

**National Governors Association and
National Governors Association Center
for Best Practices**

Consolidated Financial Statements and
Supplementary Information

June 30, 2025 and 2024

National Governors Association and National Governors Association Center for Best Practices

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June 30, 2025 and 2024

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Independent Auditors' Report

To the Board of Directors of
National Governors Association and National Governors Association Center for Best Practices

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of National Governors Association and National Governors Association Center for Best Practices (the Organization), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Organization as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 accounting principles generally accepted in the United States of America, 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 the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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 the Organization'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 the Organization'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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and it is not a required part of the consolidated financial statements. Also, the accompanying Schedules of Benefits, Schedules of Indirect Cost Pool Expenses, and Schedules of Center Direct Indirect Cost Pool Expenses are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2026 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Milwaukee, Wisconsin
March 20, 2026

**National Governors Association and National Governors Association
Center for Best Practices**

Consolidated Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Assets		
Cash and cash equivalents	\$ 1,620,362	\$ 3,061,713
Investments	64,488,864	58,167,094
Accounts receivable, net	2,029,391	3,749,324
Prepaid expenses and other assets	782,851	1,111,858
Property and equipment, net	2,407,974	2,739,291
Operating lease right-of-use assets	<u>9,572,688</u>	<u>10,659,313</u>
Total assets	<u>\$ 80,902,130</u>	<u>\$ 79,488,593</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 2,902,473	\$ 2,426,207
Deferred revenue and other liabilities	4,587,677	4,953,561
Operating lease liabilities	<u>12,735,958</u>	<u>14,053,997</u>
Total liabilities	<u>20,226,108</u>	<u>21,433,765</u>
Net Assets		
Without donor restrictions:		
Undesignated	4,326,983	5,036,282
Board designated endowment	<u>52,612,850</u>	<u>47,976,641</u>
Total without donor restrictions	56,939,833	53,012,923
With donor restrictions	<u>3,736,189</u>	<u>5,041,905</u>
Total net assets	<u>60,676,022</u>	<u>58,054,828</u>
Total liabilities and net assets	<u>\$ 80,902,130</u>	<u>\$ 79,488,593</u>

See notes to consolidated financial statements

**National Governors Association and National Governors Association
Center for Best Practices**

Consolidated Statement of Activities
Year Ended June 30, 2025

	<u>NGA</u>	<u>Center</u>	<u>Total</u>
Without Donor Restrictions			
Support and revenue:			
Foundation grants and contributions	\$ -	\$ 929,912	\$ 929,912
Federal grants and contracts	-	4,633,874	4,633,874
Other contributions	813,490	2,134,671	2,948,161
Membership dues	4,620,571	-	4,620,571
Corporate partnerships	7,816,282	415,000	8,231,282
Registration fees	251,286	208,678	459,964
Other income	86,799	12,578	99,377
Net assets released from donor restrictions	-	6,370,469	6,370,469
	<u>13,588,428</u>	<u>14,705,182</u>	<u>28,293,610</u>
Total support and revenue			
Expenses:			
Personnel	7,337,418	6,802,780	14,140,198
General office	11,405	60,248	71,653
Occupancy	929,457	723,919	1,653,376
Equipment	276,705	403,319	680,024
Printing	5,708	3,588	9,296
Telecommunications	62,682	111,888	174,570
Contractual services	72,196	3,171,437	3,243,633
Professional services	300,343	211,170	511,513
Travel	931,926	1,719,229	2,651,155
Meetings	3,159,731	2,361,397	5,521,128
Depreciation and amortization	102,160	229,157	331,317
Miscellaneous	119,066	823,309	942,375
	<u>13,308,797</u>	<u>16,621,441</u>	<u>29,930,238</u>
Total expenses			
Change in net assets without donor restrictions from operations	<u>279,631</u>	<u>(1,916,259)</u>	<u>(1,636,628)</u>
Nonoperating activity:			
Investment return, net	<u>2,949,523</u>	<u>2,614,015</u>	<u>5,563,538</u>
Change in net assets without donor restrictions	<u>3,229,154</u>	<u>697,756</u>	<u>3,926,910</u>
With Donor Restrictions			
Contributions	-	5,064,753	5,064,753
Net assets released from donor restrictions	-	(6,370,469)	(6,370,469)
Change in net assets with donor restrictions	<u>-</u>	<u>(1,305,716)</u>	<u>(1,305,716)</u>
Total change in net assets	<u>3,229,154</u>	<u>(607,960)</u>	<u>2,621,194</u>
Net Assets, Beginning	<u>23,358,751</u>	<u>34,696,077</u>	<u>58,054,828</u>
Net Assets, Ending	<u>\$ 26,587,905</u>	<u>\$ 34,088,117</u>	<u>\$ 60,676,022</u>

See notes to consolidated financial statements

**National Governors Association and National Governors Association
Center for Best Practices**

Consolidated Statement of Activities
Year Ended June 30, 2024

	<u>NGA</u>	<u>Center</u>	<u>Total</u>
Without Donor Restrictions			
Support and revenue:			
Foundation grants and contributions	\$ 37,762	\$ 642,289	\$ 680,051
Federal grants and contracts	-	5,329,066	5,329,066
Other contributions	1,026,944	1,807,079	2,834,023
Membership dues	4,720,218	-	4,720,218
Corporate partnerships	7,290,837	472,500	7,763,337
Registration fees	95,140	102,064	197,204
Other income	78,149	20,056	98,205
Net assets released from donor restrictions	-	5,278,394	5,278,394
	<u>13,249,050</u>	<u>13,651,448</u>	<u>26,900,498</u>
Expenses:			
Personnel	6,356,889	7,263,958	13,620,847
General office	53,808	42,693	96,501
Occupancy	788,233	380,101	1,168,334
Equipment	466,972	229,501	696,473
Printing	20,723	12,561	33,284
Telecommunications	105,892	57,796	163,688
Contractual services	692,112	2,596,644	3,288,756
Professional services	447,816	159,283	607,099
Travel	602,085	1,858,492	2,460,577
Meetings	3,380,210	1,979,973	5,360,183
Depreciation and amortization	334,985	-	334,985
Miscellaneous	231,565	424,837	656,402
	<u>13,481,290</u>	<u>15,005,839</u>	<u>28,487,129</u>
Change in net assets without donor restrictions from operations	<u>(232,240)</u>	<u>(1,354,391)</u>	<u>(1,586,631)</u>
Nonoperating activity:			
Investment return, net	<u>3,091,191</u>	<u>2,761,097</u>	<u>5,852,288</u>
Changes in net assets without donor restrictions	<u>2,858,951</u>	<u>1,406,706</u>	<u>4,265,657</u>
With Donor Restrictions			
Contributions	-	6,225,354	6,225,354
Net assets released from donor restrictions	-	(5,278,394)	(5,278,394)
Change in net assets with donor restrictions	<u>-</u>	<u>946,960</u>	<u>946,960</u>
Total change in net assets	2,858,951	2,353,666	5,212,617
Net Assets, Beginning	<u>20,499,800</u>	<u>32,342,411</u>	<u>52,842,211</u>
Net Assets, Ending	<u>\$ 23,358,751</u>	<u>\$ 34,696,077</u>	<u>\$ 58,054,828</u>

