



Financial Statements and Supplementary Information

For The Years Ended December 31, 2020 and 2019

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Report Thereon
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NATIONAL WASTE & RECYCLING ASSOCIATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the
National Waste & Recycling Association

Report on the Financial Statements

We have audited the accompanying financial statements of the National Waste & Recycling Association (NWRA), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Waste & Recycling Association as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marcum LLP

Washington, DC
June 24, 2021

NATIONAL WASTE & RECYCLING ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 447,338	\$ 381,199
Receivables, net of allowance for doubtful accounts of \$129,140 in 2020 and \$3,400 in 2019	463,738	788,701
Prepaid expenses and other	87,391	53,794
Investments	21,937,970	18,915,779
Property and equipment, net	534,125	625,107
TOTAL ASSETS	\$ 23,470,562	\$ 20,764,580
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 213,426	\$ 370,223
Accrued employee benefits	202,503	224,656
Deferred revenue		
Membership dues	335,827	360,387
Meetings and other	10,000	1,920
Deferred rent and lease incentive	928,460	1,009,581
Capital lease obligation	25,485	44,454
TOTAL LIABILITIES	1,715,701	2,011,221
Net Assets		
Without donor restrictions	20,250,657	17,176,431
With donor restrictions	1,504,204	1,576,928
TOTAL NET ASSETS	21,754,861	18,753,359
TOTAL LIABILITIES AND NET ASSETS	\$ 23,470,562	\$ 20,764,580

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

NATIONAL WASTE & RECYCLING ASSOCIATION

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT						
Member services:						
Membership dues	\$ 3,389,465	\$ -	\$ 3,389,465	\$ 3,620,620	\$ -	\$ 3,620,620
Meetings and sponsorships	311,938	-	311,938	790,872	-	790,872
Publications	22,750	-	22,750	7,966	-	7,966
Royalties	101,218	-	101,218	107,334	-	107,334
Chapter revenue:						
Contributions	-	902,474	902,474	-	960,812	960,812
Special events	39,351	57,793	97,144	254,199	299,198	553,397
In-kind contributions	6,677	-	6,677	75,012	-	75,012
Insurance royalties and services	127,165	-	127,165	135,735	-	135,735
Net assets released from purpose restrictions	1,032,991	(1,032,991)	-	1,144,547	(1,144,547)	-
TOTAL OPERATING REVENUE AND SUPPORT	5,031,555	(72,724)	4,958,831	6,136,285	115,463	6,251,748
OPERATING EXPENSES						
Program Services:						
Member services	2,323,766	-	2,323,766	3,055,720	-	3,055,720
Chapter legislative activities	993,642	-	993,642	922,810	-	922,810
Total Program Services	3,317,408	-	3,317,408	3,978,530	-	3,978,530
Supporting Services:						
Administration	1,622,715	-	1,622,715	1,362,572	-	1,362,572
Donor benefit	4,812	-	4,812	254,199	-	254,199
Fundraising	34,540	-	34,540	115,381	-	115,381
Total Supporting Services	1,662,067	-	1,662,067	1,732,152	-	1,732,152
TOTAL OPERATING EXPENSES	4,979,475	-	4,979,475	5,710,682	-	5,710,682
Change in net assets from operations	52,080	(72,724)	(20,644)	425,603	115,463	541,066
NONOPERATING INCOME						
Investment income, net	3,022,146	-	3,022,146	2,621,738	-	2,621,738
CHANGE IN NET ASSETS	3,074,226	(72,724)	3,001,502	3,047,341	115,463	3,162,804
NET ASSETS, BEGINNING OF YEAR	17,176,431	1,576,928	18,753,359	14,129,090	1,461,465	15,590,555
NET ASSETS, END OF YEAR	\$ 20,250,657	\$ 1,504,204	\$ 21,754,861	\$ 17,176,431	\$ 1,576,928	\$ 18,753,359

