



ASSOCIATION OF THE UNITED STATES ARMY

2425 WILSON BOULEVARD, ARLINGTON, VIRGINIA 22201-3385 (703) 841-4300

December 3, 2018

Ms. Phebe N. Novakovic
Chairman
Council of Trustees
Association of the United States Army
2425 Wilson Boulevard
Arlington, VA 22201

Dear Madam Chairman:

The Finance and Audit Committee met on 26 November 2018 to review the audited financial statements for Fiscal Year 2018 (FY18), which ended on 30 June 2018. Our independent audit firm, CliftonLarsonAllen, was in attendance and expressed an unmodified (clean) opinion. All voting members of the Committee were present, except for Mr. Dave Barber and Mr. Robert Pavlak. The non-voting members present were GEN Carter F. Ham, Ret. (President & CEO), Ms. Ann Belyea (Corporate Secretary), LTG Patricia E. McQuiston, Ret. (Vice President, Membership & Meetings), SMA Kenneth Preston, Ret. (Vice President, NCO) and Ms. Manisha Patel (Treasurer & Controller).

CliftonLarsonAllen was represented by the Client Relationship Principal, Mr. Drew Smith, Signing Director, Ms. Maili Montgomery, and Engagement Director, Mr. Mike Benoudiz.

Fiscal-Year 2018 Financial Results

FY18 audited financial results of the Association are slightly more favorable than the projections presented by the Audit Committee in June 2018. Please note that FY18 was the first period completed under the Association's new fiscal year end and represented a "short" year (January 1 to June 30, 2018). Below is a summary of highlights from the audit report:

- Revenue totaled \$12M – the top 3 revenue sources were consistent with the prior year (1) Meetings - \$8.3M; (2) Membership Dues - \$2.2M; and, (3) Building Rental Income - \$0.8M.
- Expenses totaled \$14.6M, driving an operating loss of (\$2.6M). This loss is primarily due to timing, as the Association's key revenue driver (Annual Meeting) occurred in the first half of Fiscal Year 2019.
- The FY18 operating loss was approximately \$0.9M better than projections due to favorable performance of Global Force and Eurosatory meetings, combined with lower than planned expenses. Management continued to maintain prudent controls around expense management, with a continued 80/20 Program to Supporting Service Expense ratio.

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- Net Investment income totaled \$0.9M. The Association's primary portfolio delivered a return of approximately 3%, which outpaced the S&P 500 index over the same period.
- Overall Net Income for the period was a loss of (\$3.2M), primarily due to the additional \$2.5M contribution to the Army Historical Foundation for the National Museum of the United States Army in May 2018. The financials disclose the additional \$6.0M conditional pledge made in June 2018 to Army Historical Foundation, which was subsequently paid and recognized in FY 2019.
- Cash and Investments totaled \$61.3M as of 30 June 2018. Guidance of the Chairman is being met where AUSA is maintaining an investment balance of at least one year of operating expenses.
- Net Assets totaled \$62M as of 30 June 2018.

The transition to the new fiscal year was accomplished with minimum turmoil and upheaval. This was due to the complete cooperation and attention to detail of the auditors, financial staff and management.

The auditors informed the committee that the staff had been fully cooperative, financial records are being maintained in excellent condition, and there were no outstanding audit issues or disagreements with management. The auditors further concluded that the current internal control environment is appropriate, with no deficiencies noted.

The committee is satisfied that the audit is complete and that the financial statements and associated information are a fair and accurate representation of the financial position of the Association.

The Finance and Audit Committee approved the audit report by unanimous vote and recommends that the Council of Trustees approve the Association's audit report for Fiscal Year 2018.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ian T. Patterson', with a large circular flourish above the name.

Ian T. Patterson
Colonel, US Army Retired
Chairman, Finance & Audit Committee