National Court Reporters Association and Affiliates

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2023 and 2022

National Court Reporters Association and Affiliates

Consolidated Financial Statements
December 31, 2023 and 2022

Contents

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
National Court Reporters Association and Affiliates

Opinion

We have audited the accompanying consolidated financial statements of National Court Reporters Association and Affiliates (collectively, "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022; 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of 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.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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, including omissions, 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 generally accepted 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 consolidating schedules of financial position and consolidating schedules of activities on pages 25-30 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

Rogers + Company PLLC

Vienna, Virginia
April 29, 2024

National Court Reporters Association and Affiliates

Consolidated Statements of Financial Position
December 31, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 1,511,279	$ 1,980,503
Investments	7,229,654	6,417,746
Accounts receivable, net	31,598	52,793
Inventory, net	30,887	8,885
Prepaid expenses	147,705	125,213
Total current assets	8,951,123	8,585,140
Property and equipment, net	63,047	42,990
Intangible assets, net	66,993	116,968
Right-of-use asset – operating lease	413,976	-
Total assets	$ 9,495,139	$ 8,745,098
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 218,377	$ 599,615
Deferred revenue	1,929,659	1,948,216
Total current liabilities	2,148,036	2,547,831
Lease liability – operating lease	489,229	-
Total liabilities	2,637,265	2,547,831
Net Assets		
Without donor restrictions	6,773,116	6,134,602
With donor restrictions	84,758	62,665
Total net assets	6,857,874	6,197,267
Total liabilities and net assets	$ 9,495,139	$ 8,745,098

See accompanying notes.

National Court Reporters Association and Affiliates

Consolidated Statements of Activities
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating Revenue and Support Without Donor Restrictions		
Membership dues	$ 2,713,484	$ 2,824,695
Professional development	480,481	518,570
Communications	78,016	129,623
Convention and firm owners meeting	595,877	461,235
Contributions	202,717	190,452
Publications sales	32,965	37,370
Insurance and credit card royalties	95,154	107,479
Education	577,745	616,063
Other income	10,098	11,988
Net assets released from restrictions	17,859	15,931
Total operating revenue and support without donor restrictions	4,804,396	4,913,406
Expenses		
Program services:		
Professional development	926,399	899,177
Communications	939,567	933,762
Membership	394,182	431,974
Convention and firm owners meeting	656,524	626,810
Foundation	116,970	95,948
Government relations	280,766	246,994
Publications	55,204	60,619
Total program services	3,369,612	3,295,284
Supporting services:		
Fundraising	28,270	39,043
Management and general	1,579,537	1,920,441
Total supporting services	1,607,807	1,959,484
Total expenses	4,977,419	5,254,768
Change in operating net assets without donor restrictions	(173,023)	(341,362)
Non-Operating Activities		
Investment return, net	811,537	(988,331)
Net loss on lease termination	-	(400,115)
Total non-operating activities	811,537	(1,388,446)
Change in net assets without donor restrictions	638,514	(1,729,808)
Net Assets With Donor Restrictions		
Contributions	39,952	36,469
Net assets released from restrictions	(17,859)	(15,931)
Change in net assets with donor restrictions	22,093	20,538
Change in Net Assets	660,607	(1,709,270)
Net Assets, beginning of year	6,197,267	7,906,537
Net Assets, end of year	$ 6,857,874	$ 6,197,267