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

NATIONAL WASTE & RECYCLING ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services			Supporting Services			Total	
	Member Services	Chapter Legislative Activities	Total Program Services	Administrative	Donor Benefit	Fundraising		Total Supporting Services
Salaries	\$ 1,316,490	\$ -	\$ 1,316,490	\$ 488,436	\$ -	\$ -	\$ 488,436	\$ 1,804,926
Employee benefits and taxes	353,219	-	353,219	285,360	-	-	285,360	638,579
Professional fees and contract services	273,023	981,128	1,254,151	472,112	-	-	472,112	1,726,263
Conferences and travel	107,707	881	108,588	10,143	4,664	34,079	48,886	157,474
Occupancy	123,447	-	123,447	99,604	-	-	99,604	223,051
Depreciation and amortization	64,900	-	64,900	55,813	-	-	55,813	120,713
Subscriptions, dues and taxes	42,845	9,577	52,422	39,079	-	-	39,079	91,501
Postage, copying and printing	9,321	-	9,321	2,968	74	461	3,503	12,824
Other operating expenses	32,814	2,056	34,870	169,200	74	-	169,274	204,144
TOTAL EXPENSES	\$ 2,323,766	\$ 993,642	\$ 3,317,408	\$ 1,622,715	\$ 4,812	\$ 34,540	\$ 1,662,067	\$ 4,979,475

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

NATIONAL WASTE & RECYCLING ASSOCIATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Program Services			Supporting Services			Total	
	Member Services	Chapter Legislative Activities	Total Program Services	Administrative	Donor Benefit	Fundraising		Total Supporting Services
Salaries	\$ 1,420,298	\$ -	\$ 1,420,298	\$ 451,125	\$ -	\$ -	\$ 451,125	\$ 1,871,423
Employee benefits and taxes	466,153	-	466,153	197,404	-	-	197,404	663,557
Professional fees and contract services	239,124	802,091	1,041,215	508,526	196,391	-	704,917	1,746,132
Conferences and travel	535,821	111,404	647,225	64,498	55,474	115,161	235,133	882,358
Occupancy	172,581	-	172,581	51,200	-	-	51,200	223,781
Depreciation and amortization	75,927	-	75,927	31,868	-	-	31,868	107,795
Subscriptions, dues and taxes	51,917	5,005	56,922	16,898	1,225	-	18,123	75,045
Postage, copying and printing	48,618	3,625	52,243	1,730	920	134	2,784	55,027
Other operating expenses	45,281	685	45,966	39,323	189	86	39,598	85,564
TOTAL EXPENSES	\$ 3,055,720	\$ 922,810	\$ 3,978,530	\$ 1,362,572	\$ 254,199	\$ 115,381	\$ 1,732,152	\$ 5,710,682

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

NATIONAL WASTE & RECYCLING ASSOCIATION

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,001,502	\$ 3,162,804
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	120,714	107,795
Realized gains on sales of investments	(292,836)	(1,447,421)
Unrealized gains on investments	(2,408,871)	(857,278)
Provision for bad debts	125,740	(39,245)
Changes in assets:		
Accounts receivable	199,223	(636,693)
Prepaid expenses and other	(33,597)	31,355
Changes in liabilities:		
Accounts payable and accrued expenses	(56,797)	(48,629)
Accrued employee benefits	(22,153)	(19,669)
Deferred revenue	(16,480)	(772,696)
Deferred rent and lease incentive	(81,121)	70,332
Lease obligation	-	(180,431)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	535,324	(629,776)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale or maturities of investments	9,178,100	17,836,711
Purchases of investments	(9,498,584)	(18,154,319)
Purchases of property and equipment	(129,732)	(30,270)
NET CASH USED IN INVESTING ACTIVITIES	(450,216)	(347,878)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(18,969)	(17,792)
NET CASH USED IN FINANCING ACTIVITIES	(18,969)	(17,792)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	66,139	(995,446)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	381,199	1,376,645
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 447,338	\$ 381,199
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	\$ 4,303	\$ 5,480
NONCASH INVESTING ACTIVITIES		
Property and equipment purchases included in accounts payable and accrued expenses	\$ 50,000	\$ 100,000

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

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies

Organization

The National Waste & Recycling Association (NWRA, formerly known as Environmental Industry Associations) is the trade association representing for-profit waste and recycling companies doing business in the United States. Association members operate in all 50 states and the District of Columbia. NWRA provides leadership, advocacy, research, education and safety expertise to promote the North American waste and recycling industries; serves as their voice; and creates a climate in which members prosper and provide safe, economically sustainable and environmentally sound services. NWRA's program services are delivered primarily through the efforts of member services and legislative activities.

