

**Northern Virginia Chapter
Association of Government Accountants**

**Financial Statements
June 30, 2016 and 2015**

**Northern Virginia Chapter
Association of Government Accountants
Index
June 30 2016 and 2015**

	Page(s)
Independent Accountant’s Review Report	1
Financial Statements	
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Cash Flows.....	4
Notes to the Financial Statements.....	5-11

RoyMichael, LLC

Independent Accountant's Review Report

**Board of Directors
Northern Virginia Chapter
Association of Government Accountants
P.O. Box 23692
Washington, DC 20026-3692**

I have reviewed the accompanying financial statements of Northern Virginia Chapter, Association of Government Accountants, which comprise the statement of position as of June 30, 2016, and the related statements of activities and, cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, I do not express such an opinion.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

My responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require me to perform procedures to obtain limited assurance as a basis for reporting whether I am aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. I believe that the results of my procedures provide a reasonable basis for my conclusion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

The financial statements of the prior period of Northern Virginia Chapter, Association of Government Accountants, were previously audited on December 29, 2015, and an unmodified opinion was issued. No auditing procedures were performed subsequent to December 29, 2015.



Arlington, VA
December 23, 2016

**Northern Virginia Chapter
Association of Government Accountants
Statement of Financial Position
June 30, 2016 and 2015**

	2016	2015
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 85,968	\$ 98,679
Investments	5,628	5,627
Accounts Receivable	22,000	4,000
Total Current Assets	<u>113,595</u>	<u>108,306</u>
Total Assets	<u>\$ 113,595</u>	<u>\$ 108,306</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts Payable	\$ 899	\$ 925
Total Current Liabilities	<u>899</u>	<u>925</u>
Total Liabilities	899	925
Net Assets		
Unrestricted	112,696	107,381
Temporarily Restricted	-	-
Permanently Restricted	-	-
Total Net Assets	<u>112,696</u>	<u>107,381</u>
Total Liabilities and Net Assets	<u>\$ 113,595</u>	<u>\$ 108,306</u>

See Independent Accountant's Review Report and notes to the financial statements.

**Northern Virginia Chapter
Association of Government Accountants
Statement of Financial Position
June 30, 2016 and 2015**

	2016	2015
Revenues, gains, and other support		
Corporate Sponsorship	\$ 30,462	\$ 40,000
Other Contributions	273	1,650
Registration Fees	7,792	6,922
Membership Dues	7,515	12,007
Fundraising Activities	382	-
Other Income - Interest	43	42
Other Support	425	-
Total revenues, gains, and other support	<u>46,890</u>	<u>60,621</u>
Expenses and losses		
Chapter Meetings		
Food & Beverage	8,845	10,541
Facilities Rental	8,449	22,515
Speaker Fees	1,259	2,202
Scholarships	2,725	1,000
Cash Awards and Grants	871	420
Charitable Contributions	4,247	2,817
Networking Events	4,123	580
Membership relations materials	1,369	1,427
Supplies	431	406
Website, Teleconference	336	229
Bank Fees	127	15
Insurance	500	425
Accounting Fees	3,250	2,650
Postage & Mailing Service	219	192
Business Management	125	-
Fundraising	3,293	4,266
Bad Debt Expense	1,404	2,000
Total expenses and losses	<u>41,575</u>	<u>51,685</u>
Change in net assets		
Changes in unrestricted net assets	5,315	8,936
Changes in temporarily restricted net assets	-	-
Changes in permanently restricted net assets	-	-
Increase in net assets	<u>5,315</u>	<u>8,936</u>
Net Assets at beginning of year	<u>107,381</u>	<u>98,445</u>
Net assets at end of year	<u>\$ 112,696</u>	<u>\$ 107,381</u>

See Independent Accountant's Review Report and notes to the financial statements.

**Northern Virginia Chapter
Association of Government Accountants
Statement of Financial Position
June 30, 2016 and 2015**

	2016	2015
Change in Net Assets	\$ 5,315	\$ 8,936
Cash Flows from Operating Activities		
Adjustments		
(Increase) Decrease in Accounts Receivable	(18,000)	6,580
Decrease in Accounts Payable	<u>(26)</u>	<u>(2,840)</u>
Net Cash Provided by Operating Activities	(12,711)	12,676
Cash Flows from Investing Activities		
Increase in Investing Activities	(1)	-
Cash Flows from Financing Activities		
Net Cash Provided by Financing Activities	-	-
Net Decrease in Cash and Cash Equivalents	<u>(12,712)</u>	<u>12,676</u>
Cash and Cash Equivalents at Beginning of Year	<u>104,306</u>	<u>93,630</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 91,595</u>	<u>\$ 104,306</u>

See Independent Accountant's Review Report and notes to the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Northern Virginia Chapter, Association of Government Accountants (NOVAGA) is a nonprofit corporation that was granted a charter under the Association of Government Accountants and formed under the laws of the Commonwealth of Virginia in June 1969, with a purpose to serve professionals in the government financial management community by providing quality education, fostering professional development and certification, and supporting standards and research to advance government accountability.

