



MINUTES

of the

**American Legion Auxiliary
NATIONAL EXECUTIVE COMMITTEE
VIRTUAL MID-YEAR MEETING**

Saturday, March 5, 2022

2:00 pm ET

MEMBERS

National Officers

National President	Kathy Daudistel
National Vice President	Vickie Koutz
Central Division National Vice President	Denise Delaney-Wrolen
Eastern Division National Vice President	Marie Pytka
Northwestern Division National Vice President	Dee Dee Buckley
Southern Division National Vice President	<i>Gabriele Barnett (absent)</i>
Western Division National Vice President	Toni Gimpel
National Chaplain	Carol T. Robinson
National Historian	Carol Campbell
National Secretary	Coral May Grout
National Treasurer	Marybeth Revoir

Guests: Executive Director Kelly Circle; Mike Staton, Justin Schwartz, Alerding CPA Group

Past National Presidents

Carlene Ashworth
Linda Boone
Nancy Brown-Park
Nicole Clapp
Sharon Conatser
Mary E. Davis
Diane Duscheck
Janet Jefford
Virginia Hobbs
Rita Navarreté
Linda Newsome
Desireé Stoy
Peggy Thomas

National Executive Committee members

Alabama.....	ALT Sharon Atkins
Alaska	<i>Penelope Mazonna (absent)</i>
Arizona	ALT Jennie Molina
Arkansas	Nancy French
California.....	Joan Cannon
Colorado	Laurie Kuntz
Connecticut.....	Debra Knickerbocker
Delaware	Deborah Guenther
District of Columbia	ALT Ariane Sweeney
Florida	Ann King-Smith
Georgia	Valerie Brown-Debro
Hawaii.....	<i>Brister Thomas (absent)</i>
Idaho	Carol Dalton
Illinois	Sue Cunniff Coughlin
Indiana	Jennie Maune
Iowa	Kelly Elliott
Kansas	Paula Sellens
Kentucky	Bonita Robey
Louisiana	Mary Cauthen
Maine	Joan Caron
Maryland	Alta Glotfelty
Massachusetts	Donna Blattenberger

Michigan	Georgia Downs
Minnesota	Raleen Tolzmann
Mississippi	Mary Smith-Ried (<i>absent</i>)
Missouri	Marsha Mooney
Montana	Susan Davidson
Nebraska	Kathleen Mazur
Nevada	Glynis Seeley
New Hampshire	Linda Dupont
New Jersey	Lynda Stadtler
New Mexico	Cecilia Martinez
New York	Patricia Hennessy
North Carolina	Janice MacLeod
North Dakota	Tammy Ryberg
Ohio	Kristen McLaughlin
Oklahoma	Jody Chisholm
Oregon	Krisann Owens
Pennsylvania	Lisa Boyer
Puerto Rico	Clara Hernandez-Morales (<i>absent</i>)
Rhode Island	Cathleen Camire
South Carolina	Roberta Sinner
South Dakota	Laura “Susie” Clyde
Tennessee	Rhonda Davidson (<i>absent</i>)
Texas	Christine Trahan
Utah	Judy Daybell
Vermont.....	Corinna Colson
Virginia	Lisa Chaplin
Washington	Laura Bondurant
West Virginia.....	Rhonda Best
Wisconsin	Bonnie Jakubczyk
Wyoming	Vicki Paddock

The regular mid-year meeting of the National Executive Committee was held virtually via Zoom webinar on March 5, 2022, at 2 pm ET, with National President Kathy Daudistel presiding as chair. All officers except the Southern Division Vice President were in attendance. Carol T. Robinson, National Chaplain, gave the invocation followed by the Pledge of Allegiance.

Approval of Minutes. President Daudistel reported that the Minutes Approval Committee consisting of the NECs from the departments of Maine, Iowa, and Alaska, met virtually and approved the minutes from the post-convention September NEC meeting as well as the special November meeting. The proceedings are posted on MyAuxiliary on the national website.

Consent Agenda. Items on the consent agenda included charter cancellations, national appointment changes, and the following national policies:

1. Contract and Signature Authority Policy: allows the National Secretary and the Executive Director to enter into multi-year agreements if it results in a cost-savings, is within the approved budget, the amount is no greater than \$150,000, and there is a no-penalty termination clause.
2. Prepaid Expenses Policy: changed the specific example “ALA Girls Nation pin/charms” to the more general “program expenses”; and expenses shall be expensed when paid or when the program, service, or event occurs.
3. Title change of the “Solicitation and Acceptance of Donations, Gifts, or Grants Policy” to “Solicitation and Acceptance of Funds Policy”; to include sponsorship as a solicited and acceptable defined fund and add specifications of acceptable sponsorships.

4. The Reserve Policy without changes.

All items were approved as presented (Yes: 47; No: 1). Updates to the policies will be made to the online version of the ALA National Constitution, Bylaws, and Standing Rules.

National President's Report. President Daudistel reported the executive director's annual performance review was completed in September 2021 with survey input from national officers, some NEC members, national Finance Committee and Risk and Compliance Committee chairs, Foundation president, and the executive director's direct reports. Goals were discussed and agreed upon. The special committee appointed and ratified at post-convention NEC meeting continues its work; a variety of documents requested from the department are still outstanding. The Code of Ethical Conduct special committee has drafted a revised Code of Ethical Conduct and a new Ethical Conduct Review Policy. Necessary changes include an amendment to the articles of incorporation. More information in the May issue of the *Auxiliary* magazine.

Risk & Compliance Committee Report. Chairman Jeri Greenwell reminded the NEC the committee's name changed to Risk & Compliance at National Convention 2021. The committee has received IT audit proposals from two companies and will be interviewing both on March 9. Mike Staton and Justin Schwartz, Alerding CPA Group, presented the report from the auditors on the consolidated ALA and ALA Foundation FY21 audited financial statement. Both organizations received clean audits. The increase in ALA expenses reflects the return to holding a national convention with the pandemic ebbing. Chairman Greenwell moved on behalf of the Risk & Compliance Committee that the NEC vote to accept the audit as presented. All in favor; motion carried. (Yes: 45; No: 0)

Executive Director Report. NHQ Executive Director Kelly Circle reported the completion of the member survey; initiatives of the Diversity, Equity, and Inclusion special committee; and staff progress made for each of the strategic planning goals. This included memorandums of understanding with Armed Forces YMCA (food banks on military installations), Honor Flights (for veteran caregiver expenses), and Blue Star Families (military baby showers). See attached full report.

Finance Committee Report. Finance Chairman Sharon Conatser reported questions and answers regarding the dues increase proposal were included in the packet emailed to the NEC in advance. She clarified that the vote is to co-sponsor the dues increase amendment, not on the amendment itself, which will be presented and debated at National Convention 2022. On behalf of the Finance Committee, Chairman Conatser moved that the NEC sign on as a co-sponsor to the amendment concerning the dues increase. After one question, the motion passed (Yes: 39; No: 11).

There being no new business, the meeting was adjourned at 2:37 pm ET.

Coral May Grout, National Secretary

<u>Minutes Approval Committee</u>	<u>Minutes Approved</u>
NEC (IA) Kelly Elliott	3/15/2022
NEC (ME) Joan Caron	3/15/2022
NEC (AK) Penny Mazonna	3/18/2022

**National Executive Committee
2022 Mid-Year Meeting
Via Zoom
March 5, 2022**

SUMMARY OF MOTIONS/RESOLUTIONS

M/S/C/F = Moved/Seconded/Carried/Failed

M/S/C Minutes Approval Committee: NEC Joan Caron (Maine) and NEC Kelly Elliott (IA) met virtually on 12/2/2021 and approved the minutes from post-convention September 2, 2021, NEC meeting and NEC Executive Session; met virtually on 12/24/2021 and approved the November 3, 2021, special NEC meeting minutes.

M/S/C Motion to adopt the items on the consent agenda distributed in advance.

- Contract and Signature Authority Policy: allows the National Secretary and the Executive Director to enter into multi-year agreements if it results in a cost-savings, is within the approved budget, the amount is no greater than \$150,000, and there is a no-penalty termination clause.
- Prepaid Expenses Policy: changed the specific example “ALA Girls Nation pin/charms” to the more general “program expenses”; and expenses shall be expensed when paid or when the program, service, or event occurs.
- Change the title of the “Solicitation and Acceptance of Donations, Gifts, or Grants Policy” to “Solicitation and Acceptance of Funds Policy”; to include sponsorship as a solicited and acceptable defined fund; and add specifications of acceptable sponsorships.
- Reserve Policy without changes.

Yes: 47; No: 1

M/C Risk & Compliance Committee Chairman Greenwell moved on behalf of the Risk & Compliance Committee that the NEC vote to accept the audit as distributed in advance.

Yes: 45; No: 0

M/C Finance Committee Chairman Conatser moved that the NEC sign on as a co-sponsor to the amendment concerning the dues increase as distributed in advance.

Yes: 39; No: 11

###

REPORT OF CHARTERS
American Legion Auxiliary
National Executive Committee Meeting
March 5, 2022

Charter Activities

*Report any charter cancellation changes **BEFORE** the NEC meeting to
Marti Drake (mdrake@ALAforVeterans.org)*

August 2021 - March 2022

Active Units as of August 2021	7793
New Charters granted since NEC Meeting, August 2021	10
Charters reinstated since NEC Meeting, August 2021	14
Sub-Total	7817
Charters to be cancelled at the NEC Meeting, March 5, 2022	66
TOTAL ACTIVE UNITS	7751

UNITS TO BE CANCELLED

<u>Department</u>	<u>Unit Legal Name</u>	<u>Unit #</u>
Alabama	Chester R. Vickery	0012
	Anniston	0026
	Valley Head	0039
	Blountsville	0129
Arizona	Crown King	0139
California	George J Hatfield	0091
	Napa	0113
Idaho	Bancroft	0061
Iowa	Treptow	0230
	Carlson	0247
	Jack Sauter	0404
	J.L. + Ed Linderman	0418
	Charles Polton	0427
	Aaby	0442
	Dow City	0444
Kansas	Arthur N Weir	0007
	Rouner	0309
Kentucky	Marshall County	0085

REPORT OF CHARTERS
American Legion Auxiliary
National Executive Committee Meeting
March 5, 2022
Hardin-Browning

0109

UNITS TO BE CANCELLED

<u>Department</u>	<u>Unit Legal Name</u>	<u>Unit #</u>
Louisiana	A.P. Griffith	0056
	William I Thibodeaux-L. James Pellerin	0133
	Jasper Neyland	0209
	Pontchartrain	0288
	Adam Gooch Sturlese	0364
	Miller	0506
	Balaam Jones	0510
	Frank Thibodeaux	0520
Mississippi	Scott County Memorial	0009
	T.C. Carter Jr.	0021
	Curtis E. Pass	0037
	Anderson-Shaw	0058
	Allen	0062
	Billy Earl Hales	0074
Nebraska	Irwin L. Sears	0043
	Gothenburg	0064
	Weyerts	0137
	Kenesaw	0268
New Jersey	Shoemaker	0095
	Flemington	0159
	Shaw-Paulin	0241
	North Trenton	0458
New Mexico	Beaver-Bond	0035
North Carolina	Fort Raleigh	0026
Ohio	Hubbard	0051
	A.L. Brooks	0157
	Richard H. Davenport	0234
	Frank W. Weaver	0237
	J.C. Trigg Memorial	0328
	Buckingham-Dermer	0514
Pennsylvania	General David McM Gregg	0012
	Lima	0390
	Samuel A. Whitaker	0482
Tennessee	Lenoir City	0070

REPORT OF CHARTERS
American Legion Auxiliary
National Executive Committee Meeting
March 5, 2022

UNITS TO BE CANCELLED

<u>Department</u>	<u>Unit Legal Name</u>	<u>Unit #</u>
Texas	C.R. Simmons- C.G. Hardwick	0029
	John Low-Joe Smartt	0053
	Bernice Coles	0191
	Anna Area Veterans	0194
	Ira Jones	0198
	Dilley	0444
	Weiss-Wurzbach	0460
	Holbrook	0615
Utah	Nephi	0001
	Santaquin	0084
Washington	Kennewick	0004
	Jack Grennan	0062
Wyoming	Reed-Gobble	0063

###

American Legion Auxiliary
NATIONAL EXECUTIVE COMMITTEE
VIRTUAL MID-YEAR MEETING
2:00 pm ET
March 5, 2022
National Appointment Changes

ALA Girls Nation Committee Southern Division Chairman

Formerly Janice MacLeod (NC)

Appointed Treva Kay Wildrick (FL)

ALA Girls Nation Committee Member

Formerly Treva Kay Wildrick (FL)

Appointed Brenda Sue Wehr (IN)

Minutes Approval Committee member

Formerly Jennie Maune (IN)

Appointed Penny Mazonna (AK)

American Legion Auxiliary

NATIONAL POLICY

Contract Approval and Signature Authority

Reviewed by: National Finance Committee

Reviewed On: 02/18/2022

Approving Body: National Executive Committee

Date Approved: 03/05/2022

Next Review Date: **Spring 2025**

Policy Statement

It is the policy of the American Legion Auxiliary (ALA), a national public benefit 501 (c) (19) not-for-profit veterans organization auxiliary headquartered in Indianapolis, Indiana, to authorize appropriate ALA National Officers and the Executive Director to execute and enter into agreements on its behalf in compliance with the corporate laws of the State of Indiana and in keeping with corporate governance standards and acceptable business practices.

Policy

1. The National Secretary shall have oversight and the Executive Director shall have authority to execute contracts, agreements, and memorandums of understanding on behalf of the American Legion Auxiliary for goods and services consistent with matters within the approved American Legion Auxiliary National Headquarters budget.
2. The National Secretary and the Executive Director shall have the authority to execute contracts, agreements, and memorandums of understanding that extend beyond the budget year in order to receive cost savings, provided that the terms of the instrument are consistent with matters within the approved ALA national budget, the contracted amount is no greater than \$150,000 and a no-penalty termination clause is contained in the contract. If these conditions cannot be met, then an administrative review will be done by the National Secretary and/or Finance Committee before the contract is signed.
3. The Executive Director shall ensure that all contracts, agreements and memorandums of understanding bear legal and authenticated original signatures.

The Executive Director, with oversight by the National Secretary, shall make certain the organization maintain all fully executed signed contracts, agreements, and memorandums of understanding, clearly identified as such.

