

**National Court Reporters Association and Affiliates**

Consolidated Financial Statements  
and Independent Auditors' Report

December 31, 2020 and 2019

# National Court Reporters Association and Affiliates

Consolidated Financial Statements  
December 31, 2020 and 2019

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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 National Court Reporters Association and Affiliates (collectively, "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019; 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 December 31, 2020 and 2019, 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 4, 2021

## National Court Reporters Association and Affiliates

### Consolidated Statements of Financial Position December 31, 2020 and 2019

	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,477,202	\$ 2,155,053
Investments	6,799,148	6,088,273
Accounts receivable, net	40,525	93,070
Contributions receivable, net	-	5,761
Inventory	10,109	15,215
Prepaid expenses	161,020	131,221
	9,488,004	8,488,593
Property and equipment, net	595,325	736,885
	\$ 10,083,329	\$ 9,225,478
	\$ 10,083,329	\$ 9,225,478
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 206,683	\$ 292,732
Deferred revenue	2,050,414	2,233,722
	2,257,097	2,526,454
Tenant allowance and deferred rent	773,922	873,882
	3,031,019	3,400,336
	3,031,019	3,400,336
<b>Net Assets</b>		
Without donor restrictions	7,033,553	5,809,159
With donor restrictions	18,757	15,983
	7,052,310	5,825,142
	\$ 10,083,329	\$ 9,225,478

**National Court Reporters Association and Affiliates**

Consolidated Statements of Activities  
For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>Operating Revenue and Support Without Donor Restrictions</b>		
Membership dues	\$ 3,145,293	\$ 3,031,895
Professional development	487,446	372,073
Communications	144,914	252,128
Convention and firm owners meeting	366,175	807,681
Contributions	139,839	97,898
Publications sales	88,602	75,250
Insurance and credit card royalties	113,078	92,954
Education	556,699	545,270
Other income	19,614	21,786
Net assets released from restrictions	9,431	29,319
	5,071,091	5,326,254
<b>Expenses</b>		
Program services:		
Professional development	766,582	710,128
Communications	896,278	782,240
Membership	323,025	413,867
Convention and firm owners meeting	325,115	649,284
Foundation	52,471	76,686
Government relations	236,028	259,526
Publications	89,591	74,022
Public affairs and strategic alignment	264	2,039
	2,689,354	2,967,792
Total program services		
Supporting services:		
Fundraising	20,450	36,615
Management and general	1,847,171	2,178,539
	1,867,621	2,215,154
Total supporting services		
Total expenses	4,556,975	5,182,946
Change in operating net assets without donor restrictions	514,116	143,308
<b>Non-Operating Activity</b>		
Investment return, net	710,278	762,288
Total non-operating activity	710,278	762,288
Change in net assets without donor restrictions	1,224,394	905,596
<b>Net Assets With Donor Restrictions</b>		
Contributions	12,205	31,157
Net assets released from restrictions	(9,431)	(29,319)
Change in net assets with donor restrictions	2,774	1,838
<b>Change in Net Assets</b>	1,227,168	907,434
<b>Net Assets, beginning of year</b>	5,825,142	4,917,708
<b>Net Assets, end of year</b>	\$ 7,052,310	\$ 5,825,142

See accompanying notes.

**National Court Reporters Association and Affiliates**

Consolidated Statement of Functional Expenses  
For the Year Ended December 31, 2020

