if you don't have the proper controls on accepting donations. If you have a policy that says we don't accept cash, that helps. But auditors are scared to death of this one. Because we can audit what's in the records. We sure as hell can't audit what's not there.

Credit card abuse, credit card abuse, credit card abuse, my goodness gracious there's a lot of credit card abuse. If you have a credit card in your organization, just be very careful. There are all kinds of things that can happen with it and if you allow people to put personal expenses on it you are in trouble for a lot of reasons. But you also could have legal liability, the organization, and the individual who has the card, if for some reason it doesn't get paid, the balance doesn't get paid, those credit card companies will sue everybody in sight. I don't mean you don't have them, because I think they are well worth it. Our firm has them. But we only have one. That's our office manager, is the only one that has one. I've never had one. The reason we do it is because we know everything that went through there came from her because nobody else has them. So it gives us a nice little bit of control.

Fictitious vendors. People say, well what difference does that make? A lot of difference. You set up a fictitious vendor and you can pay them all day, and just then it will go right to your P.O. Box. Pretty cool deal. Really nice deal.

Conflicts of interest, board members may have a conflict that provides hidden value to a board member or someone else and that has happened a lot. There's a lot of that in government. There's a lot of that in large not for profits with larger boards, where they are getting sweetheart deals or they are getting work that they really shouldn't be getting because they have a conflict.

Payroll schemes, in the last couple of years I've given you some examples of payroll schemes. And I know everybody shakes their head and goes that can't be right. Well, it is. Payroll is really exposed. And it's more exposed with using an ADP kind of a company than it is doing it yourself, believe it or not.

Because it's so easy for people to kind of let their guard down because they fill out this form and it all comes out so pretty at the end. It looks like, well, how could they screw that up? Well, pretty easily.

And think for those who haven't heard this I've got to tell it one more time. This is such a good story.

This is the number one in our hall of fame, in our fraud hall of fame in our office is a guy who was legally blind, believe it or not, but still was their controller for 15 years. They used ADP or Paychex or one of them, whatever it was. It was ADP. And when he fills out the form every two weeks when they get paid, you always put in there the withholdings, the deductions for health insurance and all that stuff. Well he figured out pretty early on, real early on, that if he put the number in with a bracket over it, it didn't subtract from his check, it added it. Two negatives equals a positive. Fifteen years, and he went \$632,000 over 15 years. And you know what? They never noticed it until unfortunately all of a sudden they were completely broke and couldn't pay for their inventory and they thought, how could this possibly be? We've been doing so well. Well that's where the money went, it went through payroll out to him. So if he was going to get a \$1,000 check and he had \$500 worth of deductions, he was getting \$1,500. And the owner just looked down the list and you wouldn't notice it. So front door of our hall of fame. Good man. He did a great job for us.

These are frauds committed by the organization. Not on the organization, but by the organization. And these are very, very serious. This is what the IRS and your public relations people get all afraid of here. Deceptive fundraising practices, and there are a lot of those. Where people are using the wrong kinds of modes to get people to donate. They promise them one thing. There was a big article on one of the movie stars is pushing this water deal. If you buy a glass that's a, then we're going to donate two dollars to this. And when they really got through all the numbers, you'd be a whole lot better off just giving them a dollar a year. Because everybody was pulling a piece out of there. I'm not saying it was deceptive but it was not well explained at a minimum.

When you buy that five dollar glass, or whatever it is, you'd think to yourself, well, the proceeds are going, no they are not. It's less than a dollar is going to them. So those are the kind of things.

Over and under recording expenses and costs.

If you want to make yourself look better, you can always jack around with the books and make things go to the balance sheet. And for those who are non-accountants, when you spend money it can only be going to one thing, I mean two things. It's an expense or it's an asset. If you go out and buy a new truck, it's an asset. If you go out and spend payroll, it's an expense. Well what you do is you hang up on the balance sheet, you put it into an asset instead of an expense and it makes your net income look a lot better. You look a lot better to the world. When in fact you're not. That's one of the reasons you have an audit. That's one of the things we look for.

Misreporting costs related to fundraising events, that gets all over the place. There's all kinds of things that they will say, well, we held a golf outing and they start jumping around and moving numbers around so it looks like the golf outing is making money when it's really not making money. It's just the folks that play golf in the business are really enjoying themselves, is what it really boils down to. So you have to watch those.

Misreporting allocation of expenses, you have expenses we talked about earlier in mission and purpose. You have another lot called management and overhead. And then you have the third one in fundraising. What happens is people will adjust those in a way that makes it look better for them. This happened to the Humane Society of Indianapolis. They, not intentionally this time, but they put the numbers in the wrong slots and it made them look like they weren't spending enough on mission and purpose and that's when I became the Chairman of the Audit Committee, incidentally, because that wasn't going to happen again. But we now have it all sorted out. That was misreported in those different columns and that's very important.

You can't lie on a government tax form.

Period. Who signs those? Who is the signature, who is the signatory on those? I'm not signing anything.

Dubie, who signs those? I think it is. Okay. That is a criminal offense. It's not just an oops, sorry, you can't file that. It's a criminal offense. The little things they put on your hands and the orange suit, that's a criminal offense. They are not serious about it until it happens, then they get serious about it. They have to show that they are not going to take any crap. This is a really important process here when you do the 990. The 990 has 482 questions. They have yes/no answers. If you lie on one of them, it would be answering a question that should be answered yes with no. That's what they consider lying. It is an entrapment, and for many people that 990 is an entrapment form because there's so much stuff you could get wrong. We do, the reason you have us prepare it and you review it and approve it, is because our people are used to how that all interrelates and you have to be a little bit careful.

Misreporting to donor organizations. When you talk about how much you raise and what kind of matching you've got, those things can be really tricky if you're not careful how you say that. And you'll hear a lot of these say we've got a match from a donor, an anonymous donor. Well, do they? Who is the anonymous donor? How many times do people raise money pretending that there is a match and there's not? I mean, it's really, that kind of thing is just a bold faced lie and those kinds of things do happen.

I know this sounds pretty negative, doesn't it? I mean, it's not a good way to end the day but it's all I got. It is reality. Okay. Under -- yes?

VOICE: Could I make an aside here? MR. ALERDING: Please.

VOICE: If you have your 990 prepared by CPAs, don't be afraid to send it back. Don't be afraid to tell them you answered this differently here than you did there. Because we have different 990s sometimes.

MR. ALERDING: Right.

VOICE: So most of us file a 990-EZ. It's still going to have some of the information that's in the 990 oh my God I hate you.

(Laughter.)

VOICE: Well, the 100 pages. (Laughter.)

VOICE: Some of them will be 100 pages. But don't be afraid to send them back. A case in point, two years ago we go our 990 and by department.

MR. ALERDING: Mm-hmm.

VOICE: It did not have all the members of the board of directors and all the officers. So, what do I do? I tell the department secretary send that back. Tell them they have to put all of these people on there.

MR. ALERDING: Well you are always responsible for reviewing and approving. The accountants really are filling in the blanks, pretty much. The only responsibility we have is to make sure that there isn't anything that's illogical like that. Which if there's a blank where there is supposed to be something, you'd better fill it in. And we hope we do that.

All right. Here are some of the best practices. Governance management. You are governors, that's what you are. You are oversight and governing. You aren't management. You have different kind of titles where you come from, but your job is to govern. And it's a very serious responsibility. There's a legal responsibility you have. There is clearly an ethical responsibility you have. And then there's the moral responsibility of your dedication to this organization that you have. You have a fiduciary duty to really take care of this organization. You have to be able to do that at all times.

Another thing, we need to provide senior management with the right titles. And I know, this is not an ego trip for the people in the office. Believe me, this came from our risk assessment. Here's where that comes from. When we're looking at the corporation you've established, which incidentally, again, I congratulate you. You have morphed yourself into a modern organization now. You really are starting to look a little more modern. Some of the titles that you are using don't match the responsibilities of the people. So when you look at the internal control systems, it's

really difficult to tell who is doing what to whom. And you really need to have a pyramidal approach to this thing. I'm not going to give you the titles. You can do that. And I think you've got a committee that's studying that. All I can tell you is if you're going to have a corporation, make sure the people are labeled correctly. It would be like calling a controller, which we call Tim, a bookkeeper. There's a good example. Tim is a little more than a bookkeeper. But that's, he is a bookkeeper, but he's also more than a bookkeeper. You've got to get his title right in order for him to have the responsibility. You know, when Dubbie signs a 990 she signs it whatever it is, the Secretary, National Secretary. And they go, who? Wait, wait, no, you've got to get your top person. Well, that is. So I, part of the things we're talking about, and this came from the auditors, is the pyramid, the org charts really not too easy, so they are going to mess. At your department level that's just something that will evolve. And I think once it gets through the national office it will look a little bit better.

Formal succession, formal succession, formal succession, this is not a lifetime job for anyone.

Make sure, especially at National Headquarters, which we do, you'd better have backup on top of backup.

Because if somebody gets hit by a bus, we'd better make sure we've got somebody taking their place coming in.

Governing body composition and tenure, we've talked over and over about that. The governing body should include different people from different stages in their life, different race, different religion, different everything. You've got to have a good mixture in there. Appropriate policies for rotation, how often do you rotate that position? Every two years? Every three years? Do you have to take off a year? All those things are important that you have in those numbers.

Committees, the Executive Committee is my favorite. That's the one I've been pushing for a long time. Because you are so large, your governing body is so large that the most efficient way to do it is through an executive committee that can act with approval from the entire board. But it's hard to have a meeting with as many people as you have where you can get anything done.

The Finance Committee, five years staggered terms. Audit Committee, those are the three critical committees you have to have. And you are blessed with an excellent, always have been, blessed with an excellent Finance Committee that does the right kind of things, both in the investment area as well as in the control area and the accounting area.

Continuous training, continuous training, continuous training. What you get from me every year and others, this is what you should have. Upgrading yourself to what's going on in the rest of the world because it's very easy, ladies, to get locked into your silo of ALA. But we try to bring you into the larger group of all not for profits and what's going on.

That's part of the education that you have to get.

Finance Committee, we've talked about. And I won't go through this because you know a little bit about it. And the Audit Committee, we had a really

good report today. One of the things I did want to bring up in here is the members of the Audit Committee area different from a lot of other. They are not, they are really more functionally important, if you will.

Ginny is an auditor. She's an auditor. She understands auditing.

Now auditing is to accounting as a horse is to a dog. They both race on a track, but you would agree they are pretty different animals. They really are. Auditors are risk assessment people who find ways to test systems to be able to determine that the accounting is correct. That's what an auditor does.

We're the people who kind of sneak around and we have the black hat and we come in and you're all going, ooo. Those are what we are. And we have to have people -- not you, Ginny. You were never like that. We have to have -- I'm sure they did. We have to have people on that committee who do have that knowledge. Pam is excellent. And we've got a great committee, great people working on it. But you can't have a bunch of bean counters only on those.

The committee I had at Ascension Health when I was Chairman of the Audit Committee, I had an 11- member Audit Committee. Can you imagine that? Eleven audit, ooh, yeah. It was not a thrilling day when we met. One of the best audit committee members was one of the doctors, an ER physician. He didn't know anything. He didn't know anything about accounting or auditing or anything. He was phenomenal. Once he figured out why he was there, he would bring things to the audit committee that were risks that we could never see. We thought we could, but we couldn't. He is outstanding. So much so that now they have seated that committee, I've retired from it, with two or three physicians, just from different parts of the organization. Really good. So that committee I think is really very good. I won't go into that either.

Protect your organization. Internal controls. Segregation of duty. Segregation of duty. Segregation of duty. You can't have one person doing everything for a transaction. Consider it a circle. If the circle connects, you've got a problem with one person. One person can't receive the donation check, mark it in the books, and take it to the bank and deposit it. Come on. Come on. You can't do that.

That's common sense. You've got to involve someone else. If you do have that, because you don't have anybody else to do it, and that's often the case, then someone else needs to get to the bank statement and without you seeing it to be able to look at the bank statement to make sure that all those things are starting to make sense. That's the only way to do it. And that's not a great deterrent. It's the best you've got, though.

Independent reconciliation of the bank account every month. Do not fail to do that.

Independently. Not someone in the organization, sometimes the Treasurer, sometimes a volunteer on the board. I mean, you've got 600,000 or 700,000 members. You can find some volunteers, I bet you there's a bean counter in there somewhere, and you really need to get those young ladies too to volunteer. Get in there, and they will do that. They are all looking for something to do.

Use automated integrated accounting systems, please. Just please. And make it a permanent system. Even if your headquarters is a little disjointed, make it a permanent system. And if you have any questions about how to do that, national office can walk you right through it. It's not that difficult to find the right system. And it's very inexpensive.

The best control you have, ladies, at the department level, the number one control is a good budget. If you do a good solid budget, and you use whatever called zero based budgeting, which means you don't start with last year. Because you start with last year and there was some theft in last year, you're going to budget the theft. It's like leaning into that left hook. You can't do that. Start with zero based budgeting. Go from a very rock, you're starting with zero and you build it. If you do that well, and you report monthly, and you compare actual to budget, believe me, anything that's not running right will pop out like that. And if it does, that's where you find it. I mean, that is so, and you do an excellent job at Headquarters in budgeting and it doesn't take you two minutes to look at those statements and see where the changes are.

I strongly advise purchasing a fidelity bond, fidelity insurance as part of a general liability policy, and officers and directors liability insurance. I assume you all have that. If you don't, don't sit on a board. Don't sit on any kind of an organization without directors and officers liability insurance.

You don't need to do too much to figure out the people, let's see, at Michigan State who are on the board right now. Yikes. That was a bad day for them, a couple of bad days. If you're on there right now and you're found to be negligent by not taking whatever steps should have been taken, the insurance doesn't even cover you. So you'd better have a personal liability coverage. Because those folks are going down. And there's all kinds of, that's not just the only one, but that's just one that came to mind. We're in Big 10 territory so that's one of them.

It's really bad if you've got these things because it could happen and you don't take the effort to insure yourself. Do it. Your insurance carrier can help you and if you need any information it's in the guide. Further information you can get out of the folks here. They are very good at it.

Operations Guide, NEC 101. Best stuff I've seen. NEC 101 is outstanding. It really is. It takes you through the whole nine yards and gives you a lot of really common sense stuff. Not theoretical stuff but really common sense how to run some of this stuff. And invest your cash in investments as quickly as you can. Don't leave money in the cash account. I mean, it's like hanging a carrot out there. Put it in the investment account where it's much better controlled.

Audits, if you can, you really need to have an audit. I know what you're saying. We only have

\$15,000 or \$20,000 in revenues. We can't afford a \$5,000 or \$10,000 audit. And I agree. You can't. But what you could do is you can move some, you can have an independent accounting firm come in and do what are called agreed upon procedures. That's a technical term but it's agreed upon procedures. What that means is, you will sit down with the auditors and you say, all right, I know you

can't, we can't afford for you to do the whole thing. But here's where our concerns are.

In credit card, in payroll, in revenue recognition, wherever it is. And the auditors will come in and design specific surgical procedures to go in and check on those. It's not a full audit. It costs a third of what, or a fourth of what it otherwise would. But you get a comfort. You sleep better at night.

So make sure that you do give it an opportunity. Independent CPA firms only. Independent CPA firms only. Not Uncle Joe, who was a practicing accountant at the bank for 40 years. That's not the same. Independent accountants, CPAs, are bound by their ethics and they are insured. Believe me, we are insured.

Annual audits or other outside, you can rotate some of these. We will usually prepare the 990. Discounts are provided to not for profits. If your firm is not giving you that, you'd better check.

Because most of you are not 1231s, although some of you I think are.

