

National Court Reporters Association and Affiliates

Consolidated Financial Statements
and Independent Auditors' Report

December 31, 2018 and 2017

National Court Reporters Association and Affiliates

Consolidated Financial Statements
December 31, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the National Court Reporters Association and Affiliates (collectively, "the Organization"), which comprise the consolidated statement of financial position as of December 31, 2018; 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Auditor's Responsibility (continued)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The consolidated financial statements of the Organization as of December 31, 2017, were audited by other auditors whose report, dated May 2, 2018, expressed an unmodified opinion on those statements.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 20 and 22-23 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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. The information for the year ended December 31, 2017 on pages 21 and 24-25 was subjected to the auditing procedures applied in the audit of the basic consolidated financial statements by other independent auditors, whose report, dated May 2, 2018, indicated that such information is fairly stated in all material respects to the basic statements as a whole.



Vienna, Virginia
August 14, 2019

National Court Reporters Association and Affiliates

Consolidated Statements of Financial Position December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,990,530	\$ 1,499,495
Investments	5,325,555	5,906,623
Accounts receivable, net	97,017	87,922
Contributions receivable, net	58,513	129,093
Inventory	18,155	28,616
Prepaid expenses	107,202	134,120
	<hr/>	<hr/>
Total current assets	7,596,972	7,785,869
Contributions receivable, long-term	-	32,533
Property and equipment, net	885,765	923,690
	<hr/>	<hr/>
Total assets	<u>\$ 8,482,737</u>	<u>\$ 8,742,092</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 502,114	\$ 327,593
Deferred revenue	2,097,431	2,064,017
	<hr/>	<hr/>
Total current liabilities	2,599,545	2,391,610
Tenant allowance and deferred rent	965,484	1,021,301
	<hr/>	<hr/>
Total liabilities	3,565,029	3,412,911
	<hr/>	<hr/>
Net Assets		
Without donor restrictions	4,903,563	5,300,148
With donor restrictions	14,145	29,033
	<hr/>	<hr/>
Total net assets	4,917,708	5,329,181
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 8,482,737</u>	<u>\$ 8,742,092</u>

See accompanying notes.

National Court Reporters Association and Affiliates

Consolidated Statements of Activities
For the Years Ended December 31, 2018 and 2017

	2018	2017
Operating Revenue and Support Without Donor Restrictions		
Membership dues	\$ 3,174,973	\$ 3,342,926
Professional development	343,788	367,211
Communications	346,584	381,738
Convention and firm owners meeting	773,363	761,612
Contributions	321,383	273,289
Publications sales	97,124	84,830
Insurance and credit card royalties	137,109	139,383
Membership directory and catalog advertisement	526,160	605,783
Other income	36,837	5,797
Net assets released from restrictions	14,888	19,435
	<hr/>	<hr/>
Total operating revenue and support without donor restrictions	5,772,209	5,982,004
	<hr/>	<hr/>
Expenses		
Program services:		
Professional development	887,149	822,554
Communications	908,907	1,100,868
Membership	360,004	472,873
Convention and firm owners meeting	357,667	785,235
Foundation	148,528	201,190
Government relations	204,580	245,257
Publications	90,563	72,927
Public affairs and strategic alignment	4,137	11,645
Student initiatives	5,280	6,083
	<hr/>	<hr/>
Total program services	2,966,815	3,718,632
	<hr/>	<hr/>
Supporting services:		
Fundraising	39,904	24,646
Management and general	2,804,184	2,639,221
	<hr/>	<hr/>
Total supporting services	2,844,088	2,663,867
	<hr/>	<hr/>
Total expenses	5,810,903	6,382,499
	<hr/>	<hr/>
Change in operating net assets without donor restrictions	(38,694)	(400,495)
	<hr/>	<hr/>
Non-Operating Activities		
Investment (loss) income	(357,891)	577,899
NCRA Service Corporation investment loss	-	(77,791)
	<hr/>	<hr/>
Total non-operating activities	(357,891)	500,108
	<hr/>	<hr/>
Change in net assets without donor restrictions	(396,585)	99,613
	<hr/>	<hr/>
Net Assets With Donor Restrictions		
Contributions	-	10,000
Net assets released from restrictions	(14,888)	(19,435)
	<hr/>	<hr/>
Change in net assets with donor restrictions	(14,888)	(9,435)
	<hr/>	<hr/>
Change in Net Assets	(411,473)	90,178
	<hr/>	<hr/>
Net Assets, beginning of year	5,329,181	5,239,003
	<hr/>	<hr/>
Net Assets, end of year	\$ 4,917,708	\$ 5,329,181
	<hr/>	<hr/>

See accompanying notes.