	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	Total Program Services	Fundraising	Management and General		Total Supporting Services
Personnel costs	\$ 524,662	\$ 626,607	\$ 254,063	\$ 123,498	\$ 23,751	\$ 91,871	\$ 11,329	\$ -	\$ 1,655,781	\$ 7,917	\$ 670,175	\$ 678,092	\$ 2,333,873
Professional fees	189,872	85,678	58,499	31,375	241	131,000	28,431	-	525,096	-	449,630	449,630	974,726
Office expense	152	15	-	-	-	70	-	-	237	-	29,483	29,483	29,720
Dues and subscriptions	1,169	7,884	-	-	-	150	-	-	9,203	11,203	7,668	18,871	28,074
Education and training	2,500	3,500	1,250	-	-	-	-	-	7,250	500	8,525	9,025	16,275
Travel	10,195	-	-	3,809	1,831	-	-	-	15,835	-	4,832	4,832	20,667
Postage and delivery	3,631	45,225	120	171	-	-	70	-	49,217	-	3,574	3,574	52,791
Printing and duplication	2,252	118,290	9,093	18	-	35	-	-	129,688	-	3,243	3,243	132,931
Meetings and projects	26,983	-	-	163,103	-	12,902	228	264	203,480	556	5,510	6,066	209,546
Repair and maintenance	-	-	-	-	-	-	-	-	-	-	25,424	25,424	25,424
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	172,896	172,896	172,896
Taxes and licenses	-	-	-	-	-	-	-	-	-	-	14,488	14,488	14,488
Insurance	-	-	-	3,141	-	-	-	-	3,141	-	55,033	55,033	58,174
Bank processing fees	-	-	-	-	-	-	-	-	-	-	104,884	104,884	104,884
Rent and utilities	-	-	-	-	-	-	-	-	-	-	283,953	283,953	283,953
Royalties	-	-	-	-	-	-	651	-	651	-	-	-	651
Advertising and promotion	1,166	-	-	-	-	-	-	-	1,166	-	1,993	1,993	3,159
Publications and products	-	-	-	-	-	-	48,882	-	48,882	274	-	274	49,156
Other expenses	-	9,079	-	-	-	-	-	-	9,079	-	1,861	1,861	10,940
Scholarships program	4,000	-	-	-	26,648	-	-	-	30,648	-	3,999	3,999	34,647
<b>Total Expenses</b>	<b>\$ 766,582</b>	<b>\$ 896,278</b>	<b>\$ 323,025</b>	<b>\$ 325,115</b>	<b>\$ 52,471</b>	<b>\$ 236,028</b>	<b>\$ 89,591</b>	<b>\$ 264</b>	<b>\$ 2,689,354</b>	<b>\$ 20,450</b>	<b>\$ 1,847,171</b>	<b>\$ 1,867,621</b>	<b>\$ 4,556,975</b>

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	Communi-cations	Membership	Convention and Firm Owners Meeting	Foundation	Government Relations	Publications	Public Affairs and Strategic Alignment	Total Program Services	Fundraising	Management and General		Total Supporting Services
Personnel costs	\$ 419,600	\$ 510,726	\$ 313,923	\$ 103,467	\$ 54,158	\$ 67,267	\$ 1,656	\$ -	\$ 1,470,797	\$ 21,663	\$ 830,130	\$ 851,793	\$ 2,322,590
Professional fees	184,249	78,071	61,742	55,922	4,496	120,000	28,431	-	532,911	-	522,428	522,428	1,055,339
Office expense	189	310	168	-	-	69	-	-	736	-	52,326	52,326	53,062
Dues and subscriptions	1,308	8,557	-	-	-	1,132	-	-	10,997	3,949	9,563	13,512	24,509
Travel	30,313	8,361	171	13,541	4,571	2,567	-	-	59,524	-	7,726	7,726	67,250
Postage and delivery	3,481	47,934	6,631	1,470	-	9	76	-	59,601	-	4,415	4,415	64,016
Printing and duplication	4,181	121,181	24,932	4,003	-	2,142	-	-	156,439	-	2,086	2,086	158,525
Meetings and projects	58,503	-	6,300	470,024	-	66,340	-	2,039	603,206	1,604	60,402	62,006	665,212
Repair and maintenance	-	7,100	-	-	-	-	-	-	7,100	-	27,561	27,561	34,661
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	181,606	181,606	181,606
Taxes and licenses	-	-	-	-	-	-	-	-	-	-	10,513	10,513	10,513
Insurance	-	-	-	857	-	-	-	-	857	-	53,236	53,236	54,093
Bank processing fees	-	-	-	-	-	-	-	-	-	-	134,549	134,549	134,549
Rent and utilities	-	-	-	-	-	-	-	-	-	-	246,677	246,677	246,677
Royalties	-	-	-	-	-	-	501	-	501	-	-	-	501
Advertising and promotion	4,304	-	-	-	-	-	-	-	4,304	-	22,337	22,337	26,641
Publications and products	-	-	-	-	-	-	43,358	-	43,358	-	-	-	43,358
Special project grants	4,000	-	-	-	-	-	-	-	4,000	5,400	-	5,400	9,400
Other expenses	-	-	-	-	-	-	-	-	-	-	12,984	12,984	12,984
Scholarships program	-	-	-	-	13,461	-	-	-	13,461	3,999	-	3,999	17,460
<b>Total Expenses</b>	<b>\$ 710,128</b>	<b>\$ 782,240</b>	<b>\$ 413,867</b>	<b>\$ 649,284</b>	<b>\$ 76,686</b>	<b>\$ 259,526</b>	<b>\$ 74,022</b>	<b>\$ 2,039</b>	<b>\$ 2,967,792</b>	<b>\$ 36,615</b>	<b>\$ 2,178,539</b>	<b>\$ 2,215,154</b>	<b>\$ 5,182,946</b>

See accompanying notes.



