

National Court Reporters Association and Affiliates

Consolidated Financial Statements
and Independent Auditors' Report

December 31, 2019 and 2018

National Court Reporters Association and Affiliates

Consolidated Financial Statements
December 31, 2019 and 2018

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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 statements of financial position as of December 31, 2019 and 2018; 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.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 20-25 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 audits 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.

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
May 16, 2020

National Court Reporters Association and Affiliates

Consolidated Statements of Financial Position December 31, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,155,053	\$ 1,990,530
Investments	6,088,273	5,325,555
Accounts receivable, net	93,070	97,017
Contributions receivable, net	5,761	58,513
Inventory	15,215	18,155
Prepaid expenses	131,221	107,202
	8,488,593	7,596,972
Property and equipment, net	736,885	885,765
	\$ 9,225,478	\$ 8,482,737
	\$ 9,225,478	\$ 8,482,737
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	\$ 292,732	\$ 502,114
Deferred revenue	2,233,722	2,097,431
	2,526,454	2,599,545
Tenant allowance and deferred rent	873,882	965,484
	3,400,336	3,565,029
	3,400,336	3,565,029
Net Assets		
Without donor restrictions	5,809,159	4,903,563
With donor restrictions	15,983	14,145
	5,825,142	4,917,708
	\$ 9,225,478	\$ 8,482,737

See accompanying notes.

National Court Reporters Association and Affiliates

Consolidated Statements of Activities
For the Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenue and Support Without Donor Restrictions		
Membership dues	\$ 3,031,895	\$ 3,174,973
Professional development	372,073	343,788
Communications	252,128	346,584
Convention and firm owners meeting	807,681	773,363
Contributions	97,898	321,383
Publications sales	75,250	97,124
Insurance and credit card royalties	92,954	137,109
Education	545,270	526,160
Other income	21,786	36,837
Net assets released from restrictions	29,319	14,888
	<hr/>	<hr/>
Total operating revenue and support without donor restrictions	5,326,254	5,772,209
	<hr/>	<hr/>
Expenses		
Program services:		
Professional development	710,128	887,149
Communications	782,240	908,907
Membership	413,867	360,004
Convention and firm owners meeting	649,284	357,667
Foundation	76,686	148,528
Government relations	259,526	204,580
Publications	74,022	90,563
Public affairs and strategic alignment	2,039	4,137
Student initiatives	-	5,280
	<hr/>	<hr/>
Total program services	2,967,792	2,966,815
	<hr/>	<hr/>
Supporting services:		
Fundraising	36,615	39,904
Management and general	2,178,539	2,804,184
	<hr/>	<hr/>
Total supporting services	2,215,154	2,844,088
	<hr/>	<hr/>
Total expenses	5,182,946	5,810,903
	<hr/>	<hr/>
Change in operating net assets without donor restrictions	143,308	(38,694)
	<hr/>	<hr/>
Non-Operating Activity		
Investment return, net	762,288	(357,891)
	<hr/>	<hr/>
Total non-operating activity	762,288	(357,891)
	<hr/>	<hr/>
Change in net assets without donor restrictions	905,596	(396,585)
	<hr/>	<hr/>
Net Assets With Donor Restrictions		
Contributions	31,157	-
Net assets released from restrictions	(29,319)	(14,888)
	<hr/>	<hr/>
Change in net assets with donor restrictions	1,838	(14,888)
	<hr/>	<hr/>
Change in Net Assets	907,434	(411,473)
	<hr/>	<hr/>
Net Assets, beginning of year	4,917,708	5,329,181
	<hr/>	<hr/>
Net Assets, end of year	\$ 5,825,142	\$ 4,917,708
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See accompanying notes.