Date Revised	Description of Revision	Approved by
02-21-2020	Policy Statement – inclusion of Executive Director as appropriate authority	Finance Committee
02-21-2020	Policy – include Executive Director, consistent references	Finance Committee
02-18-2022	Policy – revise policy to include thresholds for Executive Director approval and criteria for administrative review.	Finance Committee

American Legion Auxiliary
NATIONAL POLICY
Prepaid Expenses

Reviewed by: National Finance Committee

Reviewed On: 02-18-2022

Approving Body: National Executive Committee

Date Approved: 03-05-2022

Next Review Date: Spring 2025

Policy Statement

It is the policy of the American Legion Auxiliary (ALA), a national public benefit 501 (c)(19) not-for-profit veterans organization auxiliary headquartered in Indianapolis, Indiana, to account for prepaid expenses in a consistent and rational manner in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Policy

1. Any prepaid expense (i.e. ALA Girls Nation program expenses, convention page ribbons, National President's scrapbooks, supplies) in which the total (bulk) dollar amount is under \$5,000 (the scope or "de-minimus" level) shall be expensed when paid or when the program, service or event occurs.
2. Any prepaid expense (i.e. awards, meeting supplies) in which the total (bulk) dollar amount exceeds \$5,000 (the scope or "de-minimus" level) shall be recorded evenly over the period of the intended benefit or use on a monthly basis in accordance with U.S. GAAP.
3. Any prepaid expense for insurance, regardless of the dollar amount, shall be recorded evenly over the life of the policy on a monthly basis in accordance with U.S. GAAP.
4. Any prepaid expense for meeting and travel expenses which take place in the upcoming fiscal year, regardless of the dollar amount, shall be recorded as a prepaid expense in the current fiscal year in accordance with U.S. GAAP.

Date Revised	Description of Revision	Approved by
02-21-2020	Grammar corrections	Finance Committee
02-18-2022	Policy Item 1 – remove specific terms and make general; include ability to record at discretion for programs, service or event	Finance Committee

ALA NATIONAL

American Legion Auxiliary

NATIONAL POLICY

Reserve Funds

Reviewed by: National Finance Committee

Reviewed On: 02/18/2022

Approving Body: National Executive Committee

Date Approved: 03/05/2022

Next Review Date: **Spring 2025**

Policy Statement

It is the policy of the National Headquarters of the American Legion Auxiliary (ALA), a national public benefit 501(c)(19) not-for-profit veterans organization auxiliary headquartered in Indianapolis, Indiana, to maintain reserve funds (reserves) to ensure the stability of the mission, programs, employment, and ongoing operations of the American Legion Auxiliary National Headquarters.

Policy

1. The ALA National Finance Committee shall annually designate reserves to cover anticipated or unanticipated future expenses outside the budget in specific categories. The named designations will include explanations of purpose and amounts.
2. The ALA National Finance Committee shall present its recommendations for reserves in conjunction with its presentation of the annual budget recommended for adoption by the National Executive Committee (NEC).
3. The ALA National Finance Committee shall authorize disbursements of reserves in accordance with NEC actions.
4. The ALA National Finance Committee shall report the disbursement of reserves to the NEC as part of its annual financial report.
5. Reserves are considered board designated and as such may be undesignated by NEC action.

Date Revised	Description of Revision	Approved by
08/29/2015		NEC

American Legion Auxiliary

NATIONAL POLICY

Solicitation and Acceptance of Funds

Reviewed by: National Finance Committee

Reviewed On: 02-18-2022

Approving Body: National Executive Committee

Date Approved: 03-05-2022

Next Review Date: Spring 2025

Policy Statement

It is the national policy of the American Legion Auxiliary (ALA), a national public benefit 501(c)(19) not-for-profit veterans organization auxiliary headquartered in Indianapolis, Indiana, to conduct itself with utmost integrity, adhere to the highest standards of conduct, and not allow the slightest appearance of impropriety of benefit for personal gain in the course of soliciting or accepting donations, gifts or grants (funds) on behalf of and for the ALA National Organization and to address requests to fund unanticipated and unbudgeted program opportunities through spontaneous solicitations of funds.

Policy

1. This policy applies to the solicitation and acceptance of current and/or deferred budgeted and unbudgeted funds from individuals and corporations to the ALA National Organization.
2. The ALA National Organization may accept unrestricted funds for specific programs and purposes that are consistent with its mission, purposes, and priorities. The ALA National Organization may not accept gifts that are too restrictive in purpose or that have debt attached to them.
3. The ALA National Finance Committee may review a prospective donation, gift, sponsorship or grant for acceptability in cost, scope, or purpose.
4. The ALA may solicit and accept corporate sponsorships that are consistent with its mission purposes and priorities as a mutual benefit exchange.
5. This policy is separate from the acceptability and reporting of professional and personal gifts to a compensated or volunteer officer or staff member, addressed in the ALA National Headquarters Personnel Policy Manual.
6. This policy is separate from the expectations that the ALA National President will duly deposit monetary gifts intended to benefit a national program or initiative of the ALA

National Organization or the ALA Foundation, regardless of whether the gift is so specified or not, into the appropriate ALA National Organization or ALA Foundation account.

7. The ALA national leadership shall annually anticipate and budget for solicitations of funds to fund the budgeted programs included in the ALA budget.
8. Requests for solicitations for programs which were removed from the current year budget as adopted by the National Executive Committee shall not be considered for approval.
9. Requests for solicitations, whether to fund an additional program opportunity not presented in the annual budget or to solicit funds at an ALA event or meeting, shall:
 - a. be for mission programs of the ALA.
 - b. be presented to and reviewed by the Executive Director, Director of Finance and Development Director in a timely manner as to mission-related purpose, scope, and achievability.
 - c. be reviewed by the ALA National Finance Committee and, based on all facts and circumstances, the ALA National Finance Committee will take action.
10. Approved requests for solicitations, whether to fund an additional program opportunity not presented in the annual budget or to solicit funds at an ALA event or meeting shall follow existing ALA procedures for soliciting and accepting donations, gifts, sponsorships, or grants.

Date Revised	Description of Revision	Approved by
02-21-2020	Recommended by management and committee to merge Unbudgeted Solicitations of Funds Policy with the Solicitation and Acceptance of Donations; ED and DOF to present to FC prior to 08/06 and 08/07 meetings	Finance Committee
08-06-2020	Policy Statement – inclusion of grants; unbudgeted	Finance Committee
08-06-2020	Policy Item 1 – include budgeted and unbudgeted	Finance Committee
08-06-2020	Policy Item 4 – correction to title	Finance Committee
08-06-2020	Policy Items 6-8 incorporate the “Unbudgeted Solicitations of Funds” policy	Finance Committee
02-18-2022	Policy title – Change name to the word “Funds” to include the representation of Donations, Gifts and Grants which now includes Sponsorships	Finance Committee
02-18-2022	Policy Item 3 & 10 – include sponsorship as a solicited and acceptable defined fund	Finance Committee
02-18-2022	Policy Item 4 – add specifications of acceptable sponsorships	Finance Committee

National Risk & Compliance Committee Report – Chairman Jeri Greenwell
Mid-Year Virtual NEC Meeting, March 5, 2022

As many of you know, Convention delegates voted a name change from, what was formally known as Audit, to Risk and Compliance, to better reflect the Committee’s actual duties and responsibilities to our organization. Each member of the Committee remains vigilant in ensuring that the resources of the ALA and the ALAF are well protected and used efficiently in fulfilling, and sustaining, our mission. You can be proud of the competence and commitment of those serving in this capacity.

The Risk and Compliance Committee fulfills a vital role in governance. It ensures quality reporting and controls, as well as the proper identification and management of risk.

This Committee assumes an *independent* oversight and advisory role. Its responsibilities include engagement of the independent auditor and confirmation of compensation; review as to the integrity and filing of financial statements and disclosures for both the ALA and ALAF; and to ensure compliance with all legal and regulatory requirements.

It consults with Management in validating that all information reported substantiates to the IRS, and the public, that the ALA is operating in a manner consistent with its exempt, charitable purposes and continues to serve the mission for which IRS granted tax-exempt status. Throughout the year, the Committee meets independently with the External Auditors and Management and receives updates from the Executive Director, the Director of Finance, and the ALA Compliance Officer.

The Risk and Compliance Committee continue to review policies that mitigate threats to our organization and to engage in risk management exercises as a method to conscientiously create a culture wherein risk is routinely examined and managed. Our primary goal is to demonstrate financial integrity and transparency of our organization to our members, donors, and the public.

The Risk and Compliance Committee supervises how management monitors and controls major financial risk exposures, to include fraud, cybersecurity, and data privacy issues. We recognize that cybersecurity threats and data breaches could pose a potential risk to our organization and, falling victim to even the smallest breach, could have vast reputational, operational, and financial repercussions. The shift to virtual interactions brought with it the potential for heightened risks related to company processes conducted remotely, such as the use of remote access leading to cyber exposure risks, or fraud, intensified due to necessary system updates and security platforms, financial pressures, and new operating environments. We are currently in the process of selecting a provider to assist in performing an Information Security

Program. The Risk and Compliance Committee, Senior Management and IT Consultant will interview the top two firms submitting proposals on March 9th.

In sustaining our mission, values, and assets, the importance of risk mitigation, its management, and the means toward identifying potential exposure to financial, operational, organizational, and reputational risks cannot be understated. In October, an engaging and insightful brainstorming session addressed areas to help enhance education of the appropriateness and importance of Risk and Compliance Committees.

###



**AMERICAN LEGION AUXILIARY
NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY
FOUNDATION, INC.**

CONSOLIDATED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2021 AND 2020



**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

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SEPTEMBER 30, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, and the results of its changes in net assets, functional expenses, 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 on pages 31 to 34 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 CPA Group

January 18, 2022

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 1,866,021	\$ 1,615,812
Investments	46,896,894	37,972,186
Investments - PUFL	4,914,915	4,232,292
Prepaid expenses	175,845	109,837
Property and equipment, net	2,620,530	2,772,183
Other assets	<u>127,019</u>	<u>48,578</u>
Total assets	<u>\$ 56,601,224</u>	<u>\$ 46,750,888</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 1,382,532	\$ 606,644
Accrued expenses	301,252	275,272
Accrued scholarships	128,000	127,500
Deferred revenue - dues	2,831,745	2,954,169
Deferred revenue - PUFL	4,826,780	4,106,929
Deferred revenue - other	7,000	5,000
Liability for pension benefits	887,237	1,349,919
Note payable	<u>566,500</u>	<u>566,500</u>
Total liabilities	<u>10,931,046</u>	<u>9,991,933</u>
Net Assets:		
Without donor restriction	42,747,078	34,903,397
With donor restriction	<u>4,245,694</u>	<u>3,493,513</u>
Total net assets before accumulated other comprehensive loss	46,992,772	38,396,910
Accumulated other comprehensive loss	<u>(1,322,594)</u>	<u>(1,637,955)</u>
Total net assets	<u>45,670,178</u>	<u>36,758,955</u>
Total liabilities and net assets	<u>\$ 56,601,224</u>	<u>\$ 46,750,888</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, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021		Total	2020 Total
	Without Donor Restrictions	With Donor Restrictions		
Revenue and Support:				
Contract revenues				
Membership dues	\$ 6,382,677	\$ -0-	\$ 6,382,677	\$ 6,571,753
Non-contract revenues:				
Contributions	1,023,731	973,000	1,996,731	1,464,883
Advertising	211,950	-0-	211,950	236,846
Other	488,838	-0-	488,838	407,836
	<u>1,724,519</u>	<u>973,000</u>	<u>2,697,519</u>	<u>2,109,565</u>
Total revenue and support	<u>8,107,196</u>	<u>973,000</u>	<u>9,080,196</u>	<u>8,681,318</u>
Net Assets Released From Donor Restrictions	<u>766,351</u>	<u>(766,351)</u>	<u>-0-</u>	<u>-0-</u>
	<u>8,873,547</u>	<u>206,649</u>	<u>9,080,196</u>	<u>8,681,318</u>
Expenses:				
Member and department support services	4,474,266	-0-	4,474,266	3,772,795
Youth and education services	769,611	-0-	769,611	688,052
Veterans and military families programs	537,621	-0-	537,621	780,884
Total program services	5,781,498	-0-	5,781,498	5,241,731
Management and general	1,584,833	-0-	1,584,833	1,652,036
Fundraising	1,205,518	-0-	1,205,518	1,182,671
Total expenses	<u>8,571,849</u>	<u>-0-</u>	<u>8,571,849</u>	<u>8,076,438</u>
Change in net assets from operations	301,698	206,649	508,347	604,880
Investment Income, Net of Expenses	<u>7,541,983</u>	<u>545,532</u>	<u>8,087,515</u>	<u>2,719,965</u>
Change in net assets	7,843,681	752,181	8,595,862	3,324,845
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	<u>34,903,397</u>	<u>3,493,513</u>	<u>38,396,910</u>	<u>35,072,065</u>
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	<u>\$ 42,747,078</u>	<u>\$ 4,245,694</u>	<u>\$ 46,992,772</u>	<u>\$ 38,396,910</u>

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED SEPTEMBER 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and Support:			
Contract revenues			
Membership dues	\$ 6,571,753	\$ -0-	\$ 6,571,753
Non-contract revenues:			
Contributions	662,146	802,737	1,464,883
Advertising	236,846	-0-	236,846
Other	407,836	-0-	407,836
	<u>1,306,828</u>	<u>802,737</u>	<u>2,109,565</u>
Total revenue and support	<u>7,878,581</u>	<u>802,737</u>	<u>8,681,318</u>
Net Assets Released From Donor Restrictions	<u>609,693</u>	<u>(609,693)</u>	<u>-0-</u>
	<u>8,488,274</u>	<u>193,044</u>	<u>8,681,318</u>
Expenses:			
Member and department support services	3,772,795	-0-	3,772,795
Youth and education services	688,052	-0-	688,052
Veterans and military families programs	780,884	-0-	780,884
Total program services	5,241,731	-0-	5,241,731
Management and general	1,652,036	-0-	1,652,036
Fundraising	1,182,671	-0-	1,182,671
Total expenses	<u>8,076,438</u>	<u>-0-</u>	<u>8,076,438</u>
Change in net assets from operations	411,836	193,044	604,880
Investment Income, Net of Expenses	<u>2,534,529</u>	<u>185,436</u>	<u>2,719,965</u>
Change in net assets	2,946,365	378,480	3,324,845
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	<u>31,957,032</u>	<u>3,115,033</u>	<u>35,072,065</u>
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	<u>\$ 34,903,397</u>	<u>\$ 3,493,513</u>	<u>\$ 38,396,910</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021
(WITH COMPARATIVE TOTALS FOR 2020)

	2021			Totals	2020 Totals
	Program Services	Management and General	Fundraising		
Personnel and related benefits	\$ 1,976,820	\$ 1,081,677	\$ 180,510	\$ 3,239,007	\$ 3,099,599
General operating expenses	490,347	271,412	40,388	802,147	785,780
Travel, conferences and meetings	1,168,345	70,004	12,347	1,250,696	653,269
Occupancy	42,467	21,087	3,053	66,607	39,194
Professional services and fees	367,128	113,540	100,270	580,938	658,508
Printing, publicity and awards	612,686	11,615	654,974	1,279,275	1,459,931
Postage and freight	654,768	8,190	213,976	876,934	863,393
Grants and scholarships	436,461	-0-	-0-	436,461	477,247
Other	<u>32,476</u>	<u>7,308</u>	<u>-0-</u>	<u>39,784</u>	<u>39,517</u>
Total expenses	<u>\$ 5,781,498</u>	<u>\$ 1,584,833</u>	<u>\$ 1,205,518</u>	<u>\$ 8,571,849</u>	<u>\$ 8,076,438</u>