## National Court Reporters Association and Affiliates

### Consolidated Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,227,168	\$ 907,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized loss (gain) on investments	17,606	(81,459)
Unrealized loss (gain) on investments	587,059	(506,814)
Depreciation and amortization	172,896	181,606
Change in allowance for doubtful accounts	(746)	(1,954)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	53,291	5,901
Contributions receivable	5,761	52,752
Inventory	5,106	2,940
Prepaid expenses	(29,799)	(24,019)
Increase (decrease) in:		
Accounts payable and accrued expenses	(86,049)	(209,382)
Deferred revenue	(183,308)	136,291
Tenant allowance and deferred rent	(99,960)	(91,602)
Net cash provided by operating activities	1,669,025	371,694
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(31,336)	(32,726)
Purchases of investments	(2,216,697)	(1,932,323)
Proceeds from sales of investments	901,157	1,757,878
Net cash used in investing activities	(1,346,876)	(207,171)
<b>Net Increase in Cash and Cash Equivalents</b>	322,149	164,523
<b>Cash and Cash Equivalents, beginning of year</b>	2,155,053	1,990,530
<b>Cash and Cash Equivalents, end of year</b>	\$ 2,477,202	\$ 2,155,053

See accompanying notes.

# National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

## 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 NCRASC (hereinafter collectively referred to as “the Organization”). Significant inter-company accounts and transactions have been eliminated in consolidation.

## National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (continued)

#### 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.

#### 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 90 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 net investment return in the accompanying consolidated statements of activities.

## National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Accounts Receivable

Accounts receivable consist primarily of amounts from customers as a result of the sale of advertising and sale of publications. 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 \$1,900 and \$2,646 at December 31, 2020 and 2019, respectively.

#### 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 Organization did not have any contributions receivable at December 31, 2020. The allowance for doubtful contributions totaled \$3,000 at December 31, 2019.

#### 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.

## National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Revenue Recognition

Membership dues, which are nonrefundable, are fully comprised of an exchange element based on the benefits received and are 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. Membership dues collected in advance of the period earned totaled \$1,939,382 and \$2,095,993 at December 31, 2020 and 2019, respectively, and are included as a component of deferred revenue in the accompanying consolidated statements of financial position.

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.

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. Education fees collected in advance of the exam date totaled \$65,648 and \$58,724 at December 31, 2020 and 2019, respectively, and are included as a component of deferred revenue in the accompanying consolidated statements of financial position. Conferences and seminar fees are recognized as revenue in the period in which the seminar or conference occurs. Conferences and seminar fees collected in advance totaled \$45,384 and \$79,005 at December 31, 2020 and 2019, respectively, and are included as a component of deferred revenue in the accompanying consolidated statements of financial position.

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.

## National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### 2. Summary of Significant Accounting Policies (continued)

#### Use of Estimates

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

#### 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 net investment return.

#### Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 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 2022.

#### Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 4, 2021, the date the consolidated financial statements were available to be issued.

### 3. Liquidity and Availability

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

## National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### 3. Liquidity and Availability (continued)

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

	2020	2019
Cash and cash equivalents	\$ 2,477,202	\$ 2,155,053
Investments appropriated for current use	6,544,443	5,800,762
Accounts receivable, net	40,525	93,070
Contributions receivable, net	-	5,761
Less: net assets with donor restrictions	(18,757)	(15,983)
Total available for general expenditures	<u>\$ 9,043,413</u>	<u>\$ 8,038,663</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, 2020 and 2019

### 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, 2020.

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, 2020:

	Level 1	Level 2	Level 3	NAV	Total
Cash and money funds	\$ 637,085	\$ -	\$ -	\$ -	637,085
Common stock	1,230,222	-	-	-	1,230,222
Mutual funds:					
Equity	2,333,054	-	-	-	2,333,054
Fixed income	1,823,763	-	-	-	1,823,763
Alternatives	520,319	-	-	-	520,319
Hedge fund of funds	-	-	-	254,705	254,705
<b>Total investments</b>	<b>\$ 6,544,443</b>	<b>\$ -</b>	<b>\$ -</b>	<b>254,705</b>	<b>\$ 6,799,148</b>