National Court Reporters Association and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services									Supporting Services		Total Expenses
	Professional Development	Communi-cations	Membership	Convention and Firm Owners Meeting	Foundation	Government Relations	Publications	Public Affairs and Strategic Alignment	Student Initiatives	Fundraising	Management and General	
Personnel costs	\$ 430,867	\$ 490,869	\$ 180,714	\$ 174,122	\$ 84,150	\$ 70,098	\$ 1,726	\$ -	\$ 1,028	\$ 13,731	\$ 934,139	\$ 2,381,444
Retirement plan contributions	22,823	26,001	9,572	9,223	-	3,713	91	-	-	-	49,262	120,685
Other employee benefits	87,405	99,577	36,659	35,322	13,122	14,220	350	-	160	2,141	200,017	488,973
Payroll taxes	17,835	20,318	7,480	7,207	-	2,902	71	-	-	3,451	41,947	101,211
Professional fees	208,556	87,597	83,563	4,880	-	45,547	28,431	-	-	-	410,188	868,762
Office expense	490	5,524	92	-	15	-	-	-	-	1	59,402	65,524
Dues and subscriptions	1,893	7,670	-	-	-	724	-	-	-	-	8,824	19,111
Travel	39,274	9,064	814	4,723	1,891	3,391	-	-	-	147	24,509	83,813
Postage and delivery	3,098	46,969	5,994	1,475	54	128	215	-	-	3	9,148	67,084
Printing and duplication	1,977	115,318	28,616	4,728	26	-	-	-	-	2	5,825	156,492
Meetings and projects	65,610	-	6,500	115,987	27,004	62,857	293	4,137	-	16,089	382,478	680,955
Repair and maintenance	-	-	-	-	-	-	-	-	-	-	25,687	25,687
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	159,069	159,069
Taxes and licenses	-	-	-	-	-	-	-	-	-	-	7,409	7,409
Insurance	-	-	-	-	-	-	-	-	-	-	56,612	56,612
Utilities	-	-	-	-	-	-	-	-	-	-	1,012	1,012
Bank processing fees	-	-	-	-	4,366	-	-	-	-	257	125,305	129,928
Rent	-	-	-	-	-	-	-	-	-	-	242,875	242,875
Legal fees	-	-	-	-	-	-	-	-	-	-	46,995	46,995
Royalties	-	-	-	-	-	-	725	-	-	-	-	725
Advertising and promotion	3,320	-	-	-	-	-	342	-	-	-	13,035	16,697
Publications and products	-	-	-	-	116	-	58,319	-	-	7	14	58,456
Special project grants	4,001	-	-	-	8,719	1,000	-	-	-	4,075	-	17,795
Other expenses	-	-	-	-	-	-	-	-	-	-	432	432
Annual programs	-	-	-	-	9,065	-	-	-	-	-	-	9,065
Scholarships program	-	-	-	-	-	-	-	-	4,092	-	-	4,092
Total Expenses	\$ 887,149	\$ 908,907	\$ 360,004	\$ 357,667	\$ 148,528	\$ 204,580	\$ 90,563	\$ 4,137	\$ 5,280	\$ 39,904	\$ 2,804,184	\$ 5,810,903

See accompanying notes.

