The Audit Committee of the AAA convened twice in 2009 via conference call, for a pre-audit conference on February 16 and again for a post-audit conference on April 7. Committee members were: Ted Hamann (chair), Steve Darr, and Ted Bestor. AAA staff members Elaine Lynch and Suzanne Mattingly participated for most of both calls, but Audit Committee members did have a chance to speak privately with the auditors.

The auditors, Raffa & Associates, gave AAA an “unqualified opinion,” as AAA’s financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2008 and the changes in its net assets and its cash flows for the year. This is the highest rating that can be received. The auditors found AAA in conformity with generally accepted accounting practices. There were no material weaknesses and no control deficiencies. As a minor change from the previous audit, Stephanie Gerard, who has recently been promoted at Raffa & Associates, took the lead on the audit, with previous lead, Tom Raffa, this time playing a supporting role.

At the post-audit conference, Stephanie Gerard reviewed the objectives of the audit—the main one being the rendering of an opinion on the 2008 AAA financial statements—and described findings regarding AAA internal procedures related to financial management. She went over the notes to the financial statements, highlighting a new note regarding endowment funds and note 7 where the new publications contract is disclosed. Key areas of focus were internal control assessment and testing; payroll and cash disbursements; substantiation of membership dues, grants, contributions, and publications revenues; and substantiation of cash and investments. She also reported that there were no waived adjustments and one audit adjustment dealing with the deferred compensation plan. There were no disagreements with management and, other than the value of the alternative investment fund (further discussed below), there were no significant estimates in the financial statements.

The assessment of AAA’s draft 2008 financial statements noted that assets decreased by $557,000, which consisted of a cash decrease of $584,000, a decrease in accounts receivable of $259,000 (because of the change in publications contract from the University of CA to Wiley-Blackwell), and an increase in investments of $234,000. Liabilities decreased by $169,000. Net assets decreased by $388,000. There was an overall decrease in operating revenue of $774,000 (again primarily due to the publications contract change, which decreased by $924,000). Expenses
decreased by $1.2 million and operations showed a net increase of $719,000 with an overall loss of $1,418,000. A below the line investment loss was reported at $1.4M.

During the post-audit call, there was discussion regarding fair market value (note 10) with regard to the Frontier futures or alternative investment account that is part of the AAA investment portfolio. Steve Darr asked how the value of the interest is calculated. Suzanne Mattingly, of AAA, was charged with obtaining the 12/31/08 audit of this account for the committee's information. (She was later successful in obtaining that information and forwarding it to the members of the Audit Committee. Steve Darr emailed on April 17 to say that per his review the accounting for that investment seems satisfactory [an idea Ted Hamann concurred with] and no additional guidance about that investment was deemed necessary from the Audit Committee.)

Finally, the auditors also noted that, having worked with AAA before, the process of the audit was straightforward. They acknowledged AAA staff members for their helpfulness.