During the year ended December 31, 2018, NWRA created a political action committee called the National Waste & Recycling Association – PAC (the PAC). The PAC is required to be consolidated with NWRA. However, due to the insignificance of the PAC's operations, the PAC's financial results have not been consolidated with those of NWRA.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses are recognized when the obligations are incurred.

Cash and Cash Equivalents

NWRA considers all highly liquid instruments that are used for current operations and that have original maturities of three months or less to be cash and cash equivalents. All other highly liquid instruments that are used for NWRA's long-term purposes are classified as investments.

Receivables

Receivables consist primarily of amounts due from members, publication sales, meetings, sponsorships, and insurance and royalty fees. The allowance method is used to determine uncollectible amounts. The allowance is based upon prior years' experience and management's analysis of subsequent collections. All amounts are due within one year.

Allowances on receivables are recorded when circumstances indicate that collection is doubtful for particular receivable or as a general reserve for all receivables. Receivable are written off if reasonable collection efforts prove unsuccessful. Bad debt expense is reflected in administration expense in the accompanying statements of activities when allowances on receivables are increased or when accounts written off exceed available allowances.

Investments

Investments are composed of money market funds, fixed-income and equity securities. Investments are reflected in the financial statements at fair value. Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies

Investments

Investment gains and losses are based on the appreciation or depreciation of the market values of portfolios held at the end of the year and those portfolios that have been disposed of during the year. Interest and dividend income are recorded as earned.

Fair Value Measurement

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America (GAAP), and requires disclosures about fair value measurements for assets and liabilities measured at fair value on a recurring basis. The ASC emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and therefore a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the ASC established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy are described as follows:

Level 1 – Value based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Value based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Value based on unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

As of December 31, 2020 and 2019, only NWRA's investments, as described in Note 3 to these financial statements, were measured at fair value on a recurring basis.

Property and Equipment and Related Depreciation and Amortization

Property and equipment are recorded at cost. NWRA capitalizes all expenditures for property and equipment that are greater than \$1,000 and have an economic life in excess of one year. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, or the lesser of the useful life of the asset or the lease period for leasehold improvements and capital leases. Costs incurred in the development of software for internal use are expensed during the preliminary and post-implementation operation stages, including data conversion, training and maintenance costs. Costs incurred during the application development stage of software development are capitalized. When assets are

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment and Related Depreciation and Amortization (continued)

sold or otherwise disposed of, the asset and its related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operating revenue and support in the accompanying statements of activities. Repairs and maintenance are charged to expense when incurred.

Net Assets

NWRA's net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, NWRA's net assets, and the changes to those net assets, are classified and reported as follows:

- Net assets without donor restrictions represent funds not subject to any donor-imposed stipulations or other legal limitations.
- Net assets with donor restrictions represent amounts subject to donor-imposed stipulations that may be met by NWRA's actions and/or by the passage of time. Net assets with donor restrictions are for the purpose of legislative activities related to specific issues identified by local chapters.

Revenue Recognition

Membership dues are on a calendar year basis and are recognized ratably over the membership period since there are no distinct performance obligations and the general member benefits are considered a bundled group of performance obligations that are delivered to members throughout the membership period. Accordingly, dues paid by members in advance of the reporting period to which the dues pertain are reported as deferred revenue in the accompanying statements of financial position. All members have the same membership period which starts on January 1.

NWRA recognizes all unconditional contributed support in the reporting period in which the commitment is made. Unconditional contributions are considered to be revenue and support without donor restrictions and available for general operations unless specifically restricted by the donor. NWRA reports cash and other contributed assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets to particular purposes or to future periods. When the stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Unconditional contributions that have been promised as of year-end, but have not been received, are shown as receivables in the accompanying statement of financial position. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Conditional promises to give, that is those with a measurable performance or other barrier and a right of return, are not included as revenue and support until such time as the conditions are substantially met. Amounts recognized and released in the same year under conditional grants are included as support in net assets without donor restrictions.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2020 and 2019

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Meetings registration and the related costs are recognized at the point in time the meetings takes place. Accordingly, payments received in advance of the meetings are reported as other deferred revenue in the accompanying statements of financial position. Expenses paid in advance of the meetings are recorded as prepaid expenses in the accompanying statements of financial position.