Final comments, don't forget you, all of you, and you need to take this back, you have a fiduciary duty and you are stewards for this organization. You can't ever forget that. It's the old saying, just do the right thing. You know, you just need to do the right thing. Leadership requires setting the tone at the top. Everything that you do in your department, everything we do at Headquarters has to be set at the top. So as we go through that, let's make sure that the people at the top are called the people at the top and that you've got that flow down of good information. The constituency to which you owe these duties is very, very broad. Have you ever thought about that in just your own department, how many constituents you have for your department and for this organization? How many people? How many organizations, today and in the future, you report to? But you also have a duty to protect the emblem.

All of those things are all embodied in this whole area of fiduciary duty. It is not just the right thing to do. You have a legal obligation to fulfill that. It's a legal obligation. It's also ethical and moral, but don't forget the legal part because those can come back and bite you.

Questions? Comments? I want to make one more comment. Planned giving. I didn't bring that up, darn it. There is the planned giving guide, okay, and it's kind of like this size. Okay. Let me see. This thing is an absolute treasure. It really is. If you haven't looked at it, look at it. If you, the people in your department haven't used it, use it. Get out and talk to people who are potential donors. You know, if they are alive and they can't donate, okay. But let's get them when they are dead.

(Laughter.)

MR. ALERDING: Coming or going, let's get them. This thing gives you the whole cradle to grave approach, everything. It gives, it tells you what to say. It gives you the ideas on moving it forward. And it's even got some pretty pictures in it. I mean, it's really pretty neat. But it does allow you to look at how people can give money in their wills. They can even give paid up life insurance policies. There's almost anything you want.

You do need to protect it because there are so many fights over wills and estates now, it's just crazy. But distant family are just nasty, or divorced spouses and stuff. It just gets really ugly. So you need to have someone who knows what's going on. This will show you how to do that.

I have suggested, without getting any permission to say this at all, so I'll probably get in trouble so I'm going to move away from her, I think -- you won't, but -- I suggest that the Foundation put together a planned giving committee of outside members and inside members. You, and I'll tell you, the Channel 20 in Indianapolis, I know I've talked about it a lot, we have our own planned giving committee. Four times a year they meet, lawyers, estate planners, people who do investments, RIA, registered investment advisors. They get together and they just lather themselves up on all kinds of ideas on how to raise it. It's their responsibility. Their responsibility is to get tools to you and to provide you with the necessary stuff to get out and do it. It is not as hard as you think. You know, if people realize, people generally say, yeah, I'll do that. Well good, hey let's do this, let's do that, and you sign them. They aren't going to be here when it happens. You understand that's how that works. Okay. So they are not going to worry about it because they won't be here to worry about it. It's not, it's painless to many of them. It's a very effective way.

The question you always have is am I trading something here by not getting something here? In other words, are they giving me money when they die in lieu of giving me money today to help us run the organization? That's always a trick. And you can't really, you know, you have to just be, you have to be very careful you don't go one way or the other on that.

So that's kind of my shtick for the Foundation. I think that Foundation is the answer, I really do. It's got the (c)(3) bark to it. It's already at \$1.2 million. Before you can blink an eye that thing is going to be to \$3 million. And all it takes, ladies, is what the Humane Society of Indianapolis had for their planned giving. People love animals. Interestingly, older people love animals, which is even better. Because they die sooner. And we just got a \$2 million gift from our planned giving. Someone put us in their will for \$2 million. Oh my God. It was like holy samoley, folks. It was just a major, major gift. And it never would have happened had we not been out there stirring it up. Channel 20 can get away with it because they are on television.

So they can go into your home and start soliciting you. There's all kinds of things that you don't have, advantages you don't have. But what you do have are a hell of a lot of members, all of whom, ladies, are going to die. So get it, you know, let's get on the front end of the death thing.

(Laughter.)

MR. ALERDING: Okay. Yes?

VOICE: (Indiscernible).

MR. ALERDING: Yes, that's right.

VOICE: (Indiscernible).

MR. ALERDING: Yes. Yes, you can. You can do it through a rollover. You can do it through -- well, talk to the, there's a new tax law. I'm sorry. I'm sorry. There's an IRA or 401K rollover, an IRA rollover where you can donate through that. Rolling it over into a donation. And you get a donation deduction for it, which makes a huge difference. Appreciated stock along the same lines. If you own a, I don't know, you bought Microsoft for a buck and you've got a bunch of it and if you sell if you're going to pay a significant amount of tax. I've got a way of getting around that. Give it to somebody. There is so much, seriously, this committee, I'm not the expert on this but these people on this committee are phenomenal.

They've got ideas that you never would come up with on how to get them to make it a benefit to those people to give us money when they die. A benefit. So there's all kinds of stuff you could do, and I appreciate your bringing that up. And remember, the tax law just changed. So no one is sure how some of the dollars work on this because when we were 39/35 percent, the bad news was you were paying 39 and 35 percent. The good news was, a deduction was worth 35 or 39 percent. Now it's a little animal that's going to be, it's an economic deal we're not sure of yet. I mean, when you give money now, you used to get a 35 percent deduction, effectively. Now you're getting a 21 percent deduction. Because you have such a large standard deduction now, are people still going to give? I mean, those are all questions we're going to be answering here. Your challenges are going to be better, I mean, they are going to be harder and you're going to have to be more creative as you go. And I don't have all those answers yet, except planned giving is the answer. I mean, I hate to say this but there are a lot of organizations would love to have the membership you've got, especially at the age. Because that's just a perfect --  
(Laughter.)

MR. ALERDING: They think I'm kidding, but I'm not. I'm really not. Hey, I'm older than that by a long shot. So I mean, I'm right in that queue. And I'm going to live fewer years than you guys are. So that's just how it happens.

VOICE: (Indiscernible) is that a best practice, that you should put your audit or your CPA out for three to five RFP --

MR. ALERDING: Yes.

VOICE: So that Uncle Joe is not mad. MR. ALERDING: No.

VOICE: You say, hey, you know, maybe it's time we just put a quote out --

MR. ALERDING: There's a best practice that you don't want Uncle Joe doing it. I mean, that's the first best practice.

VOICE: I know that but --

MR. ALERDING: I know. I know. And I'm sensitive to that. But more often than not when you actually relieve him of that --

VOICE: He's happy --

MR. ALERDING: -- he's going to be a happy camper. I know it doesn't sound like it. But I was Uncle Joe for a hell of a -- I've got a big family, you know?

(Laughter.)

MR. ALERDING: And I'm telling you, when they got rid of me I was good.

(Laughter.)

VOICE: -- what is the best practice for any, we've had this person for four years now and it's time that we test the waters to see if someone else --

MR. ALERDING: It's usually five year terms. VOICE: Five years?

MR. ALERDING: And that's what it, not always, but it is. Now if you're not satisfied with what you're getting, then it's an immediate thing. But if you are satisfied with what you are getting, and you feel as though they are providing you with constant value, fine. But not for profits are generally not treated very well by the accounting profession because usually the fees are a lot less and the risks are a lot higher. I mean, we're an odd firm to have that many for the size of our firm. But we know the industry.

That's why we're more than, we know it, we know how to work it. Yes, ma'am?

VOICE: Mike, you might want to explain what Trish was asking. Because we've had Alerding and Associates since 2005, but you have changed the people that are the actual auditing team has changed.

MR. ALERDING: Right.

VOICE: Alerding and Associates has stayed but the team that comes to the Headquarters has changed.

MR. ALERDING: Because you want a fresh look.

For example, the next one that's going to roll off unfortunately is either Mike Staton or Chris Mennel. And that's what I said in the Audit Committee meeting. One of these two has got to get the heave. And it's time. And they threw me out unceremoniously so, you know, it's their turn. And they've got to go. And they won't be happy. They won't. Because they like this audit. So what happens is, if it's Staton for example, he moves to what's called the quality control partner. He does what's called a cold review but he's not involved at all in the audit. Another partner will take over the audit and be completely different from him. And at the end before the statements are issued, it will be Staton. I used to do that. I don't even do that anymore. Another partner does. They have not let me near it in three or four years, probably.

VOICE: (Indiscernible). (Laughter.)

MR. ALERDING: I like you. Where are you from? Kansas, I always liked Kansas.

MS. BUCKLER: I want to add to that, back in the day that was the practice. Back in the day, how many audit firms did you have? How many CPA firms did you have? Well in some areas, I understand that. But national audit firms have consolidated, consolidated, merged, merged, merged. And so where you once had the big 16, the big 12, and big eight, now you're down to the big four. So the problem with going out to bid or to, you know, requests for proposals is how many, what's the pool you're requesting from? So the standards for the auditing industry, I'm going to call you an industry for a moment, just the standards for the auditing industry changes, recognizing that you have fewer and fewer places to go to solicit.

So the key is you have different people doing it. So this whole insured, bonded, code of ethics they have to abide by, they can't have, if they've had the contract for a number of years, they can't have the same auditing team doing it for that same number of years. That team has to rotate every three, four, five years. So that's what, that's what's key.

If you're in a small area where you don't have a lot of big four presence and you maybe only have one, two CPA groups or firms that even do this, and that's another key, that even do this. Because as Mike pointed out, there are a whole lot of CPA firms that will not do an audit. And I'm going to share a real quick story.

Department secretaries training, Mike is doing essentially this same presentation geared to department secretaries. One of the department secretaries emails the chair, they have an audit committee, emails the chair of their audit committee and says we really need to have a full audit. They had only been doing a review. We really need to have a full audit. She emails the CPA that's been doing the audit. And I'm going to paraphrase this in the interests of language. So the CPA, the CPA -- yeah, Linda Boone just said let me say it. The CPA basically emailed back, because she showed me the email stream, and said, we don't, we won't do an audit. Thank God, doing an audit is a one-way ticket to H-E-L-L only doing a nonprofit audit you don't come back.

(Laughter.)

MR. ALERDING: That's exactly right. And that's what I was trying to tell her before. You are, I mean, the not for profits are a high risk organization. Just as we've talked about there's too many things going on. Any other questions? Comments? I know there was lot of stuff. Yes, ma'am?

VOICE: When you were talking about people wanting to give and they don't want the tax hit, I work in this kind of world. People that have taken their money out of the IRA and they say, I don't need the money, I don't want the money, and I don't want to get hit with the tax hit. What if you know somebody like that? If you make that as a charitable contribution, you can write that off on your taxes.

MR. ALERDING: Right. Now keep in mind that the new tax law has got some hitches in that get-along, and that's why I want you to, I'm stopping and hesitating. Because no one knows, you understand that the way this works is someone writes the bill, Congress votes on it, they pass it, the President signs it, and it doesn't mean anything now. Does it? It doesn't mean a thing. You know why? There are no regulations. The IRS has to write the regs and then the last thing is they've got to create a form. Well we could be in the end of the year before we get some of these.

Seriously. We have no idea. So I'm only hesitating and I --

VOICE: (Indiscernible).

MR. ALERDING: In '17 they could. Now '18 might be a little bit different. Well, you could still do it but you need to look at the mechanics and the effect. Okay. Yes?

VOICE: I'm confused because when I had my tax returns, you could only give so much and you could only write off so much. If you've got a person that's writing off that, that's a heck of a lot of money.

MR. ALERDING: It could be. You're limited to 50 percent of AGI for your charitable deduction.

VOICE: (Indiscernible).

MR. ALERDING: Yeah, you can do it over several years. Yes?

MS. SEELEY: You asked questions (indiscernible). I'm not much of a finance person. Typically finances for me put me to sleep. I said this last year --

MR. ALERDING: This isn't going to be good.

MS. SEELEY: -- you are probably one of the most exciting, upbeat --  
(Laughter.)

MR. ALERDING: Well thank you. Thank you. (Laughter.)

MR. ALERDING: Thank you. I'm going to tip you based on that.  
(Laughter.)

MR. ALERDING: Okay. I didn't see that.

Although I do love your accent, that's really great. Who was the one from New York that's from California?

Who is she? Where is she? That's it? I love that. When you said, I'm from New York, and everybody went, yeah, really?

(Laughter.)

MR. ALERDING: Okay. Any other questions, comments? Okay. Where are we going? It's already 3:00, is it? Okay. Talk to me. I mean, the questions have been here. And if you do have further questions, please let me know, let Dubbie know, and let Tim know. You can't let Marta know anymore. You used to be able to let Marta know.

(Laughter.)

MR. ALERDING: Congratulations. Do you know why we're here? Because we used to do the audit at the Indiana Economic Development Commission and she was on the staff there and she was the one that brought us in and we had to face Linda when we walked in. Now you all know how kind and sweet and loving and wonderful Marta is. We got Linda in her full glory that first day. It was like, oh my God.

(Laughter.)

MR. ALERDING: She doesn't care. She knows it's the truth. Yes?

(Laughter.)

VOICE: I'd like to know, the slides that you had and this presentation, will they also be --

MR. ALERDING: Yes. Yeah.

VOICE: Thank you.

MR. ALERDING: You're welcome.

MS. BUCKLER: Yeah, they will be sent out afterwards.

VOICE: Okay. Thank you. Not tomorrow.

MR. ALERDING: We will be doing something similar this next year. We're going to move it around a little bit and do some other things that, we try to do something that educates the NEC every year. Now that we've got multiple members we need to start changing some of the presentations to kind of accommodate that. Again, thank you all. But I am so happy for you as an organization. You've made such phenomenal strides at getting things along. So thank you for giving us the opportunity to work with you. I love you all very much.

(Applause.)

PRESIDENT DUSCHECK: Excellent job, Mike. And thank you for the afternoon entertainment. We really appreciated it. Because I believe so strongly in what Mike had to say about fiduciary responsibility, it's easy to see why we decided that the Mission Endowment Fund was this year's President's Project. You heard Mike say that ALA leaders have a fiduciary responsibility and if we're not fulfilling this responsibility we're failing as leaders. So let's take a minute to praise some of the folks who are doing amazing things fulfilling their responsibilities and supporting the Mission Endowment Fund.

The slide appears. The slide shows our top National President's Project donors. Everyone listed here donated over \$1,000 to the Mission Endowment Fund and that is phenomenal.

(Applause.)

PRESIDENT DUSCHECK: So we have lots of \$1,000 donors. Too many to read off. I mean, you can see all of them there. I can't. There are eight donors at the \$3,000 plus level, Department of Pennsylvania, Florida, Ohio, Indiana, New York, California, and Minnesota.

And a very special shout out to our top donor coming in over \$10,000, a huge thank you to Department of Wisconsin.

(Cheering.) (Applause.)

PRESIDENT DUSCHECK: A big thank you to all of our donors. That's absolutely amazing for investing in our organization's financial future. The Chair now calls on the National Secretary for any updates.

MS. BUCKLER: First off, I want to apologize.

Well I want to explain something and I want to apologize. So some of you have asked about how especially patriotic I'm looking today. I am ready to pray or pledge at a moment's notice. So I'm, you know, I wasn't going to say anything but so many people have asked I feel like I'd rather tell you what's going on rather than all the rumors that I've heard going on. I did a full body, full force impact with a brick sidewalk and broke my sternum. I scored points on style.

(Laughter.)

MS. BUCKLER: Heel caught, boom. I mean, it was not a graceful fall. It was a boom, legs stayed where they were and I went full forward. And those of you who have watched me walk, I was not strolling. I was walking at a pretty good clip anyway. So just real quick, the first thing I did was look around, who saw me.

(Laughter.)

MS. BUCKLER: It was 11:00 at night. I had been at a semi-formal event. So the next thing I looked around was, oh my gosh, nobody saw me. I've got to get up.

(Laughter.)

