



Financial Statements

For The Years Ended December 31, 2021 and 2020

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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

Opinion

We have audited the financial statements of the National Waste & Recycling Association (NWRA), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 NWRA 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 (GAAS). 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 NWRA 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 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 NWRA'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 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, 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 NWRA'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 NWRA'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.

Marcum LLP

Washington, DC
October 27, 2022

NATIONAL WASTE & RECYCLING ASSOCIATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 916,251	\$ 447,338
Receivables, net of allowance for doubtful accounts of \$23,000 in 2021 and \$129,140 in 2020	775,886	463,738
Prepaid expenses and other	84,433	87,391
Investments	24,137,079	21,937,970
Property and equipment, net	435,736	534,125
TOTAL ASSETS	\$ 26,349,385	\$ 23,470,562
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 239,504	\$ 213,426
Accrued employee benefits	210,845	202,503
Deferred revenue	20,703	345,827
Deferred rent and lease incentive	840,941	928,460
Capital lease obligation	5,262	25,485
TOTAL LIABILITIES	1,317,255	1,715,701
Net Assets		
Without donor restrictions	23,461,069	20,250,657
With donor restrictions	1,571,061	1,504,204
TOTAL NET ASSETS	25,032,130	21,754,861
TOTAL LIABILITIES AND NET ASSETS	\$ 26,349,385	\$ 23,470,562

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

NATIONAL WASTE & RECYCLING ASSOCIATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT						
Member services:						
Membership dues	\$ 3,545,403	\$ -	\$ 3,545,403	\$ 3,389,465	\$ -	\$ 3,389,465
Meetings and sponsorships	621,895	-	621,895	311,938	-	311,938
Publications	48,053	-	48,053	22,750	-	22,750
Royalties	58,316	-	58,316	101,218	-	101,218
Chapter revenue:						
Contributions	-	1,032,041	1,032,041	-	902,474	902,474
Special events	196,740	178,892	375,632	39,351	57,793	97,144
Government grants – Payroll Protection Program Loan and Employee Retention Tax Credit	582,867	-	582,867	-	-	-
In-kind contributions	61,695	-	61,695	6,677	-	6,677
Insurance royalties and services	101,999	-	101,999	127,165	-	127,165
Net assets released from purpose restrictions	1,144,076	(1,144,076)	-	1,032,991	(1,032,991)	-
TOTAL OPERATING REVENUE AND SUPPORT	6,361,044	66,857	6,427,901	5,031,555	(72,724)	4,958,831
OPERATING EXPENSES						
Program Services:						
Member services	2,734,370	-	2,734,370	2,323,766	-	2,323,766
Chapter legislative activities	1,144,076	-	1,144,076	993,642	-	993,642
Total Program Services	3,878,446	-	3,878,446	3,317,408	-	3,317,408
Supporting Services:						
Administration	1,414,306	-	1,414,306	1,622,715	-	1,622,715
Donor benefit	26,694	-	26,694	4,812	-	4,812
Fundraising	30,290	-	30,290	34,540	-	34,540
Total Supporting Services	1,471,290	-	1,471,290	1,662,067	-	1,662,067
TOTAL OPERATING EXPENSES	5,349,736	-	5,349,736	4,979,475	-	4,979,475
Change in net assets from operations	1,011,308	66,857	1,078,165	52,080	(72,724)	(20,644)
NONOPERATING INCOME						
Investment income, net	2,199,104	-	2,199,104	3,022,146	-	3,022,146
CHANGE IN NET ASSETS	3,210,412	66,857	3,277,269	3,074,226	(72,724)	3,001,502
NET ASSETS, BEGINNING OF YEAR	20,250,657	1,504,204	21,754,861	17,176,431	1,576,928	18,753,359
NET ASSETS, END OF YEAR	\$ 23,461,069	\$ 1,571,061	\$ 25,032,130	\$ 20,250,657	\$ 1,504,204	\$ 21,754,861