National Court Reporters Association and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services							Supporting Services		Total Expenses	
	Professional Development	Communications	Membership	Convention and Firm Owners Meeting	Foundation	Government Relations	Publications	Public Affairs and Strategic Alignment	Fundraising		Management and General
Personnel costs	\$ 419,600	\$ 510,726	\$ 313,923	\$ 103,467	\$ 54,158	\$ 67,267	\$ 1,656	\$ -	\$ 21,663	\$ 830,130	\$ 2,322,590
Professional fees	184,249	78,071	61,742	55,922	4,496	120,000	28,431	-	-	522,428	1,055,339
Office expense	189	310	168	-	-	69	-	-	-	52,326	53,062
Dues and subscriptions	1,308	8,557	-	-	-	1,132	-	-	3,949	9,563	24,509
Travel	30,313	8,361	171	13,541	4,571	2,567	-	-	-	7,726	67,250
Postage and delivery	3,481	47,934	6,631	1,470	-	9	76	-	-	4,415	64,016
Printing and duplication	4,181	121,181	24,932	4,003	-	2,142	-	-	-	2,086	158,525
Meetings and projects	58,503	-	6,300	470,024	-	66,340	-	2,039	1,604	60,402	665,212
Repair and maintenance	-	7,100	-	-	-	-	-	-	-	27,561	34,661
Depreciation and amortization	-	-	-	-	-	-	-	-	-	181,606	181,606
Taxes and licenses	-	-	-	-	-	-	-	-	-	10,513	10,513
Insurance	-	-	-	857	-	-	-	-	-	53,236	54,093
Bank processing fees	-	-	-	-	-	-	-	-	-	134,549	134,549
Rent and utilities	-	-	-	-	-	-	-	-	-	246,677	246,677
Royalties	-	-	-	-	-	-	501	-	-	-	501
Advertising and promotion	4,304	-	-	-	-	-	-	-	-	22,337	26,641
Publications and products	-	-	-	-	-	-	43,358	-	-	-	43,358
Special project grants	4,000	-	-	-	-	-	-	-	5,400	-	9,400
Other expenses	-	-	-	-	-	-	-	-	-	12,984	12,984
Scholarships program	-	-	-	-	13,461	-	-	-	3,999	-	17,460
Total Expenses	\$ 710,128	\$ 782,240	\$ 413,867	\$ 649,284	\$ 76,686	\$ 259,526	\$ 74,022	\$ 2,039	\$ 36,615	\$ 2,178,539	\$ 5,182,946

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	\$ 558,930	\$ 636,765	\$ 234,425	\$ 225,874	\$ 97,272	\$ 90,933	\$ 2,238	\$ -	\$ 1,188	\$ 19,323	\$ 1,225,365	\$ 3,092,313	
Professional fees	208,556	87,597	83,563	4,880	-	45,547	28,431	-	-	-	457,183	915,757	
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	
Bank processing fees	-	-	-	-	4,366	-	-	-	-	257	125,305	129,928	
Rent and utilities	-	-	-	-	-	-	-	-	-	-	243,887	243,887	
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 Statements of Cash Flows For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 907,434	\$ (411,473)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gain on investments	(81,459)	(86,322)
Unrealized (gain) loss on investments	(506,814)	658,159
Depreciation and amortization	181,606	159,069
Change in allowance for doubtful accounts	(1,954)	774
Change in allowance for doubtful contributions	-	2,000
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	5,901	(9,869)
Contributions receivable	52,752	101,113
Inventory	2,940	10,461
Prepaid expenses	(24,019)	26,918
Increase (decrease) in:		
Accounts payable and accrued expenses	(209,382)	174,521
Deferred revenue	136,291	33,414
Tenant allowance and deferred rent	(91,602)	(55,817)
Net cash provided by operating activities	371,694	602,948
Cash Flows from Investing Activities		
Purchases of property and equipment	(32,726)	(121,144)
Purchases of investments	(1,932,323)	(1,777,805)
Proceeds from sales of investments	1,757,878	1,787,036
Net cash used in investing activities	(207,171)	(111,913)
Net Increase in Cash and Cash Equivalents	164,523	491,035
Cash and Cash Equivalents, beginning of year	1,990,530	1,499,495
Cash and Cash Equivalents, end of year	\$ 2,155,053	\$ 1,990,530

See accompanying notes.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018

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.

