



**Financial Statements
and Supplemental Information**

National Fire Protection Association

December 31, 2020 and 2019



NATIONAL FIRE PROTECTION ASSOCIATION

Financial Statements and Supplemental Information

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Independent Auditors' Report

The Board of Directors
National Fire Protection Association
Quincy, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the National Fire Protection Association ("NFPA"), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 Fire Protection 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.

Other Matters

Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021 on our consideration of NFPA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NFPA's internal control over financial reporting and compliance.

Maye Hoffman McCann P.C.

March 12, 2021
Boston, Massachusetts

NATIONAL FIRE PROTECTION ASSOCIATION

Statements of Financial Position

(000 omitted)

	<i>December 31,</i>	
	2020	2019
Assets		
Cash and cash equivalents	\$ 19,358	\$ 17,613
Accounts and other receivables, net	4,256	5,615
Inventory, net	10,926	12,053
Prepaid expenses and other assets	1,913	1,942
Investments	284,767	265,033
Rent receivables and other deferred costs - real estate investments	7,518	7,452
Property and equipment, net	23,536	19,369
Real estate investments, net	<u>28,018</u>	<u>29,924</u>
Total assets	\$ <u>380,292</u>	\$ <u>359,001</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 11,065	\$ 12,294
Deferred revenues	12,481	14,305
Pension liability	26,278	20,828
Paycheck Protection Program loan	<u>4,819</u>	<u>-</u>
Total liabilities	<u>54,643</u>	<u>47,427</u>
Net assets:		
Without donor restrictions	325,646	311,516
With donor restrictions	<u>3</u>	<u>58</u>
Total net assets	<u>325,649</u>	<u>311,574</u>
Total liabilities and net assets	\$ <u>380,292</u>	\$ <u>359,001</u>

NATIONAL FIRE PROTECTION ASSOCIATION

Statements of Activities (000 omitted)

	Years Ended December 31,	
	2020	2019
Change in net assets without donor restrictions:		
Operating revenues:		
Publications	\$ 48,984	\$ 54,133
Membership	11,487	14,503
Training	7,067	12,165
Contracts and grants	1,331	1,799
Other	737	949
	<u>69,606</u>	<u>83,549</u>
Net assets released from restrictions	<u>570</u>	<u>270</u>
Total operating revenues	<u>70,176</u>	<u>83,819</u>
Operating expenses:		
Publications	25,129	27,106
Membership	7,015	9,549
Training	4,810	7,674
Contracts and grants	1,104	1,510
Standards development	12,163	15,336
Public education	1,382	1,858
International	1,194	1,390
General and administrative	19,875	21,025
Total operating expenses	<u>72,672</u>	<u>85,448</u>
Change in net assets without donor restrictions from operating activities	<u>(2,496)</u>	<u>(1,629)</u>
Non-operating revenue and expenses:		
Real estate investments - lease operations:		
Lease income	8,057	8,212
Lease expenses	<u>(7,220)</u>	<u>(7,619)</u>
Net lease income	837	593
Investment return, net	22,083	33,836
Gain on sale/disposal of property and equipment	-	22
Pension costs other than service costs	<u>(6,294)</u>	<u>(5,217)</u>
Change in net assets without donor restrictions from non-operating activities	<u>16,626</u>	<u>29,234</u>
Change in net assets without donor restrictions	<u>14,130</u>	<u>27,605</u>
Change in net assets with donor restrictions:		
Contributions	515	192
Net assets released from restrictions	<u>(570)</u>	<u>(270)</u>
Change in net assets with donor restrictions	<u>(55)</u>	<u>(78)</u>
Change in net assets	14,075	27,527
Net assets, beginning of year	<u>311,574</u>	<u>284,047</u>
Net assets, end of year	<u>\$ 325,649</u>	<u>\$ 311,574</u>

NATIONAL FIRE PROTECTION ASSOCIATION

Statements of Cash Flows (000 omitted)

	Years Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 14,075	\$ 27,527
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	5,629	5,500
Net realized and unrealized gains on investments	(18,284)	(28,199)
Gain on sale/disposal of property and equipment	-	(22)
Changes in assets and liabilities:		
Accounts and other receivables, net	1,359	(1,032)
Inventory, net	1,127	(860)
Prepaid expenses and other assets	29	85
Rent receivables and other deferred costs - real estate investments	(66)	794
Accounts payable and accrued expenses	(798)	1,085
Deferred revenues	(1,824)	1,275
Pension liability	5,450	(5,201)
	<u>6,697</u>	<u>952</u>
Net cash and cash equivalents provided by operating activities	<u>6,697</u>	<u>952</u>
Cash flows from investing activities:		
Purchases of property and equipment	(7,796)	(3,229)
Proceeds from sale of property and equipment	-	22
Capital purchase of real estate investments	(525)	(500)
Purchase of investments	(115,549)	(95,323)
Proceeds from sales of investments	114,099	101,984
	<u>(9,771)</u>	<u>2,954</u>
Net cash and cash equivalents provided by (used in) investing activities	<u>(9,771)</u>	<u>2,954</u>
Cash flows from financing activities:		
Proceeds from paycheck protection program loan	4,819	-
	<u>4,819</u>	<u>-</u>
Net increase in cash and cash equivalents	<u>1,745</u>	<u>3,906</u>
Cash and cash equivalents, beginning of year	17,613	13,707
	<u>17,613</u>	<u>13,707</u>
Cash and cash equivalents, end of year	<u>\$ 19,358</u>	<u>\$ 17,613</u>
Supplemental disclosure of noncash activities:		
Property and equipment acquisitions included in accounts payable and accrued expenses	\$ 355	\$ 786

See accompanying notes to the financial statements.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 1 - Description of Business and Summary of Significant Accounting Policies

Business and Organization

The National Fire Protection Association ("NFPA") is a not-for-profit entity organized in 1896 and incorporated in 1930 under the laws of the Commonwealth of Massachusetts. NFPA is a voluntary membership organization promoting fire and life safety through research, codes and standards, technical advisory services and public education. NFPA's activities are principally funded by sales of its publications, membership dues and trainings.

