American Evaluation Association 2010 Audit

Key Findings:

> ***In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AEA as of June 30, 2010 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. (page 3,*** **AEA FS 2010 10-6-10)**

Adjustments:

The Auditors recommended adjustments to our records in the following six areas:

- **Investments at Par:** We had been recording the investment CDs at market value as this is how they are reported to us from Schwab. Our accountants recommend this practice as well, but our auditor advises that, to align with official Generally Accepted Accounting Principles (GAAP), we need to record these "at par," i.e., at the value paid for them, and move them to a separate general ledger. This resulted in a number of adjustments to account balances, which were of little consequence given the low interest rates on CDs. This has been done by our AMC.

- **Write-off of Stale Checks:** We need to write-off stale checks over 90-days past due rather than keeping them on the books. This resulted in write-off of $10,954 in old checks. This has been done by our AMC.

- **Amortization of Insurance and Web Support Costs:** Items that we pay in a single lump sum for coverage over a twelve-month period need to be amortized over that period. This applies in particular to Insurance and web services. This resulted in needed adjustment. This has been done by our AMC.

- **Temporarily Restricted Net Assets:** Donations to the association that are restricted for a particular purpose or period need to be held in an explicit separate fund and labeled as Temporarily Restricted Net Assets. This applies to donations to the travel funds, including the international auction. This has been done by our AMC.

- **AMC Flex:** This account must be broken into sub-categories that align with "natural classifications" such as travel, communications, and so on. This has been done by our AMC.

- **Establish a Clear Closing Date for Books:** The end of a fiscal year, after which changes will not be made to the books for that fiscal year, needs to be set. We had a few checks that were subsequently voided after the reconciliation of the June 2010 bank statement. Once the June statement is reconciled, this represents the balance against which the internal records or checked and no changes may be made. A voided check should remain in the fiscal year and then recorded as income the subsequent fiscal year. We had to add back three checks to re-balance the books. This has been done by our AMC.

AMERICAN EVALUATION ASSOCIATION
FINANCIAL STATEMENT AND
INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2010

AMERICAN EVALUATION ASSOCIATION

Table of Contents

Allen P. DeLeon, CPA, P.C.
Richard C. Stang, CPA, P.C.
Jody H. Vilardo

DELEON & STANG
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

…improving the financial lives
of our clients, our staff
& our community with
integrity, trust & innovation

Board of Directors
American Evaluation Association
Fairhaven, Massachusetts

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of the **American Evaluation Association** (AEA) as of June 30, 2010, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of AEA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AEA as of June 30, 2010 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

DeLeon & Stang
DeLeon & Stang, CPAs
Gaithersburg, Maryland
October 18, 2010

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AMERICAN EVALUATION ASSOCIATION
Statement of Financial Position
June 30, 2010

ASSETS

Assets:	
Cash and cash equivalents	$ 175,046
Certificates of deposit	1,950,000
Accounts receivable	83,000
Prepaid expenses	11,141
TOTAL ASSETS	$ 2,219,187

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	$ 49,796
Deferred revenue	241,350
Total liabilities	291,146
Net Assets:	
Unrestricted net assets	1,897,445
Temporarily restricted net assets	30,596
Total net assets	1,928,041
TOTAL LIABILITIES AND NET ASSETS	$ 2,219,187

AMERICAN EVALUATION ASSOCIATION
Statement of Activities
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Membership dues	$ 420,283	$ -	$ 420,283
Contributions and sponsorship	-	129,536	129,536
Conferences, meetings, and workshops	866,318	-	866,318
Investment income	43,171	-	43,171
Other revenue	30,597	-	30,597
Net assets released from restrictions	122,360	(122,360)	-
Total revenue and support	1,482,729	7,176	1,489,905
Expenses:			
Program services	1,036,202	-	1,036,202
Management and general	296,785	-	296,785
Total expenses and losses	1,332,987	-	1,332,987
Change in net assets	149,742	7,176	156,918
Net assets at beginning of year	1,747,703	23,420	1,771,123
Net assets at end of year	$ 1,897,445	$ 30,596	$ 1,928,041

AMERICAN EVALUATION ASSOCIATION
Statement of Cash Flows
For the Year Ended June 30, 2010

Cash Flows From Operating Activities	
Change in net assets	$ 156,918
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Increase in accounts receivable	(55,349)
Decrease in prepaid assets	(11,141)
Decrease in accounts payable	(134,647)
Increase in deferred revenue	35,887
Total adjustments	(165,250)
Net cash used in operating activities	(8,332)
Cash Flows from Investing Activities:	
Purchases of cetificates of deposits net of sales	(35,907)
Net cash used in investing activities	(35,907)
Net decrease in cash and cash equivalents	(44,239)
Cash and cash equivalents at beginning of year	219,285
Cash and cash equivalents at end of year	$ 175,046

