Association for Corporate Growth, Inc. and Subsidiaries

Consolidated Financial Statements

Year Ended August 31, 2021

Association for Corporate Growth

WIPFLI

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Independent Auditor's Report

Board of Directors
Association for Corporate Growth, Inc. and Subsidiaries
Chicago, Illinois

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Association for Corporate Growth, Inc. and Subsidiaries (the "Association"), which comprise the consolidated statement of financial position as of August 31, 2021, and the related consolidated statement of activities and changes 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 Consolidated 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; 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. 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.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Association for Corporate Growth, Inc. and Subsidiaries as of August 31, 2021, 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.

Wipfli LLP

June 23, 2022
Lincolnshire, Illinois

Association for Corporate Growth, Inc. and Subsidiaries
Consolidated Statement of Financial Position

August 31,		2021
Assets		
Cash and cash equivalents	$	4,163,273
Accounts receivable		827,593
Other receivable - Insurance claim		1,700,000
Prepaid expenses and other current assets		449,129
Investments		3,090,484
Convertible note		315,799
Property, equipment, and intangible assets, net		847,476
Total assets	$	11,393,754
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	864,067
Accrued expenses and other liabilities		1,368,030
Line of credit		1,357,688
Security deposit - Sublease		31,023
Deferred rent obligation		199,152
Refundable advance liability - Paycheck Protection Program		353,676
Deferred revenue		3,107,604
Total liabilities		7,281,240
Net assets:		
Without restrictions		4,112,514
Total liabilities and net assets	$	11,393,754

See accompanying notes to consolidated financial statements.

Association for Corporate Growth, Inc. and Subsidiaries
Consolidated Statement of Activities and Changes in Net Assets

Year Ended August 31,	2021
Revenues, gains, and other support:	
Membership and PERT	$ 2,650,832
Events	619,172
Insurance proceeds - Events	1,700,000
Marketing/Advocacy/PR	2,495,909
Chapter support	34,500
Partnership programs	369,732
Net investment income	256,214
Total revenues, gains, and other support	8,126,359
Operating expenses:	
Program services	4,746,391
Supporting services - Management and general	6,023,118
Total operating expenses	10,769,509
Change in net assets from operations	(2,643,150)
Nonoperating activities:	
Other government assistance	1,277,932
Employee retention tax credit	428,299
Contributions from chapter acquisitions	2,577,618
Loss on closure of Chinese subsidiary operations	(22,280)
Total nonoperating activities	4,261,569
Change in net assets	1,618,419
Net assets - Beginning of year	2,494,095
Net assets - End of year	$ 4,112,514

See accompanying notes to consolidated financial statements.

Association for Corporate Growth, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses

	Program Services								Supporting Services	
Year Ended August 31, 2021	Membership and PERT	Events	Media	Marketing/ Advocacy/ PR	Chapter Support	Partnership Programs	International UK	Total Programs	Management and General	Total
Salaries/fringe benefits	$ 233,374	$ 988,040	$ 669,483	$ 489,688	$ 522,221	$ -	$ -	$ 2,902,806	$ 3,541,931	$ 6,444,737
Consulting and temporary help	72,467	-	61,571	89,589	41,006	-	18,368	283,001	456,904	739,905
Professional services	200,859	29,270	-	-	38,460	-	3,940	272,529	555,938	828,467
Service fees	37,887	81,546	59,892	148,709	32,349	-	1,460	361,843	371,535	733,378
Meetings and events	-	456,283	-	-	4,426	-	-	460,709	117,625	578,334
Travel/other meeting	39	27,542	73	693	12,695	5,244	-	46,286	79,174	125,460
Marketing and advertising	6,801	32,860	36,352	43,700	-	5,538	-	125,251	3,917	129,168
Depreciation/amortization	7,008	15,237	-	-	-	-	-	22,245	227,744	249,989
Occupancy	-	-	-	-	-	-	-	-	354,439	354,439
Office	29,260	3,478	171,773	11,533	781	-	-	216,825	126,385	343,210
Income taxes	-	-	-	-	-	-	-	-	39,496	39,496
Other	-	22,662	3,086	22,149	1,598	-	5,401	54,896	148,030	202,926
Total functional expenses	$ 587,695	$1,656,918	$1,002,230	$ 806,061	$ 653,536	$ 10,782	$ 29,169	$ 4,746,391	$ 6,023,118	$ 10,769,509

See accompanying notes to consolidated financial statements.

