NATIONAL ASPHALT
PAVEMENT ASSOCIATION

AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2020

TABLE OF CONTENTS

JM&M
CERTIFIED PUBLIC ACCOUNTANTS

1730 Rhode Island Avenue, NW
Suite 800
Washington, DC 20036
(202) 296-3306
Fax: (202) 296-0059

Independent Auditor's Report

The Executive Committee and
the Dues, Finance and Audit Committee
National Asphalt Pavement Association, Inc. and Subsidiaries
Lanham, Maryland

We have audited the accompanying consolidated financial statements of National Asphalt Pavement Association, Inc. and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of World of Asphalt Joint Venture, a greater than 50% owned subsidiaries, which statements reflect total assets of $998,519 as of December 31, 2020, and total revenues of $3,338 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for World of Asphalt Joint Venture, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of National Asphalt Pavement Association, Inc. and subsidiaries as of December 31, 2020, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

JM&M

Washington, DC
June 6, 2022

NATIONAL ASPHALT PAVEMENT ASSOCIATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	6,711,759
Accounts receivable		390,424
Pledges receivable		17,500
Prepaid expenses		205,839
Inventory		116,852
Total Current Assets		7,442,374
OTHER ASSETS		
Restricted cash and cash equivalents		446,307
Investments		13,861,242
Total Other Assets		14,307,549
LAND, BUILDING AND EQUIPMENT		
Furniture and equipment		861,173
Leasehold improvements		898,407
		1,759,580
Less accumulated depreciation		(360,637)
Land, Building and Equipment, Net		1,398,943
TOTAL ASSETS	$	23,148,866

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

NATIONAL ASPHALT PAVEMENT ASSOCIATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(continued)

LIABILITIES, NET ASSETS, AND NON - CONTROLLING INTEREST

CURRENT LIABILITIES		
Accounts payable and accrued expenses	$	891,992
Accrued annual leave		191,166
Deferred registration fees, trade show and annual meeting income		26,965
Deferred membership fees		2,181,220
Deferred revenue - other		1,285,251
Deferred rent, current portion		38,077
Total Current Liabilities		4,614,671
NON CURRENT LIABILITIES		573,352
TOTAL LIABILITIES		5,188,023
NET ASSETS AND NON - CONTROLLING INTEREST		
Without donor restrictions:		
Undesignated		11,393,911
Board designated		1,197,066
Non-controlling interest		(324,289)
Total without donor restrictions		12,266,688
With donor restrictions for purpose or passage of time		5,694,155
TOTAL NET ASSETS NET ASSETS AND NON - CONTROLLING INTEREST		17,960,843
TOTAL LIABILITIES, NET ASSETS, AND NON - CONTROLLING INTEREST	$	23,148,866

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

NATIONAL ASPHALT PAVEMENT ASSOCIATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Dues	$ 4,448,159	$ -	$ 4,448,159
Trade show	3,338	-	3,338
Meetings	1,207,155	-	1,207,155
Training	40,541	-	40,541
Contributions	217,027	552,246	769,273
In-kind contributions	102,489	-	102,489
NCAT textbook and CD sales	8,512	-	8,512
NCAT rent income	314,291	-	314,291
Contracts	96,321	-	96,321
Commendation and award application fees	374,655	-	374,655
Other	86,831	-	86,831
Investment income, net	740,830	426,589	1,167,419
Net assets released from restrictions	752,883	(752,883)	-
Total Revenue and Support	8,393,032	225,952	8,618,984
EXPENSES			
Program Services	7,349,682	-	7,349,682
Supporting Services:			
Fundraising and membership development	230,029	-	230,029
Management and general	1,449,807	-	1,449,807
Total Supporting Services	1,679,836	-	1,679,836
Total Expenses	9,029,518	-	9,029,518
CHANGE IN NET ASSETS AND NON - CONTROLLING INTEREST	(636,486)	225,952	(410,534)
NET ASSETS AND NON-CONTROLLING INTEREST, BEGINNING OF YEAR	12,903,174	5,468,203	18,371,377
NET ASSETS AND NON-CONTROLLING INTEREST, END OF YEAR	$ 12,266,688	$ 5,694,155	$ 17,960,843

