

INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION (ICMA)

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED JUNE 30, 2021

INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION

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CONSOLIDATED FINANCIAL STATEMENTS

ICMA & ICMA EUROPE

**FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

ICMA & ICMA EUROPE

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INDEPENDENT AUDITOR'S REPORT

To the Executive Board
International City/County Management Association
Washington, D.C.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of International City/County Management Association & ICMA Europe (collectively the Association), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Association as of June 30, 2021, and the consolidated change in its net assets and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Association's 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position by Fund on page I-26, the Consolidating Schedule of Activities and Change in Net Assets by Fund on page I-27, and the Schedule of Indirect Rate Calculation on page I-33 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The Schedule of Expenditures of Federal Awards on pages I-(28 - 30) as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, 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 financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 29, 2021 on our consideration of the Association'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 the Association'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 the Association's internal control over financial reporting and compliance.



October 29, 2021

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 2,153,182	\$ 3,821,118
Investments	19,377,324	13,483,224
Grants and contracts receivable, net	1,910,204	2,475,191
Pledges receivable, net	42,226	58,607
Trade receivables, net	1,059,577	1,128,000
Prepaid expenses and advances	536,557	746,695
Property and equipment, net	1,697,959	2,099,329
Capitalized legal commissions, net	<u>3,722</u>	<u>8,685</u>
TOTAL ASSETS	\$ <u>26,780,751</u>	\$ <u>23,820,849</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 3,082,047	\$ 3,228,579
Advance payments in excess of revenue recognized	84,628	-
Deferred revenue	4,016,838	3,073,288
Subtenant deposits	6,799	20,465
Note payable	<u>1,902,300</u>	<u>1,842,900</u>
Total liabilities	<u>9,092,612</u>	<u>8,165,232</u>

NET ASSETS

Without donor restrictions	14,186,149	12,417,530
With donor restrictions	<u>3,501,990</u>	<u>3,238,087</u>
Total net assets	<u>17,688,139</u>	<u>15,655,617</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>26,780,751</u>	\$ <u>23,820,849</u>

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**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants, contracts and cooperative agreements:				
Government	\$ 8,668,721	\$ -	\$ 8,668,721	\$ 12,153,858
Contributed services	140,332	-	140,332	137,108
Program income	-	-	-	360,361
Non-government	73,056	-	73,056	204,659
Contributions	607,530	89,546	697,076	559,468
Membership dues	6,034,228	-	6,034,228	6,176,772
Publications, subscriptions sales and advertising	1,402,223	-	1,402,223	1,217,255
Conferences and meetings	1,882,115	-	1,882,115	4,553,809
Fees	1,231,508	-	1,231,508	1,754,392
Subtenant rental income	181,883	-	181,883	586,710
Royalty income	2,759,202	-	2,759,202	2,478,317
Investment income, net	381,396	523,713	905,109	870,208
Other	180,647	-	180,647	223,369
Net assets released from donor restrictions	<u>349,356</u>	<u>(349,356)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>23,892,197</u>	<u>263,903</u>	<u>24,156,100</u>	<u>31,276,286</u>
EXPENSES				
Program services	16,104,912	-	16,104,912	21,353,712
Management and general	<u>7,861,566</u>	<u>-</u>	<u>7,861,566</u>	<u>8,468,140</u>
Total expenses	<u>23,966,478</u>	<u>-</u>	<u>23,966,478</u>	<u>29,821,852</u>
Change in net assets before other item	(74,281)	263,903	189,622	1,454,434
OTHER ITEM				
Forgiveness of debt	<u>1,842,900</u>	<u>-</u>	<u>1,842,900</u>	<u>-</u>
Change in net assets	1,768,619	263,903	2,032,522	1,454,434
Net assets at beginning of year	<u>12,417,530</u>	<u>3,238,087</u>	<u>15,655,617</u>	<u>14,201,183</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,186,149</u>	<u>\$ 3,501,990</u>	<u>\$ 17,688,139</u>	<u>\$ 15,655,617</u>

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**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021					2020	
	Program Services			Supporting Services		Total Expenses	Total Expenses
	Grants and Contracts	Other Association Activities	Donor Restricted	Total Program Services	Management and General		
On-site labor	\$ 836,144	\$ 3,499,181	\$ -	\$ 4,335,325	\$ 2,765,591	\$ 7,100,916	\$ 6,991,111
Domestic offsite labor	110,720	859,148	-	969,868	16,939	986,807	949,521
Field office labor	130,930	-	-	130,930	-	130,930	235,491
Interns	1,296	1,357	-	2,653	189	2,842	22,963
TOTAL SALARIES AND WAGES	1,079,090	4,359,686	-	5,438,776	2,782,719	8,221,495	8,199,086
Fringe benefits	449,394	1,817,242	-	2,266,636	1,160,199	3,426,835	3,378,540
Other employee costs	-	840	-	840	646,549	647,389	791,751
Professional fees and consulting services	1,916,871	1,136,019	103,260	3,156,150	648,541	3,804,691	5,149,241
Field office expenses	2,767,785	-	-	2,767,785	-	2,767,785	4,055,418
Travel and related expenses	(1,456)	43,258	-	41,802	37,377	79,179	1,154,429
Contributed services	140,332	-	-	140,332	-	140,332	137,108
Rent	-	660,606	-	660,606	1,115,901	1,776,507	1,763,816
Conferences, meetings, and workshops	19,120	797,806	-	816,926	34,238	851,164	2,416,870
Printing and other production costs	3,937	345,869	-	349,806	6,324	356,130	381,191
Communications	17,569	115,600	-	133,169	137,226	270,395	377,622
Living allowance	57,257	-	-	57,257	-	57,257	90,515
Depreciation and amortization	-	21,838	-	21,838	584,314	606,152	600,650
Selling expenses	-	26,331	-	26,331	-	26,331	24,027
Non-capitalized equipment	4,882	14,661	-	19,543	87,947	107,490	193,795
Insurance	2,564	-	-	2,564	98,228	100,792	133,775
Supplies	305	5,972	-	6,277	14,707	20,984	105,799
Equipment rental and maintenance	-	-	-	-	11,752	11,752	91,387
Credit card processing fees	-	-	-	-	140,429	140,429	161,625
Memberships and subscriptions	3,175	68,529	-	71,704	31,798	103,502	91,946
Interest	-	-	-	-	213	213	3,959
Bank fees	-	-	-	-	15,604	15,604	17,409
Promotions	-	1,343	-	1,343	-	1,343	-
Other expenses	2,488	(123,357)	246,096	125,227	307,500	432,727	501,893
TOTAL DIRECT EXPENSES	6,463,313	9,292,243	349,356	16,104,912	7,861,566	23,966,478	29,821,852

See accompanying notes to consolidated financial statements.