NOTE 1 - ORGANIZATION

The American Evaluation Association (AEA) is an international professional membership organization. AEA's mission is to improve evaluation practices and methods, increase evaluation use, promote evaluation as a profession, and support the contribution of evaluation to the generation of theory and knowledge about effective human action. AEA was organized in 1988. The governing body is the Board of Directors, which appoints the Executive Director in charge of operations AEA Currently has approximately 5,500 members representing all 50 states in the U.S. as well as over 60 foreign countries.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

AEA adopted the Not-For-Profit Entities—Revenue Recognition Topic of the FASB Accounting Standards Codification and the Not-For-Profit Entities—Presentation of Financial Statements Topic of the FASB Accounting Standards Codification. Under the provisions of these codified accounting standards, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. These statements also established standards for general-purpose external financial statements of not-for-profit organizations, and require a statement of financial position, a statement of activities and a statement of cash flows. Accordingly, the net assets of AEA and changes therein, are classified and reported as follows:

NOTE 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations. A portion of unrestricted net assets has been designated by the Board of Directors for special use.
- *Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met by actions of AEA and/or the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they may be maintained permanently by AEA.

There were no permanently restricted net assets at June 30, 2010.

Cash and Cash Equivalents

AEA considers all highly-liquid securities purchased with an original maturity of three months or less to be cash equivalents.

Concentration of Credit Risk

AEA maintains its cash in bank deposit accounts that, at times, may exceed federally-insured limits. AEA has not experienced any losses in such accounts. AEA believes it is not exposed to any significant concentration of credit risk on cash and cash equivalents. As of June 30, 2010, there were no cash accounts in excess of federal insurance limits.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable arise from credit transactions with members and customers located through the United States. All accounts receivable are granted on an unsecured basis.

Accounts receivable are due under normal trade terms requiring payment within 30 days of the invoice date. Accounts receivable are stated at the amount billed to the member or vendor. Account balances over 90 days past due are considered delinquent and, unless strong mitigating factors exist, a dollar for dollar allowance is established. There were no accounts receivable in delinquent status at June 30, 2010. No allowance for uncollectible accounts was required at June 30, 2010.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Certificates of Deposit

Investments in certificates of deposit are reported at cost in the statement of financial position.

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires or is satisfied in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Membership Dues

AEA recognizes membership dues over the term of the membership by deferring the portion that relates to subsequent periods.

Conference and Seminar Fees

Conference and seminar fees are recognized at the time of the conference or seminar. Amounts received in advance are recorded as deferred revenue if service is not rendered in the same fiscal period.

Advertising

AEA expenses the costs of advertising as they are incurred. AEA did not incur any advertising expense for the year ended June 30, 2010.

Income Tax Status

The Internal Revenue Service has determined that AEA is exempt from federal income tax under Internal Revenue Code (IRC) Section 501(c)(3). AEA has been deemed not to be a private foundation. AEA is subject to taxation on net unrelated business AEA has no unrelated business income tax for the year ended June 30, 2010.

NOTE 2 - **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Income Tax Status (Continued)

AEA has determined that there are no uncertain tax positions required to be disclosed under the Income Taxes Topic of the FASB Accounting Standards Codification.

Evaluation of Subsequent Events

Management has evaluated the financial statements for subsequent events requiring accrual or disclosure through October 18, 2010, the date which the financial statements were available to be issued.

NOTE 3- **RELATED PARTY TRANSACTION**

AEA entered into an informal management agreement with Kistler Consulting, LLC (Kistler). Kistler provides general management and administration of the day to day operations of the AEA. Additionally, Kistler may provide program, membership, and conference administration, bookkeeping services, operational facilities, and additional staffing as needed. Kistler receives a base payment of $342,284 for general administrative services and. receives compensation for the above stated services as they are performed and approved by the AEA's Board of Directors. Kistler received $652,051 in compensation and reimbursements for the year ended June 30, 2010, of which $15,418 has been included in accounts payable at June 30, 2010. On July 1, 2010 AEA executed a formal agreement based on the above stated terms.

NOTE 4- **TEMPORAY RESTRICTED NET ASSETS**

Temporary restricted net assets as June 30, 2010 consist of the following:

General travel fund	$ 14,690
Minority travel fund	1,360
International travel fund	6,416
Future student initiatives	8,130
	$ 30,596

NOTE 5- **FUNCTIONAL EXPENSES**

A schedule of expenses on a functional basis for the year end June 30, 2010 is shown on the following page:

NOTE 5 - FUNCTIONAL EXPENSES (Continued)

