



NATIONAL RECREATION AND PARK ASSOCIATION, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

**REPORTS REQUIRED IN ACCORDANCE WITH
THE UNIFORM GUIDANCE**

FOR THE YEAR ENDED JUNE 30, 2022

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
National Recreation and Park Association, Inc.

Report of the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Recreation and Park Association, Inc. (the Association), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of June 30, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Prior Year Financial Statements

The Association's 2021 financial statements were audited by other auditors whose report dated October 29, 2021, expressed an unmodified opinion on those statements.

Supplementary 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for 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 GAAS generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 March 30, 2023, 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 the Association's 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.

Marcum LLP

Washington, DC
March 30, 2023

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 7,399,592	\$ 8,486,819
Investments	10,013,667	10,986,375
Grants and contributions receivable, net	2,849,396	5,033,482
Accounts receivable, net	348,384	599,281
Prepaid expenses	363,064	630,208
Inventory	57,638	45,145
Deferred compensation	149,822	237,747
Property and equipment, net	1,974,068	2,092,483
Beneficial interest in trust	<u>--</u>	<u>1,358,751</u>
Total Assets	<u>\$ 23,155,631</u>	<u>\$ 29,470,291</u>
Liabilities and Net Assets		
Liabilities		
Accrued payable and accrued expenses	\$ 1,235,876	\$ 2,420,964
Accrued salaries and related expenses	482,558	543,676
Deferred revenue	4,509,132	3,634,431
Note payable	--	1,065,985
Deferred compensation	<u>149,822</u>	<u>237,747</u>
Total Liabilities	<u>6,377,388</u>	<u>7,902,803</u>
Net Assets		
Without donor restrictions	9,727,947	9,346,486
With donor restrictions	<u>7,050,296</u>	<u>12,221,002</u>
Total Net Assets	<u>16,778,243</u>	<u>21,567,488</u>
Total Liabilities and Net Assets	<u>\$ 23,155,631</u>	<u>\$ 29,470,291</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Grants and contributions	\$ 1,154,784	\$ 2,887,417	\$ 4,042,201	\$ 1,088,166	\$ 8,231,829	\$ 9,319,995
Conferences and exposition	3,472,122	--	3,472,122	965,215	--	965,215
Membership dues	2,205,290	--	2,205,290	2,055,253	--	2,055,253
Education services	1,561,450	--	1,561,450	1,212,960	--	1,212,960
Publications and advertising	1,543,241	--	1,543,241	1,363,045	--	1,363,045
Certification and accreditation	1,479,551	--	1,479,551	1,220,042	--	1,220,042
PPP Loan Forgiveness	1,065,985	--	1,065,985	--	--	--
Other income	51,410	--	51,410	121,760	--	121,760
Gain on interest in trust	--	2,265	2,265	--	266,899	266,899
Insurance settlement	--	--	-	2,833,633	--	2,833,633
Investment (losses) income, net	(709,282)	(259,193)	(968,475)	994,939	724,398	1,719,337
Releases from restriction:						
Time	1,361,016	(1,361,016)	--	--	--	--
Purpose	6,440,179	(6,440,179)	--	6,184,936	(6,184,936)	--
Total Revenue and Support	<u>19,625,746</u>	<u>(5,170,706)</u>	<u>14,455,040</u>	<u>18,039,949</u>	<u>3,038,190</u>	<u>21,078,139</u>
Expenses						
Program services:						
Programs and partnerships	6,706,247	--	6,706,247	7,294,035	--	7,294,035
Conferences and exposition	2,508,977	--	2,508,977	1,049,513	--	1,049,513
Knowledge and learning	2,317,845	--	2,317,845	1,781,962	--	1,781,962
Marketing and communications	1,099,677	--	1,099,677	655,168	--	655,168
Membership	1,066,994	--	1,066,994	996,898	--	996,898
Publications	942,329	--	942,329	814,440	--	814,440
Public policy	616,670	--	616,670	510,959	--	510,959
Total Program Services	<u>15,258,739</u>	<u>--</u>	<u>15,258,739</u>	<u>13,102,975</u>	<u>--</u>	<u>13,102,975</u>
Supporting services:						
Management and general	3,366,109	--	3,366,109	2,615,650	--	2,615,650
Fundraising	619,437	--	619,437	390,982	--	390,982
Total Supporting Services	<u>3,985,546</u>	<u>--</u>	<u>3,985,546</u>	<u>3,006,632</u>	<u>--</u>	<u>3,006,632</u>
Total Expenses	<u>19,244,285</u>	<u>--</u>	<u>19,244,285</u>	<u>16,109,607</u>	<u>--</u>	<u>16,109,607</u>
Change in Net Assets	381,461	(5,170,706)	(4,789,245)	1,930,342	3,038,190	4,968,532
Net Assets, Beginning of Year	<u>9,346,486</u>	<u>12,221,002</u>	<u>21,567,488</u>	<u>7,416,144</u>	<u>9,182,812</u>	<u>16,598,956</u>
Net Assets, End of Year	<u>\$ 9,727,947</u>	<u>\$ 7,050,296</u>	<u>\$ 16,778,243</u>	<u>\$ 9,346,486</u>	<u>\$ 12,221,002</u>	<u>\$ 21,567,488</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2022

	Program Services								Supporting Services		
	Programs and Partnership	Conferences and Exposition	Knowledge and Learning	Marketing and Communications	Memberships	Publications	Public Policy	Total Program Services	Management and General	Fundraising	Total
Salary and benefits	\$ 2,032,386	\$ 459,948	\$ 1,052,910	\$ 522,079	\$ 657,971	\$ 460,971	\$ 441,588	\$ 5,627,853	\$ 1,435,761	\$ 514,603	\$ 7,578,217
Legal and professional fees	979,889	155,750	486,202	503,715	167,258	160,833	108,758	2,562,405	1,087,011	50,911	3,700,327
Grant promotions	3,479,021	--	--	--	--	--	--	3,479,021	--	--	3,479,021
Meeting expenses	9,086	1,563,010	181,301	--	--	--	2,615	1,756,012	22,440	7,623	1,786,075
Software licensing fees	50,505	57,877	198,324	8,643	90,205	622	29,674	435,850	239,466	13,739	689,055
Travel expenses	72,899	43,353	126,715	14,529	4,465	6,171	8,271	276,403	39,360	5,847	321,610
Other expenses	--	1,916	76,614	--	34,907	85	--	113,522	112,088	121	225,731
Bank and charge card fees	--	87,828	52,357	3,516	44,473	21,501	--	209,675	13,479	--	223,154
Printing	2,622	3,167	11,635	915	4,013	184,153	--	206,505	447	2,796	209,748
Postage and freight	721	3,081	80,875	--	11,954	73,003	--	169,634	22,449	544	192,627
Contracted and temporary help	--	13,527	14,753	--	16,031	--	--	44,311	141,063	--	185,374
Depreciation and amortization	13,973	37,378	9,447	14,666	9,971	12,232	5,634	103,301	64,003	8,349	175,653
Occupancy, repairs and maintenance	35,721	36,714	8,666	14,406	10,532	12,014	5,534	123,587	41,558	8,199	173,344
Insurance	9,129	38,178	5,765	9,582	6,514	7,991	3,681	80,840	24,364	5,453	110,657
Telephone	9,251	134	2,921	845	1,301	1,355	1,474	17,281	45,495	--	62,776
Office equipment and supplies	2,053	705	1,832	--	110	31	83	4,814	42,849	405	48,068
Dues and professional resources	6,975	2,109	4,825	4,015	110	1,367	7,943	27,344	11,387	452	39,183
Training and development	768	2,109	1,420	--	2,445	--	--	6,742	16,023	395	23,160
Advertising and public relations	1,248	2,193	1,283	2,766	2,840	--	1,415	11,745	6,764	--	18,509
Commissions	--	--	--	--	1,894	--	--	1,894	--	--	1,894
UBI Taxes	--	--	--	--	--	--	--	--	102	--	102
Total	\$ 6,706,247	\$ 2,508,977	\$ 2,317,845	\$ 1,099,677	\$ 1,066,994	\$ 942,329	\$ 616,670	\$ 15,258,739	\$ 3,366,109	\$ 619,437	\$ 19,244,285

The accompanying notes are an integral part of these financial statements.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2021

	Program Services							Supporting Services			
	Programs and Partnership	Conferences and Exposition	Knowledge and Learning	Marketing and Communications	Memberships	Publications	Public Policy	Total Program Services	Management and General	Fundraising	Total
Salary and benefits	\$ 1,486,228	\$ 444,175	\$ 903,978	\$ 445,157	\$ 600,254	\$ 439,729	\$ 340,568	\$ 4,660,089	\$ 1,506,474	\$ 338,218	\$ 6,504,781
Legal and professional fees	865,441	70,016	378,900	153,582	126,753	119,715	98,531	1,812,938	583,890	39,847	2,436,675
Grant promotions	4,727,835	--	--	--	--	--	--	4,727,835	--	--	4,727,835
Meeting expenses	33,796	463,877	56,059	--	--	--	33	553,765	804	39	554,608
Software licensing fees	32,052	5,955	223,630	8,513	85,247	1,255	33,361	390,013	166,669	1,622	558,304
Travel expenses	8,855	3,116	(800)	255	1,884	50	137	13,497	1,205	--	14,702
Other expenses	3,075	675	43,202	--	36,354	--	--	83,306	6,363	--	89,669
Bank and charge card fees	--	28,457	40,925	3,840	35,166	12,529	--	120,917	14,993	--	135,910
Printing	6,886	--	4,730	2,619	5,155	142,922	--	162,312	--	1,533	163,845
Postage and freight	487	141	26,571	189	21,506	63,242	--	112,136	3,769	238	116,143
Contracted and temporary help	--	--	23,673	--	14,018	--	--	37,691	55,193	--	92,884
Depreciation and amortization	39,332	9,676	36,286	16,933	31,447	16,933	4,838	155,445	82,588	3,870	241,903
Occupancy, repairs and maintenance	39,686	6,256	23,458	10,947	21,337	10,947	15,436	128,067	40,021	2,502	170,590
Insurance	11,511	2,878	10,791	5,036	9,353	5,036	1,439	46,044	24,748	1,151	71,943
Telephone	7,040	248	1,864	863	1,766	1,618	1,783	15,182	40,460	--	55,642
Office equipment and supplies	1,992	158	1,264	365	690	330	29	4,828	58,014	109	62,951
Dues and professional resources	1,096	2,079	3,585	2,369	110	134	14,635	24,008	12,565	727	37,300
Training and development	1,145	2,085	494	4,500	5,858	--	169	14,251	17,894	1,126	33,271
Advertising and public relations	27,578	9,721	3,352	--	--	--	--	40,651	--	--	40,651
Total	\$ 7,294,035	\$ 1,049,513	\$ 1,781,962	\$ 655,168	\$ 996,898	\$ 814,440	\$ 510,959	\$ 13,102,975	\$ 2,615,650	\$ 390,982	\$ 16,109,607

The accompanying notes are an integral part of these financial statements.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Change in Net Assets	\$ (4,789,245)	\$ 4,968,532
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized losses (gains) on investments	\$ 1,240,794	(1,359,660)
Gain on beneficial interest in trust	(2,265)	(266,899)
Forgiveness of PPP loan	(1,065,985)	--
Depreciation and amortization	175,653	241,903
Changes in assets and liabilities		
Grants and contributions receivable	2,215,016	(3,485,566)
Accounts receivable	219,967	(448,513)
Prepaid expenses	267,144	(409,939)
Inventory	(12,493)	(1,638)
Beneficial interest in trust	1,361,016	--
Accounts payable and accrued expenses	(1,185,088)	1,452,996
Accrued salaries and related expenses	(61,118)	15,341
Deferred revenue	874,701	1,281,325
Deferred compensation	(87,925)	(1,360)
Net Cash (Used In) Provided By Operating Activities	<u>(849,828)</u>	<u>1,986,522</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(57,238)	(7,900)
Purchases of investments	(4,578,963)	(2,802,737)
Proceeds from sale of investments	<u>4,398,802</u>	<u>951,794</u>
Net Cash Used In Investing Activities	<u>(237,399)</u>	<u>(1,858,843)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,087,227)	127,679
Cash and Cash Equivalents, Beginning of Year	<u>8,486,819</u>	<u>8,359,140</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 7,399,592</u></u>	<u><u>\$ 8,486,819</u></u>
Noncash Investing Activities		
Forgiveness of PPP note payable	<u>\$ 1,065,985</u>	<u>\$ --</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 mentorships 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 resources 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.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NATURE OF ACTIVITIES (CONTINUED)

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

BASIS OF PRESENTATION

The financial statements 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.