MS. BUCKLER: And I managed to get up and by the third day I was hardly able to move and I realized that I'm not bruising on the outside so it must be internal. And so I have a broken sternum. So your sternum is like this. Mine is now like this. Like Ruffles I'm going to ridges. And so everything that attached has to grow a lot longer because my sternum is scrunched up and that's how it's going to heal. So the surgeon said it's going to take a total probably six months to completely heal but for the first 13 to 18 weeks it's going to, and these were his words, it's going to hurt like Hades. And it does. And so that's why I'm doing this. But I really like rather saying that I'm ready to pray or pledge at a moment's notice because I'm just so terribly patriotic. So anyway, thank you for those of you who have come up and asked what's wrong with me. So that's what it is.

And so as a result of that when I was looking at this schedule up here in a real, in our 11 point font, I thought lunch was at 11:50. So I thought we were doing pretty good that I only went ten minutes over. But then someone decided that our little five-minute break would turn into almost a 25-minute break. So I do want to apologize. I truly thought I was not doing that bad. But I also thought that lunch was at 11:50 and not 11:30. So it was my doings. And so for those of you who have also said maybe you should have your head examined, you're not the first to say that to me. You probably won't be the last. And maybe I should.

Okay. For those of you departing Indianapolis on Sunday, an airport shuttle will depart the hotel here at the front at -- this is at the front, correct? Front. Front. Front. I'm looking for affirmation. Oh. Front. Front. Front's that way, front. An airport shuttle will depart the hotel at 5:00 a.m., 6:30 a.m., and 8:00 a.m. And if those times don't work for you, you're asked to schedule your transportation using Uber or Lyft. If you're not Uber or Lyft users, then you might just kind of be chatting with each other and find out who is going out together and share a cab because it is a hefty little cab fare to get from here. What is it? Sixty dollars? Is that what I'm hearing people -- 70? Seventy dollars for a cab fare from here? So if that's going to be your option, just since you've heard, it's been pounded in your heads today about being good fiduciary stewards, just try to buddy up and see if you can share a cab if that's the way that you want to go. But Uber and Lyft, if you've not done that, is really very, it's, Uber is like what? Forty? Yeah, so it's significantly less to do that. Nancy?

VOICE: (Indiscernible).

MS. BUCKLER: How long does it take to get from here to the, from the hotel to the airport? It will be Sunday so because it's Sunday it will take you about a half an hour to get from here to there. Now during the week, if this were a rush hour time, you'd be looking at more like 35 to 45 minutes. But since it's Sunday morning, it will take you about a half hour to get there. And you can get through security, you know, if you get to the Indianapolis Airport an hour and a half before your flight,

you're there in plenty of time. I'm looking at Janet. Janet and I, we are on the spectrum of when is the flight, we'll get there ten minutes before. And I know some of you are on the spectrum where, when is the flight, I want to be there three hours before. So suit your lifestyle.

Okay. For those of you -- I'm sorry. I'm sorry.

MS. WALLACE: Excuse me -- may I ask a question?

MS. BUCKLER: Sure.

MS. WALLACE: Do we need to schedule for those schedules or just be down in the lobby?

MS. BUCKLER: No, just be down there.

MS. WALLACE: Okay. Thank you.

MS. BUCKLER: Oh, good question. Thanks, Eva. I should have made that clear. Yes, you don't have to sign up or schedule for it. Just if one of those scheduled times works for you just be downstairs.

MS. WALLACE: Okay. Thanks.

MS. BUCKLER: Okay. And if anything goes wrong, call Peggy Thomas.

(Laughter.)

MS. BUCKLER: How many are going to Washington, D.C.? Okay there are a number of hands up there. So how many are going to Washington, D.C.? So Kathy Daudistel and Nicole Clapp, would you stand up?

Just so in case people don't know who you are. Okay. They will be hosting a reception because they have indicated their plans in the future to run for National President of the organization. So they are having a reception Monday night February 26th from 6:30 to 8:30 p.m. in the Georgetown East and West Rooms, which is the concourse level. And I'm sure for those of you who are going, you're going to be bumping into each other and there will be probably signage or notes stuck up in the restrooms or something so that --

(Laughter.)

MS. CLAPP: We hope to see you there. And we do want to say because we know (indiscernible).

MS. BUCKLER: Okay. So cool. So new reception, DLNC reception. Worst case, if you forget this and you are curious about it email us at National Headquarters and we've got the information that we can pass on.

And --

VOICE: Can I ask a question? MS. BUCKLER: No.

(Laughter.)

MS. BUCKLER: Of course. For those of you who don't know, I have a dry sense of humor. Peggy Thomas taught me everything I know about humor and it's dry.

So if you ever wonder if I'm joking, assume I'm joking. Okay?

VOICE: (Indiscernible) earlier, can we get those available to members online and things? Because I couldn't write it down.

MS. BUCKLER: Yes. Short answer, yes. Well the numbers will change so here's what we'll do. We'll go back. I won't be back, which is why I said, this stuff

is not going to, follow up to this meeting won't happen until next month. But when I get back what I'll do is update, we'll update that information and get it out to you. The key take-away without remembering the exact numbers is more people are joining online, more people are paying online, more people are paying by phone. And the other key take-away is for all that you've invested in the Centennial Strategic Plan, I've heard since I've been here, what do we need to do? We need to stop the slide. The slide is slowing. That sounded funny. But it is making a difference. You're not losing members as fast as you had been losing them.

Another thing, I'm going to ask my own question, so every year a certain number of people in this organization die. And I mentioned a comment earlier that that's not impacting our membership numbers. I mean, the number of people who die isn't a factor like because more are dying or fewer are dying. I mean, it's not a factor. Every year a certain number of people die. So it's over 10,000 who die that are a member of this organization. So I wanted to just follow up and leave you with this positive note. When Mike Alerding talked about his dad was not a wealthy man, raised singly, he left that part out, seven kids. So leaving \$100 was a big deal. And I'm just going to be kind of straightforward, I'm thinking for most of us in this room that is a big deal. We understand that.

Over 10,000 members die every year. It's about 12,000 members die every year. But let's say 10,000 members die every year. If they each left \$100 in their will or in their insurance policy directed one of the beneficiaries to be, how much money would that be? Okay, \$100 times 10,000? This is your math test. Okay, whoever said a million, so that's \$1 million every year if we could just encourage members to leave just \$100 in their wills. And that's probably not a hardship for anybody in this room. So please, go back and think about that. So with that, those are my announcements and my editorial comments. Thank you.

PRESIDENT DUSCHECK: So I had a train of thought while you were talking and forgot what it was, so I'll move on.

(Laughter.)

PRESIDENT DUSCHECK: As the governing body, I hope that you'll go back to your departments and report what went on during our meetings, the things that you learned, I meant, report those things. And my assumption is at about 1:06 most of you received an email and it came from the events team, would that be true? All right. So there's the thing, if you don't know, yes you do.

So at a minimum, at a minimum, NECs, I want you to share six things when you go back to your department. Number one, the ALA National Headquarters again received a clean audit. This eight-plus track record of management's efficiency is outstanding and members deserve to know how well the national organization is run.

Number two, utilize the ALA department risk management self-assessment checklist with department leadership and headquarters staff to evaluate your department. Expand the group of evaluators to include your Finance Committee and your Constitution and By-laws and Standing Rules Committees. That form is in your packet. It's risk assessment, it's called.

Number three, pass on to your Finance Committee and department office the list of financial best practices that you wrote down during Mike Alerding's presentation. I know you've got pages.

Number four, spread the word on the types of projects supported by the Foundation and the ways our members and neighbors can support the ALA Foundation.

Number five, the goal three department leader roles and responsibilities chart is on the back table. Please take one copy back to your department and make it available to all members. You can add this to your department's website and reproduce copies of the chart. Also, update the department website with the National ALA Five-Year Centennial =Strategic Plan found in the NEC packet that just happened to be on page 19 of 19.

And number six, share DEC 101 with the department DEC and help each member to understand her responsibility to the American Legion Auxiliary, always making decisions for the good of the organization.

That also was in your NEC packet.

I think there are other things on the back table, other brochures. There are probably some pins back there for Foundation. So grab those if you don't have them. But you have to make a promise to make a donation. And for your easy use if you flip the pin up you will notice that there are two web addresses on the backside of the pin so that you can find where to make your donation. Thank you.

And now, would National Chaplain Evelyn Espinola please offer a benediction?

MS. ESPINOLA: Let us pray. Heavenly Father, as we come to the end of our time together, we thank you for what has been accomplished here. May the matters discuss serve as a catalyst to move us forward and cause us to advance and see growth in all areas of our organization and in our lives. May we leave here recognizing you are the God of all wisdom and you are willing to lead us forward. This we pray in your name, Lord Jesus, Amen.

ALL: Amen.

PRESIDENT DUSCHECK: This meeting of the 2018 National Executive Committee meeting is now adjourned.

(Whereupon, at 3:12 p.m. on Saturday, February 24, 2018, the above-entitled meeting was concluded.)

**APPENDIX A**



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

**AMERICANISM**  
**CHAIRMAN: MARTHA CORRIHER**

The essay contest for students, senior member essay contest, flag educations, TAL Americanism programs and working special events to promote this program were the top activities the units reported within their divisions.

From the reports given and the response on the senior essay contests, members were excited to take part because it gave them a look into how the students feel writing and expressing their views on the topic. The reports also reflected a stronger interest in taking the proper action during the playing of our national anthem and during the pledge. More units reported going into the schools to explain why we should salute the flag during the playing of the anthem.

I would like the NEC to remind their department the importance of sending in the complete list and all information of their department chairmen to the national office. They also need to remind those chairmen it is also their responsibility to report at Mid Year and Year End.

**AUXILIARY EMERGENCY FUND**  
**CHAIRMAN: ELAINE MACKENZIE**

After reviewing the objectives in the action plan, what progress have you made so far?

The Auxiliary Emergency Fund (AEF) committee is trying to share two main messages with our members about this program.

The first approach is to educate members about the grants. The disaster grants get a lot of publicity, especially this year with so many natural disasters hitting such a wide area. We are shining a spotlight on the grants for members whose life circumstances change suddenly and find themselves in need of temporary assistance with living or education expenses. These grants were given to members last year in every division.

The second message we've been sharing about the Auxiliary Emergency Fund is that donations to this fund are greatly needed. The number of AEF grants and disaster grants given to members this year is high. Donations from members, units and departments will help keep the AEF strong.

One of the ways in which units and departments are able to be successful in collecting donations for the fund is to advertise AEF at meetings and events. This helps accomplish what the committee set out to do: educate members about the help the program provides and urge members to contribute. All department reports mentioned the importance of sharing the AEF brochure, and many reported making information boards to use at events and meetings.

Is there anything exceptional to report? It is completely amazing how much money can be accumulated in a water bottle! Other vessels used to collect donations include cans, feed buckets, decorated paper bags, pigs and even some poppy-decorated wine bottles. Units and departments have been extremely creative in the ways they've raised funds for the AEF. Some are as simple as selling slices of pie at a Post dinner, others as involved as holding a themed dinner-dance. Units have held silent auctions, craft fairs, basket raffles, 50/50 raffles and bake sales to raise funds. Individual units in all districts are reaching into their treasuries and making incredibly generous donations to the fund. Some units and departments have success in using the promise of an AEF pin for an individual donation of \$50 or more to boost participation.

Department of Iowa holds a "Diva Day" at its mid-winter conference, with all proceeds going to the AEF. Department of Texas raised money by awarding donors a sticker that resembled a band aid, so that they could publicly wear their support for the AEF. Department of Wisconsin is using the word SMILE (Support Members by getting Involved and Lending Encouragement) to encourage units to find creative ways in which to raise donations. Citations will be issued for the most creative fundraisers and the most generous donations. Department of Virginia has set its fundraising goal at \$10,000, and is more than 70% there, through educating its members on the importance of the program. Other departments are using their membership theme to decorate donation jars.

Some units and departments report they use the AEF program as a membership recruiting and retention tool, as this special grant is only available to American Legion Auxiliary members in good standing for the current year and who have paid their dues the two immediate prior years.

What request do you have for the NEC members to take back to their department? Please share that one of the reported reasons units and departments work so enthusiastically on this program is that it makes them feel so good to help other members in a time of need. The best way to keep this fund strong, and to keep it going in the future, is to plan regular contributions to the Auxiliary Emergency Fund. Our donations have the ability to make a positive impact on a member's life!

## **CHILDREN & YOUTH CHAIRMAN: KATHY DAUDISTEL**

The primary focus of the American Legion Auxiliary's Children and Youth program is the support and care of children in our communities, especially our military children.

Pennsylvania Department President Mary Greiman feels that the C & Y program allows members to see firsthand the difference we can and do make for the children

in our communities. She says, “While monetary assistance is a relief and much welcomed, interacting with the children is the most rewarding.”

Mary’s words seem to echo Auxiliary members across the nation as evidenced by 100% reporting. Members are actively engaging children in their communities and enjoying the programs as much as the children do.

Members in New York conducted 21 Star Spangled Kids programs for children in kindergarten through the sixth grade. They explained the Constitution, taught proper flag etiquette and led discussions on how to conduct a proper flag ceremony. They also passed out age related hands on worksheets for the children to take home. Two hundred Military children attended Bog Brook, a two-week camp for the children of the Maine Army National Guard, all due to the generosity of ALA members in Maine. They spent over \$1000 for sheets, craft and party supplies as well as toiletries. They also sponsored muffins and ice cream socials throughout the camp and were able to enjoy the experience with the children.

Indiana Unit 6 members are promoting and passing out KDH2 (Kids are Heroes Too) buttons to children whose parents are deployed. Members carry the buttons with them and hand them out as they learn of families that have a deployed loved one.

Fundraising is an important part of any program and C & Y is no exception. The Department of Wyoming made the Child Welfare Foundation one of their priorities this year. According to Wyoming Chairman Samuel Mares, Unit 8 hosted one of the best events so far. On Veterans Day, the members wandered around the club with the CWF pig asking for whatever change people had in their pockets. They credited much of their success to specially designed “feed the pig, feed the children” shirts they wore while collecting money.

Homeless children are a main priority in many Departments especially with the weather disasters that have hit many areas this year. Puerto Rico was hit extremely hard and displaced many families. Units in Puerto Rico worked together amidst their own losses to take care of the children. Members handed out shoes, clothing, personal items and food to families in need. One member visited with a 12-year-old girl who had a medical condition that required electric power. She managed to locate an alternate device for the young girl and in effect saved her life.

A wonderful way to recognize children for their kindness is the use of the Good Deed or Youth Hero Awards. Auxiliary members are monitoring newscasts, newspapers and social media to identify deserving youth. This year, eight Youth Hero awards and 27 Good Deed awards have been presented to children like Grace who asked for canned goods for the homeless instead of birthday gifts or a young teen who collected 810 flashlights and batteries for children hospitalized in Rhode Island.

Magic Johnson once said “All kids need is a little help, a little hope, and someone to believe in them”. ALA members working the program are helping communities come together to do just that.

The Youth Hero and Good Deed Awards are a great opportunity to engage your community. Invite winners to a department or unit meeting to present their awards and make sure to send a press release to the local media.

**COMMUNITY SERVICE**  
**CHAIRMAN: BETH MCGINN**

The American Legion Auxiliary’s (ALA) Community Service program encourages members to be visible in their local and state communities to help build awareness of who we are, what we do and why we matter. Hosting or attending community events, especially on National Days of Service, provides perfect opportunities to advertise how the American Legion Auxiliary can assist with veterans and military families while spreading goodwill (Goal 2) and building brand recognition (Goal 5) in their neighborhoods.

Many units participated in the September 11th National Day of Service and Remembrance this year. Several even received grants from ALA National Headquarters through the Corporation for National and Community Service (CNCS). Unit 344 (PA) provided free lunch to local veterans and made sure they left wearing poppies. Unit 68 (NJ) and Unit 64 (WY) put in community benches paying tribute to the day and veterans. Unit 148 (ME) hosting a Naturalization Ceremony for their community and state. Many volunteers partnered with their post family to clean up their post homes for the enjoyment of their members.

