FINANCE

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Unit Finance Committee

The Unit Finance Committee's Purpose:

- Oversight of the general financial policy of the organization
- Preparation of the annual budget
- Supervision of the expenditures under that budget

What Units Should Do:

Plan for the Future

Realizing that Unit Treasurers are elected annually, it is a challenge to extend your Unit's focus beyond the current year budgeting process; however, Units should not neglect looking three to five years ahead. Units should reflect on trends of the recent past and their implications for the current and future on financial planning for the organization.

Set Financial Goals & Measure Progress

Each unit is strongly advised to define its own set of goals. The Unit needs to measure where it is now and set goals to strive to reach the benchmarks for expenses and to broaden the sources of potential income streams. Remember, this is normally a multi-year process, so members need to understand and be able to measure progress of the organization through financial reports.

- The IRS and nonprofit watchdog organizations' benchmarks.
  - **Program Services** (expenditures related to primary mission and purpose) 65-75%
  - **Management and Administrative** (expenditures spent on managing the operations) 5-10%
  - **Fundraising** (expenditures spent on raising additional funds) 10-15%

Ohio Unit Plan of Action

Pay Unit Bonding Fee

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

Financial Reporting

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

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

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

Audits

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

District Presidents Must send in a District Audit by July 15

In Summary

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

Attached Information:

- How to Complete the 990 Filing Process
- Unit Annual Audit report and checklist

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

Programs: Finance

- ALA Tax and Fidelity Bond Information
- IRS Form 1024
- IRS Form 8822-B – Change of Address

HOW TO COMPLETE THE 990 FILING PROCESS

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

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

Step-by-Step Instructions:

- Appoint a three-member Finance Committee for your Unit
- Appoint a three-member Audit Committee for your Unit
- Obtain the Form 990, Form 990 EZ, or Form 990-N from the IRS website at www.irs.gov
- Have your Unit Treasurer attempt to complete as many forms as possible
- Have the Finance Committee work with Unit officers and an outside accountant to finalize the tax form
- If you have an outside auditing firm, get its approval of the tax form
- Have your Audit Committee review the completed tax form
- Have the Audit Committee vote to approve the Form 990, Form 990-EZ or Form 990-N and forward on to Unit membership
- Have Unit membership vote on the adoption of the Form 990, Form 990-EZ or Form 990-N
- Submit the form prior to the annual deadline, which is based on the Unit's fiscal year, not calendar year
  - File the form 990 by the 15th day of the 5th month after the close of your fiscal year.

American Legion Auxiliary
Annual Audit Report

Date _____ Fiscal Year _____

Name of ALA Unit and #_____

Bank Name _____

Dates covered by this audit _____

Balance (at start of fiscal year) $ _____

Receipts (total for fiscal year) + $ _____

Total Assets $ _____

Disbursements (total for fiscal year) - $ _____

BALANCE (at end of fiscal year) **$** _____ *

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

Outstanding Checks: - $ _____

#_____ Amount $_____
#_____ Amount $_____
#_____ Amount $_____

Outstanding Deposits: + $ _____

Final Checking Account Balance **$** _____ *

***two lines must match**

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

_____ correct

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

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

_____ incorrect

Date Audit Completed _____

Printed Names and Signatures:

1. _____
2. _____
3. _____

Presented to membership on: _____

Audit procedures and checklists attached, along with recommendations sheet.

AUDIT CHECKLIST

Date _____ Fiscal Year _____

Name of ALA Unit and # _____

1. Was all the income properly allocated and categorized? _____ YES _____ NO
   Explanation:

2. Were all expenditures properly allocated and categorized? _____ YES _____ NO
   Explanation:

3. Is there a proper bill or disbursement request/voucher for each expenditure ("Paper trail" for each)? _____ YES _____ NO
   Explanation:

4. Was each expenditure a part of a budget? _____ YES _____ NO
   Explanation:

5. Did the unit file a form 990N/990EZ or 990 with the IRS? _____ YES _____ NO
   Explanation:

6. Did the authorized officer properly sign all checks? _____ YES _____ NO
   Authorized Unit Officers for signature:
   _____ Explanation:
   _____
   _____

7. Are all checks sequentially numbered: _____ YES _____ NO
   Explanation:

8. Are all checks accounted for? _____ YES _____ NO
   Explanation:

9. Were all bank statements properly reconciled on a monthly basis by treasurer? _____ YES _____ NO
   Explanation:

10. Is there an approved motion in the meeting minutes for all expenditures not included in a budget? _____ YES _____ NO
    Explanation:

11. Did you unit approve a budget and document the appropriate motion in the meeting minutes? _____YES _____ NO
    Explanation:

12. Did the treasurer submit monthly written financial reports to membership? _____ YES _____ NO
    Explanation:

13. Were the financial records maintained in an orderly fashion? _____ YES _____ NO
    Explanation: