

**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, 2022 AND 2021



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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 statements of financial position as of September 30, 2022 and 2021, 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.

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, 2022 and 2021 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.

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 24, 2023 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.



CliftonLarsonAllen LLP

Arlington, Virginia
January 24, 2023

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 4,368,792	\$ 3,626,600
Investments	57,236,066	68,417,948
Accounts Receivable, Net	10,074,650	9,729,441
Prepaid Expenses	1,117,463	1,186,511
Investments Restricted by Funder	25,621,193	28,011,570
Property and Equipment, Net	1,494,539	5,136,278
Deposits	98,744	98,744
Total Assets	\$ 100,011,447	\$ 116,207,092
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 15,428,193	\$ 12,527,377
Deferred Revenue	1,526,971	1,342,455
Agency Funds Held	518,970	604,529
Deferred Leasehold Incentive	883,067	1,009,219
Deferred Rent	1,533,314	1,604,241
Total Liabilities	19,890,515	17,087,821
NET ASSETS		
Without Donor Restrictions:		
Board-Designated	41,366,216	42,047,801
Undesignated	13,133,523	29,059,900
Total Without Donor Restrictions	54,499,739	71,107,701
With Donor Restrictions:		
Purpose Restrictions	25,621,193	28,011,570
Total With Donor Restrictions	25,621,193	28,011,570
Total Net Assets	80,120,932	99,119,271
Total Liabilities and Net Assets	\$ 100,011,447	\$ 116,207,092

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating Revenue and Support:		
Dues, Services, and Fees	\$ 28,300,506	\$ 25,905,924
Less: Discounts	(1,512,159)	(1,691,698)
Government Grants and Contracts	7,094,684	8,639,557
Conferences and Workshops	2,098,966	108,550
Publications and Products	224,839	218,388
Other Income	49,824	2,773
Net Assets Released from Restrictions	12,035,473	10,391,798
Total Operating Revenue and Support	48,292,133	43,575,292
Expenses:		
Program Services:		
Information Technology	35,101,385	32,264,572
Member Services and Public Affairs	10,899,928	6,344,624
Commercial Services and Business Solutions	1,106,388	1,064,149
Total Program Services	47,107,701	39,673,345
Supporting Services:		
General and Administrative	8,257,846	7,840,219
Total Expenses	55,365,547	47,513,564
CHANGE IN NET ASSETS FROM OPERATIONS	(7,073,414)	(3,938,272)
Investment (Loss) Income, Net	(9,534,548)	7,243,164
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(16,607,962)	3,304,892
NET ASSETS WITH DONOR RESTRICTIONS		
Dues, Services, and Fees	11,551,636	10,919,221
Investment Loss, Net	(1,906,540)	(118,373)
Net Assets Released from Restriction	(12,035,473)	(10,391,798)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(2,390,377)	409,050
CHANGE IN NET ASSETS	(18,998,339)	3,713,942
Net Assets - Beginning of Year	99,119,271	95,405,329
NET ASSETS - END OF YEAR	\$ 80,120,932	\$ 99,119,271

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022					
	Program Services				Supporting Services	
	Information Technology	Member Services and Public Affairs	Commercial Services and Business Solutions	Total Program Services	General and Administrative	Total
Communication and Promotion	\$ 56,321	\$ 241,609	\$ 3,090	\$ 301,020	\$ 14,243	\$ 315,263
Contractual Services	8,260,185	906,050	32,207	9,198,442	835,887	10,034,329
Depreciation and Amortization	3,616,153	101,945	9,543	3,727,641	42,550	3,770,191
Labor and Benefits	20,653,076	5,101,741	975,590	26,730,407	5,919,330	32,649,737
Occupancy and Office Expenses	1,188,100	358,720	48,713	1,595,533	395,110	1,990,643
Office Automation	901,481	213,271	16,442	1,131,194	539,835	1,671,029
Other Expenses	69,247	39,866	-	109,113	(67,522)	41,591
Services and Fees	78,243	35,619	11,105	124,967	417,607	542,574
Travel and Meetings	278,579	3,901,107	9,698	4,189,384	160,806	4,350,190
Total Expenses	<u>\$ 35,101,385</u>	<u>\$ 10,899,928</u>	<u>\$ 1,106,388</u>	<u>\$ 47,107,701</u>	<u>\$ 8,257,846</u>	<u>\$ 55,365,547</u>