ALA members provided community support by volunteering at food banks, blood drives, clothing collections, meal deliveries and donating to their local schools. A diverse and assorted number of accomplishments were showcased in department reports that were received. The holidays were especially active times as units helped those in need in their communities including veterans and military families. Units in Delaware partnered with Bob Evans and DE Technical Culinary School to bake thousands of cookies for Operation Cookie Drop Off and held Thanksgiving dinners for widowed members of their Legion families. In addition to military packages, Unit 395 (IL), Unit 360 (PA) and Unit 164 (SD) distributed baskets of much-needed items to the veterans in their areas living in nursing homes and at VA homes.

Using social media, particularly the ALA Community Service Facebook group, members shared stories and photos of how they are working the Community Service Program Action Plan in their departments and units in 2017. Many of the photos showcased the ALA brand on apparel and printed materials, during parades at

dinners and fundraisers. It was motivating to see the ALA Juniors helping out side by side with Senior members gathering donations for toys (Unit 327 NC) for Operation Toy Soldier, collecting winter gear and playing games at veteran homes. Most notable in Ohio is ALA's Ambassador of Good Will, Beck, a service dog, who along with his ALA member Mom, has accumulated over 600 community service volunteer hours visiting nursing homes, schools, libraries and public facilities. Beck spreads cheer and smiles wherever he goes. Who doesn't love a Snoopy dog? Even those who are not on Facebook or Twitter were able to share their stories at the National website, [www.ALAforVeterans.org](http://www.ALAforVeterans.org), in the monthly In the Know eBulletin and submitting articles for the magazine.

What a year 2017 has been and 2018 promises to be bigger and better as members, units and departments become more and more visible in their communities as the "go-to" organization that can provide support for veterans, servicemembers, their families and the community.

More units reported participating in National Days of Service than ever before!  
Keep up the great work.

## **CONSTITUTION & BYLAWS**

### **CHAIRMAN: DENISE DELANEY-WROLEN**

Many Departments and Units reported reviewing and updating their Constitution & Bylaws to conform with the national organization. Many had not been done in many years. The Department of Rhode Island reported they now have Standing Rules which they never had before.

Department of Iowa created a Governing Document Checklist to help Units update their documents. The Department of Maine is offering incentives to Units that update their governing documents, those that do will be in a drawing to win \$200. Department of New Hampshire sent all Units an information packet on how to: amend amendments, how to write resolutions, and the difference between Bylaws and Standing Rules. North Carolina and Ohio held School of Instructions giving guidelines and sample handouts with templates for reviewing and updating.

The Constitution & Bylaws Committee would like to ask the NECs to return to their Departments and encourage every Unit, District and Division to meet with their committee to review and revise their governing document and be sure it is compliant with the national organization.

**EDUCATION**  
**CHAIRMAN: VICKIE KOUTZ**

“Too often we underestimate the power of a touch, a smile, a kind word, a listening ear, an honest compliment, or the smallest act of caring, all of which have the potential to turn a life around”. Leo Buscaglia

This quote exemplifies all that our members, units and departments stand for and do on a daily basis.

The Education committee received reports from 51 out of 52 departments.

When we asked our units to open their hearts for Give 10 to Education, they really outdid themselves. It was reported that 41,642 items were donated to the schools in their areas, for a total of \$720,146 spent and 1,121 hours volunteered and these were just the amounts that were reported, I am sure there were lots more.

Several units and departments also reported giving 424 backpacks filled with supplies.

For Students - paper, pens, markers, crayons, pencils, scissors, erasers, rulers, glue sticks, folders, notebooks, bookmarks, dictionaries, kleenex, paper towel, clorox wipes, deodorant, shampoo, conditioner, toothpaste, computer paper, notebook paper, underwear, feminine products, hats, gloves and sweatsuits were donated.

For Teachers, Staff, Coaches and Bus Drivers - Donuts, cookies, fruit trays, veggie trays and dips, a full breakfast, snacks, Keurig coffee pods, cards of appreciation, gift cards, Pledge of Allegiance booklets, Flag stickers, Flag pins, Flag etiquette booklets and monetary donations were given as a token of their appreciation. A special notice was placed in a local newspaper thanking the teachers and staff for all they do through the year.

Some departments gave out “Give 10 to Education” certificates to the units who donated. Milk caps, soup labels, box tops for education and pop tops for the Ronald McDonald House were donated.

One unit gave \$100 to their “Students who need assistance” fund to help purchase lunches and milk. A few members volunteered 100 hours of their time reading to the children and other members assisted with adult education classes at local high schools.

Units placed articles in their community newspapers listing school supplies and articles needed and placed donation boxes at various businesses for collection.

Another unit started a school uniform exchange program, and as the uniforms came in, they were professionally cleaned and then given to students who couldn't afford to buy them.

Units invited Veterans to their Community School programs. Some units sponsored a “Veteran to Lunch Day”, where the children thought it was a big hit to have lunch with an “Army Man”.

Other Units sponsored “Stuff the Bus” and “Library with Free Books”, along with adopting schools and teachers. They invited Veterans as speakers for their Veterans Day programs and they were asked to share their experiences while in the service through storytelling. The Veterans talked about the Flag, when to fly it, when to salute it, how to respect it, what the colors represent, the stars on the flag, about the eagle on top of the Flag and also demonstrated the proper care and folding of the American Flag.

Some Units and most Departments reported giving scholarships. The amount reported was \$47,610 in various types of Scholarships. One Unit had students submit references and have a family member who is a veteran. That student must also include a narrative with the theme “What This Veteran Influenced their Life”. Units contacted their local school counselors making sure the information was available to the students.

Some departments assisted Veterans to pursue a higher education by encouraging them to fill out applications for available scholarships.

As you can see, the members from our great organization have once again helped their schools promote education, celebrate their veterans and opened their wallets to award scholarships.

**ALA GIRLS NATION**  
**CHAIRMAN: LISA CHAPLIN, DNP**

Many Department ALA Girls State programs report formal processes through which they promote ALA membership, such as inviting members to present important aspects of our Organization’s programs that encompass our mission to serve veterans, active military and their families, or providing information packets including membership applications to each delegate upon arrival to the session. Delegates who are Junior members are often asked to speak about their experiences and involvement with the ALA and its mission to illustrate relevance to their own age group. Other Departments are actively involved employing less formal methods such as providing information about our programs during applicant interviews, orientation sessions, and using social media to keep the momentum alive following the sessions. A common theme is that of weaving membership and its benefits throughout the ALA Girls State session. Units are encouraged to invite those they have sponsored, as well as their family members, to come to a meeting to share their ALA Girls State experiences, and to have Legion Family membership applications available both on-site and on-line. These efforts have shown varying degrees of success.

Mission-based activities cover a wide spectrum amongst the Departments. Among the many examples are collecting hats, gloves, socks and personal care items for distribution through VA Medical Centers; creating poppy wreaths to place at memorials; raising funds to help address needs at VA hospitals, or to help support Honor Flights; writing cards for distribution to veterans; and folding pocket flags to send to deployed servicemembers. Each activity is tied to a program, and its purpose is described and explained.

Some Departments have organized ALA Girls State Alumnae groups on Facebook, while other use their ALA Girls State homepage and encourage delegates to continue to follow the program there. A few Departments also use other social media such as Instagram or Twitter to promote ongoing engagement with their alums, though this is not widespread. One Department is planning to use an event-specific Snapchat filter during their 2018 session.

While much of funding comes from the Legion Family, some Units host events with their Posts, open to the public, specifically to raise funds from outside the Legion Family in order to maximize availability of sponsorships. Others have long-standing relationships with community service organizations such as The Rotary Club, The Ruritan Club, churches, school parent-teacher organizations and private individual donors to address that goal.

Members at all levels continue to be encouraged to engage in their ALA Girls State programs in some way. Some Departments distribute paper applications and others on-line, to engage potential volunteers to serve in roles either prior to the session in recruitment or interviewing, or during the session itself. Materials for orientation of staff are often made available on paper or on-line prior to the actual session, and members who are not actively involved are encouraged to visit their Department's ALA Girls State homepage to make certain they have current information to share. Some Departments hold workshops and incorporate sessions at conferences in effort to include everyone who is interested in learning more. Overall, Department ALA GS programs consider informed Unit member involvement to be invaluable in order to achieve success. Dissemination of information about opportunities to participate this outstanding program in some capacity can serve as one avenue to reach those who may not otherwise volunteer to do so.

In closing, Departments showed their enthusiasm and dedication to their respective ALA Girls State programs with 100% mid-year reporting.

### **JUNIOR ACTIVITIES CHAIRMAN: PAM RAY**

One of most frequently asked questions is "How do we start a junior group?" This year the committee is working to develop a procedure that is detailed yet open for

Units to customize it for their Unit. One of the other focuses this year, along with the Leadership committee, is to rework the Junior leadership course. We would like to update this to make it more user friendly for all ages and to incorporate the ALA long range strategic plan. Our patch program has continued to be a focus of many of our juniors. We are working through newsletters and telephone conversations to remind every Department that the patch program is also open to our younger SAL members.

Our Juniors are very busy throughout the country. In Illinois, as the Department President conducted her informational fall forums throughout the state, juniors were invited as well. For part of the meeting, these girls held their own session to make tray favors for our Veterans. Delaware juniors are making "chemo" bags containing crackers, water, juice, candy, socks, etc for chemo patients at Tunnell Cancer Center. Shout out to the juniors in Maryland. "Metals for Miracles" provides money for terminally ill children and their families so they can enjoy an evening out or a birthday celebration. By collecting metals that they can recycle they have raised hundreds of dollars for this project. South Dakota juniors had a rare opportunity to escort and honor the remains of a Korean War Veteran who had been MIA. They handed out flags of appreciation to the family of the deceased veteran as well. In North Carolina the juniors wrote notes to senior members encouraging them to include the juniors in all they do. What a great idea! Oregon juniors are certainly taking care of the families of our deployed soldiers. One District assisted the senior members in collecting over \$4000.00 to purchase toys for the children of deployed soldiers. I wish there was time and space to share more of what our wonderful juniors are doing around the country.

Please return to your Departments and encourage the senior members to include the juniors in all you do and remind them it is not necessary to have an organized group for them to be included in activities. Think outside the box for projects these girls can do. Some of the examples above can start the creative juices flowing. Encourage your seniors and juniors to continue to support the Mission Training and National Junior Meetings. The knowledge and ideas they receive here can be shared in their Departments.

**LEADERSHIP**  
**CHAIRMAN: NORMA TRAMM**

The Leadership chairmen have been extremely busy and have touched on all the objectives of the Programs Action Plan.

Our first Ebulletin focused on ALA Academy and another message is coming out in February to encourage members to go online for the courses. Some departments are offering awards for the most units/district completing the ALA Academy courses. Others are encouraging ALA Academy to be shared at unit meetings to include

members without internet. The Mission Trainings have also encouraged members to take advantage of the ALA Academy training. I cannot wait to hear the number of members taking the classes.

Our members are interested in the history of the ALA and are taking the American Legion Auxiliary Senior Auxiliary Basics, A course on our History and Legacy. Many departments have requested information on the wallet size certificates to distribute. This information has been shared with all divisions. Some departments are being purposeful in working with junior members to help them understand how to be successful in the ALA. The Junior ALA Course “The ALA: My Organization and What I Need to Know to Grow as a Member” is available at [www.ALAforVeterans.org](http://www.ALAforVeterans.org) under the leadership tab. Some departments have mandatory leadership training throughout their department. Others have used social media to share information with their members. One department gathered the district presidents together to determine what units needed for leadership training. Many departments are getting back to the basics and sharing how to run a unit meeting and the duties of unit officers and chairmen. This has been well received. Mission Training was attended by many members having had a good experience.

Trainings covered how to use all the ALA reference documents and materials including those in hard copy and those on the website. Some of the most engaging information comes with a bit of fun attached. One department presented ‘Leadership on a Stick’ a fun spin off on their state fair food on a stick. Paper cut out heads were put sticks and fun was had as they learned about leadership. Another department gave out tickets for sharing information. These tickets were redeemed for small prizes. Several departments used a number of people to provide the training which kept members attention during a long day. Units decided to share bits of information on various parts of the ALA at many meetings to share knowledge and keep members wanting more.

It is so refreshing to read about all the mentoring that is happening around the country. Members are welcoming others to participate. The knowledge of past presidents is being used to help new members. Also units are pairing new members with a seasoned members so they will feel comfortable. There are new member packets being passed out and also units are using the Member Data Survey forms to find out the strengths of their members.

Mentoring and culture of goodwill go hand in hand. Seeking out members that wish to serve and assisting them to be successful at the level of leadership they desire is a great goal for all levels of leadership.

Departments are working hard to spread the word for civility training. Listening to others really listening and having fun as they gain knowledge. Departments are working with TAL family on a culture of goodwill.

This to me is the most important aspect to share with our members. People may join, but will only stay if they and others are treated with respect, a culture of good will.

Sometimes a good leader takes a step back to allow others to lead.. Check out ‘Leadership Lessons from Geese’.

Congratulations to the Department Leadership chairman and the National Leadership Committee we have 100% reporting from all departments.

A report was received from Puerto Rico, blessings to Amanda Torres, department chairman, for her commitment to the ALA. She is working with the units and letting them know that helping each other keeps the units alive.

Kansas produced a “passport to service” booklet which includes ideas and best practice to work ALA program. Included in the booklet is a 13 month calendar with military holidays and Department activities and meetings.

New York’s seventh district developed a monthly family leadership program that is being held at rotating locations.

Michigan’s idea is to think of a new member as a seed – plant=join. Water and sunlight =tools and guidance. The seed becomes a tree=getting involved and holding officer positions. Without positive mentoring the “seed” cannot establish roots (renew membership) and grow into a strong tree = Leader.

Nebraska got the members on their feet to do a rendition of YMCA with the words changed to enhance the leadership training.

California provided a bingo card with various words that would be spoken during the training. Members needed to be focused and on task during the presentation so they could bingo and win a prize.

We have such creative and dedicated members and there are many more fantastic ideas that have been presented in our departments.

Encourage members to continue to use the national website and take the ‘ALA Academy’ courses and the ‘American Legion Auxiliary Senior Auxiliary Basics, A Course on our History and Legacy’. Junior members can also take advantage of ‘The ALA: My Organization and What I Need to Know to Grow as a Member’ All are available at [www.ALAforVeterans.org](http://www.ALAforVeterans.org) under the Leadership tab.

## **LEGISLATIVE CHAIRMAN: CAROL EDWARDS**

The legislative program of the American Legion Auxiliary works directly with The American Legion; members serve as advocates for the agenda established by The American Legion.

Those in attendance at the national convention in Reno, Nevada will always remember the historic signing of the Veterans Appeals Improvement and Modernization Act of 2017 by President Trump.

The “Forever GI Bill”, formally called the Harry W. Colmery Veterans Educational Assistance Act of 2017, was signed into law in Bedminster, N.J.

“(The Forever GI Bill) is expanding our ability to support our veterans in getting education,” said Department of Veterans Affairs Secretary David Shulkin. “Already we’ve had 1.7 million individuals take advantage of the Post-9/11 GI Bill. We hope that many more now will.”

Passage of The American Legion 100th Anniversary Commemorative Coin Act was another historic event. The funds gained from sales will support caring for those who served and are currently serving in the Armed Forces, and programs that maintain patriotic values, strong families and assistance for at risk children.