See notes to consolidated financial statements

**National Governors Association and National Governors Association
Center for Best Practices**

**Consolidated Statements of Functional Expenses
Years Ended June 30, 2025 and 2024**

	2025													
	Program Services									Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Government Relations	Education	Economic Opportunity	Health	Energy and Infrastructure	Homeland Security and Public Safety	Membership	Events	Comms		Management and Administration	Development		
Personnel	\$ 1,603,903	\$ 377,511	\$ 2,173,789	\$ 1,299,286	\$ 1,559,127	\$ 1,490,729	\$ 585,165	\$ 1,011,509	\$ 1,370,116	\$ 11,471,135	\$ 1,996,382	\$ 672,681	\$ 2,669,063	\$ 14,140,198
General office	7,846	2,757	10,977	6,556	7,866	7,498	3,273	10,017	8,710	65,500	662	5,491	6,153	71,653
Occupancy	98,568	25,305	136,177	84,296	97,567	92,976	47,284	61,366	83,078	726,617	885,971	40,788	926,759	1,653,376
Equipment	141,428	14,737	76,537	45,812	55,047	55,374	19,627	33,945	90,963	533,470	123,992	22,562	146,554	680,024
Printing	-	6	32	16	18	10	100	860	279	1,321	7,900	75	7,975	9,296
Telecommunications	15,138	3,679	21,234	12,648	15,183	14,466	5,536	9,552	12,932	110,368	57,853	6,349	64,202	174,570
Contractual services	42,972	103,581	1,645,202	713,884	402,302	198,593	15,790	38,665	36,708	3,197,697	27,913	18,023	45,936	3,243,633
Professional services	33,115	10,137	40,197	23,871	69,915	27,543	13,298	38,249	23,585	279,910	220,023	11,580	231,603	511,513
Travel	21,438	248,609	519,071	352,032	410,214	195,262	411,808	359,840	17,623	2,535,897	100,588	14,670	115,258	2,651,155
Meetings	12,832	274,968	724,571	266,521	607,443	230,719	361,445	2,806,399	5,268	5,290,166	196,694	34,268	230,962	5,521,128
Depreciation and amortization	31,069	7,525	43,330	25,893	31,068	29,646	11,335	19,604	26,540	226,010	92,277	13,030	105,307	331,317
Miscellaneous	14,203	3,787	23,153	555,453	87,358	68,455	14,150	12,605	11,944	791,108	114,938	36,329	151,267	942,375
Total expenses	\$ 2,022,512	\$ 1,072,602	\$ 5,414,270	\$ 3,386,268	\$ 3,343,108	\$ 2,411,271	\$ 1,488,811	\$ 4,402,611	\$ 1,687,746	\$ 25,229,199	\$ 3,825,193	\$ 875,846	\$ 4,701,039	\$ 29,930,238
	2024													
	Program Services									Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	Government Relations	Education	Economic Opportunity	Health	Energy and Infrastructure	Homeland Security and Public Safety	Membership	Events	Comms		Management and Administration	Development		
Personnel	\$ 1,792,496	\$ 500,526	\$ 1,848,283	\$ 1,443,021	\$ 1,439,667	\$ 1,562,730	\$ 627,507	\$ 1,125,025	\$ 1,513,291	\$ 11,852,546	\$ 1,095,772	\$ 672,529	\$ 1,768,301	\$ 13,620,847
General office	11,756	-	6,650	5,767	5,032	5,998	6,910	25,301	11,967	79,381	12,696	4,424	17,120	96,501
Occupancy	176,351	25,762	96,430	78,947	76,138	90,717	62,489	110,088	148,081	865,003	237,521	65,810	303,331	1,168,334
Equipment	171,443	14,243	53,313	41,745	41,862	49,143	36,098	61,428	116,665	585,940	74,150	36,383	110,533	696,473
Printing	2,963	435	1,629	3,185	3,502	1,482	1,374	3,531	9,299	27,400	4,395	1,489	5,884	33,284
Telecommunications	27,153	3,986	14,976	11,683	11,609	13,641	9,501	17,101	22,912	132,562	20,753	10,373	31,126	163,688
Contractual services	77,035	457,691	1,063,871	610,041	176,968	104,958	28,432	242,749	65,040	2,826,785	91,557	370,414	461,971	3,288,756
Professional services	55,974	8,910	31,416	24,586	59,803	29,131	19,471	46,621	46,955	322,867	263,225	21,007	284,232	607,099
Travel	44,659	171,023	392,309	515,734	413,847	188,914	255,909	433,943	25,286	2,441,624	(6,011)	24,964	18,953	2,460,577
Meetings	13,770	225,661	489,659	293,659	421,205	118,984	473,545	3,109,327	7,572	5,153,382	140,692	66,109	206,801	5,360,183
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	334,985	-	334,985	334,985
Miscellaneous	17,309	2,614	271,841	8,093	77,053	8,561	90,447	13,704	14,449	504,071	38,765	113,566	152,331	656,402
Total expenses	\$ 2,390,909	\$ 1,410,851	\$ 4,270,377	\$ 3,036,461	\$ 2,726,686	\$ 2,174,259	\$ 1,611,683	\$ 5,188,818	\$ 1,981,517	\$ 24,791,561	\$ 2,308,500	\$ 1,387,068	\$ 3,695,568	\$ 28,487,129

See notes to consolidated financial statements

**National Governors Association and National Governors Association
Center for Best Practices**

Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flow From Operating Activities		
Change in net assets	\$ 2,621,194	\$ 5,212,617
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Net realized and unrealized gains	(3,667,382)	(4,692,389)
Depreciation and amortization expense	331,317	334,985
Lease costs	(231,414)	(189,914)
Changes in assets and liabilities:		
Accounts receivable, net	1,719,933	488,053
Prepaid expenses and other assets	329,007	17,172
Accounts payable and accrued expenses	476,266	(124,192)
Deferred revenue and other liabilities	(365,884)	(980,924)
Net cash flows from operating activities	<u>1,213,037</u>	<u>65,408</u>
Cash Flows From Investing Activities		
Purchases of investments	(23,695,137)	(12,828,176)
Proceeds from sale of investments	<u>21,040,749</u>	<u>9,695,991</u>
Net cash flows from investing activities	<u>(2,654,388)</u>	<u>(3,132,185)</u>
Net change in cash and cash equivalents	(1,441,351)	(3,066,777)
Cash and Cash Equivalents, Beginning	<u>3,061,713</u>	<u>6,128,490</u>
Cash and Cash Equivalents, Ending	<u>\$ 1,620,362</u>	<u>\$ 3,061,713</u>

See notes to consolidated financial statements

National Governors Association and National Governors Association Center for Best Practices

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

1. Summary of Significant Accounting Policies

Nature of Activities

Founded in 1908, the National Governors Association (NGA), (an instrumentality of the states of the United States of America) is the voice of the leaders of 55 states, territories and commonwealths. Our nation's Governors are dedicated to leading bipartisan solutions that improve citizens' lives through state government. Through NGA, Governors identify priority issues and deal with matters of public policy and governance at the state, national and global levels.