NFPA's customers represent a broad array of government and non-government entities located primarily throughout the United States.

Basis of Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America which require that NFPA report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. The Board of Directors has designated net assets for endowment from net assets without donor restrictions. NFPA's policy is to designate unrestricted donor gifts at the discretion of the Board of Directors. Net assets without donor restrictions also include the investment portfolio and the net real estate investments and net property and equipment.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents

NFPA considers highly liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash equivalents.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 1 - Description of Business and Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents (Continued)

NFPA maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. NFPA monitors its exposure associated with cash and cash equivalents and has not experienced any losses in such accounts. Included in cash equivalents are money market funds and certificates of deposit of \$5,010 in each of the years ended December 31, 2020 and 2019. Cash held by NFPA's investment managers is considered part of investments given the expectation of near term reinvestment.

Accounts Receivable and Other Receivables

Accounts receivable are carried at net realizable value which is the amount management expects to collect from outstanding balances. An allowance for doubtful accounts has been established based on a review of the aged accounts. The factors influencing management's judgment of the adequacy of the allowance for doubtful accounts include historical losses and the status of current collection efforts. Trade accounts receivable are written off after it is evident that the collection efforts have been exhausted. Included in accounts receivable are credit balances for customer overpayments pending refund or application.

Inventory

Publication costs of books, consisting of paper, printing and prepublication costs, are charged to inventory and expensed as the books are sold on a first-in, first-out basis. Development labor is capitalized annually in summary and amortized in relation to the expected revenue stream over three years; this method approximates average cost method. Completed books are recorded in the accompanying statements of financial position at the lower of average cost or net realizable value. NFPA classifies inventory as either finished goods or work in process.

Prepaid Expenses and Other Assets

Included in prepaid expenses and other assets are significant costs for printing and distributing the winter catalog. These costs are expensed in the following year when the corresponding revenue is recognized. Also included are costs for seminar development which are deferred until the seminar programs are launched. These costs are then amortized against seminar revenues.

Investments and Related Income

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section. The net increase in realized and unrealized appreciation in the fair value of such investments has been included in the statements of activities in the appropriate net asset classification.

The primary objective of the investments is the long-term growth of principal while preserving capital by minimizing undue volatility and exposure to risk.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 1 - Description of Business and Summary of Significant Accounting Policies (Continued)

Investments and Related Income (Continued)

NFPA's investments are available to:

- a) Maintain operations for a period of time in the event of unforeseen cash flow interruption,
- b) Cover unexpected cash flow demands from materially adverse events, and
- c) Provide working capital to conduct operations in a fiscally responsible manner.

The time period for measuring investment results will emphasize a three- to five-year period or a market cycle. The following are the investment performance objectives, in order of importance:

- a) Exceed the total return of the policy benchmark.
- b) Obtain a total return that places the investments in the top 50th percentile as compared to other investments with similar asset allocation and investment style.

Asset allocation will be made in a manner consistent with the investment objectives.

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 investment expenses.

Rent Receivables and Other Deferred Costs - Real Estate Investments

Lease income is recorded on the straight-line basis over the lease term. Accordingly, rent receivables are comprised of accrued rents earned but not collected. NFPA incurs leasing commissions and related costs and provides tenant allowances associated with the successful negotiation of leases, including legal and other costs. These costs are amortized on the straight-line method over the period of the respective leases.

Real Estate Investments, Net

Real estate investments are recorded at historical cost less accumulated depreciation. Depreciation is computed using the same practices as property and equipment. NFPA reviews the carrying amount of its real estate investments along with related rent receivables and deferred costs, whenever events and changes in circumstances indicate that the carrying amount of an asset may not be recoverable. NFPA's real estate investments include ownership of the office buildings located at:

- a) II Batterymarch Park
- b) III Batterymarch Park
- c) IV Batterymarch Park

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 1 - Description of Business and Summary of Significant Accounting Policies (Continued)

Property and Equipment, Net

Property and equipment are recorded at cost when such amounts are above management's threshold for capitalization and have a useful life of one year or more. Property and equipment also include ownership of the office building that NFPA occupies located at I Batterymarch Park. Expenditures for major renewals and improvements are capitalized while expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15 years
Buildings and improvements	10 - 39 years
Furniture and office equipment	3 - 10 years
Business systems	3 - 7 years

Minor renovations and repairs are charged to operations and maintenance as incurred.

Defined Benefit Plans

NFPA accounts for its defined benefit plans according to the following requirements:

- a) Recognize the funded status of a benefit plan, measured as the difference between plan assets at fair value and the projected benefit obligation, in the statement of financial position.
- b) Recognize in the statement of activities the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic benefit cost.
- c) Measure defined benefit plan assets and obligations as of the date of the employers' fiscal year-end statement of financial position.
- d) Disclose in the notes to the financial statements additional information about certain effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

Self-Insurance Liabilities

Accrued expenses as of December 31, 2020 and 2019 include self-insurance reserves amounting to approximately \$326 and \$279, respectively, for employee health care claims incurred but not paid at year end. NFPA is responsible for claims on an annual basis up to \$4,551 and \$4,080 for the years ended December 31, 2020 and 2019, respectively, and has purchased stop-loss insurance for coverage in excess of these amounts. Actual claims paid for 2020 and 2019 totaled \$3,156 and \$3,968, respectively.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 1 - Description of Business and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

NFPA derives its operating revenues from four primary sources: publications, membership, training and contracts and grants. NFPA recognizes revenue from publications, membership and training when control of the promised goods or services is transferred to its customers in an amount that reflects the consideration NFPA expects to be entitled to receive in exchange for those goods or services. Revenue is recognized based on the five-step model under Revenue from Contracts with Customers ("ASC 606"): (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenues when (or as) each performance obligation is satisfied.