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, 2021

	Program Services			Supporting Services			Total	
	Member Services	Chapter Legislative Activities	Total Program Services	Administrative	Donor Benefit	Fundraising		Total Supporting Services
Salaries	\$ 1,323,402	\$ 560	\$ 1,323,962	\$ 506,772	\$ -	\$ -	\$ 506,772	\$ 1,830,734
Professional fees and contract services	307,038	1,014,905	1,321,943	507,896	-	-	507,896	1,829,839
Employee benefits and taxes	449,087	-	449,087	178,608	-	-	178,608	627,695
Conferences and travel	369,137	111,948	481,085	21,231	26,694	30,243	78,168	559,253
Occupancy	131,746	-	131,746	78,762	-	-	78,762	210,508
Depreciation and amortization	65,116	-	65,116	40,641	-	-	40,641	105,757
Other operating expenses	49,965	14,800	64,765	34,169	-	-	34,169	98,934
Subscriptions, dues and taxes	24,087	340	24,427	39,874	-	-	39,874	64,301
Postage, copying and printing	14,792	1,523	16,315	6,353	-	47	6,400	22,715
TOTAL EXPENSES	\$ 2,734,370	\$ 1,144,076	\$ 3,878,446	\$ 1,414,306	\$ 26,694	\$ 30,290	\$ 1,471,290	\$ 5,349,736

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
Professional fees and contract services	273,023	981,128	1,254,151	472,112	-	-	472,112	1,726,263
Employee benefits and taxes	353,219	-	353,219	285,360	-	-	285,360	638,579
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
Other operating expenses	32,814	2,056	34,870	169,200	74	-	169,274	204,144
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
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

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,277,269	\$ 3,001,502
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	105,757	120,714
Realized gains on sales of investments	(582,068)	(292,836)
Unrealized gains on investments	(1,254,735)	(2,408,871)
Change in allowance for doubtful accounts	(106,140)	125,740
Changes in assets:		
Receivables	(206,008)	199,223
Prepaid expenses and other	2,958	(33,597)
Changes in liabilities:		
Accounts payable and accrued expenses	76,078	(56,797)
Accrued employee benefits	8,342	(22,153)
Deferred revenue	(325,124)	(16,480)
Deferred rent and lease incentive	(87,519)	(81,121)
NET CASH PROVIDED BY OPERATING ACTIVITIES	908,810	535,324
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale or maturities of investments	6,132,361	9,178,100
Purchases of investments	(6,494,662)	(9,454,494)
Purchases of property and equipment	(57,368)	(129,732)
NET CASH USED IN INVESTING ACTIVITIES	(419,669)	(406,126)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(20,223)	(18,969)
NET CASH USED IN FINANCING ACTIVITIES	(20,223)	(18,969)
NET INCREASE IN CASH AND CASH EQUIVALENTS	468,918	110,229
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	491,428	381,199
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 960,346	\$ 491,428
CASH AND CASH EQUIVALENTS, END OF YEAR		
Cash and cash equivalents	\$ 916,251	\$ 447,338
Cash held within investments	44,095	44,090
TOTAL CASH AND CASH EQUIVALENTS	\$ 960,346	\$ 491,428
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash payments for interest	\$ 1,048	\$ 4,303
NONCASH INVESTING ACTIVITIES		
Property and equipment purchases included in accounts payable and accrued expenses	\$ -	\$ 50,000

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, 2021 and 2020

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 membership dues, 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 and accounts receivable totaled \$788,701 as of January 1, 2020.

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 administrative expense in the accompanying statements of activities and changes in net assets when allowances on receivables are increased or when accounts written off exceed available allowances.

Investments

Investments are composed of cash, 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, 2021 and 2020

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

Investments (continued)

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, 2021 and 2020, 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 sold or otherwise disposed of, the asset and its related accumulated depreciation and

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

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

Property and Equipment and Related Depreciation and Amortization (continued)

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 and changes in net assets. 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 Services

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.

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 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. NWRA's deferred revenue is short-term in nature and recognized as revenue in the following year when the performance obligations are met. As of January 1, 2020, deferred revenue totaled \$362,307.

Meeting sponsorships are considered conditional contributions until the meeting takes place and therefore are not recognized as support until the meeting takes place. Accordingly, any sponsorships received in advance of the meeting are recorded as refundable advances 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.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

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

Revenue Recognition (continued)

Chapter Revenue

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.

Special events sponsorships are considered conditional contributions until the special event takes place and therefore are not recognized as support until the special event takes place. Accordingly, any sponsorships received in advance of the special event are recorded as refundable advances in the accompanying statements of financial position.

