# Association for Corporate Growth, Inc. and Subsidiaries

Consolidated Financial Statements

Year Ended August 31, 2023

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Association for Corporate Growth

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# Independent Auditor's Report

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

***Opinion***

We have audited the accompanying consolidated financial statements of Association for Corporate Growth, Inc. and Subsidiaries (collectively the "Association"), a nonprofit organization, which comprise the consolidated statement of financial position as of August 31, 2023, and the related consolidated statements 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.

In our opinion, the accompanying 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, 2023, 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 (''GAAP'').

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are required to be independent of Association for Corporate Growth, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Association for Corporate Growth, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Association for Corporate Growth, Inc. and Subsidiaries’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Association for Corporate Growth, Inc. and Subsidiaries's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Wipfli LLP

Wipfli LLP
Lincolnshire, Illinois

February 21, 2024

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

| *August 31,* | | 2023 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ | 6,013,425 |
| Accounts receivable, net | | 2,034,257 |
| Prepaid expenses and other current assets | | 1,344,537 |
| Investments | | 3,134,264 |
| Refundable income taxes | | 17,790 |
| Goodwill, net of accumulated amortization of $662,517 | | 4,014,073 |
| Client contracts, net of accumulated amortization of $72,655 | | 286,345 |
| Restricted covenant, net of accumulated amortization of $28,333 | | 71,667 |
| Software and website, net of accumulated amortization of $1,539,397 | | 1,847,600 |
| Property, equipment, and leasehold improvements, net | | 3,732 |
| Total assets | $ | 18,767,690 |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable | $ | 2,964,548 |
| Accrued expenses and other liabilities | | 1,724,093 |
| Line of credit | | 4,237,797 |
| Notes payable | | 3,525,042 |
| Deferred revenue | | 5,054,833 |
| Total liabilities | | 17,506,313 |
| Net assets: | | |
| Without restrictions | | 1,261,377 |
| Total liabilities and net assets | $ | 18,767,690 |

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,* | 2023 |
|---|---|
| Revenues, gains, and other support: | |
| Membership and PERT | $ 5,981,703 |
| Events | 10,242,112 |
| Marketing/Advocacy/PR | 8,849,411 |
| Partnership programs | 764,842 |
| Other | 162,329 |
| Investment income | 92,307 |
| Total revenues, gains, and other support | 26,092,704 |
| Operating expenses: | |
| Program services | 15,713,635 |
| Supporting services - Management and general | 13,047,289 |
| Total operating expenses | 28,760,924 |
| Change in net assets from operations | (2,668,220) |
| Nonoperating activities: | |
| Loss on convertible note redemption | (294,733) |
| Contributions from chapter acquisition | 117,550 |
| Total nonoperating activities | (177,183) |
| Change in net assets | (2,845,403) |
| Net assets - Beginning of year | 4,106,780 |
| Net assets - End of year | $ 1,261,377 |

See accompanying notes to consolidated financial statements.

