



Donovan CPAs

March 21, 2025

To the Board of Directors
American Alliance of Orthopaedic Executives
Indianapolis, Indiana

We have audited the financial statements of American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives collectively referenced as AAOE for the year ended December 31, 2024, and have issued our report thereon dated March 21, 2025. 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 15, 2024. 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 AAOE are described in Notes 1 and 2 to the financial statements. No new accounting policies were adopted and the application of existing policies were not changed during the year ended December 31, 2024. We noted no transactions entered into by AAOE during the year for which there is a lack of authoritative guidance or consensus. All significant transactions were recognized in the financial statements in the proper period.

As described in Note 1, management prepared combined financial statements of American Alliance of Orthopaedic Executives and American Association of Orthopaedic Executives. Since both entities utilize the same board of directors and officers, management believes a combination is appropriate and presents a clearer financial presentation. Management prepared the combined financial statements in accordance with generally accepted accounting principles using Financial Statements of Not-For-Profit Organizations standards and formats. We discussed the accounting for this transaction with management and believe that the method selected is appropriate in this circumstance.

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.

The financial statements disclosures are neutral, consistent, and clear.

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.

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Corrected and Uncorrected Misstatements (continued)

We made the following adjustments which change the following totals:

| <u>Entity</u> | <u>Adjustments</u> | <u>Assets</u> | <u>Liabilities</u> | <u>Net Assets (Deficits)</u> | <u>Change In Net Assets</u> |
|---------------|--------------------|---------------|--------------------|----------------------------------|---------------------------------|
| Alliance | 3 | \$ 830 | \$ 0 | \$ 0 | \$ 830 |
| Association | 0 | 0 | 0 | 0 | 0 |

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 auditor's 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 March 21, 2025.

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 AAOE's financial statements or a determination of the type of auditor's 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 Matters

During the course of the audit, we noted the following:

Journal Entries - AAOE has many manual journal entries to record transactions into the accounting software. Based on discussion with AAOE's management, several software packages are used to track the various member services, conferences, etc. The software packages do not integrate with the accounting software which causes the need for manual journal entries. This creates an increasing threat for financial statement errors in reporting.

We suggest that AAOE:

- 1) Reduce the amount of manual journal entries by investigating other software packages that integrate the various member service needs.
- 2) Reconcile the various software reports to the accounting software monthly. These reconciliations should be reviewed and approved by someone besides the preparer.

Manual Reconciliations – Due to the large number of journal entries and un-integrated software, the deposits received from the various services require numerous spread sheets to reconcile to the accounting software. This creates an increasing threat for financial statement errors in reporting.

We suggest that AAOE:

- 1) Discuss and investigate other software packages that integrate the various member service needs for the ease of tracing deposits to the bank statement and accounting software.
- 2) Reduce the number of spreadsheets to reconcile membership, conference, and other software package activity to the bank statement and accounting records.

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 AAOE'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 AAOE and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink, appearing to read "DONOVAN". The signature is stylized with a large, looped 'D' and the name in all caps.

Donovan CPAs
Indianapolis, Indiana