National Court Reporters Association and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services									Supporting Services		Total Expenses
	Professional Development	Communi-cations	Membership	Convention and Firm Owners Meeting	Foundation	Government Relations	Publications	Public Affairs and Strategic Alignment	Student Initiatives	Fundraising	Management and General	
Personnel costs	\$ 367,273	\$ 561,494	\$ 216,814	\$ 154,911	\$ 125,250	\$ 63,698	\$ 1,530	\$ -	\$ 1,527	\$ 19,857	\$ 950,848	\$ 2,463,202
Retirement plan contributions	21,903	33,485	12,930	9,238	-	3,799	91	-	-	-	56,340	137,786
Other employee benefits	52,613	80,436	31,060	22,192	25,605	9,125	219	-	312	4,059	166,300	391,921
Payroll taxes	28,062	42,902	16,566	11,836	-	4,867	117	-	-	-	72,185	176,535
Professional fees	192,279	103,847	149,835	72,550	-	125,000	28,431	6,116	-	-	457,478	1,135,536
Office expense	577	661	46	-	1,193	72	-	-	-	70	59,850	62,469
Dues and subscriptions	-	6,874	-	-	213	507	-	-	-	13	3,400	11,007
Travel	31,658	11,812	796	13,368	2,451	4,175	-	-	-	191	12,661	77,112
Postage and delivery	2,496	66,079	9,064	18,509	189	41	155	-	-	11	6,130	102,674
Printing and duplication	5,592	116,041	28,707	13,068	-	43	-	-	-	-	559	164,010
Meetings and projects	88,669	-	7,055	468,802	9,094	30,955	102	5,529	-	196	149,169	759,571
Repair and maintenance	-	77,005	-	-	-	-	-	-	-	-	48,384	125,389
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	141,221	141,221
Taxes and licenses	-	-	-	-	-	-	-	-	-	-	7,956	7,956
Insurance	-	-	-	-	-	-	-	-	-	-	58,958	58,958
Utilities	-	-	-	-	-	-	-	-	-	-	1,350	1,350
Bank processing fees	-	-	-	-	4,149	-	-	-	-	244	129,035	133,428
Rent	-	-	-	-	-	-	-	-	-	-	245,101	245,101
Legal fees	760	-	-	380	-	475	-	-	-	-	34,439	36,054
Royalties	-	-	-	-	-	-	970	-	-	-	-	970
Advertising and promotion	27,672	232	-	381	-	-	309	-	-	-	35,423	64,017
Publications and products	-	-	-	-	92	-	41,003	-	-	5	11	41,111
Special project grants	3,000	-	-	-	22,185	2,500	-	-	-	-	-	27,685
Other expenses	-	-	-	-	-	-	-	-	-	-	2,423	2,423
Annual programs	-	-	-	-	10,769	-	-	-	-	-	-	10,769
Scholarships program	-	-	-	-	-	-	-	-	4,244	-	-	4,244
Total Expenses	\$ 822,554	\$ 1,100,868	\$ 472,873	\$ 785,235	\$ 201,190	\$ 245,257	\$ 72,927	\$ 11,645	\$ 6,083	\$ 24,646	\$ 2,639,221	\$ 6,382,499

See accompanying notes.

National Court Reporters Association and Affiliates

Consolidated Statements of Cash Flows For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	\$ (411,473)	\$ 90,178
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on investments	(86,322)	(9,037)
Unrealized loss (gain) on investments	658,159	(338,637)
Depreciation and amortization	159,069	141,221
Loss in equity in NCRA Service Corporation	-	77,791
Change in allowance for doubtful accounts	774	-
Change in allowance for doubtful contributions	2,000	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(9,869)	(40,686)
Contributions receivable	101,113	106,929
Inventory	10,461	10,084
Prepaid expenses	26,918	(11,092)
Increase (decrease) in:		
Accounts payable and accrued expenses	174,521	(15,447)
Deferred revenue	33,414	49,399
Tenant allowance and deferred rent	(55,817)	(48,535)
Net cash provided by operating activities	602,948	12,168
Cash Flows from Investing Activities		
Purchases of property and equipment	(121,144)	(131,222)
Purchases of investments	(1,777,805)	(969,877)
Proceeds from sales of investments	1,787,036	1,041,426
Net cash used in investing activities	(111,913)	(59,673)
Net Increase (Decrease) in Cash and Cash Equivalents	491,035	(47,505)
Cash and Cash Equivalents, beginning of year	1,499,495	1,547,000
Cash and Cash Equivalents, end of year	\$ 1,990,530	\$ 1,499,495

See accompanying notes.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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.