Basis of Accounting

The financial statements of the NOVAGA have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

In May 2014, the FASB issued a standard on Revenue from Contracts with Customers. This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating the transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. NOVAGA is evaluating the impact this will have on the combined financial statements beginning in fiscal year 2018, if applicable.

In April 2015, the FASB issued a standard on Simplifying the Presentation of Debt Issuance Costs. This standard requires all costs incurred to issue debt to be presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability. The standard is effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. NOVAGA is evaluating the impact this will have on the combined financial statements beginning in fiscal year 2017, if applicable.

In May 2015, the FASB issued a standard on Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). The guidance removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share (“NAV”) as a practical expedient. The standard is effective for non-public entities for interim and annual reporting periods beginning after December 15, 2016 and should be applied retrospectively. Early application is permitted. NOVAGA is evaluating the impact this will have on the combined financial statements beginning in fiscal year 2017, if applicable.

**Northern Virginia Chapter
Association of Government Accountants
Notes to the Financial Statements
June 30, 2016 and 2015**

In January 2016, the FASB issued a standard on Financial Instruments—Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. The standard is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted for all financial statements of fiscal years that have not yet been issued. NOVAGA is evaluating the impact this will have on the combined financial statements beginning in fiscal year 2019, if applicable.

In February 2016, the FASB issued a standard on Leases. The standard requires recognition of rights and obligations arising from lease contracts, including existing and new arrangements, as assets and liabilities on the statement of financial position. The standard is effective for annual reporting periods beginning after December 15, 2018. NOVAGA is evaluating the impact this will have on the combined financial statements beginning in fiscal year 2019, if applicable.

In August 2016, the FASB issued a standard on Presentation of Financial Statements for Not-for-Profit Entities, which makes targeted changes to the not-for-profit financial reporting model. The new ASU marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. Under the new standard, net asset reporting will be streamlined and clarified. The existing three-category classification of net assets will be replaced with a simplified model that combines temporarily restricted and permanently restricted into a single category called “net assets with donor restrictions.” The guidance for classifying deficiencies in endowment funds and on accounting for the lapsing of restrictions on gifts to acquire property, plant, and equipment have also been simplified and clarified. New disclosures will highlight restrictions on the use of resources that make otherwise liquid assets unavailable for meeting near-term financial requirements. Not-for-profits will continue to have flexibility to decide whether to report an operating subtotal and if so, to self-define what is included or excluded. However, if the operating subtotal includes internal transfers made by the governing board, transparent disclosure must be provided. The standard also imposes several new requirements related to reporting expenses, including providing information about expenses by their natural classification. The standard is effective for fiscal years beginning after December 15, 2017 or fiscal year 2019 for early adoption is permitted. NOVAGA is evaluating the impact of the new guidance on the financial statements.

Basis of Presentation

NOVAGA financial statements follow accounting standards of not-for-profit entities in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, Not-for-Profit Entities – Presentation. Under those standards, NOVAGA is required to report information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

**Northern Virginia Chapter
Association of Government Accountants
Notes to the Financial Statements
June 30, 2016 and 2015**

The NOVAGA's net assets have been classified and reported as follows:

- Unrestricted – All net assets which are not subject to donor imposed restrictions.
- Temporarily Restricted – Net assets whose use is subject to donor imposed restrictions that either expire by the passage of time or can be fulfilled and removed by actions of the NOVAGA pursuant to these donor restrictions.
- Permanently Restricted – Net assets that are subject to donor-imposed restrictions that require the original contribution to be maintained in perpetuity by the NOVAGA but permits the use of the investment earnings for general or specific purposes.

There were no temporarily or permanently restricted activities reported in June 30, 2016 and 2015.

Cash and Cash Equivalents

NOVAGA defines cash and cash equivalents as cash on hand, demand deposits and short term investments with maturities of three months or less when purchased. The carrying amount of cash equivalents approximates fair value. Additional information regarding the NOVAGA's fair value methodologies for investments is provided in footnote 5, Fair Value Measurements.