Revenue is recorded net of discounts and allowances which are typically derived from historical trends and other relevant information. Reimbursements, including those related to travel and out-of-pocket expenses, are also included in net service revenues, and equivalent amounts of reimbursable expenses are included in direct costs of services. Sales tax or value added taxes are excluded from the measurement of the transaction price

Contracts and grants revenue is recognized in accordance with either the Contributions Accounting Standards ("ASC 958") or ASC 606, depending on whether the contract is a contribution or an exchange transaction. Contribution revenue earned on grants for research is recognized as related costs are incurred as revenue without donor restrictions. Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Revenue on contracts is recognized as value is transferred to customers which generally is indicated via the incurring of allowable costs under the contract.

NFPA records as contribution revenue unconditional promises to give. All other contribution revenue is recorded as received. If the contribution is made in assets other than cash, the amount of the contribution is measured at the fair value of the asset contributed at the date the contribution or unconditional promise to give is made by the donor, using a Level 2 fair value approach according to the fair value policies outlined below.

Contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated asset for some specific purpose or time period.

Lease revenue is recognized on the straight-line basis over the term of the respective lease regardless of payment terms and NFPA records any difference between the amount received and the revenue recognized as rent receivables in the accompanying statements of financial position.

NFPA has numerous committees whose members have made significant investments of time to the development of codes and standards. These contributed services do not qualify for recognition for financial reporting purposes and, accordingly, are not reflected in the accompanying financial statements.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 1 - Description of Business and Summary of Significant Accounting Policies (Continued)

Shipping and Handling Costs

Shipping and handling costs are fulfillment costs and charged to publication expense in the statements of activities.

Net Assets Released from Restrictions

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs, activities and supporting services have been summarized on a functional basis in the statements of activities. Note 17 presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs such as depreciation, insurance and operations and maintenance expense have been allocated to functional classifications based on the direct payroll that is attributable to the programs and supporting services. Certain fringe benefit costs such as payroll taxes, workers compensation insurance, defined benefit plan expenses and other benefit expenses have been allocated to functional classifications based on the programs that are benefited.

Tax Status and Uncertain Tax Positions

NFPA is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from Federal and state income taxes on related income. A provision for taxes is considered to the extent that NFPA has unrelated activities, but such considerations are not significant. Accordingly, no provision for income taxes is made in the financial statements.

NFPA accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. Interest and penalties assessed, if any, are accrued as income tax expense.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 1 - Description of Business and Summary of Significant Accounting Policies (Continued)

Tax Status and Uncertain Tax Positions (Continued)

NFPA has identified its tax status as a tax exempt entity and its determinations as to its income being related or unrelated as tax positions; however, NFPA has determined that such tax positions do not result in an uncertainty requiring recognition. In addition to its tax status, NFPA has other tax positions that have been determined to be highly certain and, therefore, no reserve for unrecognized tax liability is deemed necessary. NFPA is not currently under examination by any taxing jurisdiction. Its Federal and state income tax returns are generally open for examination for three years following the date filed, including extensions.

Fair Value Measurements

NFPA reports required types of financial instruments in accordance with fair value accounting standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, NFPA reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require NFPA to classify these financial instruments (but for those reported using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include listed equity and debt securities publicly traded on a stock exchange.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 1 - Description of Business and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements.

Contingencies

In the normal course of business, NFPA, from time to time, is the subject of legal claims. Management believes that the ultimate resolution of any such legal claims existing during the period covered by this report will not have a material effect on the financial statements.

NFPA receives various grants, which are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement for expenditures disallowed under the terms of the grant; however, management believes that these disallowances, if any, would be immaterial.

The World Health Organization's declaration on March 11, 2020 that the outbreak of a coronavirus (COVID-19) as a pandemic had an impact on NFPA's 2020 operations. The impact on the results of operations for the twelve month period from the date of the financial statements cannot be estimated at this time due to the uncertainties of COVID-19.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases, initially measured at the present value of the lease payments, in its statement of financial position. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. The guidance also expands the required quantitative and qualitative disclosures surrounding leases. The ASU is effective for fiscal years beginning after December 15, 2021, or fiscal year 2022 for NFPA. Early adoption is permitted. NFPA is evaluating the impact of the new guidance on the financial statements.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements ***(000 omitted)***

Note 1 - Description of Business and Summary of Significant Accounting Policies (Continued)

Subsequent Events

NFPA has evaluated subsequent events through March 12, 2021, the date the financial statements were authorized to be issued.

Note 2 - Liquidity and Availability of Resources

NFPA regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. NFPA has various sources of liquidity at its disposal, including cash and cash equivalents, and marketable debt, equity, and fixed income securities along with cash generated from its primary operating activities.

For the purposes of analyzing resources available to meet general expenditures over a 12-month period, NFPA considers all expenditures related to its ongoing activities of publications, memberships, trainings and standards development as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to the financial assets available to meet general expenditures over the next 12 months, NFPA operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Certain years require strategic investments that result in an unbalanced budget and the funding of such initiatives and budgets are approved by the Board in advance.

