

**AMERICAN ASSOCIATION OF MOTOR VEHICLE
ADMINISTRATORS AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION, AND REPORTS REQUIRED IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

YEARS ENDED SEPTEMBER 30, 2020 AND 2019



CLAconnect.com

**WEALTH ADVISORY
OUTSOURCING
AUDIT, TAX, AND
CONSULTING**

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION	22
CONSOLIDATING STATEMENTS OF ACTIVITIES	24
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>	26
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	31
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	32
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	33



INDEPENDENT AUDITORS' REPORT

Board of Directors
American Association of Motor Vehicle Administrators
and Affiliates
Arlington, Virginia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Association of Motor Vehicle Administrators and Affiliates (collectively referred to as AAMVA), which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of AAMVA as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, management has adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2021, on our consideration of the AAMVA'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 result of that testing, and not to provide an opinion on the effectiveness of the AAMVA'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 AAMVA's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Arlington, Virginia
January 12, 2021

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 4,315,313	\$ 3,627,349
Investments	59,264,563	57,291,588
Accounts Receivable, Net	11,210,915	11,044,151
Prepaid Expenses	1,339,692	1,065,038
Investments Restricted by Funder	27,602,520	28,417,061
Property and Equipment, Net	8,512,535	12,197,688
Deferred Compensation Investments	-	10,699
Deposits	128,863	135,744
Total Assets	\$ 112,374,401	\$ 113,789,318
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 12,155,509	\$ 11,420,537
Deferred Revenue	1,494,859	1,678,367
Deferred Compensation	-	10,699
Agency Funds Held	542,519	478,868
Deferred Leasehold Incentive	1,135,371	1,261,524
Deferred Rent	1,640,814	1,643,871
Total Liabilities	16,969,072	16,493,866
NET ASSETS		
Without Donor Restrictions:		
Board-Designated	42,280,078	40,913,290
Undesignated	25,522,731	27,965,101
Total Without Donor Restrictions	67,802,809	68,878,391
With Donor Restrictions:		
Purpose Restrictions	27,602,520	28,417,061
Total With Donor Restrictions	27,602,520	28,417,061
Total Net Assets	95,405,329	97,295,452
Total Liabilities and Net Assets	\$ 112,374,401	\$ 113,789,318

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating Revenue and Support:		
Dues, Services, and Fees	\$ 27,612,877	\$ 26,598,328
Less: Discounts	(1,932,066)	(1,952,249)
Government Grants and Contracts	4,854,498	8,398,737
Conferences and Workshops	276,566	1,989,451
Publications and Products	234,863	298,339
Other Income	1,401	20,683
In-Kind Contribution	-	12,000
Net Assets Released from Restrictions	11,616,330	10,726,071
Total Operating Revenue and Support	42,664,469	46,091,360
Expenses:		
Program Services:		
Information Technology	31,359,718	28,576,298
Member Services and Public Affairs	7,061,772	9,886,652
Commercial Services and Business Solutions	1,609,251	1,841,986
Total Program Services	40,030,741	40,304,936
Supporting Services:		
General and Administrative	7,416,236	8,855,790
Total Expenses	47,446,977	49,160,726
CHANGE IN NET ASSETS FROM OPERATIONS	(4,782,508)	(3,069,366)
Investment Income, Net	3,706,926	1,855,473
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,075,582)	(1,213,893)
NET ASSETS WITH DONOR RESTRICTIONS		
Dues, Services, and Fees	9,823,958	10,236,346
Investment Income, Net	977,831	1,180,863
Net Assets Released from Restriction	(11,616,330)	(10,726,071)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(814,541)	691,138
CHANGE IN NET ASSETS	(1,890,123)	(522,755)
Net Assets - Beginning of Year	97,295,452	97,818,207
NET ASSETS - END OF YEAR	\$ 95,405,329	\$ 97,295,452

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

2020

	Program Services			Supporting Services		Total
	Information Technology	Member Services and Public Affairs	Commercial Services and Business Solutions	Total Program Services	General and Administrative	
	Communication and Promotion	\$ 68,468	\$ 262,638	\$ 7,116	\$ 338,222	
Contractual Services	6,730,249	750,069	28,448	7,508,766	657,528	8,166,294
Depreciation and Amortization	3,822,570	95,307	15,059	3,932,936	72,946	4,005,882
Labor and Benefits	18,153,009	4,641,629	941,512	23,736,150	5,196,550	28,932,700
Occupancy and Office Expenses	1,079,865	321,094	53,750	1,454,709	465,737	1,920,446
Office Automation	542,485	202,952	17,863	763,300	462,100	1,225,400
Other Expenses	728,584	44,478	344,820	1,117,882	16,409	1,134,291
Services and Fees	72,093	20,559	10,503	103,155	346,297	449,452
Travel and Meetings	162,395	723,046	190,180	1,075,621	181,791	1,257,412
Total Expenses	<u>\$ 31,359,718</u>	<u>\$ 7,061,772</u>	<u>\$ 1,609,251</u>	<u>\$ 40,030,741</u>	<u>\$ 7,416,236</u>	<u>\$ 47,446,977</u>

