

# *American Evaluation Association*

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**Audited Financial Statements  
June 30, 2014 and 2013**



**Malvin, Riggins & Company, P.C.**  
Certified Public Accountants  
1050 Connecticut Ave NW, 10<sup>th</sup> Floor  
Washington, DC 20036  
(202) 296-2700

***American Evaluation Association***

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**Independent Auditor's Report**

To the Board of Directors  
 American Evaluation Association  
 Washington, DC 20036

We have audited the accompanying financial statements of American Evaluation Association (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Evaluation Association as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The financial statements of American Evaluation Association as of June 30, 2013, were audited by other auditors whose report dated October 4, 2013, expressed an unmodified opinion.

*Malvin, Diggins + Company, P.C.*

Washington, DC  
December 2, 2014

***American Evaluation Association***  
**Statements of Financial Position**  
**June 30, 2014 and 2013**

| <b>ASSETS</b>                           |                     |                     |
|---|---------------------|---------------------|
|   | <b>2014</b>         | <b>2013</b>         |
| <b>Assets</b>                           |                     |                     |
| Cash and cash equivalents               | \$ 964,676          | \$ 735,935          |
| Certificates of deposit, at fair value  | 2,201,803           | 2,030,000           |
| Marketable securities, at fair value    | 192,765             | 151,799             |
| Accounts receivable                     | 3,195               | 4,171               |
| Prepaid expenses                        | 16,333              | 1,800               |
| <b>Total Assets</b>                     | <b>\$ 3,378,772</b> | <b>\$ 2,923,705</b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                     |                     |
| <b>Liabilities</b>                      |                     |                     |
| <b>Current Liabilities</b>              |                     |                     |
| Accounts payable                        | \$ 167,356          | \$ 48,999           |
| Deferred revenues                       | 292,244             | 297,064             |
| <b>Total Liabilities</b>                | <b>459,600</b>      | <b>346,063</b>      |
| <b>Net Assets</b>                       |                     |                     |
| Unrestricted                            | 2,815,558           | 2,495,114           |
| Temporarily Restricted                  | 103,614             | 82,528              |
| <b>Total Net Assets</b>                 | <b>2,919,172</b>    | <b>2,577,642</b>    |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 3,378,772</b> | <b>\$ 2,923,705</b> |

See the independent auditor's report and accompanying notes.

**American Evaluation Association**  
 Statements of Activities  
 Years Ended June 30, 2014 and 2013

|                                       | June 30, 2014       |                        |                     | June 30, 2013       |                        |                     |
|---------------------------------------|---------------------|------------------------|---------------------|---------------------|------------------------|---------------------|
|                                       | Unrestricted        | Temporarily Restricted | Total               | Unrestricted        | Temporarily Restricted | Total               |
| <b>Revenue and Support</b>            |                     |                        |                     |                     |                        |                     |
| Membership dues                       | \$ 623,349          | \$ -                   | \$ 623,349          | \$ 553,754          | \$ -                   | \$ 553,754          |
| Contributions and sponsorship         | -                   | 35,941                 | 35,941              | -                   | 73,354                 | 73,354              |
| Conferences, meetings, and workshops  | 1,115,785           | -                      | 1,115,785           | 1,131,290           | -                      | 1,131,290           |
| Grant revenue                         | 15,226              | -                      | 15,226              | -                   | -                      | -                   |
| Net investment income                 | 50,450              | -                      | 50,450              | 39,215              | -                      | 39,215              |
| Institute revenue                     | 199,090             | -                      | 199,090             | -                   | -                      | -                   |
| Internships and other income          | 30,000              | -                      | 30,000              | 33,758              | -                      | 33,758              |
| Net assets released from restrictions | 14,855              | (14,855)               | -                   | 57,470              | (57,470)               | -                   |
| <b>Total Revenue and Support</b>      | <b>2,048,755</b>    | <b>21,086</b>          | <b>2,069,841</b>    | <b>1,815,487</b>    | <b>15,884</b>          | <b>1,831,371</b>    |
| <b>Expenses</b>                       |                     |                        |                     |                     |                        |                     |
| Program services                      | 979,088             | -                      | 979,088             | 1,384,239           | -                      | 1,384,239           |
| Management and general                | 749,223             | -                      | 749,223             | 139,877             | -                      | 139,877             |
| <b>Total Expenses</b>                 | <b>1,728,311</b>    | <b>-</b>               | <b>1,728,311</b>    | <b>1,524,116</b>    | <b>-</b>               | <b>1,524,116</b>    |
| <b>Changes in Net Assets</b>          | <b>320,444</b>      | <b>21,086</b>          | <b>341,530</b>      | <b>291,371</b>      | <b>15,884</b>          | <b>307,255</b>      |
| <b>Net Assets, Beginning of Year</b>  | <b>2,495,114</b>    | <b>82,528</b>          | <b>2,577,642</b>    | <b>2,203,743</b>    | <b>66,644</b>          | <b>2,270,387</b>    |
| <b>Net Assets, End of Year</b>        | <b>\$ 2,815,558</b> | <b>\$ 103,614</b>      | <b>\$ 2,919,172</b> | <b>\$ 2,495,114</b> | <b>\$ 82,528</b>       | <b>\$ 2,577,642</b> |