Auxiliary members have done an incredible job sending emails, letters and making phone calls to their congressional delegation asking for support of legislation for our veterans. One unit in Iowa recognizes that not everyone has access to email, so the unit chairman brings pre-written letters to the monthly meeting. The letters are available to take and send in to their congressional delegation.

Not only are Auxiliary members at work on issues in Washington DC, but members are also constantly advocating on issues within their own departments regarding veterans.

In Kentucky, the department president and first vice president serve on the Kentucky World War I Centennial committee along with the Department of Veterans Affairs deputy commissioner. They are working on events to honor our military and civilians who served and gave the ultimate sacrifice for freedom. One of their goals is to line the steps of the Kentucky capitol in the summer of 2019, the 100th anniversary of World War I.

In New Mexico, unit members attended meetings about the construction and maintenance at Fort Bayard’s National Cemetery.

The Department of Oregon advocated their state legislator to demonstrate its dedication to veterans by approving a \$26.1 million budget for veteran’s services; this more than doubles the previous budget of \$10.4 million.

In Ohio, units have formed legislative teams that consist of three members. They meet once a month and go over the legislative resolutions and bills that are on their way to the floor. Each team picks a bill or resolution that they are going to work on for that month or until passed.

Department Chairmen have done an excellent job in keeping their membership informed of legislative issues that impact our veterans through the use of Facebook, emails, newsletters, participating in job fair events where each program is able to promote their program and workshops. Auxiliary members learned about the ALA Legislative Advocacy Guide and how to subscribe to the Legion’s Legislative Updates and Action Alerts.

As Auxiliary members, we need to urge Congress to support increased research into cannabis as part of the larger effort to develop complementary and alternative treatments and therapies. Cannabis is classified as Schedule I drug and drugs such as cocaine, methamphetamine and methadone are classified as Schedule II drugs. We urge Congress to amend legislation to remove cannabis from Schedule I and reclassify it in a category that, at a minimum, recognizes cannabis as a drug with potential medical value, and further urge the Drug Enforcement Agency to license privately-funded medical cannabis production operations in the US to enable safe and efficient cannabis drug development research.

## **MEMBERSHIP**

### **CHAIRMAN: DONNA RAY**

The 2017-2018 Membership Team incorporated some new ideas. To promote membership, a cash incentive was offered to departments who had 100% of their units with at least one member paid for 2018 by October 31, 2017. Thirty-two departments were awarded one -thousand dollars each.

Units in every division have been working diligently to improve membership. As of this report 8 departments are ahead of last year and twenty departments are less than 200 members behind where they were last year.

In the Central Division, Illinois is “Striving for Gold for Our Veterans”. They have one new unit and are working on several more. They formed new positions to work on interest form. Indiana membership chairman say’s “We will erase our deficit and make our way to the top”. West Virginia created a Facebook Messenger group for their entire membership team and recognizes their units and districts in their state newsletter. Wisconsin, through the culture of goodwill seems to have “turned the tide” and send post cards to units whose membership is above where they were last year.

The Rock Stars in the Eastern Division understand that membership is vital to our organization. In the Department of Massachusetts weekly membership reports are sent to all District President detailing their standings. Membership workshops were held in Vermont where The American Legion Family door hangers and copies of our Paid Up for Life Applications were handed out. The workshops also promote ALA branding and stress always having ALA applications on hand. New Hampshire’s membership theme “Spirit of Courtesy, Respect and Positive Communications” has the Department 271 ahead of last year. New York has been working hard to enhance membership and to recruit, renew and retain weekly membership information to all District and County Presidents and Membership Chairmen. The Department of Connecticut’s units and members have been recruiting at county fairs, open house in their Post homes, and Vet’s Rock.

Arizona's Department Chairman is excited that their numbers are well ahead of last year, and the Department of Idaho is working on a new Unit. The Northwest Division had several great ideas on how to recruit, rejoin and renew. Just a few are hosting a membership breakfast, honoring female veterans, and promoting "Paid up for Life" membership. New Mexico's Membership Chairman signed up a new member who had attended a training session. She also put together a membership packet for the Units and Districts. Washington's Department Chairman indicated they have started three new units and two units are being revitalized, that is awesome news!

Alabama has chartered three new units this year so far. They have also been encouraging unit members to register and complete the ALA Academy courses. Florida continues to promote the membership program by setting up tables at local community markets. Kentucky's membership theme this year is "Growing Kentucky's Family Tree" and they have been holding membership drives, recruiting for all family members. Puerto Rico has recruited 6 new junior and 39 new senior members.

As we can see the departments are staying in- touch with their members and promoting communication which brings the result in membership totals. Together we are a team working for the good of the American Legion Auxiliary by constantly promoting membership and remembering our mission, "In the Spirit of Service Not Self."

Let's go all out and finish the year on a high note!

**NATIONAL SECURITY  
CHAIRMAN: BRENDA COLLINS**

Numerous Blue Star Banners were presented. In Nebraska, a unit takes care of Gold Star Mothers' graves by cleaning the headstones and making sure the grave has a Flag.

No assistance to military spouses was reported.

Member have signed up for The American Legion's Action Alerts. They have emailed, called and mailed letters to their Legislators every time The American Legion sent out an alert.

Units in our departments have been very involved in the National Security program this year. A large majority of department have distributed Blue Star Banners to families of our deployed servicemembers. On a somber note, there were several Gold Star Family luncheons held across the country to celebrate the servicemembers who lost their lives serving our country.

Fridays found our members in red! The wear red on Fridays campaign to “Remember the Deployed”, or RED, has caught fire, and everywhere you looked you could see red! Just ask Indiana, where members are helping bring awareness to those deployed while wearing their red.

Soldiers Wish List was the recipient of a donation of \$2,000.00 from the Department of Missouri.

The Department of Maryland held a “kitchen shower” for the wife of a soldier who was killed in Afghanistan. Over \$1,200.00 in kitchen appliances, furnishings and décor were donated, as well as \$200.00 in toys and movie passes for her two children.

Our members want the children of our deployed to feel safe while their parents are away. Several departments reported giving out Josh Dogs to these children; Connecticut purchased and distributed 60 of the plush toys to children of deployed servicemembers.

Christmas cards were mailed to servicemembers by units across the country, but Montana added a twist to their cards. They placed a phone card in each Christmas card, so the recipient would be able to call their family at home.

A unit in Wyoming collected canned goods and turkeys for military families in need. They filled baskets for the families and had a Guardian Angel Tree to help the families at Christmas.

National Chaplain Evelyn Espinola distributed 50 names of servicemembers who needed a little love and a touch of home during the Christmas season. All 50 boxes were filled and mailed. Departments mailed thousands of other boxes to the deployed all around the world. Florida sent 1,636 boxes.

Members in North Carolina spent 750 hours folding pocket flags to send to the troops.

Several departments held Welcome Home Ceremonies during the months since national convention. Nevada alone has held eight since the start of this Auxiliary year.

There were cookies galore in Alaska, where 300 single soldiers were honored to receive cookies for Christmas from Auxiliary members.

Blood drives are a way of not only helping our servicemembers but also our communities. Our members recognize this much needed project in most of our departments, and their response has been outstanding.

Many departments donated to Operation Comfort Warriors, a program of The American Legion that helps injured servicemembers with comfort items.

Even as commissaries across the world are moving to electronic coupons, our members continue to clip and mail them each month. Of the departments who reported an amount, the face value of the coupons sent to foreign commissaries was \$15,212,466.00.

Some other programs that departments reported working with are: USO, Marine Corps Family Day, Adopt-A-Platoon, Cookie Drives for Troops, Gifts of Gratitude, CERT, deployment ceremonies, Operation Troop Support, Fisher House, Adopt a Military Family and Family Readiness Groups.

We are honored to report that the National Security Committee was 100% in reporting for this Mid-Year Report.

**PAST PRESIDENTS PARLEY  
CHAIRMAN: MARY E. DAVIS**

Although Departments are not required to put forth a Past Presidents Parley mid year report, fifteen departments responded to my personal request for reports.

What request do you have for the NEC members to take back to their departments? As leaders in their department, I hope they will help their Past Presidents Parley Chairman encourage every Unit to seek out qualified servicewomen to recommend as a candidate for recognition as Servicewomen of the Year and, also, to recognize the unit member showing leadership initiative by nominating her as Unit Member of the Year.

**POPPY  
CHAIRMAN: CAROL T. ROBINSON**

It is with great pride that I can report the Poppy mid-year report is 100%. The units are taking advantage of working the Poppy program at every opportunity: from being present at membership drives, fundraisers, parades, job fairs, and schools, along with distribution tables at grocery stores farmer's markets and Poppy cans being placed in local businesses and Post homes. Units reported sending elected officials a letter explaining the meaning of the poppy along with a poppy and asking them to wear this poppy, especially on National Poppy Day.

Thank you, Barbara Washburn, Northwestern Div. chairman. She created a poppy jeopardy game that was shared with all Divisions, with a request they share with the departments.

The Department of Indiana has chosen to have a Poppy Queen contest to honor those hard working Senior Auxiliary Members who work hard to promote the Poppy program.

In the Department of Iowa, one department chairman gave a poppy presentation at their leadership workshop. This chairman even dressed the part as a gardener with a poppy apron, hat gloves and a basket full of poppies.

The Department of Delaware reported that some units, along with their Miss Poppy, visited nursing homes and the Veterans home with poppies, handmade cards, and badges.

The Department of New Mexico had 600 Poppy posters to judge – WOW!

Even though the Department of Puerto Rico suffered significant losses this year with back to back hurricanes, the Unit members are still promoting the programs in public and private schools.

Have you reviewed the Poppy facebook page? Oh, my goodness what a beautiful way to communicate, share information and new ideas. Please, take a look it might surprise you the way our members are educating people about the sacrifices of our military service members and raising awareness of the poppy program.

The committee is asking that you encourage your Departments to participate In National Poppy Day on May 25, 2018. There are many ways to promote National Poppy Day, wear a red poppy all day, tell the poppy story, distribute poppies, etc. and always remember to say "Thank You!".

## **PUBLIC RELATIONS CHAIRMAN: MELANIE TAYLOR**

The Public Relations chairmen from all 52 departments have promoted who we are, what we do, and why we matter. Units and departments reported establishing Facebook pages and websites which allowed them to post interactive notices of their unit and department activities.

In order to promote the American Legion Auxiliary's mission, they utilized their local television, radio and newspapers, sharing their stories of the hard work and the difference they made in the lives of our veterans, our military and their families. Members are building brand loyalty by wearing ALA clothing to all activities and wearing "Honor Their Service" buttons when out in public. Past National President Mary Davis' ALA pin raised questions about the pin and what it meant. Once again allowing our members to promote who we are, what we do, and why we matter. The national Public Relations division chairmen have encouraged members and departments to subscribe to ALA eNews and In the Know eBulletin via the national website. Each month they include the current eBulletin with their newsletters to their department chairmen.

Unit chairmen reported sharing local media contacts with upcoming PR chairmen, along with the importance of establishing relationships with their political leaders.

Alexis Oldenburg, a Junior member from ALA Department of Minnesota Osseo/Maple Grove Unit 172, is helping to raise \$5,000 for "Flags for Ft. Snelling" a nonprofit organization that is raising funds so every gravesite at Ft. Snelling National Cemetery in Minneapolis will have an American flag. She noticed while visiting her uncle's gravesite, who was a Desert Storm veteran, that not all gravesites had a flag. As part of her National Honor Society project she has made it her mission to place a flag at every gravesite for Memorial Day. There are almost 200,000 graves and the non-profit organization did not have enough funds for the flags. She has raised \$2,500 to date and will continue until she achieves her goal of \$5,000.

The NEC member should share with her department president the importance of mid-year and end of year reports. This information is important to the ALA National organization. We share all statistics with The American Legion National organization in order for the national commander to report to Congress. We need these numbers in order to justify the funds necessary to support our veterans and the VA.

## **VETERANS AFFAIRS & REHABILITATION CHAIRMAN: NICOLE CLAPP**

The Veterans Affairs & Rehabilitation program promotes the ALA's mission to enhance the lives of veterans, military and their families. Our Departments have used their creativity and generosity to carry out the mission in countless ways. Everyday events and activities related to the VA & R program objectives are being addressed such as assisting in activities that help homeless veterans through coordinating Stand Downs and collection of sundries, bedding, food, and much needed clothing. ALA members promoted job fairs for veterans and their families to transition back to civilian life in addition to working with The American Legion Service Officers to obtain all their VA benefits, in addition to healthcare.

Local Units and Departments demonstrated supportive rehabilitation and healing of veterans through arts, crafts, and hobbies across America. The National Veterans Creative Arts Festival (NVCAF) held in Buffalo, New York recognized the progress and recovery made through recreation therapy and raised the visibility of the creative achievements of our nation's veterans after disease, disability or a life crisis.

ALA members as VA Voluntary Service (VAVS) volunteers at VA healthcare facilities is essential to the quality care our veterans need and deserve. The American Legion Auxiliary remains the largest organization volunteering services to

the VAVS program. But, if there isn't a VA hospital close to your community, thousands of hours and dollars are donated by our members in the Service to Veterans program. Some amazing examples are the Rescues Rescuing Veterans Project to Wreaths Across America to hunting and fishing trips to providing hurricane relief efforts for our heroes. But, remembering to assist and support caregivers of veterans through Service Not Self needs to be a very important aspect of our organization's efforts, as well.

One very touching experience in South Dakota occurred during one of the Gift Shops, when a veteran was walking around. He was carrying a watch and ask if he could have that for himself. Jeannine Loesch, Dept. 1st Vice President and VA & R Chairman replied that shopping for himself was to be done the next day. She told him he could shop for his family. He stated that he hadn't been in contact with them for years. Jeannine asked him if he knew where they were. On her phone, they found that one of his daughters worked at an insurance company in Florida. Jeannine tried calling and due to the time change, they were closed. The Gift Shop Chairman told him she would try to Facebook his daughters and let them know he was enrolled in this VA program and was trying to make his life right and wanted to send gifts to his daughters and granddaughters. None of the daughters replied, so before the VA Christmas Party, Jeannine called the daughter in Florida. She told her that she was with the American Legion Auxiliary serving as the VA & R Chairman for the Department of South Dakota and had worked with her father and they needed a shipping address since he wanted to send gifts to his daughters and granddaughters. Jeannine told her that if she didn't want her address shared with her father, that could happen, but if she didn't care they would give her address to the veteran. The daughter gave their addresses and said it was fine for him to have the information. The news brought the veteran and the Gift Shop Chairman to tears during a huge hug. Jeannine saw the veteran at the Christmas Party and he knew she was the one responsible. He hugged and thanked her, too for all that she had done. Christmas Gift Shops do bring families together!

**AMERICAN LEGION AUXILIARY FOUNDATION  
BOARD PRESIDENT: LINDA BOONE**

What an exciting and impactful year it has been...the ALA Foundation turned 10! Applause, applause! I hope you were all there to celebrate with us at National Convention in Reno as we recognized this milestone and kicked off an anniversary year of celebration and continued fundraising. In just 10 years, the ALA Foundation awarded nearly \$500,000 toward Auxiliary mission outreach programs, which includes \$78,500 for Veteran Projects Fund grants, \$18,800 for Veterans Creative Arts Festival grants, \$222,820 to the National Veterans Creative Arts Festival, \$97,250 in sub grants, and \$60,000 from investment earnings of the Mission Endowment fund. But we didn't stop there!