2019

	Program Services			Supporting Services		Total
	Information Technology	Member Services and Public Affairs	Commercial Services and Business Solutions	Total Program Services	General and Administrative	
	Communication and Promotion	\$ 69,613	\$ 479,128	\$ 4,237	\$ 552,978	
Contractual Services	6,718,389	542,132	144,297	7,404,818	795,230	8,200,048
Depreciation and Amortization	4,229,044	122,413	25,496	4,376,953	193,534	4,570,487
Labor and Benefits	15,588,977	4,332,444	965,275	20,886,696	6,126,729	27,013,425
Occupancy and Office Expenses	935,503	350,651	60,285	1,346,439	675,599	2,022,038
Office Automation	513,185	135,339	24,095	672,619	468,778	1,141,397
Other Expenses	(5,879)	27,922	411,656	433,699	43,824	477,523
Services and Fees	70,042	32,514	13,656	116,212	395,241	511,453
Travel and Meetings	457,424	3,864,109	192,989	4,514,522	122,180	4,636,702
Total Expenses	<u>\$ 28,576,298</u>	<u>\$ 9,886,652</u>	<u>\$ 1,841,986</u>	<u>\$ 40,304,936</u>	<u>\$ 8,855,790</u>	<u>\$ 49,160,726</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,890,123)	\$ (522,755)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Provision for Doubtful Accounts	767,113	(689)
Depreciation and Amortization	4,005,882	4,570,487
Amortization of Deferred Leasehold Incentive	(126,153)	(223,612)
Net Realized and Unrealized Gains on Investments	(2,826,421)	(1,067,018)
(Increase) Decrease in Assets:		
Accounts Receivable	(933,877)	(1,563,001)
Prepaid Expenses	(274,654)	(196,754)
Deposits	6,881	-
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	734,972	(519,753)
Deferred Revenue	(183,508)	81,026
Agency Funds Held	63,651	41,180
Deferred Rent	(3,057)	29,642
Net Cash Provided (Used) by Operating Activities	(659,294)	628,753
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	40,869,337	41,390,323
Purchases of Investments	(39,201,350)	(42,570,105)
Purchases of Property and Equipment	(320,729)	(307,871)
Net Cash Provided (Used) by Investing Activities	1,347,258	(1,487,653)
CHANGE IN CASH AND CASH EQUIVALENTS	687,964	(858,900)
Cash and Cash Equivalents - Beginning of Year	3,627,349	4,486,249
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,315,313	\$ 3,627,349

See accompanying Notes to Consolidated Financial Statements.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

American Association of Motor Vehicle Administrators (the Association) is an international nonprofit organization established for the purpose of encouraging uniformity and reciprocity among states and developing educational and training programs related to motor vehicle laws and regulations. The Federal Highway Administration has recognized and designated the Association as the operator of the Commercial Driver's License Information System (CDLIS), an information system mandated by the Commercial Motor Vehicle Safety Act of 1986.

The organization is comprised of five nonprofit organizations: a national parent organization and four regional subsidiary organizations. The parent organization is the controlling entity, requiring the oversight and consolidation of all financial activities of itself and the four regional organizations. The Regions (which are composed of four distinct geographical areas so designated by the Association) are incorporated as Virginia not-for-profit organizations. The Regions were organized to support and carry out the educational purposes of the Association within their respective regions (specifically in the form of annual conferences). The Regions qualify as "supporting organizations" as described in Section 509(a)(3) of the Internal Revenue Code (the IRC).

Principles of Consolidation

The consolidated financial statements include the accounts of the parent organization and the Regions (hereafter collectively referred to as AAMVA). These entities have been consolidated due to the presence of common control and economic interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, money market accounts and all highly liquid investments with initial maturities of three months or less held at a designated financial institution.

Investments

Investments are comprised of mutual funds and cash and cash equivalents. These investments are recorded in the accompanying consolidated financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability through an orderly transaction between market participants at the measurement date.

Unrealized gains or losses on investments are determined by the change in fair value at the beginning and end of the reporting period. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Receivables

Receivables consist principally of amounts due to AAMVA for dues, network services, user fees, work performed on grants and contracts, and participation in conferences and workshops. AAMVA uses the allowance method to record potentially uncollectible receivables. Management determines the allowance for doubtful accounts based on management's evaluation of the collectability of receivables.

Restricted Investments

Restricted funds are comprised primarily of money market accounts, corporate bonds, and certificates of deposit that are restricted for specific purposes and subject to federal oversight. These funds are excluded from general business use.

Fair Value Measurement

AAMVA follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement*, for financial assets (and liabilities) measured at fair value on a recurring basis. The FASB ASC topic defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standard established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under the standard are described as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in 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.

AAMVA's investments, restricted investments and the deferred compensation investments and related liability are measured at fair value on a recurring basis, as disclosed in Note 6.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. All expenditures for property and equipment of \$2,500 or more and an economic life greater than one year are capitalized. Depreciation and amortization on furniture, equipment, and software are provided on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years. Leasehold improvements are recorded at cost and amortized over the shorter of the remaining lease term or the estimated useful life. Costs related to developing internal-use software are capitalized in accordance with FASB ASC Topic Accounting for the Costs of Computer Software Developed or Obtained for Internal Use, while costs incurred during the preliminary and post-implementation operation stages are expensed. 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 or amortization are eliminated from the respective accounts and the resulting gain or loss, if any, is included in revenue and support or expenses in the accompanying consolidated statements of activities.

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There was no impairment loss recognized during the years ended September 30, 2020 and 2019.

Donated Assets

Donated assets are recorded as in-kind contributions at their estimated fair value at the date of donation.

Agency Funds Held

AAMVA serves as secretariate for the Non-Resident Violators Compact (NRVC) and the Driver License Compact (DLC). Funds collected and disbursed on their behalf are not revenue and expenses of AAMVA. The balance of funds collected and not disbursed as of September 30, 2020 and 2019, is reflected as agency funds held in the accompanying consolidated statements of financial position.

Revenue Recognition

AAMVA has cost-reimbursable and cost-sharing grants and contracts with U.S. government agencies. Revenue from these grants and contracts is recognized as costs are incurred on the basis of direct costs plus allowable indirect expenses. Direct and indirect expenses incurred, but not yet reimbursed, under these grants are reported as receivables in the accompanying consolidated statement of financial position. Payments received, but not yet expended, for these grants and contracts are reflected as deferred revenue in the accompanying consolidated statements of financial position. AAMVA also has fixed-price contracts with U.S. government agencies. Revenue from these contracts is recognized using several different methods depending on the nature of the contract. Revenue recognition can be based on percentage-of-completion, number of transactions, deliverable based or a straight line method over the life of the contract.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Revenue Recognition (Continued)

Payments received, but not yet earned, for these contracts are reflected as deferred revenue in the accompanying consolidated statements of financial position.

AAMVA has cooperative agreements with federal agencies that allow AAMVA to earn program income from services and fees related to the federally funded activity. In accordance with these agreements, any program revenue earned in excess of program expenses is to be retained by AAMVA as a contribution and used to fund future program expenses, primarily information technology system maintenance and upgrades. All programmatic revenue earned in excess of expenses has been reported as with donor restrictions in accordance with the terms of the agreement until the associated purpose restriction has been satisfied.

Revenue from services and fees is recognized as the services are performed. Revenues billed and collected for which the service or function has not been fulfilled are reflected as deferred revenue in the accompanying consolidated statements of financial position.