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 return 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 \$2,646 and \$4,600 at December 31, 2019 and 2018, respectively.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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 at both December 31, 2019 and 2018.

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

The Organization recognizes revenue from sales of publications and education products and services (which includes exam fees) when the products are transferred and the services are provided. Conferences and seminar fees are recognized as revenue in the period in which the seminar or conference occurs. Membership dues, which are nonrefundable, are fully comprised of an exchange element based on the benefits received and is recognized over the membership period. With the exception of goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

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.

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.

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 of investment return.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncements

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Organization has implemented Topic 606 and has adjusted, if applicable, the presentation in these consolidated financial statements accordingly. The amendments have been applied retrospectively to all periods presented. The implementation had no impact on the previously reported net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Organization has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in these consolidated financial statements under a modified prospective basis. The implementation had no impact on the previously reported net assets.

Recently Issued Accounting Pronouncement

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 2021.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 16, 2020, the date the consolidated financial statements were available to be issued.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

2. Summary of Significant Accounting Policies (continued)

Subsequent Events (continued)

The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the members, donors, employees, and vendors, all which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Organization's financial condition or results of operations is uncertain.

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 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 consolidated statement of financial position date, comprise the following at December 31:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,155,053	\$ 1,990,530
Accounts receivable, net	93,070	97,017
Contributions receivable, net	5,761	58,513
Investments appropriated for current use	5,800,762	5,044,849
Less: net assets with donor restrictions	<u>(15,983)</u>	<u>(14,145)</u>
Total available for general expenditures	<u>\$ 8,038,663</u>	<u>\$ 7,176,764</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.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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.

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, 2019.

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.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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, 2019:

	Level 1	Level 2	Level 3	NAV	Total
Cash and money funds	\$ 534,557	\$ -	\$ -	\$ -	\$ 534,557
Common stock	611,103	-	-	-	611,103
Mutual funds:					
Equity	2,476,246	-	-	-	2,476,246
Fixed income	1,459,982	-	-	-	1,459,982
Alternatives	240,577	-	-	-	240,577
Certificates of deposit	-	478,297	-	-	478,297
Hedge fund of funds	-	-	-	287,511	287,511
Total investments	\$ 5,322,465	\$ 478,297	\$ -	\$ 287,511	\$ 6,088,273

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, 2019 and 2018

5. Investments and Fair Value Measurements (continued)

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

	2019	2018
Interest and dividends	\$ 212,841	\$ 250,999
Realized and unrealized gain (loss)	588,273	(571,837)
Investment management fees	(38,826)	(37,053)
Total investment return, net	\$ 762,288	\$ (357,891)

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>2019:</u>				
SkyBridge Multi Adviser				
Hedge Fund Portfolios, LLC	\$ 287,511	\$ -	Quarterly	65 days
<u>2018:</u>				
SkyBridge Multi Adviser				
Hedge Fund Portfolios, LLC	\$ 280,706	\$ -	Quarterly	65 days

6. Property and Equipment

Property and equipment consists of the following at December 31:

	2019	2018
Leasehold improvements	\$ 912,269	\$ 912,269
Furniture, equipment, and software	1,989,504	2,017,018
Total property and equipment	2,901,773	2,929,287
Less: accumulated depreciation and amortization	(2,164,888)	(2,043,522)
Property and equipment, net	\$ 736,885	\$ 885,765

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

7. Net Assets With Donor Restrictions

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

	2019	2018
Scholarships	\$ 1,828	\$ 4,042
A to Z program	14,056	-
ASAE Grant	99	103
Time restricted	-	10,000
Total net assets with donor restrictions	<u>\$ 15,983</u>	<u>\$ 14,145</u>

8. 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.

