

**VIRGINIA GOVERNMENT FINANCE OFFICERS' ASSOCIATION**

**FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

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Virginia Government Finance Officers' Association  
Financial Statements  
Year Ended December 31, 2018

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# ROBINSON, FARMER, COX ASSOCIATES

A PROFESSIONAL LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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## Independent Auditors' Report

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To the Board of Directors  
Virginia Government Finance Officers' Association  
Richmond, Virginia

We have audited the accompanying financial statements of Virginia Government Finance Officers' Association (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Government Finance Officers' Association as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Change in Accounting Principle

As described in Note 5 to the financial statements, in 2018, the Virginia Government Finance Officers' Association adopted new accounting guidance, FASB ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

## Report on Summarized Comparative Information

We have previously audited Virginia Government Finance Officers' Association's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 23, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived, with the exception of reclassified items related to the newly adopted accounting guidance as described in Note 5.

Richmond, Virginia  
March 21, 2019

Virginia Government Finance Officers' Association  
Statement of Financial Position  
December 31, 2018  
(With Comparative Totals for 2017)

Assets

	2018	2017
Current Assets:		
Cash and cash equivalents	\$ 123,076	\$ 143,847
Investments	65,630	65,776
Accounts receivable	2,845	1,455
Prepaid expenses	6,080	6,445
Total Assets	\$ 197,631	\$ 217,523

Liabilities

Current Liabilities:		
Accounts payable	\$ 3,600	\$ 5,352
Deferred revenue	30,915	34,545
Total Liabilities	\$ 34,515	\$ 39,897

Net Assets

Net assets without donor restrictions	\$ 163,116	\$ 177,626
Total Liabilities and Net Assets	\$ 197,631	\$ 217,523

The accompanying notes are an integral part of these statements.

Virginia Government Finance Officers' Association  
Statement of Activities  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

	<u>2018</u>	<u>2017</u>
<b>Revenue and Support</b>		
Educational courses	\$ 71,775	\$ 84,965
Conferences	233,560	210,970
Membership dues	43,165	33,120
Investment income	1,301	4,142
Other revenue	<u>700</u>	<u>500</u>
Total Revenue and Support	\$ <u>350,501</u>	\$ <u>333,697</u>
<b>Expenses</b>		
Program Services:		
Educational courses	\$ 96,156	\$ 89,741
Conferences	199,459	185,525
Other program services	<u>4,700</u>	<u>8,934</u>
Total Program Services	\$ <u>300,315</u>	\$ <u>284,200</u>
Supporting Services:		
Management and General	\$ <u>64,696</u>	\$ <u>59,844</u>
Total Supporting Services	\$ <u>64,696</u>	\$ <u>59,844</u>
Total Expenses	\$ <u>365,011</u>	\$ <u>344,044</u>
Change in net assets	\$ (14,510)	\$ (10,347)
Net Assets, beginning of year	<u>177,626</u>	<u>187,973</u>
Net Assets, end of year	<u><u>163,116</u></u>	<u><u>177,626</u></u>

The accompanying notes are an integral part of these statements.

Virginia Government Finance Officers' Association  
Statement of Functional Expenses  
For the Year Ended December 31, 2018  
(with Comparative Totals for 2017)

	Program Services			Supporting Services	Total	2017
	Educational Courses	Conferences	Other	Management and General		
Supplies	\$ -	\$ -	\$ -	\$ 1,208	\$ 1,208	\$ 1,203
Credit card discount	-	-	-	8,328	8,328	8,303
Website development	-	-	-	1,815	1,815	2,115
Printing	-	-	-	41	41	-
Postage	-	-	-	61	61	57
Other office expenses	-	-	-	317	317	339
Travel	-	-	-	27,527	27,527	20,862
Audit fees	-	-	-	4,750	4,750	4,750
Legal fees	-	-	-	1,251	1,251	3,273
Insurance	-	-	-	2,980	2,980	2,861
Conference - spring	-	110,808	-	-	110,808	98,580
Conference - fall	-	81,614	-	-	81,614	63,973
Administrative support	23,455	7,037	-	16,418	46,910	45,945
Scholarships and grants	-	-	4,700	-	4,700	8,934
Education courses	46,224	-	-	-	46,224	50,413
CPFO certification	3,944	-	-	-	3,944	6,077
Other educational courses	22,533	-	-	-	22,533	20,545
Mentorship program	-	-	-	-	-	5,814
<b>Total expenses</b>	<b>\$ 96,156</b>	<b>\$ 199,459</b>	<b>\$ 4,700</b>	<b>\$ 64,696</b>	<b>\$ 365,011</b>	<b>\$ 344,044</b>