ICMA & ICMA EUROPE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021					2020	
	Program Services			Supporting Services		Total Expenses	Total Expenses
	Grants and Contracts	Other Association Activities	Donor Restricted	Total Program Services	Management and General		
Allocation of onsite contract administration expenses	\$ 240,332	\$ -	\$ -	\$ 240,332	\$ (240,332)	\$ -	\$ -
Allocation of onsite facilities costs	128,680	537,888	-	666,568	(666,568)	-	-
Allocation of field office contract administration expenses	58,883	-	-	58,883	(58,883)	-	-
Allocation of general and administrative costs	2,446,470	3,563,993	126,657	6,137,120	(6,137,120)	-	-
TOTAL EXPENSES AFTER ALLOCATIONS	\$ 9,337,678	\$ 13,394,124	\$ 476,013	\$ 23,207,815	\$ 758,663	\$ 23,966,478	\$ 29,821,852

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,032,522	\$ 1,454,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	601,189	600,650
Amortization of capitalized legal commissions	4,963	-
Realized and unrealized gain on investments	(370,389)	(118,910)
Forgiveness of debt	(1,842,900)	-
Provision for doubtful accounts and reserves	(27,861)	(43,613)
Loss on disposal of assets	46,322	34,800
Decrease in:		
Receivables	661,271	70,999
Pledges receivable	16,381	11,398
Prepaid expenses and advances	210,138	347,661
(Decrease) increase in:		
Accounts payable and accrued expenses	(146,532)	293,661
Advance payments in excess of revenue recognized	84,628	-
Deferred revenue	943,550	(2,190,249)
Subtenant deposits	(13,666)	-
Net cash provided by operating activities	<u>2,199,616</u>	<u>460,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(16,976,193)	(9,551,801)
Proceeds from sale of investments	11,452,482	9,506,280
Purchase of property and equipment	<u>(246,141)</u>	<u>(255,481)</u>
Net cash used by investing activities	<u>(5,769,852)</u>	<u>(301,002)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	<u>1,902,300</u>	<u>1,842,900</u>
Net cash provided by financing activities	<u>1,902,300</u>	<u>1,842,900</u>
Net (decrease) increase in cash and cash equivalents	(1,667,936)	2,002,729
Cash and cash equivalents at beginning of year	<u>3,821,118</u>	<u>1,818,389</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,153,182</u>	<u>\$ 3,821,118</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Founded in 1914, the International City/County Management Association (ICMA) is a 501(c)(3) nonprofit organization that advances professional local government through leadership, management, innovation, and ethics. ICMA's vision is to be the leading professional association dedicated to creating and supporting thriving communities throughout the world. ICMA's members are the professional local government managers who are appointed by elected officials to oversee the day-to-day operation of our communities. The organization promotes and embraces diversity among its members, including a governing Board that reflects ICMA's membership and the communities served.

The International City/County Management Association Europe (ICMA Europe) was founded by ICMA in December 2017 as a nonprofit organization in the Slovak Republic. ICMA Europe works to advance ICMA's mission on a global scale by serving as a platform for ICMA's international affiliates and implementing projects and activities aimed at advancing local government management in Europe. ICMA and ICMA Europe are collectively referred to as the Association.

The Association offers a wide range of services to its members and the local government community. It also performs mission-driven grant and contract-funded work both in the U.S. and internationally, which is supported by federal government agencies, local governments, foundations and corporations. Such funded work provided 33% of gross support and revenues for the Association during the year ended June 30, 2021.

The Association provides member support, publications, data and information, peer and results-oriented assistance, and training and professional development to over 12,000 city, town, and county managers, their staffs, and other individuals and organizations throughout the world. The management decisions made by the Association's members affect millions of individuals living in thousands of communities, from small villages and towns to large metropolitan areas.

The Association's projects and programs are organized and managed around the following outcomes:

Member Services - Build and sustain a dynamic network of engaged members who demonstrate a commitment to the highest standards of honesty and integrity while seeking the best solutions in local government leadership and management worldwide.

Professional & Leadership Development - Develop and enhance the management and leadership capacity of members and local government professionals through a comprehensive array of high-quality programs delivered in a variety of formats.

Research and Policy - Identify trends and issues affecting local governments; conduct research and develop information resources important to local government professionals and government leaders.

Global Program Management - Identify and develop leading practices and provide technical assistance in their implementation to local governments. Provide a broad array of customized, adaptable, client-driven services to local governments to improve the effectiveness and efficiency of local government services worldwide.

Outreach - Build brand awareness and reputation of the Association and the profession through effective packaging and dissemination of local government thought leadership content leading to increased demand for membership, partnerships, and resources.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Organization (continued) -

Conferences, Events and Sponsorships - Generate business opportunities and innovations that boost membership value and foster professional local government management by identifying and aligning resources with the Association's strategic goals.

Support Services - Provide program teams with human capital, technology, and resources needed to achieve their priorities and meet their performance objectives.

Principles of consolidation -

The accompanying consolidated financial statements include the accounts of ICMA and ICMA Europe pursuant to the criterion established by FASB ASC 958-810, *Not-for-Profit Entities, Consolidation* (as amended). Under FASB 958-810, consolidation is required if a separate not-for-profit organization has control (i.e. major voting interest) and significant economic interest in that other organization. All significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions.

Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported 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) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's consolidated financial statements for the year ended June 30, 2020, from which the summarized information was derived.