NGA is the premier resource for not only Governors but also for their cabinet, state policy experts, the U.S. Congress, and private enterprise. NGA offers an array of services to help collaboratively tell the states' story. NGA teams work side-by-side with state leaders to identify challenges, help Governors stay ahead of the curve and offer solutions before challenges become problems. NGA's programs and policy areas include:

- Communications: The mission of NGA Communications is to support and amplify Governors' bipartisan leadership in driving policy solutions on top priority issues.
- Office of Government Relations: NGA's office of government relations serves as the voice of Governors to Congress and the Administration. The office develops and advocates Governors' top bipartisan federal priorities on behalf of states and territories through regulatory, legislative, and policy matters. Through this advocacy, the office ensures that Governors' federal priorities are kept at the forefront of public policy discussions. Congress and the Administration look to NGA as a trusted partner for meaningful bipartisan solutions to pressing public policy issues.
- Member Services: NGA's membership support team provides resources, services and assistance to Governors, Governors Spouses and their staff through the complete life cycle of a Governor's term, from election day through the final year in office.
- Events: NGA holds multiple meetings and events each year designed to support Governors' offices and their staff members. The meetings provide a robust networking forum and offer educational opportunities, including timely, technical assistance geared to assist Governors, First Spouses and Governors' staff members in their work serving their states and territories.

National Governors Association Center for Best Practices (NGAC) is a separately incorporated 501(c)3 entity organized for the purpose of evaluating and disseminating information related to the purposes above. The membership of NGAC is the same as that of NGA and the organizations operate under the oversight of common management. NGAC's board of directors is appointed by the NGA Chair. NGAC is comprised of policy teams that identify and research innovation solutions to today's more pressing public policy challenges. NGAC works to understand Governors' top priorities and provide them and their teams with timely, practical and bipartisan methods for addressing those challenges. NGAC is the only research and development firm that directly serves the nation's Governors. Program areas within the NGAC include the following programs. Each program convenes Governors' policy advisors in specific issue areas to convene, learn from one other and interact with national experts on a wide range of timely, governor-driven, topics. The programs also host Policy Institutes and Academies designed to review best practices, provide peer-to-peer exchanges, develop strategies to address concerns in their sector and address emerging issues.

- Education: The Education program supports Governors' advisors working across the full spectrum of early childhood, K-12, and postsecondary policy. The team helps states strengthen student learning, improve educator recruitment and retention, enhance school safety and modernize education-to-workforce pathways. It also assists Governors in developing data-driven strategies that align education systems with evolving economic needs.

National Governors Association and National Governors Association Center for Best Practices

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

- **Economic Opportunity:** The Economic Opportunity program assists Governors' advisors in advancing workforce development, job creation and economic competitiveness. Its work helps Governors build resilient, inclusive economies that meet the needs of workers and employers.
- **Health:** The Health program partners with Governors' advisors to address core health and human services priorities, from behavioral health and public health modernization to Medicaid+ and maternal and child health.
- **Energy and Infrastructure:** The Energy and Infrastructure program supports Governors' advisors working on energy policy, environmental stewardship and modernizing critical infrastructure.
- **Homeland Security and Public Safety:** This program helps Governors' advisors safeguard communities by strengthening emergency management, cybersecurity, disaster resilience and public safety systems.

Basis of Presentation

The consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP), which includes the accrual basis of accounting.

The consolidated financial statements include the accounts of NGA and NGAC, collectively the Organization. All material intercompany transactions and balances have been eliminated in consolidation.

Classification of Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets 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 (or certain grantor) restrictions. The Board of Directors has the ability to designate net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Directors at any time. See Note 7 for further information on net assets without donor restrictions

Net Assets With Donor Restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor; others may be required to be maintained in perpetuity by the Organization. There are no net assets with donor restrictions that are required to be held in perpetuity as of June 30, 2025 and 2024.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments, which are to be used for current operations and which have an original maturity of three months or less, to be cash equivalents. Cash and money market funds held with investment portfolios are considered investments. Cash and cash equivalents are valued at their carrying amount which approximates fair value due to their short maturities.

National Governors Association and National Governors Association Center for Best Practices

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

Financial Instruments and Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, investments and accounts receivable.

The Organization maintains its cash balances at a creditworthy financial institution, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

The Organization invests in professionally managed portfolios that contain various investments that are exposed to risks such as market, interest and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment balances and the amounts reported in the consolidated financial statements.

Credit risk with respect to receivables is generally limited as the Organization has outstanding receivables with several customers.

Investments

Investments with readily determinable fair values are reflected at fair value. To adjust the carrying values of these securities, unrealized gains and losses are recorded as investment return, net in the accompanying consolidated statements of activities. Investment return, net also includes interest, dividends and realized gains and losses, less management fees.

Accounts Receivable

Accounts receivable, net on the consolidated statements of financial position includes grant, contribution, membership, corporate partnership and other receivables.

Grant and contribution receivables represent unconditional promises to give and are reported as revenue when granted or received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Grant and contribution receivables are recorded net of an allowance for doubtful accounts.

All other accounts receivable are recorded at net realizable value. The Organization determines the estimated net realizable value based on contractual agreements and historical experience. Recoveries of receivables previously written off are recorded as revenue when received.

The Organization recognizes an allowance for credit losses for trade and other receivables to present the net amount expected to be collected as of the consolidated statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the consolidated financial statement position date. Receivables are written off when the Organization determined that such receivables are deemed uncollectible.

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The Organization utilizes the historical loss rate method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Organization's historical loss experience. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, creditworthiness, changes in the terms of receivables, effect of other external forces such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. For receivables that are not expected to be collected within the normal business cycle, the Organization considers current and forecasted direction of the economic and business environment. Such forecasted information includes: gross domestic product (GDP) growth, unemployment rates and interest rates amongst others.

The combined allowance for doubtful accounts and allowance for credit losses totaled \$200,000 as of June 30, 2025 and 2024.

Property and Equipment

Property and equipment purchases are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the lease term or the life of the asset. NGA capitalizes all property and equipment purchased with a cost of \$2,500 or more. NGAC does not purchase any property or equipment. Contributions with donor restrictions that are restricted for purchases of property and equipment are released when the related assets are placed into service; no such contributions were received during the years ended June 30, 2025 and 2024.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. There were no impairment losses during the years ended June 30, 2025 and 2024.

Leases

Leases arise from contractual obligations that convey the right to control the use of identified property, plant or equipment for a period in exchange for consideration. At the inception of the contract, the Organization determines if an arrangement contains a lease based on whether there is an identified asset and whether the Organization controls the use of the identified asset. The Organization also determines whether the lease classification is an operating or financing lease at the commencement date.

A right-of-use asset represents the Organization's right-to-use an underlying asset and a lease liability represents the Organization's obligation to make payments during the lease term. Right-of-use assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement. The implicit rates for the Organization's leases are not readily determinable; therefore, the Organization elected to use a risk-free discount rate at the lease commencement date for all new leases.

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The Organization's operating leases for office space typically include nonlease components such as common area maintenance (CAM) costs, utilities and other maintenance costs. The Organization elected to combine nonlease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that they are fixed or variable, based on an index or rate. Nonlease components that are neither fixed nor variable based on an index or rate are expensed as incurred as variable lease payments. The Organization's CAM, tax and electricity costs are expensed as incurred, as they are a variable cost that is not based on an index or rate.