See the independent auditor's report and accompanying notes.

***American Evaluation Association***  
**Statements of Cash Flows**  
**Years Ended June 30, 2014 and 2013**

|   | <b>2014</b> | <b>2013</b> |
|---|-------------|-------------|
| <b>Cash Flows from Operating Activities</b>                                   |             |             |
| Change in net assets  | \$ 341,530  | \$ 307,255  |
| Adjustments to reconcile net income to cash provided by operating activities: |             |             |
| Unrealized and realized gain on marketable securities                         | (29,874)    | (22,241)    |
| Decrease in accounts receivable   | 976         | 59,429      |
| (Increase) decrease in prepaid expenses                                       | (14,533)    | 19,650      |
| Increase in accounts payable  | 118,357     | 4,220       |
| (Decrease) in deferred revenues   | (4,821)     | (4,640)     |
| Total adjustments   | 70,105      | 56,418      |
| Net Cash Provided By Operating Activities                                     | 411,635     | 363,673     |
| <b>Cash Flows from Investing Activities</b>                                   |             |             |
| Maturities of certificates of deposits, net of purchases                      | -           | 215,000     |
| Purchases of certificates of deposits, net of maturities                      | (171,803)   | -           |
| Proceeds from sale of marketable securities                                   | -           | 98,812      |
| Purchases of marketable securities  | (11,091)    | (96,452)    |
| Net Cash (Used In) Provided By Investing Activities                           | (182,894)   | 217,360     |
| Net Increase in Cash  | 228,741     | 581,033     |
| Cash - Beginning of Year  | 735,935     | 154,902     |
| Cash - End of Year  | \$ 964,676  | \$ 735,935  |

See the independent auditor's report and accompanying notes.

## ***American Evaluation Association***

Notes to Financial Statements

June 30, 2014 and 2013

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### **NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **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 6,970 members representing all 50 states in the U.S. as well as over 60 foreign countries.

#### **Financial Statement 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:

- *Unrestricted net assets* - Net assets not subject to donor-imposed stipulations.
- *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, 2014 and 2013.

#### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### **Investments**

Investments in certificates of deposit are reported at fair value in the statements of financial position. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Equity and fixed income securities are exposed to various risks such as market and credit risk. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The fair values of marketable securities and certificates of deposit are determined by utilizing quoted market prices on active markets (Level 1) for identical securities.

See the independent auditor's report.

***American Evaluation Association***

Notes to Financial Statements

June 30, 2014 and 2013

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**NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2014 and 2013; hence no allowance for uncollectible accounts was required.

