



Fun, Fitness, Friendship

America's Walking Club

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DEAR NEC:

I received a copy, reviewed and signed off on the fiscal year 2017 audit report. I believe this is a very positive report. Allow me give you my brief impressions of the report and financial results for 2017. The audit report contains four parts:

- **THE AUDITORS' OPINION**

AVA received what is referred to as a “clean” or “unmodified” opinion. This is the very most desirable opinion because it means that our staff has done a good job of recording and summarizing financial transactions for the year and that the report is in compliance with generally accepted accounting principles (the gold standard for audited reports). AVA has always enjoyed clean opinions and this year is no exception.

- **REPORT TO THE GOVERNING BODY**

This letter is required of the auditor and is intended to make sure that the Board of Directors (NEC) is aware of any difficulties experienced during the audit or any concerns the auditors have. Their very satisfactory comments in the 2017 letter were as follows:

- “We encountered no difficulties in dealing with management relating to the performance of the audit.”
- “We are pleased to report that no such disagreements [with staff] arose during the course of our audit.”

- **MANAGEMENT RECOMMENDATIONS**

Auditors have a distinct advantage in assessing business processes because they see what works and what doesn't work in the various organizations they audit. Consequently, this letter gives them the opportunity to share their experience as to the best ways for an organization to organize its business processes. They had one comment which is:

“Membership Database Reports: The Association's membership and events database was not properly completed by the vendor and does not have the proper capabilities to efficiently generate reports. Consequently, this hinders certain audit procedures from being performed. The Association should consult with their IT services to add the option for management to print these reports on a monthly basis so that the data is available for any future audits or operational use.”

Computer systems exist to serve staff needs. If essential reports are not available, in my opinion, we need to make every effort to see that the appropriate reports become available this year.



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• FINANCIAL STATEMENTS

We made good progress to bring down the net operating loss for 2017. This line is referred to as “Change in Net Assets” in the “Statement of Activities”. At first look, the numbers reported are similar; however, when adjusted to make the operating numbers comparable between the two years, there is a better story to tell.

	2017	2016
Revenue, Gains & Support	\$508,654	\$455,013
Add back: Loss on obsolete inventory	\$ 41,262	\$ 0
Less: 2017 convention income	(\$ 90,028)	\$ 0
Adjusted Total Revenue & Support	<u>\$459,888</u>	<u>\$455,013</u>
Expenses	\$580,393	\$533,663
Less: 2017 convention expenses	(\$ 76,949)	\$ 0
Adjusted Total Expenses	<u>\$503,444</u>	<u>\$533,663</u>
Adjusted Change in Net Assets	<u>\$ 43,556</u>	<u>\$ 78,650</u>

In 2016 our net operating loss was \$78k. In 2017, our net operating loss was \$43k, without the convention revenue and expense and special one-time adjustments for the old inventory that has been sitting on our books forever and should have been adjusted out of the records long ago.

Comparing the two years, event revenue is up 10%, donations were higher by 3%, and overall expenses were down 6%. Looking just at the operating results (Adjusted change in net assets), the 2017 net loss (\$43,556) is 45% lower than 2016 (\$78,650). Of course, the target is zero and there is still considerable work to do, but comparing 2017 with 2016, we appear to be making progress.

One of the ratios that potential funders look at is the percentage of total expenses used for programs versus management and general expenses. The expectation in small organizations such as AVA is that M&G expenses will be kept below 20%. In 2016 we reported M&G expenses of 38% of total expenses. In 2017 we are reporting M&G expenses of 19% of total expenses. The way we account for various expenses has improved significantly.

Kudos to Henry and Erin,

Bob Morrison
AVA National Treasurer