

National Recreation and Park Association, Inc.

Financial Report and Compliance Report
June 30, 2020

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RSM US LLP

Independent Auditor's Report

Board of Directors
National Recreation and Park Association, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of National Recreation and Park Association, Inc. (the Association), which comprise the statement of financial position as of June 30, 2020, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the 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 control 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Association'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 Association'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.

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 National Recreation and Park Association, Inc. as of June 30, 2020, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2020, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Other Matter

The financial statements of the Association, as of and for the year ended June 30, 2019, were audited by other auditors whose report thereon, dated September 11, 2019, expressed an unmodified opinion on those statements.

RSM US LLP

Washington, D.C.
October 15, 2020

National Recreation and Park Association, Inc.

**Statements of Financial Position
June 30, 2020 and 2019**

| | 2020 | 2019 |
|---|-----------------------------|-----------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 8,359,140 | \$ 6,841,603 |
| Investments | 7,774,412 | 7,037,318 |
| Promises to give | 1,271,922 | 1,887,541 |
| Accounts receivable, net | 426,762 | 643,259 |
| Prepaid expenses | 220,269 | 582,103 |
| Inventory | 43,507 | 45,056 |
| Deferred compensation | 239,107 | 296,809 |
| Property and equipment, net | 2,326,486 | 2,534,731 |
| Beneficial interest in trust | 1,091,852 | 1,062,312 |
| | <u>1,091,852</u> | <u>1,062,312</u> |
| Total assets | <u>\$ 21,753,457</u> | <u>\$ 20,930,732</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 967,968 | \$ 763,934 |
| Accrued salaries and related expenses | 528,335 | 599,518 |
| Deferred revenue | 2,353,106 | 5,209,571 |
| Note payable | 1,065,985 | - |
| Deferred compensation | 239,107 | 296,809 |
| Total liabilities | <u>5,154,501</u> | <u>6,869,832</u> |
| Commitments and contingencies (Notes 10 and 13) | | |
| Net assets: | | |
| Without donor restrictions | 7,416,144 | 6,179,741 |
| With donor restrictions | 9,182,812 | 7,881,159 |
| Total net assets | <u>16,598,956</u> | <u>14,060,900</u> |
| Total liabilities and net assets | <u>\$ 21,753,457</u> | <u>\$ 20,930,732</u> |

See notes to financial statements.

National Recreation and Park Association, Inc.

**Statements of Activities
Years Ended June 30, 2020 and 2019**

| | 2020 | 2019 |
|--|----------------------|----------------------|
| Activities without donor restrictions: | | |
| Revenue and support: | | |
| Conferences and exposition | \$ 5,574,142 | \$ 5,343,452 |
| Membership dues | 2,655,574 | 2,614,782 |
| Education services | 1,945,431 | 1,882,620 |
| Certification and accreditation | 1,234,382 | 1,342,758 |
| Publications and advertising | 1,169,021 | 1,171,197 |
| Grants and contributions | 958,159 | 648,057 |
| Investment income, net | 179,395 | 231,448 |
| Other income | 80,745 | 122,692 |
| Net assets released from restriction | 5,223,658 | 6,908,011 |
| Total revenue and support | 19,020,507 | 20,265,017 |
| Expenses: | | |
| Program services: | | |
| National partnerships | 5,759,579 | 7,235,352 |
| Knowledge and learning | 2,689,785 | 2,841,284 |
| Conferences and exposition | 2,426,043 | 2,246,339 |
| Marketing and communications | 1,036,163 | 946,338 |
| Publications | 1,022,413 | 981,508 |
| Memberships | 980,610 | 887,252 |
| Public policy | 449,220 | 652,416 |
| Conservation | 93,235 | 162,156 |
| Total program services | 14,457,048 | 15,952,645 |
| Supporting services: | | |
| Management and general | 3,053,005 | 3,174,969 |
| Fundraising | 274,051 | 113,742 |
| Total supporting services | 3,327,056 | 3,288,711 |
| Total expenses | 17,784,104 | 19,241,356 |
| Change in net assets without donor restrictions | 1,236,403 | 1,023,661 |
| Activities with donor restrictions: | | |
| Grants and contributions | 6,426,972 | 8,831,329 |
| Investment income, net | 68,799 | 152,522 |
| Gain on interest in trust | 29,540 | 68,981 |
| Net assets released from restriction | (5,223,658) | (6,908,011) |
| Change in net assets with donor restrictions | 1,301,653 | 2,144,821 |
| Change in net assets | 2,538,056 | 3,168,482 |
| Net assets: | | |
| Beginning | 14,060,900 | 10,892,418 |
| Ending | \$ 16,598,956 | \$ 14,060,900 |

See notes to financial statements.

National Recreation and Park Association, Inc.

Statement of Functional Expenses Year Ended June 30, 2020

| | Program Services | | | | | | | | | | Total | |
|--|-----------------------|------------------------|----------------------------|------------------------------|---------------------|-------------------|-------------------|------------------|------------------------|------------------------|-------------------|----------------------|
| | National Partnerships | Knowledge and Learning | Conferences and Exposition | Marketing and Communications | Publications | Memberships | Public Policy | Conservation | Total Program Services | Management and General | | Fundraising |
| Salary and benefits | \$ 1,416,610 | \$ 1,151,568 | \$ 622,759 | \$ 656,795 | \$ 515,657 | \$ 520,738 | \$ 266,452 | \$ 89,166 | \$ 5,239,745 | \$ 1,762,944 | \$ 123,986 | \$ 7,126,675 |
| Grant promotions | 3,271,497 | - | - | - | - | - | - | - | 3,271,497 | - | - | 3,271,497 |
| Legal and professional fees | 653,551 | 531,785 | 71,702 | 281,965 | 159,579 | 115,472 | 92,096 | - | 1,906,150 | 647,836 | 122,679 | 2,676,665 |
| Meeting expenses | 91,433 | 370,791 | 1,487,778 | 49 | - | 16,542 | 3,431 | - | 1,970,024 | 54,263 | 157 | 2,024,444 |
| Travel expenses | 142,797 | 295,624 | 48,821 | 27,410 | 20,729 | 25,907 | 10,402 | 2,304 | 573,994 | 32,021 | 2,581 | 608,596 |
| Software licensing fees | 6,662 | 86,784 | 24 | 3,908 | 2,090 | 65,519 | 48 | - | 165,035 | 189,797 | - | 354,832 |
| Printing | 5,186 | 11,840 | 9,834 | 11,305 | 183,311 | 17,314 | 262 | 35 | 239,087 | 5,165 | 51 | 244,303 |
| Depreciation and loss on disposals of property and equipment | 38,057 | 35,679 | 9,514 | 16,650 | 16,650 | 30,922 | 4,757 | - | 152,229 | 81,824 | 3,806 | 237,859 |
| Bank and credit card fees | - | 47,089 | 72,801 | 2,761 | 16,881 | 36,793 | - | - | 176,325 | 10,926 | - | 187,251 |
| Postage and freight | 3,051 | 43,072 | 4,501 | 391 | 84,509 | 37,546 | - | - | 173,070 | 3,559 | - | 176,629 |
| Repairs and maintenance | 27,329 | 25,621 | 6,832 | 11,956 | 11,956 | 22,205 | 3,416 | - | 109,315 | 58,758 | 2,733 | 170,806 |
| Other expenses (including COGS and bad debt) | 4,347 | 40,237 | 54,683 | - | - | 47,960 | - | - | 147,227 | 6,920 | - | 154,147 |
| Office equipment and supplies | 35,822 | 11,097 | 2,640 | 623 | 2,024 | 8,154 | 366 | - | 60,726 | 77,742 | - | 138,468 |
| Insurance | 14,764 | 13,841 | 3,691 | 6,459 | 6,459 | 11,995 | 1,845 | - | 59,054 | 31,742 | 1,476 | 92,272 |
| Dues and professional resources | 5,464 | 7,179 | 2,039 | 4,732 | 864 | 15 | 38,303 | 1,712 | 60,308 | 10,434 | 16,082 | 86,824 |
| Telephone | 4,045 | 1,999 | 341 | 1,333 | 1,704 | 1,916 | 1,501 | 18 | 12,857 | 48,418 | - | 61,275 |
| Advertising and public relations | 8,623 | 7,624 | 11,589 | 3,956 | - | 6,985 | 167 | - | 38,944 | - | - | 38,944 |
| Training and development | 3,960 | 4,486 | - | 5,870 | - | 3,785 | 1,774 | - | 19,875 | 18,451 | 500 | 38,826 |
| Rent | - | - | - | - | - | 8,169 | 24,400 | - | 32,569 | 3,740 | - | 36,309 |
| Contracted and temporary help | 7,881 | 3,469 | 16,494 | - | - | - | - | - | 27,844 | 8,461 | - | 36,305 |
| In-Kind travel vouchers | 18,400 | - | - | - | - | - | - | - | 18,400 | - | - | 18,400 |
| Commissions | - | - | - | - | - | 2,673 | - | - | 2,673 | - | - | 2,673 |
| Unrelated business income taxes | 100 | - | - | - | - | - | - | - | 100 | 4 | - | 104 |
| | \$ 5,759,579 | \$ 2,689,785 | \$ 2,426,043 | \$ 1,036,163 | \$ 1,022,413 | \$ 980,610 | \$ 449,220 | \$ 93,235 | \$ 14,457,048 | \$ 3,053,005 | \$ 274,051 | \$ 17,784,104 |

See notes to financial statements.

National Recreation and Park Association, Inc.

Statement of Functional Expenses Year Ended June 30, 2019

| | Program Services | | | | | | | | | | | Total |
|--|-----------------------|------------------------|----------------------------|------------------------------|-------------------|-------------------|-------------------|-------------------|------------------------|------------------------|-------------------|----------------------|
| | National Partnerships | Knowledge and Learning | Conferences and Exposition | Marketing and Communications | Publications | Memberships | Public Policy | Conservation | Total Program Services | Management and General | Fundraising | |
| | | | | | | | | | | | | |
| Salary and benefits | \$ 1,604,780 | \$ 1,043,265 | \$ 611,083 | \$ 676,741 | \$ 467,363 | \$ 539,485 | \$ 451,987 | \$ 151,512 | \$ 5,546,216 | \$ 1,916,658 | \$ 67,603 | \$ 7,530,477 |
| Grant promotions | 4,356,912 | - | - | - | - | - | - | - | 4,356,912 | - | - | 4,356,912 |
| Legal and professional fees | 824,893 | 599,613 | 1,872 | 181,666 | 121,361 | 64,829 | 3,771 | 1,000 | 1,799,005 | 625,621 | 26,139 | 2,450,765 |
| Meeting expenses | 133,513 | 397,002 | 1,358,834 | 26 | - | 920 | 44,805 | - | 1,935,100 | 68,856 | 1,507 | 2,005,463 |
| Travel expenses | 146,813 | 345,509 | 44,523 | 23,730 | 27,531 | 17,676 | 71,800 | 8,390 | 685,972 | 60,038 | 3,215 | 749,225 |
| Software licensing fees | - | 131,324 | - | - | 163 | - | - | - | 131,487 | 163,215 | - | 294,702 |
| Printing | 9,947 | 86,625 | 27,011 | 9,764 | 218,609 | 23,186 | 822 | 1,199 | 377,163 | 1,837 | 124 | 379,124 |
| Depreciation and loss on disposals of property and equipment | 38,890 | 36,459 | 9,723 | 17,014 | 17,014 | 31,598 | 4,861 | - | 155,559 | 83,615 | 3,889 | 243,063 |
| Bank and credit card fees | - | 48,953 | 81,542 | 2,833 | 17,536 | 42,612 | 675 | - | 194,151 | 11,259 | 1,637 | 207,047 |
| Postage and freight | 5,967 | 51,864 | 4,547 | 1,931 | 87,210 | 34,524 | 218 | - | 186,261 | 1,446 | - | 187,707 |
| Repairs and maintenance | 28,291 | 26,522 | 7,073 | 12,377 | 12,377 | 22,986 | 3,536 | - | 113,162 | 60,825 | 2,829 | 176,816 |
| Other expenses (including COGS and bad debt) | 2,516 | 28,663 | 54,918 | - | - | 68,763 | 39 | - | 154,899 | 6,301 | - | 161,200 |
| Office equipment and supplies | 34,973 | 11,569 | 5,380 | 5,594 | 5,471 | 6,838 | 5,176 | - | 75,001 | 74,423 | - | 149,424 |
| Insurance | 13,239 | 12,412 | 3,310 | 5,792 | 5,792 | 10,757 | 1,655 | - | 52,957 | 28,462 | 1,324 | 82,743 |
| Dues and professional resources | 1,112 | 4,720 | 1,989 | 5,518 | 2,714 | 35 | 24,382 | 15 | 40,485 | 5,122 | 3,095 | 48,702 |
| Telephone | 6,610 | 3,094 | 278 | 1,580 | 990 | 2,811 | 3,512 | 40 | 18,915 | 48,638 | 55 | 67,608 |
| Advertising and public relations | 12,870 | 10,414 | 19,302 | 1,772 | 530 | 11,641 | 150 | - | 56,679 | - | 2,325 | 59,004 |
| Training and development | 1,875 | 3,103 | 856 | - | - | 3,341 | 374 | - | 9,549 | 16,117 | - | 25,666 |
| Rent | - | 173 | - | - | - | 1,899 | 34,653 | - | 36,725 | 2,536 | - | 39,261 |
| Contracted and temporary help | - | - | 14,098 | - | - | - | - | - | 14,098 | (9) | - | 14,089 |
| In-Kind travel vouchers | 12,000 | - | - | - | - | - | - | - | 12,000 | - | - | 12,000 |
| Commissions | - | - | - | - | (3,481) | 3,351 | - | - | (130) | - | - | (130) |
| Unrelated business income taxes | 151 | - | - | - | 328 | - | - | - | 479 | 9 | - | 488 |
| | <u>\$ 7,235,352</u> | <u>\$ 2,841,284</u> | <u>\$ 2,246,339</u> | <u>\$ 946,338</u> | <u>\$ 981,508</u> | <u>\$ 887,252</u> | <u>\$ 652,416</u> | <u>\$ 162,156</u> | <u>\$ 15,952,645</u> | <u>\$ 3,174,969</u> | <u>\$ 113,742</u> | <u>\$ 19,241,356</u> |

See notes to financial statements.

National Recreation and Park Association, Inc.

Statements of Cash Flows
Years Ended June 30, 2020

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 2,538,056 | \$ 3,168,482 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Net realized and unrealized loss (gain) on investments | 6,559 | (252,984) |
| Gain on beneficial interest in trust | (29,540) | (68,981) |
| Loss on disposal of property and equipment | - | 12,016 |
| Depreciation and amortization | 237,859 | 231,047 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Promises to give | 615,619 | (1,887,541) |
| Accounts receivable | 216,497 | (189,982) |
| Prepaid expenses | 361,834 | (32,463) |
| Inventory | 1,549 | (428) |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 204,034 | 40,066 |
| Accrued salaries and related expenses | (71,183) | (53,811) |
| Deferred revenue | (2,856,465) | 333,682 |
| Deferred compensation | (57,702) | 30,842 |
| Net cash provided by operating activities | 1,167,117 | 1,329,945 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (29,614) | (19,406) |
| Purchases of investments | (2,672,151) | (7,358,640) |
| Proceeds from sales of investments | 1,986,200 | 6,996,906 |
| Net cash used in investing activities | (715,565) | (381,140) |
| Cash flows from financing activities: | | |
| Proceeds from note payable | 1,065,985 | - |
| Net cash provided by financing activities | 1,065,985 | - |
| Net increase in cash and cash equivalents | 1,517,537 | 948,805 |
| Cash and cash equivalents: | | |
| Beginning | 6,841,603 | 5,892,798 |
| Ending | \$ 8,359,140 | \$ 6,841,603 |

See notes to financial statements.

