

**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, 2024 AND 2023



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**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
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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, 2024 and 2023, 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, 2024 and 2023 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 audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, management has adopted the requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-13: *Current Expected Credit Loss*. Our opinion is not modified with regard to this matter.

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 audits were 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 22, 2025 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 22, 2025

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 4,083,361	\$ 3,763,106
Investments	59,605,455	56,064,397
Accounts Receivable, Less Provision for Credit Losses of \$46,800 and \$461,749 as of 2024 and 2023, respectively	10,992,253	10,991,401
Prepaid Expenses	1,198,876	1,488,185
Investments Restricted by Funder	20,462,763	23,920,142
Property and Equipment, Net	1,535,711	1,537,881
Deposits	98,744	98,744
Right of Use Asset - Operating	765,132	6,245,451
Total Assets	<u>\$ 98,742,295</u>	<u>\$ 104,109,307</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 12,169,279	\$ 13,932,408
Deferred Revenue	1,833,601	1,746,597
Agency Funds Held	257,346	586,934
Lease Liability - Operating	1,503,120	8,429,540
Total Liabilities	<u>15,763,346</u>	<u>24,695,479</u>
NET ASSETS		
Without Donor Restrictions		
Board-Designated	38,633,195	39,478,164
Undesignated	23,882,991	16,015,522
Total Without Donor Restrictions	<u>62,516,186</u>	<u>55,493,686</u>
With Donor Restrictions		
Purpose Restrictions	20,462,763	23,920,142
Total With Donor Restrictions	<u>20,462,763</u>	<u>23,920,142</u>
Total Net Assets	<u>82,978,949</u>	<u>79,413,828</u>
Total Liabilities and Net Assets	<u>\$ 98,742,295</u>	<u>\$ 104,109,307</u>

See accompanying Notes to Consolidated Financial Statements.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Operating Revenue and Support:		
Dues, Services, and Fees	\$ 31,435,834	\$ 29,498,208
Less: Discounts	(1,338,470)	(1,376,077)
Government Grants and Contracts	8,752,939	8,043,012
Conferences and Workshops	3,033,609	2,938,763
Publications and Products	357,994	206,467
Other Income	414,767	49,541
Net Assets Released from Restrictions	<u>16,269,300</u>	<u>14,862,732</u>
Total Operating Revenue and Support	58,925,973	54,222,646
Expenses:		
Program Services:		
Information Technology	39,243,428	36,415,380
Member Services and Public Affairs	14,487,159	13,645,456
Commercial Services and Business Solutions	<u>1,311,364</u>	<u>1,437,018</u>
Total Program Services	55,041,951	51,497,854
Supporting Services:		
General and Administrative	<u>7,522,412</u>	<u>6,994,405</u>
Total Expenses	<u>62,564,363</u>	<u>58,492,259</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(3,638,390)	(4,269,613)
Investment Income, Net	<u>10,660,889</u>	<u>5,263,560</u>
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	7,022,499	993,947
NET ASSETS WITH DONOR RESTRICTIONS		
Dues, Services, and Fees	11,356,862	12,694,485
Investment Income, Net	1,455,060	467,196
Net Assets Released from Restriction	<u>(16,269,300)</u>	<u>(14,862,732)</u>
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(3,457,378)</u>	<u>(1,701,051)</u>
CHANGE IN NET ASSETS	3,565,121	(707,104)
Net Assets - Beginning of Year	<u>79,413,828</u>	<u>80,120,932</u>
NET ASSETS - END OF YEAR	<u><u>\$ 82,978,949</u></u>	<u><u>\$ 79,413,828</u></u>

See accompanying Notes to Consolidated Financial Statements.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2024