Association for Corporate Growth, Inc. and Subsidiaries

Consolidated Statement of Cash Flows

Year Ended August 31,	2021
Cash flows from operating activities:	
Change in net assets	$ 1,618,419
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	249,989
Noncash contributions from chapter acquisitions	375,947
Net realized and unrealized gain on investments	(184,498)
Deferred rent obligation	(169,248)
Change in accrued interest on convertible note	(14,584)
Change in operating assets and liabilities exclusive of net assets acquired from chapter acquisitions:	
Accounts receivable	76,801
Other receivable - Insurance claim	(1,700,000)
Due from chapters	264,686
Prepaid expenses and other current assets	100,561
Accounts payable	312,623
Accrued expenses and other liabilities	701,536
Due to chapters	(318,386)
Refundable advance liability - Payroll Protection Plan	238,227
Deferred revenue	(313,334)
Net cash provided by operating activities	1,238,739
Cash flows from investing activities:	
Purchases of property, equipment and software	(471,892)
Purchase of investments	(68,032)
Purchase of convertible note	(50,000)
Proceeds from sublease security deposit	31,023
Proceeds from sale of investments held for deferred compensation plan	149,359
Proceeds from sale of investments	300,000
Net cash used in investing activities	(109,542)
Cash flows from financing activities:	
Repayments on lines of credit	(500,000)
Proceeds from lines of credit	1,857,688
Proceeds from note payable	96,580
Principal repayments on note payable	(996,580)
Net cash provided by financing activities	457,688
Change in cash and cash equivalents	1,586,885
Cash and cash equivalents - Beginning of year	2,576,388
Cash and cash equivalents - End of year	$ 4,163,273

Association for Corporate Growth, Inc. and Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year Ended August 31,		2021
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$	18,067
Income taxes		89,274

See accompanying notes to consolidated financial statements.

Note 1: Summary of Significant Accounting Policies

Association for Corporate Growth, Inc. and Subsidiaries (the "Association") are membership organizations of professionals in the corporate development, and merger and acquisition fields. The Association has 47 chapters in the United States of America, five in Canada, seven in Europe, one in Hong Kong, and one in China. The Association's sponsored programs include annual, regional, and international meetings, and a magazine, which is distributed to its members.

On November 2, 2009, the Association established a wholly owned for-profit subsidiary, ACG China Limited, which was incorporated in Hong Kong. The Hong Kong subsidiary is the holding company for another for-profit company, ACG (Tianjin) Advisors Co., Ltd., incorporated in the People's Republic of China (PRC) as a wholly owned foreign enterprise (WOFE) on February 4, 2010. On December 6, 2011, the Association established a wholly owned for-profit subsidiary, ACG Global (Europe) Limited, which was incorporated in England. During 2021, the Association liquidated ACG (Tianjin) Advisors Co., Ltd. and recognized a loss of $22,280 from nonoperating activities on the statement of activities and change in net assets.

The Association does not include the activity and accounts of the chapters of the Association that are organized and operate as separate entities; except for the chapter in China, which is a subsidiary of ACG China Limited, and the chapter in the United Kingdom, which is the ACG Global (Europe) Limited subsidiary. Since the Association does not control or have an economic interest in chapter activities (except for China and the United Kingdom), the Association has not reflected the assets, liabilities, net assets, revenues, or expenses in the accompanying consolidated financial statements. The Association's fiscal year ends on August 31.

During the year, the Association acquired the assets, liabilities and operations of six independent ACG chapters including ACG Raleigh-Durham, Inc.; ACG St. Louis, Inc.; ACG Los Angeles, Inc.; ACG Dallas/Ft. Worth, Inc.; ACG Boston, Inc.; and ACG Atlanta, Inc. (the "Chapters"). The operations of the acquired chapters have continued as part of the new Association which operates as "One ACG".

Significant accounting policies followed by the Association are presented below.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Association and its subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

Basis of Presentation

The consolidated financial statements of the Association have been prepared in accordance with accounting principles generally accepted in the United States (GAAP).

Note 1: Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Association considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents. At August 31, 2021, cash equivalents consist of interest earning money market accounts and certificates of deposit. Interest income on the certificates of deposit is recorded as income when earned. The Association's cash deposits in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) subject to certain limitations and conditions.