See accompanying Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services	Management and General	Fundraising	Totals
Personnel and related benefits	\$ 1,868,006	\$ 1,066,284	\$ 165,309	\$ 3,099,599
General operating expenses	484,705	254,771	46,304	785,780
Travel, conferences and meetings	528,880	119,058	5,331	653,269
Occupancy	17,776	20,137	1,281	39,194
Professional services and fees	367,511	172,917	118,080	658,508
Printing, publicity and awards	814,126	6,403	639,402	1,459,931
Postage and freight	649,563	6,866	206,964	863,393
Grants and scholarships	474,697	2,550	-0-	477,247
Other	36,467	3,050	-0-	39,517
Total expenses	<u>\$ 5,241,731</u>	<u>\$ 1,652,036</u>	<u>\$ 1,182,671</u>	<u>\$ 8,076,438</u>

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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 8,595,862	\$ 3,324,845
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	163,037	157,455
Net realized (gains) losses on investments	(1,988,809)	21,790
Net realized (gains) losses on investments - PUFL	2,717	(22,025)
Net unrealized gains on investments	(4,904,360)	(1,894,675)
Net unrealized gains on investments - PUFL	(753,042)	(208,722)
Net periodic pension (benefit) expense	(24,692)	15,036
Changes in operating assets and liabilities:		
Prepaid expenses	(66,008)	52,827
Other assets	(78,441)	72,637
Accounts payable	775,888	(166)
Accrued expenses and scholarships	26,480	126,454
Deferred revenue - dues	(122,424)	(72,018)
Deferred revenue - PUFL	719,851	183,878
Deferred revenue - other	2,000	(29,285)
Liability for pension benefits	(122,629)	(121,738)
Net cash provided by operating activities	<u>2,225,430</u>	<u>1,606,293</u>
Cash Flows From Investing Activities:		
Capital expenditures	(11,384)	(194,857)
Purchase of investments	(3,152,396)	(3,782,005)
Proceeds from sale of investments	1,120,857	2,124,222
Purchase of investments - PUFL	(162,105)	(97,069)
Proceeds from sale of investments - PUFL	229,807	146,579
Net cash used in investing activities	<u>(1,975,221)</u>	<u>(1,803,130)</u>
Cash Flows From Financing Activities:		
Borrowings on note payable	<u>-0-</u>	<u>566,500</u>
Net Change in Cash and Cash Equivalents	250,209	369,663
Cash and Cash Equivalents, Beginning of Year	<u>1,615,812</u>	<u>1,246,149</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,866,021</u>	<u>\$ 1,615,812</u>

See accompanying Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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. ALA Members are the female and male spouses, grandmothers, mothers, sisters and direct and adopted female descendants of members of The American Legion. Some members are veterans themselves. 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, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization uses the following accounts to distinguish among restrictions:

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Net Assets Without Donor Restrictions

Net assets without donor restrictions include all contributions received, without donor restrictions, and revenues and expenses for the general operations of the Organization.

Net Assets With Donor Restrictions

Net assets with donor restrictions include contributions that have donor-imposed restrictions that limit the use of the donated assets. When a donor's restriction is met, restricted net assets are reclassified to net assets without donor restrictions through the release of restrictions in the Statements of Activities and Changes in Net Assets. Assets held inviolate and in perpetuity are held for the donor-designated purposes of the endowment. The net earnings from these investments and all non-restricted contributions are available for release to the without donor restriction 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 value and have a readily determinable fair value. Investment return includes dividends, interest, fees, and realized and unrealized gains and losses on investments carried at fair value.

Property and Equipment and Depreciation

Purchased property and equipment and expenditures which substantially increase the useful lives of existing assets are recorded at cost. Cost of repairs and maintenance are expensed as incurred. Property and equipment are depreciated over the estimated useful lives, which range from 3 to 40 years, using the straight-line method of depreciation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Revenue and Support Recognition

Contract Revenues

For contracts with customers, the Organization derives its revenues primarily from membership dues, which are recognized as income in the applicable membership period. Membership dues are paid annually based on a calendar year-end. Contract revenues are recognized in an amount that reflects the consideration the Organization expects to be entitled to in exchange for the services performed. Incidental items that are immaterial in the context of the contract are recognized as expense. The Organization does not have any significant financing components as payment is received at or shortly after members are invoiced. Costs incurred to obtain a contract are expensed as incurred.

Contributions and Other Support

The Organization records unconditional promises to give at the earlier of the date the promise is given or payment is received. The gifts are reported as support with or without donor restrictions depending upon the presence of donor stipulations that limit the use of the donated assets.

Disaggregation of Revenues from Contracts with Customers

All of the Organization's revenues are from performance obligations satisfied over time and, accordingly, no contract revenues are from performance obligations satisfied at a point in time.

Performance Obligations

For performance obligations related to membership dues, control transfers to the customer over time. Revenues from these sources are recognized in the period to which the fees relate.

Variable Consideration

The nature of the Organization's business and customer contracts does not give rise to significant variables of the total amount of the contract price. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration are estimated based upon historical experience and known trends.

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Functional Expenses

The costs of providing programs and other activities are summarized in the Statements of Functional Expenses. Costs are allocated among Program, Management and General, and Fundraising based on Management's estimates of time spent by employees, space utilization, or other rational basis.

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, 2021, 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, 2018.

Subsequent Events

Subsequent events have been evaluated through January 18, 2022, which is the date the consolidated financial statements were available for issuance.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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2. LIQUIDITY AND AVAILABILITY

At September 30, 2021 and 2020, the Organization's financial assets available for future general expenditures within one year from the date of the consolidated Statements of Financial Position comprise the following:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,866,021	\$ 1,615,812
Investments	46,896,894	37,972,186
Investments (PUFL)	<u>4,914,915</u>	<u>4,232,292</u>
	<u>53,677,830</u>	<u>43,820,290</u>
Less amounts not available to be used for general expenditure within one year:		
Deferred revenue - PUFL	(4,826,780)	(4,106,929)
Board designated funds	(6,472,021)	(5,622,637)
Donor restricted funds	(998,440)	(858,031)
Donor restricted endowment	<u>(3,247,254)</u>	<u>(2,635,482)</u>
	<u>(15,544,495)</u>	<u>(13,223,079)</u>
Financial assets available to meeting cash needs for general expenditures within one year	<u>\$38,133,335</u>	<u>\$30,597,211</u>

The Organization's liquidity objective is to maintain adequate liquid assets to fund near-term operating needs and maintain sufficient reserves to provide reasonable assurance that obligations will be discharged as they become due.

The Organization receives annual membership dues which are ongoing, major and central to its annual operations. Membership dues revenue was \$6,382,677 and \$6,571,753 for the years ended September 30, 2021 and 2020, respectively.

Board designated funds represent net assets set aside by the Board of Directors for an endowment and other reserve funds. These funds are expected to be used for the intended purposes; thus, these financial assets may not be available for general expenditure within one year and are included in amounts not available to be used within one year above.

In addition, the Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, these financial assets may not be available for general expenditure within one year and are included in amounts not available to be used within one year above.

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Investment income from the donor-restricted endowments is classified within donor restricted net assets until those amounts are appropriate for expenditure in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”).

3. CONTRACT LIABILITIES

The Organization’s contract liabilities comprise of the following as of September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Deferred revenue - dues:		
Beginning of year	\$ 2,954,169	\$ 3,026,187
End of year	\$ 2,831,745	\$ 2,954,169
Deferred revenue - PUFL (Note 11):		
Beginning of year	\$ 4,106,929	\$ 3,923,051
End of year	\$ 4,826,780	\$ 4,106,929

4. 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, 2021 and 2020.

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Level 3

Unobservable inputs reflecting the entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The asset’s and liability’s fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for the Organization’s investments measured at fair value as of September 30, 2021 and 2020. There have been no changes in the methodologies used as of September 30, 2021.

Exchange Traded Funds: Valued at the daily closing prices as reported by the fund. Exchange traded funds are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (“NAV”); however, the funds trade on stock exchanges throughout the day, thus the transaction price could differ from the NAV.

Mutual Funds: Valued at the daily closing prices as reported by the fund. Mutual funds held by the Organization are open-end mutual funds and are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded. A money market fund is an open-ended fund that invests in short-term debt securities and commercial paper.

Partnerships: Valued based on an annual independent valuation of the related private company. The partnerships are not registered with the Securities and Exchange Commission. Partnerships are valued as Level 3 investments at September 30, 2021 and 2020.

There were no liabilities measured at fair value at September 30, 2021. Assets measured at fair value on a recurring basis at September 30, 2021 include the following:

	<u>Level 1</u>	Level 3	<u>Total</u>
Investments	\$ 45,647,940	\$ 1,248,954	\$ 46,896,894
Investments - PUFL	<u>4,914,915</u>	<u>-0-</u>	<u>4,914,915</u>
	<u>\$ 50,562,855</u>	<u>\$ 1,248,954</u>	<u>\$ 51,811,809</u>

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There were no liabilities measured at fair value at September 30, 2020. Assets measured at fair value on a recurring basis at September 30, 2020 include the following:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$ 36,590,608	\$ 1,381,578	\$ 37,972,186
Investments - PUFL	<u>4,232,292</u>	<u>-0-</u>	<u>4,232,292</u>
	<u>\$ 40,822,900</u>	<u>\$ 1,381,578</u>	<u>\$ 42,204,478</u>

The following schedule summarizes the changes in assets measured using Level 3 inputs during the years ending September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Partnerships, beginning of year	\$ 1,381,578	\$ 995,224
Deposits	489,974	550,441
Withdrawals	(1,003,186)	(128,481)
Realized gains	97,929	(21,790)
Unrealized gains	<u>282,659</u>	<u>(13,816)</u>
Partnerships, end of year	<u>\$ 1,248,954</u>	<u>\$ 1,381,578</u>

5. INVESTMENTS AND INVESTMENT RETURN

A summary of the Organization's investments and investment returns as of September 30, 2021 and 2020 and for the years then ended is as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments:				
Money market funds	\$ 1,294,038	\$ 1,294,038	\$ 320,928	\$ 320,928
Exchange traded funds	8,179,406	15,878,295	7,333,250	12,939,243
Mutual funds	21,688,545	28,475,607	19,072,181	23,330,437
Partnerships and other	<u>1,041,519</u>	<u>1,248,954</u>	<u>1,456,801</u>	<u>1,381,578</u>
Total investments	<u>\$ 32,203,508</u>	<u>\$ 46,896,894</u>	<u>\$ 28,183,160</u>	<u>\$ 37,972,186</u>

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The following schedule summarizes the investment income (loss) and its classification in the statements of activities and changes in net assets for the years ended September 30, 2021 and 2020:

	2021						
	General Fund	Board Designated Funds	Without Donor Restrictions Total	With Donor Restrictions	Auxiliary Total	Foundation Total	Total
Dividends and interest (net of expenses of \$50,883)	\$ 987,862	\$ 117,971	\$ 1,105,833	\$ 33,076	\$ 1,138,909	\$ 55,437	\$ 1,194,346
Net realized gains on investments	1,856,375	66,884	1,923,259	65,650	1,988,909	(100)	1,988,809
Net unrealized gains on investments	4,061,154	451,663	4,512,817	118,306	4,631,123	273,237	4,904,360
Total investment income	<u>\$ 6,905,391</u>	<u>\$ 636,518</u>	<u>\$ 7,541,909</u>	<u>\$ 217,032</u>	<u>\$ 7,758,941</u>	<u>\$ 328,574</u>	<u>\$ 8,087,515</u>

	2020						
	General Fund	Board Designated Funds	Total Funds Without Restriction	Donor Restricted Funds	Auxiliary Total	Foundation Total	Total
Dividends and interest (net of expenses of \$40,539)	\$ 706,191	\$ 76,823	\$ 783,014	\$ 23,242	\$ 806,256	\$ 40,824	\$ 847,080
Net realized losses on investments	(21,347)	-0-	(21,347)	-0-	(21,347)	(443)	(21,790)
Net unrealized gains on investments	1,613,426	159,436	1,772,862	54,066	1,826,928	67,747	1,894,675
Total investment income	<u>\$ 2,298,270</u>	<u>\$ 236,259</u>	<u>\$ 2,534,529</u>	<u>\$ 77,308</u>	<u>\$ 2,611,837</u>	<u>\$ 108,128</u>	<u>\$ 2,719,965</u>

6. PROPERTY AND EQUIPMENT

The Organization's property and equipment for the years ended September 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 270,400	\$ 270,400
Building and improvements	2,266,589	2,266,589
Furniture, office equipment and information technology	<u>1,790,343</u>	<u>1,778,958</u>
	4,327,332	4,315,947
Accumulated depreciation and amortization	<u>(1,706,802)</u>	<u>(1,543,764)</u>
	<u>\$ 2,620,530</u>	<u>\$ 2,772,183</u>

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7. NOTE PAYABLE

Effective April 29, 2020, the Organization borrowed \$566,500 from a bank under the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"). Under the terms of the program, a portion or all of the loan may be forgiven if the Organization maintains certain levels of employment and spends the funds on qualified expenditures during a specified period following the funding of the loan. The Organization has applied for forgiveness and expects a significant portion of the loan to be forgiven during the year ended September 30, 2022.

8. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions include board designated net assets which are internally designated for the following purposes at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Auxiliary Net Assets Without Donor Restrictions:		
General operations	\$ 36,263,042	\$ 29,268,819
Auxiliary Board Designated Net Assets:		
National President's Scholarship Fund Endowment (NEC designated)	2,666,760	2,237,922
NEC designated reserves	2,330,800	2,189,353
Auxiliary Emergency Fund	791,024	670,036
Spirit of Youth Fund	576,550	418,439
Other	<u>106,887</u>	<u>106,887</u>
Total Auxiliary Board Designated Net Assets	<u>6,472,021</u>	<u>5,622,637</u>
Total Auxiliary Net Assets Without Donor Restrictions	<u>42,735,063</u>	<u>34,891,456</u>
Foundation Net Assets Without Donor Restrictions:		
General operations	<u>12,015</u>	<u>11,941</u>
Total consolidated net assets without donor restrictions	<u>\$ 42,747,078</u>	<u>\$ 34,903,397</u>

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9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Auxiliary Net Assets with Donor Restrictions:		
Subject to expenditure for specific purposes:		
Spirit of Youth Fund	\$ 176,905	\$ 241,095
Emergency Fund grants	123,073	89,755
Other	<u>252,551</u>	<u>178,154</u>
	<u>552,529</u>	<u>509,004</u>
Endowment:		
Held in perpetuity	789,986	776,315
Undistributed endowment earnings	<u>251,623</u>	<u>108,425</u>
	<u>1,041,609</u>	<u>884,740</u>
 Total Auxiliary net assets with donor restrictions	 <u>1,594,138</u>	 <u>1,393,744</u>
Foundation Net Assets with Donor Restrictions:		
Subject to expenditure for specific purposes:		
Veteran Projects Fund	296,146	205,124
National and Local Veteran Creative Arts Festival(s)	146,050	140,188
Mission	<u>3,715</u>	<u>3,715</u>
	<u>445,911</u>	<u>349,027</u>
Endowment:		
Held in perpetuity	1,651,433	1,485,992
Undistributed endowment earnings	<u>554,212</u>	<u>264,750</u>
	<u>2,205,645</u>	<u>1,750,742</u>
 Total Foundation net assets with donor restrictions	 <u>2,651,556</u>	 <u>2,099,769</u>
 Total consolidated net assets with donor restrictions	 <u>\$ 4,245,694</u>	 <u>\$ 3,493,513</u>

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10. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets released from donor restrictions, due to the satisfaction of donor-imposed restrictions or by occurrence of other events specified by the donors during September 30, 2021 and 2020, were as follows:

	<u>2021</u>	<u>2020</u>
Purpose restrictions accomplished:		
Auxiliary:		
Emergency Fund grants and related expenses	\$ 184,334	\$ 223,988
National President's Scholarship Fund Endowment scholarships and related expenses, net of forfeitures	73,834	75,000
Spirit of Youth Fund scholarships and related expenses, net of forfeitures	76,538	63,880
Foundation:		
Endowment distributions in support of Auxiliary operations	38,488	14,731
Veteran Projects Fund grants and sub-grants	74,962	42,087
National and Local Veteran Creative Arts Festival(s)	52,503	47,520
Auxiliary mission sub-grants to ALA National and ALA Departments, Districts, and Units	23,000	27,750
Mission (direct mail campaign and other)	<u>242,692</u>	<u>114,737</u>
	<u>\$ 766,351</u>	<u>\$ 609,693</u>

11. 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>2021</u>	<u>2020</u>
Assets:		
Cash	\$ 134,045	\$ 96,684
Investments - PUFL	<u>4,914,915</u>	<u>4,232,292</u>
Total assets	<u>\$ 5,048,960</u>	<u>\$ 4,328,976</u>
Liabilities:		
Due to General Operating Fund	\$ 222,180	\$ 222,047
Deferred revenue - PUFL	<u>4,826,780</u>	<u>4,106,929</u>
	<u>\$ 5,048,960</u>	<u>\$ 4,328,976</u>

The cost and market value of investments in the PUFL Membership trust as of September 30, 2021 and 2020 are as follows:

	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Investments:				
Money market funds	\$ 86,512	\$ 86,512	\$ 87,227	\$ 87,227
Exchange traded funds	1,016,376	2,689,249	1,598,135	2,697,443
Mutual funds and other	<u>1,937,987</u>	<u>2,139,154</u>	<u>1,425,932</u>	<u>1,447,622</u>
Total investments	<u>\$ 3,040,875</u>	<u>\$ 4,914,915</u>	<u>\$ 3,111,294</u>	<u>\$ 4,232,292</u>

The following schedule summarizes the PUFL Membership trust investment income for the years ended September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Dividends and interest, net of fees	\$ 106,057	\$ 72,490
Net realized gains (losses) on investments	(2,717)	22,025
Net unrealized gains (losses) on investments	<u>753,042</u>	<u>208,722</u>
Total investment income	<u>\$ 856,382</u>	<u>\$ 303,237</u>

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12. 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>2021</u>	<u>2020</u>
Projected benefit obligation	\$ (3,619,777)	\$ (3,865,476)
Fair value of plan assets	<u>2,732,540</u>	<u>2,515,557</u>
Funded status	<u>\$ (887,237)</u>	<u>\$ (1,349,919)</u>
Accumulated benefit obligation	<u>\$ (3,619,777)</u>	<u>\$ (3,865,476)</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>2021</u>	<u>2020</u>
Liability for pension benefits	\$ 887,237	\$ 1,349,919
Unrecognized losses	(1,217,062)	(1,522,324)
Unamortized prior service cost	(105,532)	(115,631)
Net periodic pension cost	(24,692)	15,036
Employer contributions	122,629	121,738
Benefits paid	228,227	228,227

Weighted-average assumptions used to determine benefit obligations are as follows:

	<u>2021</u>	<u>2020</u>
Weighted-average assumptions:		
Discount rate	2.51%	2.21%
Rate of compensation increase	N/A	N/A

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Weighted-average assumptions used to determine benefit costs are as follows:

	<u>2021</u>	<u>2020</u>
Weighted-average assumptions:		
Discount rate	2.51%	2.21%
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 during the years ended September 30:

2022	\$ 244,229
2023	237,905
2024	231,053
2025	223,993
2026	220,897
2027 - 2031	<u>1,017,409</u>
	<u>\$ 2,175,486</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, 2021 and 2020 were as follows:

	<u>Target</u>	<u>2021</u>	<u>2020</u>
Equity securities	40 - 60%	41%	28%
Debt securities	40 - 60%	54%	67%
Other	0 - 20%	5%	5%

The market values of the investments are measured by a Level 1 input in accordance with U.S. GAAP.

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13. PROFIT SHARING PLAN

The Auxiliary established a 401(k) Profit Sharing Plan subsequent to the freezing of the pension plan in 2008 (Note 12). 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. Vesting is on a graduated scale with participants beginning to vest in employer contributions after two (2) years of service and becoming fully vested upon five (5) years of service. The Auxiliary contributed \$122,677 and \$131,258 for the years ended September 30, 2021 and 2020, respectively.

14. 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.

Activities between the Auxiliary and the Legion for the years ended September 30, 2021 and 2020 are summarized below:

	<u>2021</u>	<u>2020</u>
Disbursements to Legion:		
Conferences and convention	\$ 77,304	\$ 72,283
Legal services	14,500	11,500
National emblem sales	11,523	6,112
Contributions to the Legion and its affiliates	125,730	124,238
Other	9,579	11,004
	<u>\$ 238,636</u>	<u>\$ 225,137</u>
Receipts:		
National emblem sales	<u>\$ 34,305</u>	<u>\$ 37,651</u>

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15. NATIONAL PRESIDENT'S SCHOLARSHIP FUND ENDOWMENT

Composition of Endowment Net Assets

The Auxiliary created the National President's Scholarship Fund Endowment (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 without donor restrictions and with donor restrictions, respectively, in the consolidated statements of financial position, and the components are tracked separately for the purpose of recording investment income.

Endowment net assets at September 30, 2021 include the following:

	NEC <u>Designated</u>	Donor <u>Designated</u>	<u>Total</u>
Historic gift value	\$ 1,593,290	\$ 776,315	\$ 2,369,605
Accumulated earnings	<u>644,632</u>	<u>108,425</u>	<u>753,057</u>
Mission endowment net assets, beginning of year	<u>2,237,922</u>	<u>884,740</u>	<u>3,122,662</u>
Additions to endowment	-0-	13,671	13,671
Scholarships paid, net of forfeitures	-0-	(73,834)	(73,834)
Interest and dividends, net of fees	78,590	33,076	111,666
Realized gains	66,815	65,650	132,465
Unrealized gains	<u>283,433</u>	<u>118,306</u>	<u>401,739</u>
Change in endowment net assets	<u>428,838</u>	<u>156,869</u>	<u>585,707</u>
Mission endowment net assets, end of year	<u>\$ 2,666,760</u>	<u>\$ 1,041,609</u>	<u>\$ 3,708,369</u>
Historic gift value	\$ 1,593,290	\$ 789,986	\$ 2,383,276
Accumulated earnings	<u>1,073,470</u>	<u>251,623</u>	<u>1,325,093</u>
Mission endowment net assets, end of year	<u>\$ 2,666,760</u>	<u>\$ 1,041,609</u>	<u>\$ 3,708,369</u>

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Endowment net assets at September 30, 2020 include the following:

	NEC <u>Designated</u>	Donor <u>Designated</u>	<u>Total</u>
Historic gift value	\$ 1,593,290	\$ 740,810	\$ 2,334,100
Accumulated earnings	<u>487,345</u>	<u>106,117</u>	<u>593,462</u>
Mission endowment net assets, beginning of year	<u>2,080,635</u>	<u>846,927</u>	<u>2,927,562</u>
Additions to endowment	-0-	35,505	35,505
Scholarships paid, net of forfeitures	-0-	(75,000)	(75,000)
Interest and dividends, net of fees	53,458	23,242	76,700
Unrealized gains	<u>103,829</u>	<u>54,066</u>	<u>157,895</u>
Change in endowment net assets	<u>157,287</u>	<u>37,813</u>	<u>195,100</u>
Mission endowment net assets, end of year	<u>\$ 2,237,922</u>	<u>\$ 884,740</u>	<u>\$ 3,122,662</u>
Historic gift value	\$ 1,593,290	\$ 776,315	\$ 2,369,605
Accumulated earnings	<u>644,632</u>	<u>108,425</u>	<u>753,057</u>
Mission endowment net assets, end of year	<u>\$ 2,237,922</u>	<u>\$ 884,740</u>	<u>\$ 3,122,662</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 UPMIFA 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 donor-restricted net assets: a) the original value of gifts donated to the donor-restricted endowment; b) the original value of subsequent gifts to the donor-restricted endowment; and c) accumulations to the donor-restricted 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 available to be appropriated for expenditure by the Organization.

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Endowment Draws

Endowment draws, net of forfeitures, of \$73,834 and \$75,000 were made during the years ended September 30, 2021 and 2020, 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 NEC 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 NEC.

The NEC-designated portion of the endowment may be added to or expended by the NEC at their discretion. At the recommendation of the National Finance Committee, and by approval of the NEC, 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>
Equity securities	55%
Debt securities	28%
Cash and equivalents	2%
Alternative investments	15%

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Investment Plan

The plan is to be reviewed by the Finance Committee and their advisors at least semi-annually at a time set by the Finance Committee.

16. AMERICAN LEGION AUXILIARY FOUNDATION ALA MISSION ENDOWMENT

Composition of ALA Mission Endowment Net Assets

The Foundation created the ALA Foundation 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.

Mission endowment net assets at September 30, 2021 and 2020 include the following:

	<u>2021</u>	<u>2020</u>
Historic gift value	\$ 1,485,992	\$ 1,316,550
Accumulated earnings	<u>264,750</u>	<u>172,387</u>
Endowment net assets, beginning of year	<u>1,750,742</u>	<u>1,488,937</u>
Additions to endowment, net	165,441	169,442
Endowment distributions	(38,488)	(14,731)
Interest and dividends, net of fees	54,813	39,790
Realized gains (losses)	(100)	(443)
Unrealized gains	<u>273,237</u>	<u>67,747</u>
Change in endowment net assets	<u>454,903</u>	<u>261,805</u>
Endowment net assets, end of year	<u>\$ 2,205,645</u>	<u>\$ 1,750,742</u>
Historic gift value	\$ 1,651,433	\$ 1,485,992
Accumulated earnings	<u>554,212</u>	<u>264,750</u>
Endowment net assets, end of year	<u>\$ 2,205,645</u>	<u>\$ 1,750,742</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 Foundation classifies as donor-restricted net assets: (a) the original value of gifts donated to the donor-restricted endowment; (b) the original value of subsequent gifts to the donor-restricted endowment; and (c) accumulations to the donor-restricted 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 available to be appropriated for expenditure by the Foundation.

Endowment Draws

Endowment draws during the years ending September 30, 2021 and 2020 were \$38,488 and \$14,731, respectively.

Spending Policy and How the Investment Objective Relates to Spending Policy

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.

17. CONCENTRATIONS

The Organization maintains cash and cash equivalents 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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18. COMPREHENSIVE INCOME

Comprehensive income for the years ended September 30, 2021 and 2020 includes the following:

	<u>2021</u>	<u>2020</u>
Change in net assets	\$ <u>8,595,862</u>	\$ <u>3,324,845</u>
Other comprehensive income:		
Unrecognized losses, beginning of year	1,522,324	1,535,771
Unrecognized losses, end of year	<u>1,217,062</u>	<u>1,522,324</u>
Change in unrecognized losses	<u>305,262</u>	<u>13,447</u>
Unamortized prior service cost, beginning of year	115,631	125,730
Unamortized prior service cost, end of year	<u>105,532</u>	<u>115,631</u>
Change in unamortized prior service cost	<u>10,099</u>	<u>10,099</u>
	<u>315,361</u>	<u>23,546</u>
Comprehensive income	<u>\$ 8,911,223</u>	<u>\$ 3,348,391</u>

SUPPLEMENTARY INFORMATION

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ANALYSIS OF DEFERRED REVENUE – PUFL
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Increases:		
Membership dues	\$ 201,666	\$ 222,567
Investment income	<u>856,382</u>	<u>303,237</u>
	<u>1,058,048</u>	<u>525,804</u>
Decreases:		
Distributions to departments	283,703	287,444
Administrative expense	<u>54,494</u>	<u>54,482</u>
	<u>338,197</u>	<u>341,926</u>
Net Increase	719,851	183,878
Deferred Revenue, Beginning of Year	<u>4,106,929</u>	<u>3,923,051</u>
Deferred Revenue, End of Year	<u>\$ 4,826,780</u>	<u>\$ 4,106,929</u>

**AMERICAN LEGION AUXILIARY NATIONAL HEADQUARTERS
AND
AMERICAN LEGION AUXILIARY FOUNDATION, INC.**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021

ASSETS

	<u>Auxiliary</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 1,076,500	\$ 789,521	\$ -0-	\$ 1,866,021
Investments	44,835,627	2,061,267	-0-	46,896,894
Investments - PUFL	4,914,915	-0-	-0-	4,914,915
Prepaid expenses	175,845	-0-	-0-	175,845
Property and equipment, net	2,620,530	-0-	-0-	2,620,530
Other assets	<u>132,906</u>	<u>11,000</u>	<u>(16,887)</u>	<u>127,019</u>
Total assets	<u>\$ 53,756,323</u>	<u>\$ 2,861,788</u>	<u>\$ (16,887)</u>	<u>\$ 56,601,224</u>