Revenue and the related costs associated with conferences and workshops are recognized in the period in which the conference or workshop is held. Accordingly, registration and exhibit fees received in advance of the conference or workshop are recorded as deferred revenue, and expenses paid in advance of the conference or workshop are recorded as prepaid expenses in the accompanying consolidated statements of financial position.

Membership dues are recognized as revenue on a pro rata basis over the membership period to which the dues relate. Accordingly, dues paid by members in advance of the membership period are reported as deferred revenue in the accompanying consolidated statements of financial position.

Contributions and Grants

Contributions and grants are recognized as revenue and support without donor restrictions or with donor restrictions depending on the existence and/or nature of donor restrictions and recorded when there is sufficient evidence in the form of verifiable documentation that an unconditional promise to give was received. AAMVA reports contributions and grants restricted by donors, that were initially conditional, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) simultaneous to conditions being met. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction.

AAMVA had active grants with award values totaling \$20,790,432 of which \$9,600,824 had not been recognized as of September 30, 2020, because qualifying expenditures have not yet been incurred. No advance payments were received as of September 30, 2020.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Classification of Net Assets

The net assets of AAMVA are reported as follows:

Net Assets Without Donor Restrictions - represent the portion of expendable funds that are available for support of AAMVA's operations. A portion of the net assets without restrictions has been designated by the Board of Directors for specific projects or purposes, as further described in Note 8.

Net Assets With Donor Restrictions - represents amounts that are specifically restricted by donors or grantors for various purposes or time periods and described in Note 9.

Functional Allocation of Expenses

The Association's expenses have been summarized on a functional basis in the accompanying consolidated statements of activities, and reported by nature and function on the consolidated statement of functional expenses. The consolidated financial statements reflect groups of expenses that are attributed to more than one activity and require allocation. Those expenses include fringe benefits and facility costs, which are allocated based on staff salaries and wages. IT service center and IT cost center expenses incurred to support various systems are allocated based on Network Control System (NCS) usage and direct labor dollars of IT programs, respectively. All operations and maintenance costs for the State Pointer Exchange Services (SPEXS) platform are apportioned among various IT programs that operate on that platform. The distribution is a tiered method where costs are first allocated to programs based on percent of total messages then by percent of total drivers.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Measure of Operations

In its consolidated statements of activities, AAMVA includes in its definition of operations all revenues that are an integral part of its programs and supporting activities. Investment income is recognized as a nonoperating activity.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Change in Accounting Principle

During the year ended September 30, 2020, AAMVA adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The guidance provides a more robust framework to determine when a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also requires an entity to determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. Accordingly, the accounting change has been adopted using the modified prospective approach. There has been no net asset impact as a result of this change.

Upcoming Accounting Standards Update

Revenue from Contracts with Customers — In May 2014, the FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. AAMVA has elected to defer implementing *Revenue from Contracts with Customers* for the current year. The standard will be effective for the AAMVA's consolidated financial statements for annual reporting periods beginning after December 15, 2019. Management is evaluating the effect of the amended revenue recognition guidance on AAMVA's consolidated financial statements.

Subsequent Events

Subsequent events have been evaluated through January 12, 2021, which is the date the consolidated financial statements were available to be issued.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 2 LIQUIDITY AND AVAILABILITY

As of September 30, 2020 and 2019, AAMVA has \$22,996,063 and \$22,751,570, respectively, of consolidated assets available within one year of the statement of financial position date to meet cash needs for general expenditures that consists of the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 4,315,313	\$ 3,627,349
Accounts Receivable	7,443,318	7,795,650
Unrestricted Investments	59,264,563	57,291,588
Less: Jurisdiction Credits	(5,747,053)	(5,049,727)
Less: Agency Funds Held	(542,519)	(478,868)
Less: Board Designated Net Assets:		
Operating Reserve	(8,000,000)	(8,000,000)
NMVTIS Modernization	(9,723,572)	(9,916,968)
State-to-State Reserve	(10,823,381)	(8,196,322)
IT Systems Modernization	(13,733,125)	(14,800,000)
Total	<u>\$ 22,453,544</u>	<u>\$ 22,272,702</u>

AAMVA manages and maintains a reasonable operating reserve that is set by the Board of Directors to provide an internal source of funds for extraordinary situations. The Finance, Investment & Audit Committee reviews and recommends any balance changes to the full board. The operating reserve had a balance of \$8,000,000 at September 30, 2020 and 2019. The operating reserve target is based on six months of applicable operating expenses and is a component of the long-term investment portfolio.

NOTE 3 INVESTMENTS

Investments, at fair value, consisted of the following as of September 30:

	<u>2020</u>	<u>2019</u>
Investments:		
Mutual Funds:		
Equity	\$ 23,300,618	\$ 22,933,237
Fixed Income	22,352,500	22,303,943
Alternative Strategies	10,072,654	9,614,935
Cash and Cash Equivalents	3,538,791	2,439,473
Total Investments	<u>59,264,563</u>	<u>57,291,588</u>
Investments Restricted by Funder:		
Certificates of Deposit	25,589,881	24,661,919
Corporate Bonds	-	1,003,455
Cash and Cash Equivalents	2,012,639	2,751,687
Total Investments Restricted by Funder	<u>27,602,520</u>	<u>28,417,061</u>
Total	<u>\$ 86,867,083</u>	<u>\$ 85,708,649</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 3 INVESTMENTS (CONTINUED)

Net investment income from investments and restricted funds is summarized as follows for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Interest and Dividends	\$ 1,950,854	\$ 2,088,094
Realized Gain, net	725,479	333,819
Unrealized Gain, net	2,100,942	733,199
Investment Fees	(92,518)	(118,776)
Net Investment Income	<u>\$ 4,684,757</u>	<u>\$ 3,036,336</u>

NOTE 4 RECEIVABLES

Receivables as of September 30, 2020 and 2019, were composed of the following:

	<u>2020</u>	<u>2019</u>
Dues, Services, and Fees	\$ 5,238,126	\$ 5,603,695
Government Grants and Contracts	7,065,757	5,339,618
Other	228,670	111,146
Total Receivables	12,532,553	11,054,459
Less: Allowance for Doubtful Accounts	(1,321,638)	(10,308)
Receivables, Net	<u>\$ 11,210,915</u>	<u>\$ 11,044,151</u>

All receivables were due within one year. Unbilled receivables included above from government grants and contracts totaled \$5,534,406 and \$4,659,231 as of September 30, 2020 and 2019, respectively. These amounts include unbilled indirect costs based upon fiscal year 2014 provisional rates approved by the government totaling \$5,051,086 and \$3,248,501, respectively.

