

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

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

YEAR ENDED SEPTEMBER 30, 2025



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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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 statement of financial position as of September 30, 2025, 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.

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, 2025 and the changes in their net assets and their 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 the standards applicable to financial audits contained in *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 consolidated Financial Statements section of our report. We are required to be independent of AAMVA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about AAMVA's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 AAMVA'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AAMVA'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the consolidated financial statements as a whole. The consolidating statements of financial position and activities and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis 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 GAAS. In our opinion, the accompanying supplementary 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 27, 2026 on our consideration of 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 results of that testing, and not to provide an opinion on the effectiveness of 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.

Report on Summarized Comparative Information

We have previously audited AAMVA's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 22, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audit financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
January 27, 2026

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2025
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and Cash Equivalents	\$ 5,836,877	\$ 4,083,361
Investments	57,603,105	59,605,455
Accounts Receivable, Less Provision for Credit Losses of \$0- and \$46,800 as of 2025 and 2024, respectively	13,899,064	10,992,253
Prepaid Expenses	2,099,830	1,198,876
Investments Restricted by Funder	15,456,335	20,462,763
Property and Equipment, Net	1,487,679	1,535,711
Deposits	214,263	98,744
Right of Use Asset - Operating	4,826	765,132
 Total Assets	<u>\$ 96,601,979</u>	<u>\$ 98,742,295</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 12,454,664	\$ 12,169,279
Deferred Revenue	1,937,942	1,833,601
Agency Funds Held	1,412,428	257,346
Lease Liability - Operating	4,826	1,503,120
Total Liabilities	<u>15,809,860</u>	<u>15,763,346</u>
NET ASSETS		
Without Donor Restrictions		
Board-Designated	35,510,267	38,633,195
Undesignated	<u>29,825,517</u>	<u>23,882,991</u>
Total Without Donor Restrictions	<u>65,335,784</u>	<u>62,516,186</u>
With Donor Restrictions		
Purpose Restrictions	<u>15,456,335</u>	<u>20,462,763</u>
Total With Donor Restrictions	<u>15,456,335</u>	<u>20,462,763</u>
Total Net Assets	<u>80,792,119</u>	<u>82,978,949</u>
 Total Liabilities and Net Assets	<u>\$ 96,601,979</u>	<u>\$ 98,742,295</u>

See accompanying Notes to Consolidated Financial Statements.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025

NET ASSETS WITHOUT DONOR RESTRICTIONS

Operating Revenue and Support:

Dues, Services, and Fees	\$ 34,150,972
Less: Discounts	(1,561,330)
Government Grants and Contracts	10,371,568
Conferences and Workshops	3,264,319
Publications and Products	236,664
Other Income(Loss)	(384,498)
Net Assets Released from Restrictions	<u>18,667,401</u>
Total Operating Revenue and Support	64,745,096

Expenses:

Program Services:

Driver Program and Services	20,145,555
Vehicle Program and Services	11,190,959
Member Support	9,276,953
Identity Management	5,973,040
Information Technology	2,702,649
Law Enforcement Program and Services	1,399,840
Business Development	259,552
MVA Operations and Customer Experience	<u>198,827</u>
Total Program Services	51,147,375

Supporting Services:

Management and General	15,175,736
Total Expenses	<u>66,323,111</u>

CHANGE IN NET ASSETS FROM OPERATIONS

Investment Income, Net	(1,578,015)
	<u>4,397,612</u>

NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS

2,819,597

NET ASSETS WITH DONOR RESTRICTIONS

Dues, Services, and Fees	12,962,924
Investment Income, Net	698,050
Net Assets Released from Restriction	<u>(18,667,401)</u>

NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS

(5,006,427)

CHANGE IN NET ASSETS

(2,186,830)

Net Assets - Beginning of Year

82,978,949

NET ASSETS - END OF YEAR

\$ 80,792,119

See accompanying Notes to Consolidated Financial Statements.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2025
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2024)