National Court Reporters Association and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services								Supporting Services			
	Professional Development	Communi-cations	Membership	Convention and Firm Owners Meeting	Foundation	Government Relations	Publi-cations	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Personnel costs	$ 625,118	$ 628,224	$ 342,916	$ 138,785	$ 65,172	$ 100,784	$ 12,312	$ 1,913,311	$ 8,146	$ 633,321	$ 641,467	$ 2,554,778
Professional fees	233,392	96,944	51,265	65,537	-	121,000	28,462	596,600	-	446,750	446,750	1,043,350
Office expense	40	922	-	30	-	-	-	992	-	36,805	36,805	37,797
Dues and subscriptions	1,270	16,076	-	-	-	601	-	17,947	-	4,178	4,178	22,125
Education and training	-	-	-	-	1,200	-	-	1,200	5,394	-	5,394	6,594
Travel	42,791	5,295	-	-	1,839	3,858	-	53,783	-	14,595	14,595	68,378
Postage and delivery	474	68,487	1	-	-	31	82	69,075	-	2,317	2,317	71,392
Printing and duplication	-	118,140	-	-	-	-	-	118,140	-	1,312	1,312	119,452
Meetings and projects	16,993	-	-	452,172	33,809	54,492	-	557,466	14,730	49,183	63,913	621,379
Repair and maintenance	-	5,479	-	-	-	-	-	5,479	-	48,875	48,875	54,354
Depreciation and amortization	-	-	-	-	-	-	-	-	-	76,028	76,028	76,028
Taxes and licenses	-	-	-	-	-	-	-	-	-	2,542	2,542	2,542
Insurance	-	-	-	-	-	-	-	-	-	46,779	46,779	46,779
Bank processing fees	-	-	-	-	-	-	-	-	-	123,082	123,082	123,082
Rent and utilities	-	-	-	-	-	-	-	-	-	77,860	77,860	77,860
Advertising and promotion	66	-	-	-	-	-	-	66	-	15,910	15,910	15,976
Publications and products	2,255	-	-	-	-	-	14,348	16,603	-	-	-	16,603
Scholarships program	4,000	-	-	-	14,950	-	-	18,950	-	-	-	18,950
Total Expenses	$ 926,399	$ 939,567	$ 394,182	$ 656,524	$ 116,970	$ 280,766	$ 55,204	$ 3,369,612	$ 28,270	$ 1,579,537	$ 1,607,807	$ 4,977,419

National Court Reporters Association and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services								Supporting Services			
	Professional Development	Communi- cations	Membership	Convention and Firm Owners Meeting	Foundation	Government Relations	Publi- cations	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total Expenses
Personnel costs	$ 627,933	$ 630,432	$ 347,719	$ 135,675	$ 52,432	$ 101,138	$ 12,355	$ 1,907,684	$ 6,554	$ 698,679	$ 705,233	$ 2,612,917
Professional fees	217,102	98,489	79,031	77,557	-	120,000	28,431	620,610	-	459,669	459,669	1,080,279
Office expense	1,297	231	-	851	-	-	-	2,379	-	17,461	17,461	19,840
Dues and subscriptions	1,205	14,704	-	-	-	150	-	16,059	15,474	6,748	22,222	38,281
Education and training	-	-	-	-	-	-	-	-	-	4,465	4,465	4,465
Travel	36,632	6,953	-	9,326	1,876	1,367	-	56,154	-	7,563	7,563	63,717
Postage and delivery	1,340	52,261	8	121	-	49	25	53,804	-	2,987	2,987	56,791
Printing and duplication	1,086	130,692	5,216	1,010	-	-	-	138,004	-	2,064	2,064	140,068
Meetings and projects	8,582	-	-	402,270	28,668	24,290	-	463,810	17,015	48,933	65,948	529,758
Repair and maintenance	-	-	-	-	-	-	-	-	-	40,800	40,800	40,800
Depreciation and amortization	-	-	-	-	-	-	-	-	-	189,435	189,435	189,435
Taxes and licenses	-	-	-	-	-	-	-	-	-	16,638	16,638	16,638
Insurance	-	-	-	-	-	-	-	-	-	46,840	46,840	46,840
Bank processing fees	-	-	-	-	-	-	-	-	-	101,714	101,714	101,714
Rent and utilities	-	-	-	-	-	-	-	-	-	267,323	267,323	267,323
Royalties	-	-	-	-	-	-	244	244	-	-	-	244
Advertising and promotion	-	-	-	-	-	-	-	-	-	9,122	9,122	9,122
Publications and products	-	-	-	-	-	-	19,564	19,564	-	-	-	19,564
Scholarships program	4,000	-	-	-	12,972	-	-	16,972	-	-	-	16,972
Total Expenses	$ 899,177	$ 933,762	$ 431,974	$ 626,810	$ 95,948	$ 246,994	$ 60,619	$ 3,295,284	$ 39,043	$ 1,920,441	$ 1,959,484	$ 5,254,768