**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.

All 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 as revenues 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.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**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 unrelated net business income. AEA had no unrelated business income tax for the years ended June 30, 2014 and 2013.

Federal and state tax returns may be subject to audit for three years after filing, hence AEA's tax returns for 2011 and onward are open to tax examination.

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.

See the independent auditor's report.

**American Evaluation Association**

Notes to Financial Statements

June 30, 2014 and 2013

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**NOTE 2 – RELATED PARTY TRANSACTION**

On July 1, 2010, AEA entered into a management agreement with Kistler Consulting, LLC (Kistler). Kistler provides general management and administration of the day-to-day operations of the AEA. Additionally, Kistler provided program, membership, and conference administration, bookkeeping services, operational facilities, and additional staffing as needed. The agreement was effective for a period of three and one half years and expired on June 30, 2013. Kistler received a base payment of \$342,284 for general administrative services and received compensation for the above-stated services as they were performed and approved by the AEA's Board of Directors. Kistler received \$722,023 in compensation and reimbursements for the year ended June 30, 2013, of which \$28,042 was included in accounts payable at June 30, 2013.

On April 1, 2013, AEA entered into a management agreement with SmithBucklin. SmithBucklin provides general management and administration of the day-to-day operations of the AEA. Additionally, SmithBucklin provides program, membership, and conference administration, bookkeeping services, operational facilities, and staffing. The agreement may be terminated by either party with 180 day notice. SmithBucklin receives payments based on fixed and variable fees, reimbursable costs, and sales incentive fee commissions. SmithBucklin received \$620,642 in compensation, reimbursements, and commissions for the year ended June 30, 2014, of which \$74,459 has been included in accounts payable at June 30, 2014.

**NOTE 3 – INVESTMENTS**

Investments are stated at fair value and are summarized as follows as of June 30, 2014 and 2013:

|                       | 2014                |                     |                       |
|-----------------------|---------------------|---------------------|-----------------------|
|                       | Cost                | Fair Market Value   | Unrealized Gain(Loss) |
| Brokered CDs          | \$ 2,202,000        | \$ 2,201,803        | \$ (197)              |
| Marketable securities | 150,087             | 192,765             | 42,678                |
| Total investments     | <u>\$ 2,352,087</u> | <u>\$ 2,394,568</u> | <u>\$ 42,481</u>      |
|                       | 2013                |                     |                       |
|                       | Cost                | Fair Market Value   | Unrealized Gain       |
| Brokered CDs          | \$ 2,030,000        | \$ 2,030,000        | \$ -                  |
| Marketable securities | 139,192             | 151,799             | 12,607                |
| Total investments     | <u>\$ 2,169,192</u> | <u>\$ 2,181,799</u> | <u>\$ 12,607</u>      |

See the independent auditor's report.

**American Evaluation Association**

Notes to Financial Statements

June 30, 2014 and 2013

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**NOTE 3 – INVESTMENTS (Continued)**

Securities measured at fair value on a recurring basis and presented in the statements of financial position as of June 30, 2014 and 2013 are as follows:

|                       | <u>2014</u>   | <u>2013</u>   |
|-----------------------|---|---|
|                       | Quoted prices in<br>Active Markets for<br>Identical Assets<br>Level 1 | Quoted prices in<br>Active Markets for<br>Identical Assets<br>Level 1 |
| Brokered CDs          | \$ 2,201,803  | \$ 2,030,000  |
| Marketable securities | 192,765   | 151,799   |
| Total investments     | <u>\$ 2,394,568</u>   | <u>\$ 2,181,799</u>   |

Investment income for the years ended June 30, 2014 and 2013 consist of:

|                                   | <u>2014</u>      | <u>2013</u>      |
|-----------------------------------|------------------|------------------|
| Dividend and interest income      | \$ 20,576        | \$ 16,974        |
| Net realized and unrealized gains | 29,874           | 22,241           |
| Total investment return           | <u>\$ 50,450</u> | <u>\$ 39,215</u> |

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets as June 30, 2014 and 2013 consist of the following:

|                            | <u>2014</u>       | <u>2013</u>      |
|----------------------------|-------------------|------------------|
| Future student initiatives | \$ 80,990         | \$ 56,800        |
| General travel fund        | 8,274             | 14,774           |
| International travel fund  | 8,121             | 6,821            |
| ROE scholarship fund       | 5,229             | 3,133            |
| Minority travel fund       | 1,000             | 1,000            |
|                            | <u>\$ 103,614</u> | <u>\$ 82,528</u> |

See the independent auditor's report.