	Program Services											Supporting Services						
	Driver Program and Services		Vehicle Program and Services		Member Support		Identity Management		Information Technology		Law Enforcement Program and Services		MVA Operations Business Development		Total Program Services		Management and General	
Communication and Promotion	\$ 20,614	\$ 11,665	\$ 276,528	\$ 5,883	\$ 2,398	\$ 1,429	\$ 364	\$ 246	\$ 319,127	\$ 20,200	\$ 339,327	\$ 308,534						
Contractual Services	3,493,829	1,803,744	184,840	1,275,025	904,647	317,342	7,215	4,866	7,991,508	1,709,461	9,700,969	11,436,602						
Depreciation and Amortization	233,105	131,813	134,962	67,349	34,756	10,059	4,172	2,814	619,030	(146,212)	472,818	441,366						
Labor and Benefits	13,077,743	7,394,999	3,638,786	3,778,463	1,540,093	564,320	234,055	157,845	30,386,304	10,743,569	41,129,873	38,370,863						
Occupancy and Office Expenses	1,758,396	1,067,279	224,357	408,527	81,019	25,244	6,280	5,092	3,576,194	351,610	3,927,804	2,174,628						
Office Automation	448,788	303,302	257,287	75,679	137,317	12,266	4,371	2,948	1,241,958	1,007,955	2,249,913	2,297,543						
Other Expenses	(45,988)	(46,791)	21,861	-	1,062	1,500	-	-	(68,356)	214,797	146,441	119,669						
Services and Fees	19,102	19,259	43,721	7,300	-	485	-	-	89,867	671,285	761,152	614,391						
Travel and Meetings	1,139,966	505,689	4,494,611	354,814	1,357	467,195	3,095	25,016	6,991,743	603,071	7,594,814	6,800,767						
Total Expenses	\$ 20,145,555	\$ 11,190,959	\$ 9,276,953	\$ 5,973,040	\$ 2,702,649	\$ 1,399,840	\$ 259,552	\$ 198,827	\$ 51,147,375	\$ 15,175,736	\$ 66,323,111	\$ 62,564,363						

See accompanying Notes to Consolidated Financial Statements.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2025
(WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2024)

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (2,186,830)	\$ 3,565,121
Adjustments to Reconcile Change in Net Assets to Net Cash		
Used by Operating Activities:		
Loss (Gain) on Disposal of Fixed Assets	435,022	(5,699)
Provision (Recovery) for Credit Losses	92,788	(179,906)
Depreciation and Amortization	472,818	441,366
Net Realized and Unrealized Gain on Investments	(2,977,959)	(10,087,190)
(Increase) Decrease in Assets:		
Accounts Receivable	(2,999,599)	179,054
Prepaid Expenses	(900,954)	289,309
Deposits	(115,519)	-
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	285,385	(1,763,129)
Deferred Revenue	104,341	87,004
Agency Funds Held	1,155,082	(329,588)
Lease Liabilities	(737,988)	(1,446,101)
Net Cash Used by Operating Activities	<u>(7,373,413)</u>	<u>(9,249,759)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	46,211,376	43,354,584
Purchases of Investments	(36,224,639)	(33,351,073)
Purchases of Property and Equipment	(859,808)	(433,497)
Net Cash Provided by Investing Activities	<u>9,126,929</u>	<u>9,570,014</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
	1,753,516	320,255
Cash and Cash Equivalents - Beginning of Year	<u>4,083,361</u>	<u>3,763,106</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 5,836,877</u></u>	<u><u>\$ 4,083,361</u></u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

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 Motor Carrier Safety Administration (FMCSA) 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 nonprofit 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, 2025

**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 a combination of historical loss information based on the aging of receivables and collectability of specific accounts, current economic conditions, and forward-looking information to determine expected credit losses for trade and notes receivables recorded at amortized cost.

Significant Inputs and Assumptions Used in the Estimation of Credit Losses may include:

- Historical loss experience
- Current economic conditions
- Economic indicators

Based on management's analysis, the provision for credit loss was \$-0- and \$46,800 as of September 30, 2025 and 2024, respectively.

Restricted Investments

Restricted funds are comprised primarily of money market accounts 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.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Fair Value Measurement (Continued)

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.

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. Cost related to developing internal-use software are capitalized in accordance with FASB ASC 350-40: *Intangibles—Goodwill and Other—Internal-Use Software*. External-use software development costs are capitalized in accordance with ASC 985-20: *Costs of Software to be Sold, Leased, or Marketed*. Software development costs incurred during the preliminary and post-implementation operation stages are expensed. The capitalization threshold for software development expenditures is \$50,000 and assets have a useful life greater than one year. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon 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 statement 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, 2025 and 2024.