## National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### 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
<b>Total investments</b>	<b>\$ 5,322,465</b>	<b>\$ 478,297</b>	<b>\$ -</b>	<b>\$ 287,511</b>	<b>\$ 6,088,273</b>

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

	2020	2019
Interest and dividends	\$ 149,105	\$ 212,841
Realized and unrealized gain	604,665	588,273
Less: investment management fees	(43,492)	(38,826)
<b>Total investment return, net</b>	<b>\$ 710,278</b>	<b>\$ 762,288</b>

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>2020:</u>				
SkyBridge Multi Adviser				
Hedge Fund Portfolios, LLC	\$ 254,705	\$ -	Quarterly	65 days
<u>2019:</u>				
SkyBridge Multi Adviser				
Hedge Fund Portfolios, LLC	\$ 287,511	\$ -	Quarterly	65 days

## National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### 6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 912,269	\$ 912,269
Furniture, equipment, and software	<u>1,600,867</u>	<u>1,989,504</u>
Total property and equipment	2,513,136	2,901,773
Less: accumulated depreciation and amortization	<u>(1,917,811)</u>	<u>(2,164,888)</u>
Property and equipment, net	<u><u>\$ 595,325</u></u>	<u><u>\$ 736,885</u></u>

### 7. Net Assets With Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Scholarships	\$ 2,402	\$ 1,828
A to Z program	16,256	14,056
ASAE Grant	<u>99</u>	<u>99</u>
Total net assets with donor restrictions	<u><u>\$ 18,757</u></u>	<u><u>\$ 15,983</u></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 personnel costs, professional fees, office expenses, and other, which are allocated on the basis of estimates of time and effort.

## National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### 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. During 2020, 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.

#### 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 \$254,880 and \$245,613 for the years ended December 31, 2020 and 2019, respectively. Future minimum lease payments are as follows for the years ending December 31:

2021	\$	351,255
2022		360,037
2023		369,038
2024		378,263
2025		387,720
Thereafter		<u>363,748</u>
Total future minimum lease payments	\$	<u><u>2,210,061</u></u>

## National Court Reporters Association and Affiliates

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### 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 \$19,500 with an additional "catchup" contribution of \$6,500, 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, 2020 and 2019 was \$79,847 and \$77,100, 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, 2020 and 2019, 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.

## **National Court Reporters Association and Affiliates**

Notes to Consolidated Financial Statements  
December 31, 2020 and 2019

### **12. COVID-19 Pandemic**

The COVID-19 outbreak in the United States and around the world has caused widespread business disruptions due to mandatory lockdowns implemented in most states in order to slow down the spread of the virus. The Organization's management has been monitoring the situation and implementing certain changes in its operations and upcoming activities in order to keep its dedicated staff safe, and to mitigate the financial impact of this pandemic. The Organization continues to execute its missions and serve its members.

**SUPPLEMENTARY INFORMATION**

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**National Court Reporters Association and Affiliates**

Consolidating Schedule of Financial Position  
December 31, 2020

	<u>NCRA</u>	<u>NCRF</u>	<u>NCRA PAC</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 2,005,833	\$ 409,153	\$ 62,216	\$ -	\$ 2,477,202
Investments	6,502,512	296,636	-	-	6,799,148
Accounts receivable, net	40,525	-	-	-	40,525
Due from Affiliate	11,992	-	-	(11,992)	-
Inventory	10,109	-	-	-	10,109
Prepaid expenses	155,720	5,300	-	-	161,020
Total current assets	8,726,691	711,089	62,216	(11,992)	9,488,004
Property and equipment, net	595,325	-	-	-	595,325
Total assets	<u>\$ 9,322,016</u>	<u>\$ 711,089</u>	<u>\$ 62,216</u>	<u>\$ (11,992)</u>	<u>\$ 10,083,329</u>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 204,457	\$ 2,226	\$ -	\$ -	\$ 206,683
Due to Affiliate	-	11,992	-	(11,992)	-
Deferred revenue	2,050,414	-	-	-	2,050,414
Total current liabilities	2,254,871	14,218	-	(11,992)	2,257,097
Tenant allowance and deferred rent	773,922	-	-	-	773,922
Total liabilities	3,028,793	14,218	-	(11,992)	3,031,019
<b>Net Assets</b>					
Without donor restrictions	6,293,223	678,114	62,216	-	7,033,553
With donor restrictions	-	18,757	-	-	18,757
Total net assets	6,293,223	696,871	62,216	-	7,052,310
Total liabilities and net assets	<u>\$ 9,322,016</u>	<u>\$ 711,089</u>	<u>\$ 62,216</u>	<u>\$ (11,992)</u>	<u>\$ 10,083,329</u>