- Net Assets Without Donor Restrictions – Net assets without donor restrictions include those net assets that are available for the general support of the Association's operations.
- Net Assets 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.

INVESTMENTS

Investments include common stock, mutual funds, exchange-traded funds, money market funds, certificates of deposit, and various bonds. These investments, other than money market funds, are recorded in the accompanying financial statements of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Money market funds are recorded at cost.

The change in unrealized appreciation or depreciation of investments is included in investment (losses) income in the accompanying statements of activities. Realized gains and losses on sales of investments are computed on an average cost method and are recorded on the trade date of the transaction and included in investment (losses) income in the accompanying statements of activities.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with FASB ASC Topic 820, *Fair Value Measurement*, the Association has categorized its applicable financial instruments into a required fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest-level input that is significant to the fair value measurement of the instrument.

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

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.

As of and for the years ended June 30, 2022 and 2021, the Association's investments, deferred compensation and beneficial interest in trust, as described in Note 4 to the financial statements, were measured at fair value on a recurring basis and subject to the disclosure requirements of FASB ASC Topic 820.

GRANTS AND CONTRIBUTIONS RECEIVABLE

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. There was no discount for the year ended June 30, 2022. As of June 30, 2021 the discount totaled \$10,012. Amortization of the discounts is included in grants and contributions revenue. Conditional promises to give are not included as support until the conditional are substantially met.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 methods. The allowance is determine 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, 2022 and 2021, management has assessed an allowance of \$44,337 and \$11,057, respectively.

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 net realizable value, determined using the first-in first-out method of inventory valuation. At June 30, 2022 and 2021, the Association did not record any reserve against its inventory, as it believes all items are fully salable.

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 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 of fair value, less costs to sell.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), requires an entity to recognize the amounts of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaces most existing revenue recognition guidance in GAAP. The Association adopted the new standard effective for the year ended June 30, 2021, using the modified retrospective method. Based on the Association's review of its revenue transactions, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under this new standard. The adoption of this standard had no material impact on the financial statement of financial position and the statement of activities but resulted in additional disclosures.

Revenue from contracts with customers includes performance obligations that are satisfied either at a point in time or over time and most contracts have initial terms of one year or less. The Association performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain criteria, the related revenue is recognized over time if the Association is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information.

Prices are specific to a distinct performance obligation and contracts do not have multiple performance obligations. Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of revenue recognized in the financial statements. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Association or can have a positive impact on cash flows in favorable economic conditions.

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

Conference, exposition fees and education services are recognized over 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.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE (CONTINUED)

Unconditional contributions and grants are reported as revenue and support in the year in which payments are received and/or unconditional promises to give are made. Grants and contributions are recorded as with or without donor restrictions depending upon the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions and then reclassified to net assets without donor restrictions when the restriction expires. Unconditional promises to give that have been awarded to the Association, but not yet received, are reflected as grants and contributions receivable in the accompanying statements of financial position. A contribution is considered conditional if the agreement includes a measureable performance or barrier and a right of return. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are met. Conditional contributions and grants whose conditions are met in the same year earned are recorded as without donor restrictions in the accompanying statements of financial activities.

FUNCTIONAL ALLOCATION OF EXPENSE

The cost 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 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.

USE OF ESTIMATES

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

UPCOMING ACCOUNTING PRONOUNCEMENT

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 statement of financial position 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.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 7,399,592	\$ 8,486,819
Investments	10,013,667	10,986,375
Promises to give	2,849,396	5,033,482
Accounts receivable, net	<u>348,384</u>	<u>599,281</u>
Subtotal financial assets	20,611,039	25,105,957
Less amounts not available within one year:		
Net assets with donor restrictions	<u>(7,050,296)</u>	<u>(12,221,002)</u>
Financial Assets Available to Meet Cash Needs		
For General Expenditures Within One Year	<u>\$ 13,560,743</u>	<u>\$ 12,884,955</u>

NOTE 3 - GRANTS AND CONTRIBUTIONS RECEIVABLE

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 0.25% as of June 30, 2021. As of June 30, 2022, there was no discount rate necessary as the remaining contribution receivables were due in less than one year. 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, 2022 and 2021, respectively.