National Court Reporters Association and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	$ 660,607	$ (1,709,270)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized loss on investments	19,060	38,861
Unrealized (gain) loss on investments	(691,566)	1,163,145
Loss on disposal of property and equipment	-	374,985
Depreciation and amortization on property and equipment	26,053	69,393
Amortization on intangible assets	49,975	120,042
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	21,195	(15,856)
Inventory	(22,002)	1,568
Prepaid expenses	(22,492)	9,421
Right-of-use asset – operating lease	(413,976)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(381,238)	377,002
Deferred revenue	(18,557)	(59,904)
Lease liability – operating lease	489,229	(665,395)
Net cash used in operating activities	(283,712)	(296,008)
Cash Flows from Investing Activities		
Purchases of property and equipment	(46,110)	(70,305)
Purchases of intangible assets	-	(79,786)
Purchases of investments	(1,448,442)	(741,288)
Proceeds from sales of investments	1,309,040	527,233
Net cash used in investing activities	(185,512)	(364,146)
Net Decrease in Cash and Cash Equivalents	(469,224)	(660,154)
Cash and Cash Equivalents, beginning of year	1,980,503	2,640,657
Cash and Cash Equivalents, end of year	$ 1,511,279	$ 1,980,503
Non-Cash Transactions Arising from Adoption of ASC 842:		
Recognition of right-of-use asset	$ 498,228	$ -
Recognition of lease liability	$ 498,228	$ -

See accompanying notes.

1. Nature of Operations

The National Court Reporters Association (NCRA), founded in 1899, is a nonprofit organization. NCRA is committed to being the leader in advancing the profession of those who capture and integrate the spoken word into a comprehensive and accurate information base for the benefits of the public and private sectors. NCRA accomplishes this through ethical standards, testing and certification, educational opportunities, communications, government relations, research and analysis, and fiscal responsibility.

The National Court Reporters Foundation (NCRF) supports the court reporting and captioning professions through philanthropic activities funded through charitable contributions.

The National Court Reporters Association Political Action Committee (NCRA PAC) was formed by NCRA to promote public policies that further the interests and needs of the court reporting and captioning professions.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of NCRA and its affiliates: NCRF, and NCRA PAC (hereinafter collectively referred to as "the Organization"). Significant inter-company accounts and transactions have been eliminated in consolidation.

Basis of Accounting and Presentation

The Organization's consolidated financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

2. Summary of Significant Accounting Policies (continued)

Classification of Net Assets

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Measure of Operations

The Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Non-operating activities consist of net investment return and net loss on the lease termination, as described in Note 10.

Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase. Excluded from this definition are amounts held for investments.

Investments

Investments consist of money market funds, common stock, mutual funds, and alternative investments, including pooled investment funds. Investments in marketable securities are recorded at fair value based on quoted market prices. Interests in pooled investment funds are reported at net asset value (NAV) as a practical expedient to fair value. Interest and dividends, realized and unrealized gains and losses, and investment management fees are reported as a component of net investment return in the accompanying consolidated statements of activities.

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable consist primarily of amounts from customers as a result of the sale of advertising and sale of publications. Accounts receivable are presented net of an allowance for credit losses resulting from the inability of customers to make required payments. The allowance for credit losses is based upon historical loss experience in combination with current economic conditions and a forecast of future economic conditions. Any changes in the assumptions used in analyzing a specific account receivable might result in an additional allowance for credit losses being recognized in the period in which the change occurs. However, the Organization has historically had insignificant write-offs due to bad debts.

Allowance for credit losses consist of the following at December 31, 2023:

Allowance for credit losses, beginning of year	$ 3,200
Additions (charges to expense)	1,287
Deductions (write-offs, net of recoveries)	(3,287)
Allowance for credit losses, end of year	$ 1,200

Inventory

Inventory is stated at the lower of cost or market and valued on a last in, first out (LIFO) basis. Inventory consists of books, CDs, and DVDs on hand at the end of the year. Obsolete or slow-moving inventory is written off based on assumptions about future demand and marketability. At both December 31, 2023 and 2022, an allowance for inventory is recorded in the amount of $5,000.

Property and Equipment

Property and equipment acquisitions with a cost greater than $1,000 and a projected useful life of more than one year are capitalized and recorded at cost. Expenditures such as major repairs and improvements that substantially increase the useful life of existing assets are capitalized at cost and depreciated over the remaining life of the assets, which range from three to 10 years. Expenditures for minor repairs and maintenance costs are expensed when incurred. Leasehold improvements are amortized over shorter of the lease term or the estimated useful life of the capitalized asset.