The ALA Foundation hosted a breakout session at National Convention and was represented at all six Mission Trainings providing information to units and departments about how the ALA Foundation can enhance mission outreach by providing additional and often much-needed financial resources through grants. During FY18 so far, the ALA Foundation has awarded an additional \$9,000 for Veteran Projects Fund grants, \$5,000 for Veterans Creative Arts Festival grants, \$39,600 to the National Veterans Creative Arts Festival, and \$500 in sub grants. The Department of Connecticut received a Veteran Projects Fund grant for \$4,000 to purchase a long arm sewing machine so members can make greater quantities of quilts and lap robes for veterans and returning military. The machine will allow the quilts to be quilted in house, saving donation money to allow for the purchase of more materials with the expectation of tripling the amount of quilts they can provide for veterans and military.

The Department of New Hampshire received a Veteran Projects Fund grant for \$5,000 to purchase a computer based touch-screen program that assists patients, especially those suffering from Alzheimer's and Dementia at the New Hampshire Veterans Home. The Veterans Home has 250 residents with an integrated 100-bed Alzheimer's and Dementia unit. The program will be used for individual and group therapy with content to help residents relax, reduce anxiety, engage in the present, remember the past and share laughter.

MO Unit 624 received a sub grant for \$500 to support their 2017 Fall Fashion Show. The show and luncheon helps raise money for scholarships offered to local high school females.

The Department of Vermont received a Veterans Creative Arts Festival grant for \$2,500 to help cover advertising, postage, paper products and art kit expenses for their local festival.

IL Unit 281 received a Veterans Creative Arts Festival grant for \$2,500 to purchase art supplies including ceramic supplies, paint, brushes, craft kits, easels, canvases, markers and other supportive supplies for the creative arts program at the Captain James A Lovell Federal Health Care Center in North Chicago. Approximately 300 veterans participate in this local therapeutic art event each year.

All of this worthwhile mission outreach activity is made possible by our amazing donors and supporters. Because of them, many of whom are in this room, we had a very successful third annual #GivingTuesday, raising more than \$36,000 to help support veterans, military, and their families, including a \$15,000 match from direct mail fundraising vendor Innovairre Communications!

The ALA Foundation Mission Endowment Fund has exceeded \$1 million and is continuing to grow as National President Diane focuses on donations throughout her travels. Reaching the \$1 million mark is a HUGE accomplishment, and should be considered a baseline for continued fundraising efforts to ensure that the interest earned will fund our programs for generations to come.

This is a major focus for the foundation board and one we continued to address during our annual retreat in November, as we evaluated ourselves individually and as a whole. We also discussed grant applications, which led to modifications including creating a separate grant that will support branding opportunities in connection with projects serving our veterans or programs outlined in the National Programs Action Plan. We encourage you to review the potential funding opportunities in the revised grant applications on our website.

We are also going to focus on getting you the information you need to better promote the ALA Foundation and utilize its resources. Much helpful information already exists, and we want to make sure you are familiar with the pathways to access it, so don't be surprised if you get a call or email from a board member to provide you with information on grants, upcoming fundraising campaigns or even open board of director positions. Your involvement is one of the keys to our success!

Board applications are currently being accepted! We need board members with diverse skill sets and a passion to provide for veterans, military and their families. If you know of anyone, male or female, members or non-members, that possess these attributes please let us know so we can discuss this opportunity with them. The application deadline is April 2, so please act now.

It has been an exciting 10 years and we look forward to the next 10. With your continued support, we can ensure that the American Legion Auxiliary's mission of service endures for the next generation of our heroes!

**APPENDIX B**



**FINANCIAL STATEMENTS**



**AMERICAN LEGION AUXILIARY  
NATIONAL HEADQUARTERS  
AND  
AMERICAN LEGION AUXILIARY  
FOUNDATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2017 AND 2016



**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
AND  
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

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SEPTEMBER 30, 2017 AND 2016

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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, 2017 and 2016, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 consolidated 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, 2017 and 2016, 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.

*Alending CIA Group*

February 3, 2018

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
AND  
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2017 AND 2016

**ASSETS**

	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 678,517	\$ 772,602
Investments	34,741,539	31,617,301
Investments - PUFL	4,039,759	3,728,969
Prepaid expenses	188,493	104,690
Furniture and equipment, net	105,763	113,626
Other assets	<u>246,190</u>	<u>171,698</u>
Total assets	<u>\$ 40,000,261</u>	<u>\$ 36,508,886</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>		
Accounts payable	\$ 782,467	\$ 1,017,235
Accrued expenses	351,416	295,653
Accrued scholarships	55,500	32,500
Deferred revenue - dues	2,338,740	2,466,689
Deferred revenue - PUFL	3,883,473	3,598,235
Deferred revenue - other	30,816	59,555
Liability for pension benefits	<u>1,101,875</u>	<u>1,302,044</u>
Total liabilities	<u>8,544,287</u>	<u>8,771,911</u>
<b>Net Assets:</b>		
Unrestricted net assets	30,117,576	26,897,289
Temporarily restricted net assets	980,669	819,120
Permanently restricted net assets	<u>1,595,813</u>	<u>1,459,901</u>
Total net assets before accumulated other comprehensive loss	32,694,058	29,176,310
Accumulated other comprehensive loss	<u>(1,238,084)</u>	<u>(1,439,335)</u>
Total net assets	<u>31,455,974</u>	<u>27,736,975</u>
Total liabilities and net assets	<u>\$ 40,000,261</u>	<u>\$ 36,508,886</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, 2017

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Total</u>
<b>Revenue, Gains &amp; Other Support:</b>				
Contributions	\$ 574,556	\$ 589,760	\$ 135,912	\$ 1,300,228
Federal grants and cost sharing	-	306,753	-	306,753
Membership dues	5,453,621	-	-	5,453,621
Advertising	495,084	-	-	495,084
Other	<u>701,200</u>	<u>-</u>	<u>-</u>	<u>701,200</u>
	7,224,461	896,513	135,912	8,256,886
<b>Temporarily Restricted Net Assets Released From Restrictions</b>	<u>927,730</u>	<u>(927,730)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>8,152,191</u>	<u>(31,217)</u>	<u>135,912</u>	<u>8,256,886</u>
<b>Expenses:</b>				
Member and department support services	4,994,599	-	-	4,994,599
Youth and education services	963,654	-	-	963,654
Veterans and military families programs	<u>1,496,212</u>	<u>-</u>	<u>-</u>	<u>1,496,212</u>
Total program services	7,454,465	-	-	7,454,465
Management and general	815,742	-	-	815,742
Fundraising	<u>310,643</u>	<u>-</u>	<u>-</u>	<u>310,643</u>
Total expenses	<u>8,580,850</u>	<u>-</u>	<u>-</u>	<u>8,580,850</u>
Change in net assets from operations	(428,659)	(31,217)	135,912	(323,964)
<b>Investment Income, Net of Expenses</b>	<u>3,638,246</u>	<u>203,466</u>	<u>-</u>	<u>3,841,712</u>
Change in net assets	3,209,587	172,249	135,912	3,517,748
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	<u>26,907,989</u>	<u>808,420</u>	<u>1,459,901</u>	<u>29,176,310</u>
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 30,117,576</u>	<u>\$ 980,669</u>	<u>\$ 1,595,813</u>	<u>\$ 32,694,058</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

	<u>Unrestricted Funds</u>	<u>Temporarily Restricted Funds</u>	<u>Permanently Restricted Funds</u>	<u>Total</u>
<b>Revenue, Gains &amp; Other Support:</b>				
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	<u>680,155</u>	<u>-</u>	<u>-</u>	<u>680,155</u>
	7,533,132	1,265,138	126,563	8,924,833
<b>Temporarily Restricted Net Assets Released From Restrictions</b>				
	<u>1,196,833</u>	<u>(1,196,833)</u>	<u>-</u>	<u>-</u>
Total revenue, gains, and other support	<u>8,729,965</u>	<u>68,305</u>	<u>126,563</u>	<u>8,924,833</u>
<b>Expenses:</b>				
Member and department support services	4,897,101	-	-	4,897,101
Youth and education services	826,476	-	-	826,476
Veterans and military families programs	<u>2,194,004</u>	<u>-</u>	<u>-</u>	<u>2,194,004</u>
Total program services	7,917,581	-	-	7,917,581
Management and general	698,190	-	-	698,190
Fundraising	<u>281,200</u>	<u>-</u>	<u>-</u>	<u>281,200</u>
Total expenses	<u>8,896,971</u>	<u>-</u>	<u>-</u>	<u>8,896,971</u>
Change in net assets from operations	(167,006)	68,305	126,563	27,862
<b>Investment Income, Net of Expenses</b>	<u>2,674,108</u>	<u>144,973</u>	<u>-</u>	<u>2,819,081</u>
Change in net assets	2,507,102	213,278	126,563	2,846,943
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	24,397,314	598,715	1,333,338	26,329,367
<b>Interfund Transfers</b>	<u>3,573</u>	<u>(3,573)</u>	<u>-</u>	<u>-</u>
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 26,907,989</u>	<u>\$ 808,420</u>	<u>\$ 1,459,901</u>	<u>\$ 29,176,310</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
AND  
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2017 Totals</b>	<b>2016 Totals</b>
Personnel and related benefits*	\$ 2,574,267	\$ 496,129	\$ 102,217	\$ 3,172,613	\$ 3,535,959
General operating expenses	355,400	97,445	14,488	467,333	418,636
Conventions and meetings	1,613,757	75,848	20,702	1,710,307	1,701,176
Occupancy	205,941	40,204	10,051	256,196	256,195
Professional services and fees	699,033	90,164	85,396	874,593	940,319
Printing and publications	782,998	4,615	38,324	825,937	937,944
Postage and freight	716,235	6,776	39,465	762,476	785,171
Grants and scholarships	466,936	-0-	-0-	466,936	282,577
Other	<u>39,898</u>	<u>4,561</u>	<u>-0-</u>	<u>44,459</u>	<u>38,994</u>
<b>Total expenses</b>	<b><u>\$ 7,454,465</u></b>	<b><u>\$ 815,742</u></b>	<b><u>\$ 310,643</u></b>	<b><u>\$ 8,580,850</u></b>	<b><u>\$ 8,896,971</u></b>

\*Includes AmeriCorps National/VISTA member living allowances and related benefits of \$268,541 in 2017 and \$726,891 in 2016 relating to Federal grant awards.

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED SEPTEMBER 30, 2016

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2016 Totals</b>
Personnel and related benefits*	\$ 3,018,822	\$ 401,769	\$ 115,368	\$ 3,535,959
General operating expenses	319,068	84,551	15,017	418,636
Conventions and meetings	1,632,756	60,762	7,658	1,701,176
Occupancy	210,966	35,178	10,051	256,195
Professional services and fees	758,686	100,781	80,852	940,319
Printing and publications	910,365	4,099	23,480	937,944
Postage and freight	753,050	3,347	28,774	785,171
Grants and scholarships	282,577	-	-	282,577
Other	<u>31,291</u>	<u>7,703</u>	<u>-</u>	<u>38,994</u>
Total expenses	<u>\$ 7,917,581</u>	<u>\$ 698,190</u>	<u>\$ 281,200</u>	<u>\$ 8,896,971</u>

\*Includes AmeriCorps National/VISTA member living allowances and related benefits of \$726,891 in 2016 relating to Federal grant awards.

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 3,517,748	\$ 2,846,943
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	47,555	78,014
Gain on disposal of assets	(350)	(215)
Net realized gain on investments	(846,819)	(64,770)
Net realized gain on investments - PUFL	(104,973)	-0-
Net unrealized gain on investments	(2,217,067)	(2,046,477)
Net unrealized gain on investments - PUFL	(287,272)	(286,479)
Net periodic pension expense	1,082	8,851
Changes in operating assets and liabilities:		
Prepaid expenses	(83,803)	(23,092)
Other assets	(74,492)	55,594
Accounts payable	(234,768)	289,881
Accrued expenses and scholarships	78,763	(117,103)
Deferred revenue - dues	(127,949)	(194,277)
Deferred revenue - PUFL	285,238	173,284
Deferred revenue - other	(28,739)	13,498
Liability for pension benefits	-0-	(35,000)
Net cash provided by (used in) operating activities	<u>(75,846)</u>	<u>698,652</u>
<b>Cash Flows From Investing Activities:</b>		
Fixed assets purchased	(39,692)	(31,385)
Proceeds from sale of assets	350	215
Purchase of investments	(2,900,356)	(2,305,191)
Proceeds from sale of investments	2,840,004	1,478,095
Purchase of investments - PUFL	(99,490)	(96,600)
Proceeds from sale of investments - PUFL	180,945	268,011
Net cash used in investing activities	<u>(18,239)</u>	<u>(686,855)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(94,085)	11,797
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>772,602</u>	<u>760,805</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 678,517</u>	<u>\$ 772,602</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, 2017 AND 2016

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.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

The three fund accounts include the following:

***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 violation and 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, 2017 AND 2016

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  
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Income Taxes

The Auxiliary and the Foundation are organized as not-for-profit corporations and, accordingly, are exempt from Federal and state income taxes under sections 501(c)(19) and 501(c)(3) of the Internal Revenue Code, respectively.

Management of the Organization evaluates all significant tax positions to ensure compliance with the exempt purpose of the Organization as required by U.S. GAAP, including consideration of any unrelated business income tax. As of September 30, 2017, 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, 2014.

Subsequent Events

Subsequent events have been evaluated through February 3, 2018, 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, 2017 and 2016.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

**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, 2017 include the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 678,517	\$ -0-	\$ 678,517
Investments	34,308,765	432,774	34,741,539
Investments - PUFL	4,039,759	-0-	4,039,759
	<b>\$ 39,027,041</b>	<b>\$ 432,774</b>	<b>\$ 39,459,815</b>

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	3,728,969	-0-	3,728,969
	<b>\$ 35,364,104</b>	<b>\$ 754,768</b>	<b>\$ 36,118,872</b>

The following schedule summarizes the changes in assets measured using Level 3 inputs during the year ending September 30, 2017:

	Fair Value Measurement Using Significant Unobservable Inputs (Level 3)		
	<u>Hedge Fund</u>	<u>Partnerships</u>	<u>Total</u>
Beginning Balance, 9/30/16	\$ 238,567	\$ 516,201	\$ 754,768
Withdrawals	(233,040)	(105,651)	(338,691)
Realized gains (losses)	19,142	(23,295)	(4,153)
Unrealized gains (losses)	(15,862)	36,712	20,850
Ending Balance, 9/30/17	<b>\$ 8,807</b>	<b>\$ 423,967</b>	<b>\$ 432,774</b>

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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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)		
	Hedge Fund	Partnerships	Total
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>

**3. INVESTMENTS AND INVESTMENT RETURN**

A summary of the Organization's investments and investment returns as of September 30, 2017 and 2016 and for the years then ended is as follows:

	2017		2016	
	Cost	Market	Cost	Market
<b>Investments:</b>				
Money market funds	\$ 3,171,689	\$ 3,171,689	\$ 1,757,163	\$ 1,757,163
Certificates of deposit	-0-	-0-	1,012,061	1,012,061
Exchange traded funds	6,999,501	11,161,951	6,284,688	9,355,018
Mutual funds and other	<u>16,965,864</u>	<u>20,407,899</u>	<u>17,175,971</u>	<u>19,493,059</u>
Total investments	<u>\$ 27,137,054</u>	<u>\$ 34,741,539</u>	<u>\$ 26,229,883</u>	<u>\$ 31,617,301</u>

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

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, 2017 and 2016:

