



Financial Statements

For the Year Ended March 31, 2022

(With Summarized Financial Information for the Year Ended March 31, 2021)



**and
Report Thereon**



AGA

TABLE OF CONTENTS
For the Year Ended March 31, 2022

	Page
Independent Auditors' Report.....	1-3
Financial Statements	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8-16
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 <i>Government Auditing Standards</i>	17-18
Schedule of Findings and Responses	19

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
AGA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AGA, which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AGA as of March 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AGA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AGA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AGA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited AGA's 2021 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated July 13, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended March 31, 2021, 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 29, 2022 on our consideration of the 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 the 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 the AGA's internal control over financial reporting and compliance.

Marcum LLP

Washington, DC
July 29, 2022

AGA
STATEMENT OF FINANCIAL POSITION
March 31, 2022
(With Summarized Financial Information as of March 31, 2021)

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 4,248,203	\$ 3,659,515
Accounts receivable, net	57,942	76,257
Prepaid expenses and deposits	139,903	143,330
Investments	2,617,893	2,667,605
Property and equipment, net	<u>376,333</u>	<u>285,255</u>
TOTAL ASSETS	<u><u>\$ 7,440,274</u></u>	<u><u>\$ 6,831,962</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 663,958	\$ 374,567
Contract liabilities	<u>1,317,605</u>	<u>1,545,585</u>
TOTAL LIABILITIES	<u>1,981,563</u>	<u>1,920,152</u>
Net Assets		
Without donor restrictions	5,394,069	4,857,488
With donor restrictions	<u>64,642</u>	<u>54,322</u>
TOTAL NET ASSETS	<u>5,458,711</u>	<u>4,911,810</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 7,440,274</u></u>	<u><u>\$ 6,831,962</u></u>

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

AGA
STATEMENT OF ACTIVITIES
For the Year Ended March 31, 2022
(With Summarized Financial Information for the Year Ended March 31, 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT				
Education programs	\$ 3,728,988	\$ -	\$ 3,728,988	\$ 3,135,352
Membership dues	1,176,168	-	1,176,168	1,178,532
Debt extinguishment forgiveness	-	-	-	420,383
Certification	325,958	-	325,958	337,533
Certificate of Excellence in Accountability Reporting (CEAR)	218,000	-	218,000	205,540
Other income	169,151	-	169,151	116,864
Investment income (loss), net	(60,471)	-	(60,471)	57,429
Contributions	-	35,922	35,922	29,420
Net assets released from purpose restrictions	25,602	(25,602)	-	-
TOTAL REVENUE AND SUPPORT	5,583,396	10,320	5,593,716	5,481,053
EXPENSES				
Program Services:				
Membership services	1,089,813	-	1,089,813	1,066,704
Conferences	1,083,487	-	1,083,487	734,140
Corporate Partner Advisory Group (CPAG)	415,510	-	415,510	340,287
Certification	410,412	-	410,412	320,985
Education	375,433	-	375,433	380,986
Governance	289,677	-	289,677	327,123
Certificate of Excellence in Accountability Reporting (CEAR)	156,719	-	156,719	147,754
Total Program Services	3,821,051	-	3,821,051	3,317,979
Supporting Services:				
Management and general	1,225,764	-	1,225,764	893,614
TOTAL EXPENSES	5,046,815	-	5,046,815	4,211,593
CHANGE IN NET ASSETS	536,581	10,320	546,901	1,269,460
NET ASSETS, BEGINNING OF YEAR	4,857,488	54,322	4,911,810	3,642,350
NET ASSETS, END OF YEAR	\$ 5,394,069	\$ 64,642	\$ 5,458,711	\$ 4,911,810

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

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STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2022
(With Summarized Financial Information for the Year Ended March 31, 2021)