Grants and contributions receivable represent amounts due from various federal agencies and other organizations and were composed of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Federal grants receivable	\$ 849,396	\$ 275,994
Pledges and contributions receivable	<u>2,000,000</u>	<u>4,757,488</u>
Total Grants and Contributions Receivable, Net	<u>\$ 2,849,396</u>	<u>\$ 5,033,482</u>

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 - GRANTS AND CONTRIBUTIONS RECEIVABLE (CONTINUED)

Grants and contributions receivable were due as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Amount due in one year	\$ 2,849,396	\$ 3,043,494
Amount due in more than one year	<u>--</u>	<u>2,000,000</u>
Total	2,849,396	5,074,424
Less discount to net present value	<u>--</u>	<u>(10,012)</u>
Total Grants and Contributions Receivable, Net	<u><u>\$ 2,849,396</u></u>	<u><u>\$ 5,033,482</u></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 risk.

The following is a summary of the input levels used to determine fair values at June 30, 2022 and 2021:

2022	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments, at fair value:				
Equity securities – common stock	\$4,187,921	\$4,187,921	\$ --	\$ --
Equity securities – mutual funds	830,108	830,108	--	--
Fixed income – exchange- traded funds	422,528	422,528	--	--
Certificate of deposit	199,112	--	199,112	--
U.S. government obligations	2,080,633	--	2,080,634	--
Municipal bond	686,583	--	686,584	--
Corporate bonds	<u>1,452,193</u>	<u>--</u>	<u>1,452,193</u>	<u>--</u>
Investments carried at fair value	9,859,081	<u><u>\$5,440,558</u></u>	<u><u>\$4,418,523</u></u>	<u><u>\$ --</u></u>

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

2022	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>(continued)</i>				
Investments, at cost:				
Money market funds	\$ 154,586			
Total Investments	<u>\$10,013,667</u>			
2021	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments, at fair value:				
Equity securities – common stock	\$4,190,954	\$4,190,954	\$ --	\$ --
Equity securities – mutual funds	1,380,750	1,380,750	--	--
Fixed income – exchange- traded funds	1,056,329	1,056,329	--	--
Certificate of deposit	499,806	--	499,806	--
U.S. government obligations	1,214,965	--	1,214,965	--
Municipal bond	699,654	--	699,654	--
Corporate bonds	<u>1,796,797</u>	<u>--</u>	<u>1,796,797</u>	<u>--</u>
Investments carried at fair value	10,839,255	<u>\$6,628,033</u>	<u>\$4,211,222</u>	<u>\$ --</u>
Investments, at cost:				
Money market funds	<u>147,120</u>			
Total Investments	<u>\$10,986,375</u>			

The deferred compensation plan assets consist of mutual funds – equities and money market funds which 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

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 - FAIR VALUE MEASUREMENTS (CONTINUED)

the fair value of the deferred compensation plan assets, which are observable inputs and is hence classified as Level 2. The deferred compensation plan assets consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Mutual funds – equities	\$ 128,579	\$ 205,946
Money market funds	<u>(21,243)</u>	<u>31,801</u>
Total Deferred Compensation	<u>\$ 149,822</u>	<u>\$ 237,747</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. These are considered to be Level 3 measurements. During the year ended June 30, 2022, the beneficial interest in trust was liquidated and \$1,361,016 was transferred out of the fair value table. There were no purchases or sales during the year ended June 30, 2021.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Building and building improvements on leased land	\$ 4,765,277	\$ 4,758,332
Computer and equipment	80,930	652,857
Furniture and fixtures	<u>505,502</u>	<u>505,502</u>
	5,351,709	5,916,691
Less: Accumulated depreciation	<u>(3,377,641)</u>	<u>(3,824,208)</u>
Property and Equipment, Net	<u>\$ 1,974,068</u>	<u>\$ 2,092,483</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.

