

**NATIONAL AUCTIONEERS ASSOCIATION**

**FINANCIAL STATEMENTS  
with  
INDEPENDENT AUDITOR'S REPORT**

**December 31, 2021 and 2020**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
National Auctioneers Association  
Overland Park, Kansas

### **Opinion**

We have audited the accompanying financial statements of National Auctioneers Association (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Auctioneers Association as of December 31, 2021 and 2020, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of National Auctioneers Association and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 these 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 National Auctioneers Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **INDEPENDENT AUDITOR'S REPORT (continued)**

Board of Directors  
National Auctioneers Association

### **Auditor's 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 auditor's 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 generally accepted 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 generally accepted 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 National Auctioneers 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 National Auctioneers 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.



Marr and Company, P.C.  
Certified Public Accountants

Kansas City, Missouri  
October 27, 2022

**NATIONAL AUCTIONEERS ASSOCIATION**

**STATEMENTS OF FINANCIAL POSITION**

As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash	\$ 288,409	\$ 372,937
Receivables, net	48,675	50,135
Investments	1,365,843	1,244,496
Prepaid assets and expenses	96,928	101,822
Capital assets, net of accumulated depreciation	<u>331,064</u>	<u>374,277</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>2,130,919</u></b>	<b>\$ <u>2,143,667</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
Payables and withholdings	\$ 69,136	\$ 61,631
Accrued liabilities	14,954	22,139
Deferred revenue	<u>914,750</u>	<u>1,019,248</u>
<b>Total Liabilities</b>	<b><u>998,840</u></b>	<b><u>1,103,018</u></b>
 Net Assets:		
Without Donor Restrictions	<u>1,132,079</u>	<u>1,040,649</u>
<b>Total Net Assets</b>	<b><u>1,132,079</u></b>	<b><u>1,040,649</u></b>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>2,130,919</u></b>	<b>\$ <u>2,143,667</u></b>

*See accompanying Independent Auditor's Report and Notes to these financial statements.*

# NATIONAL AUCTIONEERS ASSOCIATION

## STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2021 and 2020

	Without Donor Restrictions <u>2021</u>	Without Donor Restrictions <u>2020</u>
<b><u>SUPPORT, REVENUE &amp; OTHER INCOME</u></b>		
Membership dues	\$ 788,725	\$ 888,683
Program designation fees	354,154	118,113
Education designation fees	155,275	144,875
Auxiliary fees	0	775
Conference and show income	394,132	145,686
Advertising and publication income	112,690	149,859
Contributions and donations	121,738	110,040
Conditional government grant	164,533	0
Noncash contributions	5,000	0
Management fees	30,000	30,000
Lease income	24,000	24,000
Investment return	121,771	114,535
Other income	<u>0</u>	<u>10,322</u>
Total Support, Revenue & Other Income	2,272,018	1,736,888
<b><u>EXPENSES</u></b>		
Program Services	1,365,971	1,091,546
Supporting Activities:		
General & Administrative	780,351	483,372
Fundraising Expenses	<u>34,266</u>	<u>3,800</u>
Total Supporting Activities	<u>814,617</u>	<u>487,172</u>
Total Expenses	<u>2,180,588</u>	<u>1,578,718</u>
Change in Net Assets	91,430	158,170
Net Assets, beginning of year	<u>1,040,649</u>	<u>882,479</u>
Net Assets, end of year	\$ <u>1,132,079</u>	\$ <u>1,040,649</u>

*See accompanying Independent Auditor's Report and Notes to these financial statements.*