	Program Services							Supporting Services		2022 Total	2021 Total
	Membership Services	Conferences	Corporate Partner Advisory Group (CPAG)	Certification	Education	Governance	Certificate of Excellence in Accountability Reporting (CEAR)	Total Program Services	Management and General		
Salaries and fringe benefits	\$ 817,847	\$ 378,271	\$ 262,029	\$ 329,102	\$ 195,122	\$ 235,965	\$ 56,745	\$ 2,275,081	\$ 437,153	\$ 2,712,234	\$ 2,581,473
On-site expenses	37,864	459,854	85,566	422	117,268	1,492	8,709	711,175	254,832	966,007	699,357
Contractors	57,799	86,861	67,915	-	26,040	-	79,500	318,115	264,710	582,825	473,027
Marketing	7,200	-	-	7,959	69	-	-	15,228	223,450	238,678	46,613
Merchant fees	51,550	69,623	-	8,799	9,130	-	-	139,102	819	139,921	125,723
Printing and publications	71,098	9,515	-	5,021	27,804	-	-	113,438	-	113,438	96,834
Food and beverage	-	70,450	-	-	-	4,984	-	75,434	433	75,867	2,720
Awards and contributions	32,602	-	-	-	-	31,521	11,740	75,863	-	75,863	68,256
Exam update fees	-	-	-	57,763	-	-	-	57,763	-	57,763	-
Other	-	-	-	-	-	-	-	-	44,367	44,367	55,783
Travel	13,853	8,913	-	1,346	-	15,715	25	39,852	-	39,852	61,807
TOTAL EXPENSES	\$ 1,089,813	\$ 1,083,487	\$ 415,510	\$ 410,412	\$ 375,433	\$ 289,677	\$ 156,719	\$ 3,821,051	\$ 1,225,764	\$ 5,046,815	\$ 4,211,593

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

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STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2022
(With Summarized Financial Information for the Year Ended March 31, 2021)

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	\$ 546,901	\$ 1,269,460
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	43,421	44,351
Net unrealized and realized gains on investments	103,712	2,587
Debt extinguishment forgiveness	-	(420,383)
Changes in assets and liabilities:		
Accounts receivable	18,315	17,338
Prepaid expenses and deposits	3,427	27,611
Accounts payable and accrued expenses	289,391	(135,455)
Contract liabilities	(227,980)	(9,005)
NET CASH PROVIDED BY OPERATING ACTIVITIES	777,187	796,504
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	755,000	460,000
Purchases of investments	(809,000)	(520,000)
Purchases of property and equipment	(134,499)	-
NET CASH USED IN INVESTING ACTIVITIES	(188,499)	(60,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	-	420,383
NET CASH PROVIDED BY FINANCING ACTIVITIES	-	420,383
NET INCREASE IN CASH AND CASH EQUIVALENTS	588,688	1,156,887
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,659,515	2,502,628
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 4,248,203	\$ 3,659,515

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

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NOTES TO FINANCIAL STATEMENTS For the Year Ended March 31, 2022

1. Organization and Summary of Significant Accounting Policies

Organization

AGA, formerly the Association of Government Accountants, is a professional organization of members whose work includes accounting, budgeting and related fields in U.S. federal, state and local governments. In December 2021, AGA changed its name from “Association of Government Accountants” to AGA as part of its rebranding efforts.

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 Equivalents

AGA considers highly liquid investments purchased with a 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 \$10,000 as of March 31, 2022.

Investments

Investments consist of certificates of deposit that 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.

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

AGA

NOTES TO FINANCIAL STATEMENTS For the Year Ended March 31, 2022

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

Fair Value Measurement (continued)

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, 2022, 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 or amortized 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 and amortization are eliminated from the respective accounts, and the resulting gain or loss is included in revenue and support or expenses.

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, 2022.

AGA

NOTES TO FINANCIAL STATEMENTS For the Year Ended March 31, 2022

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

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 consists 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 the conference and training are held. Corporate sponsorships received in exchange for marketing, advertising, and other services and benefits during the conferences and other events are recognized as revenue at the point in time in which the associated events take place. 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 obligations 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. Revenue is recognized at the 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.

AGA

NOTES TO FINANCIAL STATEMENTS For the Year Ended March 31, 2022

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

Revenue Recognition (continued)

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: Other income 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.

AGA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2022**

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, 2022:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments:				
Certificates of deposit	<u>\$ 2,617,893</u>	<u>\$ -</u>	<u>\$ 2,617,893</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.

A summary of the net investment loss is as follows for the year ended March 31, 2022:

Interest and dividends	\$ 43,241
Unrealized losses	<u>(103,712)</u>
Investment Loss, Net	<u>\$ (60,471)</u>

3. Property and Equipment and Accumulated Depreciation and Amortization

Property and equipment consisted of the following as of March 31, 2022:

Building and building improvements	\$ 1,112,962
Software	175,446
Land	135,198
Furniture and fixture	121,859
Computers and office equipment	<u>22,234</u>
Total Property and Equipment	1,567,699
Less: Accumulated Depreciation and Amortization	<u>(1,191,366)</u>
Property and Equipment, Net	<u>\$ 376,333</u>

Depreciation and amortization expense totaled \$43,421 for the year ended March 31, 2022, and is included in other expenses in the statement of functional expenses.