Meeting and special events sponsorships are considered conditional contributions until the meeting or special event takes place and therefore are not recognized as support until the meeting or special event takes place. Accordingly, sponsorships received in advance of the meeting or special event are recorded as meetings and other deferred revenue in the accompanying statements of financial position.

Royalty income from insurance products offered to members are recognized at the point in time when the insurance product is sold to the member.

In-Kind Contributions

In-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, when the in-kind contributions are received or when an unconditional pledge to contribute the goods or services has been made. In-kind contributions consist of contributed sponsorships and advertising.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Expenses directly attributed to specific functional areas of NWRA are reported as expenses of those functional areas. Salaries are allocated to programs and supporting services based on employees' timesheets. Fringe benefits and shared costs (such as postage, copying and printing, occupancy, depreciation and amortization, and other operating expenses) that benefit multiple functional areas have been allocated among the various functional areas based on the actual direct labor charged to those functional areas.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Measurement of Operations

Investment income, net of investment fees, is considered nonoperating.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

2. Investments

As of December 31, 2020 and 2019, NWRA's investments consisted of the following:

	<u>2020</u>	<u>2019</u>
Fixed-income securities	\$ 8,189,848	\$ 9,325,240
Equity securities	12,548,148	9,224,533
Money market funds	<u>1,199,974</u>	<u>366,006</u>
Total Investments	<u>\$21,937,970</u>	<u>\$18,915,779</u>

Investment return consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 400,538	\$ 449,813
Realized gains on investments	292,837	1,447,421
Unrealized gains on investments	<u>2,408,870</u>	<u>857,278</u>
Total Income on Investments	3,102,245	2,754,512
Investment fees	<u>(80,099)</u>	<u>(132,774)</u>
Investment Income, Net	<u>\$ 3,022,146</u>	<u>\$ 2,621,738</u>

3. Fair Value Measurement

The following tables summarize NWRA's assets and liabilities measured at fair value on a recurring basis:

<u>December 31, 2020</u>	<u>Total</u>	<u>Quoted Prices</u>		
	<u>Fair Value</u>	<u>in Active</u>	<u>Markets for</u>	<u>Significant</u>
		<u>Identical</u>	<u>Other</u>	<u>Significant</u>
		<u>Assets/</u>	<u>Observable</u>	<u>Unobservable</u>
		<u>Liabilities</u>	<u>Inputs</u>	<u>Inputs</u>
		<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Fixed-income securities:				
Corporate bonds and notes	\$ 6,495,063	\$ -	\$ 6,495,063	\$ -
International developed bonds	1,296,420	-	1,296,420	-
Global high yield bonds	398,365	-	398,365	-
Equity securities:				
U.S. large cap	5,200,321	5,200,321	-	-
U.S. mid cap	2,538,796	2,538,796	-	-
U.S. small cap	1,454,213	1,454,213	-	-
International developed	2,685,776	2,685,776	-	-
Emerging markets	576,222	576,223	-	-
Equity other	92,820	92,820	-	-

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

3. Fair Value Measurement (continued)

	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2020 (continued)</u>				
Money market funds	\$ 1,199,974	\$ 1,199,974	\$ -	\$ -
Total Investments				
Measured in the Fair Value Hierarchy	<u>\$ 21,937,970</u>	<u>\$ 13,748,122</u>	<u>\$ 8,189,848</u>	<u>\$ -</u>
	Total Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2019</u>				
Fixed-income securities:				
Corporate bonds and notes	\$ 7,332,538	\$ -	\$ 7,332,538	\$ -
International developed bonds	1,396,505	-	1,396,505	-
Global high yield bonds	596,197	-	596,197	-
Equity securities:				
U.S. large cap	3,807,595	3,807,595	-	-
U.S. mid cap	1,157,339	1,157,339	-	-
U.S. small cap	511,872	511,872	-	-
International developed	1,861,697	1,861,697	-	-
Emerging markets	487,473	487,473	-	-
Equity other	1,398,557	1,398,557	-	-
Money market funds	<u>366,006</u>	<u>366,006</u>	<u>-</u>	<u>-</u>
Total Investments				
Measured in the Fair Value Hierarchy	<u>\$ 18,915,779</u>	<u>\$ 9,590,539</u>	<u>\$ 9,325,240</u>	<u>\$ -</u>