Certain leases contain options to extend the lease term at prevailing market rates at the time of the renewal. Because management cannot predict the future economic landscape, it is not reasonably certain to exercise the extension options. Therefore, the Organization uses the base, noncancelable, lease term when recognizing the lease assets and liabilities. The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As a matter of policy, the Organization elected to exclude leases with terms of 12 months or less (short-term) from the consolidated statements of financial position. Short-term lease expense is recognized on a straight-line basis over the expected term of the lease. If the lease term or the option to purchase the underlying asset changes (i.e., lease term extends to more than 12 months or whether it is reasonably certain that Organization will exercise an option to purchase the underlying asset), the lease will no longer be considered a short-term lease and management will apply the remainder of the guidance.

Revenue Recognition

Revenue Accounted for as Contributions

Foundation Grants and Contributions and Other Contributions

Unconditional foundation grants and contributions and other contributions are recorded as either with or without donor restrictions, depending on the existence and/or nature of any donor restrictions, when a pledge is received. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Conditional contributions, if any, are recorded when the conditions have been met. There were no conditional contributions as of June 30, 2025 and 2024.

Federal Grants and Contracts

NGAC receives grants and contracts from various federal agencies for various purposes. Grants awarded by federal agencies are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and revenue is recognized when qualifying expenditures are incurred and conditions under the grant agreements are met. Federal grants and contracts are presented as without donor restrictions on the consolidated statements of activities as any restrictions are met when revenue is recognized. Grant and contract award funds not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. As of June 30, 2025 and 2024, NGAC had remaining available award balances on the federal grants and contracts of \$7,424,241 and \$10,718,039, respectively. These award balances will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

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Revenue Accounted for as Contracts

The Organization recognizes revenue when it satisfies a performance obligation by transferring a promised good to or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. The Organization's management expects that the period between when the Organization transfers goods and services to their customers and when the customers pay for those goods and services will be one year or less. Therefore, the Organization has elected the practical expedient not to adjust the promised amount of consideration for the effect of a significant financing component. Amounts received in advance of services performed, but not yet earned, are held and recorded as deferred revenue and other liabilities on the consolidated statements of financial position. Invoices resulting from the Organization's contracts with customers are generally due within 30 days of the invoice date.

Corporate Partnerships

Corporate partnerships include revenue received from corporations for partnership with the Organization to empower solutions to public policy challenges through collaboration between governors and the private sector. Partners receive benefits such as complementary registrations, name recognition within certain publications/website/apps of the Organization and other benefits. There are several levels of partnership and benefits vary by level of partnership. Performance obligations are satisfied at the time when services are transferred evenly throughout the calendar year and revenues are recognized over time. Amounts received in advance of services performed, but not yet earned, are held and recorded as deferred revenue and other liabilities on the consolidated statements of financial position.

Membership Dues

Amounts charged by NGA to state governors for the general rights of membership which includes access to resources, services and assistance to governors, governors' spouses and their staff through the complete life-cycle of a governor's term from election day through the final year in office. Member services also include access to private work sessions, professional development opportunities, leadership/management publications, research assistance and other programs.

Although NGA does not execute a contract with its members, management considers payment of annual dues, based on prices determined by NGA, to constitute member acceptance of the offered benefits. With the membership benefits described above, the performance obligations are satisfied over the membership period, using the input method, which coincides with the Organization's reporting period and therefore revenues are recognized over time. Membership dues received in advance of services performed, but not yet earned, are held and recorded as deferred revenue and other liabilities on the consolidated statements of financial position.

Registration Fees

Registration fees revenue is recognized at the time of the event. Payments received in advance of the event are recorded as deferred revenue and other liabilities on the consolidated statements of financial position.

There were no opening or closing accounts receivable related to contracts with customers during the years ended June 30, 2025 and 2024. Deferred revenue related to contracts with customers totaled \$4,469,004, \$4,848,870 and \$4,870,539 as of June 30, 2025, 2024 and 2023, respectively, and is included in deferred revenue and other liabilities on the consolidated statements of financial position.

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Measure of Operations

The Organization's operating revenues and expenses include all activities that are an integral part of its operations. Operating activities primarily relate to revenues and expenses incurred for core services that benefit its members and partners. The measure of operations excludes investment return, net as management does not consider them integral to its operations.

Income Taxes

The Internal Revenue Service (IRS) has determined that NGA is not subject to federal income taxes as it is deemed to be an instrumentality of the states of the United States of America.

NGAC is exempt from income tax under the provisions of Internal Revenue Code (IRC) Section 501(c)(3) and the applicable income tax regulations of the District of Columbia, except on net income from unrelated activities. No provision for income taxes was required as of June 30, 2025 and 2024. NGAC has been determined to not be a private foundation.

Management has evaluated NGAC's tax positions and has concluded that NGAC has taken no uncertain tax positions that require adjustment to the consolidated financial statements. NGAC files information returns in the U.S. federal jurisdiction. NGAC is still open to examination by taxing authorities from year 2022 forward.

Functional Allocation of Expenses

The costs of providing various programs and support activities have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Direct expenses are charged to the respective programs and supporting services benefited based upon actual time or costs incurred. Indirect costs which mainly include occupancy and general office expenses are allocated to the Organization's programs based on their respective percentages of annual salaries and benefits.

New Accounting Pronouncements

In July 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2025-05, *Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU provides all entities with a practical expedient and an accounting policy election may be applied by entities other than public business entities when estimating expected credit losses for current accounts receivable and current contract assets arising from contracts with customers. The practical expedient allows for an election that assumes that current conditions as of the statement of financial position date do not change for the remaining life of the asset. The accounting policy election allows for entities other than public business entities that make the practical expedient election to consider collection activity after the statement of financial position date when estimating expected credit losses. The ASU is effective for annual periods beginning after December 15, 2025 and is to be applied prospectively. Early adoption is permitted

Estimates

The preparation of these consolidated financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These estimates and assumptions may affect reported amounts and disclosures in the consolidated financial statements. Actual results could differ from these estimates.

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2. Liquidity and Availability of Resources

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date consist of the following:

	<u>2025</u>	<u>2024</u>
Financial assets, at year-end:		
Cash and cash equivalents	\$ 1,620,362	\$ 3,061,713
Investments	64,488,864	58,167,094
Accounts receivable, net	<u>2,029,391</u>	<u>3,749,324</u>
Total financial assets available within one year	68,138,617	64,978,131
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	3,736,189	5,041,905
Board designated endowment	<u>52,612,850</u>	<u>47,976,641</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,789,578</u>	<u>\$ 11,959,585</u>

The Organization is primarily funded by a combination of foundation and federal grant contracts, member dues and corporate partnerships and other contributions. The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations that come due. Additionally, the Organization maintains a line of credit with Bank of America with a limit up to \$1,200,000 with an interest rate of the term Secured Overnight Financing Rate (SOFR) daily floating rate plus 2%. The line of credit expires June 30, 2026. As of and during the years ended June 30, 2025 and 2024, no amounts were drawn on the line of credit. The Board of Directors is able to undesignate funds from the Board designated endowment as needed to fund current operations.