NOTE 6 - DEFERRED REVENUE

Deferred revenue consists of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Event registrations and exhibit fees	\$ 3,362,804	\$ 2,493,167
Member dues and subscriptions	<u>1,146,328</u>	<u>1,141,264</u>
Total	<u>\$ 4,509,132</u>	<u>\$ 3,634,431</u>

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restricted for time or purpose:		
Endowment appreciation	\$ 1,181,350	\$ 950,936
Corporate and foundation partnerships	4,802,036	8,189,351
Beneficial interest in trust	--	1,358,751
Special memorial funds	<u>502,018</u>	<u>1,157,172</u>
Total Restricted for Time or Purpose	6,485,404	11,656,110
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	<u>25,000</u>	<u>25,000</u>
Total Restricted in Perpetuity	<u>564,892</u>	<u>564,892</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 7,050,296</u></u>	<u><u>\$ 12,221,002</u></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

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 8 - ENDOWMENT FUNDS (CONTINUED)

INTERPRETATION OF RELEVANT LAW (CONTINUED)

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.

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, 2022 and 2021.

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. The Association has interpreted UPMIFA to not permit spending from underwater endowments in accordance with the prudent management guidance.

ENDOWMENT FUNDS WITH DEFICITS

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires and organization to retain as a fund of perpetual duration. As of June 30, 2022 deficiencies of this nature exist in various donor-restricted endowment funds, which have an original value of \$202,947 a current value of \$178,716, with a deficiency of \$24,231.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 8 - ENDOWMENT FUNDS (CONTINUED)

ENDOWMENT FUNDS WITH DEFICITS (CONTINUED)

Changes in endowment net assets consist of the following for the year ended June 30, 2022:

	With Donor Restrictions, Time or Perpetuity	With Donor Restrictions, Held in Perpetuity	Total
Net assets, beginning of year	\$ 950,836	\$ 564,892	\$1,515,728
Transfers	655,154	--	655,154
Investment losses	(259,193)	--	(259,193)
Amounts appropriated for expenditure	<u>(165,447)</u>	<u>--</u>	<u>(165,447)</u>
Net Assets, End of Year	<u>\$1,181,350</u>	<u>\$ 564,892</u>	<u>\$1,746,242</u>

Changes in endowment net assets consist of the following for the year ended June 30, 2021:

	With Donor Restrictions, Time or Perpetuity	With Donor Restrictions, Held in Perpetuity	Total
Net assets, beginning of year	\$ 759,431	\$ 564,892	\$1,324,323
Investment income	211,709	--	211,709
Amounts appropriated for expenditure	<u>(20,304)</u>	<u>--</u>	<u>(20,304)</u>
Net Assets, End of Year	<u>\$ 950,836</u>	<u>\$ 564,892</u>	<u>\$1,515,728</u>

NOTE 9 - RETIREMENT PLAN

DEFINED CONTRIBUTION PLAN

The Association has a 403(b) defined 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 \$348,647 and \$280,232 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the plan's investment balances \$149,822 and \$237,747, respectively. The investments and related liability are included in the accompanying statements of financial position.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 10 - COMMITMENTS AND CONTINGENCIES

FEDERAL AWARDS

The Association has received federal grants that are subject to review, audit and adjustment by various federal agencies for qualified expenses charged to the grants. Such audits could lead to requests for reimbursement to the federal agencies for any expenditures or claims disallowed under the terms of the agreements. 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.

CONCENTRATION OF CREDIT RISK

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.

MARKET RISKS

The Association's investments are exposed to various risks, such as fluctuations in market value and credit risk. Market risk include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible than changes in the values of investment securities will occur in the near term and that such changes could materially affect the Association's balances and the amounts reported in the statements of financial position.

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 and potential losses.

EMPLOYMENT

Effective June 2018 the Association approved an agreement with the Chief Executive Officer with a termination date of May 2022. In May 2022 the contract was renewed through May 2025. 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

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 as a pandemic. The impact of COVID-19 could negatively impact the Association’s operations, suppliers or other vendors and membership/customer base. Any quarantines, labor shortages, or other disruptions to the Association’s operations, or those of its members and customers, may adversely impact the Association revenues, ability to provide its services, and operating results. The extent to which the coronavirus will continue to impact 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 the coronavirus or its impact, among others.

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 2022 and 2021 events. During the year ended June 30, 2021, the Association received the funding for the insurance claim in the amount of \$2,833,633 which is included in insurance settlement revenue on the statement of activities. There were no claims made during the year ending June 30, 2022.