LIABILITIES AND NET ASSETS

Liabilities:				
Accounts payable	\$ 1,206,202	\$ 193,217	\$ (16,887)	\$ 1,382,532
Accrued expenses	301,252	-0-	-0-	301,252
Accrued scholarships	128,000	-0-	-0-	128,000
Deferred revenue - dues	2,831,745	-0-	-0-	2,831,745
Deferred revenue - PUFL	4,826,780	-0-	-0-	4,826,780
Deferred revenue - other	2,000	5,000	-0-	7,000
Liability for pension benefits	887,237	-0-	-0-	887,237
Note payable	<u>566,500</u>	<u>-0-</u>	<u>-0-</u>	<u>566,500</u>
Total liabilities	<u>10,749,716</u>	<u>198,217</u>	<u>(16,887)</u>	<u>10,931,046</u>
Net Assets:				
Without donor restrictions	42,735,063	12,015	-0-	42,747,078
With donor restrictions	<u>1,594,138</u>	<u>2,651,556</u>	<u>-0-</u>	<u>4,245,694</u>
Total net assets before accumulated other comprehensive loss	44,329,201	2,663,571	-0-	46,992,772
Accumulated other comprehensive loss	<u>(1,322,594)</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,322,594)</u>
Total net assets	<u>43,006,607</u>	<u>2,663,571</u>	<u>-0-</u>	<u>45,670,178</u>
Total liabilities and net assets	<u>\$ 53,756,323</u>	<u>\$ 2,861,788</u>	<u>\$ (16,887)</u>	<u>\$ 56,601,224</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, 2021**

	Auxiliary			Foundation			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total		
Revenue and Support:								
Contract revenues:								
Membership dues	\$ 6,382,677	\$ -0-	\$ 6,382,677	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 6,382,677
Non-contract revenues:								
Contributions	1,097,618	318,068	1,415,686	196,230	654,932	851,162	(270,117)	1,996,731
Advertising	211,950	-0-	211,950	-0-	-0-	-0-	-0-	211,950
Other	488,838	-0-	488,838	-0-	-0-	-0-	-0-	488,838
	<u>1,798,406</u>	<u>318,068</u>	<u>2,116,474</u>	<u>196,230</u>	<u>654,932</u>	<u>851,162</u>	<u>(270,117)</u>	<u>2,697,519</u>
Total revenue and support	<u>8,181,083</u>	<u>318,068</u>	<u>8,499,151</u>	<u>196,230</u>	<u>654,932</u>	<u>851,162</u>	<u>(270,117)</u>	<u>9,080,196</u>
Net assets released from donor restrictions	<u>334,706</u>	<u>(334,706)</u>	<u>-0-</u>	<u>431,645</u>	<u>(431,645)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>8,515,789</u>	<u>(16,638)</u>	<u>8,499,151</u>	<u>627,875</u>	<u>223,287</u>	<u>851,162</u>	<u>(270,117)</u>	<u>9,080,196</u>
Expenses:								
Member and department support services	4,464,611	-0-	4,464,611	21,655	-0-	21,655	(12,000)	4,474,266
Youth and education services	737,379	-0-	737,379	49,119	-0-	49,119	(16,887)	769,611
Veterans and military families programs	439,457	-0-	439,457	143,164	-0-	143,164	(45,000)	537,621
Total program services	<u>5,641,447</u>	<u>-0-</u>	<u>5,641,447</u>	<u>213,938</u>	<u>-0-</u>	<u>213,938</u>	<u>(73,887)</u>	<u>5,781,498</u>
Management and general	1,701,934	-0-	1,701,934	79,129	-0-	79,129	(196,230)	1,584,833
Fundraising	870,710	-0-	870,710	334,808	-0-	334,808	-0-	1,205,518
Total expenses	<u>8,214,091</u>	<u>-0-</u>	<u>8,214,091</u>	<u>627,875</u>	<u>-0-</u>	<u>627,875</u>	<u>(270,117)</u>	<u>8,571,849</u>
Change in net assets from operations	301,698	(16,638)	285,060	-0-	223,287	223,287	-0-	508,347
Investment Income, Net of Expenses	<u>7,541,909</u>	<u>217,032</u>	<u>7,758,941</u>	<u>74</u>	<u>328,500</u>	<u>328,574</u>	<u>-0-</u>	<u>8,087,515</u>
Change in net assets	7,843,607	200,394	8,044,001	74	551,787	551,861	-0-	8,595,862
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	<u>34,891,456</u>	<u>1,393,744</u>	<u>36,285,200</u>	<u>11,941</u>	<u>2,099,769</u>	<u>2,111,710</u>	<u>-0-</u>	<u>38,396,910</u>
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	<u>\$ 42,735,063</u>	<u>\$ 1,594,138</u>	<u>\$ 44,329,201</u>	<u>\$ 12,015</u>	<u>\$ 2,651,556</u>	<u>\$ 2,663,571</u>	<u>\$ -0-</u>	<u>\$ 46,992,772</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, 2020**

	Auxiliary			Foundation			Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Auxiliary Total	Without Donor Restrictions	With Donor Restrictions	Foundation Total		
Revenue and Support:								
Contract revenues:								
Membership dues	\$ 6,571,753	\$ -0-	\$ 6,571,753	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 6,571,753
Non-contract revenues:								
Contributions	699,196	369,017	1,068,213	179,790	433,720	613,510	(216,840)	1,464,883
Advertising	236,846	-0-	236,846	-0-	-0-	-0-	-0-	236,846
Other	407,836	-0-	407,836	-0-	-0-	-0-	-0-	407,836
	<u>1,343,878</u>	<u>369,017</u>	<u>1,712,895</u>	<u>179,790</u>	<u>433,720</u>	<u>613,510</u>	<u>(216,840)</u>	<u>2,109,565</u>
Total revenue and support	<u>7,915,631</u>	<u>369,017</u>	<u>8,284,648</u>	<u>179,790</u>	<u>433,720</u>	<u>613,510</u>	<u>(216,840)</u>	<u>8,681,318</u>
Net assets released from donor restrictions	<u>362,868</u>	<u>(362,868)</u>	<u>-0-</u>	<u>246,825</u>	<u>(246,825)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total revenue and support	<u>8,278,499</u>	<u>6,149</u>	<u>8,284,648</u>	<u>426,615</u>	<u>186,895</u>	<u>613,510</u>	<u>(216,840)</u>	<u>8,681,318</u>
Expenses:								
Member and department support services	3,756,354	-0-	3,756,354	16,441	-0-	16,441	-0-	3,772,795
Youth and education services	655,919	-0-	655,919	32,133	-0-	32,133	-0-	688,052
Veterans and military families programs	717,993	-0-	717,993	102,491	-0-	102,491	(39,600)	780,884
Total program services	5,130,266	-0-	5,130,266	151,065	-0-	151,065	(39,600)	5,241,731
Management and general	1,735,893	-0-	1,735,893	93,383	-0-	93,383	(177,240)	1,652,036
Fundraising	1,000,504	-0-	1,000,504	182,167	-0-	182,167	-0-	1,182,671
Total expenses	<u>7,866,663</u>	<u>-0-</u>	<u>7,866,663</u>	<u>426,615</u>	<u>-0-</u>	<u>426,615</u>	<u>(216,840)</u>	<u>8,076,438</u>
Change in net assets from operations	411,836	6,149	417,985	-0-	186,895	186,895	-0-	604,880
Investment Income, Net of Expenses	<u>2,534,529</u>	<u>77,308</u>	<u>2,611,837</u>	<u>-0-</u>	<u>108,128</u>	<u>108,128</u>	<u>-0-</u>	<u>2,719,965</u>
Change in net assets	2,946,365	83,457	3,029,822	-0-	295,023	295,023	-0-	3,324,845
Net Assets Before Accumulated Other Comprehensive Loss, Beginning of Year	<u>31,945,091</u>	<u>1,310,287</u>	<u>33,255,378</u>	<u>11,941</u>	<u>1,804,746</u>	<u>1,816,687</u>	<u>-0-</u>	<u>35,072,065</u>
Net Assets Before Accumulated Other Comprehensive Loss, End of Year	<u>\$ 34,891,456</u>	<u>\$ 1,393,744</u>	<u>\$ 36,285,200</u>	<u>\$ 11,941</u>	<u>\$ 2,099,769</u>	<u>\$ 2,111,710</u>	<u>\$ -0-</u>	<u>\$ 38,396,910</u>

See Independent Auditor's Report on pages 1 - 2.



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Risk & Compliance Committee
American Legion Auxiliary National Headquarters and
American Legion Auxiliary Foundation, Inc.
Indianapolis, IN

Thank you for the opportunity to serve the American Legion Auxiliary National Headquarters (the "Auxiliary") and the American Legion Auxiliary Foundation, Inc. (the "Foundation"), collectively referred to herein as the "Organization", as independent auditors. We have completed our audit of the consolidated financial statements, which comprise the consolidated statement of financial position as of September 30, 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our opinion on the consolidated financial statements, which is unmodified, is included on pages 1 and 2 of the consolidated financial statements.

U.S. GAAS requires that certain matters relating to the conduct of our audit be communicated to those charged with governance. The purpose of this report is to provide the required communications regarding the conduct of our audit, our findings, and our recommendations noted during the performance of our audit engagement.

This report is intended solely for the information and use of those charged with governance and Management, and is not intended to be, and should not be, used by anyone other than these specified parties.

U.S. GAAS defines the following positions of responsibility:

Management: *"The person(s) with executive responsibility for the conduct of the entity's operations."* For some entities, Management includes some or all of those charged with governance; for example, executive members of a governance board or an owner-manager.

Those Charged with Governance: *"The person(s) or organizations(s) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process."* For some entities, those charged with governance may include Management personnel; for example, executive members of a governance board or an owner-manager.

Objective of the Audit

The objective of our audit is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling us to express an opinion on whether the consolidated financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and to report on the consolidated financial statements, and the supplementary information accompanying the financial statements, and communicate as required by U.S. GAAS, in accordance with our audit findings.

Management and Auditor Responsibilities

Management Responsibilities

Management is responsible for: (1) establishing and maintaining internal control, including monitoring ongoing activities; (2) the selection and application of accounting principles; and (3) the fair presentation of the consolidated financial statements, and the supplementary information accompanying the financial statements, in conformity with U.S. GAAP, including adjusting the consolidated financial statements to correct material misstatements, and providing certain written representations from Management in a representation letter about the consolidated financial statements and related matters including representations that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented, if any, are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving: (1) Management; (2) employees who have significant roles in internal control; and (3) others where the fraud could have a material effect on the consolidated financial statements. These responsibilities include informing us of knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others. In addition, Management is responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

Management is also responsible for: (1) providing us with access to all information which you are aware that is relevant to the preparation and fair presentation of the consolidated financial statements; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the entity from whom you or we determine it necessary to obtain audit evidence.

Auditor Responsibilities

As the independent auditor of the entity, our firm is responsible for performing the audit in accordance with U.S. GAAS, and for obtaining reasonable, rather than absolute, assurance to form and express an opinion about whether the consolidated financial statements that have been prepared by Management, with the oversight of those charged with governance, are prepared, in all material respects, in conformity with U.S. GAAP, and are free of material misstatement, whether from: (1) errors; (2) fraudulent financial reporting; (3) misappropriation of assets; or (4) violations of laws or governmental regulations that are attributable to the entity or acts by Management or employees acting on behalf of the entity.

Our audit includes obtaining an understanding of the entity and its environment, including internal control over financial reporting, sufficient to assess the risks of material misstatement of the consolidated financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance or express an opinion on the effectiveness of internal control, or to identify deficiencies in internal control.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements; therefore, an audit involves judgment about the number of transactions to be examined and the areas to be tested. 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.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we have not performed a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit has been properly planned and performed in accordance with U.S. GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the consolidated financial statements.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors. The audit of the consolidated financial statements does not relieve Management or those charged with governance of their responsibilities, even if our firm, as independent auditors, assists in drafting the consolidated financial statements, in whole or in part, based on information provided during the performance of the audit.

REQUIRED COMMUNICATIONS

Planned Scope and Timing of the Audit

There were no significant changes to the planned scope and timing of the audit, which was communicated in our audit planning communications as documented in our Audit Scope and Planning Report.

Qualitative Aspects of the Entity's Significant Accounting Practices

The accounting policies and the use of accounting estimates in the preparation of the consolidated financial statements are disclosed in Note 1 to the financial statements. As part of our audit, we reviewed and concur with the Organization's:

- a) Selection and appropriateness of the significant accounting policies, and there are no changes in significant accounting policies from prior audit years other than those changes disclosed in Note 1 to the consolidated financial statements, including application of new accounting pronouncements, and there are no significant accounting policies in controversial or emerging areas;
- b) Accounting estimates, including Management's identification of accounting estimates and process for making accounting estimates;
- c) Overall neutrality, consistency, and clarity of the disclosures in the consolidated financial statements.

Significant Difficulties Encountered During the Audit

Management and other personnel were prepared, cooperative, and provided our representatives with all information requested during our audit. Our representatives were provided access to all employees and information requested was provided. There were no significant difficulties encountered in the performance of our audit.

Disagreements with Management

There were no disagreements with Management or accounting personnel, including the application of accounting principles, basis for Management's judgments and accounting estimates, scope of the audit, disclosures included in the Organization's consolidated financial statements or wording of the Independent Auditor's Report.

Other Findings or Issues

There were no other findings or issues arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their responsibility to oversee the financial reporting process.

Corrected and Uncorrected Misstatements

Our tolerable error was established at \$310,000 and Clearly Trivial Misstatements were considered to be below \$51,500.

Attached hereto are all audit adjustments proposed for adjustment and all adjustments provided by Management, which have been recorded in the consolidated financial statements.

Consultation with Other Accountants

We are not aware of any instances where Management or accounting personnel consulted with other accountants regarding accounting or auditing matters which may affect the consolidated financial statements.

INTERNAL CONTROL

Internal Control is defined as a process, effected by those charged with governance, Management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to financial reporting and operations objectives.

In planning and performing our audit of the consolidated financial statements of the Organization as of and for the year ended September 30, 2021, we considered the Organization's internal control over financial reporting in order to design auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Statements on Auditing Standards establishes standards on communicating matters related to an entity's internal control over financial reporting identified in an audit of consolidated financial statements and provides guidance on evaluating the severity of matters identified as follows:

A "*Deficiency in Internal Control*" exists when the design or operation of a control does not allow Management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in *design* exists when (a) a control necessary to meet the control objective is missing or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in *operation* exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A "*Significant Deficiency*" is a deficiency, or combination of deficiencies, in internal control that is less severe than a Material Weakness, yet important enough to merit attention by those charged with governance.

A "*Material Weakness*" is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

Current Year Reportable Matters

We did not identify any deficiencies in internal control that were considered to be material weaknesses, as described above, or other reportable matters during our 2021 audit procedures.

* * * * *

We would like to express our appreciation to you and your personnel for providing us the opportunity to continue to serve you and the Organization. If you would like to discuss the conduct of our audit or any other matters, please feel free to contact Michael A. Staton, Managing Director, or Justin Schwartz, Audit Manager, at any time.

