



**ASSOCIATION OF GOVERNMENT
ACCOUNTANTS**

Financial Statements

For the Year Ended March 31, 2020

(With Summarized Financial Information for the Year Ended March 31, 2019)



**and
Report Thereon**



ASSOCIATION OF GOVERNMENT ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Association of Government Accountants

Report on the Financial Statements

We have audited the accompanying financial statements of the Association of Government Accountants (AGA) which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses 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 (GAAP); 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' 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.

Continued

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

Opinion

In our opinion, the 2020 financial statements referred to above present fairly, in all material respects, the financial position of the Association of Government Accountants as of March 31, 2020, 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.

Other Matters

Report on Prior Year Summarized Comparative Information

We have previously audited AGA's 2019 financial statements, and in our report dated July 10, 2019, we expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2020, on our consideration of AGA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AGA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AGA's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
July 13, 2020

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

March 31, 2020

(With Summarized Financial Information as of March 31, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 2,502,628	\$ 2,579,070
Accounts receivable, net	93,595	137,019
Prepaid expenses and deposits	170,941	143,956
Investments	2,610,192	2,266,022
Property and equipment, net	<u>329,606</u>	<u>361,998</u>
TOTAL ASSETS	<u><u>\$ 5,706,962</u></u>	<u><u>\$ 5,488,065</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 510,022	\$ 502,639
Contract liabilities	<u>1,554,590</u>	<u>1,516,668</u>
TOTAL LIABILITIES	<u>2,064,612</u>	<u>2,019,307</u>
Net Assets		
Without donor restrictions	3,589,813	3,416,190
With donor restrictions	<u>52,537</u>	<u>52,568</u>
TOTAL NET ASSETS	<u>3,642,350</u>	<u>3,468,758</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,706,962</u></u>	<u><u>\$ 5,488,065</u></u>

The accompanying notes are an integral part of these financial statements.

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

STATEMENT OF ACTIVITIES

For the Year Ended March 31, 2020

(With Summarized Financial Information for the Year Ended March 31, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT				
Education programs	\$ 4,848,722	\$ -	\$ 4,848,722	\$ 4,176,887
Membership dues	1,272,373	-	1,272,373	1,316,860
Certification	334,823	-	334,823	379,201
Certificate of Excellence in Accountability Reporting (CEAR)	231,295	-	231,295	221,015
Contributions	2,580	30,592	33,172	28,142
Investment income	106,408	-	106,408	64,428
Other income	140,242	-	140,242	106,201
Net assets released from purpose restrictions	30,623	(30,623)	-	-
TOTAL REVENUE AND SUPPORT	6,967,066	(31)	6,967,035	6,292,734
EXPENSES				
Program Services:				
Conferences	2,782,041	-	2,782,041	2,292,281
Membership services	1,134,683	-	1,134,683	1,098,292
Governance	516,618	-	516,618	509,597
Education	465,118	-	465,118	372,290
Corporate Partner Advisory Group (CPAG)	436,838	-	436,838	406,598
Certification	395,625	-	395,625	476,849
Certificate of Excellence in Accountability Reporting (CEAR)	188,112	-	188,112	176,384
Total Program Services	5,919,035	-	5,919,035	5,332,291
Supporting Services:				
Management and general	874,408	-	874,408	820,829
TOTAL EXPENSES	6,793,443	-	6,793,443	6,153,120
CHANGE IN NET ASSETS	173,623	(31)	173,592	139,614
NET ASSETS, BEGINNING OF YEAR	3,416,190	52,568	3,468,758	3,329,144
NET ASSETS, END OF YEAR	\$ 3,589,813	\$ 52,537	\$ 3,642,350	\$ 3,468,758

The accompanying notes are an integral part of these financial statements.

ASSOCIATION OF GOVERNMENT ACCOUNTANTS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 20120
(With Summarized Financial Information for the Year Ended March 31, 2019)