Agency Funds Held

AAMVA serves as secretariate for the Non-Resident Violators Compact (NRVC). 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, 2025 and 2024, is reflected as agency funds held in the accompanying consolidated statement of financial position. Effective January 1, 2024, the Driver License Compact (DLC) merged with the State-to-State (S2S) Governance Committee and AAMVA concluded its role as secretariate. The balance of DLC funds of \$340,842 were transferred to the S2S program and shown as Other Income(Loss) in the consolidated statement of activities.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Leases

AAMVA determines if an arrangement is a lease at inception. Operating leases are included in Right-of-Use (ROU) Assets – Operating and Lease Liability – Operating, and finance leases are included in ROU Assets – Financing and Lease Liability – Financing in the consolidated statements of financial position.

ROU assets represent AAMVA's right to use an underlying asset for the lease term and lease liabilities represent the AAMVA's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that AAMVA will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. AAMVA has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the consolidated statements of financial position.

AAMVA has elected to use a risk-free discount rate, commensurate with the term of the lease, to determine the present value of the lease payments for each lease agreement. In addition, AAMVA has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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 based on 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.

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

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Revenue Recognition (Continued)

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. Contract revenue included in government grants and contracts revenue in the consolidated statements of activities for the years ended September 30, 2025 and 2024 was \$4,694,814 and \$3,216,510, respectively.

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.

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.

Timing of revenue recognition for dues, services and fees consisted of the following as of September 30:

	2025		
	Point in Time	Over Time	Total
Services and Fees	\$ 45,528,073	\$ -	\$ 45,528,073
Jurisdiction Dues	-	1,057,206	1,057,206
Associate Dues	-	528,617	528,617
Total Dues, Services and Fees	45,528,073	1,585,823	47,113,896
Less Services and Fees Reclassified as Contribution Revenue	(12,962,924)	-	(12,962,924)
Total Dues, Services and Fees After Reclassified as Contribution Revenue	<u>\$ 32,565,149</u>	<u>\$ 1,585,823</u>	<u>\$ 34,150,972</u>
	2024		
	Point in Time	Over Time	Total
Services and Fees	\$ 41,270,885	\$ -	\$ 41,270,885
Jurisdiction Dues	-	1,048,610	1,048,610
Associate Dues	-	473,201	473,201
Total Dues, Services and Fees	41,270,885	1,521,811	42,792,696
Less Services and Fees Reclassified as Contribution Revenue	(11,356,862)	-	(11,356,862)
Total Dues, Services and Fees After Reclassified as Contribution Revenue	<u>\$ 29,914,023</u>	<u>\$ 1,521,811</u>	<u>\$ 31,435,834</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

Revenue Recognition (Continued)

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.

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. Contribution revenue included in government grants and contracts revenue in the consolidated statements of activities for the years ended September 30, 2025 and 2024 was \$5,849,685 and \$5,536,429, respectively.

AAMVA had active grants with award values totaling \$33,778,688 of which \$29,187,615 had not been recognized as of September 30, 2025 because qualifying expenditures have not yet been incurred. No advance payments were received as of September 30, 2025.

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.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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

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.

Subsequent Events

Subsequent events have been evaluated through January 27, 2026, 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, 2025

NOTE 2 LIQUIDITY AND AVAILABILITY

As of September 30, 2025 and 2024, AAMVA has \$37,042,800 and \$32,320,190, 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:

	2025	2024
Cash and Cash Equivalents	\$ 5,836,877	\$ 4,083,361
Accounts Receivable	13,899,064	10,992,253
Unrestricted Investments	57,603,105	59,605,455
Less: Jurisdiction Credits	(3,373,551)	(3,470,338)
Less: Agency Funds Held	(1,412,428)	(257,346)
Less: Board Designated Net Assets:		
State-to-State Reserve	(16,129,180)	(14,202,074)
Operating Reserve	(12,500,000)	(12,500,000)
IT Systems Modernization	(6,881,087)	(8,811,852)
NMVTIS Modernization	-	(3,119,269)
Total	<u>\$ 37,042,800</u>	<u>\$ 32,320,190</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 and Audit Committee reviews and recommends any balance changes to the full board. The operating reserve had a balance of \$12,500,000 at September 30, 2025 and 2024. The operating reserve target is based on three months of operating expenses less any board approved funding from investment portfolios that has been restricted or designated to cover all or portions of the applicable three months of operating expenses. The operating reserve is a component of the long-term investment portfolio.