NWRA used the following methods and significant assumptions to estimate fair value for assets recorded at fair value:

Fixed-income securities – Securities with fixed maturities, other than U.S. Treasury securities, generally do not trade on a daily basis. The fair value estimates of such fixed-maturity investments are based on observable market information, rather than market quotes. Accordingly, the estimates of fair value for such fixed-maturity investments, as provided by the pricing service, are included in the amount disclosed in Level 2 of the fair value hierarchy.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

3. Fair Value Measurement (continued)

Equity securities – These are traded on a major exchange. Where quoted prices are available in an active market, securities are classified within Level 1 of the fair value hierarchy.

Money market funds – Money market funds are valued using the NAV of shares held, as reported in an active market in which the fund is traded.

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Computer software and equipment	\$ 869,434	\$ 839,702
Office equipment	215,444	215,444
Leasehold improvements	545,505	545,505
Furniture and fixtures	<u>35,091</u>	<u>35,092</u>
Total Property and Equipment	1,665,474	1,635,743
Less: Accumulated Depreciation and Amortization	<u>(1,131,349)</u>	<u>(1,010,636)</u>
Property and Equipment, Net	<u>\$ 534,125</u>	<u>\$ 625,107</u>

Depreciation and amortization expense was \$120,714 and \$107,795 for the years ended December 31, 2020 and 2019, respectively.

5. Net Assets With Donor Restrictions

NWRA's net assets with donor restrictions totaled \$1,504,204 and \$1,576,928 as of December 31, 2020 and 2019, respectively, and were intended for use for state legislative activities.

6. Commitments and Contingencies

Operating Leases

On March 1, 2017, NWRA moved into a new office space, leaving NWRA's old office space unoccupied. NWRA actively advertised to sublease the old office space and found a sublessee effective December 1, 2017. The terms of NWRA's leases and sublease are described below:

(a) Operating Lease for New Office Space

On August 1, 2016, NWRA entered into a noncancelable operating lease for a new office space for its headquarters in Arlington, Virginia. The lease term is for the period November 1, 2016, through March 31, 2029. The lease agreement requires base monthly payments of

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

6. Commitments and Contingencies (continued)

Operating Leases (continued)

(a) Operating Lease for New Office Space (continued)

\$19,883. The lease provides for 29 months of rent abatement and contains a fixed escalation clause for increases in the annual minimum rent. Additionally, under the terms of the lease and as an incentive to enter into the lease, NWRA received an allowance of \$545,505 for leasehold improvements.

Under GAAP, all fixed rent increases, less any rental abatements, and all lease incentives are recognized on a straight-line basis over the term of the lease. The difference between the GAAP rent expense and the required lease payments is reflected as deferred rent and lease incentive in the accompanying statements of financial position.

The future minimum lease payments owed by NWRA under this lease are as follows:

<u>For the Year Ending December 31,</u>	<u>Total</u>
2021	\$ 262,295
2022	268,852
2023	275,573
2024	282,463
2025	289,524
Thereafter	<u>991,647</u>
Total	<u>\$ 2,370,354</u>

(b) Operating Lease for Old Office Space

NWRA entered into a noncancelable agreement for office space in Washington, D.C., that commenced on January 1, 2008, and terminated on September 30, 2019. The lease requires NWRA to pay its share of any increases in operating expenses and/or real estate taxes.

The base rent increases annually based on scheduled increases provided in the lease. On March 1, 2017, NWRA moved out of this space and relocated to its new office space in Arlington, Virginia.