ICMA & ICMA EUROPE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncement adopted -

During fiscal year 2021, the Association adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way the Association recognized revenue; however, the presentation and disclosures of revenue have been enhanced. The Association has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Cash and cash equivalents -

The Association considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Association maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of related investment expenses in the Consolidated Statement of Activities and Change in Net Assets as an increase or decrease in net assets without donor restrictions, unless otherwise restricted by the donor or by law.

Receivables -

Receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using the historical experience applied to an aging of accounts.

Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. The allowance for doubtful accounts, based on management's evaluation of the collection of receivables at June 30, 2021 is \$24,140 for grants and contracts receivable and \$131,832 for trade receivables. All trade receivables and grant and contract receivables are due within one year of the statement of financial position date.

Promises to give -

Unconditional promises to give (i.e., pledges or contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discounts are included in contribution revenue. The allowance for doubtful accounts, based on management's evaluation of the collection of pledges receivable at June 30, 2021 is \$1,350.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Property and equipment -

The Association capitalizes all property and equipment purchased with non-federal funds with a unit cost of \$5,000 or more. Property and equipment is recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the related assets, generally two to ten years. Leasehold improvements are also recorded at cost and are amortized over their estimated useful lives or the remaining life of the lease, whichever is shorter. The cost of maintenance and repairs is recorded as expenses are incurred. Replacements and betterments are capitalized.

Property and equipment purchased under federal government contracts and grants, subject to reversion to the federal government, are expensed as contract costs.

At the time assets are retired or otherwise disposed, the property and related accumulated depreciation or amortization accounts are relieved of the applicable amounts, and any gain or loss is credited or charged to revenue or expense in the accompanying Consolidated Statement of Activities and Change in Net Assets.

Depreciation and amortization of property and equipment for the year ended June 30, 2021 totaled \$601,189.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Consolidated Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

ICMA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, ICMA qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. As such, it is exempt from income taxes on all but unrelated business income. No provisions for federal or state income taxes is required for 2021.

ICMA Europe is a registered non-profit in the Slovak Republic. ICMA Europe fully complies with the laws of the Slovak Republic and any other authority that has jurisdiction over the entity. As a result, ICMA Europe is exempt from all income taxes in the United States. No provisions for federal or state income taxes are required for 2021.

Uncertain tax positions -

For the year ended June 30, 2021, the Association has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

ICMA & ICMA EUROPE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Deferred revenue -

Deferred revenue consists of membership dues, subscriptions, conference and meeting registrations and other items. The Association recognizes membership dues and subscriptions on a pro-rata basis over the annual membership or subscription period. The Association recognizes conference and meeting revenue when the related event has occurred.

Revenue recognition -

The majority of the Association's revenue is received from the following sources:

Grants, contracts and cooperative agreements -

The Association receives grants, contracts and cooperative agreements (awards) from the U.S. Government, international organizations and other entities. Revenues from awards are recognized in the appropriate category of net assets in the period received. The Association performs an analysis of the individual awards to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed nonreciprocal or reciprocal.

For awards qualifying as contributions, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Awards qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Awards qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most awards from the United States Government and other entities are for direct and indirect program costs. When these transactions are deemed nonreciprocal, they are classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the Association has limited discretion over how funds transferred should be spent. As such, the Association recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Amounts due from funding organizations for expenditures incurred under conditional awards are included in grants and contracts receivable, net. Funds received in advance of the incurrence of qualifying expenditures are recorded as advance payments in excess of revenue recognized.

Revenue recognition for awards classified as exchange transactions follows ASU 2014-09, Revenue from Contracts with Customers and revenue is recorded when the performance obligations are met. The Association has elected to opt out of all (or certain) disclosures not required for non-public entities. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the contract agreements.

Amounts due from funding organizations for reimbursable expenses incurred in accordance with the contract agreements are included in grants and contracts receivable, net. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

ICMA & ICMA EUROPE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition (continued) -

Grants, contracts and cooperative agreements (continued) -

The Association had approximately \$8,313,000 in unrecognized awards, of which \$331,000 pertain to grants and \$7,982,000 pertain to cooperative agreements and contracts as of June 30, 2021.

Contributed services -

Contributed services consist of services of corporate, government, and member volunteers who have donated time in the performance of the Association's grants, contracts and cooperative agreements, which would otherwise have to be purchased and which have a clear measurable basis for valuation. These services are recorded as contributed services revenue and expenses at their estimated fair market value.

Contributions -

Unconditional contributions are recognized when received and are considered available for the Association's general programs unless specifically restricted by the donor. Unconditional contributions that have donor restrictions are recognized as "without donor restrictions" upon satisfaction of time restrictions or when a purpose restriction is accomplished. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Membership dues -

The Association provides benefits to its members including access to online or print publications, discounted prices to webinars, professional development events, the annual conference, and other discounts, member only access to certain professional development opportunities, access to ICMAConnect (a private, members only community) and other networking opportunities, member support and advice on ethical issues and credentialing program eligibility. These benefits represent individual distinct obligations that are delivered evenly throughout the membership period. Therefore, membership dues are recognized on a pro-rata basis over the membership period.

Publications, subscription sales and advertising -

The Association sells print and digital publications and datasets. Sales of the Association publications are reciprocal contracts where customers are receiving reciprocal benefits. Revenue is recognized when the performance obligation is met (when print publications are shipped, or when digital content is made available). Digital content is made available immediately once an order is placed. Transaction price is determined based on sales price. The Association has elected to opt out of all disclosures not required for non-public entities.

The Association offers advertisement opportunities in print and digital publications. Advertisement sales are reciprocal contracts where customers are receiving reciprocal benefits. Revenue is recognized when the performance obligation is met (when ads are placed into the publications).

Transaction price is determined based on sales price. The Association has elected to opt out of all disclosures not required for nonpublic entities.

ICMA & ICMA EUROPE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Revenue recognition (continued) -

Conferences and meetings -

The Association holds conferences and events providing a variety of educational and professional development programs to local government professionals, including access to keynote addresses, educational sessions, workshops, roundtables and field demonstrations.