	2021					
	Program Services				Supporting Services	
	Information Technology	Member Services and Public Affairs	Commercial Services and Business Solutions	Total Program Services	General and Administrative	Total
Communication and Promotion	\$ 71,269	\$ 263,664	\$ 4,157	\$ 339,090	\$ 16,582	\$ 355,672
Contractual Services	7,398,425	792,269	29,177	8,219,871	478,198	8,698,069
Depreciation and Amortization	3,663,992	73,920	11,996	3,749,908	58,932	3,808,840
Labor and Benefits	19,134,034	4,244,969	937,706	24,316,709	5,643,205	29,959,914
Occupancy and Office Expenses	1,149,942	295,003	48,755	1,493,700	372,763	1,866,463
Office Automation	724,739	227,786	21,132	973,657	509,078	1,482,735
Other Expenses	44,542	8,604	163	53,309	368,906	422,215
Services and Fees	66,442	17,526	10,806	94,774	380,219	474,993
Travel and Meetings	11,187	420,883	257	432,327	12,336	444,663
Total Expenses	<u>\$ 32,264,572</u>	<u>\$ 6,344,624</u>	<u>\$ 1,064,149</u>	<u>\$ 39,673,345</u>	<u>\$ 7,840,219</u>	<u>\$ 47,513,564</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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (18,998,339)	\$ 3,713,942
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Provision for Doubtful Accounts	19,247	146
Depreciation and Amortization	3,770,191	3,808,840
Amortization of Deferred Leasehold Incentive	(126,152)	(126,152)
Net Realized and Unrealized Loss (Gain) on Investments	13,389,680	(5,292,923)
(Increase) Decrease in Assets:		
Accounts Receivable	(364,456)	1,481,328
Prepaid Expenses	69,048	153,181
Deposits	-	30,119
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	2,900,816	371,868
Deferred Revenue	184,516	(152,404)
Agency Funds Held	(85,559)	62,010
Deferred Rent	(70,927)	(36,573)
Net Cash Provided by Operating Activities	688,065	4,013,382
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	59,458,083	51,440,373
Purchases of Investments	(59,275,504)	(55,709,885)
Purchases of Property and Equipment	(128,452)	(432,583)
Net Cash Provided (Used) by Investing Activities	54,127	(4,702,095)
CHANGE IN CASH AND CASH EQUIVALENTS	742,192	(688,713)
Cash and Cash Equivalents - Beginning of Year	3,626,600	4,315,313
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 4,368,792	\$ 3,626,600

See accompanying Notes to Consolidated Financial Statements.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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, 2022 AND 2021

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 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, 2022 AND 2021**

**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. 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, 2022 and 2021.

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, 2022 and 2021, is reflected as agency funds held in the accompanying consolidated statement 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 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.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

**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. Contract revenue included in government grants and contracts revenue in the consolidated statements of activities for the years ended September 30, 2022 and 2021 was \$2,544,751 and \$3,575,508, 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:

	2022		Total
	Point in Time	Over Time	
Services and Fees	\$ 38,354,294	\$ -	\$ 38,354,294
Jurisdiction Dues	-	1,054,751	1,054,751
Associate Dues	-	443,097	443,097
Total Dues, Services and Fees	\$ 38,354,294	\$ 1,497,848	\$ 39,852,142
Less Services and Fees Reclassified as Contribution Revenue	(11,551,636)	-	(11,551,636)
Total Dues, Services and Fees after Reclassified as Contribution Revenue	<u>\$ 26,802,658</u>	<u>\$ 1,497,848</u>	<u>\$ 28,300,506</u>

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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

Revenue Recognition (Continued)

	2021		Total
	Point in Time	Over Time	
Services and Fees	\$ 35,392,252	\$ -	\$ 35,392,252
Jurisdiction Dues	-	1,053,101	1,053,101
Associate Dues	-	379,792	379,792
Total Dues, Services and Fees	\$ 35,392,252	\$ 1,432,893	\$ 36,825,145
Less Services and Fees Reclassified as Contribution Revenue	<u>(10,919,221)</u>	<u>-</u>	<u>(10,919,221)</u>
Total Dues, Services and Fees after Reclassified as Contribution Revenue	<u>\$ 24,473,031</u>	<u>\$ 1,432,893</u>	<u>\$ 25,905,924</u>

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, 2022 and 2021 was \$4,549,933 and \$5,064,049, respectively.