The NCRA Service Corporation (NCRASC) is a for-profit entity incorporated under the laws of the state of Delaware. The purpose of the NCRASC is to implement and manage goals, programs, activities, and services that benefit the NCRA membership and NCRA in the accomplishment of the guiding vision, mission, image, and advocacy of the membership. Effective October 1, 2005, NCRASC became inactive in its operations. Such operations were moved back to NCRA and NCRASC is being retained as a separate, dormant entity in case a decision is made to revive its operations.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of NCRA and its affiliates: NCRF, NCRA PAC, and the NCRASC (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.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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. 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.

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 ninety days or less at the time of purchase. Excluded from this definition are amounts held for investments.

Investments

Investments are recorded at fair value based on quoted market prices. Realized and unrealized gains and losses are reported as a component of investment (loss) income in the accompanying consolidated statements of activities.

Accounts Receivable

Accounts receivable consist primarily of amounts from customers as a result of the sale of advertising and sale of publications. The Organization's management periodically reviews the status of all accounts receivable balances for collectability. Each receivable balance is assessed based on management's knowledge of the customer, the Organization's relationship with the customer, and age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are charged to the allowance for doubtful accounts. The allowance for doubtful accounts totaled \$4,600 and \$3,826 at December 31, 2018 and 2017, respectively.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Contributions Receivable

Contributions receivable represent unconditional amounts committed to the Organization. Management determines the allowance for doubtful accounts based upon review of outstanding receivables, historical collection information, and existing economic conditions. Management determines the allowance for doubtful contributions by identifying troubled accounts and by using historical experience. Based on those reviews, contributions receivable deemed to be uncollectible are charged to the allowance for doubtful contributions. The allowance for doubtful contributions totaled \$3,000 and \$1,000 at December 31, 2018 and 2017, respectively.

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.

Property and Equipment

Property and equipment acquisitions with a cost greater than \$1,000 and a projected useful life of 3 to 10 years 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 asset. Expenditures for minor repairs and maintenance costs are expensed when incurred. Leasehold improvements are amortized over the lease term.

Revenue Recognition

NCRA's membership dues are recognized as revenue on a pro rata basis during the membership year. The portion of membership dues relating to future periods is reported as deferred revenue. Deferred revenue consists of membership dues, testing fees, conferences, and seminar fees collected in advance. Dues are recorded as deferred revenue upon receipt and are recognized as revenue ratably over the period to which the dues relate. Testing fees are recorded in the period when services are rendered. Conferences and seminar fees are recorded as deferred revenue and are recognized as revenue in the period in which the seminar or conference occurs.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

Revenue from all other sources is recognized when earned.

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.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred, and approximated \$16,697 and \$64,017 during the years ended December 31, 2018 and 2017, respectively.

Use of Estimates

The preparation of 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 financial statements and accompanying notes. Actual results could differ from those estimates.

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 activity consists primarily of investment (loss) income and gain (loss) related to NCRASC.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on the change in net assets previously reported.

Accounting Pronouncement Adopted

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity and availability footnote, which is allowed by the ASU in the year of adoption. The implementation had no impact on previously reported net assets.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its consolidated statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update provides guidance for entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The guidance is effective beginning in 2019.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 14, 2019, the date the financial statements were available to be issued.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

3. Liquidity and Availability

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

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31, 2018:

Cash and cash equivalents	\$ 1,990,530
Accounts receivable, net	97,017
Contributions receivable, net	58,513
Short-term investments	248,300
Other investments appropriated for current use	5,077,255
Less: net assets with donor restrictions	<u>(14,145)</u>
Total available for general expenditures	<u>\$ 7,457,470</u>

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

The Organization follows FASB Accounting Standards Codification 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.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

5. Investments and Fair Value Measurements (continued)

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 holds balances in alternative investment instruments (hedge fund of funds). The hedge fund of funds reports monthly and is audited on an annual basis. The balance is carried at fair value, based on estimates by the fund managers in absence of readily ascertainable values. Such values may differ significantly from the values that would have been used had a ready market existed for this investment, and these differences could be material. The Organization does not have any outstanding funding commitments as of December 31, 2018.

The Organization reports certain investments using the net asset value (NAV) per share as determined by investment managers under the so-called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met.