NOTE 3 INVESTMENTS

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

	2025	2024
Investments:		
Mutual Funds:		
Equity	\$ 30,386,979	\$ 29,169,651
Fixed Income	21,324,404	20,022,073
Alternative Strategies	3,762,720	8,559,510
Cash and Cash Equivalents	<u>2,129,002</u>	<u>1,854,221</u>
Total Investments	<u>57,603,105</u>	<u>59,605,455</u>
Investments Restricted by Funder:		
Certificates of Deposit	7,260,637	14,367,786
Cash and Cash Equivalents	<u>8,195,698</u>	<u>6,094,977</u>
Total Investments Restricted by Funder	<u>15,456,335</u>	<u>20,462,763</u>
Total	<u>\$ 73,059,440</u>	<u>\$ 80,068,218</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 3 INVESTMENTS (CONTINUED)

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

	2025	2024
Interest and Dividends	2,198,723	\$ 2,113,413
Realized Gain, Net	1,911,530	1,517,075
Unrealized Gain, Net	1,066,429	8,570,115
Investment Fees	(81,020)	(84,654)
Net Investment Income	<u><u>\$ 5,095,662</u></u>	<u><u>\$ 12,115,949</u></u>

NOTE 4 RECEIVABLES

Receivables were composed of the following: as of September 30:

	2025	2024	2023
Dues, Services, and Fees	\$ 6,841,237	\$ 6,120,891	\$ 5,979,828
Government Grants and Contracts	6,698,622	4,621,441	5,341,469
Conferences and Workshops	295,100	188,450	39,650
Other	64,105	108,271	92,203
Total Receivables	<u><u>13,899,064</u></u>	<u><u>11,039,053</u></u>	<u><u>11,453,150</u></u>
Less: Provision for Credit Losses	-	(46,800)	(461,749)
Receivables, Net	<u><u>\$ 13,899,064</u></u>	<u><u>\$ 10,992,253</u></u>	<u><u>\$ 10,991,401</u></u>

All receivables were due within one year. Unbilled receivables included above from government grants and contracts totaled \$2,863,317 and \$3,642,024 as of September 30, 2025 and 2024, respectively. These amounts include unbilled costs based upon AAMVA's Negotiated Indirect Cost Rate Agreement (NICRA) as follows:

	2025	2024
Unbilled Direct Costs	\$ 1,939,209	\$ 2,550,113
Unbilled Indirect Costs	924,108	1,091,911
Total Unbilled Costs	<u><u>\$ 2,863,317</u></u>	<u><u>\$ 3,642,024</u></u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 5 INVESTMENTS RESTRICTED BY FUNDERS

Investments restricted by funders as of September 30, 2025 and 2024, were for the following programs. The related net assets with donor restrictions are described in Note 9.

	<u>2025</u>	<u>2024</u>
Commercial Driver's License Information System (CDLIS)	\$ 7,471,470	\$ 15,151,413
National Motor Vehicle Title Information System (NMVTIS)	7,984,865	5,311,350
Net Restricted Investments	<u>\$ 15,456,335</u>	<u>\$ 20,462,763</u>

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, 2025 and 2024, aggregated by the fair value hierarchy level with which those measurements were made:

	September 30, 2025			
	Total	Level 1	Level 2	Level 3
Investments				
Mutual Funds - Equity	\$ 30,386,979	\$ 30,386,979	\$	-
Mutual Funds - Fixed Income	21,324,404	21,324,404	-	-
Mutual Funds - Alternative Strategies	3,762,720	3,762,720	-	-
Cash and Cash Equivalents, at Cost	2,129,002	2,129,002	-	-
Total Investments	<u>57,603,105</u>	<u>57,603,105</u>	<u>-</u>	<u>-</u>
Investments Restricted by Funder				
Certificates of Deposit	7,260,637	-	7,260,637	-
Cash and Cash Equivalents, at Cost	8,195,698	-	-	-
Total Restricted Investments	<u>15,456,335</u>	<u>-</u>	<u>7,260,637</u>	<u>-</u>
Total Assets	<u>\$ 73,059,440</u>	<u>\$ 57,603,105</u>	<u>\$ 7,260,637</u>	<u>\$ -</u>
	September 30, 2024			
	Total	Level 1	Level 2	Level 3
Investments				
Mutual Funds - Equity	\$ 29,169,651	\$ 29,169,651	\$	-
Mutual Funds - Fixed Income	20,022,073	20,022,073	-	-
Mutual Funds - Alternative Strategies	8,559,510	8,559,510	-	-
Cash and Cash Equivalents, at Cost	1,854,221	-	-	-
Total Investments	<u>59,605,455</u>	<u>57,751,234</u>	<u>-</u>	<u>-</u>
Investments Restricted by Funder				
Certificates of Deposit	14,367,786	-	14,367,786	-
Cash and Cash Equivalents, at Cost	6,094,977	-	-	-
Total Restricted Investments	<u>20,462,763</u>	<u>-</u>	<u>14,367,786</u>	<u>-</u>
Total Assets	<u>\$ 80,068,218</u>	<u>\$ 57,751,234</u>	<u>\$ 14,367,786</u>	<u>\$ -</u>

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

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 6 FAIR VALUE MEASUREMENT (CONTINUED)

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.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2025 and 2024, consisted of the following:

	<u>2025</u>	<u>2024</u>
Software	\$ 25,473,986	\$ 25,004,915
Equipment	3,851,753	3,667,118
Leasehold Improvements	-	1,750,214
Furniture	1,025,656	531,719
Work in Process	-	358,095
Total Property and Equipment	30,351,395	31,312,061
Less: Accumulated Depreciation and Amortization	(28,863,716)	(29,776,350)
Property and Equipment, Net	<u>\$ 1,487,679</u>	<u>\$ 1,535,711</u>

Depreciation and amortization expense for the years ended September 30, 2025 and 2024, was \$472,818 and \$441,366, respectively. As of September 30, 2025, AAMVA recognized a loss of \$435,022 on the retirement of its leasehold improvement asset due to the early termination of the office lease shown as Other Income (Loss) in the consolidated statement of activities.

NOTE 8 BOARD-DESIGNATED NET ASSETS

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

	<u>2025</u>	<u>2024</u>
State-to-State Reserve	16,129,180	\$ 14,202,074
Operating Reserve	12,500,000	12,500,000
IT Systems Modernization	6,881,087	8,811,852
NMVTIS Modernization	-	3,119,269
Total Board-Designated Net Assets	<u>\$ 35,510,267</u>	<u>\$ 38,633,195</u>

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, 2025

NOTE 8 BOARD-DESIGNATED NET ASSETS (CONTINUED)

State-to-State Reserve

The Board of Directors designates the State-to-State (S2S) program's annual net surplus to support future program activities at the recommendation of the S2S Governance Committee, now called the Driver Committee. Program activities include but are not limited to: state on-boarding support, system enhancements, and system re-engineering. As of September 30, 2025, the balance of the S2S reserve was \$16,129,180.

Operating Reserve

The Board of Directors established an operating reserve which is based on three months of operating expenses less any board approved funding from investment portfolios that has been restricted or designated to cover all or portions of the applicable three months of operating expenses. As of September 30, 2025, the balance of the operating reserve was \$12,500,000.

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. The balance as of September 30, 2025, was \$6,881,087.

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 occurred in phases over several years. The balance as of September 30, 2024, was \$3,119,269. The Board voted in June 2024 to reduce the Board Designated NMVTIS System Improvement Reserves by the remaining balance and return funds to the original source of funding (AAMVA undesignated reserves) at the end of FY2024. The balance as of September 30, 2025 is \$-0-.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Subject to Expenditure for Specified Purpose:		
NMVTIS Program	\$ 7,984,865	\$ 5,311,350
CDLIS Program	7,471,470	15,151,413
Total	<u>\$ 15,456,335</u>	<u>\$ 20,462,763</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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>2025</u>	<u>2024</u>
Satisfaction of Purpose Restrictions:		
NMVTIS Program	\$ 9,784,892	\$ 7,063,263
CDLIS Program	8,882,509	9,206,037
Total	<u>\$ 18,667,401</u>	<u>\$ 16,269,300</u>

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, 2025 and 2024, AAMVA had cumulative unspent program reserves of \$7,984,865 and \$5,311,350, respectively, that was restricted to be used exclusively to fund NMVTIS expenses in accordance with the Cooperative Agreement with the U.S. Department of Justice.