Alending CPA Group

January 18, 2022

Client: American Legion Auxiliary
Engagement:
Period Ending: **9/30/2021**
Workpaper: Adjusting Journal Entries

Account	Description	Debit	Credit	B/S Impact	I/S Impact
Adjusting Journal Entries JE # 1					
To progress net assets accounting for immaterial rounding variance. /JBS-21					
100-06-132-5930	M&G: Misc. Expenses	4.00			4
100-00-000-3030	Net Assets: Unrestricted		4.00	(4)	
Total		<u>4.00</u>	<u>4.00</u>		
Adjusting Journal Entries JE # 2					
To adjust depreciation. /CCC21					
100-06-132-5035	M&G: Depreciation Expense	3,065.00			3,065
100-00-000-1256	Acc. Depr.-Permanent Equip.		3,065.00	(3,065)	
Total		<u>3,065.00</u>	<u>3,065.00</u>		
Adjusting Journal Entries JE # 3					
To reclass investment cost and FMV adjustment. /JBS-21					
100-01-128-1038	PUFL Investments: Fidelity Cost	425,510.00		425,510	
100-01-128-1039	PUFL Investments: Fidelity FMV Adj		425,510.00	(425,510)	
Total		<u>425,510.00</u>	<u>425,510.00</u>		
Adjusting Journal Entries JE # 4					
To adjust investments to actual at 9/30/21. /JWS21					
100-00-000-1022	Gen: Investments-FMV Adjustment	1.00		1	
100-00-000-1041	Other Investments-Cost	97,929.00		97,929	
100-00-000-1042	Other investments-FMV Adjustment	9,163.00		9,163	
100-06-132-5930	M&G: Misc. Expenses	183.00			183
110-02-960-4430	UB: YES: Unrealized Gain/Loss	169.00			169
200-00-000-1034	Investments-NPSF TR FMV Adjustment	1.00		1	
100-00-000-1021	Gen: Investments-Cost		1.00	(1)	
100-06-960-4425	UB: M&G Investment Income/Loss-Othr Inv		9,346.00		(9,346)
100-06-960-4429	UB: M&G: Realized Capital Gains and		97,930.00		(97,930)
110-02-960-4429	UB: Realized Capital Gains and Losses on		169.00		(169)
Total		<u>107,446.00</u>	<u>107,446.00</u>		
Adjusting Journal Entries JE # 5					
To record pension adjustment. /JWS21					
100-00-000-2160	Pension Plan:Funding Status	462,682.00		462,682	
100-06-960-5991	UB: M&G Audit Allocations- OUT	147,321.00			147,321
100-00-000-3160	Pension Plan:Unrecognized Loss		305,262.00	(305,262)	
100-00-000-3161	Pension:Unamrtzd Pr Serv Cost		4,805.00	(4,805)	
100-00-000-3161	Pension:Unamrtzd Pr Serv Cost		5,294.00	(5,294)	
100-01-960-5990	UB: MDS Audit Allocations-IN		22,098.00		(22,098)
100-01-960-5990	UB: MDS Audit Allocations-IN		50,090.00		(50,090)
100-02-960-5990	UB: YES Audit Allocations-IN		7,366.00		(7,366)
100-05-960-5990	UB: VP Audit Allocations-IN		8,839.00		(8,839)
100-06-960-5004	UB: M&G TAL Pension Plan		147,321.00		(147,321)
100-06-960-5990	UB: M&G Audit Allocations- IN		51,562.00		(51,562)
100-07-960-5990	UB: FR Audit Allocations- IN		7,366.00		(7,366)
Total		<u>610,003.00</u>	<u>610,003.00</u>		
Adjusting Journal Entries JE # 6					
CLIENT PROVIDED - To adjust prepaid expenses./DRH21					
100-01-116-5100	DLNC: Travel	6,391.00			6,391
100-01-116-5100	DLNC: Travel	8,880.00			8,880
100-00-000-1101	Prepaid Expenses		6,391.00	(6,391)	
100-00-000-1101	Prepaid Expenses		8,880.00	(8,880)	
Total		<u>15,271.00</u>	<u>15,271.00</u>		
Adjusting Journal Entries JE # 7					
To adjust alternative investments to third party confirmations for 3rd quarter performance. /JBS-21					
100-00-000-1042	Other investments-FMV Adjustment	161,683.00		161,683	
100-06-960-4425	UB: M&G Investment Income/Loss-Othr Inv		161,683.00		(161,683)
Total		<u>161,683.00</u>	<u>161,683.00</u>		
				<u>397,757</u>	<u>(397,757)</u>

Executive Director Kelly Circle's Mid-Year Report to NEC 3/5/2022

In the interest of time, I'll be reporting on behalf of the Diversity Equity and Inclusion special committee. Here are some highlights of their activities:

The member survey was created with some questions focused on demographics in order to establish baseline numbers. It's important to establish a baseline of our current demographics so we can measure success of our efforts to become more diverse and inclusive in the future.

Two committee members presented Conflict Resolution and Introductory Diversity training at the Department Presidents retreat in October.

Two committee members developed DEI training for Girls State and Girls Nation leaders and staff. The webinars are being held this month.

The committee reviewed and provided feedback to national staff on the online diversity course that is being developed.

In development is an online DEI resource library for the website and DEI spotlights in the magazine. In closing, the committee would like to thank National President Kathy for her continued commitment to diversity, equity and inclusion in the ALA. Honoring our traditions; valuing every voice.

My report will largely focus on staff Q1 progress on the 5 goals of our Strategic Plan.

Goal #1 Cultivate a variety of mission engagement opportunities.

A new mission service program opportunity comes through our National Security and Poppy programs. Staff set up a memorandum of understanding (MOU) with ASYMCA to address food insecurity for junior enlisted military and their families. This MOU, which was finalized in Q1, allows ALA departments and units to raise and donate poppy funds that ASYMCA can use to purchase food for the food banks. For some background, The Armed Services YMCA has 12 branches and 2 DOD affiliates nationwide and in 2020 distributed Nearly **2M** Pounds of Food to Young Military Families and served **136,000** Active Duty Military Service Members, Spouses and Children.

We are working out logistical details to ensure accurate reporting of how the funds are used and staff will be coordinating with the National Security and Poppy Chairs to get the information out to departments and units. They will also help facilitate introductions with each of the branches and departments/units who are interested.

Our second MOU is with Honor Flights and our VA&R and Poppy programs. With Honor Flights, poppy funds can be used for travel expenses for the veteran's caregiver and other essentials for the veteran to participate on an Honor Flight. Here too, staff will be coordinating with VA&R and Poppy chairs to get this information to departments and units as well.

Our third MOU is with Blue Star Families where they will support and promote our next military baby shower. We hosted our first baby shower for military families this year and I'll talk more about that later in my report.

We are working on a basic MOU template departments can use as they forge relationships with other veteran non-profits and developing a "menu" of how to use poppy funds. Those of you who have attended MT 201 will recognize the menu term, I'm sure!

Goal #2 Enhance organizational effectiveness of departments and units and NHQ.

In first quarter, we had 6855 units with IRS exempt status out of 8151 total units. 2085 units have been revoked and 789 have been reinstated. While we obviously want the number of revoked units to be much smaller, it is lower than it was last year at this time, so we are making progress.

Website tracking numbers look great with 174,055 views on the member side of the website. The number one download was the membership application.

In the first quarter, we hosted four webinars on social media , caregiving, ship thrifty, and a dept sec lunch and learn. 822 members registered with 417 in attendance at the events.

I'm super excited to share information about the pilot program of meetings for national committees and department chairmen on Zoom. The meetings start with a national briefing and departments are then released to division

breakout rooms for further discussion and information. The committees piloting these Zoom meetings were VA&R, Poppy, and Americanism. The first meetings in January were so successful, we hope to host these with other committees soon!

Goal #3 Recruit and retain members through mission engagement.

In Q1 our membership was up 1,758 from 2021 and new members were up 5,049 for a total of 18,388 new members last quarter!

Two emails were sent to former members in November 2021 and January 2022 resulting in 1887 members rejoining, up from 775 in 2021.

Junior membership was also up slightly from 2021 with our 2022 Q1 junior membership at 27,345 compared to 26,904 in 2021.

In Social Media engagement – Facebook remains our most popular channel for engagement at 26,157 followers. Twitter and Instagram engagement is slightly increased with 2640 and 2379 followers respectively.

Goal # 4 Ensure financial stewardship of resources to maximize mission delivery.

In a nutshell, the good news is we are under budget for expenses and over budget for revenues!

Thru the first quarter of our fiscal year (ended December 31, 2021).

Revenues are \$232K over budget

Expenses are \$451K under budget

Operating Income is \$683K over budget

Wages and benefits are 10% under budget YTD

Travel is \$69K under budget

Printing, Publicity and Awards are \$21K under budget

Donations are slightly down in the first quarter but we are seeing an increase in donations from non-members. We received two grants totaling \$18,890 and our new grant writer started this week.

Referring back to one of our goal two accomplishments, virtual meetings and trainings are two areas where we get great bang for our buck reaching 822 members with just four virtual sessions for the cost of our Zoom license and staff time.

Goal #5 Enhance and foster the family relationship with The American Legion.

I was invited to audit and present at both the 2020 and the 2021 Legion College classes held in November and December. For those who may not be familiar with Legion College, it is a weeklong training program hosted by The Legion National Headquarters for current and upcoming department leadership. Coming from a higher education background myself, I was really impressed with the curriculum development and assessment Chancellor Dave Rehbein and Dean Ken George put into each session. This was an exceptional opportunity for me to not only build relationships with national staff and volunteers, but also an opportunity for me to get to know Legion leadership on the department level.

Through my presentation I was able to share information about the ALA in general and national headquarters specifically. I also gained significant insight on questions The Legion leadership has about our membership eligibility and identify areas where communication can be improved.

Sitting in on many of the class modules, I learned so much about how The Legion operates, our differences and similarities, and saw many opportunities for collaboration in creating training modules for both The Legion and the ALA.

Our DC Director coordinated with The Legion Legislative director and hosted monthly Zoom calls with our national legislative committee to receive the latest updates on the legislative initiatives.

For national security, Legionnaires, Sons, and Auxiliary members from multiple posts and units from the District of Columbia, Maryland, and

Virginia came together to host our first baby shower for military families at Post 238 in Hughesville, MD. This was truly a Legion Family project with all three branches of the family donating significant time, money, and gifts. Gold Star Mothers also donated \$2000 to purchase items for the event. Because of the success of this shower, we have been invited to host another shower on Bolling Air Force base in Washington DC next year. We all know how hard it can be to gain access to a military installation and this is a big step for the ALA to forge relationships with military spouses and increase ways for us to provide much needed assistance to these important people. We are now in the process of putting together a guide for units to use if they want to host baby showers for the military installations in their areas.

While these are the highlights of the strategic plan from the staff perspective, please know these goals are for everyone to participate in and we can only make progress if everyone is working together. I'll attach a copy of the goals to next week's briefing so any department or unit can save and decide how they can help in any of these areas. How can your unit cultivate a variety of mission engagement opportunities? Or how can each unit member enhance and foster the family relationship with The American Legion? If we all row in the same direction, there's no limit to what we can accomplish!

In closing, I want to give a heartfelt, public thanks to the ALA National Staff. I've never seen such a creative, hard-working, loyal staff in all my years of work experience. Their passion for the mission motivates them to give their best efforts and then give a little more and that inspires me to do the same. It's a privilege and an honor to work with this group of talented professionals!

Madam President, this concludes my report.



American Legion Auxiliary

*A Community of Volunteers Serving Veterans,
Military, and their Families*

2022 Proposed Dues Increase Q&A

Budget Cuts Made by National Headquarters and Leadership

The FY22 budget was approximately \$400,000 less than the previous year's budget due to cuts in travel, in-person meetings, staff benefits, and printing. Utilizing technology allowed for NEC meetings, committee meetings, and the DC Conference to be hosted virtually, eliminating transportation, hotel, and per diem costs. Cost savings were also realized by reducing the number of people authorized to travel to in-person meetings and events like DLNC. While great strides have been made to embrace virtual meetings, the national organization is still called to host in-person events. Most of the expenses associated with these events are paid through the national budget. Expenses for Mission Trainings after deducting participant fees was approximately \$90,000. Net expenses for Girls Nation were \$450,000 and National Convention expenses were \$825,000. DLNC expenses were \$270,000 after deducting the registration fees.

The National Headquarters staff have taken on more responsibilities, saving \$74,000 by doing activities that used to be outsourced. In addition to these added responsibilities, staff workload increased with the task of creating online program webinars and trainings (ALA Academy Live) for members. These virtual training courses reach three times the number of members who attend in-person trainings, and it is projected that these attendance numbers will continue to rise as word spreads and members get more comfortable with online event technology. This results in more members being engaged in the ALA's mission and sharing ideas without incurring additional travel/meeting costs.

While employees have been tasked with more responsibilities, employee benefits have been reduced, resulting in savings of \$78,000. Most recently, two director positions were eliminated by combining three positions into one. This is an extremely aggressive move and will require redistributing duties and responsibilities among the remaining directors and managers.

The decision to postpone sending hard-copy second renewal notices, opting instead to increase our online and email reminders, resulted in savings just shy of \$6,500 in printing and postage costs. Members, units, and departments are encouraged to utilize the guides and online resources accessible via the national website. To continue including those who do not have or use internet access, the Red Book is still printed and mailed at a cost of approximately \$4,000 to National Headquarters. Some of the content previously printed in the National Convention annual report is now online, resulting in a savings of \$40,758. The number of pages and quality of paper for *Auxiliary* magazine were reduced, resulting in \$72,000 annual savings. In addition to the cost savings above, staff are actively seeking alternative revenue opportunities, including increasing member benefits royalties, corporate sponsorships, partnerships, grants, monthly giving, planned giving, and direct mail campaigns.

In summation, the national staff have worked to decrease expenses. They have had their benefits decreased while being asked to take on more responsibilities. Based on our current membership, the national organization has *one staff person for every 16,000 members, yet Management & General expenses make up less than 20% of total expenses, with the majority of expenses (70%) falling under Programs and Support Services.

**The American Legion National Headquarters has one staff person for every 7,000 members.*

Financial Assistance by National Headquarters to Units and Members Provided

Serving the mission is at the heart of why people join the ALA. But there is also another reason to be part of this organization: the benefits, both personal and professional. Members have shared stories of gaining increased confidence in public speaking, finding a place to belong, volunteer opportunities, and mentorship. In addition to the personal and professional benefits that come with an ALA membership, members also receive benefits from partnerships the organization maintains, scholarships, and emergency assistance.

The national organization offers 19 member benefit programs with discounts and services used by individuals every day. More programs will be added soon, including one with discounts on products like hotels, airfare, groceries, tickets for events and activities, and so much more. ALA membership also qualifies members to seek emergency grant assistance for a temporary financial crisis or natural disaster. Members are eligible to apply every 12 months for a grant up to \$2,400. ALA members are also afforded 25 scholarship opportunities totaling \$75,000.