AGA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2022

4. Contract Liabilities

Contract liabilities consisted of the following as of March 31, 2022:

Membership dues	\$ 793,968
Conferences	323,137
CGFM dues	134,995
Research reports	61,250
Publications and journals	<u>4,255</u>
Total Contract Liabilities	<u>\$ 1,317,605</u>

Contract liabilities totaled \$1,545,585 at April 1, 2021, all of which was recognized as revenue during the year ended March 31, 2022.

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, 2022:

Operating reserve	\$ 4,044,069
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>\$ 5,394,069</u>

Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of March 31, 2022:

Staats/Bowsher scholarship fund	\$ 27,640
National community service fund	25,004
Tierney research fund	8,702
Hal I. Steinberg Memorial Fund	<u>3,296</u>
Total Net Assets With Donor Restrictions	<u>\$ 64,642</u>

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**NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2022**

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	\$ 4,248,203
Accounts receivable	57,942
Investments	<u>2,617,893</u>
Total Financial Assets Available Within One Year	6,924,038
Less: Amounts unavailable for general expenditures within one year, due to:	
Restrictions by donors for specific purposes	(64,642)
Board designations for operating reserves and other projects	<u>(5,394,069)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,465,327</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.

7. Commitments, Risks and Contingencies

Concentration of Credit Risk

AGA maintains cash 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 \$3,890,000 as of March 31, 2022. 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.

AGA

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2022**

7. Commitments, Risks and Contingencies (continued)

COVID-19

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 AGA events, as well as leadership travel to support AGA chapter events across the country. AGA staff were able to continue operations, however, 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.

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 year ended March 31, 2022, totaled \$150,224 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, 2022, 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, 2022, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of March 31, 2022, 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, 2022, AGA had no accrual for interest and/or penalties.

AGA

NOTES TO FINANCIAL STATEMENTS
For the Year Ended March 31, 2022

10. Subsequent Events

In preparing these financial statements, AGA has evaluated events and transactions for potential recognition or disclosure through July 29, 2022, the date the financial statements were available to be issued. There were no 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
AGA

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 AGA, which comprise the statement of financial position as of March 31, 2022, 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 29, 2022.

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) as a basis for designing 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, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, as described in the accompanying schedule of findings and responses as Finding 2022-001, that we consider to be a material weakness.

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 financial statements. 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*.

AGA's Response to Findings

AGA's response to the findings identified in our audit is described in the accompanying schedule of finding and responses. AGA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 29, 2022

AGA

SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended March 31, 2022

Finding No. 2022-001: Material Weakness in Internal Control over Financial Reporting – Capitalization of Software Development Costs and Building Improvements

Criteria:

Generally Accepted Accounting Principles (GAAP) require property and equipment acquisitions with an economic life in excess of one year, as well as expenditures for major repairs and improvements that extend the life of an asset, be capitalized. AGA's policy is for items equal to or greater than \$2,000 be capitalized.

In addition, costs related to developing software for internal-use should be capitalized depending on the stage of the project during which the costs are incurred. Generally, costs incurred during the application development stage are eligible for capitalization, while costs incurred during the preliminary and post-implementation project stages should be expensed. Any training, data conversion and general administrative and overhead costs should also be expensed.

Condition and Context:

There were software development costs and building improvements totaling approximately \$123,000 that met the capitalization criteria but were expensed during the year.

Cause:

For the internal-use software costs, management was not aware that development costs incurred during the application development stage should be capitalized. For the additions to building improvements, the review of the invoices did not detect that the costs were not appropriately capitalized.

Effect:

Interim financial statements generated during the year understated total assets and overstated expenses.

Recommendation:

We recommend that AGA follow its internal control procedures over the review procedures to ensure that financial information generated is accurate and complete in accordance with GAAP.

Views of Responsible Officials:

Management will work jointly with the Finance and Budget Committee to implement additional review steps of monthly/quarterly financial statements that can strengthen internal controls over financial reporting.