Accounts Receivable

Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts. The allowance for doubtful accounts is increased by provisions charged to expense and reduced by accounts charged off, net of recoveries. The allowance is maintained at a level considered adequate to provide for potential account losses based on management's evaluation of the anticipated impact on the balance of current economic conditions, changes in the character and size of the balance, past and expected future loss experience, and other pertinent factors. There is no allowance for doubtful accounts at August 31, 2021, as the Association considers all receivables fully collectible.

Investments

Investments consist of certificates of deposit and mutual funds. Those with original maturities of less than three months from date of purchase are classified as cash equivalents, whereas those with original maturities greater than one year are classified as noncurrent investments. Certificates of deposit and mutual funds are stated at fair value based on published market prices.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Property, equipment and intangible assets

Property and equipment are stated at cost less accumulated depreciation. Depreciation is provided using the straight-line method over their estimated useful lives, which range from three to 11 years. Leasehold improvements are amortized over the lessor of the useful lives of the assets or the term of the lease. Software and the website are amortized over three years.

Note 1: Summary of Significant Accounting Policies (Continued)

Property, equipment and intangible assets (Continued)

Additions and betterments of $1,000 or more with a useful life greater than one year are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

Impairment of Long-Lived Assets

The Association evaluates its long-lived assets for any events or changes in circumstances which indicate that the carrying amount of such assets may not be fully recoverable. The Association evaluates the recoverability of long-lived assets by measuring the carrying amount of such assets against the estimated undiscounted future cash flows associated with them. At the time such evaluation indicates that the future undiscounted cash flows of certain long-lived assets are not sufficient to recover the carrying value of such assets, the assets are adjusted to their fair values. The Association has not recognized any impairment of long lived assets during the year ended August 31, 2021.

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

> **Net assets without donor restrictions:** Net assets available for use in general operations and not subject to donor restrictions.
>
> **Net assets with donor restrictions**: Net assets subject to restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events. Other restrictions are perpetual in nature, where the resources must be maintained in perpetuity. Restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Association does not have any net assets with donor restrictions.

<u>Revenue Recognition</u>

Effective with ASC 606, the Association performs the following five steps for arrangements the Association determined are within the scope of the new revenue recognition standard: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Association satisfies a performance obligation. Revenues are recognized when control of performance obligations, which are distinct product or service within the contract, is transferred to the customer.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Control is transferred when the customer has the ability to direct the use of and obtain the benefits from the products or services. The Association does not assess whether a significant financing component exists, under the practical expedient guidance, if the period between when it performs its obligation under the contract and when the customer pays, is one year or less.

Determining the method and amount of revenue to recognize requires the Association to make judgments and estimates which include determining whether the performance obligation is satisfied over-time or at a point-in-time, the selection of method to measure progress towards completion, and determining if the contract includes any variable consideration or material right elements.

Revenue is measured as the amount of consideration the Association expects to receive in exchange for transferring product or services to their customers and members.

Membership dues and PERT:

Revenue as it pertains to membership dues is recognized throughout the calendar year in accordance with the agreements with members. Dues, fees, and assessments received during the year that relate to the subsequent calendar year are recorded as deferred revenue. As such, the performance obligation is satisfied over time. The Association has determined that the transaction price is based on the membership agreement, which outlines the fees for the various membership types and levels. Funds received in advance for the following year are recorded as deferred revenue.

Events:

Registration Fees:

Registration fees revenue is recorded when the services are completed. The performance obligation is providing the education and entertainment at various events throughout the year. As such, the performance obligation is satisfied at a point in time, at the completion of the event. The Association has determined that the transaction price is the price stated in the registration application for the event.

Sponsorships:

Sponsorships revenue is recorded when the services are completed. The performance obligation is hosting various events throughout the year and providing services as stated in the contract. As such, the performance obligation is satisfied at a point in time, at the completion of the event. The Association has determined that the transaction price is the price stated in the contract.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Exhibits:

Exhibits revenue is recorded when the services are completed. The performance obligation is hosting various events throughout the year and providing services as stated in the contract. As such, the performance obligation is satisfied at a point in time, at the completion of the event. The Association has determined that the transaction price is the price stated in the contract.

Certifications:

Certifications revenue is recorded when the registration occurs. The courses are self paced and the performance obligation is providing access to the training or learning experience. As such, the performance obligation is satisfied at a point in time, when the registrant has access the course immediately upon payment. The Association has determined that the transaction price is the price stated in the registration for the specific course/program.