NOTE 5 INVESTMENTS RESTRICTED BY FUNDERS

Investments restricted by funders as of September 30, 2020 and 2019, were for the following programs. The related net assets with donor restrictions are described in Note 9.

	<u>2020</u>	<u>2019</u>
Commercial Driver's License Information System (CDLIS)	\$ 26,754,996	\$ 26,663,061
National Motor Vehicle Title Information System (NMVTIS)	847,524	1,754,000
Net Restricted Investments	<u>\$ 27,602,520</u>	<u>\$ 28,417,061</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 6 FAIR VALUE MEASUREMENT

The following tables summarize AAMVA's assets and liabilities measured at fair value on a recurring basis as of September 30, 2020 and 2019, aggregated by the fair value hierarchy level with which those measurements were made:

	2020			
	Fair Value	Level 1	Level 2	Level 3
<u>September 30, 2020</u>				
Investments:				
Mutual Funds - Equity	\$ 23,300,618	\$ 23,300,618	\$ -	\$ -
Mutual Funds - Fixed Income	22,352,500	22,352,500	-	-
Mutual Funds - Alternative Strategies	10,072,654	10,072,654	-	-
Cash and Cash Equivalents	3,538,791	-	-	-
Total Investments	<u>59,264,563</u>	<u>55,725,772</u>	<u>-</u>	<u>-</u>
Investments Restricted by Funder:				
Certificates of Deposit	25,589,881	-	25,589,881	-
Cash and Cash Equivalents	2,012,639	-	-	-
Total Restricted Investments	<u>27,602,520</u>	<u>-</u>	<u>25,589,881</u>	<u>-</u>
 Total Assets	 <u>\$ 86,867,083</u>	 <u>\$ 55,725,772</u>	 <u>\$ 25,589,881</u>	 <u>\$ -</u>
	2019			
	Fair Value	Level 1	Level 2	Level 3
<u>September 30, 2019</u>				
Investments:				
Mutual Funds - Equity	\$ 22,933,237	\$ 22,933,237	\$ -	\$ -
Mutual Funds - Fixed Income	22,303,943	22,303,943	-	-
Mutual Funds - Alternative Strategies	9,614,935	9,614,935	-	-
Cash and Cash Equivalents	2,439,473	-	-	-
Total Investments	<u>57,291,588</u>	<u>54,852,115</u>	<u>-</u>	<u>-</u>
Investments Restricted by Funder:				
Certificates of Deposit	24,661,919	-	23,870,275	-
Corporate Bonds	1,003,455	-	1,003,455	-
Cash and Cash Equivalents	2,751,687	-	-	-
Total Restricted Investments	<u>28,417,061</u>	<u>-</u>	<u>24,873,730</u>	<u>-</u>
Deferred Compensation Investments:				
Mutual Funds - Equity	10,699	10,699	-	-
Total Deferred Compensation Investments	<u>10,699</u>	<u>10,699</u>	<u>-</u>	<u>-</u>
 Total Assets	 <u>\$ 85,719,348</u>	 <u>\$ 54,862,814</u>	 <u>\$ 24,873,730</u>	 <u>\$ -</u>
Deferred Compensation Liability	<u>\$ 10,699</u>	<u>\$ -</u>	<u>\$ 10,699</u>	<u>\$ -</u>

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 6 FAIR VALUE MEASUREMENT (CONTINUED)

AAMVA used the following methods and significant assumptions to estimate fair value for assets and liability recorded at fair value:

Mutual Funds – Valued at the quoted market price of the fund which represents the net asset value of the shares held by the fund at year-end.

Certificates of deposit - Valued at cost plus accrued interest which approximates fair value.

Corporate Bonds – Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable characteristics, as provided by third party using a computerized valuation formula

Deferred Compensation Liability – Valued based on the market value of the underlying deferred compensation plan assets.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2020 and 2019, consisted of the following:

	2020	2019
Software	\$ 24,674,636	\$ 24,674,636
Equipment	2,855,026	3,036,404
Leasehold Improvements	1,750,214	1,750,214
Work in Process	80,469	51,351
Furniture	531,719	531,719
Total Property and Equipment	29,892,064	30,044,324
Less: Accumulated Depreciation and Amortization	(21,379,529)	(17,846,636)
Property and Equipment, Net	\$ 8,512,535	\$ 12,197,688

Depreciation and amortization expense for the years ended September 30, 2020 and 2019, was \$4,005,882 and \$4,570,487, respectively.

NOTE 8 BOARD-DESIGNATED NET ASSETS

The Board of Directors has designated unrestricted net assets as follows:

	2020	2019
IT Systems Modernization	\$ 13,733,125	\$ 14,800,000
NMVTIS Modernization	9,723,572	9,916,968
Operating Reserve	8,000,000	8,000,000
State-to-State Reserve	10,823,381	8,196,322
Total Board-Designated Net Assets	\$ 42,280,078	\$ 40,913,290

Funds included in Board designated net assets are accessed and withdrawn from long-term investments after approval from the Board of Directors is obtained.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 8 BOARD-DESIGNATED NET ASSETS (CONTINUED)

IT Systems Modernization

The Board of Directors established this reserve during the year ended September 30, 2018, to sustain and secure IT systems for AAMVA's members on an ongoing basis. During the year ended September 30, 2020, the Board of Directors approved a \$1,000,000 reduction to this reserve and use of funds totaling \$66,875 to support the AAMVAnet SD-WAN modernization. The balance as of September 30, 2020, was \$13,733,125.

National Motor Vehicle Title Information System (NMVTIS) Modernization

During the year ended September 30, 2014, the Board of Directors designated \$10,000,000 for the NMVTIS modernization work, which began in fiscal year 2019. Implementation will occur in phases over the next several years. The balance as of September 30, 2020, was \$9,723,572.