2. Summary of Significant Accounting Policies (continued)

Intangible Assets

Certain costs associated with development of software and other intangible products are capitalized by the Organization. These costs are amortized on a straight-line basis over the estimated useful lives, ranging from three to five years. The Organization performs periodic reviews to ensure that unamortized software costs remain recoverable from estimated future operating profits. Costs to support or service licensed software and other intangible products are expensed as incurred. Costs related to the planning stages of the website development projects, as well as ongoing website operating and support costs, are expensed as incurred.

Revenue Recognition

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization 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 exist. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the consolidated statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Membership dues, which are nonrefundable, are recognized ratably over the membership period, which is on a calendar year basis. The Organization's membership dues include distinct membership benefits, which are all considered to be received simultaneously, and the membership performance obligation is satisfied over time. Accordingly, membership benefits are recognized ratably over the membership period. Membership dues collected in advance of the period earned totaled $1,805,675 and $1,814,407 at December 31, 2023 and 2022, respectively, and are included as a component of deferred revenue in the accompanying consolidated statements of financial position.

Convention and firm owners meeting revenue are comprised of registrations fees and sponsorships related to the Organization's annual conference. Revenue is recognized when the convention and events are held. Conference fees collected in advance totaled $60,240 and $72,840 at December 31, 2023 and 2022, respectively, and are included as a component of deferred revenue in the accompanying consolidated statements of financial position.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

The Organization recognizes revenue from professional development, sales of publications, and education products and services, including exam fees. Revenue is recognized when the products are transferred and the services are provided. Amounts received in advance for these revenues totaled $63,744 and $60,969 at December 31, 2023 and 2022, respectively, and are included as a component of deferred revenue in the accompanying consolidated statements of financial position.

Revenue Accounted for in Accordance with Contribution Accounting

Contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Organization reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Organization’s programs or to a future year. When a donor 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.

Advertising and Promotion Expenses

The Organization expenses advertising and promotion costs as incurred. Advertising and promotion expenses were $15,976 and $9,122 for the years ended December 31, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Adopted Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losse*s (Topic 326), *Measurement of Credit Losses on Financial Instruments.* This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss (CECL) model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the "reasonable and supportable" forecasts that affect collectability of the reported amount. This guidance is effective for the Organization for the year ended December 31, 2023. The Organization adopted ASU 2016-13 during the year ended December 31, 2023, and has adjusted the presentation in the consolidated financial statements as permitted by ASU 2016-13.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 29, 2024, the date the consolidated financial statements were available to be issued.

3. Liquidity and Availability

The Organization has a goal to maintain financial assets on hand to meet at least 90 days of normal operating expenses. As part of this liquidity management, the Organization invests cash and cash equivalents in excess of daily requirements in various short-term investments, including short-term and high liquidity securities.

3. Liquidity and Availability (continued)

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, comprise the following at December 31:

	2023	2022
Cash and cash equivalents	$ 1,511,279	$ 1,980,503
Short-term investments	6,743,511	5,962,881
Accounts receivable, net	31,598	52,793
Less: net assets with donor restrictions	(84,758)	(62,665)
Total available for general expenditures	$ 8,201,630	$ 7,933,512

4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

5. Investments and Fair Value Measurements

Net investment return consists of the following for the years ended December 31:

	2023	2022
Interest and dividends	$ 190,534	$ 265,074
Realized loss	(19,060)	(38,861)
Unrealized gain (loss)	691,566	(1,163,145)
Less: investment management fees	(51,503)	(51,399)
Total investment return, net	$ 811,537	$ (988,331)

5. Investments and Fair Value Measurements (continued)

The Organization follows FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures,* for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument. The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs. The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments. The Organization considers observable data to be the market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively in the relevant market.

The Organization used the following methods and significant assumptions to estimate fair value of assets recorded at fair value:

Money market, common stock, and mutual funds: Fair value of the Organization's money market, common stock, and mutual funds, is determined based on quoted market prices and is classified as Level 1.

Corporate bonds and government securities: Fair value of the Organization's corporate bonds and government securities is determined based on quoted prices for identical assets in markets that are not active and is classified as Level 2.

Alternative investments: The Organization's alternative investments in funds valued based on NAV as a practical expedient for fair value include pooled investment equity funds.

5. Investments and Fair Value Measurements (continued)

Alternative investments in pooled investment funds are measured at NAV per share (or its equivalent) using the practical expedient, and have been categorized in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the amounts present in the accompanying consolidated statements of financial position.