NOTE 11 - BENEFICIAL INTEREST IN TRUST

The Association was 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, the amount was shown as a component of donor-restricted net assets. The funds were to 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 occurred in October 2021. At that time the Association received 20% of the value of the trust, which totaled \$273,948, while the remaining assets were distributed directly to the City of Toledo.

The beneficial interest in the trust was reported at its fair value of \$1,358,751 at June 30, 2021, which was estimated as the fair value of the underlying trust assets, which consisted of common stocks, equity and fixed income mutual funds.

The Association had separately entered into a grant agreement with the City of Toledo, Ohio to grant 80% of the trust proceeds to the City. A liability totaling \$1,087,001 was included in accounts payable and accrued expenses representing that commitment at June 30, 2021. As of June 30, 2022, there were no further commitments due as the amounts were paid during the year.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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 Internal Revenue Code (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 2021, an agreement was reached that 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 - NOTE PAYABLE

On May 4, 2020, the Association received loan proceeds in the amount of \$1,065,985 (the PPP Loan) under the Paycheck Protection Program (PPP), which was established under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and is administered by the U.S. Small Business Administration (SBA). The PPP Loan, evidenced by a promissory note, bears interest at a rate of \$1.00% per annum, and matures in May 2022.

Under the terms of the CARES Act, the Association can apply for loan forgiveness. The PPP Loan could be partially or fully forgiven if the Association complied with the provisions of the CARES Act, including the use of PPP Loan proceeds for payroll costs, rent, utilities and other expenses, provided that such amounts were incurred during a 24-week period that commenced on May 4, 2020, and at least 60% of the forgiven amount was used for covered payroll costs as defined by the CARES Act. Any forgiveness of the PPP Loan was subject to approval by the SBA. On July 23, 2021, the SBA approved the PPP loan forgiveness application submitted by the Association. As a result, the Association recognized the forgiveness of the loan's principal, in the amount of \$1,065,985 in the accompanying statement of activities.

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, 2022 and 2021, totaled \$1,803,277 and \$1,708,214, respectively.

During the year ended June 30, 2022, the Association also received a separate conditional contribution from a donor totaling \$374,858. As of June 30, 2022, the Association had not yet recognized \$225,000 in revenue related to the grant agreement as the associated barriers had not yet been overcome.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 14 - CONDITIONAL GRANTS (CONTINUED)

Additionally, the Association provided conditional grants to recipient organizations under one of its programs. During the year ended June 30, 2022, the Association awarded \$1,260,000 in conditional grants. As of June 30, 2022, the Association had yet to recognize grant expense totaling \$630,000 as the associated conditions for recognition had not yet been met.

NOTE 15 - INCOME TAX STATUS

The Association is generally exempt from federal income taxes under provisions of Section 501(c)(3) of the 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, 2022 and 2021.

The Association has adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent treatment for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Association evaluated its uncertainty in income taxes for the years ended December 31, 2021 and 2020, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. It is the Association's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in interest expense or income tax expense, respectively. There are currently no examinations pending or in progress regarding the Association's tax returns.

NOTE 16 - RECLASSIFICATIONS

Certain 2021 amounts have been reclassified to conform to the 2022 presentation. There was no change to the change in net assets as a result.

NOTE 17 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 30, 2023, which is the date the financial statements were available to be issued.

**INDEPENDENT AUDITORS' 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***

To the Board of Directors of
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, 2022, 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 March 30, 2023.

Report on 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 entity'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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-01 and 2022-02 that we consider to be material weaknesses.

Report on 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*.

National Recreation and Park Association, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Association's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 organization'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.

Marcum LLP

Washington, DC
March 30, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
National Recreation and Park Association, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited National Recreation and Park Association, Inc. (the Association) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Association's major federal program for the year ended June 30, 2022. The Association's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Audit Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Marcum LLP

Washington, DC
March 30, 2023

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

Agency or Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Centers for Disease Control and Prevention:				
Chronic Diseases: Research, Control and Prevention	93.068	N/A	\$ 148,928	\$ 447,269
<i>Pass-through from McKing Consulting Corporation</i>				
National Organizations for Chronic Disease Prevention and Health Promotion	93.809	NRPA-01-4577	--	15,905
Scaling the National Diabetes Prevention Program to Priority Populations	93.261	N/A	--	165
Total U.S. Department of Health and Human Services			148,928	463,339
U.S. DEPARTMENT OF AGRICULTURE				
Farmers Market Promotion Program	10.168	N/A	135,750	225,572
Total U.S. Department of Agricultures			135,750	225,572
U.S. DEPARTMENT OF JUSTICE				
Juvenile Mentoring Program	16.726	N/A	143,970	441,966
Total US Department of Justice			143,970	441,966
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 428,648	\$ 1,130,877