The national organization underwrites many items that units and departments can access for no cost. This includes membership applications, brochures, membership cards, and renewal notices. More than 10 various brochures and guides are available for departments to order free of charge, including delivery. Design of all documents are done by National Headquarters staff, while printing is outsourced to the competitive bidder. The national organization also provides membership cards at an annual cost of \$47,000 and two mailed renewal notices at an annual cost of \$200,000.

PDF versions of guides and booklets are available for free on the national website – including the national Constitution & Bylaws, the Unit Guidebook, and the Department Operations Guide. Information that was previously available only in print is now available at www.ALAforVeterans.org, cutting down on postage that departments spend to distribute items to their members and units.

Not only does the national organization offer numerous free resources, but it also helps offset the costs for departments and units working the mission in each of their local communities. The ALA Foundation has granted \$681,644 directly back to units/districts/counties/departments to support veteran needs; 187 grants have been awarded across 43 states and are a great resource to help move the mission forward.

All members have access to a variety of free virtual training options via the ALA Academy, which currently offers eight self-paced courses where members can take a professionally developed course anytime. In September 2020, ALA Academy Live launched, adding to the training curriculum. Since its inception, 48 ALA Academy Live sessions have been offered, reaching more

than 4,000 members. More than 2,700 members participated in the live sessions, and each course is now available in an on-demand format through the ALA Academy.

Relationship between Dues Increase and Membership Decline

Over the past two decades, we have seen a steady decline of 20,000 members each year, whether there was a dues increase or not. From a previous electronic survey, 94% of respondents said membership dues were either moderate, low, or very low (national dues were \$9 at that time). The American Legion national dues are currently \$18.50 annually, so even if the proposed dues increase is adopted, ALA national dues will still be lower. When you compare ALA national dues to the national dues amounts of other community service organizations, the ALA falls well below the average. For example, the VFW, the most similar organization in size, mission, and structure to the ALA, currently charges \$50 for national dues, and yes, VFW members also pay department and local dues.

Other service organizations charge an initiation or application fee in addition to the annual national, department, and local dues. These fees range from \$20 (Lions) up to \$75 (Elks). The Lions and the Elks charge \$40 and \$43 respectively for their national dues. Department and local dues vary widely for these organizations depending on geographic location. The Kiwanis Club charges \$60 for national dues, plus district dues and an enrollment fee. Research shows the Fraternal Order of the Eagles with the lowest national dues, and even then, its dues are still *three times* the amount of ALA national dues portion (\$36 annually compared to our \$12 annual national dues). The Rotary Club national dues are \$71 annually, with a \$1 increase each year for the past three years, and another \$1 increase already in place for 2022 and 2023.

It is recognized that some ALA members pay dues for multiple family members, and this increase could cause a financial hardship for them. This might be the time to ask these family members to honor the service of their loved one(s) and the service of our members by paying these dues themselves annually. This would be a valued Christmas or birthday gift to our members!

Fiduciary Responsibility of the National Finance Committee

When you delve into a discussion about fiduciary responsibilities, it brings up many questions regarding the rationale to support needing a dues increase, the use of reserves to fund operations, the role of the national Finance Committee, the current health, and financial hardships that many are experiencing, and the debate over owning property versus renting. Discussions about who is responsible for the financial health of the organization are important, and ultimately this responsibility falls to the Finance Committee, national staff, and members. The national Finance Committee works diligently, poring over the ALA financials. The committee's number one priority is to continue our mission at the highest level possible, not adding new programs, but enhancing the programs that have kept us vibrant, vital, and relevant for more than 100 years.

In 2017, the trend of diminishing members causing a financial burden to the organization was identified and brought to the attention of the convention delegates. An *insufficient* dues increase was approved, and now, as predicted, the organization is facing mounting deficits that

necessitate a dues increase. The national Finance Committee is tasked each year to review both income and expenses with the goal of producing a balanced and fiscally responsible budget. Each year, the NEC is presented with financials, including a national budget for their review and approval. The financials detail the prior year's budget activity, along with anticipated revenue and expenses for the current year.

With growing deficits facing the national Finance Committee, a thorough review of all expenditures was made, along with attention to alternate funding sources. For 2022, a 25% increase is anticipated in fundraising revenue, along with cuts in anticipated spending in 12 of the expense activities. Overall, the expense budget for 2022 was less than the expense budget for 2021, even though activities, travel, and programs were returning to levels closer to pre-pandemic times. Every year, tough decisions are required by the national Finance Committee as it deals with an ever-changing landscape.

National dues are currently \$12 per member; however, our annual Cost Per Member in 2020 was \$13.51, and \$14.67 in 2021. This shows that our per member costs are higher than our member dues, and these figures were pulled during a pandemic when our member costs were much lower than in normal operating years. In all actuality, the divide between cost per member and member dues is greater than what the 2020 and 2021 numbers show. In order to operate at a break-even point without a dues increase, our membership would need to be at 840,000 members to support our current needs.

The national Finance Committee not only reviews financial statements and budgets, but it is given the authority to review and maintain national investments, including the National Headquarters building. An analysis on the National Headquarters property was prepared at the end of 2020, showing a cost-to-own of about \$16.80 per square foot, with a current rental rate for the northwest side of Indianapolis of approximately \$18.50 per square foot. Owning this property instead of leasing office space still reflects a savings to the organization. If space requirements and daily needs alter in the future, a potential lease of available space could be researched.

Current actuary tables show that there is no need to change the PUFL program. At present, there are 16,850 PUFL members, which made up roughly 3% of our total 2021 membership. As with all investments, the PUFL revenue is monitored closely so that we capitalize on all available sources to grow funds.

Relying on reserves to fund operations is fiscally irresponsible. Not-for-profit organizations are held to a high standard that demands peak performance in mission delivery. Without fulfilling this expectation, the organization risks becoming irrelevant to current societal needs. The national organization currently has three years of operating funds available in reserves. Investment income from interest and dividends at approximately \$900K annually are being utilized to support our current operations. The strong market has given us positive gains, but these are unrealized gains and will be subject to market corrections. The reserve funds should not be used to cover operating costs. External auditors have repeatedly cautioned against this, as it is an irresponsible business practice, but more, it depletes the lifeline needed to ensure the future of the ALA.

Allocation of Funds from the Dues Increase

The ALA exists to help veterans, servicemembers, their families, and our communities. For more than 100 years, our ALA programs have grown with the help of our members, but this growth has brought with it additional expenses – expenses that have been covered using ALA reserve funds. For example, ALA Girls Nation, a premier program supporting young, intelligent women to grow to become active professionals, recently lost its long-used venue. The new location is fantastic and better serves the program’s needs; however, it comes at an increased cost. The National Veterans Creative Arts Festival is another project that brings hope to our veterans while growing awareness of the ALA but being co-presenter of this event costs money.

Funds will also be allocated to cover the cost of enhancing our current programs so that the ALA remains a relevant resource to veterans and servicemembers facing increasing challenges. Examples of enhancing current programs can be seen in the fundraising focus of our national presidents. Most recently, we turned our focus to adaptive sports and caregivers. Excellence in mission delivery and relevance in an increasingly competitive marketplace are dependent on the ability to continually improve ALA national programs. In doing this, established programs become tailored to fulfilling the increasing challenges facing our military, veterans, and their families. The ALA is the conduit between those in need and the resources available. The national organization not only provides direct services but also acts as a middleman working to connect those in need with all resources available, even when those resources are provided by another institution like the VA. It is this function, this ability to serve as a connector between the military/veteran community and the marketplace of resources, that allows us to remain relevant for future generations.

Clarification on membership dues payment cycle:

The ALA membership year is from January 1 through December 31st (a calendar year); however, members can renew their membership early. For example, for the 2022 membership year, members could start renewing their membership in July 2021. This proposal would take effect for the 2024 membership year which means that members would see the dues increase (if approved by 2022 national convention delegates) on the 2024 renewal notices that start going out in July 2023.

DUES Q&A Follow-up

The following questions and answers are the follow-up details from a February 7, 2022, virtual meeting with the NEC, national Finance Committee, and ALA National Headquarters Staff

National Budget/Investments/Reserves/NHQ Staff

Investments/Budget Cuts/Reserves

1. Question: What percentage of the investment portfolio is restricted?

Answer: Approximately 30% is restricted at the date of our latest audit 09/30/2021.

2. Question: What cuts were made to staff benefits?

Answer: The employer paid portion of health insurance was reduced by 3% and the discretionary 3% contribution to the 401(k) was eliminated to bring the ALA in line with industry standards. New rates for the health insurance were not available at budget time, but an increase was certain. The cost of health insurance for this year increased by 18% (with a higher deductible), and dental insurance increased by almost 16%.

3. Question: How many pages were eliminated from *Auxiliary* magazine, and what was the resulting reduction in cost?

Answer: Eight pages were removed with the February 2022 issue, as a result of loss in advertising. Advertising revenue has been trending down largely due to membership decline (fewer magazines being mailed), and secondly due to market conditions (i.e., online shopping/Amazon). Reduction in cost: Approximately \$30,000. The magazine is currently a quarterly publication.

4. Question: What does the Red Book cost to print and mail?

Answer: \$4,000 to print and mail.

5. Question: In general, what is in the "Other Income" line on the chart?

Answer: everything but dues and investments – magazine royalties, Direct Mail subscriptions, event registration fees, event attendance fees, etc.

6. Question: When reviewing marketing strategies/opportunities, have celebrity endorsements been considered?

Answer: Celebrity endorsements have been discussed/considered, but the collaboration must make financial sense. If the celebrity wants a very large fee to endorse and we won't expect to receive enough back for the endorsement, we will not undertake that transaction. If a member has a connection/possible celebrity endorsement idea, they should contact the executive director.

Events

7. Question: National Convention and related events are underwritten by national finances. Is it possible to see income versus expense figures for the 2021 convention?

Answer: FY19 Income Actual: \$118,920 and FY19 Expenses Actual: \$796,566.

8. Question: How long has it been since the registration for National Convention was increased?

Answer: The fee was last changed in 2012. It was increased from \$15 to \$25.

9. Question: Could we have an ALA “surcharge” on convention registration to make up the gap between income and expenses?

Answer: Yes, it is possible to include an ALA surcharge in addition to The American Legion-mandated convention registration fee to bring revenue more in line with expenses, but the amount currently underwritten by national is so large that it would be cost-prohibitive to pass those expenses onto the individual member. We are looking at alternative funding for National Convention, which includes corporate sponsorships.

10. Question: Do all Past National Presidents receive a paid trip to National Convention for life? How much does that cost?

Answer: As Delegates at Large for National Convention, the Past National Presidents are authorized to attend National Convention just like the National Executive Committee members and national officers. Authorized Past National Presidents, NECs, and national officers receive reimbursement for travel (air or mileage), ½ of the housing rate for their authorized stay, reimbursement for checked luggage (air travel), and a meal per diem. In 2019, 15 Past National Presidents attended, which is average. Budgeted amounts per authorized convention attendee vary by location.

Staff

11. Question: When a vacancy needs to be filled, are professional recruiters utilized? If so, what range of fees are required?

Answer: No, we do not use professional recruiters to fill staff positions. One exception was the search for the executive director position in 2018-2019 when the executive search firm was hired after the usual search methods did not yield any viable candidates. The use of search firms for executive-level positions is standard business practice to source quality candidates and to ensure legal compliance in the hiring process.

12. Question: What does the current NHQ staffing landscape look like, and are there opportunities for reduction?

Answer: NHQ currently has 35 employees, all of whom are full-time. All positions have been assessed and are necessary to continue offering quality service to our members. Over the years, national staff have taken on more duties. For example, our communications team now writes and manages online blogs, eBulletins, Facebook pages, Twitter, and Instagram, in addition to magazine editorial and production. Our membership team processes more and more online and over-the-phone renewals, answers questions, and connects members with resources. In addition to the in-person programs and events hosted at the national level, these teams have developed online training, teaching themselves technology, online curriculum development, and adult learning theory to provide quality events for our members.

Every time a position is vacated, we review the job description and needs of the organization to determine if the position needs to be filled, reclassified, outsourced, or if it can be eliminated. From a human resources perspective, we continuously look for opportunities to cut costs via consolidating positions/responsibilities, reducing headcount through natural attrition, and reviewing the total compensation structure for employees. These efforts can be seen via our most recent reorganization and realignment of duties, which resulted in the reduction of two staff positions.

13. Question: You anticipated a 20,000 senior member decrease annually over the next 10 years. Will national staff be reduced along with membership?

Answer: The number of staff necessary at National Headquarters does not directly correlate with the number of members. Members/units/departments are amazing at executing direct service delivery. Because of these efforts, NHQ can focus resources on national-level strategies – things like national-level Legion

Family marketing campaigns, national-level fundraising, national-level government relationships, and national-level collaborations with other organizations. This is work that cannot be done and relationships that cannot be forged by members/units/departments alone. The resources required to execute national-level strategies/campaigns/collaborations/relationships are not dependent on the number of members. National work serves to grow/preserve global awareness and relevance for the ALA. It is this growth and preservation that continues to create opportunities for direct mission delivery on all levels.

Dues Increase Alternatives/Opportunities

Increase Logistics

14. Question: Could there be another option such as \$4 then \$2 increments in future years?

Answer: Since the dues increase does not occur until Dues Year 2024, it takes a \$5 increase so that the \$1.4M income shortfalls in Years 2022 and 2023 are offset with a cash flow of \$1.5M in Years 2023 and 2024. To have more income from new sources other than dues income, investments need to be made to create those revenue streams. That is why a \$6 increase allows \$1M of total cash flow during that four-year period to foster new revenue streams vital for the future financial health of the ALA.

Membership is decreasing annually, so the ALA receives more financial benefit by having a larger increase up front and smaller bumps in the future, as opposed to the suggested \$4/\$2 increments option posed above. As you receive those larger increases in the future, you have fewer members paying those and end up with less income.

15. Question: Instead of the incremental increases, have you considered just one large increase and get it done and over?

Answer: The \$6 increase with future \$1 increases seems to match our revenues with expenses which gradually increase over time due to inflation.

16. Question: What if we don't need the incremental increase in any given year?

Answer: The NHQ staff, in conjunction with the Finance Committee and volunteer leadership, will be diligent in maximizing revenues and minimizing costs so that dues increases are held to a minimum. If a dues increase is not necessary, it will not be requested.

Membership/PUFL

17. Question: Has any thought been given to having members do some of the training to reduce expenditures?

Answer: This year, volunteers did the training at the various training locations. In addition, webinars and Zoom trainings are taking place. Multiple webinars and Zoom trainings are available, and more members are starting to access these. When looking at the expense of on-site training, travel is a small part of it. The majority of expense resides in facilities, food/beverage, and audiovisual/IT equipment. As for departments providing more training for its members ... YES! Please do! Training sessions provide an opportunity for members to engage in the mission, learn about the history and traditions of our organization, generate new ideas for our future, and they give members a chance to just have some fun together!