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: The National Recreation and Park Association, Inc. (the Association) believes that great parks are essential to creating healthy and sustainable communities. As the leading nonprofit dedicated to the advancement of public parks, we work to ensure all parks in all places are benefiting all people. We partner with our network of 60,000 park and recreation professionals as well as the 10,000 park and recreation agencies throughout the country to strengthen communities by offering equitable access to healthy activities and safe play spaces and protecting our natural resources. Parks are essential to healthy lifestyles, vibrant communities and a healthy environment.

Established in 1965, the Association advances public parks and recreation through advocacy, professional development, network building, research, grants, communications and publications, and more. The Association is incorporated under the laws of the state of New York and has its headquarters in Ashburn, Virginia.

The following is a summary of the Association's core services:

The Association's public policy team works every day to represent the cause of public parks and recreation at the federal level by fighting for funding and legislation that improves access to open space and recreational opportunities for all people.

The Association creates strategic partnerships with corporations and foundations to advance the field and fill in funding gaps that exist in local communities. Through these partnerships, the Association enables local park and recreation agencies to improve parks, expand program offerings and implement policy-changes that create long-term, sustainable change and strengthen communities. Through the Association's Partnerships and Programs Department, the Association is increasing access to local parks for all people, serving meals to children during out-of-school time, providing older adults with evidence-based arthritis interventions, creating mentorship opportunities, protecting pollinators, implementing green infrastructure projects and more.

The Association provides learning opportunities to advance the development of best practices and resources that make parks and recreation indispensable elements of American communities. These resources include online learning opportunities, in-person conferences and events, certificate programs, professional certifications, online and in-person networking opportunities, and career resources.

The Association is the ultimate resource for best practices, case studies and comprehensive data related to parks and recreation. Our research offerings and publications are the standard for park and recreation insights. The Association keeps park and recreation professionals and related fields informed through its award-winning Parks & Recreation magazine, email communications, blog, podcast, research reports, academic journals and more.

A summary of the Association's significant accounting policies follows:

Basis of accounting: The accompanying financial statements have been prepared using the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation has been incurred.

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, the Association is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Without donor restrictions: Net assets without donor restrictions include those net assets that are available for the general support of the Association's operations.

With donor restrictions: Net assets with donor restrictions have been donor restricted to specified time or purpose limitations. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Additionally, there are net assets with donor restrictions for which the principal is required to be maintained in perpetuity and only the earnings can be used in the manner specified by the donor.

Cash and cash equivalents: For purposes of reporting cash flows, the Association considers all highly liquid investments with a maturity of three months or less and which are to be used for current operations to be cash equivalents. All other highly liquid investments which are to be used for long-term purposes are classified as investments.

The Association maintains cash and money market accounts with financial institutions. At times, aggregate balances may at times exceed the Federal Deposit Insurance Corporation (FDIC) insured limit per institution. The Association monitors the creditworthiness of the institution and has not experienced any credit losses on its cash and money market accounts.

Investments: Investments with readily determinable fair values are reflected at fair value. The change in fair value of these investments is recorded as a component of investment income in the statements of activities. The Association invests funds in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in these risks could materially affect investment balances and the amounts reported in the financial statements.

Promises to give: Contributions are recognized when the donor or grantor makes a contribution or promise to give to the Association that is, in substance, unconditional. Contributions receivable that are expected to be collected in future years are recorded at their fair value, measured as the net present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are made. The discount is \$1,841 and \$68,722 for the years ended June 30, 2020 and 2019, respectively. Amortization of the discounts is included in grants and contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Accounts receivable: Accounts receivable consist primarily of publication sales and advertising. Management periodically reviews the status of all accounts receivable balances for collectability, and provides for probable losses using the allowance method. The allowance is determined based on management's experience and collection efforts. Balances that remain outstanding after the Association has used reasonable collection efforts are written off. At June 30, 2020 and 2019, management has assessed an allowance of \$11,057.

Prepaid expenses: Prepaid expenses consist primarily of deferred costs related to future meetings. Prepaid meeting costs associated with a particular meeting are expensed in the year the meeting is held.

Inventory: Inventory consists of publications and other merchandise and is valued at the lower of cost or net realizable value, with cost determined using the first-in first-out method of inventory valuation. At June 30, 2020 and 2019, the Association did not record any reserve against its inventory, as it believes all items are fully salable.

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property and equipment: Property and equipment are stated at cost less accumulated depreciation. Expenditures in excess of \$5,000 for additions, renewals and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Equipment and furniture are depreciated using straight-line methods over a useful life of three to ten years. Building and building improvements are depreciated on a straight-line basis over a useful life of five to forty years.

Valuation of long-lived assets: The Association reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Deferred revenue: Deferred revenue consists primarily of exhibit and event registration fees and membership dues and subscriptions received in advance of the period in which they are earned.

Revenue recognition: Membership dues, subscriptions and advertising revenue are recognized evenly over the applicable dues, subscription or advertising period. Revenue received for dues and subscriptions that related to subsequent years has been reflected as deferred revenue.

Conference, exposition fees and education services are recognized at the time of the conference or seminar. Amounts received in advance are recorded as deferred revenue. Publication revenue is recognized upon shipment of the material. Certification and accreditation fees are recognized upon completion of the certification or accreditation.

Federal grants are considered non-exchange transactions. In addition, these grants are considered conditional contributions and the recognition of grant revenue is deferred until barriers imposed under the grant document are met by the Association. Grant costs incurred in excess of funds received are recorded as accounts receivable.