	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	\$ 51,355	\$ 244,603	\$ 3,144	\$ 299,102	\$ 9,432	\$ 308,534
Contractual Services	9,113,871	1,361,258	69,004	10,544,133	892,469	11,436,602
Depreciation and Amortization	259,123	126,541	10,074	395,738	45,628	441,366
Labor and Benefits	25,925,560	6,421,111	1,108,738	33,455,409	4,915,454	38,370,863
Occupancy and Office Expenses	1,368,928	379,671	50,791	1,799,390	375,238	2,174,628
Office Automation	1,463,409	382,230	21,857	1,867,496	430,047	2,297,543
Other Expenses	187,636	40,896	187	228,719	(109,050)	119,669
Services and Fees	14,885	49,466	13,386	77,737	536,654	614,391
Travel and Meetings	858,661	5,481,383	34,183	6,374,227	426,540	6,800,767
Total Expenses	<u>\$ 39,243,428</u>	<u>\$ 14,487,159</u>	<u>\$ 1,311,364</u>	<u>\$ 55,041,951</u>	<u>\$ 7,522,412</u>	<u>\$ 62,564,363</u>

See accompanying Notes to Consolidated Financial Statements.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2023

	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	\$ 61,540	\$ 285,460	\$ 3,479	\$ 350,479	\$ 11,978	\$ 362,457
Contractual Services	8,852,123	1,249,619	34,208	10,135,950	489,406	10,625,356
Depreciation and Amortization	262,229	129,614	9,529	401,372	46,622	447,994
Labor and Benefits	24,355,845	6,073,236	984,723	31,413,804	4,743,468	36,157,272
Occupancy and Office Expenses	1,318,967	389,434	56,524	1,764,925	600,983	2,365,908
Office Automation	1,236,246	330,566	15,038	1,581,850	258,924	1,840,774
Other Expenses	(252,411)	(7,262)	241	(259,432)	(58,258)	(317,690)
Services and Fees	13,137	46,296	11,655	71,088	513,097	584,185
Travel and Meetings	567,704	5,148,493	321,621	6,037,818	388,185	6,426,003
Total Expenses	<u>\$ 36,415,380</u>	<u>\$ 13,645,456</u>	<u>\$ 1,437,018</u>	<u>\$ 51,497,854</u>	<u>\$ 6,994,405</u>	<u>\$ 58,492,259</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, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,565,121	\$ (707,104)
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Gain on Disposal of Fixed Assets	(5,699)	(10,165)
Provision (Recovery) for Credit Losses	(179,906)	(282,009)
Depreciation and Amortization	441,366	447,994
Amortization of Deferred Leasehold Incentive	-	(883,067)
Net Realized and Unrealized Gain on Investments	(10,087,190)	(3,828,885)
Impact of Lease Standard Implementation	-	2,184,089
(Increase) Decrease in Assets:		
Accounts Receivable	179,054	(634,742)
Prepaid Expenses	289,309	(370,722)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(1,763,129)	(1,495,785)
Deferred Revenue	87,004	219,626
Agency Funds Held	(329,588)	67,964
Lease Liabilities	(1,446,101)	-
Deferred Rent	-	(1,533,314)
Net Cash Used by Operating Activities	<u>(9,249,759)</u>	<u>(6,826,120)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments	43,354,584	39,375,230
Purchases of Investments	(33,351,073)	(32,673,625)
Purchases of Property and Equipment	<u>(433,497)</u>	<u>(481,171)</u>
Net Cash Provided by Investing Activities	<u>9,570,014</u>	<u>6,220,434</u>
CHANGE IN CASH AND CASH EQUIVALENTS	320,255	(605,686)
Cash and Cash Equivalents - Beginning of Year	<u>3,763,106</u>	<u>4,368,792</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,083,361</u></u>	<u><u>\$ 3,763,106</u></u>

See accompanying Notes to Consolidated Financial Statements.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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 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, 2024 AND 2023

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 \$46,800 and \$461,749 as of September 30, 2024 and 2023, 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:

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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

Fair Value Measurement (Continued)

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.

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, 2024 and 2023.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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

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, 2024 and 2023, 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 in the consolidated statement of activities.