# Association for Corporate Growth, Inc. and Subsidiaries

## Consolidated Statement of Functional Expenses

| *Year Ended August 31, 2023* | Program Services | | | | | | | | Supporting Services | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Membership and PERT | Events | Media | Marketing/ Advocacy/ PR | Chapter Support | Partnership Programs | International UK | Total Programs | Management and General | Total |
| Salaries/fringe benefits | $ 173,816 | $ 1,055,569 | $ 1,266,104 | $ 492,585 | $ 410,074 | $ 198,758 | $ - | $ 3,596,906 | $ 7,705,619 | $ 11,302,525 |
| Consulting and temporary help | 86,183 | 21,471 | 39,100 | 3,350 | - | - | 4,088 | 154,192 | 1,053,629 | 1,207,821 |
| Professional services | 213,236 | 128,330 | - | - | 66,467 | - | 2,311 | 410,344 | 354,489 | 764,833 |
| Service fees | 8,281 | 78,877 | 25,071 | 149,498 | 40 | 250,770 | - | 512,537 | 426,948 | 939,485 |
| Meetings and events | - | 9,321,771 | - | - | 90 | - | - | 9,321,861 | 85,561 | 9,407,422 |
| Travel/other meeting | 19,707 | 152,228 | 627 | 1,461 | 2,453 | 8,103 | - | 184,579 | 444,238 | 628,817 |
| Marketing and advertising | 36,285 | 107,829 | 20,869 | 247,053 | 2,940 | 2,881 | - | 417,857 | 147,793 | 565,650 |
| Depreciation/amortization | 4,088 | 248 | - | - | - | - | - | 4,336 | 1,174,798 | 1,179,134 |
| Occupancy | - | - | - | - | - | - | - | - | 319,306 | 319,306 |
| Office | 5,587 | 15,128 | 264,332 | 2,398 | 1,320 | - | - | 288,765 | 203,489 | 492,254 |
| Income taxes | - | - | - | - | - | - | - | - | 38,123 | 38,123 |
| Interest | - | - | - | - | - | - | - | - | 434,407 | 434,407 |
| Other | - | 818,787 | 197 | - | 3,274 | - | - | 822,258 | 658,889 | 1,481,147 |
| Total functional expenses | $ 547,183 | $ 11,700,238 | $ 1,616,300 | $ 896,345 | $ 486,658 | $ 460,512 | $ 6,399 | $ 15,713,635 | $ 13,047,289 | $ 28,760,924 |

See accompanying notes to consolidated financial statements.

# Association for Corporate Growth, Inc. and Subsidiaries
## Consolidated Statement of Cash Flows

| *Year Ended August 31,* | 2023 |
|---|---|
| Cash flows from operating activities: | |
| Change in net assets | $ (2,845,403) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | |
| Bad debt recoveries | (188,238) |
| Loss on redemption of convertible notes | 294,733 |
| Depreciation and amortization | 1,179,134 |
| Noncash contributions from chapter acquisitions | 13,750 |
| Net realized gain on investments | (7,489) |
| Noncash lease expense | (102,749) |
| Change in accrued interest on convertible notes | (13,726) |
| Change in operating assets and liabilities exclusive of net assets acquired from chapter acquisitions: | |
| Accounts receivable | 1,118,027 |
| Prepaid expenses and other current assets | (510,833) |
| Refundable income taxes | (17,790) |
| Accounts payable | (182,913) |
| Accrued expenses and other liabilities | 140,105 |
| Income taxes payable | (45,000) |
| Deferred revenue | (69,959) |
| Net cash used in operating activities | (1,238,351) |
| Cash flows from investing activities: | |
| Purchases of property, equipment and software | (1,154,129) |
| Purchase of investments | (2,513,422) |
| Repayment of convertible notes | 50,000 |
| Repayment of sublease deposit | (31,023) |
| Proceeds from sale of investments | 2,441,288 |
| Net cash used in investing activities | (1,207,286) |
| Cash flows from financing activities: | |
| Repayments on line of credit | (6,352,201) |
| Proceeds from line of credit | 7,732,310 |
| Principal repayments on notes payable | (604,125) |
| Net cash provided by financing activities | 775,984 |
| Change in cash and cash equivalents | (1,669,653) |
| Cash and cash equivalents - Beginning of year | 7,683,078 |
| Cash and cash equivalents - End of year | $ 6,013,425 |

# Association for Corporate Growth, Inc. and Subsidiaries
## Consolidated Statement of Cash Flows (Continued)

| *Year Ended August 31,* | | 2023 |
|---|---|---|
| **Supplemental cash flow information:** | | |
| Cash paid during the year for: | | |
| Interest | $ | 441,923 |
| Income taxes | | 100,913 |
| **Supplemental non-cash investing and financing activity:** | | |
| Refinancing of bank note payable | $ | 2,945,000 |
| As a result of business combinations, the Association acquired certain assets and assumed certain liabilities as follows: | | |
| Fair value of assets acquired, net of cash | $ | (13,750) |

See accompanying notes to consolidated financial statements.

### Note 1: Summary of Significant Accounting Policies

Association for Corporate Growth, Inc. and Subsidiaries (collectively the "Association") are membership organizations of professionals in the corporate development, and merger and acquisition fields. The Association has 59 chapters in the United States of America, five in Canada, and five in Europe. 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.