9. 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, 2019, the maximum cancellation fee that the Organization could incur is approximately \$1,622,000. Subsequent to year end, the Organization postponed some events due to the COVID-19 crisis. Management was able to renegotiate with these hotels and has managed to have the fees waived; therefore, the maximum cancellation fee noted above is far less as of May 16, 2020, the date the consolidated financial statements were available to be issued.

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

9. Commitments and Contingencies (continued)

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.

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 consolidated statements of financial position.

Total rent expense was \$245,613 and \$242,875 for the years ended December 31, 2019 and 2018, respectively. Future minimum lease payments are as follows for the years ending December 31:

2020	\$	342,688
2021		351,255
2022		360,037
2023		369,038
2024		378,263
Thereafter		<u>751,468</u>
Total future minimum lease payments	\$	<u><u>2,552,749</u></u>

National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

10. 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.

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, 2019 and 2018 was \$77,100 and \$120,685, respectively.

11. 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, 2019 and 2018, 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, 2019

	NCRA	NCRF	NCRA PAC	Eliminations	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,755,625	\$ 338,040	\$ 61,388	\$ -	\$ 2,155,053
Investments	5,823,362	264,911	-	-	6,088,273
Accounts receivable, net	93,070	-	-	-	93,070
Contributions receivable, net	-	5,761	-	-	5,761
Due from Affiliate	15,532	-	-	(15,532)	-
Inventory	15,215	-	-	-	15,215
Prepaid expenses	125,188	6,033	-	-	131,221
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	7,827,992	614,745	61,388	(15,532)	8,488,593
Property and equipment, net	736,885	-	-	-	736,885
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 8,564,877</u>	<u>\$ 614,745</u>	<u>\$ 61,388</u>	<u>\$ (15,532)</u>	<u>\$ 9,225,478</u>
Liabilities and Net Assets					
Liabilities					
Current liabilities:					
Accounts payable and accrued expenses	\$ 291,533	\$ 1,199	\$ -	\$ -	\$ 292,732
Due to Affiliate	-	15,532	-	(15,532)	-
Deferred revenue	2,233,722	-	-	-	2,233,722
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	2,525,255	16,731	-	(15,532)	2,526,454
Tenant allowance and deferred rent	873,882	-	-	-	873,882
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>3,399,137</u>	<u>16,731</u>	<u>-</u>	<u>(15,532)</u>	<u>3,400,336</u>
Net Assets					
Without donor restrictions	5,165,740	582,031	61,388	-	5,809,159
With donor restrictions	-	15,983	-	-	15,983
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	5,165,740	598,014	61,388	-	5,825,142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 8,564,877</u>	<u>\$ 614,745</u>	<u>\$ 61,388</u>	<u>\$ (15,532)</u>	<u>\$ 9,225,478</u>

National Court Reporters Association and Affiliates

Consolidating Schedule of Financial Position
December 31, 2018

	NCRA	NCRF	NCRA PAC	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
Total current assets	6,942,002	626,684	56,642	(28,356)	7,596,972
Property and equipment, net	885,765	-	-	-	885,765
Total assets	<u>\$ 7,827,767</u>	<u>\$ 626,684</u>	<u>\$ 56,642</u>	<u>\$ (28,356)</u>	<u>\$ 8,482,737</u>
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
Total current liabilities	2,592,253	35,648	-	(28,356)	2,599,545
Tenant allowance and deferred rent	965,484	-	-	-	965,484
Total liabilities	<u>3,557,737</u>	<u>35,648</u>	<u>-</u>	<u>(28,356)</u>	<u>3,565,029</u>
Net Assets					
Without donor restrictions	4,270,030	576,891	56,642	-	4,903,563
With donor restrictions	-	14,145	-	-	14,145
Total net assets	<u>4,270,030</u>	<u>591,036</u>	<u>56,642</u>	<u>-</u>	<u>4,917,708</u>
Total liabilities and net assets	<u>\$ 7,827,767</u>	<u>\$ 626,684</u>	<u>\$ 56,642</u>	<u>\$ (28,356)</u>	<u>\$ 8,482,737</u>