In accordance with FASB ASC Topic 420, *Accounting for Costs Associated with Exit or Disposal Obligations*, NWRA was required to recognize the costs to exit its existing lease agreement as a loss, including the costs that will continue to be incurred under the lease agreement, net of anticipated sublease income, and discounted to the present value.

In November 2017, NWRA entered into a sublease agreement to sublease a portion of its old office space. The sublease commenced on December 1, 2017, and terminated on September 30, 2019. The sublease provides initial monthly base rent of \$9,375 and a 5% increase after each anniversary of the lease. The income which will be generated from this sublease will be offset against the lease obligation on the old office lease.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

6. Commitments and Contingencies (continued)

Operating Leases (continued)

(b) Operating Lease for Old Office Space (continued)

On September 30, 2019, the lease and sublease agreements on NWRA's old office space expired and the related liabilities on the leases were released.

Rent expense, which excludes the loss on the old lease, totaled \$184,205 and \$175,927 for the years ended December 31, 2020 and 2019, respectively, and is included in occupancy expense in the accompanying statement of functional expenses.

Capital Leases

NWRA has entered into lease agreements to finance certain equipment that will expire at various dates during the next two years. The lease agreements have been classified as capital leases, which are generally accounted for as additions to property and equipment.

The present value of the future minimum lease payments is as follows as of December 31, 2020:

<u>For the Year Ending December 31,</u>	<u>Total</u>
2021	\$ 21,272
2022	<u>7,091</u>
Total	28,363
Amount Representing Interest	<u>(2,878)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 25,485</u>

There was no equipment acquired under capital leases during the years ended December 31, 2020 and 2019. Net book value of the equipment under capital lease totaled \$24,204 and \$42,358 at December 31, 2020 and 2019, respectively.

Concentration of Credit Risk

NWRA maintains its cash and cash equivalents with commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2020 and 2019, NWRA had cash and cash equivalents which exceeded the maximum limit insured by the FDIC by approximately \$197,000 and \$126,000, respectively. NWRA monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

NWRA also maintains cash in accounts not covered by the FDIC, which consequently are uninsured. As of December 31, 2020 and 2019, NWRA had cash in these accounts totaling approximately \$5,000 and \$6,000, respectively, which was uninsured.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2020 and 2019

6. Commitments and Contingencies (continued)

Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the world. NWRA is monitoring the outbreak of COVID-19 and the related business and travel restrictions and changes to behavior intended to reduce its spread, in addition to the impact on its employees. During 2020, NWRA and its partner organization postponed its Waste Expo Conference to a later date due to the outbreak of COVID-19, and eventually converted the conference into a virtual format. In addition, NWRA was forced to cancel its 2020 Executive Leadership Roundtable Conference. NWRA was not significantly impacted by the cancellation of the in-person Waste Expo Conference as most of the associated costs were shouldered by its partner organization. To date, NWRA has been able to continue operations in a remote environment; however, at this point, the extent to which COVID-19 will impact NWRA's financial condition or result of operations is uncertain and being closely monitored by management and the Board.

7. Line of Credit

NWRA terminated its revolving line of credit during the year ended December 31, 2019. NWRA had \$1,000,000 available under this line of credit. Borrowings under the line bore interest at a fluctuating rate per annum determined to be 0.5% above the Daily One Month London Interbank Offered Rate (LIBOR) in effect from time to time. Interest paid for the year ended December 31, 2019, totaled \$5,480. The line of credit was secured by NWRA's investments.

On August 11, 2020, NWRA entered into a callable, \$500,000 line of credit agreement with its bank. The line of credit bears interest at the LIBOR rate plus 2.125%, which was 2.28% as of December 31, 2020. In addition, the line of credit is secured by NWRA's cash and investments held by the bank and includes certain non-financial covenants. As of and for the year ended December 31, 2020, there was no outstanding balance and there were no borrowings on the line of credit.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2020 and 2019