As of December 31, 2020 and 2019, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2020	2019
Cash and cash equivalents	\$ 19,358	\$ 17,613
Accounts and other receivables	4,403	5,615
Investments not encumbered by donor or board restrictions	268,501	249,899
Line of credit	7,000	-
	<u>\$ 299,262</u>	<u>\$ 273,127</u>

In addition, as of December 31, 2020 and 2019, NFPA had an additional \$1,369 of investments that are available for general expenditure with Board approval.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 3 - Revenue from Contracts with Customers

NFPA derives its contract related revenues primarily from the following services:

Membership and subscription revenue – Revenue is recognized monthly on a straight-line basis over the respective terms which are normally twelve to thirty-six months as that is the period that the performance obligations are satisfied.

Training revenue – Training revenue, which is comprised mainly of seminars and certification training, is recognized upon completion of each event.

Contract and grant revenue – Revenue is recognized upon meeting the required barrier to recognition which is generally when the related expenses are incurred.

NFPA also recognizes revenues from publication and other ancillary and administrative services as the services are delivered or completed.

A performance obligation is a promise in a contract to transfer a distinct service to the customer, and it is the unit of account in the accounting guidance for revenue recognition. Membership and subscription revenues are recognized over time and training and contracts revenues are recognized at a point in time when the related services are rendered. Revenue recognized on an over time basis and point in time was \$21,280 and \$47,589, respectively, for the year ended December 31, 2020 and \$25,823 and \$56,777, respectively, for the year ended December 31, 2019.

Payment terms in contracts vary by the type and location of the customer and the services offered. The term between invoicing and when payment is due is not significant.

Contract assets are recorded when services are performed in advance of NFPA's unconditional right to payment. NFPA did not have any contract assets at December 31, 2020 and 2019. Contract liabilities are recorded when cash payments are received or due in advance of performance. Contract liabilities are reported as deferred revenue on the statements of financial position.

No impairment losses were recognized during the years ended December 31, 2020 and 2019 on any receivables or contract assets arising from contracts with customers.

At December 31, 2020 and 2019, NFPA had conditional contributions under Federal Awards in the amount of \$2,686 and \$1,489, respectively, that are not recognized as revenues in the statements of activities.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 4 - Receivables and Inventory

Accounts and other receivables consisted of the following as of December 31:

	2020	2019
Accounts and other receivables	\$ 4,415	\$ 5,875
Less allowance for uncollectibles	<u>(159)</u>	<u>(260)</u>
Accounts and other receivables, net	\$ <u>4,256</u>	\$ <u>5,615</u>

Included in accounts and other receivables are credit balances of \$212 and \$162 at December 31, 2020 and 2019, respectively.

Inventory consisted of the following as of December 31:

	2020	2019
Finished goods	\$ 6,968	\$ 7,772
Less reserve for obsolete inventory	<u>(440)</u>	<u>(600)</u>
Finished goods, net	6,528	7,172
Work-in-progress	<u>4,398</u>	<u>4,881</u>
Inventory, net	\$ <u>10,926</u>	\$ <u>12,053</u>

Note 5 - Investments and Fair Value Measurements

The following summarizes the investment return, net for the years ended December 31:

	2020	2019
Investment return, net:		
Interest and dividends	\$ 4,130	\$ 5,849
Net realized and unrealized gains on investments	18,284	28,199
Less investment management and advisory fees	<u>(331)</u>	<u>(212)</u>
Investment return, net	\$ <u>22,083</u>	\$ <u>33,836</u>

Certain investment managers net their investment fees against returns and, accordingly, such amounts are not included in the aforementioned fees.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 5 - Investments and Fair Value Measurements (Continued)

The cost and valuation of NFPA's investments using the fair value hierarchy consisted of the following at December 31, 2020:

	<i>Investments Measured at Net Asset Value</i>	<i>Level 1</i>	<i>Total Fair Value</i>
Equity funds:			
US large cap blend	\$ -	\$ 57,915	\$ 57,915
US small cap growth	-	28,076	28,076
International	-	31,829	31,829
Emerging market	14,500	-	14,500
Fixed income funds:			
Investment grade	-	16,182	16,182
Global bond fund	12,318	-	12,318
Fixed income holdings	81,179	-	81,179
Global asset allocation fund	-	27,000	27,000
Private debt limited partnership	14,897	-	14,897
Cash	-	871	871
Total investments	\$ 122,894	\$ 161,873	\$ 284,767

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 5 - Investments and Fair Value Measurements (Continued)

The cost and valuation of NFPA's investments using the fair value hierarchy consisted of the following at December 31, 2019:

	<i>Investments Measured at Net Asset Value</i>	<i>Level 1</i>	<i>Total Fair Value</i>
Equity funds:			
US large cap blend	\$ -	\$ 41,450	\$ 41,450
US small cap growth	-	20,595	20,595
International	-	26,376	26,376
Emerging market	14,658	-	14,658
Fixed income funds:			
Investment grade	-	18,509	18,509
Global bond fund	13,118	-	13,118
Fixed income holdings	60,143	-	60,143
Global asset allocation fund	-	55,978	55,978
Private debt limited partnership	13,765	-	13,765
Cash	-	441	441
Total investments	\$ 101,684	\$ 163,349	\$ 265,033

Unfunded commitments related to the private debt limited partnership were \$14,338 as of December 31, 2020. NFPA intends to fund this amount from existing investments.

Liquidity of investments valued at net asset value at December 31, 2020 is as follows:

90 days and under	\$ 107,997
Illiquid	14,897
Total	\$ 122,894

NFPA has no plans or intentions to liquidate any of its investments valued using NAV methods other than in the ordinary course as allowed under such instruments.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 6 - Property and Equipment

Property and equipment consisted of the following as of December 31:

	2020	2019
Land and improvements	\$ 2,734	\$ 2,734
Buildings and improvements	43,554	43,081
Furniture and office equipment	11,544	10,352
Business systems	21,744	17,748
Business systems and property improvements in progress	<u>3,006</u>	<u>1,302</u>
	82,582	75,217
Less accumulated depreciation	<u>(59,046)</u>	<u>(55,848)</u>
Property and equipment, net	\$ <u>23,536</u>	\$ <u>19,369</u>

Depreciation expense was \$3,198 and \$2,980 for the years ended December 31, 2020 and 2019, respectively.

Note 7 - Real Estate Investments

Real estate investments consisted of the following as of December 31:

	2020	2019
Land and improvements	\$ 1,132	\$ 1,132
Buildings and improvements	<u>63,895</u>	<u>63,370</u>
	65,027	64,502
Less accumulated depreciation	<u>(37,009)</u>	<u>(34,578)</u>
Real estate investments, net	\$ <u>28,018</u>	\$ <u>29,924</u>

Depreciation expense was \$2,431 and \$2,520 for the years ended December 31, 2020 and 2019, respectively.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 8 - Employee Benefits

Defined Benefit Pension Plan

NFPA has a qualified defined benefit pension plan (the "Plan") that was closed to new entrants effective October 1, 2017. Employees who were not vested in the Plan were given a choice to remain in the Plan at that time and continue to accrue their benefits or "freeze" their benefit accrual and participate in the then established Defined Contribution 403(b) Plan. Contributions to the Plan are intended to provide not only for benefits attributed to service to date but also for those benefits expected to be earned in the future. The benefits are based on years of service and the employee's average earnings in the three highest consecutive calendar years during the last ten years prior to the date of termination of employment.

Defined Benefit Supplemental Employee Retirement Plan

NFPA has a defined benefit Supplemental Employee Retirement Plan (the "DB SERP") for certain management employees. Benefits are based on the employees' service and earnings, as defined in the DB SERP. Vesting occurs in accordance with the DB SERP agreement. The DB SERP is a nonqualified plan under the Internal Revenue Code and currently has no advanced funding. Benefit payments will be made directly by NFPA to retired employees or their beneficiaries. Benefit payments for active employees are allowed only for tax withholdings.

Defined Contribution 403(b) Retirement Plan

NFPA has a qualified Defined Contribution 403(b) Plan (the "403(b) DC Plan") covering all employees who work over 20 hours per week commencing employment on or after October 1, 2017 and employees who were not vested in the Defined Benefit Pension Plan and who elected to freeze their benefit accrual and instead participate in the 403(b) DC Plan.

Employee contributions and NFPA's matching contribution (for employees working 1,000 hours a year or over) are immediately vested while NFPA's non-elective contributions are vested after three years of service. Contribution rates by NFPA are up to 2% of eligible compensation as a matching contribution and 6% of eligible compensation for the non-elective contribution. NFPA made contributions of \$687 and \$565 for the years ended December 31, 2020 and 2019, respectively.

Defined Contribution Supplemental Employee Retirement Plan

NFPA has a defined contribution Supplemental Employee Retirement Plan (the "DC SERP") for certain management employees. Benefits are based on the employees' service and earnings, as defined in the DC SERP. Vesting occurs in accordance with the DC SERP agreement. The DC SERP is a nonqualified plan under the Internal Revenue Code and currently has no advanced funding. Distribution will be made directly by NFPA to retired employees or their beneficiaries. The DC SERP is accounted for in accounts payable and accrued expenses. The DC SERP liabilities totaled \$946 and \$677 at December 31, 2020 and 2019, respectively.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 8 - Employee Benefits (Continued)

457(b) Plan

NFPA has a 457(b) Plan for certain eligible employees. Elected deferrals by eligible employees may be made to the plan up to a maximum amount as permitted by law. The 457(b) Plan is a nonqualified plan under the Internal Revenue Code. Distribution will be made directly by NFPA to retired employees or their beneficiaries. The 457(b) Plan is accounted for in accounts payable and accrued expenses. The 457(b) Plan liabilities totaled \$209 and \$427 at December 31, 2020 and 2019, respectively. Assets to fund these liabilities are included in investments.

The following table presents information relating to the Defined Benefit Pension Plan and the DB SERP as of December 31:

	DB Pension		DB SERP		TOTAL	
	2020	2019	2020	2019	2020	2019
Changes in benefit obligation:						
Benefit obligation at beginning of year	\$ 137,020	\$ 117,737	\$ 1,610	\$ 1,381	\$ 138,630	\$ 119,118
Service cost	3,473	3,096	-	106	3,473	3,202
Interest cost	4,231	4,782	9	55	4,240	4,837
Impact of assumption changes	15,582	14,577	(8)	284	15,574	14,861
Experience (gain)/loss	407	1,584	67	(124)	474	1,460
Benefits paid	(5,275)	(4,756)	(1,411)	(92)	(6,686)	(4,848)
Benefit obligation at end of year	<u>155,438</u>	<u>137,020</u>	<u>267</u>	<u>1,610</u>	<u>155,705</u>	<u>138,630</u>
Changes in plan assets:						
Assets at beginning of year	117,802	93,089	-	-	117,802	93,089
Expected return on investments	14,300	16,277	-	-	14,300	16,277
Contributions	2,600	13,192	1,411	92	4,011	13,284
Benefits paid	(5,275)	(4,756)	(1,411)	(92)	(6,686)	(4,848)
Fair value of assets at end of year	<u>129,427</u>	<u>117,802</u>	<u>-</u>	<u>-</u>	<u>129,427</u>	<u>117,802</u>
Accrued postretirement benefit obligation	<u>\$ 26,011</u>	<u>\$ 19,218</u>	<u>\$ 267</u>	<u>\$ 1,610</u>	<u>\$ 26,278</u>	<u>\$ 20,828</u>

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 8 - Employee Benefits (Continued)

The components of net periodic benefit cost are as follows as of December 31:

	<i>Plan</i>		<i>DB SERP</i>		<i>Total</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Service cost	\$ 3,473	\$ 3,096	\$ -	\$ 106	\$ 3,473	\$ 3,202
Interest cost	4,231	4,782	9	55	4,240	4,837
Expected return on assets	(8,015)	(7,360)	-	-	(8,015)	(7,360)
Prior service cost amortization	-	-	-	-	-	-
Net loss amortization	<u>4,306</u>	<u>3,034</u>	<u>10</u>	<u>194</u>	<u>4,316</u>	<u>3,228</u>
Net periodic benefit cost	\$ <u>3,995</u>	\$ <u>3,552</u>	\$ <u>19</u>	\$ <u>355</u>	\$ <u>4,014</u>	\$ <u>3,907</u>

The following are weighted-average assumptions used to determine benefit obligations and net periodic benefit cost for the years ended December 31:

	<i>Plan</i>		<i>DB SERP</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Discount rate for net periodic benefit cost	3.15%	4.15%	3.15%	4.15%
Discount rate for benefit obligation	2.40%	3.15%	2.40%	3.15%
Rate of increase in future compensation levels	3.00%	3.00%	3.00%	3.00%
Expected return on plan assets	7.00%	7.00%	N/A	N/A

The expected long-term rate of return on Plan assets was 7% in 2020 and 2019. The employer contributions expected to be made during the fiscal year ending December 31, 2021 are \$2,653 and \$52 for the Plan and the DB SERP, respectively.

The expected future benefit payments are as follows:

<i>Year End</i>	<i>Plan</i>	<i>DB SERP</i>	<i>Total</i>
2021	\$ 5,799	\$ 52	\$ 5,851
2022	6,028	45	6,073
2023	6,214	38	6,252
2024	6,486	32	6,518
2025	6,679	26	6,705
2026 - 2030	37,013	73	37,086

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 8 - Employee Benefits (Continued)

The fair values of the Plan's assets by asset category are as follows at December 31, 2020:

	<i>Investments Measured at Net Asset Value</i>	<i>Level 1</i>	<i>Total</i>
Equity funds:			
US large cap blend	\$ -	\$ 30,929	\$ 30,929
US small cap growth	-	9,506	9,506
International	24,387	-	24,387
Emerging market	5,900	-	5,900
Fixed income funds:			
Investment grade	43,130	-	43,130
Fixed income holdings	9,174	-	9,174
Private debt fund	4,516	-	4,516
Cash	-	1,885	1,885
Total plan investments	\$ 87,107	\$ 42,320	\$ 129,427

The fair values of the Plan's assets by asset category are as follows at December 31, 2019:

	<i>Investments Measured at Net Asset Value</i>	<i>Level 1</i>	<i>Total</i>
Equity funds:			
US large cap blend	\$ -	\$ 26,980	\$ 26,980
US small cap growth	-	8,473	8,473
International	19,547	-	19,547
Emerging market	6,432	-	6,432
Fixed income funds:			
Investment grade	24,918	-	24,918
Global bond fund	-	4,940	4,940
Fixed income holdings	8,499	-	8,499
Global asset allocation fund	-	11,201	11,201
Private debt fund	5,005	-	5,005
Cash	-	1,807	1,807
Total plan investments	\$ 64,401	\$ 53,401	\$ 117,802

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 8 - Employee Benefits (Continued)

Unfunded commitments related to the private debt limited partnership were \$3,552 as of December 31, 2020. NFPA intends to fund this amount from existing investments.

To determine the expected long-term rate of return on plan assets, NFPA considers the current and expected asset allocations, as well as historical and expected returns on various categories of plan assets. NFPA applies an expected rate of return to a market-related value of assets, the objective being to obtain a total return that places the Plan in the top 50th percentile as compared to other plans with similar asset allocation and investment style.

Note 9 - Deferred Revenues

Deferred revenues consisted of the following as of December 31:

	2020	2019
Publications	\$ 5,054	\$ 6,249
Memberships	6,917	7,710
Seminars	181	124
Other	<u>329</u>	<u>222</u>
Deferred revenues	\$ <u>12,481</u>	\$ <u>14,305</u>

Note 10 - Line of Credit

During 2020, NFPA obtained a line of credit with a bank with a maximum availability of \$7,000. The line of credit is payable on demand and bears interest per annum equal to the sum of the Adjusted LIBOR rate for the interest period in effect for such Loan plus the Applicable Margin. All ABR Loans shall bear interest at the alternate base rate. Borrowings under the line of credit are collateralized by all assets of NFPA. The line of credit agreement requires NFPA to maintain certain financial covenants. The line of credit expires on September 30, 2023. At December 31, 2020, there were no borrowings on the line of credit.

Note 11 - Paycheck Protection Program Loan

NFPA applied for and received a forgivable Paycheck Protection Program ("PPP") Loan of \$4,819 as provided under the Federal Coronavirus Aid, Relief and Economic Security Act. The loan was funded on April 23, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the 24 week period through October 31, 2020, and that certain employment levels are maintained.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 11 - Paycheck Protection Program Loan (Continued)

To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due on April 23, 2022 and carries an interest rate of 1%. NFPA used all of the proceeds for eligible costs and expects the entire loan to be forgiven. Upon receipt of a legal release from the loan, NFPA will recognize the amount forgiven as revenue.