Marketing/Advocacy/PR

Marketing/Advocacy/PR revenue is made up primarily of sponsorships and advertising. Sponsorship revenue is recorded when the services are completed. The performance obligation is hosting various events throughout the year and providing services as stated in the contract. As such, the performance obligation is satisfied at a point in time, at the completion of the event. The Association has determined that the transaction price is the price stated in the contract.

Advertising revenue is recorded when the services are completed. The performance obligation for the Association happens as printed publications are issued at various times during the year where the Association provides advertising space in these various publications. As such, the performance obligation is satisfied at a point in time, at the issuance of the publication. The Association has determined that the transaction price is the price stated in the contract.

Partnership Programs:

The Association participates in multiple partnership programs. The programs are defined by formal contracts with the customers. There are three separate performance obligations included in these contracts; providing various sponsorship services, revenue sharing, and providing referrals. Sponsorship services and revenue sharing are provided over the course of the contract period and are therefore recognized over time. Referral revenue is recognized at a point in time upon successful referral to the customer. The contract with the customer establishes the transaction price.

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contract Balances:

Receivables and contract balances from contracts with customers as of August 31, 2021, were as follows:

	Accounts Receivable	Contract Liabilities
Beginning of year	$ 257,070	$ 2,452,073
End of year	$ 827,593	$ 3,107,604

All accounts receivable noted above represent receivables from contracts with customers at August 31, 2021. The Association did not have any contract assets as of August 31, 2021 and 2020. Contract liabilities at September 1, 2020 consists of deferred revenue related to membership dues, annual conference, sponsorship, advertising and marketing/advocacy/PR for which the Association was not entitled to the revenue.

In-Kind Donations

Donations of services are recorded if they create or enhance a nonfinancial asset or are specialized skills that would be purchased if they were not donated. Donations are recorded as financial support at their estimated fair value at the date of donation or during the period in which the services are performed. For the year ended August 31, 2021, the Association received no miscellaneous services and materials. These services are also recorded as expenses in the consolidated financial statements. The donations of services have no impact on the change in net assets in the consolidated financial statements.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions for the Association. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Those expenses include professional services, office expenses, information technology and salaries and benefit costs. For salary and benefits, with the exception of traditional support staff who serve multiple areas (e.g., executive team, operations, finance), each staff member is charged to the program or supporting service where they spend the most time. Similarly, office expenses, travel, marketing, and professional services are charged directly to the program the expense was incurred. Overhead costs such as occupancy, depreciation and amortization, information technology and some service fees, along with salary and benefit costs for the executive team and support staff, are charged to management and general, which supports all program services.

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. The Association is subject to income taxes on its unrelated business income. The Association's income tax expense was $39,496 for the year ended August 31, 2021.

The Association has adopted the requirements for accounting for uncertain tax positions. The Association determined that it is not required to record a liability related to uncertain tax positions for the year ended August 31, 2021.

ACG China Limited, ACG (Tianjin) Advisors Co., Ltd., and ACG Global (Europe) Limited are for-profit corporations and they file tax returns in Hong Kong, China, and United Kingdom, respectively. These subsidiaries' income tax returns are available for examination for the statutory period.

Foreign Currency Translation

The consolidated financial statements of foreign operations where the local currency is the functional currency are translated using exchange rates in effect at year-end for assets and liabilities and average exchange rates during the year for the results of operations. A foreign currency translation adjustment loss of $5,401 for August 31, 2021, is included in other on the consolidated statement of functional expenses.

Marketing and Advertising

Marketing and advertising costs are charged to operations when incurred. Advertising and promotion expense was $129,168 for the year ended August 31, 2021.

Liquidity

The Association's financial cash obligations due within one year of the consolidated statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	$ 4,163,273
Accounts receivable	827,593
Other receivable - Insurance claim	1,700,000
Investments	3,090,484
Total financial assets	9,781,350
Less: Collateralized certificate of deposit	50,523
Financial assets available to meet general expenditures within one year	$ 9,730,827

Note 1: Summary of Significant Accounting Policies (Continued)

Liquidity (Continued)

The Association has $9,730,827 of financial assets available within one year of the consolidated statement of financial position date consisting of cash, receivables, and short-term investments. To help manage liquidity needs, the Association maintains a line of credit that provides borrowings up to $4,000,000 (See Note 7). The Association's goal is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Association is to maintain financial assets, which it could draw upon in the event of an unanticipated need.