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at December 31, 2018:

	Level 1	Level 2	Level 3	NAV	Total
Cash and money funds \$	275,835	\$ -	\$ -	\$ -	275,835
Common stock	222,333	-	-	-	222,333
Mutual funds:					
Equity	2,724,469	-	-	-	2,724,469
Fixed income	1,388,755	-	-	-	1,388,755
Alternatives	185,157	-	-	-	185,157
Certificates of deposit	-	248,300	-	-	248,300
Hedge fund of funds	-	-	-	280,706	280,706
Total investments	\$ 4,796,549	\$ 248,300	\$ -	\$ 280,706	\$ 5,325,555

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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, 2017:

	Level 1	Level 2	Level 3	NAV	Total
Cash and money funds	\$ 31,397	\$	\$	\$	\$ 31,397
Common stock	230,452	-	-	-	230,452
Mutual funds:					
Equity	2,843,459	-	-	-	2,843,459
Fixed income	1,431,499	-	-	-	1,431,499
Alternatives	366,643	-	-	-	366,643
Certificates of deposit	-	738,623	-	-	738,623
Hedge fund of funds	-	-	-	264,550	264,550
Total investments	\$ 4,903,450	\$ 738,623	\$ -	\$ 264,550	\$ 5,906,623

Investment (loss) income consists of the following for the years ended December 31:

	2018	2017
Interest and dividends	\$ 250,999	\$ 255,584
Realized and unrealized (loss) gain	(571,837)	347,674
Investment management fees	(37,053)	(25,359)
Total investment (loss) income	\$ (357,891)	\$ 577,899

The major categories of the Organization's investments that are valued at NAV, including general information related to each category, are as follows at December 31:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<u>2018:</u>				
SkyBridge Multi Adviser				
Hedge Fund Portfolios, LLC	\$ 280,706	\$ -	Quarterly	65 days
<u>2017:</u>				
SkyBridge Multi Adviser				
Hedge Fund Portfolios, LLC	\$ 264,550	\$ -	Quarterly	65 days

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

6. Contributions Receivable

Contributions receivable are promised as follows at December 31:

	2018	2017
Due within one year	\$ 61,513	\$ 130,093
Due in one to five years	-	32,533
	61,513	162,626
Total contributions receivable		
Less: allowance for uncollectible contributions	(3,000)	(1,000)
	\$ 58,513	\$ 161,626
Contributions receivable, net		

7. Property and Equipment

Property and equipment consists of the following at December 31:

	2018	2017
Leasehold improvements	\$ 912,269	\$ 912,269
Furniture, equipment, and software	2,017,018	1,960,548
	2,929,287	2,872,817
Total property and equipment		
Less: accumulated depreciation and amortization	(2,043,522)	(1,949,127)
	\$ 885,765	\$ 923,690
Property and equipment, net		

8. Net Assets With Donor Restrictions

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

	2018	2017
Scholarships	\$ 4,042	\$ 6,284
ASAE Grant	103	2,749
Time restricted	10,000	20,000
	14,145	29,033
Total net assets with donor restrictions	\$ 14,145	\$ 29,033

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

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. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

For full functional reporting of expenses, indirect costs are allocated proportionately to program and supporting services based on personnel efforts.

10. Commitments and Contingencies

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. At December 31, 2018, the maximum cancellation fee that the Organization could incur is approximately \$1,237,350.

Employment Agreement

Under the terms of the Executive Director and Chief Executive Officer's employment contract, she is entitled to receive continued payment of her base salary and group insurance benefits for 180 additional days following the effective date of termination of employment if she is terminated without cause.

Operating Lease

During 2015, the Organization entered into an agreement to rent office space under the terms of an operating lease that is set to expire in November 2026. The terms of the lease contain provisions for a free rent period of 15 months with future rent escalations of 2.5% per year. In addition, the Organization was provided a build-out allowance totaling \$807,098, as an incentive to lease the office space. Other lease provisions include the Organization's proportionate share of real estate taxes and operating expenses, which are not included in the base rental payments.