Operating Reserve

The Board of Directors established an operating reserve which is based on six months of budgeted operating reserve expenses. As of September 30, 2020 and 2019, the balance of the operating reserve was \$8,000,000.

State-to-State Reserve

The Board of Directors designated the net surplus related to the State-to-State (S2S) program to support various activities at the recommendation of the S2S Governance Committee, including on-boarding states, funding future system enhancements and funding future system re-engineering. As of September 30, 2020, the balance of the S2S reserve was \$10,823,381.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of September 30.

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
CDLIS Program	\$ 26,754,996	\$ 26,663,061
NMVTIS Program	847,524	1,754,000
Total	<u>\$ 27,602,520</u>	<u>\$ 28,417,061</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended September 30:

	<u>2020</u>	<u>2019</u>
Satisfaction of Purpose Restrictions:		
CDLIS Program	\$ 6,146,060	\$ 5,794,963
NMVTIS Program	5,470,270	4,931,108
Total	<u>\$ 11,616,330</u>	<u>\$ 10,726,071</u>

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

CDLIS Program

Included in software in Note 7 are costs incurred by AAMVA as part of a federally funded program to build the CDLIS software. AAMVA charges user fees for the use of the software. As of September 30, 2020 and 2019, AAMVA had cumulative unspent program income of \$26,755,001 and \$26,663,061, respectively, that was restricted to be used to operate and maintain CDLIS, fund future modernization efforts for CDLIS, and fund other activities related to CDLIS and other federal transportation program objectives jointly approved by AAMVA and the Federal Motor Carrier Safety Administration (FMCSA) in accordance with the agreement with the U.S. Department of Transportation. This amount includes allocated investment income totaling \$977,831 and \$1,180,863 for the years ended September 30, 2020 and 2019, respectively.

NMVTIS Program

Also included in software in Note 7 are costs incurred by AAMVA as part of a federally funded program to build the NMVTIS software. AAMVA charges user fees for the use of the software. As of September 30, 2020 and 2019, AAMVA had cumulative unspent program income of \$847,524 and \$1,754,000, respectively, that was restricted to be used exclusively to fund NMVTIS' expenses in accordance with the agreement with the U.S. Department of Justice.

NOTE 10 COMMITMENTS, RISKS, AND CONTINGENCIES

Operating Lease

AAMVA leases office space under a noncancelable operating lease that expires on September 30, 2029. Monthly base rent begins at \$98,744, plus a prorated share of basic property operating costs. The lease also contains a fixed escalation clause for increases in the annual minimum rent at a rate of 2.5% per year. Under GAAP, all rental payments, including rent increases, are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent in the accompanying consolidated statements of financial position. The terms of the lease include a tenant allowance of \$2,361,040, which AAMVA used to build out and furnish the office space. The tenant allowance is reflected as deferred leasehold incentive in the accompanying consolidated statements of financial position and is being amortized ratably over the term of the lease.

The following is a schedule of future minimum lease payments as of September 30, 2020:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 1,374,156
2022	1,408,510
2023	1,443,723
2024	1,479,816
2025	1,516,811
Thereafter	6,456,047
Total	<u>\$ 13,679,063</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 10 COMMITMENTS, RISKS, AND CONTINGENCIES (CONTINUED)

Operating Lease (Continued)

Rent expense totaled \$1,214,995 and \$1,111,026 for the years ended September 30, 2020 and 2019, respectively.

Employment Contracts

AAMVA entered into an employment agreement with an employee that provides for compensation and benefits through August 31, 2023. The employee may terminate the agreement with 30 days' notice. AAMVA may terminate the agreement with cause at any time with no obligation for compensation and benefits beyond the effective date of termination. The agreement allows AAMVA to terminate without cause. In the event of termination without cause, AAMVA is obligated to provide severance equal to the equivalent of continued full compensation and benefits for 12 months following the effective date of the termination of the employee's employment.

Concentration of Credit Risk

AAMVA maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. The uninsured portion of these accounts is backed solely by the assets of the underlying institution. Therefore, the failure of an underlying institution could result in financial loss to AAMVA.

Financial Risk

AAMVA invests in a professionally managed portfolio that contains mutual funds, certificates of deposit, and corporate bonds. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the consolidated financial statements.

Compliance Audit

AAMVA has received federal grants that are subject to review, audit, and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. The amount of expenditures which may be disallowed by the federal agencies cannot be determined at this time although AAMVA expects such amounts, if any, to be insignificant.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 10 COMMITMENTS, RISKS, AND CONTINGENCIES (CONTINUED)

CDLIS Program Performance Audit

AAMVA serves as operator of CDLIS under the terms of a Cooperative Agreement between AAMVA and FMCSA that became effective on June 9, 2008 ("Cooperative Agreement"). In July 2016, FMCSA initiated a CDLIS program performance audit that covers program performance from October 1, 2009 to June 30, 2016. AAMVA, as operator of CDLIS and a recipient of federal funds under the Cooperative Agreement, was included in the scope of the program performance audit. AAMVA provided all available information and records requested by the FMCSA auditors. On November 29, 2017, AAMVA received a copy of the final version of the audit report that identified questioned costs of up to \$5 million as potentially reimbursable to FMCSA. In July 2019, FMCSA finalized its review and concluded AAMVA is liable for \$682 of the \$5 million questioned costs outlined in the audit report. FMCSA agreed to settle this obligation during the contract close-out process, which will occur after final indirect cost rates are issued for the applicable years.

Provisional Indirect Cost Rates

Billings under cost-reimbursable government agreements are calculated using approved provisional rates that permit the recovery of indirect costs. These rates are subject to an annual review by AAMVA's cognizant agency. This review results in the negotiation and determination of the final indirect cost rates, which may create a liability for indirect cost recovery billed in excess of the actual rates or may allow for additional billings for unbilled indirect costs.