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.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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, 2024 and 2023 was \$3,216,510 and \$1,788,388, 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.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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

Revenue Recognition (Continued)

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

	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>

	2023		
	Point in Time	Over Time	Total
Services and Fees	\$ 40,668,575	\$ -	\$ 40,668,575
Jurisdiction Dues	-	1,054,751	1,054,751
Associate Dues	-	469,367	469,367
Total Dues, Services and Fees	40,668,575	1,524,118	42,192,693
Less Services and Fees Reclassified as Contribution Revenue	(12,694,485)	-	(12,694,485)
Total Dues, Services and Fees After Reclassified as Contribution Revenue	<u>\$ 27,974,090</u>	<u>\$ 1,524,118</u>	<u>\$ 29,498,208</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.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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

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, 2024 and 2023 was \$5,536,429 and \$6,254,624, respectively.

AAMVA had active grants with award values totaling \$29,187,615 of which \$7,206,490 had not been recognized as of September 30, 2024 because qualifying expenditures have not yet been incurred. No advance payments were received as of September 30, 2024.

Classification of Net Assets

The net assets of AAMVA are reported as follows:

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

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

Functional Allocation of Expenses

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

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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

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.

Recently Adopted New Accounting Standards

At the beginning of 2023, AAMVA adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. AAMVA adopted this new guidance utilizing the modified retrospective transition method. The adoption of this standard did not have a material impact on AAMVA's consolidated financial statements.

Subsequent Events

Subsequent events have been evaluated through January 22, 2025, which is the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

As of September 30, 2024 and 2023, AAMVA has \$32,320,190 and \$22,495,564, 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>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 4,083,361	\$ 3,763,106
Accounts Receivable	10,992,253	8,137,438
Unrestricted Investments	59,605,455	56,064,397
Less: Jurisdiction Credits	(3,470,338)	(5,404,279)
Less: Agency Funds Held	(257,346)	(586,934)
Less: Board Designated Net Assets:		
Operating Reserve	(12,500,000)	(12,500,000)
State-to-State Reserve	(14,202,074)	(11,454,046)
IT Systems Modernization	(8,811,852)	(10,511,444)
NMVTIS Modernization	(3,119,269)	(5,012,674)
Total	<u>\$ 32,320,190</u>	<u>\$ 22,495,564</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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, 2024 and 2023. 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>2024</u>	<u>2023</u>
Investments:		
Mutual Funds:		
Equity	\$ 29,169,651	\$ 28,393,012
Fixed Income	20,022,073	19,027,887
Alternative Strategies	8,559,510	6,064,829
Cash and Cash Equivalents	<u>1,854,221</u>	<u>2,578,669</u>
Total Investments	59,605,455	56,064,397
Investments Restricted by Funder:		
Certificates of Deposit	14,367,786	18,270,647
Cash and Cash Equivalents	<u>6,094,977</u>	<u>5,649,495</u>
Total Investments Restricted by Funder	<u>20,462,763</u>	<u>23,920,142</u>
Total	<u><u>\$ 80,068,218</u></u>	<u><u>\$ 79,984,539</u></u>

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

	<u>2024</u>	<u>2023</u>
Interest and Dividends	\$ 2,113,413	\$ 1,985,427
Realized Gain (Loss), net	1,517,075	(1,691,621)
Unrealized Gain, net	8,570,115	5,520,506
Investment Fees	<u>(84,654)</u>	<u>(83,556)</u>
Net Investment Income	<u><u>\$ 12,115,949</u></u>	<u><u>\$ 5,730,756</u></u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 4 RECEIVABLES

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

	2024	2023	2022
Dues, Services, and Fees	\$ 6,120,891	\$ 5,979,828	\$ 5,897,337
Government Grants and Contracts	4,621,441	5,341,469	4,787,370
Conferences and Workshops	188,450	39,650	28,250
Other	108,271	92,203	126,547
Total Receivables	11,039,053	11,453,150	10,839,504
Less: Provision for Credit Losses	(46,800)	(461,749)	(764,854)
Receivables, Net	<u>\$ 10,992,253</u>	<u>\$ 10,991,401</u>	<u>\$ 10,074,650</u>

All receivables were due within one year. Unbilled receivables included above from government grants and contracts totaled \$3,642,024 and \$4,754,194 as of September 30, 2024 and 2023, respectively. These amounts include unbilled costs based upon AAMVA's NICRA as follows:

	2024	2023
Unbilled Direct Costs	\$ 2,550,113	\$ 1,148,577
Unbilled Indirect Costs	1,091,911	3,605,617
Total Unbilled Costs	<u>\$ 3,642,024</u>	<u>\$ 4,754,194</u>

NOTE 5 INVESTMENTS RESTRICTED BY FUNDERS

Investments restricted by funders as of September 30, 2024 and 2023, were for the following programs. The related net assets with donor restrictions are described in Note 9.