The pooled investment funds are considered alternative investments as there is no readily determinable market price for the funds, although most of the underlying securities in the pooled investment funds are publicly traded and are valued using readily determinable market prices. The Organization derives the reported values for these investments from the NAV provided by the funds' managers. The Organization's pooled investment funds consist of:

Central Park Group Focused Access Fund, LLC – The Organization had an investment in the Central Park Group Focused Access Fund, LLC ("CPG") totaling \$272,311 and \$253,843 at December 31, 2023 and 2022, respectively. CPG invests in private equity funds in a variety of industries, and those funds are managed by third party managers. Investments are valued at their NAV as reported by the underlying investment manager. CPG performs quarterly and annual valuation procedures for each investor. Investments in this fund are subject to a quarterly redemption with a 70-day redemption notice period.

Ironwood Institutional Multi-Strategy Fund LLC – The Organization had an investment in Ironwood Institutional Multi-Strategy Fund LLC ("Ironwood") totaling \$213,832 and \$201,022 at December 31, 2023 and 2022, respectively. Ironwood invests in various pooled funds, which are managed by third party investment advisers in order to achieve capital appreciation with limited variability of returns. Investments are valued at their NAV as reported by the underlying investment managers. Ironwood performs quarterly and annual valuation procedures for each investor. Investments in this fund are subject to a semi-annual redemption with a 95-day redemption notice period.

5. Investments and Fair Value Measurements (continued)

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at December 31:

	Level 1	Level 2	Level 3	NAV	Total
2023:					
Money market	$ 707,606	$ -	$ -	$ -	$ 707,606
Common stock	1,385,347	-	-	-	1,385,347
Mutual funds:					
Equity	2,254,914	-	-	-	2,254,914
Fixed income	1,569,225	-	-	-	1,569,225
Alternatives	661,190	-	-	-	661,190
Corporate bonds	-	81,244	-	-	81,244
Government securities	-	83,985	-	-	83,985
Alternative investments:					
Pooled funds	-	-	-	486,143	486,143
Total investments	$ 6,578,282	$ 165,229	$ -	$ 486,143	$ 7,229,654
2022:					
Money market	$ 529,654	$ -	$ -	$ -	$ 529,654
Common stock	1,130,921	-	-	-	1,130,921
Mutual funds:					
Equity	2,018,961	-	-	-	2,018,961
Fixed income	1,522,673	-	-	-	1,522,673
Alternatives	760,672	-	-	-	760,672
Alternative investments:					
Pooled funds	-	-	-	454,865	454,865
Total investments	$ 5,962,881	$ -	$ -	$ 454,865	$ 6,417,746

5. Investments and Fair Value Measurements (continued)

The following table summarizes the nature of the Organization's alternative investments in the fund valued based on NAV as a practical expedient and its ability to redeem the fund at December 31:

	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
2023:				
Central Park Group Focused Access Fund, LLC	$ 272,311	$ -	Quarterly	70 days
Ironwood Institutional Multi-Strategy Fund LLC	213,832	-	Semi-annual	95 days
Total alternative investments	$ 486,143	$		

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
2022:				
Central Park Group Focused Access Fund, LLC	$ 253,843	$ -	Quarterly	70 days
Ironwood Institutional Multi-Strategy Fund LLC	201,022	-	Semi-annual	95 days
Total alternative investments	$ 454,865	$ -		

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2023	2022
Office furniture and equipment	$ 127,767	$ 127,767
Computers and hardware	77,502	85,997
Leasehold improvements	41,053	-
Total property and equipment	246,322	213,764
Less: accumulated depreciation and amortization	(183,275)	(170,774)
Property and equipment, net	$ 63,047	$ 42,990

7. Intangible Assets

Intangible assets consist of the following at December 31:

	2023	2022
Gross carrying amount:		
Software	$ 190,435	$ 190,435
Website	59,456	59,456
Total intangible assets	249,891	249,891
Accumulated amortization:		
Software	(123,442)	(73,467)
Website	(59,456)	(59,456)
Less: accumulated amortization	(182,898)	(132,923)
Intangible assets, net	$ 66,993	$ 116,968

Amortization expense for each year of the estimated remaining lives is estimated to be as follows for the years ending December 31:

Software:	
2024	$ 43,968
2025	23,025
Total amortization	$ 66,993

8. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31:

	2023	2022
Scholarships	$ 36,767	$ 33,640
A to Z program	23,617	12,321
ASAE Grant	-	99
Career launcher	1,655	300
Guardians of the Record	6,690	4,900
Rosario – Court to Cart	5,354	3,895
Reporter relief	10,675	7,510
Total net assets with donor restrictions	$ 84,758	$ 62,665

9. Functionalized Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, the Organization allocates its expenses directly to specific functions. The expenses that are allocated indirectly include salaries, employee benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Additionally, the majority of the Organization's expenses are allocated utilizing an overhead cost allocation methodology based on actual staff time and effort spent on the specific function.

10. Commitments and Contingencies

Operating Lease

In 2015, the Organization entered into an operating lease agreement for office space, with terms set to expire in November 2026. The lease terms included a 15-month free rent period and future rent escalations of 2.5% per year. Additionally, the Organization received a tenant allowance totaling $807,098 as an incentive for leasing and building out the office space. However, on February 22, 2022, the Organization exercised its right to terminate the lease early, effective February 28, 2023, by providing written notice to the landlord.

10. Commitments and Contingencies (continued)

Operating Lease (continued)

As a condition of exercising its option to terminate, the Organization was obligated to pay the landlord a termination fee of $616,922, with 50% payable on or before the notice date, and the remaining 50% on or before the termination date. The 50% portion payable on the notice date, amounting to $308,461, was included in accounts payable and accrued expenses at December 31, 2022, as reflected in the accompanying statements of financial position. Additionally, during the year ended December 31, 2022, the Organization wrote off its tenant improvement and deferred rent liability upon termination. The net loss on the termination of the lease, including the termination fee and the write-off of the tenant improvement and deferred rent liability, totaled $400,115, and is presented as non-operating activities in the accompanying consolidated statements of activities for the year ended December 31, 2022.

On September 14, 2022, the Organization entered into an operating lease for office space at a different location. The lease commenced on March 1, 2023, and is set to expire on November 30, 2028. The lease agreement includes annual rent escalations of 2.75% and nine months of abated rent.

Supplemental qualitative information related to the office lease is as follows at December 31:

Operating lease cost	$	84,252
Cash paid for amounts included in the measurement of lease liability – operating cash flows	$	8,998
ROU asset obtained in exchange for lease obligations	$	498,228
Weighted-average remaining lease term (in years)		4.9
Weighted-average discount rate		5.43%

10. Commitments and Contingencies (continued)

Operating Lease (continued)

Maturities of the lease liability under the Organization's office lease are as follows for the years ending December 31:

2024	$	110,453
2025		112,790
2026		116,471
2027		119,818
2028		112,807
Total minimum lease payments		572,339
Less: discount to present value at 5.43%		(83,110)
Present value of operating lease liability	$	489,229

Hotel Commitments

The Organization has entered into various contracts for room rental, and food and beverage costs associated with its meetings and conferences. The contracts contain a provision for cancellation fees should the Organization cancel the event.

Employment Agreement

The Organization has a signed employment agreement with the Executive Director that contains terms that require severance payments upon the occurrence of certain contractual events.

Service Organization

The Organization has a contract with Amplify HR Management, LLC ("Amplify") as their professional employer organization. Amplify is the employer of record for tax, benefits, and insurance purposes for the Organization's employees. This co-employment relationship allows the Organization to maintain direct control of the day-to-day activities of employees, while Amplify assumes the administrative functions of human resources and absorbs many employer-related liabilities.

11. Retirement Plan

The Organization maintains a 401(k) plan that allows all employees to participate after meeting certain eligibility requirements. Participants may make contributions to the plan by deferring their compensation up to the annual maximum limit, as allowed by the Internal Revenue Service. The Organization provides a 50% match of participant contributions up to 3% of the participant's compensation. Additionally, the Organization makes a 3% safe harbor contribution for each participant regardless of deferral. Employer and employee contributions are fully vested at all times. Retirement plan expense for the years ended December 31, 2023 and 2022 was $91,673 and $91,961, respectively.