8. Liquidity and Availability of Resources

NWRA's financial assets available within one year of the date of the statement of financial position for general expenditure are as follows:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 447,338	\$ 381,199
Accounts receivable, net	463,738	788,701
Investments	<u>21,937,970</u>	<u>18,915,779</u>
Total Financial Assets Available		
Within One Year	22,849,046	20,085,679
Less amounts not available to be used within one year:		
Amounts restricted by donors with purpose restrictions	<u>(1,504,204)</u>	<u>(1,576,928)</u>
Financial Assets Available		
Within One Year	<u>\$ 21,344,842</u>	<u>\$ 18,508,751</u>

NWRA has various sources of liquidity at its disposal, including cash and cash equivalents and investments, which are available for general expenditures, liabilities and other obligations as they come due. NWRA's working capital and cash flows come from membership dues, meetings and sponsorships revenue, and contributions revenue that are received at various times throughout the year. Management is focused on sustaining the financial liquidity of NWRA throughout the year. This is done through monitoring and reviewing NWRA's cash flow needs on a weekly basis. As a result, management is aware of the cyclical nature of NWRA's cash flows related to NWRA's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. As part of its liquidity plan, NWRA maintains the majority of its investments in financial assets that are publicly traded. NWRA can liquidate its investments at any time, and therefore the investments are available to meet current cash flow needs. To help manage unanticipated liquidity needs, NWRA had a secured line of credit of \$500,000, of which the full amount was unused and available to draw upon as of December 31, 2020.

9. Retirement Plan

NWRA sponsors a Retirement and Safe Harbor 401(k) Plan for its employees. All of NWRA's full-time employees are eligible to participate in the plan. A discretionary pro rata employer contribution is permitted under the plan for employees who have worked for NWRA for at least six months and have completed at least 1,000 hours of service during the plan year. For the employee contribution portion of the 401(k) plan, NWRA matches the contribution in an amount equal to 100% of the salary deferral contributions up to 3% of an employee's salary, plus 50% of the salary deferral contributions from 3% to 5% of the employee's salary for the payroll period. Matching contributions are also qualified for safe harbor matching contributions. The contributions resulting from the salary deferral contributions and safe harbor employer contributions are 100% vested when made. The contributions are also subject to the distribution restrictions of Internal Revenue Code (IRC) Section 401(k) when they are made.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2020 and 2019

9. Retirement Plan (continued)

The amount of the discretionary contribution is determined each year by NWRA. Discretionary contributions vest 100% after three years of service. The matching and discretionary employer contributions, net of forfeitures, amounted to \$156,986 and \$177,940 for the years ended December 31, 2020 and 2019, respectively.

10. In-Kind Contributions

During the years ended December 31, 2020 and 2019, NWRA received in-kind contributions consisting of sponsorships and advertising that are included in chapter legislative activities expense in the accompanying statements of activities. These in-kind contributions are recognized as revenue and expense in the accompanying statements of activities at their estimated fair value, as provided by the donor at the date of receipt. For the years ended December 31, 2020 and 2019, NWRA received in-kind contributions totaling \$6,677 and \$75,012, respectively, which consisted of contributed sponsorships and advertising.

11. Income Taxes

NWRA is exempt from federal taxes under Section 501(c)(6) of the IRC. NWRA is subject to tax on its net revenue from unrelated business income from insurance fees and advertising.

NWRA 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 guidance 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. NWRA evaluated its uncertainty in income taxes for the years ended December 31, 2020 and 2019, 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; and there are currently no audits pending or in progress. It is NWRA's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2020 and 2019, NWRA had no accruals for interest and/or penalties.

12. Subsequent Events

In preparing these financial statements, NWRA has evaluated events and transactions, for potential recognition or disclosure, through June 24, 2021, the date these financial statements were available to be issued. Except for subsequent event disclosed below, there were no subsequent events identified through June 24, 2021, that require recognition or disclosure in these financial statements.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2020 and 2019

12. Subsequent Events (continued)

On February 26, 2021, NWRA Small Business Administration loan application for the amount of \$351,042 was approved by a financial institution. The loan will mature in February 2026 with a fixed interest rate at 1% per annum. Consecutive monthly payments of principal of approximately \$5,851 plus interest at 1% will commence one month after the earlier of the following dates: (1) the date the financial institution receives the applicable forgiveness amount from the SBA; or (2) the date that is 10 months after the end of the forgiveness covered period, through the maturity date. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program.