	2024	2023
Commercial Driver's License Information System (CDLIS)	\$ 15,151,413	\$ 22,663,351
National Motor Vehicle Title Information System (NMVTIS)	5,311,350	1,256,791
Net Restricted Investments	<u>\$ 20,462,763</u>	<u>\$ 23,920,142</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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, 2024 and 2023, aggregated by the fair value hierarchy level with which those measurements were made:

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	59,605,455	57,751,234	-	-
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	20,462,763	-	14,367,786	-
Total Assets	<u>\$ 80,068,218</u>	<u>\$ 57,751,234</u>	<u>\$ 14,367,786</u>	<u>\$ -</u>
September 30, 2023				
	Total	Level 1	Level 2	Level 3
Investments				
Mutual Funds - Equity	\$ 28,393,012	\$ 28,393,012	\$ -	\$ -
Mutual Funds - Fixed Income	19,027,887	19,027,887	-	-
Mutual Funds - Alternative Strategies	6,064,829	6,064,829	-	-
Cash and Cash Equivalents, at Cost	2,578,669	-	-	-
Total Investments	56,064,397	53,485,728	-	-
Investments Restricted by Funder				
Certificates of Deposit	18,270,647	-	18,270,647	-
Cash and Cash Equivalents, at Cost	5,649,495	-	-	-
Total Restricted Investments	23,920,142	-	18,270,647	-
Total Assets	<u>\$ 79,984,539</u>	<u>\$ 53,485,728</u>	<u>\$ 18,270,647</u>	<u>\$ -</u>

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.

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment as of September 30, 2024 and 2023, consisted of the following:

	2024	2023
Software	\$ 25,004,915	\$ 25,004,915
Equipment	3,667,118	3,495,892
Leasehold Improvements	1,750,214	1,750,214
Furniture	531,719	531,719
Work in Process	358,095	99,541
Total Property and Equipment	31,312,061	30,882,281
Less: Accumulated Depreciation and Amortization	(29,776,350)	(29,344,400)
Property and Equipment, Net	<u>\$ 1,535,711</u>	<u>\$ 1,537,881</u>

Depreciation and amortization expense for the years ended September 30, 2024 and 2023, was \$441,366 and \$447,994, respectively.

NOTE 8 BOARD-DESIGNATED NET ASSETS

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

	2024	2023
State-to-State Reserve	\$ 14,202,074	\$ 11,454,046
Operating Reserve	12,500,000	12,500,000
IT Systems Modernization	8,811,852	10,511,444
NMVTIS Modernization	3,119,269	5,012,674
Total Board-Designated Net Assets	<u>\$ 38,633,195</u>	<u>\$ 39,478,164</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.

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, 2024, the balance of the operating reserve was \$12,500,000.

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, 2024, the balance of the S2S reserve was \$14,202,074.

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023**

NOTE 8 BOARD-DESIGNATED NET ASSETS (CONTINUED)

IT Systems Modernization

The Board of Directors established this reserve during the year ended September 30, 2018 to sustain and secure IT systems for AAMVA's members on an ongoing basis. The balance as of September 30, 2024, was \$8,811,852.

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, 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 transfer of funds will occur in FY2025 once the FY2024 financial statement audit is complete.