National Court Reporters Association and Affiliates

Consolidating Schedule of Activities
For the Year Ended December 31, 2019

	NCRA	NCRF	NCRA PAC	Total
Operating Revenue and Support Without Donor Restrictions				
Membership dues	\$ 3,031,895	\$ -	\$ -	\$ 3,031,895
Professional development	372,073	-	-	372,073
Communications	252,128	-	-	252,128
Convention and firm owners meeting	807,681	-	-	807,681
Contributions	-	92,117	5,781	97,898
Publications sales	75,250	-	-	75,250
Insurance and credit card royalties	92,954	-	-	92,954
Education	545,270	-	-	545,270
Other income	9,530	12,256	-	21,786
Net assets released from restrictions	-	29,319	-	29,319
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenue and support without donor restrictions	5,186,781	133,692	5,781	5,326,254
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses				
Program services:				
Professional development	710,128	-	-	710,128
Communications	782,240	-	-	782,240
Membership	413,867	-	-	413,867
Convention and firm owners meeting	649,284	-	-	649,284
Foundation	-	76,686	-	76,686
Government relations	259,026	-	500	259,526
Publications	74,022	-	-	74,022
Public affairs and strategic alignment	2,039	-	-	2,039
	<hr/>	<hr/>	<hr/>	<hr/>
Total program services	2,890,606	76,686	500	2,967,792
	<hr/>	<hr/>	<hr/>	<hr/>
Supporting services:				
Fundraising	-	36,615	-	36,615
Management and general	2,125,325	52,679	535	2,178,539
	<hr/>	<hr/>	<hr/>	<hr/>
Total supporting services	2,125,325	89,294	535	2,215,154
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	5,015,931	165,980	1,035	5,182,946
	<hr/>	<hr/>	<hr/>	<hr/>
Change in operating net assets without donor restrictions	170,850	(32,288)	4,746	143,308
	<hr/>	<hr/>	<hr/>	<hr/>

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National Court Reporters Association and Affiliates

Consolidating Schedule of Activities (continued)
For the Year Ended December 31, 2019

	<u>NCRA</u>	<u>NCRF</u>	<u>NCRA PAC</u>	<u>Total</u>
Non-Operating Activity				
Investment return, net	724,860	37,428	-	762,288
Total non-operating activity	<u>724,860</u>	<u>37,428</u>	<u>-</u>	<u>762,288</u>
Change in net assets without donor restrictions	895,710	5,140	4,746	905,596
Net Assets With Donor Restrictions				
Contributions	-	31,157	-	31,157
Net assets released from restrictions	<u>-</u>	<u>(29,319)</u>	<u>-</u>	<u>(29,319)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>1,838</u>	<u>-</u>	<u>1,838</u>
Change in Net Assets	895,710	6,978	4,746	907,434
Net Assets, beginning of year	<u>4,270,030</u>	<u>591,036</u>	<u>56,642</u>	<u>4,917,708</u>
Net Assets, end of year	<u>\$ 5,165,740</u>	<u>\$ 598,014</u>	<u>\$ 61,388</u>	<u>\$ 5,825,142</u>

National Court Reporters Association and Affiliates

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

	NCRA	NCRF	NCRA PAC	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
Education	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)

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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>Total</u>
Non-Operating Activity				
Investment return, net	<u>(341,676)</u>	<u>(16,215)</u>	<u>-</u>	<u>(357,891)</u>
Total non-operating activity	<u>(341,676)</u>	<u>(16,215)</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>(14,888)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>(14,888)</u>	<u>-</u>	<u>(14,888)</u>
Change in Net Assets	(511,327)	98,345	1,509	(411,473)
Net Assets, beginning of year	<u>4,781,357</u>	<u>492,691</u>	<u>55,133</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>\$ 4,917,708</u>