3. Investments

At June 30, 2025 and 2024, investments consist of the following:

	<u>2025</u>	<u>2024</u>
Corporate equity securities	\$ 16,224,335	\$ 16,843,626
Exchange traded funds	1,807,111	361,601
Mutual funds	22,258,723	25,580,266
Corporate bonds	3,022,151	2,744,867
Government securities	14,439,580	8,500,425
Money market funds	<u>6,736,964</u>	<u>4,136,309</u>
Total	<u>\$ 64,488,864</u>	<u>\$ 58,167,094</u>

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For the years ended June 30, 2025 and 2024, investment return, net, consists of the following:

	<u>2025</u>	<u>2024</u>
Realized and unrealized gains	\$ 3,667,382	\$ 4,692,389
Interest and dividends	2,147,341	1,385,014
Management fees	<u>(251,185)</u>	<u>(225,115)</u>
Total	<u>\$ 5,563,538</u>	<u>\$ 5,852,288</u>

4. Accounts Receivable

At June 30, 2025 and 2024, accounts receivable consists of the following:

	<u>2025</u>	<u>2024</u>
Foundation grants and contributions	\$ 685,547	\$ 1,879,310
Federal grants and contracts	<u>1,543,844</u>	<u>2,070,014</u>
	2,229,391	3,949,324
Less credit loss reserve and allowance for doubtful accounts	<u>(200,000)</u>	<u>(200,000)</u>
Total	<u>\$ 2,029,391</u>	<u>\$ 3,749,324</u>

At June 30, 2025 all receivables were expected to be collected in fiscal year 2026. As of June 30, 2024, the Organization had \$518,028 of long-term foundation grants and contributions receivable.

5. Property and Equipment

At June 30, 2025 and 2024, property and equipment consists of the following:

	<u>2025</u>	<u>2024</u>
Computer equipment and software	\$ 432,032	\$ 1,364,033
Leasehold improvements	5,150,143	5,150,143
Furniture and equipment	<u>257,252</u>	<u>686,541</u>
	5,839,427	7,200,717
Less accumulated depreciation and amortization	<u>(3,431,453)</u>	<u>(4,461,426)</u>
Total	<u>\$ 2,407,974</u>	<u>\$ 2,739,291</u>

Depreciation and amortization expense charged to operations was \$331,317 and \$334,985 for the years ended June 30, 2025 and 2024, respectively.

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6. Leases

The Organization has lease arrangements for office facilities, storage and equipment which expire at various dates through fiscal year 2033. The Organization has only operating leases.

The Organization leases office facilities for NGA and NGAC under a noncancelable operating lease agreement which expires on December 31, 2032. The amendment includes an option to renew the lease term for a one-time renewal term of five years. As part of the lease extension, the lessor provided a tenant improvement allowance in the amount of \$3,933,025, which was the build out costs the Organization incurred in prior years. These costs have been included in the consolidated statements of financial position as leasehold improvements included in property and equipment, net and are being amortized over the life of the lease. Rental payments are comprised of a base rental rate plus annual escalations and building operating costs.

The Organization recognized rent expense associated with its leases as follows at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Operating lease expense	\$ 1,470,136	\$ 1,470,136
Variable lease expense	151,840	121,408
Total	<u>\$ 1,621,976</u>	<u>\$ 1,591,544</u>

The maturity of the lease liabilities under the Organization's operating leases as of June 30, 2025 are as follows:

<u>Years ending June 30:</u>	
2026	\$ 1,744,089
2027	1,787,691
2028	1,832,383
2029	1,878,193
2030	1,925,148
Thereafter	<u>5,021,784</u>
Total operating lease payments	14,189,288
Less imputed interest	<u>(1,453,330)</u>
Total lease liabilities	<u>\$ 12,735,958</u>

Supplemental quantitative information related to operating leases for the years ended June 30, 2025 and 2024 is as follows:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities, operating cash flows	\$ 1,701,550	\$ 1,660,049
Weighted average remaining lease term (in years)	7.5	8.5
Weighted average discount rate	2.88 %	2.88 %

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7. Net Assets

Without Donor Restrictions

The NGAC endowment represents net assets without donor imposed restrictions that are used to support NGAC's activities. Earnings on the NGAC endowment funds may be allocated annually to support NGAC operations. The NGA endowment was initially funded from royalties previously received from the selling of commemorative ingots and medals and also consists of net assets without donor restrictions. The Executive Committee of NGA has designated that earnings on the NGA endowment fund may be allocated to support the operations of NGA and NGAC. Revenue and expenses not otherwise classified in NGAC or NGA Board designated endowment funds are presented within the operating funds.

Endowment funds are invested to provide for a total return consisting of growth, plus dividend and interest income. Endowment funds are invested in a portfolio consisting of a mix of corporate equity securities, exchange traded funds, mutual funds, debt securities and money market funds, which may reflect varying rates of return. Spending of earnings of the endowment is at the Board of Directors' discretion. For the years ended June 30, 2025 and 2024, no earnings from the endowment were spent.

Changes in NGA and NGAC's Board designated endowment net assets for the years ending June 30 are as follows:

	2025		
	NGA	NGAC	Total Endowment
Endowment net assets, beginning of year	\$ 21,853,236	\$ 26,123,405	\$ 47,976,641
Investment return, net	<u>2,614,000</u>	<u>2,022,209</u>	<u>4,636,209</u>
Endowment net assets, end of year	<u>\$ 24,467,236</u>	<u>\$ 28,145,614</u>	<u>\$ 52,612,850</u>
	2024		
	NGA	NGAC	Total Endowment
Endowment net assets, beginning of year	\$ 19,084,508	\$ 23,818,334	\$ 42,902,842
Investment return, net	<u>2,768,728</u>	<u>2,305,071</u>	<u>5,073,799</u>
Endowment net assets, end of year	<u>\$ 21,853,236</u>	<u>\$ 26,123,405</u>	<u>\$ 47,976,641</u>

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June 30, 2025 and 2024

With Donor Restrictions

Net assets with donor restrictions consist of foundation and corporate contributions. There were no net assets with time restrictions as of June 30, 2025 and 2024; net assets with donor restrictions are available for the following purposes:

	Balance at June 30, 2024	Additions	Releases	Balance at June 30, 2025
Education division	\$ 37,974	\$ 650,000	\$ (136,510)	\$ 551,464
Economic, human services and workforce division	2,754,761	2,097,085	(2,840,706)	2,011,140
Health and human services division	630,028	-	(581,118)	48,910
Homeland security and public safety division	42,549	537,710	(92,849)	487,410
Energy division	-	450,000	(19,950)	430,050
Chairman initiative	1,576,593	1,329,958	(2,699,336)	207,215
Total	\$ 5,041,905	\$ 5,064,753	\$ (6,370,469)	\$ 3,736,189

	Balance at June 30, 2023	Additions	Releases	Balance at June 30, 2024
Education division	\$ 445,683	\$ 150,000	\$ (557,709)	\$ 37,974
Economic, human services and workforce division	2,203,733	3,397,933	(2,846,905)	2,754,761
Health and human services division	432,192	750,000	(552,164)	630,028
Homeland security and public safety division	141,949	227,421	(326,821)	42,549
Chairman initiative	871,388	1,700,000	(994,795)	1,576,593
Total	\$ 4,094,945	\$ 6,225,354	\$ (5,278,394)	\$ 5,041,905

8. Benefit Plan

NGA participates in a defined contribution 401(a) plan (the Plan) which covers substantially all employees. Participants may elect to have up to the IRS limit of their compensation contributed on a pre-tax basis to a 457(b) plan. NGA makes a matching contribution to the Plan of amounts contributed by participants up to 5% of each participant's compensation, plus a discretionary contribution to the Plan of 5% of each participant's compensation. Contributions to the Plan were approximately \$890,000 and \$430,000 for the years ended June 30, 2025 and 2024, respectively.