Note 12 - Rental Leases

NFPA, as a landlord, rents office space located at I Batterymarch Park, II Batterymarch Park, III Batterymarch Park and IV Batterymarch Park in Quincy, Massachusetts, under operating leases for these four facilities. NFPA occupies a portion of the building located at I Batterymarch Park. Rental income and expenses related to I Batterymarch Park are included in the operating activities on the accompanying statements of activities. Rental income and expenses for II Batterymarch Park, III Batterymarch Park and IV Batterymarch Park are included in non-operating activities in the accompanying statements of activities. The leases range from one to eleven years expiring through 2029.

The approximate minimum revenues from future rentals to be received under operating and non-operating leases for each of the next five years and thereafter as of December 31, 2020 are as follows:

Year	Operating	Non-operating	Minimum Future Rentals
2021	\$ 319	\$ 7,767	\$ 8,086
2022	168	7,653	7,821
2023	141	7,411	7,552
2024	58	6,594	6,652
2025	28	5,640	5,668
Thereafter	<u>64</u>	<u>7,763</u>	<u>7,827</u>
	\$ 778	\$ 42,828	\$ 43,606

The amounts presented above do not include estimated reimbursable expense revenue or contingent rental revenue.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements *(000 omitted)*

Note 13 - Lease Income - Real Estate Investments

Lease income consisted of the following for the years ended December 31:

	2020	2019
Billed rent	\$ 7,242	\$ 8,108
Deferred rent adjustment	<u>815</u>	<u>104</u>
Lease income	\$ <u>8,057</u>	\$ <u>8,212</u>

Note 14 - Rent Receivables and Other Deferred Costs - Real Estate Investments

Deferred costs, net of lease income recognized and amortization, consisted of the following at December 31:

	2020	2019
Deferred rent receivables	\$ 3,544	\$ 2,729
Tenant allowances	1,346	1,804
Other tenant receivables	119	143
Leasing commissions	<u>2,509</u>	<u>2,776</u>
Rent receivables and other deferred costs - real estate investments	\$ <u>7,518</u>	\$ <u>7,452</u>

Amortization expense for tenant allowance and leasing commissions was \$910 and \$918 for the years ended December 31, 2020 and 2019, respectively.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 15 - Net Assets

Net assets without donor restrictions include the Board Designated DiNenno Fund. The intended purpose of the DiNenno Fund is to provide awards on a periodic basis to select recipients to honor the memory of Philip J. DiNenno and to acknowledge and publicize exceptional technical developments that enhance public safety. All donations are treated as irrevocable gifts to NFPA on behalf of the DiNenno Fund.

	2020	2019
DiNenno Fund	\$ <u>1,369</u>	\$ <u>1,369</u>
DiNenno Fund assets included in net assets without donor restrictions	\$ <u>1,369</u>	\$ <u>1,369</u>

Awards paid by the DiNenno Fund were \$0 and \$50 for the years ended December 31, 2020 and 2019, respectively.

Net assets without donor restrictions consisted of amounts restricted for the following purposes as of December 31:

	2020	2019
Real estate investments, net	\$ 28,018	\$ 29,924
Property and equipment, net	23,536	19,369
DiNenno Fund	1,369	1,369
Undesignated	<u>272,946</u>	<u>260,854</u>
Net assets without donor restrictions	\$ <u>325,869</u>	\$ <u>311,516</u>

Net assets with donor restrictions consisted of amounts restricted for the following purposes as of December 31:

	2020	2019
Purpose:		
Prizes and scholarship funds to be held in perpetuity	\$ -	\$ 44
Contributions to be used on program activities	<u>3</u>	<u>14</u>
Net assets with donor restrictions	\$ <u>3</u>	\$ <u>58</u>

Net assets released from restrictions in accordance with their purpose totaled \$570 and \$270 for the years ended December 31, 2020 and 2019, respectively. During 2020, NFPA obtained approval from a donor to transfer \$44 of a permanently restricted gift to another organization that will maintain the funds in perpetuity.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 16 - Related Party

The Fire Protection Research Foundation (the "Foundation") is an affiliated not-for-profit organization. Each year, one-third of the members of the Foundation's board of trustees are appointed to three-year terms by NFPA's board of directors. The activities of the affiliate have not been included in the accompanying financial statements.

During the years ended December 31, 2020 and 2019, NFPA made contributions to the Foundation for both unrestricted and research purposes that amounted to \$188 and \$340, respectively. NFPA did not pay any fees to the Foundation for research services in the years ended December 31, 2020 and 2019.

NFPA provides certain services for the Foundation such as accounting, human resources, information technology and legal. The Foundation also leases office space from NFPA as a tenant-at-will. The amounts charged to the Foundation by NFPA for these services and rent amounted to \$12 for both years ended December 31, 2020 and 2019.

During 2020, NFPA received a pass-through federal grant from the Foundation which amounted to \$25.

Note 17 - Natural Classification of Operating Expenses

Operating expenses presented by natural classification and function are as follows for the year ended December 31, 2020:

	Publications	Membership	Training	Contracts and Grants	Standards Development	Public Education	International	General and Administrative	Total
Salaries and Wages	\$ 5,423	\$ 2,644	\$ 1,706	\$ 163	\$ 6,238	\$ 520	\$ 268	\$ 8,257	\$ 25,219
Fringe and Overhead Costs	3,507	1,257	811	76	4,587	247	130	3,294	13,909
Cost of Goods Sold	8,307	-	431	848	-	-	-	-	9,586
Outside Services	3,851	1,100	1,433	-	288	364	758	3,261	11,055
Printing and Paper	575	624	-	5	14	4	-	8	1,230
Postage Freight and Mailing	2,319	910	116	1	21	37	3	7	3,414
Travel	22	65	17	6	159	20	14	142	445
Meetings	7	39	267	3	293	32	13	93	747
Equipment	39	30	-	-	1	-	-	1,419	1,489
Building Maintenance	-	-	-	-	-	-	-	1,207	1,207
Other	1,079	346	29	2	562	158	8	2,187	4,371
Total operating expenses	\$ 25,129	\$ 7,015	\$ 4,810	\$ 1,104	\$ 12,163	\$ 1,382	\$ 1,194	\$ 19,875	\$ 72,672