AAMVA had active grants with award values totaling \$34,604,076 of which \$15,736,935 had not been recognized as of September 30, 2022 because qualifying expenditures have not yet been incurred. No advance payments were received as of September 30, 2022.

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.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

Classification of Net Assets (Continued)

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.

Upcoming Accounting Standards Update

Leases - In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. AAMVA plans to adopt the new ASU at the respective required implementation date.

Subsequent Events

Subsequent events have been evaluated through January 24, 2023, 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, 2022 AND 2021

NOTE 2 LIQUIDITY AND AVAILABILITY

As of September 30, 2022 and 2021, AAMVA has \$21,445,080 and \$30,633,782 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>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 4,368,792	\$ 3,626,600
Accounts Receivable	7,506,537	7,075,001
Unrestricted Investments	57,236,066	68,417,948
Less: Jurisdiction Credits	(5,781,131)	(5,833,437)
Less: Agency Funds Held	(518,970)	(604,529)
Less: Board Designated Net Assets:		
Operating Reserve	(12,500,000)	(8,000,000)
IT Systems Modernization	(11,635,140)	(12,409,271)
State-to-State Reserve	(10,441,313)	(13,436,618)
NMVTIS Modernization	(6,789,763)	(8,201,912)
Total	<u>\$ 21,445,078</u>	<u>\$ 30,633,782</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 \$12,500,000 and \$8,000,000 at September 30, 2022 and 2021, respectively. 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:

	<u>2022</u>	<u>2021</u>
Investments:		
Mutual Funds:		
Equity	\$ 25,138,205	\$ 32,764,840
Fixed Income	20,168,906	24,517,882
Alternative Strategies	9,709,307	9,877,260
Cash and Cash Equivalents	2,219,648	1,257,966
Total Investments	<u>57,236,066</u>	<u>68,417,948</u>
Investments Restricted by Funder:		
Certificates of Deposit	24,164,962	26,134,662
Cash and Cash Equivalents	1,456,231	1,876,908
Total Investments Restricted by Funder	<u>25,621,193</u>	<u>28,011,570</u>
Total	<u>\$ 82,857,259</u>	<u>\$ 96,429,518</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 3 INVESTMENTS (CONTINUED)

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

	<u>2022</u>	<u>2021</u>
Interest and Dividends	\$ 2,044,197	\$ 1,922,653
Realized Gain, net	6,034,739	3,106,944
Unrealized (Loss) Gain, net	(19,424,419)	2,185,979
Investment Fees	(95,605)	(90,785)
Net Investment (Loss) Income	<u>\$ (11,441,088)</u>	<u>\$ 7,124,791</u>

NOTE 4 RECEIVABLES

Receivables as of September 30, 2022 and 2021, were composed of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Dues, Services, and Fees	\$ 5,897,337	\$ 5,767,128	\$ 5,238,126
Government Grants and Contracts	4,787,370	4,683,348	7,065,757
Conferences and Workshops	28,250	-	8,500
Other	126,547	50,453	220,170
Total Receivables	10,839,504	10,500,929	12,532,553
Less: Allowance for Doubtful Accounts	(764,854)	(771,488)	(1,321,638)
Receivables, Net	<u>\$ 10,074,650</u>	<u>\$ 9,729,441</u>	<u>\$ 11,210,915</u>

All receivables were due within one year. Unbilled receivables included above from government grants and contracts totaled \$3,795,169 and \$3,956,502 as of September 30, 2022 and 2021, respectively. These amounts include unbilled indirect costs based upon AAMVA's NICRA as follows:

	<u>2022</u>		
	<u>2017 NICRA</u>	<u>2014 NICRA</u>	<u>Total</u>
Unbilled Indirect Costs	\$ 218,294	\$ 3,235,021	\$ 3,453,315
Less: Allowance for Doubtful Accounts	(15,866)	(748,988)	(764,854)
Unbilled Indirect Costs, Net	<u>\$ 202,428</u>	<u>\$ 2,486,033</u>	<u>\$ 2,688,461</u>
	<u>2021</u>		
	<u>2017 NICRA</u>	<u>2014 NICRA</u>	<u>Total</u>
Unbilled Indirect Costs	\$ 168,407	\$ 3,235,021	\$ 3,403,428
Less: Allowance for Doubtful Accounts	-	(748,988)	(748,988)
Unbilled Indirect Costs, Net	<u>\$ 168,407</u>	<u>\$ 2,486,033</u>	<u>\$ 2,654,440</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Software	\$ 25,004,915	\$ 24,674,636
Equipment	3,162,391	3,034,241
Leasehold Improvements	1,750,214	1,750,214
Furniture	531,719	531,719
Work in Process	-	333,709
Total Property and Equipment	<u>30,449,239</u>	<u>30,324,519</u>
Less: Accumulated Depreciation and Amortization	<u>(28,954,700)</u>	<u>(25,188,241)</u>
Property and Equipment, Net	<u>\$ 1,494,539</u>	<u>\$ 5,136,278</u>