Use of Estimates

The preparation of 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 and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principles

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Association adopted this guidance effective September 1, 2020, as it felt it was the most faithful depiction of the timing of revenue reasonably expected to be collected in exchange for goods or services. The Association applied Topic 606 on a full retrospective basis. There was no change to reported revenue, net assets, or the change in net assets for the period presented.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820) *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The primary focus of ASU 2018-13 is to improve the effectiveness of the disclosure requirements for fair value measurements. The changes affect all entities that are required to include fair value measurement disclosures. The guidance is effective for fiscal years beginning after December 15, 2019. The Association adopted ASU 2018-13 on a retrospective basis as of September 1, 2020. The adoption of this accounting guidance did not have a significant impact on the Association's financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The amendments in this ASU revise the accounting related to lessee accounting. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for substantially all leases with lease terms in excess of 12 months. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The amendments in this ASU are effective for fiscal years beginning after December 15, 2021, and are to be applied through a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. Early adoption is permitted. The Association continues to evaluate the effect that the implementation of this ASU will have on its financial statements and related disclosures.

Subsequent Events

The Association has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through June 23, 2022, which is the date the financial statements were available to be issued.

Note 2: Description of Program Services

The following program services of the Association are included in the accompanying consolidated financial statements:

Membership and PERT - This program provides support to all Association membership marketing and development. Activities include campaign execution for membership acquisition, renewals/retention, and engagement. Efforts for special interest groups such as PERT (Private Equity Regulatory Task Force) are also attributed here.

Events - The lnterGrowth annual conference is an educational and networking conference offered to members and nonmembers. The Association has expanded events to include Virtual Member Summits and additional regional events.

Media - Includes all content and publishing efforts such as, Middle Market Growth® magazine, Special Issue Publications, GrowthTV video channel, web site posts, email blasts, and social media content distribution. Middle Market Growth® is the official publication of the Association and is published six times a year. The magazine supports the Association's mission to drive middle market growth, providing readers with an interactive platform to access thought leadership, best practices, and insights derived from all segments of the Association's global membership. Content is submitted from members, chapters, and experts in the mergers and acquisitions industry. Weekly and daily editions are also produced and sent out by email.

Marketing/Advocacy/PR - Integrated marketing campaigns to promote membership benefits and services, educational offerings, and networking opportunities. Lobbying was eliminated in 2020. Advocacy in 2020 was limited to grassroots initiatives that supported chapters, and representing the voice for private capital markets related to the Paycheck Protection Plan (PPP).

Note 2: Description of Program Services (Continued)

Chapter Support - Chapter operations maintains the Association's AMS (association management system) and web site properties. Chapter operations serves as the customer service arm of the Association's membership and affiliated chapter partners. In addition, the Association provides payroll services through the use of a third-party service to select chapters which request assistance. The revenue and expense amounts related to this service are the actual expenses of the payroll processed on the chapters' behalf by the Association and are recorded net.

Partnership Programs - The lnsperity Affinity Endorsed Partner program commenced in 2015 whereby the Association and lnsperity work together to target portfolio companies referred to by the Association or its members to provide payroll, benefits, insurance, and a 401 K as a PEO service. Other partnership programs include revenue share and fees for service.

International - United Kingdom - Support to the chapter located internationally and Association members who do business internationally in the United Kingdom.

Note 3: Fair Value Measurements

In determining fair value, the Association uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The measurement framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizing the use of unobservable inputs by requiring that the most observable inputs be used when available. The measurement framework defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

Fair value for Level 1 mutual funds are measured by reference to quoted market transactions that are listed on a national market or exchange, and are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Fair value for Level 2 investments include certificates of deposit which are measured by significant observable inputs.

Note 3: Fair Value Measurements (Continued)

Fair values of assets and liabilities measured on a recurring basis at August 31, 2021 are as follows:

	Total Assets at Fair Value	Recurring Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Cash and cash equivalents	$ 293,378	$ 293,378	$ -	$ -
Certificates of deposit	994,932	-	994,932	-
Fixed income mutual funds	864,465	864,465	-	-
Equity mutual funds	937,709	937,709	-	-
Total investments	$ 3,090,484	$ 2,095,552	$ 994,932	$ -

Note 4: Investments

The composition of investments held by the Association at August 31, 2021, are summarized as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Investments:			
Cash and cash equivalents	$ 265,000	$ 293,378	$ 28,378
Certificates of deposit	989,000	994,932	5,932
Fixed income mutual funds	870,685	864,465	(6,220)
Equity mutual funds	575,052	937,709	362,657
Total investments	$ 2,699,737	$ 3,090,484	$ 390,747