The Association charges fees for participation in the conferences and meetings, and these transactions are considered to be reciprocal. Accordingly, revenue is recognized when the performance obligation is met (when the conference or event takes place). Transaction price is based on sales price. The Association has elected to opt out of all disclosures not required for nonpublic entities.

The Association offers sponsorship opportunities to organizations in exchange for certain contributions to the Association, such as sponsorship for the annual conference, regional conferences and other events. These are nonreciprocal transactions that are treated as contributions, and the associated revenue is recognized when the related events take place.

Fees -

The Association holds a number of programs which provide training, credentialing, professional development and education. These programs are reciprocal contracts where customers are receiving reciprocal benefits. Accordingly, revenue is recognized when the related performance obligations are met (when the programs take place). Transaction price is based on sales price. The Association has elected to opt out of all disclosures not required for nonpublic entities.

Subtenant rental income -

The Association receives rental income from subleasing office space that is not used by the Association. Subtenant rental income is recorded on a straight-line basis over the term of the lease.

Royalty income -

The Association receives licensing fees from International City Management Association Retirement Corporation (ICMA-RC, dba MissionSquare Retirement) for the use of the Association's name and brand. The amount is expressed as a percentage of MissionSquare Retirement's gross revenue. Royalty revenue is recognized as MissionSquare Retirement's gross revenue is recognized and reported to the Association.

Use of estimates -

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

ICMA & ICMA EUROPE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses directly attributed to a specific functional area of the Association are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Investment risks and uncertainties -

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

Fair value measurement -

The Association adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements.

The Association accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen. The overall potential impact on the Association's operations is unknown at this time.

New accounting pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 which delayed the implementation date by one year. The ASU is effective for non public entities for fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

ICMA & ICMA EUROPE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncement (not yet adopted) (continued) -

The Association plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying consolidated financial statements.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30, 2021 consisted of the following:

Without donor restrictions - cash	\$ 2,096,437
Without donor restrictions - ICMA Europe cash	9,669
With donor restrictions - money market	<u>47,076</u>
TOTAL CASH AND CASH EQUIVALENTS	<u>\$ 2,153,182</u>

3. PLEDGES RECEIVABLE

Pledges receivable are discounted to present value using a blended rate that contemplates the donor's estimated borrowing rate and a risk-free rate of return at the time the unconditional promise is made. Management estimates that the fair value of pledges receivable approximates their carrying values. The discount rate for 2021 was 1.625%. An allowance for uncollectible pledges receivable is recorded to accommodate outstanding amounts that management believes may not be collected based upon the current economic conditions.

The Association has recorded an allowance for uncollectible pledges receivable of \$1,350. The outstanding pledges at June 30, 2021 are expected to be collected as follows:

Less than one year	\$ 15,000
One to five years	<u>30,000</u>
Total	45,000
Less: Allowance to discount balance to present value	(1,424)
Less: Allowance for uncollectible pledges	<u>(1,350)</u>
PLEDGES RECEIVABLE, NET	<u>\$ 42,226</u>

4. INVESTMENTS

Investments consisted of the following at June 30, 2021:

	<u>Fair Value</u>
Certificates of deposit	\$ 13,303,964
Government bonds	2,049,432
Annuities	506,048
Exchange traded funds	<u>3,517,880</u>
TOTAL INVESTMENTS	<u>\$ 19,377,324</u>

ICMA & ICMA EUROPE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

4. INVESTMENTS (Continued)

Included in investment income are the following:

Interest and dividends (including CPAS dividend - see Note 16)	\$ 567,250
Realized and unrealized gain on investments, net	370,389
Investment expenses	<u>(32,530)</u>
TOTAL INVESTMENT INCOME	<u>\$ 905,109</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2021:

Asset Category:	Estimated Useful Lives	Cost	Accumulated Depreciation and Amortization	Net Book Value	Depreciation and Amortization Expense
Software	3-10 years	\$ 3,258,290	\$ 1,824,178	\$1,434,112	\$ 396,759
Computer hardware	2 to 5 years	874,418	710,978	163,440	158,903
Furniture and fixtures	10 years	74,512	65,141	9,371	7,349
Leasehold improvements	Lease terms	192,734	110,122	82,612	22,553
Office equipment	5 Years	<u>122,960</u>	<u>114,536</u>	<u>8,424</u>	<u>15,625</u>
TOTAL PROPERTY AND EQUIPMENT		<u>\$ 4,522,914</u>	<u>\$ 2,824,955</u>	<u>\$1,697,959</u>	<u>\$ 601,189</u>

6. CAPITALIZED LEGAL COMMISSIONS

The Association has capitalized legal commissions of \$3,722 at June 30, 2021, net of accumulated amortization of \$22,334 for legal services obtained while subleasing space within its own leased office space. The costs are amortized using the straight-line method over the life of the leases. Amortization expense was \$4,963 for the year ended June 30, 2021.

7. NOTES PAYABLE

On April 20, 2020, the Association received loan proceeds in the amount of \$1,842,900 under the Paycheck Protection Program. The promissory note bore interest at a rate of 1.00% per year and called for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first seven months. The Association applied for forgiveness of the loan after completing the 24 week spending period. In February 2021, the Association received notification that the loan had been forgiven in full by the Small Business Administration. The loan forgiveness has been recorded as forgiveness of debt in the other item section in the accompanying Consolidated Statement of Activities and Change in Net Assets.

On March 16, 2021, the Association received loan proceeds in the amount of \$1,902,300 under the Paycheck Protection Program. The promissory note bears interest at a rate of 1.00% per year and calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments until ten months after completion of the 24 week spending period.