Government grants

Paycheck Protection Program (PPP) loan and Employee Retention Tax Credit (ERTC) are considered conditional government grants. NWRA recognizes support from PPP loan upon satisfying applicable compliance requirements, including the incurrence of allowable qualifying expenses, and NWRA recognizes support from ERTC in the applicable calendar quarters when conditions were satisfied for receiving the credit as set forth by the federal government.

In-Kind Contributions

In-kind contributions are recognized as revenue and expense in the accompanying statements of activities and changes in net assets 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

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

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

Functional Allocation of Expenses (continued)

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.

2. Investments

As of December 31, 2021 and 2020, NWRA's investments consisted of the following:

	<u>2021</u>	<u>2020</u>
Fixed-income securities	\$ 9,225,952	\$ 8,189,848
Equity securities	14,051,397	12,548,148
Money market funds	815,635	1,155,884
Cash	<u>44,095</u>	<u>44,090</u>
Total Investments	<u>\$ 24,137,079</u>	<u>\$ 21,937,970</u>

Investment return consisted of the following for the years ended December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Interest and dividend income	\$ 453,811	\$ 400,538
Realized gains on investments	582,068	292,836
Unrealized gains on investments	<u>1,254,735</u>	<u>2,408,871</u>
Total Income on Investments	2,290,614	3,102,245
Investment fees	<u>(91,510)</u>	<u>(80,099)</u>
Investment Income, Net	<u>\$ 2,199,104</u>	<u>\$ 3,022,146</u>

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

3. Fair Value Measurement

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

<u>December 31, 2021</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Fixed-income securities:				
Corporate bonds and notes	\$ 6,978,223	\$ -	\$ 6,978,223	\$ -
International developed bonds	1,785,371	-	1,785,371	-
Global high yield bonds	462,358	-	462,358	-
Equity securities:				
U.S. large cap	5,196,986	5,196,986	-	-
U.S. mid cap	3,062,246	3,062,246	-	-
U.S. small cap	2,073,557	2,073,557	-	-
International developed	2,824,398	2,824,398	-	-
Emerging markets	894,210	894,210	-	-
Money market funds	<u>815,635</u>	<u>815,635</u>	<u>-</u>	<u>-</u>
Total Investments Measured in the Fair Value Hierarchy	24,092,984	<u>\$ 14,867,032</u>	<u>\$ 9,225,952</u>	<u>\$ -</u>
Cash	<u>44,095</u>			
Total Investments	<u>\$ 24,137,079</u>			

<u>December 31, 2020</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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	576,222	-	-
Equity other	92,820	92,820	-	-

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

3. Fair Value Measurement (continued)

<i>(continued)</i> December 31, 2020	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 1,155,884	\$ 1,155,884	\$ -	\$ -
Total Investments Measured in the Fair Value Hierarchy	21,893,880	<u>\$ 13,704,032</u>	<u>\$ 8,189,848</u>	<u>\$ -</u>
Cash	<u>44,090</u>			
Total Investments	<u>\$ 21,937,970</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.

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 net asset value 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, 2021 and 2020:

	2021	2020
Computer software and equipment	\$ 873,979	\$ 869,434
Office equipment	218,267	215,444
Leasehold improvements	545,505	545,505
Furniture and fixtures	<u>35,091</u>	<u>35,091</u>
Total Property and Equipment	1,672,842	1,665,474
Less: Accumulated Depreciation and Amortization	<u>(1,237,106)</u>	<u>(1,131,349)</u>
Property and Equipment, Net	<u>\$ 435,736</u>	<u>\$ 534,125</u>

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For the Years Ended December 31, 2021 and 2020

4. Property and Equipment (continued)

Depreciation and amortization expense was \$105,757 and \$120,714 for the years ended December 31, 2021 and 2020, respectively.

5. Net Assets With Donor Restrictions

NWRA's net assets with donor restrictions totaled \$1,571,060 and \$1,504,204 as of December 31, 2021 and 2020, respectively, and were intended for use for state legislative activities.

6. Commitments and Contingencies

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 \$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>
2022	\$ 268,852
2023	275,573
2024	282,463
2025	289,524
2026	296,762
Thereafter	<u>694,884</u>
Total	<u>\$ 2,108,058</u>

Rent expense totaled \$176,161 and \$184,205 for the years ended December 31, 2021 and 2020, 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.