Generally Accepted Accounting Principles (GAAP) require that the cost of the build-out be capitalized and depreciated as leasehold improvements.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

10. Commitments and Contingencies (continued)

Operating Lease (continued)

GAAP also requires that the lease incentives along with the scheduled rent increases resulting from the escalation of base rental payments be recorded as a liability and amortized ratably over the life of the lease. Accordingly, the Organization has recognized leasehold improvements within property and equipment, and a liability for tenant allowance and deferred rent in the accompanying statements of financial position.

Total rent expense was \$242,875 and \$245,101 for the years ended December 31, 2018 and 2017, respectively.

Future minimum lease payments are as follows for the years ending December 31:

2019	\$	334,330
2020		342,688
2021		351,255
2022		360,037
2023		369,038
Thereafter		<u>1,129,731</u>
Total future minimum lease payments	\$	<u><u>2,887,079</u></u>

11. Retirement Plans

The Organization has a defined contribution plan that covers all employees who are at least 21 years of age, who have completed one year of service, and who have worked 1,000 hours during the year. Eligible employees may contribute up to 10% of their compensation to the plan, and their contributions are fully vested once they are made. Pension contributions of an amount equal to 3% of each eligible participant's compensation are made by the Organization for all eligible participants.

The Organization also operates a 401(k) plan that allows eligible employees to withhold a portion of his/her compensation. In this plan, the Organization contributes 3% of each eligible employee's compensation. In addition to the 3% the Organization contributes, an employee may contribute to this 401(k) plan up to the maximum allowable by law, currently \$18,000 with an additional "catchup" contribution of \$6,000, if the employee is over the age of 50. The Organization will match 50% of the employee's contribution up to 6%, making a 6% contribution the maximum the Organization may contribute to any eligible employee's 401(k) plan.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2018 and 2017

11. Retirement Plans (continued)

The maximum that the Organization may thereby contribute under all plans is 9% of compensation, subject to certain income limits. Employer and employee contributions are fully vested at all times. Contribution expense for the 401(k) plan for the years ended December 31, 2018 and 2017 was \$120,685 and \$137,786, 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, 2018 and 2017, 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, 2018

	NCRA	NCRF	NCRA PAC	NCRASC	Eliminations	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,596,058	\$ 337,830	\$ 56,642	\$ -	\$ -	\$ 1,990,530
Investments	5,099,698	225,857	-	-	-	5,325,555
Accounts receivable, net	97,017	-	-	-	-	97,017
Contributions receivable, net	-	58,513	-	-	-	58,513
Due from Affiliate	28,356	-	-	-	(28,356)	-
Inventory	18,155	-	-	-	-	18,155
Prepaid expenses	102,718	4,484	-	-	-	107,202
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	6,942,002	626,684	56,642	-	(28,356)	7,596,972
Property and equipment, net	885,765	-	-	-	-	885,765
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 7,827,767	\$ 626,684	\$ 56,642	\$ -	\$ (28,356)	\$ 8,482,737
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Liabilities and Net Assets						
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	\$ 494,822	\$ 7,292	\$ -	\$ -	\$ -	\$ 502,114
Due to Affiliate	-	28,356	-	-	(28,356)	-
Deferred revenue	2,097,431	-	-	-	-	2,097,431
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	2,592,253	35,648	-	-	(28,356)	2,599,545
Tenant allowance and deferred rent	965,484	-	-	-	-	965,484
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	3,557,737	35,648	-	-	(28,356)	3,565,029
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets						
Without donor restrictions	4,270,030	576,891	56,642	-	-	4,903,563
With donor restrictions	-	14,145	-	-	-	14,145
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	4,270,030	591,036	56,642	-	-	4,917,708
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Total liabilities and net assets	\$ 7,827,767	\$ 626,684	\$ 56,642	\$ -	\$ (28,356)	\$ 8,482,737
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National Court Reporters Association and Affiliates