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Subject to Expenditure for Specified Purpose		
CDLIS Program	\$ 15,151,413	\$ 22,663,351
NMVTIS Program	5,311,350	1,256,791
Total	<u>\$ 20,462,763</u>	<u>\$ 23,920,142</u>

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

	<u>2024</u>	<u>2023</u>
Satisfaction of Purpose Restrictions		
CDLIS Program	\$ 9,206,037	\$ 7,905,412
NMVTIS Program	7,063,263	6,957,320
Total	<u>\$ 16,269,300</u>	<u>\$ 14,862,732</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

CDLIS Program

Included in software in Note 7 are costs incurred by AAMVA as part of a federally funded program to build the CDLIS software. AAMVA charged user fees for the use of the software through September 30, 2023. As of September 30, 2024 and 2023, AAMVA had cumulative unspent program income of \$15,151,413 and \$22,663,350, 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, 2024 and 2023 totaling \$1,349,781 and \$438,225, 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. FMCSA intends to establish a funding source for AAMVA to cover CDLIS O&M and continuous improvements costs. In the interim, FMCSA authorized AAMVA to use CDLIS program income/reserves to fund associated costs.

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, 2024 and 2023, AAMVA had cumulative unspent program reserves of \$5,311,350 and \$1,256,791, 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 was composed of the following as of September 30:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Deferred Revenue:			
Dues, Services, and Fees	\$ 1,631,190	\$ 1,584,461	\$ 1,365,869
Conferences and Workshops	167,700	113,550	135,850
Other Income	34,711	48,586	25,252
Total Deferred Revenue	<u>\$ 1,833,601</u>	<u>\$ 1,746,597</u>	<u>\$ 1,526,971</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

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 will terminate 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 \$59,199 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, 2024 and 2023.

Lease expense totaled \$1,187,080 and \$1,245,812 for the years ended September 30, 2024 and 2023, respectively.

The following table provides quantitative information concerning AAMVA's leases for the year ended September 30, 2024:

	2024	2023
Operating Lease Costs	\$ 1,187,080	\$ 1,223,131
Cash Paid for Amounts Included in the Measurement of Lease Liability:		
Operating Cash Flows from Operating Leases	\$ 2,633,182	\$ 1,455,423
Weighted-Average Remaining Lease Term - Operating Lease	1.0 Years	6.0 Years
Weighted-Average Discount Rate - Operating Lease	4.35%	3.97%

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 11 COMMITMENTS, RISKS, AND CONTINGENCIES (CONTINUED)

Operating Lease (Continued)

A maturity analysis of annual undiscounted lease payment cash flows for operating and finance lease liabilities as of September 30, 2024, is as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2025	\$ 1,528,511
2026	4,875
Undiscounted Cash Flows	1,533,386
(Less) Imputed Interest	(30,266)
Total Present Value	<u>\$ 1,503,120</u>

Employment Contracts

In August 2023, AAMVA entered into an employment agreement with an employee that provides for compensation and benefits through September 30, 2025. The employee may terminate the agreement with 30 days' notice. AAMVA may terminate the agreement with cause at any time with no obligation for compensation and benefits beyond the effective date of termination. The agreement allows AAMVA to terminate without cause. In the event of termination without cause, AAMVA is obligated to provide severance equal to the equivalent of continued full compensation and benefits for 12 months following the effective date of the termination of the employee's employment.

Concentration of Credit Risk

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

Financial Risk

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

Compliance Audit

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

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2024 AND 2023

NOTE 11 COMMITMENTS, RISKS, AND CONTINGENCIES (CONTINUED)

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, 2024 and 2023, the discretionary contribution was 3% of each participant's annual salary. During the years ended September 30, 2024 and 2023, AAMVA contributed \$976,181 and \$1,032,708, respectively, in matching contributions and made a discretionary contribution of \$928,026 and \$873,394, 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, 2024 and 2023, 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, 2024
(SEE INDEPENDENT AUDITORS' REPORT)