The Association does not include the activity and accounts of the chapters of the Association that are organized and operate as separate entities; except 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 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 one independent ACG chapter ACG Silicon Valley, Inc. (the "Chapter"), see Note 16. The operations of the acquired chapter has 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. lntercompany 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, 2023, 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, 2023, as the Association considers all receivables fully collectible.

#### Investments

Investments consist of money market accounts and exchange traded 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. Money market accounts and exchange traded 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.

## Note 1: Summary of Significant Accounting Policies (Continued)

### Goodwill and Other Purchased Intangible Assets

Goodwill and purchased intangible assets result from business combinations. The Association accounts for business acquisitions by allocating the purchase price to tangible an intangible assets acquired and liabilities assumed at their fair value; the excess of the purchase price over the allocated amount is recorded as goodwill.

The Association amortizes goodwill on a straight-line basis over a period of 10 years. The Association tests goodwill for impairment only when a triggering event has occurred that indicates it is more likely than not that the fair value of the reporting unit is below its carrying value. The Association evaluates the impairment as of the end of the reporting period (interim or annual) in which the triggering event has occurred.

The other purchased intangibles are being amortized using the straight-line method with the following estimated useful lives:

| | Estimated Useful Lives |
|---|---|
| Client contracts | 7 |
| Restricted covenant | 5 |

### Software and website

Software and website are stated at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of three to five years.

### Property, Equipment and Leasehold Improvements

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.

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, 2023.

## Note 1: Summary of Significant Accounting Policies (Continued)

### 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.

### Revenue Recognition

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.

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.

## Note 1: Summary of Significant Accounting Policies (Continued)

### Revenue Recognition (Continued)

**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. GF Data subscription revenue is also included and is recognized over twelve months beginning the month the payment is received.

**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.

*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.

## Note 1: Summary of Significant Accounting Policies (Continued)

### Revenue Recognition (Continued)

**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.

**Contract Balances:**

Receivables and contract balances from contracts with customers as of August 31, 2023, were as follows:

| | Accounts Receivable | Contract Liabilities |
|---|---|---|
| Beginning of year | $ 2,964,046 | $ 5,111,042 |
| End of year | $ 2,034,257 | $ 5,054,833 |

All accounts receivable noted above represent receivables from contracts with customers at August 31, 2023. The Association did not have any contract assets as of August 31, 2023 and 2022. Contract liabilities at September 1, 2021 consist 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.

## Note 1: Summary of Significant Accounting Policies (Continued)

### Contributed Nonfinancial Assets

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, 2023, 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.

### 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 $38,123 for the year ended August 31, 2023.

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, 2023.

ACG Global (Europe) Limited is a for-profit corporation and they file tax returns in United Kingdom. This subsidiary's 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 $15,690 for August 31, 2023, is included in other on the consolidated statement of functional expenses.

## Note 1: Summary of Significant Accounting Policies (Continued)

### Marketing and Advertising

Marketing and advertising costs are charged to operations when incurred. Marketing and advertising expense was $565,650 for the year ended August 31, 2023.

### 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 | $ 6,013,425 |
| Accounts receivable | 2,034,257 |
| Investments | 3,134,264 |
| Total financial assets | 11,181,946 |
| Financial assets available to meet general expenditures within one year | $ 11,181,946 |

The Association has $11,181,946 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 $5,000,000. 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 GAAP 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.

### ASC 842 Lease Accounting

The Association is a lessee in multiple noncancelable operating leases. If the contract provides the Association the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. Right-of-use (ROU) assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

### Note 1: Summary of Significant Accounting Policies (Continued)

**ASC 842 Lease Accounting** (Continued)

The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The Association has elected to use a risk-free rate for a term similar to the underlying lease as the discount rate if the implicit rate in the lease contract is not readily determinable.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight-line basis over the lease term.

For all underlying classes of assets, the Association has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Association is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Association recognizes short-term lease cost on a straight-line basis over the lease term.