Investment income is classified in the Statements of Activities and Changes in Net Assets and consists of the following:

Years Ended August 31,	2021
Dividends and interest income	$ 71,866
Unrealized gain on investments	116,955
Realized gain on investments	67,543
Investment fees	(150)
Total	$ 256,214

Note 4: Investments (Continued)

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Note 5: Convertible Note

The Association purchased a convertible promissory note on July 28, 2020, in the amount of $250,000 and an additional note on November 30, 2020, in the amount of $50,000 of a company in which they are the lead investor. The maturity date of the combined note is July 27, 2023. Interest accrues at a rate of 5% per annum, based on a 360-day year and 12 30-day months. The principal balance and unpaid accrued interest on the note could convert to equity if a qualified or nonqualified financing conversion occurs as stated per the agreement. At the maturity date, if the note has not been converted or repaid, then, at the election of the Association the note shall become immediately due and payable, or shall convert into conversion shares of the company. The convertible note balance at August 31, 2021, was $315,799 including accrued interest.

Note 6: Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

As of August 31,	2021
Furniture and equipment	$ 657,702
Software and website	1,485,179
Leasehold improvements	617,363
Total	2,760,244
Less: Accumulated depreciation	1,912,768
Total equipment and leasehold improvements	$ 847,476

Depreciation expense was $249,989 for the year ended August 31, 2021.

Note 7: Notes Payable

The Association entered into a term loan and a line of credit on March 6, 2020. The note payable balance consists of a term loan in the amount of $900,000 with monthly installments of $15,000 beginning April 1, 2021, of the principal balance. Interest accrued at a rate equal to LIBOR daily floating rate plus 1.65%. This note was repaid in full as part of a refinancing of debt with a new financial institution.

Note 7: Notes Payable (Continued)

The Association had a line of credit in the amount of $500,000 and it was fully drawn upon during the year ended August 31, 2021. The line of credit was set to expire on March 6, 2022. The interest rate was LIBOR daily floating rate plus 1.70%. The line of credit was repaid in full and closed during the year.

The Association obtained a $4,000,000 line of credit during the year that bears interest at the Federal Funds Rate plus 2% (2.21% at August 31, 2021). The balance outstanding at August 31, 2021, was $1,357,688. The line of credit is due on July 2, 2023, and is collateralized by the Association's assets. The line of credit agreement contains certain financial covenants relating to the Association's financial position.

Note 8: Refundable Advance Liability – Paycheck Protection Program

As a result of the economic uncertainty stemming from the impact of the COVID-19 pandemic, on February 24, 2021, the Association received a PPP loan in the principal amount of $1,041,071 from the US Small Business Administration (SBA). The PPP Loan was applied for and obtained for the Association and the benefit of certain chapters. The amount obtained and distributed to the chapters was $278,287. The PPP loan has a stated interest rate of 1% per annum and requires equal monthly payments of principal commencing ten months after the covered period ends and matures in February 2029.

The Association received a second draw PPP loan on May 11, 2021, in the amount of $1,082,120. The PPP loan has a stated interest rate of 1% per annum and requires equal monthly payments of principal commencing 10 months after the covered period ends and matures in May 2029. The second draw was also applied for and obtained for the Association and the benefit of certain chapters. The amount obtained and distributed to the chapters was $213,296.

Under the terms of the PPP, a PPP loan provides for conditional forgiveness if the Association utilizes the loan proceeds on admissible expenses, including qualifying payroll, rent, and utility expenses, and maintains employment and compensation levels for a specified period of time. Although the Association believes the conditions for full forgiveness of the PPP loan will be met, ultimate forgiveness is conditioned upon the SBA concurring with the Association’s good-faith assessment that the current economic uncertainty made the loan request necessary to support ongoing operations and the loan proceeds were used for admissible expenses. If the Association is later determined to have violated the provisions of the PPP, the Association may be required to repay the PPP loan in its entirety and/or be subject to additional penalties.

The Association has elected to account for its PPP loans as a conditional contribution in accordance with Subtopic 958-605. Under Subtopic 958-605, the PPP loan proceeds are initially recorded as a deferred grant liability and subsequently recognized as revenue when the Association has substantially met all conditions for forgiveness. While formal forgiveness had not been obtained as of August 31, 2021, the Association met substantially all the conditions for forgiveness of the loans and recorded revenue of $1,277,932. The loan program’s expenditures and the Association’s eligibility are subject to review and acceptance by the SBA and, as a result of such review, adjustments could be required. The Association has not met the conditions to recognize $353,676 as of August 31, 2021. Both of the PPP loans were forgiven subsequent to August 31, 2021.