Consolidating Schedule of Financial Position
December 31, 2017

	NCRA	NCRF	NCRA PAC	NCRASC	Eliminations	Total
Assets						
Current assets:						
Cash and cash equivalents	\$ 1,307,940	\$ 136,422	\$ 55,133	\$ -	\$ -	\$ 1,499,495
Investments	5,666,633	239,990	-	-	-	5,906,623
Accounts receivable, net	87,922	-	-	-	-	87,922
Contributions receivable, net	-	129,093	-	-	-	129,093
Due from Affiliate	41,853	-	-	-	(41,853)	-
Inventory	28,479	137	-	-	-	28,616
Prepaid expenses	133,917	203	-	-	-	134,120
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	7,266,744	505,845	55,133	-	(41,853)	7,785,869
Contributions receivable, long-term	-	32,533	-	-	-	32,533
Property and equipment, net	923,690	-	-	-	-	923,690
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 8,190,434	\$ 538,378	\$ 55,133	\$ -	\$ (41,853)	\$ 8,742,092
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Liabilities and Net Assets						
Liabilities						
Current liabilities:						
Accounts payable and accrued expenses	\$ 323,759	\$ 3,834	\$ -	\$ -	\$ -	\$ 327,593
Due to Affiliate	-	41,853	-	-	(41,853)	-
Deferred revenue	2,064,017	-	-	-	-	2,064,017
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	2,387,776	45,687	-	-	(41,853)	2,391,610
Tenant allowance and deferred rent	1,021,301	-	-	-	-	1,021,301
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	3,409,077	45,687	-	-	(41,853)	3,412,911
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net Assets						
Without donor restrictions	4,781,357	463,658	55,133	-	-	5,300,148
With donor restrictions	-	29,033	-	-	-	29,033
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	4,781,357	492,691	55,133	-	-	5,329,181
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	\$ 8,190,434	\$ 538,378	\$ 55,133	\$ -	\$ (41,853)	\$ 8,742,092
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National Court Reporters Association and Affiliates

Consolidating Schedule of Activities
For the Year Ended December 31, 2018

	NCRA	NCRF	NCRA PAC	NCRASC	Eliminations	Total
Operating Revenue and Support Without Donor Restrictions						
Membership dues	\$ 3,174,973	\$ -	\$ -	\$ -	\$ -	\$ 3,174,973
Professional development	343,788	-	-	-	-	343,788
Communications	346,584	-	-	-	-	346,584
Convention and firm owners meeting	773,363	-	-	-	-	773,363
Contributions	-	318,418	2,965	-	-	321,383
Publications sales	97,124	-	-	-	-	97,124
Insurance and credit card royalties	137,109	-	-	-	-	137,109
Membership directory and catalog advertisement	526,160	-	-	-	-	526,160
Other income	24,301	12,536	-	-	-	36,837
Net assets released from restrictions	-	14,888	-	-	-	14,888
Total operating revenue and support without donor restrictions	5,423,402	345,842	2,965	-	-	5,772,209
Expenses						
Program services:						
Professional development	887,149	-	-	-	-	887,149
Communications	908,907	-	-	-	-	908,907
Membership	360,004	-	-	-	-	360,004
Convention and firm owners meeting	357,667	-	-	-	-	357,667
Foundation	-	148,528	-	-	-	148,528
Government relations	203,580	-	1,000	-	-	204,580
Publications	90,563	-	-	-	-	90,563
Public affairs and strategic alignment	4,137	-	-	-	-	4,137
Student initiatives	-	5,280	-	-	-	5,280
Total program services	2,812,007	153,808	1,000	-	-	2,966,815
Supporting services:						
Fundraising	-	39,904	-	-	-	39,904
Management and general	2,781,046	22,682	456	-	-	2,804,184
Total supporting services	2,781,046	62,586	456	-	-	2,844,088
Total expenses	5,593,053	216,394	1,456	-	-	5,810,903
Change in operating net assets without donor restrictions	(169,651)	129,448	1,509	-	-	(38,694)

(continued on next page)

National Court Reporters Association and Affiliates

Consolidating Schedule of Activities (continued)
For the Year Ended December 31, 2018

	<u>NCRA</u>	<u>NCRF</u>	<u>NCRA PAC</u>	<u>NCRASC</u>	<u>Eliminations</u>	<u>Total</u>
Non-Operating Activities						
Investment loss	<u>(341,676)</u>	<u>(16,215)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(357,891)</u>
Total non-operating activities	<u>(341,676)</u>	<u>(16,215)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(357,891)</u>
Change in net assets without donor restrictions	(511,327)	113,233	1,509	-	-	(396,585)
Net Assets With Donor Restrictions						
Net assets released from restrictions	<u>-</u>	<u>(14,888)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,888)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>(14,888)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,888)</u>
Change in Net Assets	<u>(511,327)</u>	<u>98,345</u>	<u>1,509</u>	<u>-</u>	<u>-</u>	<u>(411,473)</u>
Net Assets, beginning of year	<u>4,781,357</u>	<u>492,691</u>	<u>55,133</u>	<u>-</u>	<u>-</u>	<u>5,329,181</u>
Net Assets, end of year	<u>\$ 4,270,030</u>	<u>\$ 591,036</u>	<u>\$ 56,642</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,917,708</u>