9. Commitments and Contingencies

NGAC participates in a number of federally assisted grant programs and contracts, which are subject to financial and compliance audits by the federal government or its representative. As such, a contingent liability exists for potential questioned costs that may result from such audits. Management does not anticipate any significant adjustments as a result of such audits.

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NGA has contracted hotel space for various future meetings. In the event the Organization cancels or reduces its contracted room nights, the Organization may be liable for cancellation fees and liquidated damages for rooms that the hotel is not able to resell.

The Organization is periodically involved in litigation, claims and lawsuits arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without a material adverse effect on the Organization's financial position or activities.

10. Fair Value Measurements

The Organization follows the FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements*. ASC 820 establishes a common definition for fair value to be applied under GAAP requiring use of fair value, establishes a framework for measuring fair value and expands disclosures about such fair value measurements.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

The three levels of the fair value hierarchy are described below:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Observable market-based inputs or unobservable inputs corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to fair value measurement. At each reporting period, any assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There have not been any transfers between the fair value levels in 2025 and 2024.

The following tables represent the Organization's fair value hierarchy for those assets measured at fair value on a recurring basis at June 30, 2025 and 2024:

	As of June 30, 2025			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Corporate bonds	\$ -	\$ 3,022,151	\$ -	\$ 3,022,151
Government securities	-	14,439,580	-	14,439,580
Total fixed income	-	17,461,731	-	17,461,731
Corporate equity securities	16,224,335	-	-	16,224,335
Mutual funds	22,258,723	-	-	22,258,723
Exchange traded funds	1,807,111	-	-	1,807,111
Total assets at fair value	<u>\$ 40,290,169</u>	<u>\$ 17,461,731</u>	<u>\$ -</u>	<u>\$ 57,751,900</u>

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	As of June 30, 2024			
	Level 1	Level 2	Level 3	Total
Fixed income:				
Corporate bonds	\$ -	\$ 2,744,867	\$ -	\$ 2,744,867
Government securities	-	8,500,425	-	8,500,425
Total fixed income	-	11,245,292	-	11,245,292
Corporate equity securities	16,843,626	-	-	16,843,626
Mutual funds	25,580,266	-	-	25,580,266
Exchange traded funds	361,601	-	-	361,601
Total assets at fair value	<u>\$ 42,785,493</u>	<u>\$ 11,245,292</u>	<u>\$ -</u>	<u>\$ 54,030,785</u>

Corporate equity securities, mutual funds and exchange traded funds are considered Level 1 securities because they are actively traded and fair values for identical assets are readily obtainable.

Corporate bonds and government securities are considered Level 2 securities because they are not actively traded and fair market values for similar assets are readily obtainable.

While the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The tables above include investments reported at fair value as of June 30, 2025 and 2024. Money market funds and accrued interest of \$6,736,964 and \$4,136,309 at June 30, 2025 and 2024, respectively, are excluded as they are not reported at fair value.

11. Subsequent Events

The Organization has evaluated subsequent events through March 20, 2026, which is the date the consolidated financial statements were available to be issued. There were no events noted that required adjustments to or disclosure in, these consolidated financial statements.

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Board of Directors of
National Governors Association and National Governors Association Center for Best Practices

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of the National Governors Association and National Governors Association Center for Best Practices (the Organization), which comprise the Organization's consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Milwaukee, Wisconsin
March 20, 2026

**Report on Compliance
for Each Major Federal Program and
Report on Internal Control Over Compliance
Required by the Uniform Guidance**

Independent Auditors' Report

To the Board of Directors of
National Governors Association and National Governors Association Center for Best Practices

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the National Governors Association and National Governors Association Center for Best Practices's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2025. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2025-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures the Organization's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Milwaukee, Wisconsin
March 20, 2026

**National Governors Association and National Governors Association
Center for Best Practices**

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Federal Award Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture				
Food and Nutrition Service	10.561*	USDA-FNS-SNAP- FY23-ETNP-DC-02	N/A-direct	\$ 544,557
U.S. Department of Commerce				
Research Assistance for Outdoor Recreation	11.307*	ED22HDQ3070131	N/A-direct	107,587
U.S. Department of Justice				
Juvenile Justice and Delinquency Prevention	16.540	15PJDP-22-GG-05001- TITL	N/A-direct	113,376
Passed Through From:				
Medical University of South Carolina: National Mass Violence Victimization Resource Center	16.575	15POVC-23-GK- 00555-AERX	A240137S02	32,675
National Criminal Justice Association: National Training Program	16.738	2019-YA-BX-K002	2019-YA-BX-K002- A02	292,301
RTI International: Comprehensive Opioid Abuse Site- Based Program	16.838	2019-AR-BX-K053	2-312-0217219- 66031L	24,711
The Council of State Governments: Data Lead Governance	16.827	2019-ZB-BX-K005	21-SA-161-2904	13,543
Total U.S. Department of Justice				476,606
U.S. Department of Labor				
Employment and Training Administration:				
Workforce Strategic Planning Collaborative (WSPC)	17.281	23A50MI000015-01 ETA-9176	N/A-direct	112,433
U.S. Department of Energy				
Environmental Monitoring/Cleanup, Cultural and Resource Management: Engaging States on Critical Issues Related to Radioactive Waste and Materials Disposition at Department of Energy Facilities	81.214	DE-EM0005279	N/A-direct	541,169
Office of Nuclear Energy: Coordination with State Governors for Office of Nuclear Energy	81.121	DE-NE009037	N/A-direct	143,553
Electricity Research, Development and Analysis:				
Programmatic Collaboration and Coordination with State Governors, OE	81.122	DE-OE0000927	N/A-direct	272,600
Programmatic Collaboration and Coordination with Governors, CR	81.008	DE-CR0000011	N/A-direct	645,867
Programmatic Collaboration with State Governors for Bipartisan Infrastructure Law	81.254	DE-GD0000639	N/A-direct	90,504
Total U.S. Department of Energy				1,693,693

See notes to the schedule of expenditures of federal awards

**National Governors Association and National Governors Association
Center for Best Practices**

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Award Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Health and Human Services				
Passed Through From:				
John Hopkins University:				
Toward Epidemic Preparedness:				
Enhancing Public Health Infrastructure and Incorporating Data-Driven Tools (CDC)	93.823	NU38FT000004-01-00	2006333442	\$ <u>223,257</u>
National Council on Aging:				
Direct Care Workforce	93.048	Not available	Not available	<u>56,131</u>
National Forum for State and Territorial Chief Executives HHS OA, Yr 10 and Yr 11, National Forum	93.528	2U98OA09028	N/A-direct	<u>757,352</u>
Passed Through From:				
National Conference of State Legislatures				
EMS Overdose Prevention	93.421	NU38OT00-03-01	H571	80,474
Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nation's Health:				
Engaging State Leadership and Entities to Address Unintentional Injury Topics (CDC)	93.421	NU38OT00-03-01	N/A-direct	254,371
Suicide Opioids Misuse Prevention (CDC)	93.421	NU38OT00-03-01	N/A-direct	144,557
Informing State Leaders on Effective Policies and Systems Strategies for Enhancing Infectious Disease Surveillance (CDC)	93.421	NU38OT00-03-01	N/A-direct	8,477
Engaging Governors to Strengthen Vaccines Confidence (CDC)	93.421	NU38OT00-03-02	N/A-direct	129,659
Lowering Opioid Overdose Risk for Justice-Involved Populations; Building State and Institutional Capacity (CDC)	93.421	NU38OT00-03-01	N/A-direct	83,715
Public Health Emergency Preparedness and Response	93.421	NU38OT00-03-01	N/A-direct	<u>520</u>
Subtotal				<u>701,773</u>
Total U.S. Department of Health and Human Services				<u>1,738,513</u>
U.S. Department of Homeland Security				
Homeland Security Preparedness Technical Assistance Program				
Homeland Security Preparedness Technology Assistance	97.007	EMW-2020-CA-0034	N/A - Direct	<u>141,387</u>
Total expenditures of federal awards				<u>\$ 4,814,776</u>