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

NATIONAL ASPHALT PAVEMENT ASSOCIATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets and non - controlling interest	$ (410,534)
Adjustments to reconcile change in net assets to net cash used for operating activities:	
Depreciation and amortization	169,761
Loss on disposal of land, building and equipment	3,477
Net depreciation in fair value of investments	(537,365)
Decrease (increase) in:	
Accounts receivable	(188,122)
Pledges receivable	88,900
Prepaid expenses	121,752
Inventory	3,057
Deferred rental asset	35,735
(Decrease) increase in:	
Accounts payable and accrued expenses	511,154
Accrued annual leave	35,846
Deferred registration fees, trade show and annual meeting income	(818,408)
Deferred membership fees	(697,741)
Deferred revenue - other	881,384
Deferred rent	7,631
Net Cash Used for Operating Activities	(793,473)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of land, building and equipment	(479,595)
Proceeds from sales of investments	4,037,645
Purchases of investments	(4,528,772)
Net Cash Used for Investing Activities	(970,722)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS	(1,764,195)
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, beginning of year	8,922,261
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND CASH EQUIVALENTS, end of year	$ 7,158,066

SUPPLEMENTARY INFORMATION:

Cash and Cash Equivalents	$ 6,711,759
Restricted Cash and Cash Equivalents	446,307
Total Cash and Cash Equivalents and Restricted Cash and Cash Equivalents	$ 7,158,066

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

NOTE A – ORGANIZATION AND PURPOSE

National Asphalt Pavement Association, Inc. and subsidiaries (collectively, the "Association") operates as a non-profit trade association providing direct services to the asphalt and paving industry. The Association's principal sources of funding are dues, meetings, and contributions. The Association supports active research programs, provides technical, educational, and marketing materials to its members, and provides services to its members and the general public on issues relating to the Asphalt Industry.

In addition to an annual meeting, the Association partners with other organizations on environmental and regulatory issues, engineering, research and technology, seminars and tradeshows for the asphalt pavement industry.

The National Asphalt Pavement Association Research and Education Foundation, Inc. ("the Foundation") was organized in 1978 for the purpose of conducting and implementing research and educational programs in technical and management areas related to asphalt design and construction. The Foundation's principal source of funding is in the form of contributions from private and corporate donors in the asphalt industry and earnings from various programs.

The National Asphalt Pavement Association's Political Action Committee ("NAPA PAC") is the only national political action committee in Washington, D.C. representing the asphalt industry before Congress.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 810 *Consolidations*, these consolidated financial statements include the accounts of National Asphalt Pavement Association, Inc. ("NAPA"), its Foundation, and its greater than 50%-owned subsidiaries, World of Asphalt Joint Venture ("WOA"). All material inter-association transactions have been eliminated in consolidation.

Under the FASB ASC Topic 810 *Consolidations*, NAPA's consolidated financial statements include the activity of NAPA, WOA, National Asphalt Pavement Association Research and Education Foundation (the "Foundation") and the National Asphalt Pavement Association's Political Action Committee (the "PAC"). The standalone parent company financial statements presented herein should be read in conjunction with the Association's consolidated financial statements and the accompanying notes thereto.

Basis of Accounting

NAPA and subsidiaries' consolidated financial statements are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Basis of Presentation

The consolidated financial statement presentation follows FASB ASC topic 958, *Not-for-Profit Entities*. In accordance with the topic, the Association is required to report information regarding its consolidated financial position and activities according to two classes of net assets:

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Presentation – continued

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources by maintained in perpetuity. There were no such perpetual restrictions as of December 31, 2020. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the consolidated financial statements.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, the Association considers all highly liquid investments purchased with an original maturity of less than three months to be cash equivalents, with the exception of the amounts that are part of the investments portfolio.

Restricted Cash And Cash Equivalents

Restricted cash and cash equivalents includes funds collected under the sublease agreement and banking fee reimbursement agreement between the Foundation and the NCAT. Restricted cash and cash equivalents includes funds collected under the sublease agreement and banking fee reimbursement agreement between the Foundation and the NCAT.

The restricted cash and cash equivalents for NAPAREF are the Scholarship Donations, the NAPA CARE donations and the Professor Training donations that NAPAREF receives. Scholarship donations are restricted for scholarship applicants who qualify for, meet the requirements and are awarded an asphalt scholarship through NAPAREF's scholarship program. NAPA CARE donations are restricted for families who are eligible to receive an immediate tax-free cash benefit from the NAPA Care fund when an immediate family member, who is also an employee of NAPA member company, experiences a fatal accident in a work zone or plant work area. The Professor Training Program donations are restricted for qualified attendees who attend NAPAREF's Professor Training held at the NCAT facility.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Accounts Receivable

Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts. The Association provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Association considers payment history and current economic conditions when establishing an allowance for uncollectible accounts receivables. It is reasonably possible that the Association's estimate of the allowance for doubtful accounts will change. No allowance for doubtful accounts is considered necessary as of December 31, 2020.

Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to the Association that is in substance unconditional. Contributions that are restricted by the donor are reported as net assets with donor restrictions depending on the nature of the restrictions.