	Program Services							Supporting Services		2020 Total	2019 Total
	Conferences	Membership Services	Governance	Education	Corporate Partner Advisory Group (CPAG)	Certification	Certificate of Excellence in Accountability Reporting (CEAR)	Total Program Services	Management and General		
Salaries and fringe benefits	\$ 332,291	\$ 788,991	\$ 202,481	\$ 165,957	\$ 233,124	\$ 296,372	\$ 46,673	\$ 2,065,889	\$ 445,483	\$ 2,511,372	\$ 2,378,853
On-site expenses	869,578	44,535	1,893	193,198	171,462	414	51,145	1,332,225	168,414	1,500,639	1,338,054
Food and beverage	1,251,893	-	15,937	-	14,684	-	111	1,282,625	702	1,283,327	989,277
Contractors	65,276	87,209	-	36,231	-	-	78,607	267,323	164,288	431,611	417,091
Travel	108,454	43,648	261,921	-	16	9,846	481	424,366	-	424,366	385,989
Printing and publications	44,962	86,451	-	60,298	17,552	1,669	-	210,932	-	210,932	188,504
Merchant fees	109,587	39,825	-	9,434	-	14,734	-	173,580	525	174,105	140,163
Exam update fees	-	-	-	-	-	53,841	-	53,841	-	53,841	99,077
Marketing	-	5,400	-	-	-	18,749	-	24,149	22,179	46,328	80,655
Awards and contributions	-	38,624	34,386	-	-	-	11,095	84,105	-	84,105	74,102
Other	-	-	-	-	-	-	-	-	72,817	72,817	61,355
TOTAL EXPENSES	\$ 2,782,041	\$ 1,134,683	\$ 516,618	\$ 465,118	\$ 436,838	\$ 395,625	\$ 188,112	\$ 5,919,035	\$ 874,408	\$ 6,793,443	\$ 6,153,120

The accompanying notes are an integral part of these financial statements.

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2020

(With Summarized Financial Information for the Year Ended March 31, 2019)

	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 173,592	\$ 139,614
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	43,731	40,836
Net unrealized and realized gains on investments	(44,170)	(21,203)
Changes in assets and liabilities:		
Accounts receivable	43,424	(19,786)
Prepaid expenses and deposits	(26,985)	7,324
Accounts payable and accrued expenses	7,383	(18,903)
Contract liabilities	37,922	(66,336)
NET CASH PROVIDED BY OPERATING ACTIVITIES	234,897	61,546
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	1,050,000	712,000
Purchases of investments	(1,350,000)	(755,000)
Purchases of property and equipment	(11,339)	(23,208)
NET CASH USED IN INVESTING ACTIVITIES	(311,339)	(66,208)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(76,442)	(4,662)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,579,070	2,583,732
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,502,628	\$ 2,579,070

The accompanying notes are an integral part of these financial statements.

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

NOTES TO FINANCIAL STATEMENTS For the Year Ended March 31, 2020

1. Organization and Summary of Significant Accounting Policies

Organization

The Association of Government Accountants (AGA) is a professional organization of members whose work includes accounting, budgeting and related fields in U.S. federal, state and local governments. AGA's program service revenues are derived principally from the Certified Government Financial Manager (CGFM) certification program, professional educational conferences and workshops, and membership dues. AGA's corporate headquarters are located in Alexandria, Virginia. These financial statements exclude the activities of AGA's chapters, which are separately chartered and independent.

Basis of Accounting

The financial statements of AGA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

AGA considers highly liquid investments purchased with maturity of 90 days or less to be cash equivalents.

Accounts Receivable

Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts. Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering AGA's past receivable loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a customer's ability to pay, and current economic conditions. Accounts receivable are considered past due when no payments have been received for 30 days. Accounts receivable are charged off based on management's case-by-case determination that they are uncollectible. The allowance for doubtful accounts totaled \$20,000 as of March 31, 2020.

Investments

Investments consist of certificates of deposit that are have original maturities of greater than three months. The certificate of deposits are valued at principal plus accrued interest which approximates fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recognized as earned. .

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2020

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurement

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, AGA has measured its applicable financial instruments at fair value on a recurring basis based on the required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument. The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of March 31, 2020, only AGA's investments, as described in Note 2 of the financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment acquisitions greater than or equal to \$2,000 and with an economic life in excess of one year are capitalized at cost if purchased or at fair value at the time of donation and depreciated using the straight-line method over the following estimated useful lives:

Building and building improvements	3-31.5 years
Computer equipment	5 years
Computer software	5 years
Furniture and equipment	3-10 years

Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in revenue and support or expenses.

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

AGA reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no impairment losses recognized for the year ended March 31, 2020.

Classification of Net Assets

The net assets of AGA are reported as follows:

- Net assets without donor restrictions represent the portion of expendable funds that are available for support of AGA's operations or have been designated by the Board to be used in various support initiatives.
- Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or time periods.

Revenue Recognition

AGA's revenue consisted of the following:

Education programs: Education program revenue consists of fees received to attend conferences and trainings provided by AGA. AGA provides various conferences and training throughout the year to both members and nonmembers. Fees charged to attend or participate in these programs are recognized at the point in time which the conference and training is held. Amounts received in advance of the event are included in contract liabilities on the accompanying statement of financial position.

Membership dues: AGA's members consist of professionals working in federal, state and local governments, as well as in the private, nonprofit and academic sectors. Membership dues are recognized over the membership period, which is the same as the fiscal year for financial reporting purposes. There are no distinct performance obligation and the general member benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. Amounts received in advance of the membership period are included in contract liabilities in the accompanying statement of financial position.