**National Court Reporters Association and Affiliates**

Consolidating Schedule of Financial Position  
December 31, 2019

	<u>NCRA</u>	<u>NCRF</u>	<u>NCRA PAC</u>	<u>Eliminations</u>	<u>Total</u>
<b>Assets</b>					
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>
<b>Liabilities and Net Assets</b>					
<b>Liabilities</b>					
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	3,399,137	16,731	-	(15,532)	3,400,336
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Assets</b>					
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 Activities  
For the Year Ended December 31, 2020

	NCRA	NCRF	NCRA PAC	Total
<b>Operating Revenue and Support Without Donor Restrictions</b>				
Membership dues	\$ 3,145,293	\$ -	\$ -	\$ 3,145,293
Professional development	487,446	-	-	487,446
Communications	144,914	-	-	144,914
Convention and firm owners meeting	366,175	-	-	366,175
Contributions	-	138,914	925	139,839
Publications sales	88,602	-	-	88,602
Insurance and credit card royalties	113,078	-	-	113,078
Education	556,699	-	-	556,699
Other income	8,154	11,460	-	19,614
Net assets released from restrictions	-	9,431	-	9,431
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenue and support without donor restrictions	4,910,361	159,805	925	5,071,091
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenses</b>				
Program services:				
Professional development	766,582	-	-	766,582
Communications	896,278	-	-	896,278
Membership	323,025	-	-	323,025
Convention and firm owners meeting	325,115	-	-	325,115
Foundation	-	52,471	-	52,471
Government relations	236,028	-	-	236,028
Publications	89,591	-	-	89,591
Public affairs and strategic alignment	264	-	-	264
	<hr/>	<hr/>	<hr/>	<hr/>
Total program services	2,636,883	52,471	-	2,689,354
	<hr/>	<hr/>	<hr/>	<hr/>
Supporting services:				
Fundraising	-	20,450	-	20,450
Management and general	1,825,807	21,267	97	1,847,171
	<hr/>	<hr/>	<hr/>	<hr/>
Total supporting services	1,825,807	41,717	97	1,867,621
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	4,462,690	94,188	97	4,556,975
	<hr/>	<hr/>	<hr/>	<hr/>
Change in operating net assets without donor restrictions	447,671	65,617	828	514,116
	<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, 2020

	<u>NCRA</u>	<u>NCRF</u>	<u>NCRA PAC</u>	<u>Total</u>
<b>Non-Operating Activity</b>				
Investment return, net	679,812	30,466	-	710,278
Total non-operating activity	<u>679,812</u>	<u>30,466</u>	<u>-</u>	<u>710,278</u>
Change in net assets without donor restrictions	1,127,483	96,083	828	1,224,394
<b>Net Assets With Donor Restrictions</b>				
Contributions	-	12,205	-	12,205
Net assets released from restrictions	<u>-</u>	<u>(9,431)</u>	<u>-</u>	<u>(9,431)</u>
Change in net assets with donor restrictions	<u>-</u>	<u>2,774</u>	<u>-</u>	<u>2,774</u>
<b>Change in Net Assets</b>	1,127,483	98,857	828	1,227,168
<b>Net Assets, beginning of year</b>	<u>5,165,740</u>	<u>598,014</u>	<u>61,388</u>	<u>5,825,142</u>
<b>Net Assets, end of year</b>	<u>\$ 6,293,223</u>	<u>\$ 696,871</u>	<u>\$ 62,216</u>	<u>\$ 7,052,310</u>

**National Court Reporters Association and Affiliates**

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

	NCRA	NCRF	NCRA PAC	Total
<b>Operating Revenue and Support Without Donor Restrictions</b>				
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/>
<b>Expenses</b>				
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>
<b>Non-Operating Activity</b>				
Investment return, net	<u>724,860</u>	<u>37,428</u>	<u>-</u>	<u>762,288</u>
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
<b>Net Assets With Donor Restrictions</b>				
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>
<b>Change in Net Assets</b>	895,710	6,978	4,746	907,434
<b>Net Assets, beginning of year</b>	<u>4,270,030</u>	<u>591,036</u>	<u>56,642</u>	<u>4,917,708</u>
<b>Net Assets, end of year</b>	<u>\$ 5,165,740</u>	<u>\$ 598,014</u>	<u>\$ 61,388</u>	<u>\$ 5,825,142</u>