	AAMVA	Region I	Region II	Region III	Region IV	Subtotal	Elimination	Total
ASSETS								
Cash and Cash Equivalents	\$ 3,327,905	\$ 20,480	\$ 161,813	\$ 304,668	\$ 268,495	\$ 4,083,361	\$ -	\$ 4,083,361
Investments	57,739,641	336,236	577,707	540,177	411,694	59,605,455	-	59,605,455
Accounts Receivable, Less Provision for Credit Losses of \$46,800	10,888,957	35,846	900	61,600	4,950	10,992,253	-	10,992,253
Due from Affiliate	-	93,059	13,854	8,077	11,325	126,315	(126,315)	-
Prepaid Expenses	1,093,318	47,461	16,096	13,088	28,913	1,198,876	-	1,198,876
Restricted Investments	20,462,763	-	-	-	-	20,462,763	-	20,462,763
Property and Equipment, Net	1,535,711	-	-	-	-	1,535,711	-	1,535,711
Deposits	98,744	-	-	-	-	98,744	-	98,744
Right of Use Asset - Operating	765,132	-	-	-	-	765,132	-	765,132
Total Assets	<u>\$ 95,912,171</u>	<u>\$ 533,082</u>	<u>\$ 770,370</u>	<u>\$ 927,610</u>	<u>\$ 725,377</u>	<u>\$ 98,868,610</u>	<u>\$ (126,315)</u>	<u>\$ 98,742,295</u>
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable and Accrued Expenses	\$ 12,120,951	\$ 13,229	\$ 22,059	\$ -	\$ 13,040	\$ 12,169,279	\$ -	\$ 12,169,279
Deferred Revenue	1,659,401	-	-	174,200	-	1,833,601	-	1,833,601
Due to Affiliate	118,315	-	3,000	-	5,000	126,315	(126,315)	-
Agency Funds Held	257,346	-	-	-	-	257,346	-	257,346
Lease Liability - Operating	1,503,120	-	-	-	-	1,503,120	-	1,503,120
Total Liabilities	<u>15,659,133</u>	<u>13,229</u>	<u>25,059</u>	<u>174,200</u>	<u>18,040</u>	<u>15,889,661</u>	<u>(126,315)</u>	<u>15,763,346</u>
NET ASSETS								
Without Donor Restrictions:								
Board-Designated	38,633,195	-	-	-	-	38,633,195	-	38,633,195
Undesignated	21,157,080	519,853	745,311	753,410	707,337	23,882,991	-	23,882,991
Total Without Donor Restrictions	<u>59,790,275</u>	<u>519,853</u>	<u>745,311</u>	<u>753,410</u>	<u>707,337</u>	<u>62,516,186</u>	<u>-</u>	<u>62,516,186</u>
With Donor Restrictions:								
Purpose Restrictions	<u>20,462,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,462,763</u>	<u>-</u>	<u>20,462,763</u>
Total With Donor Restrictions	<u>20,462,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,462,763</u>	<u>-</u>	<u>20,462,763</u>
Total Net Assets	<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>	<u>-</u>	<u>82,978,949</u>
Total Liabilities and Net Assets	<u>\$ 95,912,171</u>	<u>\$ 533,082</u>	<u>\$ 770,370</u>	<u>\$ 927,610</u>	<u>\$ 725,377</u>	<u>\$ 98,868,610</u>	<u>\$ (126,315)</u>	<u>\$ 98,742,295</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2023
(SEE INDEPENDENT AUDITORS' REPORT)