The accompanying notes to the financial statements are an integral part of this statement.

Virginia Government Finance Officers' Association  
Statement of Cash Flows  
For the Year Ended December 31, 2018  
(With Comparative Totals for 2017)

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CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2018</u>	<u>2017</u>
Change in net assets	\$ (14,510)	\$ (10,347)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
(Increase) Decrease in prepaid expenses	365	(3,084)
(Increase) Decrease in accounts receivable	(1,390)	(345)
(Decrease) Increase in accounts payable	(1,752)	2,137
(Decrease) Increase in deferred revenue	<u>(3,630)</u>	<u>2,195</u>
Net cash provided by (used for) operating activities	<u>\$ (20,917)</u>	<u>\$ (9,444)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Unrealized (gain) loss on investments	<u>\$ 146</u>	<u>\$ (3,543)</u>
Net cash provided by (used for) investing activities	<u>\$ 146</u>	<u>\$ (3,543)</u>
Net increase (decrease) in cash and cash equivalents	\$ (20,771)	\$ (12,987)
Cash and cash equivalents at beginning of year	<u>143,847</u>	<u>156,834</u>
Cash and cash equivalents at end of year	<u><u>\$ 123,076</u></u>	<u><u>\$ 143,847</u></u>

The accompanying notes are an integral part of these statements.

Virginia Government Finance Officers' Association  
Notes to Financial Statements  
December 31, 2018 (Continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Nature of Activities:

Virginia Government Finance Officers' Association (the Association) is a member organization formed in 1968. The primary mission of the Association is to foster governmental excellence by providing education, training, fellowship and career enhancement for governmental professionals throughout Virginia.

B. Basis of Accounting:

The Association maintains its assets and liabilities, and records its income and expenses by use of the accrual basis of accounting. Under the accrual basis, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which the related liability is incurred.

C. Financial Statement Presentation:

The Association is required to report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions:

Net assets without donor restrictions - Net assets that are not subject to any donor-imposed stipulations. At December 31, 2018, the Association had net assets without donor restrictions of \$163,116.

Net assets with donor restrictions - Net assets that are subject to donor-imposed stipulations. Some of these restrictions may be met either by actions of the Association or the passage of time. Other net assets are subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Association. At December 31, 2018, the Association had no net assets with donor restrictions.

D. Deferred Revenue:

Deferred revenue consists of advance registration fees for courses and advance membership dues.

E. Cash and Cash Equivalents:

For purposes of the statement of cash flows, cash and cash equivalents consist of highly liquid investments with an initial maturity of three months or less from the date of acquisition.

F. Income Taxes:

Virginia Government Finance Officers' Association is exempt from Federal income taxes under Section 501(c)(6) of the Internal Revenue Code and therefore no provision for Federal income taxes has been reported in the accompanying financial statements. A form 990 as required by the Internal Revenue Service has been filed for the years ended December 31, 2018 and 2017.

Virginia Government Finance Officers' Association  
Notes to Financial Statements  
December 31, 2018 (Continued)

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONTINUED)

G. Use of Estimates:

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Comparative Totals:

Comparative totals are presented for informational purposes only.

I. Accounts Receivable:

Grants, contracts, and accounts receivable are deemed to be fully collectible by management and are composed of federal, state, and local monies. As of December 31, 2018, accounts receivable consisted of \$2,845. The Association had no bad debt expense for the year ended December 31, 2018.