Certification (CGFM and GFM courses): Certified Government Financial Manager (CGFM) is a professional certification recognizing the unique skills and special knowledge required of today's government financial managers. It covers governmental accounting, auditing, financial reporting, internal controls and budgeting at the federal, state and local levels. All active CGFMs must renew their certification annually. Government Financial Management (GFM) courses are offered on-site and on an open enrollment basis to provide the education component of the program.

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

NOTES TO FINANCIAL STATEMENTS For the Year Ended March 31, 2020

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue is recognized at a point in time during the certification process as each performance obligation is met, such as upon submission of the applications, purchase of the study guides and training for the examination.

Certificate of Excellence in Accountability Reporting (CEAR): This program is designed to educate and help federal agencies produce high-quality Performance and Accountability Reports. Agencies that participate in the program submit their Performance and Accountability Reports to a five-member review team for an in-depth evaluation and review. The review team assesses the reports using the CEAR Reviewer Guidelines and provides recommendations for improving their presentation and usefulness. Revenue from this program is recognized at the time the assessments and reviews are performed.

Contributions: Unconditional contributions are recognized as revenue and support in the accounting period in which they are received or when an unconditional promise to give is made. Unconditional contributions are considered available for general expenditure unless specifically restricted by a donor. Amounts that are designated for future periods or restricted by the donor for a specific purpose are reported as contributions with donor restrictions in the accompanying statement of activities. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and released from restriction.

Other income: This consists mostly of advertising and job posting revenue and event management fees. Advertising and job posting revenue are recognized at the time the advertising and job postings are published. Event management fees are recognized as revenue at the time of the event.

Functional Allocation of Expenses

The statement of functional expenses presents expenses by function and natural classification. Expenses directly attributable to specific functional areas are reported as expenses of those functional areas. Certain categories of expenses that are attributed to one or more program or supporting function of AGA, which include salaries and benefits and some on-site expenses, are allocated based on time studies and other methods.

Estimates

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

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2020**

1. Organization and Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements

In May 2014, the Financial Accounting Standard Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. AGA adopted ASU 2014-09 and related amendments on April 1, 2019, using the modified retrospective method and elected to apply the standard only to program service contracts that were not completed as of that date. The adoption of the standard did not impact AGA's results of operations or change in net assets.

In June 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. AGA adopted the standard applicable to contributions received and contributions paid to grantees in the accompanying financial statements under a modified prospective bases. As a result, there is no effect on net assets in connection with the implementation of the standard.

2. Investments and Fair Value Measurement

The following table summarizes AGA's fair value hierarchy for financial assets that were measured at fair value on a recurring basis as of March 31, 2020:

	<u>Total Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments:				
Certificates of deposit	<u>\$ 2,610,192</u>	<u>\$ -</u>	<u>\$ 2,610,192</u>	<u>\$ -</u>

The fair value of AGA's certificates of deposit was determined using contractual cash flows and current interest rates for certificates of deposit with similar remaining time to maturity.

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2020**

3. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following as of March 31, 2020:

Land	\$ 135,198
Building and building improvements	1,070,073
Software	95,446
Furniture and fixture	110,250
Computers and office equipment	<u>22,233</u>
Total Property and Equipment	1,433,200
Less: Accumulated Depreciation and Amortization	<u>(1,103,594)</u>
Property and Equipment, Net	<u>\$ 329,606</u>

Depreciation and amortization expense totaled \$43,731 for the year ended March 31, 2020, and is included in other expenses in the statement of functional expenses.

4. Contract Liabilities

Contract liabilities consisted of the following as of March 31, 2020:

Membership dues	\$ 880,765
Conferences	518,440
CGFM dues	149,845
Publications and journals	<u>5,540</u>
Total Contract Liabilities	<u>\$ 1,554,590</u>

5. Net Assets

Net Assets Without Donor Restrictions

All net assets without donor restrictions have been designated by the Board and are designated for the following purposes as of March 31, 2020:

Operating reserve	\$ 2,239,813
CGFM reserve	800,000
Program development reserve	250,000
Building reserve	200,000
Equipment reserve	<u>100,000</u>
Total Net Assets Without Donor Restrictions	<u>\$ 3,589,813</u>

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2020**

5. Net Assets (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of March 31, 2020:

Staats/Bowsher scholarship fund	\$ 30,640
Tierney research fund	9,702
National community service fund	<u>12,195</u>
Total Net Assets With Donor Restrictions	<u>\$ 52,537</u>

6. Availability of Resources and Liquidity

AGA's financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures are as follows:

Financial assets:	
Cash and cash equivalents	\$ 2,502,628
Accounts receivable	93,595
Investments	<u>2,610,192</u>
Total Financial Assets Available Within One Year	5,206,415
Less: Amounts unavailable for general expenditures within one year, due to:	
Restrictions by donors for specific purposes	(52,537)
Board designations for operating reserves and other projects	<u>(3,589,813)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,564,065</u>

AGA's working capital and cash flows have seasonal variations during the year due to the annual collection of cash for membership dues, conferences and meetings, certifications and courses and sponsorships to AGA. AGA regularly monitors liquidity required to meet its annual operating needs and other contractual commitments, while also striving to preserve the principal and return on the investment of its funds. AGA has various sources of liquidity at its disposal, including cash and cash equivalents, receivables and investments, which are available for general expenditures, liabilities and other obligations as they come due. In addition, in the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. AGA invests excess cash in short-term investments.