	2017						
	General Fund	Other Unrestricted Funds	Total Unrestricted	Temporarily Restricted Funds	Auxiliary Total	Foundation Total	Total
Dividends and interest (net of expenses of \$34,289)	\$ 631,304	\$ 99,241	\$ 730,545	\$ 23,947	\$ 754,492	\$ 23,334	\$ 777,826
Net realized gains (losses) on investments	850,847	4,555	855,402	(5,693)	849,709	(2,890)	846,819
Net unrealized gains (losses) on investments	<u>1,808,800</u>	<u>243,499</u>	<u>2,052,299</u>	<u>87,188</u>	<u>2,139,487</u>	<u>77,580</u>	<u>2,217,067</u>
Total investment income	<u>\$ 3,290,951</u>	<u>\$ 347,295</u>	<u>\$ 3,638,246</u>	<u>\$ 105,442</u>	<u>\$ 3,743,688</u>	<u>\$ 98,024</u>	<u>\$ 3,841,712</u>
	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>

**4. FURNITURE AND EQUIPMENT**

The Organization's furniture and equipment for the years ended September 30, 2017 and 2016 are as follows:

	2017	2016
Furniture, office equipment and information technology	\$ 1,506,875	\$ 1,498,268
Leasehold improvements	38,039	38,039
Software in progress	<u>19,685</u>	<u>-0-</u>
	1,564,599	1,536,307
Accumulated depreciation and amortization	<u>(1,458,836)</u>	<u>(1,422,681)</u>
	<u>\$ 105,763</u>	<u>\$ 113,626</u>

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**5. UNRESTRICTED NET ASSETS**

Unrestricted net assets are internally designated for the following purposes at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Auxiliary Unrestricted Net Assets:		
General operations	\$ 25,346,526	\$ 25,194,753
NEC designated reserves	1,946,500	480,000
Auxiliary Emergency Fund	534,239	432,368
Spirit of Youth Fund	266,822	204,230
National President's Endowment Fund (NEC designated)	1,889,708	456,875
Other	<u>121,840</u>	<u>117,121</u>
	30,105,635	26,885,347
Foundation Unrestricted Net Assets:		
General operations	<u>11,941</u>	<u>11,942</u>
Total consolidated unrestricted net assets	<u>\$ 30,117,576</u>	<u>\$ 26,897,289</u>

**6. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Auxiliary Temporarily Restricted Net Assets:		
Undistributed endowment earnings	\$ 183,440	\$ 134,498
Spirit of Youth Fund	324,016	306,738
Emergency Fund grants	127,454	150,848
Other	<u>55,047</u>	<u>63,859</u>
	<u>689,957</u>	<u>655,943</u>
Foundation Temporarily Restricted Net Assets:		
Undistributed endowment earnings	116,706	42,016
Veteran Projects Fund	124,281	81,548
National and Local Veteran Creative Arts Festival(s)	<u>49,725</u>	<u>39,613</u>
	<u>290,712</u>	<u>163,177</u>
Total consolidated temporarily restricted net assets	<u>\$ 980,669</u>	<u>\$ 819,120</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>2017</u>	<u>2016</u>
Purpose restrictions accomplished:		
Auxiliary:		
Veteran services capacity building (CNCS)	\$ 306,753	\$ 839,293
Emergency Fund grants and related expenses	275,620	161,190
Spirit of Youth Fund scholarships and related expenses, net of forfeitures	56,099	39,368
National President's Endowment Fund scholarships and related expenses, net of forfeitures	56,500	-0-
ALA Girls Nation expenses	18,420	10,190
Other	65,116	4,251
Foundation:		
Endowment distributions in support of Auxiliary operations	23,058	18,429
Veteran Projects Fund Grants	6,558	39,777
National and Local Veteran Creative Arts Festival(s)	61,606	57,335
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	58,000	27,000
	<u>\$ 927,730</u>	<u>\$ 1,196,833</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>2017</u>	<u>2016</u>
<b>Assets:</b>		
Cash	\$ 125,150	\$ 142,358
Investments - PUFL	4,039,759	3,728,969
Other	<u>15,247</u>	<u>29,213</u>
Total assets	<u>\$ 4,180,156</u>	<u>\$ 3,900,540</u>
<b>Liabilities:</b>		
Due to General Operating Fund	\$ 296,683	\$ 302,305
Deferred revenue - PUFL	<u>3,883,473</u>	<u>3,598,235</u>
	<u>\$ 4,180,156</u>	<u>\$ 3,900,540</u>

The cost and market value of investments in the PUFL Membership trust as of September 30, 2017 and 2016 are as follows:

	2017		2016	
	Cost	Market	Cost	Market
<b>Investments:</b>				
Money market funds	\$ 82,204	\$ 82,204	\$ 162,071	\$ 162,071
Exchange traded funds	1,207,588	1,834,985	1,350,351	1,796,408
Mutual funds and other	<u>2,020,405</u>	<u>2,122,570</u>	<u>1,774,257</u>	<u>1,770,490</u>
Total investments	<u>\$ 3,310,197</u>	<u>\$ 4,039,759</u>	<u>\$ 3,286,679</u>	<u>\$ 3,728,969</u>

The following schedule summarizes the PUFL Membership trust investment income for the years ended September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Dividends and interest (net of expenses)	\$ 80,565	\$ 78,589
Net realized gains on investments	104,973	-0-
Net unrealized gains on investments	<u>287,272</u>	<u>286,479</u>
Total investment income	<u>\$ 472,810</u>	<u>\$ 365,068</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>2017</u>	<u>2016</u>
Projected benefit obligation	\$ (3,502,753)	\$ (3,708,812)
Fair value of plan assets	<u>2,400,878</u>	<u>2,406,768</u>
Funded status	<u>\$ (1,101,875)</u>	<u>\$ (1,302,044)</u>
Accumulated benefit obligation	<u>\$ (3,502,753)</u>	<u>\$ (3,708,812)</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>2017</u>	<u>2016</u>
Liability for pension benefits	\$ 1,101,875	\$ 1,302,044
Unrecognized losses (Note 16)	(1,205,501)	(1,401,458)
Unamortized prior service cost (Note 16)	(32,583)	(37,877)
Net periodic pension cost	1,082	8,851
Employer contributions	-0-	35,000
Benefits paid	182,156	144,717

Weighted-average assumptions used to determine benefit obligations are as follows:

	<u>2017</u>	<u>2016</u>
Weighted-average assumptions:		
Discount rate	3.54%	3.23%
Rate of compensation increase	N/A	N/A

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Weighted-average assumptions used to determine benefit costs are as follows:

	<u>2017</u>	<u>2016</u>
Weighted-average assumptions:		
Discount rate	3.54%	3.23%
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:

2018	\$ 208,738
2019	209,189
2020	205,300
2021	201,117
2022	215,556
2023-2027	<u>1,005,194</u>
	<u>\$ 2,045,094</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, 2017 and 2016 were as follows:

	<u>Target</u>	<u>2017</u>	<u>2016</u>
Equity securities	40 - 60%	32%	47%
Debt securities	40 - 60%	64%	50%
Other	0 - 20%	4%	3%

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 9). 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 \$103,816 and \$63,943 in 2017 and 2016, respectively.

**11. OPERATING LEASES**

The Auxiliary leases its National Headquarters' office under an agreement that calls for monthly lease payments ranging from \$19,751 to \$20,042 through January 2019 plus the Auxiliary's proportionate share of operating costs. Total lease expense for the National Headquarters' Office was \$222,596 and \$222,595 in 2017 and 2016, respectively.

The Auxiliary also leases certain office equipment under a term in excess of one year. The lease requires minimum monthly lease payments of \$1,663 through July 2019. Lease expense for this lease and other short-term cancelable leases was \$18,698 and \$21,180 in 2017 and 2016, respectively.

Future minimum lease payments under the terms of all noncancelable operating leases at September 30, 2017 are as follows:

Year Ending <u>September 30,</u>	
2018	\$ 259,294
2019	<u>95,134</u>
	<u>\$ 354,428</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, 2017 and 2016 are summarized below:

	<u>2017</u>	<u>2016</u>
<b>Disbursements to Legion:</b>		
Conferences and convention	\$ 78,654	\$ 63,955
Legal services	7,500	7,500
National emblem sales	10,865	17,567
Contributions to the Legion and its affiliates	2,500	2,500
Other	<u>9,180</u>	<u>10,384</u>
	<u>\$ 108,699</u>	<u>\$ 101,906</u>
<b>Receipts:</b>		
National emblem sales	<u>\$ 60,715</u>	<u>\$ 59,158</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. Contributions to 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, 2017 include the following:

	NEC	Donor	
	<u>Designated</u>	<u>Designated</u>	<u>Total</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, beginning of year	<u>456,875</u>	<u>813,961</u>	<u>1,270,836</u>
Additions to endowment	1,250,000	20,121	1,270,121
Transfer from reserves	-0-	18,500	18,500
Scholarships paid, net of forfeitures	-0-	(75,000)	(75,000)
Interest and dividends, net of fees	41,034	23,947	64,981
Realized losses	12,425	(5,693)	6,732
Unrealized gains	<u>129,374</u>	<u>87,188</u>	<u>216,562</u>
Change in endowment net assets	<u>1,432,833</u>	<u>69,063</u>	<u>1,501,896</u>
Endowment net assets, end of year	<u>\$ 1,889,708</u>	<u>\$ 883,024</u>	<u>\$ 2,772,732</u>
Historic gift value	\$ 1,593,290	\$ 699,584	\$ 2,292,874
Accumulated earnings	<u>296,418</u>	<u>183,440</u>	<u>479,858</u>
Endowment net assets, end of year	<u>\$ 1,889,708</u>	<u>\$ 883,024</u>	<u>\$ 2,772,732</u>

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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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>

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 \$75,000 and \$45,000 were made during the years ended September 30, 2017 and 2016, 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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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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 contributions are classified as permanently restricted in the consolidated statements of financial position.

Endowment net assets at September 30, 2017 and 2016 include the following:

	<u>2017</u>	<u>2016</u>
Historic gift value	\$ 780,438	\$ 664,053
Accumulated earnings (losses)	<u>42,016</u>	<u>(3,573)</u>
Endowment net assets, beginning of year	<u>822,454</u>	<u>660,480</u>
Additions to endowment	115,791	116,385
Endowment distributions	(23,058)	(18,429)
Interest and dividends, net of fees	23,058	18,420
Realized losses	(2,890)	-0-
Unrealized gains	<u>77,580</u>	<u>45,598</u>
Change in endowment net assets	<u>190,481</u>	<u>161,974</u>
Endowment net assets, end of year	<u>\$ 1,012,935</u>	<u>\$ 822,454</u>
Historic gift value	\$ 896,229	\$ 780,438
Accumulated earnings	<u>116,706</u>	<u>42,016</u>
Endowment net assets, end of year	<u>\$ 1,012,935</u>	<u>\$ 822,454</u>

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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, 2017 and 2016 were \$23,058 and \$18,429, 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.

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**16. COMPREHENSIVE INCOME**

Comprehensive income for the years ended September 30, 2017 and 2016 includes the following:

	<u>2017</u>	<u>2016</u>
Change in net assets	<u>\$ 3,517,748</u>	<u>\$ 2,846,943</u>
Other comprehensive income:		
Unrecognized losses, beginning of year	1,401,458	1,074,715
Unrecognized losses, end of year	<u>1,205,501</u>	<u>1,401,458</u>
Change in unrecognized losses	<u>195,957</u>	<u>(326,743)</u>
Unamortized prior service cost, beginning of year	37,877	43,171
Unamortized prior service cost, end of year	<u>32,583</u>	<u>37,877</u>
Change in unamortized prior service cost	<u>5,294</u>	<u>5,294</u>
	<u>201,251</u>	<u>(321,449)</u>
Comprehensive income	<u>\$ 3,718,999</u>	<u>\$ 2,525,494</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 end of 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 19 strategies to achieve 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 over 100 members and depends on the organization at all levels achieving the five following strategic goals by 2020: a) Enhance Membership Strength; b) Create an Internal Culture of Good Will; c) Develop Leadership at All Levels; d) Strengthen Departments and Units; and e) 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 \$730,000 in 2018 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  
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ANALYSIS OF DEFERRED REVENUE – PUFL  
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Increases:</b>		
Membership dues	\$ 163,232	\$ 171,024
Investment income	472,810	365,068
	<u>636,042</u>	<u>536,092</u>
<b>Decreases:</b>		
Distributions to departments	298,704	305,326
Administrative expense	52,100	57,482
	<u>350,804</u>	<u>362,808</u>
<b>Net Increase</b>	285,238	173,284
<b>Deferred Revenue, Beginning of Year</b>	<u>3,598,235</u>	<u>3,424,951</u>
<b>Deferred Revenue, End of Year</b>	<u>\$ 3,883,473</u>	<u>\$ 3,598,235</u>

See Independent Auditor's Report on pages 1-2.  
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**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS  
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2017

**ASSETS**

	<u>Auxiliary</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 413,383	\$ 265,134	\$ -0-	\$ 678,517
Investments	33,723,516	1,018,023	-0-	34,741,539
Investments - PUFL	4,039,759	-0-	-0-	4,039,759
Prepaid expenses	188,493	-0-	-0-	188,493
Furniture and equipment, net	105,763	-0-	-0-	105,763
Other assets	<u>316,970</u>	<u>6,386</u>	<u>(77,166)</u>	<u>246,190</u>
Total assets	<u>\$ 38,787,884</u>	<u>\$ 1,289,543</u>	<u>\$ (77,166)</u>	<u>\$ 40,000,261</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>				
Accounts payable	\$ 768,972	\$ 90,661	\$ (77,166)	\$ 782,467
Accrued expenses	351,416	-0-	-0-	351,416
Accrued scholarships	55,500	-0-	-0-	55,500
Deferred revenue - dues	2,338,740	-0-	-0-	2,338,740
Deferred revenue - PUFL	3,883,473	-0-	-0-	3,883,473
Deferred revenue - other	30,816	-0-	-0-	30,816
Liability for pension benefits	<u>1,101,875</u>	<u>-0-</u>	<u>-0-</u>	<u>1,101,875</u>
Total liabilities	<u>8,530,792</u>	<u>90,661</u>	<u>(77,166)</u>	<u>8,544,287</u>
<b>Net Assets:</b>				
Unrestricted net assets	30,105,635	11,941	-0-	30,117,576
Temporarily restricted net assets	689,957	290,712	-0-	980,669
Permanently restricted net assets	<u>699,584</u>	<u>896,229</u>	<u>-0-</u>	<u>1,595,813</u>
Total net assets before accumulated other comprehensive loss	31,495,176	1,198,882	-0-	32,694,058
Accumulated other comprehensive loss	<u>(1,238,084)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,238,084)</u>
Total net assets	<u>30,257,092</u>	<u>1,198,882</u>	<u>-0-</u>	<u>31,455,974</u>
Total liabilities and net assets	<u>\$ 38,787,884</u>	<u>\$ 1,289,543</u>	<u>\$ (77,166)</u>	<u>\$ 40,000,261</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, 2017**