The natural non-operating lease expenses consist of salaries and wages of \$244, fringe and occupancy costs of \$120, depreciation expense of \$2,431, outside services of \$87, building expenses of \$4,320 and general and administrative expenses of \$17 for the year ended December 31, 2020.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to Financial Statements (000 omitted)

Note 17 - Natural Classification of Operating Expenses (Continued)

Operating expenses presented by natural classification and function are as follows for the year ended December 31, 2019:

	<i>Publications</i>	<i>Membership</i>	<i>Training</i>	<i>Contracts and Grants</i>	<i>Standards Development</i>	<i>Public Education</i>	<i>International</i>	<i>General and Administrative</i>	<i>Total</i>
Salaries and Wages	\$ 5,737	\$ 3,087	\$ 1,803	\$ 154	\$ 7,293	\$ 674	\$ 306	\$ 8,581	\$ 27,635
Fringe and Overhead Costs	3,235	1,367	796	69	4,724	299	149	3,483	14,122
Cost of Goods Sold	8,100	-	276	1,225	-	-	-	-	9,601
Outside Services	4,295	1,440	3,112	22	246	413	509	4,187	14,224
Printing and Paper	1,043	612	41	4	22	8	59	24	1,813
Postage Freight and Mailing	2,821	1,022	272	1	19	20	104	17	4,276
Travel	259	192	189	26	1,029	111	110	480	2,396
Meetings	40	1,291	1,150	8	1,216	169	100	335	4,309
Equipment	20	36	-	-	3	-	-	1,086	1,145
Building Maintenance	-	3	-	-	-	-	-	1,463	1,466
Other	1,556	499	35	1	784	164	53	1,369	4,461
Total operating expenses	\$ 27,106	\$ 9,549	\$ 7,674	\$ 1,510	\$ 15,336	\$ 1,858	\$ 1,390	\$ 21,025	\$ 85,448

The natural non-operating lease expenses consist of salaries and wages of \$246, fringe and occupancy costs of \$111, depreciation expense of \$2,520, outside services of \$87, building expenses of \$4,642 and general and administrative expenses of \$13 for the year ended December 31, 2019.

Supplemental Information

NATIONAL FIRE PROTECTION ASSOCIATION

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

<u><i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i></u>	<u><i>Federal CFDA Number</i></u>	<u><i>Pass-Through Entity Identifying Number</i></u>	<u><i>Federal Expenditures</i></u>	<u><i>Passed through to Subrecipients</i></u>
U.S. Department of Agriculture, Forest Service, Direct Program:				
Cooperative Forestry Assistance	10.664		\$ 142,302	\$ -
Total U.S. Department of Agriculture, Forest Service, Direct Program			142,302	-
U.S. Department of Commerce, National Institute of Standards Technology (NIST), Pass-through Program from the Fire Protection Research Foundation				
Measurement & Research and Standards	11.609		45,864	-
Total Department of Commerce, National Institute of Standards Technology (NIST), Pass-through Program			45,864	-
U.S. Department of Energy, Energy Efficiency & Renewable Energy (EERE), Direct Program:				
Conservation and Research Development Grant	81.086		4,375	-
Total U.S. Department of Energy, EERE, Direct Program			4,375	-
U.S. Department of Homeland Security, Direct Program:				
Assistance to Firefighters Grant - 2016 Grant	97.044			
Total U.S. Department of Homeland Security, Direct Program			414,601	32,381
U.S. Department of Homeland Security, Pass-through Program from the Fire Protection Research Foundation				
Assistance to Firefighters Grant	97.044	2017136	310,454	-
Total CFDA Number 97.044 and U.S. Department of Homeland Security			725,055	32,381
Total Expenditures of Federal Awards			\$ 917,596	\$ 32,381

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to the Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the National Fire Protection Association ("NFPA") under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of NFPA, it is not intended to and does not present the financial position, changes in net assets or cash flows of NFPA.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures for part of the year are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. NFPA has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reporting Under Government Auditing Standards



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*Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards*

The Board of Directors
National Fire Protection Association
Quincy, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the National Fire Protection Association ("NFPA"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2021.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

Mayer Hoffman McCann P.C.

March 12, 2021
Boston, Massachusetts

Reporting Under the Uniform Guidance



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*Independent Auditors' Report on Compliance For Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance*

The Board of Directors
National Fire Protection Association
Quincy, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the National Fire Protection Association's ("NFPA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on NFPA's major federal program for the year ended December 31, 2020. NFPA's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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



Opinion on Each Major Federal Program

In our opinion, NFPA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

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

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

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

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

Mayer Hoffman McCann P.C.

March 12, 2021
Boston, Massachusetts

NATIONAL FIRE PROTECTION ASSOCIATION

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

Section 1

Summary of Auditors' Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major federal programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditors' report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 4. Identification of major federal programs: | |

CFDA Number

97.044

Name of Federal Program or Cluster

Assistance to Firefighters Grant

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs: | \$750,000 |
| 6. Auditee qualified as a low-risk auditee? | Yes |

NATIONAL FIRE PROTECTION ASSOCIATION

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

Section 2

Financial Statement Findings

None noted.

Section 3

Federal Award Findings and Questioned Costs

None noted.