Unconditional contributions are recorded as support with or without donor restrictions depending upon the existence and/or nature of donor restrictions. Donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are released to net assets without donor restrictions. Contributions with donor restrictions whose restrictions are met within the same period are recorded as contributions without donor restrictions.

Functional allocation of expense: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to the programs and supporting services benefited. Direct costs are charged to each program as incurred. Salary and benefits are allocated based on level of effort. Indirect costs, such as copier expense, supplies and administrative staff expenses are allocated on a monthly basis to programs based on total expenses methodology.

Income tax status: The Association is generally exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code (IRC). In addition, the Association qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Association generates unrelated business income from its advertising activities. The Association had no material net taxable unrelated business income for the years ended June 30, 2020 and 2019.

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications: Certain 2019 amounts have been reclassified to conform to the 2020 presentation. There was no change to the change in net assets as a result.

Recent accounting pronouncements adopted: In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. The Association adopted the new standard effective for the year ended June 30, 2020, and early adopted the new standard on contributions awarded effective for the year ending June 30, 2021, using the modified prospective method. There were no changes to revenue recordation and presentation as a result.

Upcoming accounting pronouncements: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2019. The Association is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Association is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: Subsequent events have been evaluated through October 15, 2020, which is the date the financial statements were available to be issued.

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 2. Liquidity and Availability

The Association invests cash balances in excess of immediate liquidity needs in accordance with its investment policy. The following provides a summary of financial assets available for general expenditures at June 30, 2020 and 2019:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 8,359,140 | \$ 6,841,603 |
| Contributions receivable | 1,271,922 | 1,887,541 |
| Accounts receivable, net | 426,762 | 643,259 |
| Investments | 7,774,412 | 7,037,318 |
| Subtotal financial assets | <u>17,832,236</u> | <u>16,409,721</u> |
| Less amounts not available within one year: | | |
| Investments that mature in excess of one year | (2,752,965) | (1,981,502) |
| Net assets with donor restrictions | <u>(9,182,812)</u> | <u>(7,881,159)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 5,896,459</u> | <u>\$ 6,547,060</u> |

Note 3. Promises to Give

The Association records unconditional contributions receivable that are expected to be collected within one year at net realizable value. In addition, the Association records multi-year contributions receivable at the present value of their estimated future cash flows using a discount rate of 0.16% and 2.25% at June 30, 2020 and 2019, respectively. Furthermore, based on past collection history, the Association expects to collect all outstanding contributions receivable and; as a result, no allowance for potentially uncollectible contributions receivable has been recorded as of June 30, 2020 and 2019, respectively.

Contributions receivable are recorded at their net realizable value and consist of the following as of June 30, 2020 and 2019:

| | 2020 | 2019 |
|------------------------------------|---------------------|---------------------|
| Amount due in one year | \$ 698,763 | \$ 756,263 |
| Amount due in more than one year | 575,000 | 1,200,000 |
| | 1,273,763 | 1,956,263 |
| Less discount to net present value | (1,841) | (68,722) |
| | <u>\$ 1,271,922</u> | <u>\$ 1,887,541</u> |

Note 4. Fair Value Measurements

In accordance with GAAP, the Association uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing financial instruments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets, such as stock quotes.

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

Level 2: Includes inputs other than Level 1 that are directly or indirectly observable in the marketplace, such as yield curves or other market data. Corporate and government bonds are classified as Level 2 investments as there are no quoted market prices in active markets for identical assets. Their value is determined using models and other valuation methodologies, which are corroborated by market data.

Level 3: Unobservable inputs which reflect the Association's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk, such as bid/ask spreads and liquidity discounts.

The following is a summary of the input levels used to determine fair values at June 30, 2020 and 2019:

| | 2020 | | | |
|--------------------------------------|---------------------|---------------------|---------------------|-------------|
| | Total | Level 1 | Level 2 | Level 3 |
| Investments, at fair value: | | | | |
| Equity securities – common stock | \$ 2,843,156 | \$ 2,843,156 | \$ - | \$ - |
| Equity securities – mutual funds | 867,948 | 867,948 | - | - |
| Fixed income – exchange traded funds | 746,877 | 746,877 | - | - |
| U.S. government obligations | 1,023,864 | - | 1,023,864 | - |
| Municipal bonds | 590,125 | - | 590,125 | - |
| Corporate bonds | 1,365,613 | - | 1,365,613 | - |
| Investments carried at fair value | <u>7,437,583</u> | <u>\$ 4,457,981</u> | <u>\$ 2,979,602</u> | <u>\$ -</u> |
| Investments, at cost: | | | | |
| Money market funds | 336,829 | | | |
| Total Investments | <u>\$ 7,774,412</u> | | | |
| | | | | |
| | 2019 | | | |
| | Total | Level 1 | Level 2 | Level 3 |
| Investments, at fair value: | | | | |
| Equity securities – common stock | \$ 3,640,703 | \$ 3,640,703 | \$ - | \$ - |
| Equity securities – mutual funds | 135,140 | 135,140 | - | - |
| Fixed income – exchange traded funds | 827,608 | 827,608 | - | - |
| U.S. government obligations | 905,770 | - | 905,770 | - |
| Municipal bonds | 420,025 | - | 420,025 | - |
| Corporate bonds | 830,220 | - | 830,220 | - |
| Investments carried at fair value | <u>6,759,466</u> | <u>\$ 4,603,451</u> | <u>\$ 2,156,015</u> | <u>\$ -</u> |
| Investments, at cost: | | | | |
| Money market funds | 277,852 | | | |
| Total Investments | <u>\$ 7,037,318</u> | | | |

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 4. Fair Value Measurements (Continued)

The deferred compensation plan assets are classified as Level 1 based on the ability of the Association to redeem amounts at market value in the near term. The deferred compensation liability is based on the fair value of the deferred compensation plan assets, which are observable inputs and is hence classified as Level 2. Money market funds included in the investment portfolio are not subject to the provisions of the fair value measurement standard as they are recorded at cost. The deferred compensation plan assets consist of the following as of June 30, 2020 and 2019:

| | 2020 | 2019 |
|-------------------------|-------------------|-------------------|
| Mutual funds – equities | \$ 196,102 | \$ 243,813 |
| Money market funds | 43,005 | 52,996 |
| | <u>\$ 239,107</u> | <u>\$ 296,809</u> |

The fair value of the beneficial interest in trust (see Note 11) is based on the fair value of fund investments as reported by the trust. There are considered to be Level 3 measurements.

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2020 and 2019:

| | |
|---------------------------|---------------------|
| Balance at June 30, 2018 | \$ 993,331 |
| Gain on interest in trust | 68,981 |
| Balance at June 30, 2019 | <u>\$ 1,062,312</u> |
| Balance at June 30, 2019 | \$ 1,062,312 |
| Gain on interest in trust | 29,540 |
| Balance at June 30, 2020 | <u>\$ 1,091,852</u> |

Note 5. Property and Equipment

Property and equipment consists of the following at June 30, 2020 and 2019:

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Building and building improvements on leased land | \$ 4,758,332 | \$ 4,747,192 |
| Computer and equipment | 644,957 | 644,957 |
| Furniture and fixtures | 505,502 | 487,028 |
| | 5,908,791 | 5,879,177 |
| Less accumulated depreciation and amortization | (3,582,305) | (3,344,446) |
| | <u>\$ 2,326,486</u> | <u>\$ 2,534,731</u> |

The Association leases its land from the Northern Virginia Regional Park Authority for \$1 per year. The lease agreement was signed in 1997 and extends 50 years plus two 20-year options.

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 6. Deferred Revenue

Deferred revenue consists of the following as of June 30, 2020 and 2019:

| | 2020 | 2019 |
|--------------------------------------|---------------------|---------------------|
| Event registrations and exhibit fees | \$ 1,177,980 | \$ 3,932,726 |
| Member dues and subscriptions | 1,175,126 | 1,276,845 |
| | <u>\$ 2,353,106</u> | <u>\$ 5,209,571</u> |

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of June 30, 2020 and 2019:

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Restricted for time or purpose: | | |
| Endowment appreciation | \$ 759,431 | \$ 833,948 |
| Corporate and foundation partnerships | 6,122,155 | 4,811,350 |
| Beneficial interest in trust | 1,091,852 | 1,062,312 |
| Special memorial funds | 644,482 | 608,657 |
| Total restricted for time or purpose | <u>8,617,920</u> | <u>7,316,267</u> |
| Restricted in perpetuity: | | |
| Endowment fund | 202,947 | 202,947 |
| Scholarship and internship fund | 186,288 | 186,288 |
| Joseph Lee library | 150,657 | 150,657 |
| Crawford lecture | 25,000 | 25,000 |
| Total restricted in perpetuity | <u>564,892</u> | <u>564,892</u> |
| Total net assets with donor restrictions | <u>\$ 9,182,812</u> | <u>\$ 7,881,159</u> |

Note 8. Endowment Funds

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The unspent accumulations of investment earnings on endowment funds are classified as net assets with donor restrictions restricted for time or purpose until those amounts are appropriated for expenditure by the Association.

Interpretation of relevant law: The Association has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Association classifies as net assets with donor restrictions held in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in net assets with donor restrictions held in perpetuity are classified as net assets with donor restrictions for time or purpose until those amounts are appropriated for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA.

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 8. Endowment Funds (Continued)

Funds with deficiencies: From time to time, the fair value of assets associated with an individual donor restricted endowment fund may fall below the level that the donor or UPMIFA requires the Association to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2020 and 2019.

Return objectives and risk parameters: The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in funds with a primary objective of allowing the fund to grow over time. The objective of the net assets with donor restrictions held in perpetuity is the preservation of capital.

Strategies employed for achieving objectives and spending policy: The Association's investments are managed in a balanced portfolio and are intended to be more aggressive than fixed income portfolios and less aggressive than equity portfolios. A positive return is expected over the time of the investment, although there may be periods with negative return. The earnings on the net assets with donor restrictions held in perpetuity are released from restricted funds as amounts are approved and used in accordance with donor stipulations.

How investment objectives relate to spending policy: The Association's investments are managed in a balanced portfolio and is intended to be more aggressive than fixed income portfolios and less aggressive than equity portfolios. A positive return is expected over time. The objective of the net assets with donor restrictions held in perpetuity is the preservation of the capital.