Note 9: Employee Retention Tax Credit

The Association filed for and received an employee retention tax credit related to 2020 allowable expenses. The Association views the ERTC as a grant by analogizing to guidance in IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*. Nonoperating revenue of $428,299 is included in nonoperating activities on the consolidated statement of activities and change in net assets for the year ended August 31, 2021, to match the timing of when the credit was claimed.

Note 10: Retirement Plan

The Association participates in a safe harbor defined contribution 401(k) plan that covers all full-time and part-time employees. The Association matches employee contributions up to 6% of salary subject to Internal Revenue Service limitations. The Association's match contributions vest 100% immediately and total $194,773 for the year ended August 31, 2021.

Note 11: Deferred Compensation

The Association has adopted deferred compensation plans in accordance with provisions of Section 457(f) of the Internal Revenue Code which provide for payments after completion of the contract term including renewals, retirement, disability or death for a select group of its management. The Association, in its discretion, may make nonelective contributions to the 457(f) plan on behalf of its participants.

Contributions to original the 457(f) plan were segregated in a separate investment account in the name of the Association. There were no contributions to the plan during the year ended August 31, 2021. The 457(f) plan contract completion date was defined as December 31, 2020, at which time the funds were disbursed.

The Association started a new 457(f) plan during the year ended August 31, 2021. The plan has a cliff vesting schedule ranging from four to five years; therefore, no amounts have been paid to participants or set aside as investments held for deferred compensation plan as of or for the year ended August 31, 2021.

Note 12: Lease Commitments

The Association entered into a lease agreement to lease office space under an operating lease beginning on September 1, 2012, and expiring on August 31, 2023. Under the Association's lease for office space, the Association is also liable for its proportionate share of real estate taxes, assessments, and other operating costs. As part of this lease agreement, the Association has a $50,000 letter of credit in lieu of security deposit, in favor of the landlord.

The above operating lease contains provisions for lease incentives, rent abatement, and escalating rent throughout the lease term. In accordance with accounting principles generally accepted in the United States of America, the Association records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between the rent expense recorded and the amount paid is charged to the deferred rent obligation on the consolidated statement of financial position.

Note 12: Lease Commitments (Continued)

The Association also entered into leasing agreements for two office spaces in Chicago and New York City. The leases commence on July 1, 2021, and expire on June 30, 2022. Monthly rental payments of $5,820 are required for the Chicago lease and $7,000 for the New York City lease.

Future minimum lease payments under these leases are as follows:

Year Ending August 31,	Amount
2022	$ 339,391
2023	217,526
Total	$ 558,938

Rent expense for these leases was $154,445 for the year ended August 31, 2021.

The Association entered into a sublease agreement for the above original office space commencing on August 1, 2021, and expiring August 31, 2023. The sublease requires monthly payments ranging from $14,163 through $15,512 over the life of the sublease. As part of the lease agreement, the Association received a security deposit of $31,023, which is included in on the consolidated statement of financial position.

Future minimum lease payments to be received under this sublease are as follows:

Year Ending August 31,	Amount
2022	$ 142,302
2023	178,721
Total	$ 321,023

Note 13: Commitments and Contingencies

Annual Conference

The Association contracts with various hotels and convention centers in advance for its annual conference. Currently, the Association has annual commitments for 2022, 2023, and 2024. The Association would be obligated for certain charges in the event a cancellation occurred. The amount of charges would vary depending on the date of the cancellation and the terms of the contract.

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Note 13: Commitments and Contingencies (Continued)

The Association cancelled its 2021 annual conference and filed an insurance claim to recoup the lost revenue. Subsequent to August 31, 2021, the Association received notification that insurance proceeds of $1,700,000 would be received as a result of the claim. The amount is included in other receivables on the consolidated statement of financial position and in operating revenue on the consolidated statement of activities and change in net assets.

Note 14: Related Party Transactions

The Association enters into various transactions with independent chapters and acts as a pass-through entity for membership dues and event fees to its U.S. and Canadian chapters. The Association also enters into various transactions with business entities related to members of its board of directors.