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 charged user fees for the use of the software through September 30, 2023. As of September 30, 2025 and 2024, AAMVA had cumulative unspent program income of \$7,471,470 and \$15,151,413, 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 Cooperative Agreement with the U.S. Department of Transportation. This amount includes allocated investment gains for the year ended September 30, 2025 and 2024 totaling \$498,036 and \$1,349,781, respectively.

In FY2023, FMCSA gave AAMVA a directive to discontinue user fees to jurisdictions and third parties for operation and maintenance (O&M) of CDLIS. The CDLIS fee cessation commenced on October 1, 2024 and remained in effect for the fiscal year. Effective August 1, 2025, FMCSA awarded AAMVA a contract to cover certain CDLIS O&M and continuous system improvement costs. The CDLIS program income/reserves continues to be used to cover costs that are not included in the contract.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 10 DEFERRED REVENUE

Deferred revenue was composed of the following as of September 30:

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Deferred Revenue:			
Dues, Services, and Fees	1,638,010	\$ 1,631,190	\$ 1,584,461
Conferences and Workshops	269,550	167,700	113,550
Other Income	30,382	34,711	48,586
Total Deferred Revenue	<u>\$ 1,937,942</u>	<u>\$ 1,833,601</u>	<u>\$ 1,746,597</u>

NOTE 11 COMMITMENTS, RISKS, AND CONTINGENCIES

Operating Lease

AAMVA leases office space and office equipment. The office space is under a noncancelable operating lease. In September 2024, AAMVA executed the early termination clause in their office lease. The lease terminated on September 30, 2025. AAMVA paid an early termination fee of approximately \$1.1 million. Monthly base rent begins at \$98,744, plus a prorated share of basic property operating costs. The office space lease also contains a fixed escalation clause for increases in the annual minimum rent at a rate of 2.5% per year. 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 office equipment lease is noncancelable with a monthly base rate of \$975 and expires on February 16, 2026. Under GAAP, all lease payments, including increases, are recognized on a straight-line basis over the term of the lease.

Subsequent to year-end, AAMVA entered into new office lease agreement. Monthly base rent begins at \$53,546 plus a prorated share of basic property operating costs. The office space lease also contains a fixed escalation clause for increases in the annual minimum rent at a rate of 2.5% per year.

There were no right of use assets acquired as of September 30, 2025 and 2024.

Lease expense totaled \$790,524 and \$1,187,080 for the years ended September 30, 2025 and 2024, respectively.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

NOTE 11 COMMITMENTS, RISKS, AND CONTINGENCIES (CONTINUED)

The following table provides quantitative information concerning AAMVA's leases for the year ended September 30, 2025:

	<u>2025</u>	<u>2024</u>
Operating Lease Costs	\$ 790,524	\$ 1,187,080
Cash Paid for Amounts Included in the Measurement of Lease Liability:		
Operating Cash Flows from Operating Leases	\$ 1,528,511	\$ 2,633,182
Weighted-Average Remaining Lease Term -		
Operating Lease	0.3 Years	1.0 Years
Weighted-Average Discount Rate - Operating Lease	4.06%	4.35%

A maturity analysis of annual undiscounted lease payment cash flows for operating and finance lease liabilities as of September 30, 2025, is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2026	\$ 4,875
Undiscounted Cash Flows	4,875
(Less) Imputed Interest	(49)
Total Present Value	<u><u>\$ 4,826</u></u>

Employment Contracts

In June 2025, AAMVA entered into an employment agreement with an employee that provides for compensation and benefits through September 30, 2028. The employee may terminate the agreement with 30 day's 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 the length of the contract or 12 months following the effective date of the termination of the employee's employment, whichever is the longer term.

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. As of September, 2025 and 2024, the AAMVA had funds which exceeded the maximum limit insured by Federal Deposit Insurance Corporation (FDIC) by approximately \$4,821,000 and \$3,383,000, respectively.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE 11 COMMITMENTS, RISKS, AND CONTINGENCIES (CONTINUED)

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.

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.

NOTE 12 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, 2025 and 2024, the discretionary contribution was 3% of each participant's annual salary. During the years ended September 30, 2025 and 2024, AAMVA contributed \$1,154,773 and \$976,181, respectively, in matching contributions and made a discretionary contribution of \$987,808 and \$928,026, respectively, to the plan.