Changes in endowment net assets consist of the following for the year ended June 30, 2020:

| | Without Donor Restrictions | With Donor Restrictions, Time or Purpose | With Donor Restrictions, Held in Perpetuity | Total |
|--------------------------------------|----------------------------------|---|--|--------------|
| Net assets, beginning of year | \$ - | \$ 833,948 | \$ 564,892 | \$ 1,398,840 |
| Investment income: | | | | |
| Interest and dividends | - | 19,434 | - | 19,434 |
| Realized and unrealized loss, net | - | (1,241) | - | (1,241) |
| Total investment income | - | 18,193 | - | 18,193 |
| Amounts appropriated for expenditure | - | (92,710) | - | (92,710) |
| Net assets, end of year | \$ - | \$ 759,431 | \$ 564,892 | \$ 1,324,323 |

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 8. Endowment Funds (Continued)

Changes in endowment net assets consist of the following for the year ended June 30, 2019:

| | Without Donor Restrictions | With Donor Restrictions, Time or Purpose | With Donor Restrictions, Held in Perpetuity | Total |
|--------------------------------------|----------------------------------|---|--|--------------|
| Net assets, beginning of year | \$ - | \$ 807,879 | \$ 564,892 | \$ 1,372,771 |
| Investment income: | | | | |
| Interest and dividends | - | 17,553 | - | 17,553 |
| Realized and unrealized gain, net | - | 33,661 | - | 33,661 |
| Total investment income | - | 51,214 | - | 51,214 |
| Amounts appropriated for expenditure | - | (25,145) | - | (25,145) |
| Net assets, end of year | \$ - | \$ 833,948 | \$ 564,892 | \$ 1,398,840 |

Note 9. Retirement Plans

Defined contribution plan: The Association has a 403(b) defined contribution benefit plan which covers all employees who meet certain eligibility requirements. All regular employees working 20 hours or more per week are eligible for this plan. The Association matches equivalent contributions up to 6% of each eligible employee's gross salary. Total contribution expense was \$308,494 and \$310,204 for the years ended June 30, 2020 and 2019, respectively.

Deferred compensation plan: The Association also sponsors deferred compensation plans for senior level employees under Section 457(b) of the Internal Revenue Code. The plans provide a number of payment options commencing upon retirement, separation from service or death. As of June 30, 2020 and 2019, the plans' investment balances totaled \$239,107 and \$296,809, respectively. The investments and related liability are included in the accompanying statements of financial position.

Note 10. Commitments and Contingencies

Federal awards: Amounts received or receivable from government agencies under various contracts or federal grant awards may be subject to audit and adjustment by the government agencies. The amount, if any, of expenditures which may be potentially disallowed cannot be determined at this time, although management expects such amounts, if any, to be immaterial.

Hotel commitments: The Association has entered into agreements with several hotels to provide conference facilities and room accommodations for its conferences through 2025. The agreements contain various clauses whereby the Association is liable for liquidated damages in the event of cancellation or lower than anticipated attendance. The total commitment under the agreements is not determinable as it depends upon attendance and other unknown factors. However, the Association has purchased an insurance policy to mitigate any potential losses.

Employment: In June 2018, a new agreement was entered into between the Association and the new President and Chief Executive Officer with a termination date of May 31, 2022. The contract provides for severance payments equal to a minimum of six months' salary if terminated without cause, based upon the employee's salary at the date of the termination.

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 11. Beneficial Interest in Trust

The Association is the beneficiary of an irrevocable charitable trust held by a bank trustee. The distribution has been specified to be used for a specific purpose and is scheduled to be received in future years. As a result of the purpose and time restrictions, this amount is shown as a component of donor-restricted net assets. The funds will be received after the expiration of 15 years after the death of the last individual beneficiary mentioned in the trust.

The date of death of the last individual beneficiary was June 9, 2006; consequently, the distribution will occur after June 9, 2021.

The beneficial interest in the trust is reported at its fair value of \$1,091,852 and \$1,062,312 at June 30, 2020 and 2019, respectively, which is estimated as the fair value of the underlying trust assets, which consist of common stocks, equity and fixed income mutual funds.

Note 12. Related Party

The National Recreation and Park Foundation, Inc. (the Foundation) is a national nonprofit supporting organization of the Association exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the IRC. Established in 2006, the Foundation is incorporated under the laws of the Commonwealth of Virginia to support knowledge, public policy and public awareness efforts that enhance the quality of life for all people exclusively through the strategic works of the Association. In October 2012, an agreement was reached which allowed the Foundation to transfer its current programs to an unrelated association. The Foundation has been dormant since that time and consequently is not consolidated in these audited financial statements.

Note 13. COVID-19

On January 30, 2020, the World Health Organization declared the outbreak of Covid-19 (the coronavirus) a Public Health Emergency of International Concern and, on March 11, 2020, declared it to be a pandemic. The coronavirus has had an adverse impact on global economies and financial markets. The ultimate financial and operational impacts of this pandemic on the Associations' future funding have not yet been fully determined.

As part of its response to the pandemic, the Association applied for a federal paycheck protection program (PPP) loan. The Association's application was approved and a PPP loan of \$1,065,985 was received. The Association has elected to account for the loan as a financial liability until the time at which forgiveness is received. Under the terms of the agreement, monthly payments will continue until either the lending institution receives communication of loan forgiveness from the Small Business Administration (SBA) or May 2022, whichever is earlier. The loan bears interest at a fixed rate of 1%, and will be payable in equal payments of principal and interest. The loan is not secured by any property of the Association. The Association believes that most, if not all, of the PPP loan will meet the requirements for debt forgiveness.

In the years leading up to Spring 2020 and the coronavirus pandemic, the Association experienced consistent revenue growth and increased expenditures and strategic investments accordingly. In Spring 2020, to mitigate the immediate financial impact of the coronavirus pandemic and projected revenue losses (including adjusting the Association's 2020 Annual Conference from an in-person to a virtual format), the Association cut expenditures in various line items, including over 10% staff reduction. The Association's FY 2021 approved budget and FY 2022 budget forecast are reflective of these actions.