Depreciation and amortization expense for the years ended September 30, 2022 and 2021, was \$3,771,191 and \$3,808,840, respectively.

NOTE 8 BOARD-DESIGNATED NET ASSETS

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

	<u>2022</u>	<u>2021</u>
Operating Reserve	\$ 12,500,000	\$ 8,000,000
IT Systems Modernization	11,635,140	12,409,271
State-to-State Reserve	10,441,313	13,436,618
NMVTIS Modernization	6,789,763	8,201,912
Total Board-Designated Net Assets	<u>\$ 41,366,216</u>	<u>\$ 42,047,801</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, 2022 AND 2021**

NOTE 8 BOARD-DESIGNATED NET ASSETS (CONTINUED)

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, 2022 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, 2022, was \$11,635,140.

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. Program activities include but are not limited to: state on-boarding support, system enhancements, and system re-engineering. As of September 30, 2022, the balance of the S2S reserve was \$10,441,313.

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, 2022, was \$6,789,763.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Subject to Expenditure for Specified Purpose:		
CDLIS Program	\$ 24,282,790	\$ 26,872,890
NMVTIS Program	1,338,403	1,138,680
Total	\$ 25,621,193	\$ 28,011,570

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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>2022</u>	<u>2021</u>
Satisfaction of Purpose Restrictions:		
CDLIS Program	\$ 6,263,344	\$ 5,104,742
NMVTIS Program	5,772,129	5,287,056
Total	<u>\$ 12,035,473</u>	<u>\$ 10,391,798</u>

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, 2022 and 2021, AAMVA had cumulative unspent program income of \$24,282,790 and \$26,872,890, 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 loss totaling \$1,910,188 and \$119,549 for the years ended September 30, 2022 and 2021, 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, 2022 and 2020, AAMVA had cumulative unspent program reserves of \$1,338,403 and \$1,138,680, 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.

NOTE 10 DEFERRED REVENUE

Deferred revenue as of September 30, 2022 and 2021, was composed of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Deferred Revenue			
Dues, Services, and Fees	\$ 1,365,869	\$ 1,277,847	\$ 1,477,884
Conferences and Workshops	135,850	51,483	-
Other Income	25,252	13,125	16,975
Total Deferred Revenue	<u>\$ 1,526,971</u>	<u>\$ 1,342,455</u>	<u>\$ 1,494,859</u>

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

NOTE 11 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, 2022:

<u>Year Ending September 30.</u>	<u>Amount</u>
2023	\$ 1,443,723
2024	1,479,816
2025	1,516,811
2026	1,554,732
2027	1,593,600
Thereafter	3,307,716
Total	<u>\$ 10,896,398</u>

Rent expense totaled \$1,211,431 and \$1,206,558 for the years ended September 30, 2022 and 2021, 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.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021**

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. In March 2018, the recovery of indirect costs was suspended by FMCSA until a final negotiated indirect cost rate agreement (NICRA) was issued to AAMVA. AAMVA received and accepted NICRAs through fiscal year ended September 30, 2017. During FY2021, AAMVA received approved provisional indirect cost rates for fiscal years ended September 30, 2020 and 2022. Management determined it was necessary to retain a bad debt allowance for unbilled indirect costs for FY2018 through FY2019 because the FY2016 and FY2017 NICRAs included rates that were materially different from prior approved provisional rates used to calculate unbilled indirect costs. The bad debt allowance estimated value for unbilled indirect costs is \$748,988 for the year ended September 30, 2022 and 2021. The indirect cost rate proposals for years ended September 30, 2018 through 2021 are currently under review by FMCSA.