NOTE 13 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, 2025 and 2024, 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, 2025
(SEE INDEPENDENT AUDITORS' REPORT)

	AAMVA	Region I	Region II	Region III	Region IV	Subtotal	Elimination	Total
ASSETS								
Cash and Cash Equivalents	\$ 4,826,866	\$ 254,464	\$ 161,630	\$ 294,546	\$ 299,371	\$ 5,836,877	\$ -	\$ 5,836,877
Investments	55,079,146	564,736	626,672	585,962	746,589	57,603,105	\$ -	57,603,105
Accounts Receivable, Less Provision for Credit								
Losses of \$-0-	13,695,264	36,650	900	123,000	43,250	13,899,064	\$ -	13,899,064
Due from Affiliate	536,418	-	-	5,000	-	541,418	(541,418)	-
Prepaid Expenses	2,031,958	51,638	1,638	2,133	12,463	2,099,830	\$ -	2,099,830
Restricted Investments	15,456,335	-	-	-	-	15,456,335	\$ -	15,456,335
Property and Equipment, Net	1,487,679	-	-	-	-	1,487,679	\$ -	1,487,679
Deposits	214,263	-	-	-	-	214,263	\$ -	214,263
Right of Use Asset - Operating	4,826	-	-	-	-	4,826	\$ -	4,826
Total Assets	\$ 93,332,755	\$ 907,488	\$ 790,840	\$ 1,010,641	\$ 1,101,673	\$ 97,143,397	\$ (541,418)	\$ 96,601,979
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable and Accrued Expenses	\$ 12,429,122	\$ 5,015	\$ 1,725	\$ 24	\$ 18,778	\$ 12,454,664	\$ -	\$ 12,454,664
Deferred Revenue	1,660,034	36,000	-	205,908	36,000	1,937,942	\$ -	1,937,942
Due to Affiliate	-	203,559	8,579	2,145	327,135	541,418	(541,418)	-
Agency Funds Held	1,412,428	-	-	-	-	1,412,428	\$ -	1,412,428
Lease Liability - Operating	4,826	-	-	-	-	4,826	\$ -	4,826
Total Liabilities	15,506,410	244,574	10,304	208,077	381,913	16,351,278	(541,418)	15,809,860
NET ASSETS								
Without Donor Restrictions:								
Board-Designated	35,510,267	-	-	-	-	35,510,267	\$ -	35,510,267
Undesignated	26,859,743	662,914	780,536	802,564	719,760	29,825,517	\$ -	29,825,517
Total Without Donor Restrictions	62,370,010	662,914	780,536	802,564	719,760	65,335,784	\$ -	65,335,784
With Donor Restrictions:								
Purpose Restrictions	15,456,335	-	-	-	-	15,456,335	\$ -	15,456,335
Total With Donor Restrictions	15,456,335	-	-	-	-	15,456,335	\$ -	15,456,335
Total Net Assets	77,826,345	662,914	780,536	802,564	719,760	80,792,119	\$ -	80,792,119
Total Liabilities and Net Assets	\$ 93,332,755	\$ 907,488	\$ 790,840	\$ 1,010,641	\$ 1,101,673	\$ 97,143,397	\$ (541,418)	\$ 96,601,979