**New Accounting Pronouncement**

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, will require the Association to present financial assets measured at amortized cost (including trade receivables and convertible notes) at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses will be based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. This accounting standard will be effective for financial statements issued for interim and annual periods beginning after December 15, 2022. The Association is evaluating what impact this new standard will have on its financial statements.

**Subsequent Events**

The Association has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through February 21, 2024, 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, engagement and subscriptions to GF Data. Efforts for special interest groups such as PERT (Private Equity Regulatory Task Force) are also attributed here. GF Data was founded in 2006 by deal professionals committed to giving themselves and others a more accurate view of transactions being completed in the lower middle market. GF Data subscribers utilize reports for accurate and current information to value and assess middle market businesses.

**Events** - The DealMAX 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).

**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.

Fair values of assets and liabilities measured on a recurring basis at August 31, 2023, are as follows:

| | | Recurring Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Total Assets at Fair Value | 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 | $ 2,922,172 | $ 2,922,172 | $ - | $ - |
| Exchange traded funds | 212,092 | 212,092 | - | - |
| Total investments | $ 3,134,264 | $ 3,134,264 | $ - | $ - |

## Note 4: Investments

The composition of investments held by the Association at August 31, 2023, are summarized as follows:

| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
|---|---|---|---|
| Investments: | | | |
| Cash and cash equivalents | $ 1,285,837 | $ 2,922,172 | $ 1,636,335 |
| Exchange traded funds | 213,343 | 212,092 | (1,251) |
| Total investments | $ 1,499,180 | $ 3,134,264 | $ 1,635,084 |

Investment income is classified in the consolidated statements of activities and changes in net assets and consists of the following:

| *Years Ended August 31,* | 2023 |
|---|---|
| Dividends and interest income | $ 84,818 |
| Realized gain on investments | 7,489 |
| Total | $ 92,307 |

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 Notes

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 were the lead investor. The maturity date of the combined note was July 27, 2023. Interest accrued 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. Upon maturity, the Association received a $50,000 settlement payment, but no additional payments were received. the Association considers the remaining note, including accrued interest, uncollectible. A loss of $294,733 is included in nonoperating activities on the consolidated statement of activities and change in net assets.

### Note 6: Goodwill and Purchased Intangible Assets

The Association's net purchased intangible assets as of August 31, 2023, are as follows:

| *Year Ended August 31, 2023* | | |
|---|---|---|
| Goodwill | $ | 4,014,073 |
| Client contracts | | 286,345 |
| Restricted covenant | | 71,667 |
| Total | $ | 4,372,085 |

Amortization expense was $538,945 for the year ended August 31, 2023.

Scheduled amortization expense for each of the next five years is as follows:

| *Year Ended August 31, 2023* | | |
|---|---|---|
| 2024 | $ | 538,945 |
| 2025 | | 538,945 |
| 2026 | | 538,945 |
| 2027 | | 530,611 |
| 2028 | | 518,945 |
| Thereafter | | 1,705,694 |
| Total | $ | 4,372,085 |

### Note 7: Software and Website

Amortization expense for software and website was $455,076 for the year ended August 31, 2023.

Scheduled amortization expense for each of the next four years is as follows:

| | | |
|---|---|---|
| 2024 | $ | 569,785 |
| 2025 | | 569,785 |
| 2026 | | 564,785 |
| 2027 | | 143,245 |
| Total | $ | 1,847,600 |

## Note 8: Property, Equipment and Leasehold Improvements

Equipment and leasehold improvements consist of the following:

| *As of August 31,* | | 2023 |
|---|---|---|
| Furniture and equipment | $ | 550,460 |
| Leasehold improvements | | 617,363 |
| Total | | 1,167,823 |
| Less: Accumulated depreciation | | 1,164,091 |
| Total equipment and leasehold improvements | $ | 3,732 |

Depreciation expense was $185,113 for the year ended August 31, 2023.

## Note 9: Line of Credit

The Association maintains a $5,000,000 line of credit that bears interest at the Federal Funds Rate plus 2% (7.33% at August 31, 2023). The balance outstanding at August 31, 2023, was $4,237,797. The Association can pay the balance down to zero at any time, however at the September 21, 2024 maturity date, the principal and accrued interest will become due, unless the line is renewed at that time. The line is collateralized by the Association's assets.