	Auxiliary			Foundation			Eliminations	Total
	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds		
<b>Revenue, Gains &amp; Other Support:</b>								
Contributions	\$ 687,421	\$ 411,027	\$ 20,121	\$ 1,118,569	\$ 183,155	\$ 115,791	\$ (276,020)	\$ 1,300,228
Federal grants and cost sharing	-	306,753	-	306,753	-	-	-	306,753
Membership dues	5,453,621	-	-	5,453,621	-	-	-	5,453,621
Advertising	495,084	-	-	495,084	-	-	-	495,084
Other	701,200	-	-	701,200	-	-	-	701,200
	7,337,326	717,780	20,121	8,075,227	183,155	115,791	457,679	8,256,686
	778,508	(778,508)	-	-	149,222	(149,222)	-	-
Net assets released from restrictions								
	8,115,834	(60,728)	20,121	8,075,227	312,377	29,511	(276,020)	8,256,686
<b>Expenses:</b>								
Total revenue, gains, and other support								
Member and department support services	4,693,703	-	-	4,693,703	7,896	-	-	4,693,609
Veterans and military families programs	930,137	-	-	930,137	81,579	-	(48,569)	963,654
Management and general	1,483,047	-	-	1,483,047	87,272	-	(64,107)	1,499,212
Fundraising	7,378,887	-	-	7,378,887	176,744	-	176,744	7,454,465
Total program services	933,066	-	-	933,066	45,830	-	(183,154)	815,742
Management and general	220,839	-	-	220,839	89,804	-	-	310,643
Fundraising	8,533,792	-	-	8,533,792	312,378	-	(285,320)	8,560,850
Total expenses	(417,968)	(60,728)	20,121	(458,569)	(1)	29,511	145,301	(323,864)
Changes in net assets from operations	3,638,246	105,442	-	3,743,688	-	96,024	-	3,841,712
<b>Investment Income, Net of Expenses</b>								
Changes in net assets	3,220,288	44,714	20,121	3,285,123	(1)	127,535	(10,700)	3,517,746
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	26,885,347	645,243	679,483	28,210,053	11,942	163,177	780,438	29,176,910
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	\$ 30,105,635	\$ 689,957	\$ 689,584	\$ 31,495,176	\$ 11,941	\$ 290,712	\$ 886,229	\$ 32,694,058

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	Auxiliary Total	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds		
<b>Revenue, Gains &amp; Other Support:</b>								
Contributions	\$ 863,008	\$ 318,201	\$ 1,181,387	\$ 151,332	\$ 107,644	\$ 116,385	\$ 375,361	\$ 1,335,111
Federal grants and cost sharing	-	-	839,293	-	-	-	-	839,293
Membership dues	5,619,470	-	5,619,470	-	-	-	-	5,619,470
Advertising	450,804	-	450,804	-	-	-	-	450,804
Other	680,155	-	680,155	-	-	-	-	680,155
	7,613,437	1,157,484	8,770,921	151,332	107,644	116,385	375,361	8,924,833
Net assets released from restrictions	1,054,292	(1,054,292)	-	142,541	(142,541)	-	-	-
	8,667,729	-	8,667,729	293,873	(34,897)	116,385	375,361	8,924,833
<b>Expenses:</b>								
Total revenue, gains, and other support								
Administrative and dispatch support services	4,894,809	-	4,894,809	20,972	-	-	20,972	4,897,101
Youth and education services	813,725	-	813,725	31,171	-	-	31,171	826,476
Veterans and military families programs	2,124,734	-	2,124,734	123,855	-	-	123,855	2,194,004
Total program services	7,833,268	-	7,833,268	175,298	-	-	175,298	7,917,581
Management and general	805,556	-	805,556	43,966	-	-	43,966	688,190
Fundraising	206,589	-	206,589	74,611	-	-	74,611	281,200
Total expenses	8,845,433	-	8,845,433	293,875	-	-	293,875	8,958,971
Change in net assets from operations	(177,704)	103,282	(74,422)	(2)	(34,897)	116,385	81,486	27,862
Investment income, net of expenses	2,674,106	80,355	2,755,063	-	64,018	-	64,018	2,819,081
Change in net assets	2,496,404	184,167	2,680,739	(2)	29,121	116,385	145,504	2,846,943
<b>Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year</b>	24,388,943	461,086	25,119,314	8,371	137,629	664,053	810,053	26,329,367
<b>Interfund Transfers</b>	-	-	-	3,573	(3,573)	-	-	-
<b>Net Assets Before Accumulated Other Comprehensive Loss, End of Year</b>	<u>\$ 26,885,347</u>	<u>\$ 645,243</u>	<u>\$ 28,210,053</u>	<u>\$ 11,942</u>	<u>\$ 163,177</u>	<u>\$ 789,438</u>	<u>\$ 955,557</u>	<u>\$ 29,176,310</u>

See Independent Auditor's Report on pages 1-2.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.  
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY  
NATIONAL HEADQUARTERS)**

FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016



**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, 2017 and 2016, 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, 2017 and 2016, 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.

February 3, 2018

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.  
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY  
NATIONAL HEADQUARTERS)**

STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2017 AND 2016

	<u>ASSETS</u>	
	<u>2017</u>	<u>2016</u>
<b>Assets:</b>		
Cash	\$ 265,134	\$ 207,397
Investments	1,018,023	817,121
Other assets	<u>6,386</u>	<u>7,447</u>
Total assets	<u>\$ 1,289,543</u>	<u>\$ 1,031,965</u>

LIABILITIES AND NET ASSETS

<b>Liabilities:</b>		
Accounts payable	\$ 13,495	\$ 3,417
Due to related party, net	<u>77,166</u>	<u>72,991</u>
Total liabilities	<u>90,661</u>	<u>76,408</u>
<b>Net Assets:</b>		
Unrestricted net assets	11,941	11,942
Temporarily restricted net assets	290,712	163,177
Permanently restricted net assets	<u>896,229</u>	<u>780,438</u>
Total net assets	<u>1,198,882</u>	<u>955,557</u>
Total liabilities and net assets	<u>\$ 1,289,543</u>	<u>\$ 1,031,965</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, 2017

	Unrestricted Funds	Temporarily Restricted Funds	Permanently Restricted Funds	Total
<b>Revenue, Gains &amp; Other Support:</b>				
Contributions	\$ -0-	\$ 178,733	\$ 115,791	\$ 294,524
In-kind contributions	163,155	-0-	-0-	163,155
	<u>163,155</u>	<u>178,733</u>	<u>115,791</u>	<u>457,679</u>
<b>Temporarily Restricted Net Assets Released From Restrictions</b>				
	<u>149,222</u>	<u>(149,222)</u>	<u>-0-</u>	<u>-0-</u>
Total revenue, gains and other support	<u>312,377</u>	<u>29,511</u>	<u>115,791</u>	<u>457,679</u>
<b>Expenses:</b>				
Program services:				
Personnel and related benefits	13,664	-0-	-0-	13,664
General operating expenses	203	-0-	-0-	203
Grants	148,971	-0-	-0-	148,971
Professional services and fees	13,906	-0-	-0-	13,906
Total program services	<u>176,744</u>	<u>-0-</u>	<u>-0-</u>	<u>176,744</u>
Management and general:				
Personnel and related benefits	19,863	-0-	-0-	19,863
General operating expenses	2,313	-0-	-0-	2,313
Conventions and meetings	9,935	-0-	-0-	9,935
Professional services and fees	13,719	-0-	-0-	13,719
Total management and general	<u>45,830</u>	<u>-0-</u>	<u>-0-</u>	<u>45,830</u>
Fundraising:				
Personnel and related benefits	34,137	-0-	-0-	34,137
General operating expenses	4,386	-0-	-0-	4,386
Conventions and meetings	17,949	-0-	-0-	17,949
Professional services and fees	33,332	-0-	-0-	33,332
Total fundraising	<u>89,804</u>	<u>-0-</u>	<u>-0-</u>	<u>89,804</u>
Total expenses	<u>312,378</u>	<u>-0-</u>	<u>-0-</u>	<u>312,378</u>
Change in net assets from operations	(1)	29,511	115,791	145,301
<b>Investment Income, Net of Expenses</b>	<u>-0-</u>	<u>98,024</u>	<u>-0-</u>	<u>98,024</u>
Change in net assets	(1)	127,535	115,791	243,325
<b>Net Assets, Beginning of Year</b>	<u>11,942</u>	<u>163,177</u>	<u>780,438</u>	<u>955,557</u>
<b>Net Assets, End of Year</b>	<u>\$ 11,941</u>	<u>\$ 290,712</u>	<u>\$ 896,229</u>	<u>\$ 1,198,882</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
<b>Revenue, Gains &amp; Other Support:</b>				
Contributions	\$ -0-	\$ 107,644	\$ 116,385	\$ 224,029
In-kind contributions	151,332	-0-	-0-	151,332
	151,332	107,644	116,385	375,361
<b>Temporarily Restricted Net Assets Released From Restrictions</b>	<b>142,541</b>	<b>(142,541)</b>	<b>-0-</b>	<b>-0-</b>
Total revenue, gains and other support	293,873	(34,897)	116,385	375,361
<b>Expenses:</b>				
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	11,955	-0-	-0-	11,955
Total program services	175,298	-0-	-0-	175,298
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	13,352	-0-	-0-	13,352
Total management and general	43,966	-0-	-0-	43,966
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	36,798	-0-	-0-	36,798
Total fundraising	74,611	-0-	-0-	74,611
Total expenses	293,875	-0-	-0-	293,875
Change in net assets from operations	(2)	(34,897)	116,385	81,486
<b>Investment Income, Net of Expenses</b>	<b>-0-</b>	<b>64,018</b>	<b>-0-</b>	<b>64,018</b>
Change in net assets	(2)	29,121	116,385	145,504
<b>Net Assets, Beginning of Year</b>	8,371	137,629	664,053	810,053
<b>Interfund Transfers</b>	<b>3,573</b>	<b>(3,573)</b>	<b>-0-</b>	<b>-0-</b>
<b>Net Assets, End of Year</b>	<b>\$ 11,942</b>	<b>\$ 163,177</b>	<b>\$ 780,438</b>	<b>\$ 955,557</b>

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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 243,325	\$ 145,504
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized loss on investments	2,890	-0-
Net unrealized gain on investments	(77,580)	(45,598)
Changes in operating assets and liabilities:		
Other assets	1,061	(6,947)
Accounts payable	10,078	(7,255)
Due to related party	<u>4,175</u>	<u>16,271</u>
Net cash provided by operating activities	<u>183,949</u>	<u>101,975</u>
<b>Cash Flows From Investing Activities:</b>		
Purchase of investments	<u>(126,212)</u>	<u>(129,016)</u>
Net cash used in investing activities	<u>(126,212)</u>	<u>(129,016)</u>
<b>Net Increase (Decrease) in Cash</b>	57,737	(27,041)
<b>Cash, Beginning of Year</b>	<u>207,397</u>	<u>234,438</u>
<b>Cash, End of Year</b>	<u>\$ 265,134</u>	<u>\$ 207,397</u>

See accompanying Notes to Financial Statements.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.  
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY  
NATIONAL HEADQUARTERS)**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

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 net assets are classified as unrestricted net assets and reported as net assets released from restrictions in the statement of activities and changes in net assets. In addition, the temporarily restricted fund includes, in the absence of explicit donor stipulations, earnings on permanently restricted funds that have not yet been appropriated for expenditure.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.  
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY  
NATIONAL HEADQUARTERS)**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

*Permanently Restricted Fund*

Assets held inviolate and 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, 2017 and 2016.

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, 2017, 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, 2014.

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.  
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY  
NATIONAL HEADQUARTERS)**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

Subsequent Events

Subsequent events have been evaluated through February 3, 2018, 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, 2017 and 2016 is as follows:

	2017		2016	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments:				
Money market funds	\$ 152,476	\$ 152,476	\$ 28,847	\$ 28,847
Exchange traded funds	302,111	410,869	275,347	328,876
Mutual funds and other	<u>435,913</u>	<u>454,678</u>	<u>462,984</u>	<u>459,398</u>
Total investments	<u>\$ 890,500</u>	<u>\$ 1,018,023</u>	<u>\$ 767,178</u>	<u>\$ 817,121</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, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 24,052	\$ 19,016
Investment fees	(718)	(596)
Net realized losses	(2,890)	-
Net unrealized gains	<u>77,580</u>	<u>45,598</u>
Total investment income	<u>\$ 98,024</u>	<u>\$ 64,018</u>

**AMERICAN LEGION AUXILIARY FOUNDATION, INC.  
(AN AFFILIATE OF THE AMERICAN LEGION AUXILIARY  
NATIONAL HEADQUARTERS)**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017 AND 2016

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at September 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Undistributed endowment earnings	\$ 116,706	\$ 42,016
Veteran Projects Fund	124,281	81,548
National and Local Veteran Creative Arts Festival(s)	<u>49,725</u>	<u>39,613</u>
	<u>\$ 290,712</u>	<u>\$ 163,177</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>2017</u>	<u>2016</u>
Endowment distributions in support of Auxiliary operations	\$ 23,058	\$ 18,429
Veteran Projects Fund Grants	6,558	39,777
National and Local Veteran Creative Arts Festival(s)	61,606	57,335
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	<u>58,000</u>	<u>27,000</u>
	<u>\$ 149,222</u>	<u>\$ 142,541</u>

**5. RELATED PARTY TRANSACTIONS**

During the years ended September 30, 2017 and 2016, the Foundation received contributions of \$163,155 and \$151,332 from the Auxiliary to fund certain organizational and other costs incurred by the Foundation. In addition, the Foundation granted \$102,166 and \$91,005 to the Auxiliary in 2017 and 2016, respectively, for program support, and the Foundation granted \$46,805 and \$51,488 in 2017 and 2016, respectively, to affiliated Auxiliary departments and units.

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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, 2017 and 2016 include the following:

	<u>2017</u>	<u>2016</u>
Historic gift value	\$ 780,438	\$ 664,053
Accumulated earnings (losses)	<u>42,016</u>	<u>(3,573)</u>
Endowment net assets, beginning of year	<u>822,454</u>	<u>660,480</u>
Additions to endowment	115,791	116,385
Endowment distributions	(23,058)	(18,429)
Interest and dividends, net of fees	23,058	18,420
Realized losses	(2,890)	-
Unrealized gains	<u>77,580</u>	<u>45,598</u>
Change in endowment net assets	<u>190,481</u>	<u>161,974</u>
Endowment net assets, end of year	<u>\$ 1,012,935</u>	<u>\$ 822,454</u>
Historic gift value	\$ 896,229	\$ 780,438
Accumulated earnings	<u>116,706</u>	<u>42,016</u>
Endowment net assets, end of year	<u>\$ 1,012,935</u>	<u>\$ 822,454</u>

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NOTES TO FINANCIAL STATEMENTS  
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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, 2017 and 2016 were \$23,058 and \$18,429, 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.

**7. CONCENTRATIONS**

The Foundation maintains cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash.

**APPENDIX C**



**SUMMARY OF MOTIONS/RESOLUTIONS  
ADOPTED**

**February 24, 2018**

**Indianapolis Marriott North  
Indianapolis, Indiana**

**2017-2018 NEC MEETING**

**American Legion Auxiliary National Executive Committee 2017-2018  
in Indianapolis, Indiana  
February 24, 2018**

**Summary of Motions/Resolutions Adopted**

*M/S/C = Moved/Seconded/Carried*

- M/S/C to approve the items on the Consent Agenda, as circulated in advance in NEC board packet emailed 2/15/18:
- to adopt the updated Travel Reimbursement Policy (as recommended by the National Finance Committee and included in the 2/24/18 NEC Agenda/Meeting Packet, and posted on the ALA national website)
  - to adopt the updated Electronic Communications, Internet, and Social Media Policy (as recommended by the National Audit Committee and included in the 2/24/18 NEC Agenda/Meeting Packet, and posted on the ALA national website)
- M/S/C to approve the Charter Cancellations as amended (as included in the 2/24/18 NEC Agenda/Meeting Packet)
- M/S/C to approve the National President's appointments to a special committee to review recommendations from the ALA National Audit Committee to modernize executive management titles and to review and recommend adjustments to the job classification pay ranges, which have not been adjusted in ten years
- M/S/C to adopt the external auditor's Fiscal Year 2017 audit reports of both the American Legion Auxiliary and the ALA Foundation, as presented by External Auditor Mike Alerding, CPA
- M/S/C to confirm Sara Riegel as National Treasurer upon Marta Hedding's retirement from that position
- M/S/C to amend the American Legion Auxiliary Standing Rules, Section X Units by adding a new subsection 4, stating what constitutes a valid American Legion Auxiliary membership card (the existing subsequent subsections to be renumbered sequentially)