**American Evaluation Association**

Notes to Financial Statements

June 30, 2014 and 2013

**NOTE 5 – FUNCTIONAL EXPENSES**

Expenses on a functional basis for the years ended June 30, 2014 and 2013 are as follows:

| <b>Year Ending June 30, 2014</b>     | <b>Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Total</b>        |
|--------------------------------------|-----------------------------|-----------------------------------|---------------------|
| Professional fees                    | \$ 245,191                  | \$ 627,420                        | \$ 872,611          |
| Event food and beverage              | 293,632                     | -                                 | 293,632             |
| Conferences, meetings, and workshops | 186,315                     | 80,007                            | 266,322             |
| Audio visual                         | 119,616                     | -                                 | 119,616             |
| Bank and CC fees                     | 37,751                      | 17,903                            | 55,654              |
| Travel                               | 45,612                      | 2,704                             | 48,316              |
| Postage and printing                 | 24,922                      | 3,373                             | 28,295              |
| Schedule II expense                  | 22,202                      | -                                 | 22,202              |
| Communications                       | -                           | 7,608                             | 7,608               |
| Miscellaneous                        | 3,847                       | 3,701                             | 7,548               |
| Publications                         | -                           | 4,020                             | 4,020               |
| Insurance                            | -                           | 2,487                             | 2,487               |
| Total expenses                       | <u>\$ 979,088</u>           | <u>\$ 749,223</u>                 | <u>\$ 1,728,311</u> |
| <b>Year Ending June 30, 2013</b>     | <b>Program<br/>Services</b> | <b>Management<br/>and General</b> | <b>Total</b>        |
| Professional fees                    | \$ 287,834                  | \$ 107,131                        | \$ 394,965          |
| Event food and beverage              | 172,147                     | -                                 | 172,147             |
| Conferences, meetings, and workshops | 573,807                     | -                                 | 573,807             |
| Audio visual                         | 68,481                      | -                                 | 68,481              |
| Bank and CC fees                     | 108,686                     | -                                 | 108,686             |
| Travel                               | 50,846                      | -                                 | 50,846              |
| Postage and printing                 | 25,946                      | -                                 | 25,946              |
| Communications                       | -                           | 16,076                            | 16,076              |
| Miscellaneous                        | -                           | 14,166                            | 14,166              |
| Publications                         | 96,234                      | -                                 | 96,234              |
| Insurance                            | -                           | 2,504                             | 2,504               |
| Salaries and related expenses        | 258                         | -                                 | 258                 |
| Total expenses                       | <u>\$ 1,384,239</u>         | <u>\$ 139,877</u>                 | <u>\$ 1,524,116</u> |

**NOTE 6 – CONCENTRATION OF CREDIT RISK**

AEA maintains its cash in bank deposit accounts, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash at this institution can at times exceed federally insured limits throughout the year. Amounts in excess of the FDIC limit as of June 30, 2014 and 2013 were \$781,252 and \$479,386, respectively. AEA has not experienced any losses in such accounts.

See the independent auditor's report.

***American Evaluation Association***

Notes to Financial Statements

June 30, 2014 and 2013

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**NOTE 7 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 2, 2014, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

**NOTE 8 – RECLASSIFICATIONS:**

Certain amounts in the June 30, 2013 financial statements have been reclassified for comparative purposes to conform to the June 30, 2014 presentation.