ICMA & ICMA EUROPE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

7. NOTES PAYABLE (Continued)

Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. The Association intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. The Association intends to apply for forgiveness after completing the 24 week spending period. If forgiveness is granted, the Association will record revenue from forgiveness of debt during the period that forgiveness was approved.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

<u>Year Ending June 30,</u>	
2023	\$ 493,391
2024	523,945
2025	529,208
2026	<u>355,756</u>
	<u>\$ 1,902,300</u>

8. DEFERRED REVENUE

Deferred revenue at June 30, 2021, consists of the following:

Membership dues	\$ 3,634,841
Annual conference	206,113
Subscriptions	26,787
Other	<u>149,097</u>
TOTAL DEFERRED REVENUE	<u>\$ 4,016,838</u>

9. LEASE COMMITMENTS

ICMA leases office space from the Center for Public Administration and Service, Inc. (CPAS), a related party (See Note 16), under an operating lease expiring on December 31, 2026. The office lease consists of minimum payments plus additional amounts from pass-through of real estate taxes and operating expenses. Rent expense for the year June 30, 2021 was \$1,776,507.

The following is a schedule of the future minimum lease payments:

<u>Year Ending June 30,</u>	
2022	\$ 1,010,700
2023	1,010,700
2024	1,005,500
2025	1,004,500
2026	<u>1,506,700</u>
	<u>\$ 5,538,100</u>

ICMA also sublets certain office space as lessor. Sublease income for the year ended June 30, 2021 was \$181,883, including approximately \$29,438 from a related party, as discussed in Note 16.

ICMA & ICMA EUROPE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

9. LEASE COMMITMENTS (Continued)

The following is a schedule of the future minimum rental income:

<u>Year Ending June 30,</u>	
2022	\$ 83,100
2023	<u>6,900</u>
	\$ <u>90,000</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include donor restricted and other funds, which are only available for program services. Net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors. Following is a summary of net assets with donor restrictions for the year ended June 30, 2021:

	Balance at June 30, 2020	Additions	Releases	Balance at June 30, 2021
Fund for Professional Management	\$ 2,347,460	\$ 394,699	\$ (12,985)	\$ 2,729,174
Life, Well Run Campaign	33,785	1,642	(35,427)	-
Future of Professional Management	325,163	125,536	(284,694)	166,005
Tranter-Leong Fund	209,320	35,691	(1,250)	243,761
Endowed Awards	67,230	11,498	-	78,728
Babs Elwell	26,484	4,529	-	31,013
Garvey Scholarship	20,937	3,580	-	24,517
Kennedy Shaw	4,091	700	-	4,791
Legacy Fund	49,891	8,640	-	58,531
Hansell Fund	14,859	2,222	(5,000)	12,081
CAL-ICMA Coaching Program	14,826	2,535	-	17,361
O'Neill Leadership Fund	17,291	4,585	-	21,876
Judy Kelsey Trust	<u>106,750</u>	<u>17,402</u>	<u>(10,000)</u>	<u>114,152</u>
TOTAL	\$ <u>3,238,087</u>	\$ <u>613,259</u>	\$ <u>(349,356)</u>	\$ <u>3,501,990</u>

11. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Consolidated Statement of Financial Position date comprise the following at June 30, 2021:

Cash and cash equivalents	\$ 2,153,182
Investments	19,377,324
Grants and contracts receivable, net	1,910,204
Pledges receivable, current portion	15,000
Trade receivables, net	<u>1,059,577</u>
Subtotal financial assets available within one year	24,515,287
Less: Donor restricted funds	<u>(3,501,990)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 21,013,297**

ICMA & ICMA EUROPE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

11. LIQUIDITY AND AVAILABILITY (Continued)

The Association has a policy to structure its financial assets to be available and liquid as its obligations become due.

12. RETIREMENT PLANS

ICMA maintains a defined contribution plan with Teachers Insurances and Annuity Association, College Retirement Equities Funds (TIAA). Employees contribute to the Plan through elective salary deferrals.

In the first year of employment, the Plan requires employees to make a salary deferral equal to 1.5% of the employee's annual salary, with a matching employer contribution equal to 1.5% of their annual salary. Upon completion of one year of service with ICMA, the organization contributes an additional 1.5% of the employee's annual salary.

For employees who have completed two years of service with ICMA, the organization contributes 7% of the employee's annual salary up to the maximum FICA salary base and 12.7% on salary in excess of the FICA limit. For employees who have completed ten years of service, ICMA contributes 8% of the employee's annual salary up to the maximum FICA salary base and 13.7% on salary in excess of the FICA limit.

Employee contributions, plus actual earnings thereon, are fully vested. Contributions made by ICMA vest 25% annually after two years of service, with full vesting after five years. The organization contributed \$647,453 to the Plan during the year ended June 30, 2021.

ICMA also maintains a non-qualified deferred compensation plan pursuant to Section 457(b) of the Internal Revenue Code which covers qualified participants.

Earnings on 457(b) plan assets are reflected as an increase in the Plan obligations. Plan obligations totaled \$506,048 at June 30, 2021, and are reflected as part of accounts payable and accrued expenses on the Consolidated Statement of Financial Position. Investment elections for Plan assets are made by the participants. Plan investments are deferred from distribution until the participant terminates employment and are subject to the ICMA's general creditor claims. The underlying assets are included with the Association's investments.

13. CONCENTRATION OF REVENUE

Approximately 25% of the Association's revenue for the year ended June 30, 2021 was derived from contracts and cooperative agreements awarded by the United States Agency for International Development (USAID). The Association has no reason to believe that the relationship with USAID will be discontinued in the foreseeable future. However, any interruption of this relationship may result in a decrease in revenue.

14. COMMITMENTS

Hotel Contracts

The Association has entered into several contracts for hotel rooms for conferences. In the event of cancellations, the Association may be required to pay various costs of the hotel rooms and conference spaces as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation and other factors.

ICMA & ICMA EUROPE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

14. COMMITMENTS (Continued)

Employment Agreement

ICMA has entered into an employment contract with the Executive Director, which commenced on October 31, 2016 and continues indefinitely. If the Executive Director is terminated by the Executive Board for any reason other than for cause, the contract provides for 12 months of severance payments at a rate equivalent to the Executive Director's base salary in effect at the time of termination.

15. CONTINGENCIES

The Association receives grants, cooperative agreements and contracts from various agencies of the United States Government. Such awards are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2021. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Association also participates in a number of federally assisted programs which are subject to financial and compliance audits.