Coronavirus

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 24, 2023, 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, 2022 AND 2021

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, 2022 and 2021, the discretionary contribution was 3% of each participant's annual salary. During the years ended September 30, 2022 and 2021, AAMVA contributed \$923,896 and \$876,494, respectively, in matching contributions and made a discretionary contribution of \$797,378 and \$727,443, 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, 2022 and 2021, 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, 2022
(SEE INDEPENDENT AUDITORS' REPORT)

	AAMVA	Region I	Region II	Region III	Region IV	Subtotal	Elimination	Total
ASSETS								
Cash and Cash Equivalents	\$ 3,331,152	\$ 163,469	\$ 314,781	\$ 325,002	\$ 234,388	\$ 4,368,792	\$ -	\$ 4,368,792
Investments	55,996,752	289,411	310,502	325,292	314,109	57,236,066	-	57,236,066
Accounts Receivable, Net	10,074,650	-	-	-	-	10,074,650	-	10,074,650
Due from Affiliate	22,522	1,735	-	-	19,593	43,850	(43,850)	-
Prepaid Expenses	1,083,728	25,094	2,166	2,476	3,999	1,117,463	-	1,117,463
Restricted Investments	25,621,193	-	-	-	-	25,621,193	-	25,621,193
Property and Equipment, Net	1,494,539	-	-	-	-	1,494,539	-	1,494,539
Deposits	98,744	-	-	-	-	98,744	-	98,744
Total Assets	<u>\$ 97,723,280</u>	<u>\$ 479,709</u>	<u>\$ 627,449</u>	<u>\$ 652,770</u>	<u>\$ 572,089</u>	<u>\$ 100,055,297</u>	<u>\$ (43,850)</u>	<u>\$ 100,011,447</u>
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable and Accrued Expenses	\$ 15,420,468	\$ 376	\$ 2,431	\$ 1,252	\$ 3,666	\$ 15,428,193	\$ -	\$ 15,428,193
Deferred Revenue	1,384,620	15,000	10,000	117,351	-	1,526,971	-	1,526,971
Due to Affiliate	-	-	40,263	3,587	-	43,850	(43,850)	-
Agency Funds Held	518,970	-	-	-	-	518,970	-	518,970
Deferred Leasehold Incentive	883,067	-	-	-	-	883,067	-	883,067
Deferred Rent	1,533,314	-	-	-	-	1,533,314	-	1,533,314
Total Liabilities	<u>19,740,439</u>	<u>15,376</u>	<u>52,694</u>	<u>122,190</u>	<u>3,666</u>	<u>19,934,365</u>	<u>(43,850)</u>	<u>19,890,515</u>
NET ASSETS								
Without Donor Restrictions:								
Board-Designated	41,366,216	-	-	-	-	41,366,216	-	41,366,216
Undesignated	10,995,432	464,333	574,755	530,580	568,423	13,133,523	-	13,133,523
Total Without Donor Restrictions	<u>52,361,648</u>	<u>464,333</u>	<u>574,755</u>	<u>530,580</u>	<u>568,423</u>	<u>54,499,739</u>	<u>-</u>	<u>54,499,739</u>
With Donor Restrictions:								
Purpose Restrictions	25,621,193	-	-	-	-	25,621,193	-	25,621,193
Total With Donor Restrictions	<u>25,621,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,621,193</u>	<u>-</u>	<u>25,621,193</u>
Total Net Assets	<u>77,982,841</u>	<u>464,333</u>	<u>574,755</u>	<u>530,580</u>	<u>568,423</u>	<u>80,120,932</u>	<u>-</u>	<u>80,120,932</u>
Total Liabilities and Net Assets	<u>\$ 97,723,280</u>	<u>\$ 479,709</u>	<u>\$ 627,449</u>	<u>\$ 652,770</u>	<u>\$ 572,089</u>	<u>\$ 100,055,297</u>	<u>\$ (43,850)</u>	<u>\$ 100,011,447</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	AAMVA	Region I	Region II	Region III	Region IV	Subtotal	Elimination	Total
ASSETS								
Cash and Cash Equivalents	\$ 2,844,588	\$ 163,204	\$ 244,485	\$ 239,599	\$ 134,724	\$ 3,626,600	\$ -	\$ 3,626,600
Investments	66,974,517	337,078	361,642	378,868	365,843	68,417,948	-	68,417,948
Accounts Receivable, Net	9,729,441	-	-	-	-	9,729,441	-	9,729,441
Due from Affiliate	-	-	-	4,000	-	4,000	(4,000)	-
Prepaid Expenses	1,058,018	15,035	2,475	15,859	95,124	1,186,511	-	1,186,511
Restricted Investments	28,011,570	-	-	-	-	28,011,570	-	28,011,570
Property and Equipment, Net	5,136,278	-	-	-	-	5,136,278	-	5,136,278
Deposits	98,744	-	-	-	-	98,744	-	98,744