National Recreation and Park Association, Inc.

Notes to Financial Statements

Note 13. COVID-19 (Continued)

Although the Association's 2020 annual in-person conference was pivoted to a virtual event, the Association has event cancellation insurance coverage, including coverage for communicable diseases for 2020 and 2021 events. This should act as a safety net and should help minimize the overall impact to our bottom line.

For the events that were not covered by insurance, we worked to mitigate the impact in revenues and expenses, and we were able to successfully convert most to virtual offerings. In addition, the Association has available reserves to provide further insulation in the event of cash shortages.

However, the coronavirus pandemic and recession may present further unknown impacts to the Association. Our ongoing budget projections assume that we will host the Association's annual conference in person in 2021, but we will continue to follow risk mitigation guidelines from CDC and other federal/state public health officials which may lead to a virtual shift. If this occurs, the Association will adjust expenses accordingly.

Similarly, our Budget assumes sustained membership and professional development revenue levels. We recognize that the financial impacts of the coronavirus pandemic may continue to limit travel budgets and reduce attendance in 2021. As of September 2020, over 60% of park and recreation agencies nationwide have reported budget cuts to the current fiscal year budget with a median range of 10%-19%. Additionally, park and recreation professionals are reducing discretionary spending (85%) and service offerings (71%), canceling capital projects (63%), and slowing/halting maintenance projects (29%).

While the full impact of the current recession is still unknown, data shows that the Great Recession of 2008 and 2009 severely impacted local park and recreation agency budgets. Local park and recreation agency spending decreased by 7.2% from 2003 to 2013 (adjusting for inflation). Therefore, membership dues, professional development and conference attendance expenditures for local agencies may be reduced as a result of cuts to operational and discretionary budgets for local park and recreation agencies.

A full picture of the impact on operations is not yet known. The extent to which the coronavirus pandemic impacts the Association's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and actions taken to contain it or its impact, among others.

Note 14. Conditional Grants

The Association has received grant commitments from the U.S. federal government. Grants which are subject to the Uniform Guidance are cost-reimbursable in nature. Thus, a receivable related to these grants is only recognized as the Association incurs grant-related expenses. The unearned conditional grant commitments as of June 30, 2020 and 2019, totaled \$952,410 and \$1,854,773, respectively.

National Recreation and Park Association, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

| Federal Grantor/Program Name | Federal CFDA Number | Contract Number | Federal Expenditures | Amounts Provided to Subrecipients |
|--|---------------------------|----------------------|-------------------------|---|
| U.S. Department of Health and Human Services | | | | |
| Centers for Disease Control and Prevention: | | | | |
| Chronic Diseases: Research, Control and Prevention | 93.068 | 6 NU58DP006260-03-01 | \$ 99,034 | \$ 31,277 |
| Chronic Diseases: Research, Control and Prevention | 93.068 | 5 NU58DP006260-02-00 | 258,577 | 76,502 |
| Scaling the National Diabetes Prevention Program to Priority Populations | 93.261 | 5 NU58DP006363-03 | 4,244 | - |
| | | | 361,855 | 107,779 |
| U.S. Department of Agriculture | | | | |
| Farmers Market Promotion Program | 10.168 | AM180100XXXXG066 | 73,172 | 19,631 |
| U.S. Department of Justice – Office of Justice Programs | | | | |
| Juvenile Mentoring Program | 16.726 | 2018-JU-FX-0036 | 467,336 | 302,618 |
| Total expenditures of federal awards | | | \$ 902,363 | \$ 430,028 |

See notes to schedule of expenditures of federal awards.

National Recreation and Park Association, Inc.

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) reports the costs of federal award activity on the accrual basis of accounting. The SEFA includes the federal award activity of the Association for the year ended June 30, 2020. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Association, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of the Association.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Costs

The Association uses a provisional indirect cost rate approved by the federal agency. Therefore, the Association elected not to use the 10% de minimis indirect cost rate, which is allowed in accordance with the Uniform Guidance.



RSM US LLP

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

Independent Auditor's Report

Board of Directors
National Recreation and Park Association, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of National Recreation and Park Association, Inc. (the Association), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 15, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

RSM US LLP

Washington, D.C.
October 15, 2020



RSM US LLP

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

Independent Auditor's Report

Board of Directors
National Recreation and Park Association, Inc.

Report on Compliance for Each Major Federal Program

We have audited National Recreation and Park Association, Inc.'s (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended June 30, 2020. The Association's major federal programs is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Association's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on the Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

RSM US LLP

Washington, D.C.
October 15, 2020

National Recreation and Park Association, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2020**

Section I. Summary of Audit Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with U.S. GAAP

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?
- Noncompliance material to financial statements noted?

 Yes X No
 Yes X None Reported
 Yes X No

Federal Awards

Internal control over major program:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

 Yes X No
 Yes X None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?

 Yes X No

Identification of major program:

CDFA Number

16.726

Name of Federal Program or Cluster

Juvenile mentoring program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low risk auditee?

 Yes X No

(Continued)

National Recreation and Park Association, Inc.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2020

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Awards Findings and Questioned Costs

No matters were reported.

National Recreation and Park Association, Inc.

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2020**

There were no audit findings reported for the year ended June 30, 2019, as the Association was not required to have an audit under *Government Auditing Standards* and the Uniform Guidance.