	Program Services	Management and General	Total Expenses
Professional fees	$ 214,700	$ 198,929	$ 413,629
Event food and beverage	259,262	-	259,262
Conferences, meetings, and workshops	160,934	46,699	207,633
Publications	116,227	-	116,227
Audio visual	103,257	-	103,257
Salaries and related expenses	74,599	-	74,599
Travel	55,328	-	55,328
Bank fees	30,070	21,644	51,714
Postage and shipping	21,825	-	21,825
Communications	-	16,680	16,680
Miscellaneous	-	9,438	9,438
Membership dues	-	3,000	3,000
Insurance	-	395	395
TOTAL	$ 1,036,202	$ 296,785	$ 1,332,987

October 18, 2010

Board of Directors
American Evaluation Association
Fairhaven, Massachusetts

We have audited the financial statements of the **American Evaluation Association** (AEA) for the year ended June 30, 2010, and have issued our report thereon dated October 18, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 18, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the American Evaluation Association are described in Note 2 to the financial statements. Accounting Standards Codification 740, *Accounting for Uncertainty in Income Taxes*, and 855, *Subsequent Events*, were the only new accounting policies adopted, and the application of existing policies were not changed during the 2009-2010 fiscal year. We noted no transactions entered into by the American Evaluation Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates considered significant to the financial statements, or sensitive disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 18, 2010**.**

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to American Evaluation Association's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as American Evaluation Association's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of American Evaluation Association and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

DeLeon & Stang
DeLeon & Stang
Certified Public Accountants & Business Advisors

DELEON & STANG
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

AMERICAN EVALUATION ASSOCIATION
REPORT ON CONTROL DEFICIENCIES
AND
MANAGEMENT LETTER

June 30, 2010

Allen P. DeLeon, CPA, P.C.
Richard C. Stang, CPA, P.C.
Jody H.Vilardo

DELEON & STANG
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

…improving the financial lives
of our clients, our staff
& our community with
integrity, trust & innovation

Board of Directors
American Evaluation Association
Fairhaven Massachusetts

Dear Board of Directors:

In planning and performing our audit of the financial statements of the **American Evaluation Association** (AEA) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

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 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 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 in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above. We noted other matters involving internal control and its operation that we have summarized and included in the attachment to this letter.

This communication is intended solely for the information and use of management and the Board of Directors, and others within the Association, and is not intended to be and should not be used by anyone other than these specified parties.

Deleon & Stang
DeLeon & Stang, CPAs
Gaithersburg, Maryland
October 18, 2010

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AMERICAN EVALUATION ASSOCIATION
Management Letter—Attachment to Report on Control Deficiencies
June 30, 2010

OBSERVATIONS, FINDINGS, AND RECOMMENDATIONS

1. <u>Bank Reconciliations</u>

During our audit we noted that bank reconciliations prepared by AEA did not agree to the general ledger. Additionally, we noted several outstanding checks that were considered stale were included as reconciling items. We proposed two journal entries to correct these issues.

We recommend that reconciliations of cash accounts be preformed and reviewed monthly to ensure accuracy and presence of current activities.

2. <u>Certificates of Deposit</u>

During our audit we noted that certificates of deposits held by AEA were comingled with AEA's cash operating account and reported at fair market value. We proposed journal entries to correct this matter.

We recommend that AEA establish a separate general ledger account for certificates of deposit and report them at amortized cost in accordance with generally accepted accounting principles.

3. <u>Journal Entries</u>

We have provided AEA with five adjusting journal entries.

We recommend that AEA adjust the financial statements to agree with the audited financial statements as of June 30, 2010.

OTHER COMMENTS

4. <u>Tax Returns</u>

The 900 tax return for the Association is due November 15, 2010. We have not been engage to prepare these returns and recommend they be prepared in agreement with the audited financial results.

5. Significant Accounting and Audit Update

Accounting Standards

FASB Accounting Standards Codification (FASB ASC) 958-805: In April 2009, the Financial Accounting Standards Board (FASB) issued FASB ASC 958-805 (formerly Statement of Financial Accounting Standards (SFAS) No. 164, *Not-for-Profit Entities: Mergers and Acquisitions—Including an amendment of FASB Statement No. 142*, which is intended to improve the relevance, representational faithfulness, and comparability of the information that a not-for-profit entity provides in its financial reports about a combination with one or more other not-for-profit entities, businesses, or nonprofit activities. It establishes principles and requirements for how a not-for-profit entity: 1) determines whether a combination is a merger or an acquisition; 2) applies the carryover method in accounting for a merger; 3) applies the acquisition method in accounting for an acquisition, including determining which of the combining entities is the acquirer; 4) determines what information to disclose to enable users of financial statements to evaluate the nature and financial effects of a merger or an acquisition. It also improves the relevance, representational faithfulness, and comparability of the information a not-for-profit entity provides about goodwill and other intangible assets after an acquisition by amending FASB ASC 350 (formerly SFAS No. 142, *Goodwill and Other Intangible Assets)*, to make it fully applicable to not-for-profit entities.

FASB ASC 958-805 is effective for mergers for which the merger date is on or after the beginning of an initial reporting period beginning on or after December 15, 2009, and for acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2009.