Total Assets	<u>\$ 113,853,156</u>	<u>\$ 515,317</u>	<u>\$ 608,602</u>	<u>\$ 638,326</u>	<u>\$ 595,691</u>	<u>\$ 116,211,092</u>	<u>\$ (4,000)</u>	<u>\$ 116,207,092</u>
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable and Accrued Expenses	\$ 12,527,377	\$ -	\$ -	\$ -	\$ -	\$ 12,527,377	\$ -	\$ 12,527,377
Deferred Revenue	1,290,972	-	-	51,483	-	1,342,455	-	1,342,455
Due to Affiliate	4,000	-	-	-	-	4,000	(4,000)	-
Agency Funds Held	604,529	-	-	-	-	604,529	-	604,529
Deferred Leasehold Incentive	1,009,219	-	-	-	-	1,009,219	-	1,009,219
Deferred Rent	1,604,241	-	-	-	-	1,604,241	-	1,604,241
Total Liabilities	<u>17,040,338</u>	<u>-</u>	<u>-</u>	<u>51,483</u>	<u>-</u>	<u>17,091,821</u>	<u>(4,000)</u>	<u>17,087,821</u>
NET ASSETS								
Without Donor Restrictions:								
Board-Designated	42,047,801	-	-	-	-	42,047,801	-	42,047,801
Undesignated	26,753,447	515,317	608,602	586,843	595,691	29,059,900	-	29,059,900
Total Without Donor Restrictions	<u>68,801,248</u>	<u>515,317</u>	<u>608,602</u>	<u>586,843</u>	<u>595,691</u>	<u>71,107,701</u>	<u>-</u>	<u>71,107,701</u>
With Donor Restrictions:								
Purpose Restrictions	28,011,570	-	-	-	-	28,011,570	-	28,011,570
Total With Donor Restrictions	<u>28,011,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,011,570</u>	<u>-</u>	<u>28,011,570</u>
Total Net Assets	<u>96,812,818</u>	<u>515,317</u>	<u>608,602</u>	<u>586,843</u>	<u>595,691</u>	<u>99,119,271</u>	<u>-</u>	<u>99,119,271</u>
Total Liabilities and Net Assets	<u>\$ 113,853,156</u>	<u>\$ 515,317</u>	<u>\$ 608,602</u>	<u>\$ 638,326</u>	<u>\$ 595,691</u>	<u>\$ 116,211,092</u>	<u>\$ (4,000)</u>	<u>\$ 116,207,092</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022
(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	\$ 28,300,506	\$ -	\$ -	\$ -	\$ -	\$ 28,300,506
Less: Discounts	(1,512,159)	-	-	-	-	(1,512,159)
Government Grants and Contracts	7,094,684	-	-	-	-	7,094,684
Conferences and Workshops	1,314,083	30,000	309,650	132,233	313,000	2,098,966
Publications and Products	224,839	-	-	-	-	224,839
Other Income	31,924	-	5,000	-	12,900	49,824
Net Assets Released from Restrictions	12,035,473	-	-	-	-	12,035,473
Total Operating Revenue and Support	<u>47,489,350</u>	<u>30,000</u>	<u>314,650</u>	<u>132,233</u>	<u>325,900</u>	<u>48,292,133</u>
Expenses:						
Program Services:						
Information Technology	35,101,385	-	-	-	-	35,101,385
Member Services and Public Affairs	10,132,902	33,317	297,357	134,919	301,433	10,899,928
Commercial Services and Business Solutions	1,106,388	-	-	-	-	1,106,388
Total Program Services	<u>46,340,675</u>	<u>33,317</u>	<u>297,357</u>	<u>134,919</u>	<u>301,433</u>	<u>47,107,701</u>
Supporting Services:						
General and Administrative	8,257,846	-	-	-	-	8,257,846
Total Expenses	<u>54,598,521</u>	<u>33,317</u>	<u>297,357</u>	<u>134,919</u>	<u>301,433</u>	<u>55,365,547</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(7,109,171)	(3,317)	17,293	(2,686)	24,467	(7,073,414)
Investment Loss, Net	(9,330,429)	(47,667)	(51,140)	(53,577)	(51,735)	(9,534,548)
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(16,439,600)	(50,984)	(33,847)	(56,263)	(27,268)	(16,607,962)
NET ASSETS WITH DONOR RESTRICTIONS						
Dues, Services, and Fees	11,551,636	-	-	-	-	11,551,636
Investment Loss, Net	(1,906,540)	-	-	-	-	(1,906,540)
Net Assets Released from Restriction	(12,035,473)	-	-	-	-	(12,035,473)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(2,390,377)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,390,377)</u>
CHANGE IN NET ASSETS	(18,829,977)	(50,984)	(33,847)	(56,263)	(27,268)	(18,998,339)
Net Assets - Beginning of Year	96,812,818	515,317	608,602	586,843	595,691	99,119,271
NET ASSETS - END OF YEAR	<u>\$ 77,982,841</u>	<u>\$ 464,333</u>	<u>\$ 574,755</u>	<u>\$ 530,580</u>	<u>\$ 568,423</u>	<u>\$ 80,120,932</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021