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

NOTES TO FINANCIAL STATEMENTS For the Year Ended March 31, 2020

7. Commitments, Risks and Contingencies

Concentration of Credit Risk

AGA maintains its cash and cash equivalents in various bank deposit accounts that, at times, exceed federally insured limits and, therefore, bear some risk. The amount in excess of the limit guaranteed by federal agencies totaled approximately \$2,205,000 as of March 31, 2020. AGA monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents. Management believes that this situation does not result in any significant credit risk.

Hotel Commitments

AGA has entered into several contracts with hotels for accommodations for future meetings and conferences. Under the contracts, AGA would be liable for certain liquidated damages in the event of cancellation. Based on prior experience, management believes that the likelihood that AGA would pay any liquidated damages under these contracts is remote.

8. Retirement Plan

AGA has a defined contribution retirement plan, as regulated by Internal Revenue Code (IRC) Section 401(k). Employees who are at least 21 years of age become eligible after one year of service or six consecutive full calendar months of employment. Employees are able to contribute up to the maximum authorized under the Internal Revenue Service rulings. AGA contributes 6% of salary for all employees participating in the Plan. For employees with wages over 81% of the social security wage limit, an additional 5.4% of the excess salary is contributed. Half of the employer's contribution vests immediately, and the other half vests ratably over three years. Retirement plan expense for the years ended March 31, 2020, totaled \$136,063 and is included in salaries and fringe benefits in the accompanying statement of functional expenses.

9. Income Taxes

AGA is exempt from the payment of taxes under Section 501(c)(3) of the IRC on income other than net unrelated business income. No provision for income taxes was required as of March 31, 2020, as AGA had no significant net unrelated business income.

AGA follows the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. AGA evaluated its uncertainty in income taxes for the year ended March 31, 2020, and determined that there were no matters that would require recognition in the financial statements or that may have

ASSOCIATION OF GOVERNMENT ACCOUNTANTS

NOTES TO FINANCIAL STATEMENTS For the Year Ended March 31, 2020

9. Income Taxes (continued)

any effect on its tax-exempt status. As of March 31, 2020, the statute of limitations remained open with the U.S. federal jurisdiction or the various states and local jurisdictions in which AGA files tax returns; however, there are currently no audits for any tax periods pending or in progress. It is AGA's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of March 31, 2020, AGA had no accrual for interest and/or penalties.

10. Subsequent Events

In preparing these financial statements, AGA has evaluated events and transactions for potential recognition or disclosure through July 13, 2020, the date the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. AGA is monitoring the outbreak of COVID-19 and the related business and travel restrictions that impact the largest of all AGA events, the annual Professional Development Training (PDT), as well as leadership travel to support AGA chapter events across the country.

AGA staff quickly converted to full teleworking status to continue operations, and all near term (through September 2020) events were converted to virtual events, leveraging flexible technology that undergirds AGA's live-streamed events and webinars. Sponsors have been supportive and government leaders are eager to participate in what are now "all virtual" educational events and webinars. There is also a heightened sense of competition in the virtual event marketplace to be concerned about. However, as of the date of this report, AGA's branding for high quality events is generating strong support. The magnitude and duration of the pandemic and its impact on AGA's operations and liquidity is uncertain as of the date of this report.

On May 1, 2020, AGA received \$420,383 of loan proceeds from a financial institution through the Small Business Administration's Payroll Protection Program (PPP). The PPP loan provides AGA the flexibility to retain staff so that all events can be delivered virtually while also leveraging technology to attract prospective CGFMs to online self-paced courses and having "live virtual" training courses for government agencies and members. The PPP loan has a fixed interest rate of 1% per annum and will mature in May 2022. Payments of principal and interest are deferred during the first six months of the loan, commencing on October 30, 2020, and will continue through the maturity date. The loan amount may be eligible for forgiveness, pursuant to the PPP guidelines.

There were no other subsequent events that require recognition or disclosure in these financial statements.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
Association of Government Accountants

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Association of Government Accountants (AGA), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AGA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AGA's internal control. Accordingly, we do not express an opinion on the effectiveness of AGA's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether AGA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of AGA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AGA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Washington, DC
July 13, 2020