See accompanying notes to this schedule.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the 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, 2022. The information in this 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 COST RATE

The Association elected not to use the 10% de minimis indirect cost rate, which is allowed in accordance with the Uniform Guidance.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2022

SECTION I – SUMMARY OF AUDITORS’ RESULTS

FINANCIAL STATEMENTS

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP:

UNMODIFIED

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes

 No

Significant deficiency(ies) identified?

 Yes

 X None reported

Noncompliance material to financial statements noted?

 Yes

 X No

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified?

 Yes

 X No

Significant deficiency(ies) identified?

 Yes

 X None reported

Type of auditors’ report issued on compliance for major federal programs:

UNMODIFIED

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

 X Yes

 No

Identification of major federal program:

***ASSISTANCE LISTING
NUMBER(S)***

NAME OF FEDERAL PROGRAM OR CLUSTER

Chronic Diseases: Research, Control and Prevention

93.068

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

 \$ 750,000

Auditee qualified as low-risk auditee?

 X Yes

 No

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2022-001: Program Service Revenue Billing – Material Weakness in Internal Control over Financial Reporting

Criteria

As part of an effective control environment, controls over the billing of program service fees should be in place to prevent or detect a material misstatement for each of the Associations' relevant revenue streams.

Context

During our review of the Association internal control policies over program service revenue including; membership, publications and advertising, conferences, and certification accreditation, we noted that while contracts are reviewed for each of the Association's revenue streams by appropriate personnel, invoices and billings are manually input into iMIS, the Association's billing software, and sent to customers without further review. We did note that for most revenue streams, the person responsible for following up on accounts receivable is not the same as the person who sends the invoice; however, based on our review of the accounts receivable schedule there are items outstanding for a number of years.

Cause

Based on our understanding of the Association, there was significant turnover during the year, especially in the accounting department and a lack of resources in order to perform the control.

Effect

Program service revenue could potentially be misstated whether due to fraud or error, through the creation of additional unsupported invoices in iMIS and go undetected for several years.

Recommendation

We recommend that the Association review and enhance its current internal control procedures over its revenue billing process to ensure that someone other than the individual responsible for inputting the information into the software compare the revenue invoices against the source document, contract or registration listing, prior to releasing the invoice to ensure the invoice is accurate.

Views of Responsible Officials and Planned Corrective Actions

See corrective action plan.

NATIONAL RECREATION AND PARK ASSOCIATION, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2022

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Finding No. 2022-002: Program Service Revenue Month-End Close – Material Weakness in Internal Control over Financial Reporting

Criteria

As part of an effective control environment, controls over the revenue recognition of program service fees should be in place to prevent or detect a material misstatement for each of the Associations' relevant revenue streams.

Context

During our review of the Association internal control policies over program service revenue including; membership, publications and advertising, conferences, and certification accreditation, we noted that data is extracted manually from iMIS and uploaded directly to the general ledger and there is no reconciliation process in place to ensure that all data from iMIS was uploaded appropriately. Additionally, there were various adjustments posted by the outsourced accountants in 2022 to true-up various revenue streams due to manual data entry in previous years.

Cause

Based on our understanding of the Association, there was significant turnover during the year, especially in the accounting department and a lack of resources in order to perform the control.

Effect

Program service revenue could potentially be misstated whether due to fraud or error, through the creation manual journal entries or incomplete data input. During the year-end close, there were several true-up entries made to reduce current year revenue for information captured outside of iMIS.

Recommendation

We recommend that the Association review and enhance its current internal control procedures over its revenue recognition process, to ensure that amounts imported from iMIS are imported completely and accurately on a monthly basis. We further recommend that the Association process all data related to the program service fees within iMIS.

Views of Responsible Officials and Planned Corrective Actions

See corrective action plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required to be reported.

SECTION IV – SUMMARY OF PRIOR YEAR FINDINGS

There were no audit findings reported for the year ended June 30, 2021.