	AAMVA	Region I	Region II	Region III	Region IV	Subtotal	Elimination	Total
ASSETS								
Cash and Cash Equivalents	\$ 3,105,173	\$ 71,917	\$ 179,187	\$ 237,787	\$ 169,042	\$ 3,763,106	\$ -	\$ 3,763,106
Investments	54,425,770	363,630	481,554	450,271	343,172	56,064,397	-	56,064,397
Accounts Receivable, Less Provision for Credit Losses of \$461,749	10,965,951	-	450	25,000	-	10,991,401	-	10,991,401
Due from Affiliate	418	-	5,412	3,095	-	8,925	(8,925)	-
Prepaid Expenses	1,389,972	22,136	1,938	5,252	68,887	1,488,185	-	1,488,185
Restricted Investments	23,920,142	-	-	-	-	23,920,142	-	23,920,142
Property and Equipment, Net	1,537,881	-	-	-	-	1,537,881	-	1,537,881
Deposits	98,744	-	-	-	-	98,744	-	98,744
Right of Use Asset - Operating	6,245,451	-	-	-	-	6,245,451	-	6,245,451
Total Assets	<u>\$ 101,689,502</u>	<u>\$ 457,683</u>	<u>\$ 668,541</u>	<u>\$ 721,405</u>	<u>\$ 581,101</u>	<u>\$ 104,118,232</u>	<u>\$ (8,925)</u>	<u>\$ 104,109,307</u>
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts Payable and Accrued Expenses	\$ 13,895,877	\$ 2,720	\$ 28,390	\$ 2,908	\$ 2,513	\$ 13,932,408	\$ -	\$ 13,932,408
Deferred Revenue	1,626,547	-	-	120,050	-	1,746,597	-	1,746,597
Due to Affiliate	-	8,925	-	-	-	8,925	(8,925)	-
Agency Funds Held	586,934	-	-	-	-	586,934	-	586,934
Lease Liability - Operating	8,429,540	-	-	-	-	8,429,540	-	8,429,540
Total Liabilities	<u>24,538,898</u>	<u>11,645</u>	<u>28,390</u>	<u>122,958</u>	<u>2,513</u>	<u>24,704,404</u>	<u>(8,925)</u>	<u>24,695,479</u>
NET ASSETS								
Without Donor Restrictions:								
Board-Designated	39,478,164	-	-	-	-	39,478,164	-	39,478,164
Undesignated	13,752,298	446,038	640,151	598,447	578,588	16,015,522	-	16,015,522
Total Without Donor Restrictions	<u>53,230,462</u>	<u>446,038</u>	<u>640,151</u>	<u>598,447</u>	<u>578,588</u>	<u>55,493,686</u>	<u>-</u>	<u>55,493,686</u>
With Donor Restrictions:								
Purpose Restrictions	<u>23,920,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,920,142</u>	<u>-</u>	<u>23,920,142</u>
Total With Donor Restrictions	<u>23,920,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,920,142</u>	<u>-</u>	<u>23,920,142</u>
Total Net Assets	<u>77,150,604</u>	<u>446,038</u>	<u>640,151</u>	<u>598,447</u>	<u>578,588</u>	<u>79,413,828</u>	<u>-</u>	<u>79,413,828</u>
Total Liabilities and Net Assets	<u>\$ 101,689,502</u>	<u>\$ 457,683</u>	<u>\$ 668,541</u>	<u>\$ 721,405</u>	<u>\$ 581,101</u>	<u>\$ 104,118,232</u>	<u>\$ (8,925)</u>	<u>\$ 104,109,307</u>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2024
(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	\$ 31,435,834	\$ -	\$ -	\$ -	\$ -	\$ 31,435,834
Less: Discounts	(1,338,470)	-	-	-	-	(1,338,470)
Government Grants and Contracts	8,752,939	-	-	-	-	8,752,939
Conferences and Workshops	1,622,608	369,450	437,700	214,401	389,450	3,033,609
Publications and Products	357,994	-	-	-	-	357,994
Other Income	394,525	5,938	-	-	14,304	414,767
Net Assets Released from Restrictions	16,269,300	-	-	-	-	16,269,300
Total Operating Revenue and Support	57,494,730	375,388	437,700	214,401	403,754	58,925,973
Expenses:						
Program Services:						
Information Technology	39,243,428	-	-	-	-	39,243,428
Member Services and Public Affairs	13,191,413	374,180	428,694	149,345	343,527	14,487,159
Commercial Services and Business Solutions	1,311,364	-	-	-	-	1,311,364
Total Program Services	53,746,205	374,180	428,694	149,345	343,527	55,041,951
Supporting Services:						
General and Administrative	7,522,412	-	-	-	-	7,522,412
Total Expenses	61,268,617	374,180	428,694	149,345	343,527	62,564,363
CHANGE IN NET ASSETS FROM OPERATIONS	(3,773,887)	1,208	9,006	65,056	60,227	(3,638,390)
Investment Gain, Net	10,333,699	72,607	96,154	89,907	68,522	10,660,889
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	6,559,812	73,815	105,160	154,963	128,749	7,022,499
NET ASSETS WITH DONOR RESTRICTIONS						
Dues, Services, and Fees	11,356,862	-	-	-	-	11,356,862
Investment Gain, Net	1,455,060	-	-	-	-	1,455,060
Net Assets Released from Restriction	(16,269,300)	-	-	-	-	(16,269,300)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(3,457,378)	-	-	-	-	(3,457,378)
CHANGE IN NET ASSETS	3,102,434	73,815	105,160	154,963	128,749	3,565,121
Net Assets - Beginning of Year	77,150,604	446,038	640,151	598,447	578,588	79,413,828
NET ASSETS - END OF YEAR	<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>