Transactions with the related parties are as follows:

	Revenues (Expenses)	Receivables (Payables)
Chapters:		
Payroll services	$ -	$ 9,059
Dues remittances	-	(199,584)
Events remittances	-	(494,714)
Total chapters	$ -	$ (685,239)
Officers, directors, and related entities:		
Sponsorship revenues	$ 227,650	$ -

The Association acts as an agent for certain activities with some of its chapters whereby it collects monies for membership dues, chapter event registration fees, and sponsorship payments on their behalf. The Association remitted monies to its chapters for their share of membership dues of $2,134,844 for the year ended August 31, 2021. In addition, the Association remitted chapter event registration fees and sponsorship payments to its chapters of $2,750,062 for the year ended August 31, 2021. These amounts are not reflected in the Association's consolidated statement of activities and change in net assets. During the year, PPP loans were also received on behalf of and distributed to chapters as described in Note 8.

Chapter expense reimbursement consists mainly of reimbursement of salary/payroll expenses paid on behalf of the chapters by the Association. These salary/payroll expenses are reimbursed by the chapters monthly. These amounts are not reflected in the Association's consolidated statement of functional expenses as payroll as they are recorded net.

Note 15: Business Conditions

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic." First identified in late 2019 and known now as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations. No impairments were recorded as of the balance sheet date as no triggering events or changes in circumstances had occurred as of year-end; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future.

Note 16: Acquisition

As stated in Note 1, the Association acquired the assets, liabilities and operations of six independent ACG chapters including ACG Raleigh-Durham, Inc.; ACG St. Louis, Inc.; ACG Los Angeles, Inc.; ACG Dallas/Ft. Worth, Inc.; ACG Boston, Inc.; and ACG Atlanta, Inc. (the "Chapters"). The operations of the acquired chapters have continued as part of the Association which operates as One ACG. The Association did not transfer any consideration as part of the acquisitions and recognized underlying assets and liabilities acquired at fair value resulting in contributions from chapter acquisitions of $2,577,618 being recognized as nonoperating activities in the statement of activities and change in net assets.

Assets and liabilities acquired and related contribution recognized for the year ended August 31, 2021, are as follows:

	Raleigh/ Durham	St. Louis	Los Angeles	Dallas/ Ft. Worth
Cash and cash equivalents	$ 109,748	$ 340,184	$ 1,313,840	$ 145,693
Accounts receivable	-	-	492,420	-
Due from related party	-	-	-	-
Prepaid expenses	-	-	58,299	-
Property and equipment - Net	-	-	-	-
Accounts payable	-	-	(13,601)	-
Accrued liabilities	-	(5,218)	(24,991)	-
Deferred revenue	-	-	(797,450)	(65,699)
Note payable - PPP	-	(27,836)	(24,787)	(11,720)
Net assets acquired	$ 109,748	$ 307,130	$ 1,003,730	$ 68,274

Acquisition (Continued)

	Boston	Atlanta	Total
Cash and cash equivalents	$ 336,451	$ 707,649	$ 2,953,565
Accounts receivable	83,694	71,210	647,324
Due from related party	-	16,095	16,095
Prepaid expenses	53,600	7,481	119,380
Property and equipment - Net	2,714	-	2,714
Accounts payable	-	(33,336)	(46,937)
Accrued liabilities	-	-	(30,209)
Deferred revenue	(100,011)	(5,705)	(968,865)
Note payable - PPP	(51,106)	-	(115,449)
Net assets acquired	$ 325,342	$ 763,394	$ 2,577,618

Note 17: Subsequent Events

Subsequent to year-end, the Association entered into an agreement to acquire 100% of the assets of GF Data Resources LLC ("GF Data"), a subscription business providing reports and analysis on pricing and acquisition data for lower mid-market transactions. The terms of the agreement, which closed on March 8, 2022, require $3,250,000 cash due at closing in addition to an unsecured 36-month loan of $1,150,000.

The Association entered into agreements to acquire ACG Charlotte, Inc. (formerly, the Charlotte Chapter), ACG Maryland, Inc. (formerly, the Maryland Chapter), ACG National Capital, Inc. (formerly, the National (DC) Chapter), ACG New York, Inc. (formerly, the New York Chapter), ACG San Francisco, Inc. (formerly, the San Francisco Chapter), and ACG Denver, Inc. (formerly, the Denver Chapter), with effective dates ranging from September 1, 2021 through February 1, 2022. Once acquired, those chapters were subsequently dissolved. The total net assets acquired under these acquisitions is approximately $2,800,000.