FMCSA reviews costs related to AAMVA's U.S. Federal Government funds, in accordance with the Uniform Guidance. As of March 2018, the recovery of indirect costs was suspended by FMCSA until a final negotiated indirect cost rate agreement (NICRA) is issued to AAMVA. During fiscal year 2020, AAMVA accepted NICRAs for fiscal years ended September 30, 2014 through 2015. Upon FMCSA's issuance of the draft fiscal year 2016 and 2017 NICRAs, management determined it was necessary to record a bad debt allowance for unbilled indirect costs for fiscal year 2018 through 2020 because the draft fiscal year 2016 and 2017 NICRAs included rates that were materially different from the fiscal year 2013 provisional rates used to calculate the unbilled indirect costs. The estimated value of the bad debt allowance for unbilled indirect costs is \$1,276,638 and \$-0- for the year ended September 30, 2020 and 2019, respectively. Review of the indirect cost rates by FMCSA for years ended September 30, 2018 and 2019 are currently underway.

Corona Virus

During March 2020, the World Health Organization declared the spread of coronavirus disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Future events and revenues and expenses of AAMVA contain uncertainty due to the potential impact on travel. This could also impact transactions relating to customers and vendors. As of January 12, 2021, the amount and likelihood of loss relating to these events is not determined.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 11 RETIREMENT PLANS

AAMVA has a defined contribution §401(k) plan which provides retirement benefits to its employees. AAMVA matches up to 4% of each participant's annual salary based on the participant's contribution. In accordance with the §401(k) plan, AAMVA may also provide an additional discretionary contribution to plan participants. For the years ended September 30, 2020 and 2019, the discretionary contribution was 3% of each participant's annual salary. During the years ended September 30, 2020 and 2019, AAMVA contributed \$849,127 and \$777,611, respectively, in matching contributions and made a discretionary contribution of \$696,707 and \$649,225, respectively, to the plan.

AAMVA also has a §457(b) deferred compensation plan (the §457(b) Plan) for certain employees. The §457(b) Plan provides for benefits payable in a lump sum or over a period of time not to exceed 10 years in the event of death, termination of employment or retirement. The §457(b) Plan is intended to be construed and administered in accordance with §457(b) of the IRC. AAMVA reserves the right to terminate the §457(b) Plan. The funds for the §457(b) Plan are held in trust by AAMVA in separate accounts for each employee and are invested by the trustees, as permitted by the §457(b) eligible deferred compensation trust documents. As of September 30, 2020 and 2019, deferred compensation investments and liability of \$-0- and \$10,699, respectively, are included in the accompanying consolidated statements of financial position and represent the cumulative amount of contributions to the §457(b) Plan as well as accumulated earnings and losses since the §457(b) Plan's inception. Plan investments primarily consist of equity and fixed-income mutual funds, the fair market values of which are included in Note 6.