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NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

6. Commitments and Contingencies (continued)

Capital Leases (continued)

The present value of the future minimum lease payments is as follows as of December 31, 2021:

<u>For the Year Ending</u> <u>December 31,</u>	<u>Total</u>
2022	\$ <u>5,318</u>
Total	5,318
Amount Representing Interest	<u>(56)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 5,262</u>

There was no equipment acquired under capital leases during the years ended December 31, 2021 and 2020. Net book value of the equipment under capital lease totaled \$6,051 and \$24,204 at December 31, 2021 and 2020, 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, 2021 and 2020, NWRA had cash and cash equivalents which exceeded the maximum limit insured by the FDIC by approximately \$629,000 and \$192,000, 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, 2021 and 2020, NWRA had cash in these accounts totaling approximately \$34,000 and \$5,000, respectively, which was uninsured.

7. Line of Credit

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 London Interbank Offered Rate plus 2.125%, which was 2.21% and 2.28% as of December 31, 2021 and 2020, respectively. 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 December 31, 2021 and 2020, there was no outstanding balance on the line of credit.

8. Government Grants – Payroll Protection Program Loan and Employee Retention Tax Credit

On February 25, 2021, NWRA's Small Business Administration (SBA) Paycheck Protection Program (PPP) loan application was approved by its financial institution in the amount of \$351,042. The PPP loan was scheduled to mature in February 2026 and bore interest at a

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

8. Government Grants – Payroll Protection Program Loan and Employee Retention Tax Credit (continued)

fixed rate of 1% per annum. Payments of principal and interest were deferred while the loan was under consideration for forgiveness, pursuant to provisions of the PPP. On September 15, 2021, NWRA's PPP loan forgiveness was approved by the SBA. As NWRA elected to account for this transaction as a loan, and not a conditional grant, the forgiveness has been presented as forgiveness of note payable – PPP in the accompanying statement of activities and changes in net assets.

The Employee Retention Tax Credit (ERTC) was first established by the Coronavirus Aid, Relief, and Economic Security Act and was extended and expanded by the Consolidated Appropriations Act and the American Rescue Plan. ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and September 30, 2021 (2021 ERTC). To be eligible, NWRA must meet certain conditions as described in applicable laws and regulations.

NWRA has determined that it qualifies for the 2020 and 2021 ERTC, and therefore, is accounting for it as conditional grants under FASB ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of December 31, 2021, and therefore, NWRA recognized as revenue the \$84,000 ERTC received during 2021 and the \$147,825 that it expects to receive is included in accounts receivable in the accompanying statements of financial position. Eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of NWRA as of December 31, 2021, and on the changes in its net assets for the year then ended.

9. 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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 916,251	\$ 447,338
Accounts receivable, net	775,886	463,738
Investments	<u>24,137,079</u>	<u>21,937,970</u>
Total Financial Assets Available Within One Year	25,829,216	22,849,046

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

9. Liquidity and Availability of Resources (continued)

	<u>2021</u>	<u>2020</u>
<i>(continued)</i>		
Less amounts not available to be used within one year:		
Amounts restricted by donors with purpose restrictions	\$ (1,571,060)	\$ (1,504,204)
Financial Assets Available		
Within One Year	<u>\$ 24,258,156</u>	<u>\$ 21,344,842</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, 2021.

10. 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.

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 \$189,022 and \$156,986 for the years ended December 31, 2021 and 2020, respectively.

NATIONAL WASTE & RECYCLING ASSOCIATION

NOTES TO FINANCIAL STATEMENTS For the Years Ended December 31, 2021 and 2020

11. In-Kind Contributions

During the years ended December 31, 2021 and 2020, 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, 2021 and 2020, NWRA received in-kind contributions totaling \$61,695 and \$6,677, respectively, which consisted of contributed sponsorships and advertising.

12. 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, 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; 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, 2021 and 2020, NWRA had no accruals for interest and/or penalties.

13. Reclassifications

Certain 2020 balances were reclassified to conform to the 2021 financial statements presentation.

14. Subsequent Events

In preparing these financial statements, NWRA has evaluated events and transactions, for potential recognition or disclosure, through October 27, 2022, the date these financial statements were available to be issued. There were no subsequent events identified through October 27, 2022, that require recognition or disclosure in these financial statements.