National Court Reporters Association and Affiliates

Consolidating Schedule of Activities
For the Year Ended December 31, 2017

	NCRA	NCRF	NCRA PAC	NCRASC	Eliminations	Total
Operating Revenue and Support Without Donor Restrictions						
Membership dues	\$ 3,342,926	\$ -	\$ -	\$ -	\$ -	\$ 3,342,926
Professional development	367,211	-	-	-	-	367,211
Communications	381,738	-	-	-	-	381,738
Convention and firm owners meeting	761,612	-	-	-	-	761,612
Contributions	-	268,301	4,988	-	-	273,289
Publications sales	84,739	91	-	-	-	84,830
Insurance and credit card royalties	139,383	-	-	-	-	139,383
Membership directory and catalog advertisement	605,783	-	-	-	-	605,783
Other income	5,797	-	-	-	-	5,797
Net assets released from restrictions	-	19,435	-	-	-	19,435
Total operating revenue and support without donor restrictions	5,689,189	287,827	4,988	-	-	5,982,004
Expenses						
Program services:						
Professional development	822,554	-	-	-	-	822,554
Communications	1,100,868	-	-	-	-	1,100,868
Membership	472,873	-	-	-	-	472,873
Convention and firm owners meeting	785,235	-	-	-	-	785,235
Foundation	-	201,190	-	-	-	201,190
Government relations	242,757	-	2,500	-	-	245,257
Publications	72,927	-	-	-	-	72,927
Public affairs and strategic alignment	11,645	-	-	-	-	11,645
Student initiatives	-	6,083	-	-	-	6,083
Total program services	3,508,859	207,273	2,500	-	-	3,718,632
Supporting services:						
Fundraising	-	24,646	-	-	-	24,646
Management and general	2,624,101	14,476	644	-	-	2,639,221
Total supporting services	2,624,101	39,122	644	-	-	2,663,867
Total expenses	6,132,960	246,395	3,144	-	-	6,382,499
Change in operating net assets without donor restrictions	(443,771)	41,432	1,844	-	-	(400,495)

(continued on next page)

National Court Reporters Association and Affiliates

Consolidating Schedule of Activities (continued)
For the Year Ended December 31, 2017

	<u>NCRA</u>	<u>NCRF</u>	<u>NCRA PAC</u>	<u>NCRASC</u>	<u>Eliminations</u>	<u>Total</u>
Non-Operating Activities						
Investment income	551,444	26,455	-	-	-	577,899
NCRA Service Corporation investment loss	<u>(58,391)</u>	<u>(19,400)</u>	-	<u>(77,600)</u>	<u>77,600</u>	<u>(77,791)</u>
Total non-operating activities	<u>493,053</u>	<u>7,055</u>	-	<u>(77,600)</u>	<u>77,600</u>	<u>500,108</u>
Change in net assets without donor restrictions	49,282	48,487	1,844	(77,600)	77,600	99,613
Net Assets With Donor Restrictions						
Contributions	-	10,000	-	-	-	10,000
Net assets released from restrictions	-	<u>(19,435)</u>	-	-	-	<u>(19,435)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>(9,435)</u>	-	-	-	<u>(9,435)</u>
Change in Net Assets	49,282	39,052	1,844	(77,600)	77,600	90,178
Net Assets, beginning of year	<u>4,732,075</u>	<u>453,639</u>	<u>53,289</u>	<u>77,600</u>	<u>(77,600)</u>	<u>5,239,003</u>
Net Assets, end of year	<u><u>\$ 4,781,357</u></u>	<u><u>\$ 492,691</u></u>	<u><u>\$ 55,133</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,329,181</u></u>