NOTE 12 INCOME TAXES

The Association and the Regions are exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the IRC. For the years ended September 30, 2020 and 2019, no provision for income taxes was made, as AAMVA had no net material unrelated business income.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>AAMVA</u>	<u>Region I</u>	<u>Region II</u>	<u>Region III</u>	<u>Region IV</u>	<u>Subtotal</u>	<u>Elimination</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 3,703,512	\$ 163,838	\$ 99,814	\$ 209,538	\$ 138,611	\$ 4,315,313	\$ -	\$ 4,315,313
Investments	57,978,240	300,389	322,280	337,630	326,024	59,264,563	-	59,264,563
Accounts Receivable, Net	11,064,915	-	146,000	-	-	11,210,915	-	11,210,915
Due from Affiliate	448	-	-	-	-	448	(448)	-
Prepaid Expenses	1,227,745	15,032	2,473	2,474	91,968	1,339,692	-	1,339,692
Restricted Investments	27,602,520	-	-	-	-	27,602,520	-	27,602,520
Property and Equipment, Net	8,512,535	-	-	-	-	8,512,535	-	8,512,535
Deposits	128,863	-	-	-	-	128,863	-	128,863
Total Assets	<u>\$ 110,218,778</u>	<u>\$ 479,259</u>	<u>\$ 570,567</u>	<u>\$ 549,642</u>	<u>\$ 556,603</u>	<u>\$ 112,374,849</u>	<u>\$ (448)</u>	<u>\$ 112,374,401</u>
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable and Accrued Expenses	\$ 12,154,712	\$ -	\$ 797	\$ -	\$ -	\$ 12,155,509	\$ -	\$ 12,155,509
Deferred Revenue	1,494,859	-	-	-	-	1,494,859	-	1,494,859
Due to Affiliate	-	112	112	112	112	448	(448)	-
Agency Funds Held	542,519	-	-	-	-	542,519	-	542,519
Deferred Leasehold Incentive	1,135,371	-	-	-	-	1,135,371	-	1,135,371
Deferred Rent	1,640,814	-	-	-	-	1,640,814	-	1,640,814
Total Liabilities	<u>16,968,275</u>	<u>112</u>	<u>909</u>	<u>112</u>	<u>112</u>	<u>16,969,520</u>	<u>(448)</u>	<u>16,969,072</u>
NET ASSETS								
Without Donor Restrictions:								
Board-Designated	42,280,078	-	-	-	-	42,280,078	-	42,280,078
Undesignated	23,367,905	479,147	569,658	549,530	556,491	25,522,731	-	25,522,731
Total Without Donor Restrictions	<u>65,647,983</u>	<u>479,147</u>	<u>569,658</u>	<u>549,530</u>	<u>556,491</u>	<u>67,802,809</u>	<u>-</u>	<u>67,802,809</u>
With Donor Restrictions:								
Purpose Restrictions	27,602,520	-	-	-	-	27,602,520	-	27,602,520
Total With Donor Restrictions	<u>27,602,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,602,520</u>	<u>-</u>	<u>27,602,520</u>
Total Net Assets	<u>93,250,503</u>	<u>479,147</u>	<u>569,658</u>	<u>549,530</u>	<u>556,491</u>	<u>95,405,329</u>	<u>-</u>	<u>95,405,329</u>
Total Liabilities and Net Assets	<u>\$ 110,218,778</u>	<u>\$ 479,259</u>	<u>\$ 570,567</u>	<u>\$ 549,642</u>	<u>\$ 556,603</u>	<u>\$ 112,374,849</u>	<u>\$ (448)</u>	<u>\$ 112,374,401</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	AAMVA	Region I	Region II	Region III	Region IV	Subtotal	Elimination	Total
ASSETS								
Cash and Cash Equivalents	\$ 2,700,148	\$ 203,281	\$ 137,951	\$ 297,187	\$ 288,782	\$ 3,627,349	\$ -	\$ 3,627,349
Investments	55,887,815	281,688	449,956	316,611	355,518	57,291,588	-	57,291,588
Accounts Receivable, Net	11,032,538	-	3,813	-	7,800	11,044,151	-	11,044,151
Due from Affiliate	3,016	-	-	-	3,693	6,709	(6,709)	-
Prepaid Expenses	1,014,336	10,726	2,473	4,842	32,661	1,065,038	-	1,065,038
Restricted Investments	28,417,061	-	-	-	-	28,417,061	-	28,417,061
Property and Equipment, Net	12,197,688	-	-	-	-	12,197,688	-	12,197,688
Deferred Compensation Investments	10,699	-	-	-	-	10,699	-	10,699
Deposits	135,744	-	-	-	-	135,744	-	135,744
Total Assets	<u>\$ 111,399,045</u>	<u>\$ 495,695</u>	<u>\$ 594,193</u>	<u>\$ 618,640</u>	<u>\$ 688,454</u>	<u>\$ 113,796,027</u>	<u>\$ (6,709)</u>	<u>\$ 113,789,318</u>
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable and Accrued Expenses	\$ 11,210,113	\$ 5,377	\$ 3,744	\$ 5,244	\$ 196,059	\$ 11,420,537	\$ -	\$ 11,420,537
Deferred Revenue	1,543,334	10,000	5,000	100,033	20,000	1,678,367	-	1,678,367
Due to Affiliate	-	3,169	1,065	2,475	-	6,709	(6,709)	-
Deferred Compensation	10,699	-	-	-	-	10,699	-	10,699
Agency Funds Held	478,868	-	-	-	-	478,868	-	478,868
Deferred Leasehold Incentive	1,261,524	-	-	-	-	1,261,524	-	1,261,524
Deferred Rent	1,643,871	-	-	-	-	1,643,871	-	1,643,871
Total Liabilities	<u>16,148,409</u>	<u>18,546</u>	<u>9,809</u>	<u>107,752</u>	<u>216,059</u>	<u>16,500,575</u>	<u>(6,709)</u>	<u>16,493,866</u>
NET ASSETS								
Without Donor Restrictions:								
Board-Designated	40,913,290	-	-	-	-	40,913,290	-	40,913,290
Undesignated	25,920,285	477,149	584,384	510,888	472,395	27,965,101	-	27,965,101
Total Without Donor Restrictions	<u>66,833,575</u>	<u>477,149</u>	<u>584,384</u>	<u>510,888</u>	<u>472,395</u>	<u>68,878,391</u>	<u>-</u>	<u>68,878,391</u>
With Donor Restrictions:								
Purpose Restrictions	28,417,061	-	-	-	-	28,417,061	-	28,417,061
Total With Donor Restrictions	<u>28,417,061</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,417,061</u>	<u>-</u>	<u>28,417,061</u>
Total Net Assets	<u>95,250,636</u>	<u>477,149</u>	<u>584,384</u>	<u>510,888</u>	<u>472,395</u>	<u>97,295,452</u>	<u>-</u>	<u>97,295,452</u>
Total Liabilities and Net Assets	<u>\$ 111,399,045</u>	<u>\$ 495,695</u>	<u>\$ 594,193</u>	<u>\$ 618,640</u>	<u>\$ 688,454</u>	<u>\$ 113,796,027</u>	<u>\$ (6,709)</u>	<u>\$ 113,789,318</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	AAMVA	Region I	Region II	Region III	Region IV	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS						
Operating Revenue and Support:						
Dues, Services, and Fees	\$ 27,612,877	\$ -	\$ -	\$ -	\$ -	\$ 27,612,877
Less: Discounts	(1,932,066)	-	-	-	-	(1,932,066)
Government Grants and Contracts	4,854,498	-	-	-	-	4,854,498
Conferences and Workshops	43,283	31,500	31,500	139,183	31,100	276,566
Publications and Products	234,863	-	-	-	-	234,863
Other Income	1,401	-	-	-	-	1,401
Net Assets Released from Restrictions	11,616,330	-	-	-	-	11,616,330
Total Operating Revenue and Support	<u>42,431,186</u>	<u>31,500</u>	<u>31,500</u>	<u>139,183</u>	<u>31,100</u>	<u>42,664,469</u>
Expenses:						
Program Services:						
Information Technology	31,359,718	-	-	-	-	31,359,718
Member Services and Public Affairs	6,855,949	48,204	68,550	121,561	(32,492)	7,061,772
Commercial Services and Business Solutions	1,609,251	-	-	-	-	1,609,251
Total Program Services	<u>39,824,918</u>	<u>48,204</u>	<u>68,550</u>	<u>121,561</u>	<u>(32,492)</u>	<u>40,030,741</u>
Supporting Services:						
General and Administrative	7,416,236	-	-	-	-	7,416,236
Total Expenses	<u>47,241,154</u>	<u>48,204</u>	<u>68,550</u>	<u>121,561</u>	<u>(32,492)</u>	<u>47,446,977</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(4,809,968)	(16,704)	(37,050)	17,622	63,592	(4,782,508)
Investment Income, Net	<u>3,624,376</u>	<u>18,702</u>	<u>22,324</u>	<u>21,020</u>	<u>20,504</u>	<u>3,706,926</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,185,592)	1,998	(14,726)	38,642	84,096	(1,075,582)
NET ASSETS WITH DONOR RESTRICTIONS						
Dues, Services, and Fees	9,823,958	-	-	-	-	9,823,958
Investment Income, Net	977,831	-	-	-	-	977,831
Net Assets Released from Restriction	<u>(11,616,330)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,616,330)</u>
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(814,541)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(814,541)</u>
CHANGE IN NET ASSETS	(2,000,133)	1,998	(14,726)	38,642	84,096	(1,890,123)
Net Assets - Beginning of Year	<u>95,250,636</u>	<u>477,149</u>	<u>584,384</u>	<u>510,888</u>	<u>472,395</u>	<u>97,295,452</u>
NET ASSETS - END OF YEAR	<u>\$ 93,250,503</u>	<u>\$ 479,147</u>	<u>\$ 569,658</u>	<u>\$ 549,530</u>	<u>\$ 556,491</u>	<u>\$ 95,405,329</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	AAMVA	Region I	Region II	Region III	Region IV	Total
NET ASSETS WITHOUT DONOR RESTRICTIONS						
Operating Revenue and Support:						
Dues, Services, and Fees	\$ 26,598,328	\$ -	\$ -	\$ -	\$ -	\$ 26,598,328
Less: Discounts	(1,952,249)	-	-	-	-	(1,952,249)
Government Grants and Contracts	8,398,737	-	-	-	-	8,398,737
Conferences and Workshops	969,092	287,433	289,870	154,483	288,573	1,989,451
Publications and Products	298,339	-	-	-	-	298,339
Other Income	12,577	-	-	-	8,106	20,683
In-Kind Contribution	-	-	12,000	-	-	12,000
Net Assets Released from Restrictions	10,726,071	-	-	-	-	10,726,071
Total Operating Revenue and Support	<u>45,050,895</u>	<u>287,433</u>	<u>301,870</u>	<u>154,483</u>	<u>296,679</u>	<u>46,091,360</u>
Expenses:						
Program Services:						
Information Technology	28,576,298	-	-	-	-	28,576,298
Member Services and Public Affairs	8,654,385	350,325	393,159	118,760	370,023	9,886,652
Commercial Services and Business Solutions	1,841,986	-	-	-	-	1,841,986
Total Program Services	<u>39,072,669</u>	<u>350,325</u>	<u>393,159</u>	<u>118,760</u>	<u>370,023</u>	<u>40,304,936</u>
Supporting Services:						
General and Administrative	8,855,790	-	-	-	-	8,855,790
Total Expenses	<u>47,928,459</u>	<u>350,325</u>	<u>393,159</u>	<u>118,760</u>	<u>370,023</u>	<u>49,160,726</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(2,877,564)	(62,892)	(91,289)	35,723	(73,344)	(3,069,366)
Investment Income, Net	1,807,392	9,129	14,583	10,261	14,108	1,855,473
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(1,070,172)	(53,763)	(76,706)	45,984	(59,236)	(1,213,893)
NET ASSETS WITH DONOR RESTRICTIONS						
Dues, Services, and Fees	10,236,346	-	-	-	-	10,236,346
Investment Income, Net	1,180,863	-	-	-	-	1,180,863
Net Assets Released from Restriction	(10,726,071)	-	-	-	-	(10,726,071)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	691,138	-	-	-	-	691,138
CHANGE IN NET ASSETS	(379,034)	(53,763)	(76,706)	45,984	(59,236)	(522,755)
Net Assets - Beginning of Year	95,629,670	530,912	661,090	464,904	531,631	97,818,207
NET ASSETS - END OF YEAR	<u>\$ 95,250,636</u>	<u>\$ 477,149</u>	<u>\$ 584,384</u>	<u>\$ 510,888</u>	<u>\$ 472,395</u>	<u>\$ 97,295,452</u>