* Indicates a cluster

See notes to the schedule of expenditures of federal awards

National Governors Association and National Governors Association Center for Best Practices

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2025

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of National Governors Association Center for Best Practices (NGAC) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NGAC, it is not intended to and does not present the financial position, changes in net assets or cash flows of NGAC.

NGAC is included in the consolidated financial statements of the National Governors Association (NGA). NGA receives no federal assistance; therefore, all information in the Schedule relates to NGAC. There were no funds subgranted to subrecipients during the year ended June 30, 2025.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The reimbursement of indirect costs reflected in the accompanying consolidated financial statements as federal grants revenue is subject to final approval by federal grantors and could be adjustment upon the results of these reviews. Management believes that the results of any such adjustment will not be material to the Organization's financial position or change in net assets.

3. Indirect Cost Rate

NGAC has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

4. Cluster Identification

Below is a summary of the clusters identified on the Schedule:

<u>Cluster</u>	<u>ALN</u>	<u>Amount</u>
SNAP Cluster	10.561	\$ 544,557
Economic Development Cluster	11.307	107,587

**National Governors Association and National Governors Association
Center for Best Practices**

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes no

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major federal programs:

<u>Assistance Listing Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.528	National Forum for State and Territorial Chief Executives - HHS OA, Yr 10 and Yr 11, National Forum
93.421	Strengthening Public Health Systems and Services Through National Partnerships to Improve and Protect the Nation's Health
81.214	Environmental Monitoring/Cleanup, Cultural and Resource Management - Engaging states on critical issues related to radioactive waste and materials disposition at department of energy facilities.

Dollar threshold used to distinguish between federal Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? yes X no

Section II - Financial Statement Finding

There were no findings reported.

National Governors Association and National Governors Association Center for Best Practices

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section III - Federal and State Award Findings and Questioned Costs

Agency: U.S. Department of Health and Human Services
Federal Assistance Listing Number: 93.528, *National Forum for State and Territorial Chief Executives HHS OA, Yr 10 and Yr 11, National Forum*
Contract Number: 2U98OA09028

Criteria: In accordance with 2 CFR §200.318(a), *General Procurement Standards*, the nonfederal entity must use its own documented procurement procedures which reflect applicable State, local and tribal laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in *General Procurement Standards*. Additionally, §200.318(i) states that the nonfederal entity must maintain records sufficient to detail the history of the procurement. These records are required to include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection and the basis for the contract price.

In accordance with §200.213 and §180.300, *Suspension and Debarment*, nonfederal entities cannot enter into awards, subawards or contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs or activities. Non-federal entities must either check for exclusions in the System for Award Management (SAM); collect a certification from the entity or add a clause or condition to the covered transaction with the entity prior to entering into a covered transaction with a nonfederal entity. In addition, in accordance with §180.415(b), nonfederal entities cannot renew or extend covered transactions (other than no-cost time extension) with any excluded person or under which an excluded person is a principal, unless the nonfederal entity obtains an exception under §180.135.

Condition: During our testing of the internal controls over compliance and compliance with procurement, suspension and debarment compliance requirements, we identified one procurement agreement out of a total of three tested where the Organization did not have documented controls over the application of their procurement policy. Additionally, the Organization did not retain documentation of controls over their verification that the vendor contracted was not suspended or debarred prior to entering into the contract. Management has subsequently determined that the vendor was not suspended or debarred.

Questioned Costs: None.

Context: The population consisted of three vendor charges or contracts entered into during the period that exceeded the Organization's micro-purchase policy. Three of the items were tested, two of which had no exceptions in testing and the other had the exceptions identified in the condition above. The one exception was paid \$31,661 from the award.

Cause: NGAC's personnel did not adhere to NGAC's documented policies and procedures for ensuring proper suspension and debarment validations were performed prior to entering a covered transaction and did not retain proper documentation supporting procurement controls and compliance.

**National Governors Association and National Governors Association
Center for Best Practices**

Schedule of Findings and Questioned Costs

Year Ended June 30, 2025

Effect: Failure to obtain and retain sufficient supporting documentation could result in an incorrect application of procurement policies and procedures. Failure to timely verify that a vendor is not suspended or debarred could result in transactions involving unreasonable costs or result in unintentionally entering a contract with an entity that is barred from performing work for the Federal government.

Repeat Finding: This finding was identified during the year ending June 30, 2024 as finding 2024-002.

Recommendation: We recommend management ensure that procurement and suspension and debarment regulations are followed. We also recommend management ensure all required procurement documentation is maintained in conjunction with its document retention policy.

Management's Response: NGA management agrees with the finding and recommendations presented by Baker Tilly auditors and has developed a corrective action plan in response.

**National Governors Association and National Governors Association
Center for Best Practices**

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

2024-001: Internal Controls Over Reconciliation Between the Schedule of Expenditures of Federal Awards (SEFA) and Revenue Recognized within Federal Grants and Contracts

Criteria: The preparation of the consolidated financial statements, including the Schedule of Expenditures of Federal Awards (SEFA) is the responsibility of management, including management's assertions that the consolidated financial statements are complete and accurate; that the rights and obligations recorded in the consolidated financial statements exist, belong to the entity and are properly valued; and that the information presented in the consolidated financial statements is presented in accordance with generally accepted accounting principles.

Condition: During the year ended June 30, 2024, the Organization reported total expenditures of Federal awards of \$6,014,737; however, only \$5,674,093 of revenue was recognized under the federal grants and contracts and foundation grants and contributions within the consolidated statement of activities. Under the Organization's policy, federal grants revenue is recognized when qualifying expenditures are incurred and conditions under the federal grant agreements are met. Although completed as of June 30, 2024, management did not periodically complete and review a reconciliation between the amounts reported in the SEFA and the amounts of federal grants revenue recognized in the general ledger and amounts drawn down from the funder.

Cause: The Organization does not consistently prepare periodic account reconciliations for each federal program to account for the expenses incurred, revenue recognized and cash drawdowns.

Effect: The inability to record federal grants revenue in accordance with applicable accounting guidance could result in incorrect financial reporting to users of the consolidated financial statements.

Repeat Finding: This finding was identified during the year ended June 30, 2023 as finding 2023-002.