18. Question: As units have cards to give out to members who pay online, why does national also send out a card? Wouldn't stopping that practice also save money as our department notifies us when someone pays online?

Answer: The national organization originally did not mail membership cards to members who renewed online or by phone. The feedback received from members is that they were not receiving their card from their local Auxiliary unit when they renewed this way. Unfortunately, even though units were notified, some of them still refused to send members' cards to discourage renewals via online and by phone. To enhance the member experience, the national organization incurred the cost to print and mail cards to members who renew online or by phone.

19. Question: Could there be an option for people to pay their membership dues using an automatic renewal for those who are not wanting to select the PUFL option?

Answer: There are two issues when considering automatic renewals. First, we do not have the staffing to oversee the automatic renewal process, which would involve contacting members with declined or expired credit cards and members who forget to upload their payment information when they receive a new credit card. Second, membership dues can change annually for a member depending on if the national, department, or local unit votes to change their dues. Therefore, when members opt in for an automatic renewal, the dollar amount charged could change annually and we would need staff to oversee and implement an opt-in/opt-out system.

20. Question: Does a dues increase affect PUFL members – if NHQ has debt, will an effect on PUFLs increase the debt?

Answer: PUFL dues for those who have already paid are not affected. Future PUFL dues will likely increase at some point in time as the actuarial computations are made and the table of PUFL due cost is updated. The ALA does not have debt, and a PUFL increase would not change that.

21. Question: Option for PUFL payments to be broken down into 2/3 payments to help members?

Answer: The idea of a PUFL payment plan has been discussed several times over the years. The ALA has consulted with The American Legion regarding their payment plan. The American Legion has advised to not implement a payment plan. The reason is that it takes staff to oversee and implement a payment program and continuously follow up with members who do not submit their payment installments, essentially leading to the ALA becoming bill collectors.

Printing/Magazine

22. Question: Has it been looked at to combine printing costs with The American Legion as it may be cheaper for more items to be printed – items like Legion brochures and Auxiliary brochures being printed at the same time, or *The American Legion* magazine and *Auxiliary* magazine?

Answer: The communications teams of TAL and ALA will be meeting soon to brainstorm and discuss ideas to combine resources to reduce costs and increase advertising revenue for both magazines.

23. Question: Has NHQ considered giving an option to members to receive a digitized version of the ALA magazine vs. print?

Answer: This was investigated during the previous budgeting process and with the national Finance Committee. It is currently under evaluation as industry trends change, membership numbers fluctuate, etc. When we conducted our magazine reader survey in 2021, most respondents preferred the publication in a print format.

24. Question: Can people opt out of the magazine? Would that save money?

Answer: Created in the early decades of the ALA's founding, we have a bylaw that states the national organization will provide a national publication to keep general membership informed. Our member database currently has an option for members to choose a digital-only magazine; however, it's been our

experience in reviewing analytics that members don't always follow through with the digital version, meaning they're not clicking on a link that promoted the digital version via our social media or *ALA eNews*. That doesn't mean we won't continually review this digital option.

The February 2022 magazine's per unit cost that includes postage, paper, and printing was at 45 cents each. Postage is the largest single cost at 58%, which the magazine is already mailed at standard/non-profit rate (not first class). Paper is second largest cost at 24%. As far as the printing, LSC (our vendor) already gives us The American Legion's pricing, including that we participate in their unique co-mailing process that provides additional postage savings.

The digital version of *Auxiliary* has had very little readership since it's been tracked starting in 2010. After 90 days following the release of a digital issue, it will receive about 200-300 views, and out of the 300 views, the average reader looks at only eight pages.

Membership Decline Trends

25. Question: There is much focus on members lost. Have you determined the percentage of new memberships over the next eight years?

Answer: The ALA averages about 50,000 new members a year (not considering 2020 and 2021 due to the pandemic). We lose, on average, 10,000 members a year due to death, and about 60,000 members do not renew annually, which accounts for the average loss of about 20,000 members overall each year.

26. Shouldn't we focus on gaining members and not losing members?

Answer: Agree that increasing membership would allow the ALA to keep dues to a minimum. There is a long-term membership decrease that has been going on, and the competition from other Veteran Service Organizations has been increasing.

27. Question: Does the dues total shown on 22-30 chart assume 20K loss of members each year? If not, what's the dues income basis?

Answer: The projections assume a loss of 20,000 senior members each year. This rate of loss has been consistent each year for over a decade. Junior members remain consistent in these projections.

28. Question: How are dues renewal notices mailed out?

Answer: Members receive renewal notices via both mail and email. Renewal reminders are emailed in July for the upcoming year to reduce the number of printed renewal notices that need to go out in September. Email renewal reminders are sent again around November/December to cut down on the number of mailed second notices that go out Sept. 1. The mailing date for the second renewal this year was pushed back from Jan. 15 to Feb. 1. The national organization was able to send 15,000 fewer mailed renewal notices for the 2022 second renewal notice compared to the prior year because we were able to allow more time for members and units to submit dues. This resulted in a \$1,700 savings.

Proposal to 2022 National Convention to amend Standing Rule XIII. Dues and Assessments, 1

Current Wording	Proposed Amendment	If Adopted, Will Read
<p>ALA National Standing Rule XIII. Dues and Assessments, 1</p> <p>1. The National per capita dues shall be twelve dollars (\$12.00) per annum for Senior members, and two dollars and fifty cents (\$2.50) per annum for Junior members. The per capita dues for Senior members shall include a complimentary subscription to the American Legion Auxiliary national magazine. Each Department shall remit the national per capita dues promptly to the National Treasurer at least monthly.</p>	<p>Amend by striking and inserting ALA National Standing Rule XIII. Dues and Assessments, 1</p> <p>1. The National per capita dues shall be eighteen twelve dollars (\$18.00 \$12.00) per annum for Senior members beginning in Fiscal Year (FY) 2024, with a one dollar (\$1.00) increase in FY 2026 (\$19.00), FY 2028 (\$20.00) and FY2030 (\$21.00) and fifty cents (\$2.50) per annum for Junior members. National Junior member dues remain at two dollars and fifty cents (\$2.50) per annum with a \$.50 (fifty cent) increase in FY2026 (\$3.00), FY2028 (\$3.50), and FY2030 (\$4.00).</p> <p>The per capita dues for Senior members shall include a complimentary subscription to the American Legion Auxiliary national magazine. Each Department shall remit the national per capita dues promptly to the National Treasurer at least monthly.</p>	<p>ALA National Standing Rule XIII. Dues and Assessments, 1</p> <p>1. The National per capita dues shall be eighteen dollars (\$18.00) per annum for Senior members beginning in Fiscal Year (FY) 2024, with a one dollar (\$1.00) increase in FY 2026 (\$19.00), FY 2028 (\$20.00) and FY2030 (\$21.00) National Junior member dues remain at two dollars and fifty cents (\$2.50) per annum with a \$.50 (fifty cent) increase in FY2026 to three dollars (\$3.00) per annum, FY2028 (\$3.50), and FY2030 (\$4.00).</p> <p>The per capita dues for Senior members shall include a complimentary subscription to the American Legion Auxiliary national magazine. Each Department shall remit the national per capita dues promptly to the National Treasurer at least monthly.</p>

REPORT OF THE NATIONAL SECRETARY

American Legion Auxiliary National Executive Committee Meeting

March 5, 2022

ALA BYLAWS

Article III Duties of Officers

Section 5. National Secretary

It shall be the duty of the National Secretary to record proceedings of the National Executive Committee meetings and the National Organization in convention assembled, to keep all records of the National Organization, and to perform other duties as assigned. It is the specific responsibility of the National Secretary as a corporate officer to maintain constant and continuous control of all trademarks, trade names, patents and copyrights of the American Legion Auxiliary, including, but not limited to, on the recommendation of Counsel General, the hiring and engagement of competent outside legal counsel and others as needed to protect the trade names and trademarks.

Meeting Proceedings

1. Pre-Convention NEC Meeting August 28, 2021, and 2021 National Convention
The 2021 Minutes Approval Committee consisting of NEC Michele DeGennaro (FL); NEC Tina Hurst (MS); NEC Jerilynn Kabel (KY) met virtually 12/2/2021 and approved the minutes for the Pre-Convention Regular NEC meeting and 2021 Convention.
2. Post-Convention NEC Meeting September 3, 2021
The 2022 Minutes Approval Committee consisting of NEC Joan Caron (ME) and NEC Kelly Elliott (IA) met virtually 12/2/2021 and approved the minutes for the Post-Convention NEC Meeting; they met again on 12/18/21 to approve the minutes from the Post-Convention NEC Executive Session.
3. Special November NEC Meeting November 3, 2021
The 2022 Minutes Approval Committee consisting of NEC Joan Caron (ME) and NEC Kelly Elliott (IA) met virtually 12/24/2021 and approved the minutes for the Special November 2021 NEC Meeting.

Minutes are available to members on the member portal of the national website under Meetings/Events and are stored permanently on the shared drive at NHQ under Proceedings.

Corporate Filings

1. Corporate entity reports with the Indiana Secretary of State's office are due on the following dates:
 - a. ALA: next filing due 11/30/2022
 - b. ALA Foundation: next filing due 9/30/2022
2. Charitable Fundraising
 - a. State Registration Renewals: The National Secretary received a verification from law firm Copilevitz, Lam & Raney on 2/23/2022 that state charity registrations have been filed; a letter is available from National Secretary upon request.
 - b. State Disclosure Statements have been reviewed and updated.

Trademark Control

The National Secretary is responsible for oversight of the branding and use of both the ALA emblem and trademark and ALA Girls State logo. The ALA works with the Legion on ALA requests for Legion Family branding. Usage moderately increased in 2021 from 2020 (COVID).

<u>2021</u>	<u>2020</u>	<u>2019</u>
99 ALA	76 ALA	180 ALA
56 ALA Girls State	34 ALA Girls State	80 ALA Girls State

Submitted by ALA National Secretary Coral Grout

REPORT OF THE NATIONAL TREASURER
American Legion Auxiliary
National Executive Committee Meeting
March 5, 2022

ALA BYLAWS

Article III Duties of Officers

Section 6. National Treasurer

It shall be the duty of the National Treasurer to serve as custodian of the funds of the National Organization, to account for the same, to sign all checks in dispersing the funds of the Organization and shall perform other duties as assigned. In the absence of or in addition to the National Treasurer, the National Secretary shall be authorized to sign checks according to policy.

In the role of the American Legion Auxiliary National Treasurer, I have been participating in multiple discussions and collaborations with the national Finance Committee and National Headquarters staff on the 2024 Membership Dues proposal to ensure the representation of the members and the national organization as the financial officer of the corporation.

I also have worked closely with the national Finance Chair on the development, approval and presentation of the ALA national budget for the upcoming year.

In the role of National Treasurer, I have participated in the Risk & Compliance meetings to ensure representation of the members and the national organization as the financial officer of the corporation. In addition, I work with management staff on insurance coverages and to minimize risks to the ALA as an organization.

FY21 and FY 22 Reporting

4th Quarter FY21 ALA YTD, 1st Quarter FY22 ALA YTD actual to budget and narrative.

Disbursement of Funds

Review weekly reports of disbursements provided by management.

Finance Committee Meetings

The Finance Committee held the following meetings:

November 8, 2021 - FY22 fall meeting

December 14, 2021 - Proposed Dues Increase

February 3, 2022 - Alternative Investment

February 18, 2022 – winter committee meeting

Valeo Financial Advisors, LLC

P. Richard Evans presented Investment Review - September 30, 2021 Performance Report at the 11/8/2021 meeting and the December 31, 2021 Performance Report at the 02/18/2022 meeting.

National Treasurer as Trustee, 401k Retirement Plan for ALA NHQ Staff

Reviewed the 1st, 2nd, 3rd and 4th quarterly 401K Plan Review reports for 2021.

Submitted by ALA National Treasurer Marybeth Revoir

Fifteen years ago, the American Legion Auxiliary Foundation was created to support veterans, military, and their families by supporting the mission of the American Legion Auxiliary (ALA).

So far, during this fiscal year, the American Legion Auxiliary Foundation has awarded 15 grants totaling more than \$59,000 in grants to Auxiliary entities – and we're only halfway through the year!

The ALA Foundation has supported specific needs for veterans and military through our Veteran Projects Fund grants. This fiscal year, these grants have supported three incredible projects:

- Delaware Unit 28: \$10,000 to replace weathered siding on the Home of the Brave farmhouse, which houses up to 16 veterans at one time.
- Montana Unit 123: \$4,800 to purchase two water fountain/water bottle filling stations at Independence Hall, a local transitional housing facility.
- Department of Massachusetts: \$2,140.80 to purchase paddles, life vests, and exercise mats for an all-veterans dragon boat competitive team in Holyoke.

Mission in Action grants helped 10 ALA entities become more recognizable in the community for their good works. Grants were used to enable units to buy banners to display throughout the town, trailers to transport goods to unit projects, branded pop-up tents and signs to increase awareness of the ALA at Girls State programs, and much more.

By using the ALA Foundation's IRS 501(c)(3) status, we have also provided sub grants to two American Legion Auxiliary entities to support their local programs.

Though the ALA Foundation's impact has already been felt in many areas, there are more veterans to support and more projects that need funding. The ALA Foundation has yet to receive any applications for Veterans Creative Arts Festival grants this fiscal year. These grants are awarded to programs that feed into the National Veterans Creative Arts Festival. The festival at your local VAMC or outpatient clinic could receive up to \$2,500, to be used for art supplies, marketing materials, awards or recognition for veteran artists, and much more!

The ALA Foundation is only able to give the way it does because of generous donors, who show us their dedication time and time again. This support was on full display during #GivingTuesday last November. A record number of donors (737) came together to far surpass the \$60,000 goal. More than \$73,000 was donated, and it's gone straight to work, supplying resources and opportunities to the heroes who deserve it most. Thank you to those of you who gave, and for all the many ways you contribute to the ALA Foundation's mission.

The ALA Foundation is currently accepting applications for all of our grants. Our goal this year is to award at least 102 grants, one for each year of the American Legion Auxiliary's existence, and we hope to receive at least one grant application from each department. Grants are awarded to ALA entities – units, district/county/councils, and departments – which are in good standing with the IRS. We ask that you reach out to your units and departments to encourage them to apply! Our short, straightforward applications for all types of grants can be found at ALAFoundation.org/grants.

Thank you for helping the ALA Foundation to reach our goal of supporting at least 102 units and departments throughout the nation as they work to enhance the lives of America's veterans!

Cathleen MacInnes
ALAF Board of Directors President