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2023
(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	\$ 29,498,208	\$ -	\$ -	\$ -	\$ -	\$ 29,498,208
Less: Discounts	(1,376,077)	-	-	-	-	(1,376,077)
Government Grants and Contracts	8,043,012	-	-	-	-	8,043,012
Conferences and Workshops	1,562,463	357,350	392,600	220,500	405,850	2,938,763
Publications and Products	206,467	-	-	-	-	206,467
Other Income	39,655	8,286	-	-	1,600	49,541
Net Assets Released from Restrictions	14,862,732	-	-	-	-	14,862,732
Total Operating Revenue and Support	52,836,460	365,636	392,600	220,500	407,450	54,222,646
Expenses:						
Program Services:						
Information Technology	36,415,380	-	-	-	-	36,415,380
Member Services and Public Affairs	12,285,092	408,149	348,255	177,612	426,348	13,645,456
Commercial Services and Business Solutions	1,437,018	-	-	-	-	1,437,018
Total Program Services	50,137,490	408,149	348,255	177,612	426,348	51,497,854
Supporting Services:						
General and Administrative	6,994,405	-	-	-	-	6,994,405
Total Expenses	57,131,895	408,149	348,255	177,612	426,348	58,492,259
CHANGE IN NET ASSETS FROM OPERATIONS	(4,295,435)	(42,513)	44,345	42,888	(18,898)	(4,269,613)
Investment Gain, Net	5,164,249	24,218	21,051	24,979	29,063	5,263,560
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	868,814	(18,295)	65,396	67,867	10,165	993,947
NET ASSETS WITH DONOR RESTRICTIONS						
Dues, Services, and Fees	12,694,485	-	-	-	-	12,694,485
Investment Loss, Net	467,196	-	-	-	-	467,196
Net Assets Released from Restriction	(14,862,732)	-	-	-	-	(14,862,732)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(1,701,051)	-	-	-	-	(1,701,051)
CHANGE IN NET ASSETS	(832,237)	(18,295)	65,396	67,867	10,165	(707,104)
Net Assets - Beginning of Year	77,982,841	464,333	574,755	530,580	568,423	80,120,932
NET ASSETS - END OF YEAR	<u>\$ 77,150,604</u>	<u>\$ 446,038</u>	<u>\$ 640,151</u>	<u>\$ 598,447</u>	<u>\$ 578,588</u>	<u>\$ 79,413,828</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, 2024, 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 22, 2025.

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.

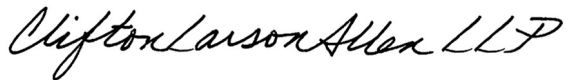
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
January 22, 2025



**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, 2024. 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, 2024.

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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Arlington, Virginia
January 22, 2025

AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS AND AFFILIATES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2024

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Federal Motor Carrier Safety Administration: Commercial Driver's License Program Improvement Grant	20.232	\$ 157,398	\$ 4,422,947
National Highway Traffic Safety Administration: National Highway Traffic Safety Administration Discretionary Safety Grants	20.614	-	1,113,482
Total Expenditures of Federal Awards		<u>\$ 157,398</u>	<u>\$ 5,536,429</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, 2024

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, 2024. 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	\$ 5,536,429
Fixed-Price Contracts	<u>3,216,510</u>
Government Grants and Contract Revenue per Consolidated Statement of Activities	<u><u>\$ 8,752,939</u></u>

**AMERICAN ASSOCIATION OF MOTOR VEHICLE ADMINISTRATORS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2024**

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)

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, 2024**

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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