# NATIONAL AUCTIONEERS ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

		<u>Supporting Activities</u>			
	Total Program <u>Services</u>	General & <u>Administrative</u>	<u>Fundraising</u>	Total Supporting <u>Activities</u>	<u>Total</u>
Salary and wages	\$ 641,319	\$ 160,330	\$ 0	\$ 160,330	\$ 801,649
Payroll taxes and benefits	115,513	28,878	0	28,878	144,391
Staff travel and development	6,176	2,647	0	2,647	8,823
Board travel and meetings	15,307	3,827	0	3,827	19,134
Designation program expense	165,340	70,860	0	70,860	236,200
Conference and show expense	212,478	163,445	32,689	196,134	408,612
Publications and advertising	34,654	8,664	0	8,664	43,318
Public relations	3,132	783	0	783	3,915
Membership services and development	9,974	3,325	0	3,325	13,299
Occupancy and grounds	0	58,527	0	58,527	58,527
Office equipment and maintenance	0	141,453	0	141,453	141,453
Office supplies and operations	15,774	14,196	1,577	15,773	31,547
Professional fees	66,564	16,641	0	16,641	83,205
Insurance and taxes	0	31,804	0	31,804	31,804
Interest and charges	36,756	9,189	0	9,189	45,945
Other expense	38,663	19,917	0	19,917	58,580
Depreciation expense	<u>4,321</u>	<u>38,892</u>	<u>0</u>	<u>38,892</u>	<u>43,213</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>1,365,971</u></b>	<b>\$ <u>780,351</u></b>	<b>\$ <u>34,266</u></b>	<b>\$ <u>814,617</u></b>	<b>\$ <u>2,180,588</u></b>

*See accompanying Independent Auditor's Report and Notes to these financial statements.*

# NATIONAL AUCTIONEERS ASSOCIATION

## STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Total	Supporting Activities			
	Program	General &		Total	
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Supporting Activities</u>	<u>Total</u>
Salary and wages	\$ 569,658	\$ 142,415	\$ 0	\$ 142,415	\$ 712,073
Payroll taxes and benefits	103,159	25,790	0	25,790	128,949
Staff travel and development	2,450	1,050	0	1,050	3,500
Board travel and meetings	32,182	8,046	0	8,046	40,228
Conference and show expense	67,069	28,743	0	28,743	95,812
Publications and advertising	16,305	12,543	2,509	15,052	31,357
Public relations	36,020	9,005	0	9,005	45,025
Membership services and development	4,104	1,026	0	1,026	5,130
Auxiliary members	5,075	1,691	0	1,691	6,766
Occupancy and grounds	0	51,030	0	51,030	51,030
Office equipment and maintenance	0	102,835	0	102,835	102,835
Office supplies and operations	12,905	11,615	1,291	12,906	25,811
Professional fees	26,939	6,735	0	6,735	33,674
Insurance and taxes	0	27,951	0	27,951	27,951
Interest and charges	24,546	6,137	0	6,137	30,683
Other expense	4,336	2,232	0	2,232	6,568
Grant to affiliate	181,850	0	0	0	181,850
Depreciation expense	<u>4,948</u>	<u>44,528</u>	<u>0</u>	<u>44,528</u>	<u>49,476</u>
TOTAL EXPENSES	\$ <u>1,091,546</u>	\$ <u>483,372</u>	\$ <u>3,800</u>	\$ <u>487,172</u>	\$ <u>1,578,718</u>

*See accompanying Independent Auditor's Report and Notes to these financial statements.*



# NATIONAL AUCTIONEERS ASSOCIATION

## STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 91,430	\$ 158,170
Adjustments to reconcile change in net assets to net cash flows from operating activities –		
Net realized/unrealized (gain)/loss on investment securities	(72,121)	(71,475)
Depreciation	43,213	49,476
Changes in assets and liabilities:		
Receivables	1,460	(34,183)
Prepaid expenses	4,894	(45,354)
Payables and withholdings	7,505	(32,711)
Accrued liabilities	(7,185)	(27,478)
Deferred revenue	(104,498)	<u>8,151</u>
Total Adjustments	(126,732)	(153,574)
Net Cash Flows from Operating Activities	(35,302)	4,596
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	0	(100,470)
Purchase of investments	(702,996)	(65,221)
Sale of investments	<u>653,770</u>	<u>22,594</u>
Net Cash Flows from Investing Activities	(49,226)	(143,097)
Net Change in Cash	(84,528)	(138,501)
CASH – BEGINNING OF YEAR	<u>372,937</u>	<u>511,438</u>
CASH – END OF YEAR	\$ <u>288,409</u>	\$ <u>372,937</u>

*See accompanying Independent Auditor's Report and Notes to these financial statements.*

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS December 31, 2021 and 2020

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# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 1: ORGANIZATION

National Auctioneers Association (the “Association”) was originally incorporated in Nebraska in 1967 as a Nebraska Not for Profit Corporation and was subsequently merged to form a not for profit corporation under the name, NAA, Inc., and incorporated in Kansas in 1997 under the General Not-for-Profit Corporation Act. The Association provides educational services and information regarding the auctioneering profession. Magazines are published as part of the member's annual dues investment, a convention is presented annually, and several seminars are presented throughout the year. The Association previously had an Auxiliary (“NAA Auxiliary” or “Auxiliary”) group through which non-auctioneers could assist the Association. Effective June 1, 2020, the Auxiliary group activities and financial records were transferred to the National Auctioneers Foundation (the “Foundation”), a related separate organization that raises funds to help support the Association.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Accounting

The financial statements of the Association are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

#### B. Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

#### C. Use of Estimates

The process of preparing financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

#### D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Association defines its cash and equivalents to include cash in demand deposits accounts, cash on hand, and considers all highly liquid investments with an initial maturity when purchased of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents. Cash and cash equivalents held temporarily in the investment portfolio until suitable investments are identified are excluded from cash and cash equivalents available for current use in operations.

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Financial Instruments and Credit Risk

The Association manages deposit concentration risk by placing cash in accounts with high-quality financial institutions believed by management to be creditworthy. Accounts at each depository institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, amounts on deposit may exceed insured limits. The Association did not hold balances in excess of FDIC insured limits as of December 31, 2021 and 2020. To date, the Association has not experienced any losses on such deposit accounts at the financial institution and believes it is not exposed to any significant credit risk on its cash.

Investments are made by diversified investment managers whose performance is monitored by the Association and the Boards of Directors. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statements of financial position. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Association believes that the investment policies and guidelines are prudent for the long-term welfare of the Association.

#### F. Accounts Receivable

The majority of the Association's receivables is due from advertisers for advertisements placed in the Association's newsletter and magazine as well as the Association's website. The allowance method is used to recognize potentially uncollectible accounts receivable and is determined by management based on the Association's past collection experience, and collections received subsequent to year-end. The amount of bad debt expense for the years ending December 31, 2021 and 2020, was \$6,973 and \$0, respectively. Receivables are recorded at amounts due from customers and members, net of an allowance for doubtful accounts. At December 31, 2021 and 2020, the allowance for doubtful accounts was \$7,444 and \$471, respectively.

#### G. Investments

The Association records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### H. Capital Assets

Property and equipment are recorded at cost if purchased and fair value if donated with depreciation computed using the straight-line method over the estimated useful life of the assets. The Association has a written policy establishing a dollar amount above \$1,500 to which a fixed asset will be capitalized. Repairs and maintenance are charged to operations as incurred. The estimated useful lives are as follows:

Building and improvements	10-39 years
Equipment	5-7 years
Furniture & fixtures	5-7 years
Software	3 years

#### I. Compensated Absences

Employees of the Association are entitled to paid time off (PTO), based on years of service. Employees are allowed to accumulate unused PTO with a maximum of 150% of the annual hours earned and, upon separation, are paid out 50% of the unused accrued PTO hours at the employees' current pay rate. Accordingly, the unused accrued paid time off liability recorded as of December 31, 2021 and 2020 was \$14,954 and \$22,139, respectively.

#### J. Deferred Revenue

Deferred revenues typically result from the advance collection of membership dues including lifetime memberships, office building rent covering subsequent fiscal years, and educational seminars and event fees in the following fiscal year. Membership dues are deferred upon receipt and recognized as revenue ratably over the applicable membership period based on the member's anniversary month. Lifetime membership dues are recognized over 18 years from the original membership payment period. Annual educational seminar and event fees are recognized when the event occurs.

#### K. Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Donor-imposed restrictions may be temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions may be perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed into service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Association did not carry a balance of net assets with donor restrictions as of December 31, 2021 and 2020.

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### K. Net Assets (continued)

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These also include net assets without donor restrictions subject to self-imposed limits by action of the governing board called board-designated net assets. The board-designated net assets may be earmarked for future programs, investment, contingencies, purchase or construction of capital assets, or other uses. See Note 10 for detail.

The Association reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported on the statement of activities as net assets released from restriction.

#### L. Revenue and Revenue Recognition

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

The Association recognizes revenue from member dues over the membership period, which can be purchased to cover a 1-year period, 2-year period, or 3-year period beginning with the member's anniversary month. Lifetime membership dues are recognized over 18 years from the original membership payment period. The performance obligation consists of providing members continuous access to Association resources and support and is recognized ratably as services are simultaneously received and consumed by the members. The dues are used to cover the costs of operating the Association.

Revenues derived from conferences, education, and program development are recognized as the events or classes are held. Advertising revenue is recognized when the performance obligation of publishing the advertisement is satisfied.

#### M. Contributed Services and Noncash Contributions

Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### M. Contributed Services and Noncash Contributions (continued)

The Association received contributed services and materials with a fair value on the dates of donation during 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Conference and Show cashier services	\$ 2,000	\$ 0
Conference and Show signage	<u>3,000</u>	<u>0</u>
	\$ <u>5,000</u>	\$ <u>0</u>

#### N. Advertising

The Association utilizes its own publications to satisfy its advertising needs. Therefore, any advertising expenses are accounted for indirectly as a portion of the publishing expenses of these publications and expensed in the period incurred.

#### O. Income Taxes

The Association is a nonprofit organization exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code but may be subject to unrelated business income tax. No unrelated business income tax was incurred for the years ended December 31, 2021 and 2020. The Association has adopted the provisions of ASC 740-10 as it might apply to the Association's financial transactions. The Association's policy is to record a liability for any tax provision that is beneficial to the Association, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of December 31, 2021 and 2020, and accordingly, no liability has been accrued.

#### P. Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributable to one or more functions of the Association. Therefore, these expenses require allocation on a reasonable basis that is consistently applied based on percentage relationships developed by management based upon hours worked, number of program staff and employees, square footage of space, or other reasonable methods.

#### Q. Risk Management

The Association is exposed to various risks of loss from torts, theft of, damage to and destruction of assets; business interruption, errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### R. Subsequent Events

Management has evaluated subsequent events to October 27, 2022, which is the date the financial statements were available for issuance.

### NOTE 3: LIQUIDITY AND AVAILABILITY

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing program activities as well as the conduct of services undertaken to support those activities to be general expenditures. As of December 31, 2021, the following financial assets could readily be made available within one year of the statement of financial position date to meet general expenditures:

Cash	\$ 288,409
Accounts receivable	48,675
Investments	1,365,843
Less: Board-designated assets (see Note 10)	<u>(489,102)</u>
	\$ <u>1,213,825</u>

### NOTE 4: NAA AUXILIARY FUNDS

The purpose of the Auxiliary began to change from providing assistance from non-auctioneers to providing scholarships to well-deserving students and networking opportunities to the Association's supporters and their families. As the Auxiliary purpose changed, the governance system under which it fell was better positioned to be under the Foundation instead of the Association. All proper notices were provided through the revisions to both organizations' bylaws. The change was effective June 1, 2020. The asset balance in the Auxiliary as of May 31, 2020 was \$181,850 and was granted to the Foundation during the year ended December 31, 2020.

### NOTE 5: INVESTMENTS

Investments as of December 31 were comprised of the following by investment type:

	<u>2021</u>	<u>2020</u>
Brokerage cash funds	\$ 5,597	\$ 4,611
Exchange traded funds – equities	298,011	0
Exchange traded funds – fixed income	210,688	178,408
Mutual funds – equities	444,924	795,190
Mutual funds – fixed income	<u>406,623</u>	<u>266,287</u>
Total investments	\$ <u>1,365,843</u>	\$ <u>1,244,496</u>



# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 6: FAIR VALUE MEASUREMENT AND DISCLOSURES

The Association reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy for fair value measurement categorizes the inputs as follows:

- Level 1      Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.
- Level 2      Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3      Unobservable inputs that are supported by little or no market activity and that is significant to the fair value of the assets or liabilities. In certain cases where Level 1 or 2 criteria are not applicable, then securities are designated as Level 3.

Inputs may include market price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. The classification of a financial asset within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by management. Management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by multiple, independent sources that are actively involved in the relevant market. The categorization of a fund within the hierarchy is based upon the pricing transparency of that fund and does not necessarily correspond to management's assessment of the quality, risk, or liquidity profile of the asset.

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 6: FAIR VALUE MEASUREMENT AND DISCLOSURES (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the years ended December 31, 2021 and 2020.

*Common stocks:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Association are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Association are deemed to be actively traded.

*Exchange Traded Funds* - Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities would include highly liquid exchange traded equities.