12. Income Taxes

NCRA is exempt from payment of taxes on income other than net unrelated business income under Section 501(c)(6) of the Internal Revenue Code (IRC) and the applicable provisions of the Virginia tax regulations. However, NCRA generated taxable, unrealized business income during the years ended December 31, 2023 and 2022, related primarily to advertising associated with the *JCR – Journal of Court Reporting* magazine. NCRF is exempt from the payment of income taxes on its exempt activities under IRC Section 501(c)(3). NCRA PAC is subject to federal income taxes on its interest income under IRC Section 527. Management has evaluated the Organization's tax positions and concluded that the consolidated financial statements do not include any uncertain tax positions.

SUPPLEMENTARY INFORMATION

National Court Reporters Association and Affiliates

Consolidating Schedule of Financial Position
December 31, 2023

	NCRA	NCRF	NCRA PAC	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 1,068,048	$ 371,187	$ 72,044	$ -	$ 1,511,279
Investments	6,610,153	619,501	-	-	7,229,654
Accounts receivable, net	31,598	-	-	-	31,598
Due from Affiliate	20,586	-	-	(20,586)	-
Inventory, net	30,887	-	-	-	30,887
Prepaid expenses	147,115	590	-	-	147,705
Total current assets	7,908,387	991,278	72,044	(20,586)	8,951,123
Property and equipment, net	63,047	-	-	-	63,047
Intangible assets, net	66,993	-	-	-	66,993
Right-of-use asset – operating lease	413,976	-	-	-	413,976
Total assets	$ 8,452,403	$ 991,278	$ 72,044	$ (20,586)	$ 9,495,139
Liabilities and Net Assets					
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	$ 209,492	$ 8,885	$ -	$ -	$ 218,377
Due to Affiliate	-	20,586	-	(20,586)	-
Deferred revenue	1,929,659	-	-	-	1,929,659
Total current liabilities	2,139,151	29,471	-	(20,586)	2,148,036
Lease liability – operating lease	489,229	-	-	-	489,229
Total liabilities	2,628,380	29,471	-	(20,586)	2,637,265
Net Assets					
Without donor restrictions	5,824,023	877,049	72,044	-	6,773,116
With donor restrictions	-	84,758	-	-	84,758
Total net assets	5,824,023	961,807	72,044	-	6,857,874
Total liabilities and net assets	$ 8,452,403	$ 991,278	$ 72,044	$ (20,586)	$ 9,495,139

National Court Reporters Association and Affiliates

Consolidating Schedule of Financial Position
December 31, 2022

	NCRA	NCRF	NCRA PAC	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 1,285,939	$ 627,617	$ 66,947	$ -	$ 1,980,503
Investments	6,140,797	276,949	-	-	6,417,746
Accounts receivable, net	52,793	-	-	-	52,793
Due from Affiliate	48,985	-	-	(48,985)	-
Inventory, net	8,885	-	-	-	8,885
Prepaid expenses	124,476	737	-	-	125,213
Total current assets	7,661,875	905,303	66,947	(48,985)	8,585,140
Property and equipment, net	42,990	-	-	-	42,990
Intangible assets, net	116,968	-	-	-	116,968
Total assets	$ 7,821,833	$ 905,303	$ 66,947	$ (48,985)	$ 8,745,098
Liabilities and Net Assets					
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	$ 594,893	$ 4,722	$ -	$ -	$ 599,615
Due to Affiliate	-	48,985	-	(48,985)	-
Deferred revenue	1,948,216	-	-	-	1,948,216
Total liabilities	2,543,109	53,707	-	(48,985)	2,547,831
Net Assets					
Without donor restrictions	5,278,724	788,931	66,947	-	6,134,602
With donor restrictions	-	62,665	-	-	62,665
Total net assets	5,278,724	851,596	66,947	-	6,197,267
Total liabilities and net assets	$ 7,821,833	$ 905,303	$ 66,947	$ (48,985)	$ 8,745,098