16. RELATED PARTIES

Center for Public Administration and Service, Inc.

The Center for Public Administration and Service, Inc. (CPAS) is equally owned by the following common shareholders: Metropolitan Washington Council of Governments (MWCOCG), the International City/County Management Association (ICMA) and MissionSquare Retirement (formerly known as International City Management Association Retirement Corporation (ICMA-RC)). In 2007, CPAS made a tax election under the Internal Revenue Code Section 856 to become a Real Estate Investment Trust (REIT). During 2008, CPAS accepted 125 preferred shareholders, each of whom invested in one \$1,000 share of non-voting 12.5% cumulative preferred stock.

CPAS carries on its books at December 31, 2020, \$37,300,000 in notes payable for the financing of the building. The note bears interest at 3.65% per annum and is payable in 119 equal interest only installments with a balloon payment required on January 5, 2026, with the land, building, improvements thereon, personal property, rents and receivables serving as collateral. Under the refinancing agreement, ICMA has agreed to extend its lease at 777 North Capitol Street until December 31, 2026.

The Association accounts for its investment in CPAS under the equity method; however, since the Association has no obligation to provide additional financial support to CPAS, any losses recognized have been limited to the cost of its investment. For the year ended June 30, 2021, the Association recognized no losses because its equity has been reduced to zero in previous years.

During the year ended June 30, 2021, the Association received \$340,000 in dividend income from the investment in the REIT.

ICMA & ICMA EUROPE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021

16. RELATED PARTIES (Continued)

MissionSquare Retirement

In accordance with an agreement dated July 1981, MissionSquare Retirement pays a royalty to the Association for the use of ICMA's name and for marketing efforts performed on behalf of Mission Square Retirement. ICMA and MissionSquare Retirement entered into a revised royalty agreement in 1993, and the agreement was amended effective January 1, 2017. Under the agreement, as amended, ICMA grants MissionSquare Retirement a license to use its name and logo and MissionSquare Retirement agrees to pay ICMA an annual royalty. For the year ended June 30, 2021, MissionSquare Retirement paid the Association a royalty of \$2,759,202, of which \$774,118 was outstanding at June 30, 2021 and is included in trade receivables, net in the accompanying Consolidated Statement of Financial Position. The agreement is effective through December 31, 2036, and will automatically renew thereafter unless both parties agree to an earlier termination. The agreement is subject to review at five-year intervals beginning in January 2022.

During fiscal year 2021, MissionSquare Retirement paid the Association \$29,438 in rent for storage space under a short term lease. MissionSquare Retirement also paid the Association \$1,000,000 in sponsorships to provide support for the annual conference, professional development and other educational program activities.

Center for State and Local Government Excellence

On December 1, 2006, the Association entered into a services agreement with the Center for State and Local Government Excellence, Inc. (SLGE), a public charity under section 501(c)(3) of the Internal Revenue Code, to provide SLGE with management and administrative services. The Association recognized revenue of \$469,791 for the year ended June 30, 2021, all of which was collected during the year. The Center for State and Local Government Excellence was formally dissolved effective December 31, 2020.

17. FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820, *Fair Value Measurement*, the Association has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Consolidated Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Association has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

ICMA & ICMA EUROPE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

17. FAIR VALUE MEASUREMENT (Continued)

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy or changes in the valuation methodologies used during the year ended June 30, 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.
- *Government bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Annuities* - These accounts are invested principally in equity securities, fixed income instruments, real estate-related investments, and short-term investments in accordance with each portfolio's investment objectives.

The account's value is principally derived from the market value of the underlying holdings using market quotations or prices obtained from independent pricing sources that may employ various pricing methods to value the investments including matrix pricing. Accordingly, such assets, and the corresponding 457(b) Plan liability (Note 12), are classified within level 2 of the valuation hierarchy.

- *Exchange traded funds* - The fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.

The table below summarizes, by level within the fair value hierarchy, the Association's investments as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2021</u>
Asset Class:				
Certificates of deposit	\$ -	\$ 13,303,964	\$ -	\$ 13,303,964
Government bonds	-	2,049,432	-	2,049,432
Annuities	-	506,048	-	506,048
Exchange traded funds	<u>3,517,880</u>	<u>-</u>	<u>-</u>	<u>3,517,880</u>
TOTAL	<u>\$ 3,517,880</u>	<u>\$ 15,859,444</u>	<u>\$ -</u>	<u>\$ 19,377,324</u>

The table below summarizes, by level within the fair value hierarchy, the Association's liabilities measured at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total June 30, 2021</u>
Liability Class:				
457(b) Plan	<u>\$ -</u>	<u>\$ 506,048</u>	<u>\$ -</u>	<u>\$ 506,048</u>

18. SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through October 29, 2021, the date the consolidated financial statements were issued.

SUPPLEMENTAL INFORMATION

ICMA & ICMA EUROPE

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION BY FUND
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

ASSETS	2021				2020	
	Without Donor Restrictions		With Donor	Eliminations	Total	Total
	ICMA	ICMA Europe	Restrictions			
Cash and cash equivalents	\$ 2,096,437	\$ 9,669	\$ 47,076	\$ -	\$ 2,153,182	\$ 3,821,118
Investments	15,859,443	-	3,517,881	-	19,377,324	13,483,224
Grants and contracts receivable, net	1,910,204	-	-	-	1,910,204	2,475,191
Pledges receivable, net	-	-	42,226	-	42,226	58,607
Trade receivables, net	1,059,577	-	-	-	1,059,577	1,128,000
Interfund receivable	105,193	-	-	(105,193)	-	-
Prepaid expenses and advances	541,863	1,826	-	(7,132)	536,557	746,695
Property and equipment, net	1,697,959	-	-	-	1,697,959	2,099,329
Capitalized legal commissions, net	3,722	-	-	-	3,722	8,685
TOTAL ASSETS	\$ 23,274,398	\$ 11,495	\$ 3,607,183	\$ (112,325)	\$ 26,780,751	\$ 23,820,849
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable and accrued expenses	\$ 3,077,684	\$ 11,495	\$ -	\$ (7,132)	\$ 3,082,047	\$ 3,228,579
Advance payments in excess of revenue recognized	84,628	-	-	-	84,628	-
Interfund payable	-	-	105,193	(105,193)	-	-
Deferred revenues	4,016,838	-	-	-	4,016,838	3,073,288
Subtenant deposits	6,799	-	-	-	6,799	20,465
Note payable	1,902,300	-	-	-	1,902,300	1,842,900
Total liabilities	9,088,249	11,495	105,193	(112,325)	9,092,612	8,165,232
Net assets:						
Without donor restrictions	14,186,149	-	-	-	14,186,149	12,417,530
With donor restrictions	-	-	3,501,990	-	3,501,990	3,238,087
Total net assets	14,186,149	-	3,501,990	-	17,688,139	15,655,617
TOTAL LIABILITIES AND NET ASSETS	\$ 23,274,398	\$ 11,495	\$ 3,607,183	\$ (112,325)	\$ 26,780,751	\$ 23,820,849