The following sets forth information about the level within the fair value hierarchy at which the Association's financial assets are measured on a recurring basis as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash / Money fund	\$ 5,597	\$ 5,597	\$ 0	\$ 0
Exchange traded funds	508,699	508,699	0	0
Mutual funds	<u>851,547</u>	<u>851,547</u>	<u>0</u>	<u>0</u>
Total Investments	\$ <u>1,365,843</u>	\$ <u>1,365,843</u>	\$ <u>0</u>	\$ <u>0</u>

The following sets forth information about the level within the fair value hierarchy at which the Association's financial assets are measured on a recurring basis as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash / Money fund	\$ 4,611	\$ 4,611	\$ 0	\$ 0
Exchange traded funds	178,408	178,408	0	0
Mutual funds	<u>1,061,477</u>	<u>1,061,477</u>	<u>0</u>	<u>0</u>
Total Investments	\$ <u>1,244,496</u>	\$ <u>1,244,496</u>	\$ <u>0</u>	\$ <u>0</u>

### NOTE 7: LIFETIME MEMBERSHIPS

In prior years, members of the Association had the opportunity to purchase life memberships. Those funds and earnings thereon were placed in Board-designated investments and are maintained separately from the Association's operating account. The balance of the Board-designated lifetime membership fund was \$434,924 and \$390,891 at December 31, 2021 and 2020, respectively. The Association ceased selling this membership option; however, the existing members will continue to receive the benefits of this program.

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 8: CAPITAL ASSETS

Capital assets consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Land	\$ 134,061	\$ 134,061
Building and improvements	1,376,585	1,376,585
Equipment	105,486	105,486
Furniture and fixtures	134,516	134,516
Software	185,796	185,796
Less: Accumulated Depreciation	<u>(1,605,380)</u>	<u>(1,562,167)</u>
Net Capital Assets	<u>\$ 331,064</u>	<u>\$ 374,277</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$43,213 and \$49,476, respectively.

### NOTE 9: DEFERRED REVENUE

Unearned deferred revenue resulting from the advance collection of membership dues, prior offering of lifetime memberships, office building rent covering subsequent fiscal years, and educational seminars and event fees in the following fiscal year consisted of the following beginning and ending contract liability balances as of December 31:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Deferred membership dues	\$ 518,203	\$ 531,782	\$ 603,549
Lifetime membership dues	30,053	39,106	50,488
Building lease rent	256,000	280,000	304,000
Educational seminars and events	<u>111,494</u>	<u>168,360</u>	<u>53,060</u>
Total Unearned deferred revenue	<u>\$ 914,750</u>	<u>\$ 1,019,248</u>	<u>\$ 1,011,097</u>

Revenue recognized for the years ended December 31, 2021 and 2020 that was included in the contract liability balances at the beginning of each year was as follows:

	<u>2021</u>	<u>2020</u>
Deferred membership dues	\$ 155,175	\$ 163,322
Lifetime membership dues	9,053	11,383
Building lease rent	24,000	24,000
Educational seminars and events	<u>168,360</u>	<u>53,060</u>
Total revenue recognized	<u>\$ 356,588</u>	<u>\$ 251,765</u>

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 10: NET ASSETS WITHOUT DONOR RESTRICTION

The net assets without donor restrictions were as follows at December 31.

	<u>2021</u>	<u>2020</u>
Undesignated net assets without donor restrictions	\$ 642,977	\$ 615,643
Board designated for following purposes:		
Lifetime membership	434,924	390,891
Building future repairs and maintenance	<u>54,178</u>	<u>34,115</u>
Total board designated net assets	<u>489,102</u>	<u>425,006</u>
Total net assets without donor restrictions	\$ <u>1,132,079</u>	\$ <u>1,040,649</u>

### NOTE 11: COMMITMENTS

#### *Facility Lease*

The Association entered into a facility lease agreement in September 2007 with the Foundation, in which the Foundation leases a portion of the Association's building. The lease is for twenty-five years with a monthly rate of \$2,000. This lease expires in August 2032, unless sooner terminated in accordance with the provisions of the lease agreement. The Foundation has prepaid the lease in its entirety.