Pledges receivable are expected to be collected by the Association within one year. Pledges have not been discounted due to the short term nature.

Inventory

Inventory is stated at the lower of cost, determined by the first-in, first-out method, or market. Inventory consists primarily of publications, textbooks, and CDs relating to the asphalt industry.

Land, Building and Equipment

Land, building and equipment are recorded at cost and depreciation is recorded on the straight-line basis over the estimated useful lives of the property which range from 3 to 25 years. Expenditures and related improvement costs which extend the useful lives of furniture and equipment are capitalized. Expenditures for maintenance repairs are charged to expenses as incurred.

Intangibles

Intangibles include the cost of developing the Association's internet website, online store, and online membership service program. Amortization is computed over the estimated useful lives of the assets by the straight-line method for financial reporting purposes. Website design, upgrade, and online-store costs totaled $694,010 as of December 31, 2020. Accumulated amortization totaled $173,196 as of December 31, 2020.

Investments

Investments are stated at fair value as determined by the fund custodians based on market price quotations.

Deferred Rent

The Association recognizes rent expense, including incentives, on a straight-line basis over the term of the lease. Deferred rent records the rent expense recognized on a straight-line basis in excess of cash payments.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Functional Allocation of Expenses

The costs of program and supporting services have been summarized on a functional basis in the accompanying consolidated statements of activities and an additional analysis of expenses disaggregated by both functional and natural classification is presented in the notes to the consolidated financial statements. The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Association. Those expenses include occupancy costs and information technology expenses that benefit the entire organization, all of which are allocated based on the proportional share of the salaries of each program or supporting function. The costs of the president's office are allocated based on estimates of time and effort..

Revenue Recognition

Dues - Dues for producer members are invoiced one year in advance, on a quarterly basis, for the subsequent year's membership, based on amounts determined under the Association's dues formula. The total annual producer dues provide membership benefits from January 1 – December 31, which corresponds with the Association's fiscal year.

Associate, international and individual membership dues are invoiced in full at the beginning of the year, for the current year's membership period, January 1 – December 31, which corresponds with the Association's fiscal year.

Revenue from dues is recognized during the membership year as membership benefits are provided, resulting in no related deferred revenue balance for the current annual membership period at year end. For producer members, any amounts collected during the current year related to the subsequent year's membership are deferred at December 31. Member benefits include a discount on exhibit space at the WOA trade show of $12.45 per square foot, primarily used by associate members, discounts on Association meetings and discounts on advertising in Association products including the Asphalt Pavement Magazine, along with other benefits for all categories of membership.

Trade show revenues – Trade show revenues include amounts paid by or on behalf of trade show participants, exhibitors, and sponsors for the WOA trade show. Entrance, housing, and exhibitor fees, as well as other educational program fees, are based on published fixed rates and collected either at the time of registration, in advance of the trade show resulting in a deferred revenue balance, or at the time that the trade show takes place and immediately recognized as revenue.

Meetings revenues – Meetings revenues include amounts paid by or on behalf of meeting participants and sponsors. Registration fees are based on published fixed rates and collected either at the time of registration, in advance of the meeting resulting in a deferred revenue balance, or at the time that the meeting takes place and immediately recognized as revenue.

Meeting sponsorships, which are generally considered nonreciprocal transactions, are recognized when the conditions associated with providing the sponsorship are met at the meeting. As such, all meeting revenue is recognized upon completion of the respective meeting.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue Recognition (continued)

Federal Cooperative Agreement – Cooperative agreements with federal sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying reimbursable expenses have been incurred and conditions under the agreements are met. The Association has elected the simultaneous release policy available under ASU 2018-08 for donor-restricted contributions that were initially conditional contributions, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized.

Commendation and award application fees – Diamond Achievement commendation and award program application fees are based on published fixed prices and collected at the time the application is submitted, which creates a deferred revenue balance. Revenue from all application fees is recognized in the period the evaluation is completed and the performance obligations are satisfied. The submission of the application and the completion of the evaluation both occur within the same fiscal year resulting in no deferred revenue balance at year end.

Training revenue – Training revenues for the People, Plants and Paving program are based on published fixed prices and collected either at the time of registration, in advance of the training program resulting in a deferred revenue balance, or at the time that the training takes place and immediately recognized as revenue.

Contributions - Contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. In-kind contributions are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field.

Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

NCAT textbook and CD sales - NCAT textbook and CD prices are fixed at the time of purchase based on price listings or negotiated rates. Most customers pay at the time of purchase, but some customers are invoiced for purchases. Revenue from NCAT textbook and CD sales is recognized in the period that the textbook or CD is delivered to the customer.