ICMA & ICMA EUROPE

**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS BY FUND
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

SUPPORT AND REVENUE	2021				2020	
	Without Donor Restrictions		With Donor	Eliminations	Total	Total
	ICMA	ICMA Europe	Restrictions			
Grants, contracts and cooperative agreements:						
Government	\$ 8,668,721	\$ 53,251	\$ -	\$ (53,251)	\$ 8,668,721	\$ 12,153,858
Contributed services	140,332	-	-	-	140,332	137,108
Program income	-	-	-	-	-	360,361
Non-government	73,056	-	-	-	73,056	204,659
Contributions	607,530	-	89,546	-	697,076	559,468
Membership dues	6,034,228	-	-	-	6,034,228	6,176,772
Publications, subscription sales and advertising	1,402,223	-	-	-	1,402,223	1,217,255
Conferences and meetings	1,882,115	-	-	-	1,882,115	4,553,809
Fees	1,229,061	2,447	-	-	1,231,508	1,754,392
Subtenant rental income	181,883	-	-	-	181,883	586,710
Royalty income	2,759,202	-	-	-	2,759,202	2,478,317
Investment income, net	381,396	-	523,713	-	905,109	870,208
Other	180,647	-	-	-	180,647	223,369
Net assets released from donor restrictions	349,356	-	(349,356)	-	-	-
Total support and revenue	23,889,750	55,698	263,903	(53,251)	24,156,100	31,276,286
EXPENSES						
Program Services	16,102,465	55,698	-	(53,251)	16,104,912	21,353,712
Management and General	7,861,566	-	-	-	7,861,566	8,468,140
Total expenses	23,964,031	55,698	-	(53,251)	23,966,478	29,821,852
Change in net assets before other item	(74,281)	-	263,903	-	189,622	1,454,434
OTHER ITEM						
Extinguishment of debt	1,842,900	-	-	-	1,842,900	-
Change in net assets	1,768,619	-	263,903	-	2,032,522	1,454,434
Net assets at beginning of year	12,417,530	-	3,238,087	-	15,655,617	14,201,183
NET ASSETS AT END OF YEAR	\$ 14,186,149	\$ -	\$ 3,501,990	\$ -	\$ 17,688,139	\$ 15,655,617

ICMA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Granting Agency and Award Number</u>	<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity and Identifying Number</u>	<u>Pass-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Agency For International Development (USAID):					
AID-306-C-14-00016	Strong Hubs for Afghan Hope and Resilience (SHAHAR)	98.001	DAI/1002492-15S-24223	\$ -	\$ 40,194
AID-492-H-15-00001	Strengthening Urban Resilience for Growth with Equity, SURGE (Philippines)	98.001	N/A	1,183,596	5,566,921
AID-621-LA-16-00002	Enabling Growth through Investment and Enterprise Program, ENGINE (Tanzania)	98.001	IESC/165009	-	23,995
7200AA19F00016	Clean Cities, Blue Ocean (CCBO)	98.001	Tetra Tech/1878-CCBO-ICMA-001	-	446,503
72049721D00001	Local Governance Enabling Environment Management and Refine Component (ERAT)	98.001	The Asia Foundation/N/A	-	52,619
Total CFDA 98.001 USAID Foreign Assistance for Programs Overseas				<u>1,183,596</u>	<u>6,130,232</u>
Total U.S. Agency For International Development (USAID)				<u>1,183,596</u>	<u>6,130,232</u>
U.S. Department of State (USDOS):					
S-ECA-GD-18-CA-0035	2018 YSEALI Environmental	19.415	N/A	1,500	23,722
S-ECAGD-19-CA-0112	2019 YSEALI Environmental	19.415	N/A	1,809	72,820
S-ECAGD-20-CA-0043	FY2020 Young Southeast Asian Leaders Initiative Professional Fellows Program (YSEALI PFP)	19.415	American Councils for International Education	-	4,864
Total CFDA #19.415 Professional and Cultural Exchange Program - Citizen Exchanges				<u>3,309</u>	<u>101,406</u>
SLMAQM-18-CA-2041	Preventing Terrorism through Community- Based Interventions (Bangladesh)	19.701	N/A	267,449	911,106
Total CFDA #19.701 Global Counterterrorism Programs				<u>267,449</u>	<u>911,106</u>

ICMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Granting Agency and Award Number	Program Title	Federal CFDA Number	Pass-Through Entity and Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
U.S. Department of State (USDOS) (Continued):					
SCS80020GR0052	CARSI Continued Civil Society Engagement - Government Strengthening (Costa Rica)	19.750	N/A	\$ 73,445	\$ 170,255
Total CFDA 19.750 Bureau of Western Hemisphere Affairs (WHA) Grant Programs (including Energy and Climate Partnership for the Americas)				<u>73,445</u>	<u>170,255</u>
Total U.S. Department of State (USDOS)				<u>344,203</u>	<u>1,182,767</u>
U.S. Department of Homeland Security (USDHS):					
EMW-2019-CA-00023-S01	Homeland Security National Training Program (HSNTP)	97.005	N/A	31,634	114,418
Total CFDA 97.005 State and Local Homeland Security National Training Program				<u>31,634</u>	<u>114,418</u>
Total U.S. Department of Homeland Security (USDHS)				<u>31,634</u>	<u>114,418</u>
U.S. Department of Energy (USDOE):					
DE-EE0009000	Solar@Scale	81.087	N/A	105,991	196,978
Total CFDA 81.087 Renewable Energy Research and Development				<u>105,991</u>	<u>196,978</u>
DE-EE0007154	Solar Powering America by Recognizing Communities (SPARC)	81.117	N/A	78,735	377,535
Total CFDA # 81.117 Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance				<u>78,735</u>	<u>377,535</u>
Total U.S. Department of Energy (USDOE)				<u>184,726</u>	<u>574,513</u>

ICMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Granting Agency and Award Number	Program Title	Federal CFDA Number	Pass-Through Entity and Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)					
D-18-TA-MD-0006	CDBG-DR Citizen Participation Toolkit	N/A	Cloudburst Consulting Group, Inc./ ICMA-3541-501-001	\$ -	\$ 232
Total U.S. Department of Housing and Urban Development (HUD)				<u>-</u>	<u>232</u>
U.S. Environmental Protection Agency (EPA):					
83949101	National Brownfields Conference	66.814	N/A	-	403,993
Total CFDA #66.814 Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements				<u>-</u>	<u>403,993</u>
Total U.S. Environmental Protection Agency (EPA)				<u>-</u>	<u>403,993</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,744,159</u>	<u>8,406,155</u>
Other Federal Revenue (Including T&M)					<u>262,566</u>
TOTAL REVENUE FROM FEDERAL GRANTS AND CONTRACTS					<u>\$ 8,668,721</u>

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of International City/County Management Association (ICMA) under programs of the federal government for the year ended June 30, 2021. The information in the Schedule 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)*. The Schedule presents only a selected portion of the operations of ICMA; accordingly, it is not intended to and does not present the financial position, changes in net assets or cash flows of ICMA.

Note 2. Summary of Significant Accounting Policies

Expenditures on the Schedule 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. 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. ICMA holds a Negotiated Indirect Cost Rate Agreement (NICRA) with its federal cognizant agency, USAID, and therefore has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

ICMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

3). Noncompliance material to financial statements noted? Yes No

Federal Awards

4). Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

5). Type of auditor's report issued on compliance for major federal programs: Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

7). Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
98.001	USAID Foreign Assistance for Programs Overseas

8). Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9). Auditee qualified as a low-risk auditee? Yes No

ICMA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

There were no reportable findings.

Section IV - Prior Year Findings and Questioned Costs With Current Year Status

There were no reportable findings.

ICMA

**SCHEDULE OF INDIRECT RATE CALCULATION
FOR THE YEAR ENDED JUNE 30, 2021**

Fringe Benefit Rate:

Salaries and wages from the basic financial statements	\$ 8,221,495
Less intern salaries	(2,842)

Adjusted Salaries and Wages **\$ 8,218,653**

Fringe Benefits from Basic Financial Statements **\$ 3,426,835**

Fringe Benefit Rate:	Fringe Benefits	= \$	3,426,835	=	41.6958%
	Adjusted Salaries and Wages		\$ 8,218,653		

General and Administrative Rate:

Total financial statement expenses	\$ 23,966,478
Less ICMA Europe	(2,447)
Less contributed services	(140,332)
Less service center revenue	(132,000)
Less unallowable costs	(626,663)
Less allocated general and administrative expenses	(6,137,120)

Adjusted Total Expenses **\$ 16,927,916**

General and administrative costs allocated to programs \$ 6,137,120

Allocated General and Administrative Expenses **\$ 6,137,120**

G&A Rate:	Allocated General and Administrative Costs	= \$	6,137,120	=	36.2544%
	Adjusted Total Expenses		\$ 16,927,916		

Overhead Rate:

Contract administration costs allocated to grants and contracts	\$ 240,332
Facilities cost allocated to grants and contracts	128,680

Total Overhead Costs Allocated to Grants and Contracts **\$ 369,012**

Domestic and on-site salaries and wages of grants and contracts	\$ 946,864
Fringe allocated to salaries and wages above	394,802
Intern salaries and wages of grants and contracts	1,296

Total Domestic Salaries and Wages **\$ 1,342,962**

Overhead Rate:	Overhead Costs	= \$	369,012	=	27.4775%
	Domestic Salaries and Wages		\$ 1,342,962		

Field Office Overhead Rate:

Allocation of Field Office Contract Administration Expenses: **\$ 58,883**

Field office labor under grants and contracts	\$ 130,930
Fringe allocated to salaries and wages above	54,592
Local field office salaries and wages under grants and contracts	1,222,998
Local fringe benefits	226,934

Total Field Office Salaries and Fringe Benefits **\$ 1,635,454**

Field Office Overhead Rate:	Overhead Costs	= \$	58,883	=	3.6004%
	Field Office Salaries and Fringe Benefits		\$ 1,635,454		



CPAs & ADVISORS

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

Independent Auditor's Report

To the Executive Board
International City/County Management Association
Washington, D.C.

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 International City/County Management Association as of and for the year ended June 30, 2021, and the related notes to the consolidated financial statements, which collectively comprise International City/County Management Association's basic consolidated financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered International City/County Management Association'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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of International City/County Management Association's internal control. Accordingly, we do not express an opinion on the effectiveness of International City/County Management Association'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 International City/County Management Association's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether International City/County Management Association'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 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 results 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.

Handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

October 29, 2021



CPAs & ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

Independent Auditor's Report

To the Executive Board
International City/County Management Association
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited International City/County Management Association's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of International City/County Management Association's major federal programs for the year ended June 30, 2021. International City/County Management Association's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of International City/County Management Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about International City/County Management Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of International City/County Management Association's compliance.

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Opinion on Each Major Federal Program

In our opinion, International City/County Management Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of International City/County Management Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered International City/County Management Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of International City/County Management Association's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



October 29, 2021