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025
(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	\$ 34,150,972	\$ -	\$ -	\$ -	\$ -	\$ 34,150,972
Less: Discounts	(1,561,330)	-	-	-	-	(1,561,330)
Government Grants and Contracts	10,371,568	-	-	-	-	10,371,568
Conferences and Workshops	1,747,046	402,908	497,707	214,300	402,358	3,264,319
Publications and Products	236,664	-	-	-	-	236,664
Other Income/(Loss)	(401,014)	4,110	61	-	12,345	(384,498)
Net Assets Released from Restrictions	<u>18,667,401</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,667,401</u>
Total Operating Revenue and Support	<u>63,211,307</u>	<u>407,018</u>	<u>497,768</u>	<u>214,300</u>	<u>414,703</u>	<u>64,745,096</u>
Expenses:						
Program Services:						
Driver Program and Services	20,145,555	-	-	-	-	20,145,555
Vehicle Program and Services	11,190,959	-	-	-	-	11,190,959
Member Support	7,824,882	292,456	511,509	210,931	437,175	9,276,953
Identity Management	5,973,040	-	-	-	-	5,973,040
Information Technology	2,702,649	-	-	-	-	2,702,649
Law Enforcement Program and Services	1,399,840	-	-	-	-	1,399,840
Business Development	259,552	-	-	-	-	259,552
MVA Operations and Customer Experience	198,827	-	-	-	-	198,827
Total Program Services	<u>49,695,304</u>	<u>292,456</u>	<u>511,509</u>	<u>210,931</u>	<u>437,175</u>	<u>51,147,375</u>
Supporting Services:						
Management and General	15,175,736	-	-	-	-	15,175,736
Total Expenses	<u>64,871,040</u>	<u>292,456</u>	<u>511,509</u>	<u>210,931</u>	<u>437,175</u>	<u>66,323,111</u>
CHANGE IN NET ASSETS FROM OPERATIONS						
Investment Gain, Net	(1,659,733)	114,562	(13,741)	3,369	(22,472)	(1,578,015)
	<u>4,239,467</u>	<u>28,499</u>	<u>48,966</u>	<u>45,785</u>	<u>34,895</u>	<u>4,397,612</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS						
	<u>2,579,734</u>	<u>143,061</u>	<u>35,225</u>	<u>49,154</u>	<u>12,423</u>	<u>2,819,597</u>
NET ASSETS WITH DONOR RESTRICTIONS						
Dues, Services, and Fees	12,962,924	-	-	-	-	12,962,924
Investment Gain, Net	698,050	-	-	-	-	698,050
Net Assets Released from Restriction	(18,667,401)	-	-	-	-	(18,667,401)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS						
	<u>(5,006,427)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,006,427)</u>
CHANGE IN NET ASSETS						
Net Assets - Beginning of Year	(2,426,693)	143,061	35,225	49,154	12,423	(2,186,830)
	<u>80,253,038</u>	<u>519,853</u>	<u>745,311</u>	<u>753,410</u>	<u>707,337</u>	<u>82,978,949</u>
NET ASSETS - END OF YEAR						
	<u>\$ 77,826,345</u>	<u>\$ 662,914</u>	<u>\$ 780,536</u>	<u>\$ 802,564</u>	<u>\$ 719,760</u>	<u>\$ 80,792,119</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, 2025, 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 27, 2026.

Report on 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) as a basis for designing 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Board of Directors
American Association of Motor Vehicle Administrators
and Affiliates

Report on 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 consolidated 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*.

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 27, 2026



**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
and Affiliates
Arlington, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited American Association of Motor Vehicle Administrators' (AAMVA) compliance with the types of compliance requirements identified as subject to audit 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, 2025. AAMVA's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, AAMVA complied, in all material respects, with the 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of AAMVA and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of AAMVA's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to AAMVA's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on AAMVA's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about AAMVA's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 AAMVA's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of AAMVA's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 AAMVA's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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.

Board of Directors
American Association of Motor Vehicle Administrators
and Affiliates

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
January 27, 2026

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2025

<u>Federal Grantor/Pass through Grantor/ Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Transportation</u>			
Federal Motor Carrier Safety Administration: Commercial Driver's License Program Improvement Grant	20.232	\$ 134,415	\$ 5,065,441
National Highway Traffic Safety Administration: National Highway Traffic Safety Administration Discretionary Safety Grants	20.614	- 611,313	
Total Expenditures of Federal Awards		<u>\$ 134,415</u>	<u>\$ 5,676,754</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, 2025**

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, 2025. 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	\$ 5,676,754
Fixed-Price Contracts	<u>4,694,814</u>
Government Grants and Contract Revenue	
per Consolidated Statement of Activities	<u>\$ 10,371,568</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2025

Section I – Summary of Auditors' Results

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

Federal Awards

1. Internal control over major federal programs:		
• Material weakness(es) identified?	_____ yes	_____ X no
• Significant deficiency(ies) identified?	_____ yes	_____ X 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	_____ X no

Identification of Major Federal Programs

Assistance Listing 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:	\$1,000,000
Auditee qualified as low-risk auditee?	_____ X yes _____ no

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2025**

Section II – Financial Statement Findings

CURRENT YEAR FINDINGS – FINANCIAL STATEMENTS FINDINGS

None

CURRENT YEAR FINDINGS – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None



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