National Court Reporters Association and Affiliates

Consolidating Schedule of Activities
For the Year Ended December 31, 2023

	NCRA	NCRF	NCRA PAC	Total
Operating Revenue and Support Without Donor Restrictions				
Membership dues	$ 2,713,484	$ -	$ -	$ 2,713,484
Professional development	480,481	-	-	480,481
Communications	78,016	-	-	78,016
Convention and firm owners meeting	595,877	-	-	595,877
Contributions	-	196,797	5,920	202,717
Publications sales	32,965	-	-	32,965
Insurance and credit card royalties	95,154	-	-	95,154
Education	577,745	-	-	577,745
Other income	6,213	3,885	-	10,098
Net assets released from restrictions	-	17,859	-	17,859
Total operating revenue and support without donor restrictions	4,579,935	218,541	5,920	4,804,396
Expenses				
Program services:				
Professional development	926,399	-	-	926,399
Communications	939,567	-	-	939,567
Membership	394,182	-	-	394,182
Convention and firm owners meeting	656,524	-	-	656,524
Foundation	-	116,970	-	116,970
Government relations	280,766	-	-	280,766
Publications	55,204	-	-	55,204
Total program services	3,252,642	116,970	-	3,369,612
Supporting services:				
Fundraising	-	28,270	-	28,270
Management and general	1,552,005	26,709	823	1,579,537
Total supporting services	1,552,005	54,979	823	1,607,807
Total expenses	4,804,647	171,949	823	4,977,419
Change in operating net assets without donor restrictions	(224,712)	46,592	5,097	(173,023)

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National Court Reporters Association and Affiliates

Consolidating Schedule of Activities (continued)
For the Year Ended December 31, 2023

	NCRA	NCRF	NCRA PAC	Total
Non-Operating Activities				
Investment return, net	770,011	41,526	-	811,537
Total non-operating activities	770,011	41,526	-	811,537
Change in net assets without donor restrictions	545,299	88,118	5,097	638,514
Net Assets With Donor Restrictions				
Contributions	-	39,952	-	39,952
Net assets released from restrictions	-	(17,859)	-	(17,859)
Change in net assets with donor restrictions	-	22,093	-	22,093
Change in Net Assets	545,299	110,211	5,097	660,607
Net Assets, beginning of year	5,278,724	851,596	66,947	6,197,267
Net Assets, end of year	$ 5,824,023	$ 961,807	$ 72,044	$ 6,857,874

National Court Reporters Association and Affiliates

Consolidating Schedule of Activities
For the Year Ended December 31, 2022

	NCRA	NCRF	NCRA PAC	Total
Operating Revenue and Support Without Donor Restrictions				
Membership dues	$ 2,824,695	$ -	$ -	$ 2,824,695
Professional development	518,570	-	-	518,570
Communications	129,623	-	-	129,623
Convention and firm owners meeting	461,235	-	-	461,235
Contributions	-	185,141	5,311	190,452
Publications sales	37,370	-	-	37,370
Insurance and credit card royalties	107,479	-	-	107,479
Education	616,063	-	-	616,063
Other income	8,059	3,929	-	11,988
Net assets released from restrictions	-	15,931	-	15,931
Total operating revenue and support without donor restrictions	4,703,094	205,001	5,311	4,913,406
Expenses				
Program services:				
Professional development	899,177	-	-	899,177
Communications	933,762	-	-	933,762
Membership	431,974	-	-	431,974
Convention and firm owners meeting	626,810	-	-	626,810
Foundation	-	95,948	-	95,948
Government relations	244,994	-	2,000	246,994
Publications	60,619	-	-	60,619
Total program services	3,197,336	95,948	2,000	3,295,284
Supporting services:				
Fundraising	-	39,043	-	39,043
Management and general	1,896,664	23,273	504	1,920,441
Total supporting services	1,896,664	62,316	504	1,959,484
Total expenses	5,094,000	158,264	2,504	5,254,768
Change in operating net assets without donor restrictions	(390,906)	46,737	2,807	(341,362)

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National Court Reporters Association and Affiliates

Consolidating Schedule of Activities (continued)
For the Year Ended December 31, 2022

	NCRA	NCRF	NCRA PAC	Total
Non-Operating Activities				
Investment return, net	(941,246)	(47,085)	-	(988,331)
Net loss on lease termination	(400,115)	-	-	(400,115)
Total non-operating activities	(1,341,361)	(47,085)	-	(1,388,446)
Change in net assets without donor restrictions	(1,732,267)	(348)	2,807	(1,729,808)
Net Assets With Donor Restrictions				
Contributions	-	36,469	-	36,469
Net assets released from restrictions	-	(15,931)	-	(15,931)
Change in net assets with donor restrictions	-	20,538	-	20,538
Change in Net Assets	(1,732,267)	20,190	2,807	(1,709,270)
Net Assets, beginning of year	7,010,991	831,406	64,140	7,906,537
Net Assets, end of year	$ 5,278,724	$ 851,596	$ 66,947	$ 6,197,267