Deferred rent revenue totaled \$256,000 and \$280,000 at December 31, 2021 and 2020, respectively, and will be recognized in revenue as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 24,000
2023	24,000
2024	24,000
2025	24,000
2026	24,000
Thereafter	<u>136,000</u>
	\$ <u>256,000</u>

#### *Service Contract Agreements*

The Association entered into a service agreement in June 2020 for fiber optic internet and phone service for 36 months beginning in July 2020 with a monthly rate of \$1,284 plus applicable taxes. The Association paid \$15,777 and \$6,421 in telecommunications expense for the service agreement during the years ended December 31, 2021 and 2020, respectively. The future minimum payments under this agreement are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 16,443
2023	<u>8,221</u>
	\$ <u>24,664</u>

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 12: EVENT CONTRACT COMMITMENTS

#### *Annual Conference and Show*

In June 2020, the Association entered into a contract for a facility venue in San Diego, California related to the Annual Conference and Show that was held in July 2022. Subsequent to December 31, 2021, the Association entered into separate contracts for venues relating to their Annual Conference and Show to be held in July 2023 and July 2024.

#### *Certified Auctioneers Institute*

In June 2021, the Association entered into a contract for a venue located in Bloomington, Indiana related to the Certified Auctioneers Institute education event, which was held in March 2022.

#### *Digital Marketing Summit*

In July 2021, the Association entered into a contract for venue located in Fort Worth, Texas related to the Digital Marketing Summit that was held in February 2022.

These event contracts each contain cancellation clauses that would make the Association liable for the events held in the respective year if they were to be cancelled. In addition, the Association purchases event insurance to mitigate the exposure for the events. The following amounts are the calculated commitment totals for each upcoming year with events to be held.

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 533,752
2023	<u>0</u>
	<u>\$ 533,752</u>

### NOTE 13: RELATED PARTIES AND AFFILIATED ORGANIZATIONS

#### *Members of the Board of Directors*

The Association sells advertising space in its publication, The Auctioneer. Several members of the Board of Directors purchase advertising space in the publication for their outside businesses and for campaign advertisements for the Board. The amount outstanding from Directors at December 31, 2021 and 2020 was \$1,914 and \$0, respectively. The amount of advertising revenue received from members of the Board of Directors was \$6,181 and \$352 during the years ended December 31, 2021 and 2020, respectively.

Members of the Board of Directors are utilized as instructors for the designation program seminars made available to the members. The amounts paid to related party instructors during the years ended December 31, 2021 and 2020 were \$11,000 and \$8,550, respectively.

#### *National Auctioneer Foundation*

The Foundation pays monthly management fees to the Association. Total management fee income recognized by the Association was \$30,000 for the years ended December 31, 2021 and 2020. The Foundation also reimburses the Association for items such as postage and conference calls, and the Association collects dues on the Foundation's behalf and remits them to the Foundation monthly. The amounts due to the Foundation as of December 31, 2021 and 2020 were \$350 and \$4,664, respectively.

In addition, during the years ended December 31, 2021 and 2020, the Foundation contributed \$73,378 and \$91,003 to the Association, respectively.

# NATIONAL AUCTIONEERS ASSOCIATION

## NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

### NOTE 14: DEFINED CONTRIBUTION RETIREMENT PLAN

The Association maintains a 401(k) savings plan for all eligible employees. All participants may elect to defer up to 20% of their salary on a pre-tax basis but cannot exceed the amount of allowable contributions established by the Internal Revenue Service for a given calendar year. All full-time employees are eligible to receive a matching contribution from the Association after one year of employment. The Association makes a contribution equal to 100% of an employee's salary deferrals that do not exceed 4% of the employee's compensation. The Association had contribution expense for the plan totaling \$19,738 and \$15,621 for the years ended December 31, 2021 and 2020, respectively. Participants are fully vested in both their salary deferral and the matching contributions.

### NOTE 15: PAYCHECK PROTECTION PROGRAM LOAN

#### *U.S. Small Business Administration Loan – Paycheck Protection Program*

The Association signed a note payable with the U.S. Small Business Administration on January 22, 2021 for \$164,533 with a maturity date of January 22, 2026 and annual interest rate of 1.0%. This note was available through the Paycheck Protection Program (the “PPP”) as a part of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) that offers cash-flow assistance to nonprofit and small business employers through guaranteed loans for certain expenses incurred during the 8- to 24-week covered period following the loan disbursement. The PPP loan did not require collateral or personal guarantees and offers the ability to have a substantial portion of the principal amount forgiven when the Association uses the proceeds on eligible costs.

The Association filed for forgiveness from the SBA and received notification the loan was fully forgiven effective on September 7, 2021. The Association recognized the loan forgiveness as income in 2021 as a conditional government grant in the statement of activities.