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

Board of Directors
American Association of Motor Vehicle Administrators
and Affiliates
Arlington, Virginia

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 consolidated financial statements of American Association of Motor Vehicle Administrators and Affiliates (AAMVA), which comprise the consolidated statement of financial position as of September 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered AAMVA'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of AAMVA's internal control. Accordingly, we do not express an opinion on the effectiveness of AAMVA'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.

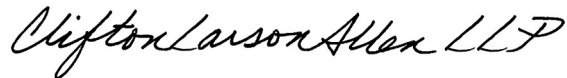
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AAMVA’s consolidated 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 consolidated 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 result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Arlington, Virginia
January 12, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
American Association of Motor Vehicle Administrators
Arlington, Virginia

Report on Compliance for Each Major Federal Program

We have audited American Association of Motor Vehicle Administrators and Affiliates' (AAMVA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AAMVA's major federal programs for the year ended September 30, 2020. AAMVA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of AAMVA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about AAMVA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of AAMVA's compliance.

Opinion on Each Major Federal Program

In our opinion, AAMVA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of AAMVA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered AAMVA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of AAMVA's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of AAMVA as of and for the year ended September 30, 2020, and have issued our report thereon dated January 12, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Arlington, Virginia
January 12, 2021

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Transportation			
Federal Motor Carrier Safety Administration:			
Commercial Driver's License Program Improvement Grant	20.232	\$ 15,164	\$ 2,623,343
National Highway Traffic Safety Administration:			
National Highway Traffic Safety Administration Discretionary Safety Grants	20.614	9,164	322,540
U.S. Department of Commerce			
National Institutes of Standards and Technology			
Measurement and Engineering Research Standards	11.609	-	(47,572)
Total Expenditures of Federal Awards		<u>\$ 24,328</u>	<u>\$ 2,898,311</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of AAMVA under programs of the federal government for the year ended September 30, 2020. The information on the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Because the SEFA presents only a selected portion of the operations of AAMVA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of AAMVA.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 INDIRECT COST RATES

AAMVA does not use the 10% de minimis indirect cost rate under the Uniform Guidance.

NOTE 4 RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO CONSOLIDATED FINANCIAL STATEMENTS

Expenditures of Federal Awards	\$ 2,898,311
Fixed-Price Contracts	<u>1,956,187</u>
Government Grants and Contract Revenue per Consolidated Statement of Activities	<u><u>\$ 4,854,498</u></u>

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

Section I – Summary of Auditors’ Results

- | | | |
|--|------------|-------------------|
| 1. Type of auditors’ report issued: | Unmodified | |
| 2. Internal control over financial reporting: | | |
| • Material weakness(es) identified? | _____ yes | _____ <u>X</u> no |
| • Significant deficiency(ies) identified? | _____ yes | _____ <u>X</u> no |
| 3. Noncompliance material to financial statements noted? | _____ yes | _____ <u>X</u> no |

Federal Awards

- | | | |
|---|------------|-------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | _____ yes | _____ <u>X</u> no |
| • Significant deficiency(ies) identified? | _____ yes | _____ <u>X</u> no |
| 2. Type of auditors’ report issued on compliance for major federal programs: | Unmodified | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _____ yes | _____ <u>X</u> no |

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
20.232	Commercial Driver’s License Program Improvement Grant
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ <u>X</u> yes _____

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

Section II – Financial Statement Findings

CURRENT YEAR FINDINGS – FINANCIAL STATEMENTS FINDINGS

None

CURRENT YEAR FINDINGS – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None