Recommendation: We recommend the Organization perform quarterly account reconciliations for each federal program in order to ensure that expenditures reported in the SEFA are reconciled with the federal grants revenue recognized in the general ledger. This reconciliation should also include the Organization's draws compared to revenue and expenses recorded in the general ledger. We also recommended the Organization create and formalize the federal awards account reconciliation process.

Management's Response: The Organization's management agrees with the findings and recommendations presented by Baker Tilly auditors and has developed a corrective action plan in response.

This finding was corrected in the current year.

**National Governors Association and National Governors Association
Center for Best Practices**

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

2024-002:

Agency: U.S. Department of Health and Human Services
Federal Assistance Listing Number: 93.528, *National Forum for State and Territorial Chief Executives
HHS OA, Yr 10 and Yr 11, National Forum*

Criteria: In accordance with 2 CFR §200.318(a), *General Procurement Standards*, the nonfederal entity must use its own documented procurement procedures which reflect applicable State, local and tribal laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in *General Procurement Standards*. Additionally, §200.318(i) states that the nonfederal entity must maintain records sufficient to detail the history of the procurement. These records are required to include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection and the basis for the contract price.

In accordance with §200.213 and §180.300, *Suspension and Debarment*, nonfederal entities cannot enter into awards, subawards or contracts with certain parties that are debarred, suspended or otherwise excluded from or ineligible for participation in federal assistance programs or activities. Nonfederal entities must either check for exclusions in the System for Award Management (SAM); collect a certification from the entity or add a clause or condition to the covered transaction with the entity prior to entering into a covered transaction with a nonfederal entity. In addition, in accordance with §180.415(b), nonfederal entities cannot renew or extend covered transactions (other than no-cost time extension) with any excluded person or under which an excluded person is a principal, unless the nonfederal entity obtains an exception under §180.135.

Condition: During our testing of the procurement, suspension and debarment compliance requirements, we identified one procurement sample out of a total of two tested where the Organization did not have documented controls over the application of their procurement policy. Additionally, the Organization did not retain documentation of controls over their verification that the vendor contracted was not suspended or debarred prior to entering into contract with the vendor. Management has subsequently determined that the vendor was not suspended or debarred.

Questioned Costs: None.

Cause: NGAC's personnel did not adhere to NGAC's documented policies and procedures for ensuring proper suspension and debarment validations were performed prior to entering a covered transaction and did not retain proper documentation supporting procurement controls.

Context: The population consisted of two vendor contracts entered into during the period subject to procurement. Both items were tested, one of which had no exceptions in testing and the other had the exceptions identified in the condition above.

Effect: Failure to obtain and retain sufficient supporting documentation could result in an incorrect application of procurement policies and procedures. Failure to timely verify that a vendor is not suspended or debarred could result in transactions involving unreasonable costs or result in unintentionally entering a contract with an entity that is barred from performing work for the Federal government.

Repeat Finding: A portion of this finding was identified during the year ended June 30, 2023 as finding 2023-006.

Recommendation: We recommend management ensure that procurement and suspension and debarment regulations are followed. We also recommend management ensure all required procurement documentation is maintained in conjunction with its document retention policy.

**National Governors Association and National Governors Association
Center for Best Practices**

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

Management's Response: The Organization's management agrees with the findings and recommendations presented by Baker Tilly auditors and has developed a corrective action plan in response.

This finding was repeated in the current year as finding 2025-001. In 2024, the finding was a material weakness in internal controls over compliance and a compliance finding and in 2025, the finding was a significant deficiency in internal controls over compliance and a compliance finding.

**National Governors Association and National Governors Association
Center for Best Practices**

Schedules of Benefits

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Compensated absences:		
Annual leave	\$ 1,136,153	\$ 1,286,508
Holiday pay	394,972	428,371
Administrative leave	5,279	1,438
Family leave	15,987	19,739
Volunteer leave	342	1,533
Bereavement leave	8,168	19,051
Court and voting leave	4,831	1,679
	<u>4,831</u>	<u>1,679</u>
Total compensated absences expense	<u>\$ 1,565,732</u>	<u>\$ 1,758,319</u>
Amounts allocated to:		
National Governors Association	\$ 880,032	\$ 964,539
National Governors Association Center for Best Practices	685,700	793,780
	<u>685,700</u>	<u>793,780</u>
	<u>\$ 1,565,732</u>	<u>\$ 1,758,319</u>
Fringe benefits:		
Pension contributions	\$ 889,647	\$ 430,465
Employer taxes	818,243	761,771
Medical insurance	1,171,920	900,872
Dental insurance	64,758	62,644
Short-term and long-term disability	46,031	58,307
Life and accidental death and disability	22,940	27,968
Workers' compensation	-	12,650
Other fringes	212,878	39,201
	<u>212,878</u>	<u>39,201</u>
Total fringe benefits expense	<u>\$ 3,226,417</u>	<u>\$ 2,293,878</u>
Amounts allocated to:		
National Governors Association	\$ 1,813,434	\$ 1,258,322
National Governors Association Center for Best Practices	1,412,983	1,035,556
	<u>1,412,983</u>	<u>1,035,556</u>
	<u>\$ 3,226,417</u>	<u>\$ 2,293,878</u>

**National Governors Association and National Governors Association
Center for Best Practices**

Schedules of Indirect Cost Pool Expenses

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Indirect cost pool expenses:		
Labor expenses:		
Salaries and wages	\$ 2,218,850	\$ 2,205,151
Fringe benefits	385,927	426,868
Compensated absences	795,259	664,686
	<u>3,400,036</u>	<u>3,296,705</u>
Subtotal of labor expenses		
	<u>3,400,036</u>	<u>3,296,705</u>
Other indirect cost pool expenses:		
Rent and property maintenance	1,383,568	1,574,449
Equipment expenses	617,469	580,026
Communication	174,338	163,220
Professional services	297,688	553,248
Contractual services	349,221	463,322
General office	84,595	70,345
Travel and meeting	119,554	126,851
Printing	-	17,820
Credit card and filing fees and others	144,728	102,927
	<u>3,171,161</u>	<u>3,652,208</u>
Subtotal of other costs		
	<u>3,171,161</u>	<u>3,652,208</u>
Total indirect costs	<u>\$ 6,571,197</u>	<u>\$ 6,948,913</u>
Amounts allocated to:		
National Governors Association	\$ 3,679,870	\$ 3,836,960
National Governors Association Center for Best Practices	<u>2,891,327</u>	<u>3,111,953</u>
	<u>\$ 6,571,197</u>	<u>\$ 6,948,913</u>

**National Governors Association and National Governors Association
Center for Best Practices**

Schedules of Center Director Indirect Cost Pool Expenses

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Center director indirect cost pool expenses:		
Labor expenses:		
Salaries and wages	\$ 547,700	\$ 361,390
Fringe benefits	95,262	91,265
Compensated absences	<u>196,301</u>	<u>87,624</u>
Subtotal of labor expenses	<u>839,263</u>	<u>540,279</u>
Other expenses:		
Travel and meeting	20,470	10,829
Equipment expenses	-	3,175
Professional services	-	34,148
General office	<u>541</u>	<u>34</u>
Subtotal of other costs	<u>21,011</u>	<u>48,186</u>
Indirect costs allocated from indirect cost pool	<u>239,719</u>	<u>245,341</u>
Total center director indirect cost pool expenses	<u>\$ 1,099,993</u>	<u>\$ 833,806</u>