(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	\$ 25,905,924	\$ -	\$ -	\$ -	\$ -	\$ 25,905,924
Less: Discounts	(1,691,698)	-	-	-	-	(1,691,698)
Government Grants and Contracts	8,639,557	-	-	-	-	8,639,557
Conferences and Workshops	108,550	-	-	-	-	108,550
Publications and Products	218,388	-	-	-	-	218,388
Other Income	2,773	-	-	-	-	2,773
Net Assets Released from Restrictions	10,391,798	-	-	-	-	10,391,798
Total Operating Revenue and Support	<u>43,575,292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,575,292</u>
Expenses:						
Program Services:						
Information Technology	32,264,572	-	-	-	-	32,264,572
Member Services and Public Affairs	6,339,143	519	418	3,924	620	6,344,624
Commercial Services and Business Solutions	1,064,149	-	-	-	-	1,064,149
Total Program Services	<u>39,667,864</u>	<u>519</u>	<u>418</u>	<u>3,924</u>	<u>620</u>	<u>39,673,345</u>
Supporting Services:						
General and Administrative	7,840,219	-	-	-	-	7,840,219
Total Expenses	<u>47,508,083</u>	<u>519</u>	<u>418</u>	<u>3,924</u>	<u>620</u>	<u>47,513,564</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(3,932,791)	(519)	(418)	(3,924)	(620)	(3,938,272)
Investment Income, Net	7,086,056	36,689	39,362	41,237	39,820	7,243,164
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	3,153,265	36,170	38,944	37,313	39,200	3,304,892
NET ASSETS WITH DONOR RESTRICTIONS						
Dues, Services, and Fees	10,919,221	-	-	-	-	10,919,221
Investment Loss, Net	(118,373)	-	-	-	-	(118,373)
Net Assets Released from Restriction	(10,391,798)	-	-	-	-	(10,391,798)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	409,050	-	-	-	-	409,050
CHANGE IN NET ASSETS	3,562,315	36,170	38,944	37,313	39,200	3,713,942
Net Assets - Beginning of Year	93,250,503	479,147	569,658	549,530	556,491	95,405,329
NET ASSETS - END OF YEAR	<u>\$ 96,812,818</u>	<u>\$ 515,317</u>	<u>\$ 608,602</u>	<u>\$ 586,843</u>	<u>\$ 595,691</u>	<u>\$ 99,119,271</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, 2022, 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 24, 2023.

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. 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.

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 24, 2023



**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

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, 2022. 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, 2022.

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

Arlington, Virginia
January 24, 2023

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing 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	\$ 155,692	\$ 4,088,143
National Highway Traffic Safety Administration:			
National Highway Traffic Safety Administration Discretionary Safety Grants	20.614	-	461,791
Total Expenditures of Federal Awards		<u>\$ 155,692</u>	<u>\$ 4,549,934</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, 2022**

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, 2022. 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	\$ 4,549,934
Fixed-Price Contracts	<u>2,544,750</u>
Government Grants and Contract Revenue per Consolidated Statement of Activities	<u><u>\$ 7,094,684</u></u>

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022**

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

Assistance Listing Number(s)

20.232

Name of Federal Program or Cluster

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?

_____ X yes _____ no

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2022**

Section II – Financial Statement Findings

CURRENT YEAR FINDINGS – FINANCIAL STATEMENTS FINDINGS

None

CURRENT YEAR FINDINGS – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None