NOTE 2 - INVESTMENTS:

At December 31, 2018, investments consisted of fixed income holdings with SunTrust Investment Services and amounted to \$65,630. At December 31, 2017, investments consisted of fixed income holdings with SunTrust Investment Services and amounted to \$65,776.

NOTE 3 - MANAGEMENT SERVICES AND SHARED REVENUE:

Management Services:

The Association entered into a Memorandum of Understanding with the Virginia Local Government Finance Corporation (operating as VML/VACo) to provide management services to the Association beginning January 1, 2016. The fee was \$11,728 per quarter for 2018, payable in arrears, and provides for an automatic inflation adjustment equaling the lesser of the percentage of increase per the Consumer Price Index (CPI) or 3.0%. The adjustment becomes effective as of January 1 of each subsequent year. The total amount paid to VML/VACo for management services for 2018 and 2017, respectively was \$46,910 and \$45,945.

Shared Revenue:

The Association has entered into a revised Memorandum of Understanding dated January 1, 2018 with Radford University's Governmental and Nonprofit Assistance Center (GNAC) to jointly administer the Virginia Government Finance Officers' Certificate program and develop and administer other education programs for the Association. Under the terms of the agreement, the Association will compensate GNAC to develop and administer live educational courses, online courses and live Certified Public Finance Officers review courses. The Association will pay GNAC the net proceeds from live educational classes after deducting \$50 per participant, \$75 per participant for online courses, and \$1,500 for the development and administration of live Certified Public Finance Officers' review courses. The Association paid GNAC \$27,525 and \$34,860 in 2018 and 2017, respectively, under terms of this agreement.

Virginia Government Finance Officers' Association  
Notes to Financial Statements  
December 31, 2018 (Continued)

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**NOTE 4 - FUNCTIONAL ALLOCATION OF EXPENSES:**

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Specifically identifiable expenses are directly allocated. Administrative costs of \$46,910 have been allocated among the program services and supporting services based on estimated activities benefitted.

**NOTE 5 - NEW ACCOUNTING PRONOUNCEMENT:**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Association has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the beginning net assets. The new standard changes the following aspects of the Association financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called *net assets with donor restrictions*.
- The unrestricted net asset class has been renamed *net assets without donor restrictions*.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 6).

	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 177,626	\$ -
Net assets without donor restrictions	<u>-</u>	<u>177,626</u>
Total net assets	<u>\$ 177,626</u>	<u>\$ 177,626</u>

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Virginia Government Finance Officers' Association  
Notes to Financial Statements  
December 31, 2018 (Continued)

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**NOTE 6 - LIQUIDITY AND RESERVES:**

The Association monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Association's investment policy limits investments held to Federal Deposit Insurance Corporation (FDIC) insured money market accounts and bank certificates of deposit not to exceed a 10 year maturity. The Association has the following financial assets that could be readily made available within one year of the balance sheet to fund expenses without limitations:

	2018		2017
Cash and cash equivalents	\$ 123,076	\$	143,847
Investments	65,630		65,776
Accounts receivable	2,845		1,455
	\$ 191,551	\$	211,078

The Association operates with a near-balanced budget and anticipated an operating deficit in 2018 and 2017. The Association's policy states that the Association shall maintain a minimum net asset balance of 15% of the total projected revenues each year, and if the net asset balance falls below this amount, the Association will restore its net asset balance to the prescribed level within a five-year period. The Association's ending net asset balance compared to their minimum net asset balance policy for the year under audit and prior year comparison is presented below:

	2018		2017
Projected revenues	\$ 378,100	\$	347,415
Minimum 15% net asset balance	\$ 56,715	\$	52,112
Actual ending net asset balance	\$ 163,116	\$	177,626

**NOTE 7 - DATE OF MANAGEMENT'S REVIEW:**

Management has evaluated events and transactions for potential recognition or disclosure through March 21, 2019, the date on which the financial statements were available to be issued.