Investments

Investments are stated at fair value in the statement of financial position. The change in unrealized appreciation or depreciation of investments is reflected in the statements of activities. Investment income includes interest and dividend income, realized and unrealized gains and losses, and are recognized as revenue and reported in the consolidated statement of activities and changes in net assets.

Additional information regarding the NOVAGA's fair value methodologies for investments is provided in footnote 5, Fair Value Measurements. These valuations necessarily involve assumptions and estimation methods which are subject to uncertainty, and therefore the estimates could differ materially from actual results. NOVAGA reviews and evaluates the valuation methods and assumptions used in determining the fair value of the investments.

Accounts Receivable

Accounts Receivables are booked when invoiced or when commitments for contributions are made. NOVAGA uses the direct write-off method for uncollectible accounts receivable, as opposed to the allowance method, because of the varying degree of collectability from period to period. Using the allowance method would cause accounts receivable to materially vary from year to year. Further, the majority of accounts receivable recognized consists of unconditional pledges or membership dues, which materially vary from year to year, but may be easily justified as to collectability. Therefore, the direct write-off method more accurately reflects the economic phenomena of NOVAGA. In June 30, 2016, \$1,404 was charged to bad debt expense because only \$2,596 was collected in June 30, 2015 accounts receivable balance.

**Northern Virginia Chapter
Association of Government Accountants
Notes to the Financial Statements
June 30, 2016 and 2015**

Federal Income Taxes

NOVAGA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. This allows an organization to be exempt, if it operates exclusively to promote social welfare. NOVAGA has no income subject to taxation as unrelated business income.

Use of Estimates

The preparation of financial statements in accordance with US 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include collectability of accounts receivable and fair value measurement. Actual results could differ materially, in the near term, from the amounts reported.

NOTE 2: REVENUE

Revenue from unrestricted contributions is recognized when pledged. NOVAGA reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Revenue from contracts is recognized as the related qualifying expenses are incurred. Revenue is deferred when funds are received but not yet expended for the contractual purpose.

**Northern Virginia Chapter
Association of Government Accountants
Notes to the Financial Statements
June 30, 2016 and 2015**

NOTE 3: ALLOCATION OF JOINT COSTS

In 2016, NOVAGA conducted membership development activities that included solicitation of membership dues and solicitation of contributions. Those activities included open chapter meetings, guest speakers, membership relations materials, and special networking events. The costs of conducting those activities included a total of \$27,770 of joint costs, which are not specifically attributable to particular components of the activities (joint costs). These joint costs were allocated as follows.

Chapter Meetings	\$17,295
Supplies (Chapter Meetings)	431
Speaker Fees	1,295
Networking Events	4,123
Membership Relations	1,369
Fund Raising	3,292
Total	<u>\$27,770</u>

NOTE 4: CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject NOVAGA to significant concentrations of credit risk principally consist of cash and cash equivalents, investments, and accounts receivable. NOVAGA maintains bank accounts at an institution that is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

NOTE 5: FAIR VALUE MEASUREMENTS

Authoritative guidance on fair value measurements establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Observable inputs reflect market data obtained from sources independent of NOVAGA and unobservable inputs reflect management's assumptions about how market participants would value an asset or liability based on the best information available. The NOVAGA follows the guidance and adopts a three-level hierarchy which prioritizes the inputs, of which the first two are considered observable and the last unobservable. The three levels of the fair value hierarchy under the authoritative guidance are as follows:

- Level 1 is based upon quoted prices in active markets that NOVAGA has the ability to access for identical assets or liabilities. Market price data is generally obtained from

**Northern Virginia Chapter
Association of Government Accountants
Notes to the Financial Statements
June 30, 2016 and 2015**

exchange or dealer markets. NOVAGA does not adjust the quoted price for such assets and liabilities.

- Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.
- Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. NOVAGA assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no transfers among Levels 1, 2 and 3 during the fiscal year.

The following table presents the financial instruments carried at fair value as of June 30, 2016, by caption on the statement of financial position based on the valuation hierarchy defined above:

	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash Equivalent		\$85,968		\$85,968
Investment Certificate of Deposit		\$5,628		\$5,628

**Northern Virginia Chapter
Association of Government Accountants
Notes to the Financial Statements
June 30, 2016 and 2015**

The following table presents the financial instruments carried at fair value as of June 30, 2015, by caption on the statement of financial position based on the valuation hierarchy defined above:

	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash Equivalent		\$98,679		\$98,679
Investment				
Certificate of Deposit		\$5,627		\$5,627

NOTE 6: SUBSEQUENT EVENTS

NOVAGA has performed an evaluation of subsequent events through December 23, 2016, which is the date the financial statements were issued, noting no additional events which affect the financial statements as of June 30, 2016.