## Note 10: Notes Payable

The Association had a $3,250,000 note payable with a financial institution. The note bore interest at the Federal Funds Rate plus 2.5% and required monthly payments of principal of $24,542 and all accrued and unpaid interest with the final principal and interest due on March 8, 2027, and had a balance of $2,979,167 at August 31, 2022. During the fiscal year ended August 31, 2023, the Association refinanced the note payable in the amount $2,945,000 with the same monthly payment terms. The new note bears interest at the Federal Funds Rate plus 2.4% and will mature in September 2029. The balance on the note payable at August 31, 2023 was $2,675,042.

The Association also has a note payable with the seller for a previous acquisition. The note bears interest at 6% and requires principal payments of $100,000 and all accrued unpaid interest to be paid quarterly with the final principal and interest due on March 1, 2025. The balance on the note payable at August 31, 2023 was $850,000.

Interest expense on the notes payable was $434,407 for the year ended August 31, 2023.

## Note 10: Notes Payable (Continued)

Required payments of principal on the notes payable at August 31, 2023, are summarized as follows:

| | |
|---|---|
| 2024 | $ 694,500 |
| 2025 | 744,500 |
| 2026 | 294,500 |
| 2027 | 294,500 |
| 2028 | 294,500 |
| Thereafter | 1,202,542 |
| Total | $ 3,525,042 |

## Note 11: 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 $647,731 for the year ended August 31, 2023.

## Note 12: Accounting Pronouncement Adopted

### ASU No. 2016-02, *Leases* (Topic 842)

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The Association adopted this guidance for the year ended August 31, 2023 with modified retrospective application to September 1, 2022. The Association has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Association accounted for its existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of December 31, 2018) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Association did not reassess service contracts evaluated for lease treatment under ASC 840 for embedded leases under ASC 842.

The Association did not recognize any ROU assets or lease liabilities as a result of the adoption of the new lease accounting guidance.

## Note 13: Leases

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 was also liable for its proportionate share of real estate taxes, assessments, and other operating costs. As part of this lease agreement, the Association had a $50,000 letter of credit in lieu of security deposit, in favor of the landlord. The lease was not renewed.

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 required monthly payments ranging from $14,163 through $15,512 over the life of the sublease.

The Association also entered into leasing agreements for six additional office and storage facilities. These leases have terms of 12 months or less with expirations during the year ending August 31, 2024. Monthly rental payments range from $130 to $7,950 for these leases.

Some leases entered into include one or more options to renew. The exercise of lease renewal options is at the Association's sole discretion. Renewal option periods are included in the measurement of the ROU asset and lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

The Association's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Components of lease expense were as follows for the year ended August 31, 2023.

| | |
|---|---|
| Short term lease cost | $101,254 |
| Variable lease cost | $205,341 |

## Note 14: 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.

## Note 15: 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: | | |
| Dues remittances | $ - | $ 223,470 |
| Events remittances | - | 966,471 |
| Total chapters | $ - | $ 1,189,941 |
| Officers, directors, and related entities: | | |
| Sponsorship revenues | $ 344,750 | $ - |
| Total officers, directors, and related entities | $ 344,750 | $ - |

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 $2,475,499 for the year ended August 31, 2023. In addition, the Association remitted chapter event registration fees and sponsorship payments to its chapters of $8,731,503 for the year ended August 31, 2023. These amounts are not reflected in the Association's consolidated statement of activities and change in net assets.

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 16: Acquisition of Chapter

As stated in Note 1, the Association acquired the assets, liabilities and operations of one independent ACG chapter ACG Sillicon Valley (the "Chapter"). 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 $117,550 being recognized as nonoperating activities in the consolidated statement of activities and change in net assets.

## Note 16: Acquisition of Chapter (Continued)

Assets and liabilities acquired and related contribution recognized for the year ended August 31, 2023, are as follows:

| | | Sillicon Valley |
|---|---|---|
| Cash and cash equivalents | $ | 131,300 |
| Deferred revenue | | (13,750) |
| Net assets acquired | $ | 117,550 |