Other revenues – Other revenues, which include fees from publications, royalties from advertising, fees from producer member initiation, and other items are received and recognized when the services are rendered, and typically occur in the same year.

Donated Services and In-Kind Contributions

The Foundation receives certain management and professional services from a related organization at no charge. The value of these donated professional services is recorded at the respective fair values of the services received.

NOTE C – INCOME TAXES

NAPA is exempt from Federal income tax under Section 501(c)(6) of the Internal Revenue Code. The Foundation is a 501(c)(3) organization exempt from federal and state income taxes under Section 501(a) of the Internal Revenue Code. The Association is not considered to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Association is required to report unrelated business income to the Internal Revenue Service and the State of Maryland. The Association had no material unrelated business income tax liability for the year ended December 31, 2020.

The Association has adopted the accounting for uncertainty in income taxes as required by the Income Taxes topic of the FASB Accounting Standards Codification. The topic requires the Association to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position.

The tax benefit to be recognized is measured as the largest amount of benefit that is more than fifty percent likely of being realized upon ultimate settlement which could result in the Association recording a tax liability that would reduce the Association's net assets. The Association has analyzed its tax positions, and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open years (2017-2019), or expected to be taken in the Association's 2020 information returns. The Association is not aware of any tax positions for which it believes that there is a reasonable possibility that the total amount of unrecognized tax benefits will change materially in the next twelve months.

NOTE D – CONDITIONAL PROMISES

The Foundation's Asphalt Industry Scholarship Program has been designated to receive a $1,000,000 bequest less contributions given during the donor's lifetime. There were no amounts were received from the donor for the year ended December 31, 2020. During 2019, the donor passed away, and during 2020, management determined that the Foundation will not receive any further amounts under this conditional contribution. Amount received from the donor since notification of bequest totaled $313.944 as of December 31, 2020.

NOTE E – FAIR VALUE MEASUREMENT

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

Investments recorded in the consolidated statements of financial position are categorized based on the inputs to valuation technique as follows:

NOTE E – FAIR VALUE MEASUREMENT – continued

Level 1 – These are instruments where values are based on unadjusted quoted prices for an identical asset in an active market the Association has the ability to access.

Level 2 – These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3 – These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect certain assumptions by management about the assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

The fair value of money market funds is valued by the carrying amount, which approximate fair value. Fair values of the Association's certificates of deposit, government and municipal bonds, corporate bonds, asset backed securities, and U.S. government securities are valued on the market approach and the values have been provided by the Association's investment managers and custodian banks. Fair values of the Association's common stock has been determined by the Association from observable market quotations.

The following table presents the Association's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,096,066	$ -	$ -	$ 1,096,066
Fixed income				
Government and municipal bonds	-	3,792,697	-	3,792,697
Corporate bonds	-	782,554	-	782,554
Certificates of deposit	-	27,645	-	27,645
Mortgage Backed Securities	-	24,915	-	24,915
US Government Securities	-	1,914,670	-	1,914,670
Exchange traded funds	347,708	-	-	347,708
Common stock	5,867,370	-	-	5,867,370
Asset backed securities	-	7,617	-	7,617
Total	$ 7,311,144	$ 6,550,098	$ -	$ 13,861,242

NOTE F – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consisted of the following as of December 31, 2020:

Leasehold improvements	$	898,407
Furniture and equipment		861,173
		1,759,580
Accumulated depreciation		(360,637)
Land, Building and Equipment, Net	$	1,398,943

Depreciation and amortization expense for the year ended December 31, 2020 totaled $169,761.

NOTE G – BOARD DESIGNATED NET ASSETS

During 2012, the Association established the Asphalt Pavement Economics Fund ("APEF") as an activity of the Association. APEF's goal is to establish a comprehensive approach to sponsor scientific research on key environment and occupational health issues, and develop proactive strategies concerning legal and regulatory issues of importance to the asphalt industry. The Pavement Economics Committee ("PEC") oversees the financial activity of APEF. In 2013, the Environmental Survival Fund ("ESF") was combined into the fund with PEC. The ESF sponsors scientific research and develops proactive strategies concerning legal and regulatory issues of importance to the asphalt industry. The net assets of the ESF and PEC are board designated and total $1,097,066 as of December 31, 2020. APEF will receive funding from companies, individuals and state asphalt pavement associations.

Pursuant to an agreement with the Auburn University Foundation, executed in August 2009, the Foundation has board designated net assets of $100,000 to defray costs related to raising funds for the NCAT endowment, as mentioned in the cooperative agreement.

NOTE H – NET ASSETS WITH DONOR RESTRICTIONS

Net assets summarized below are restricted for the following purposes as of December 31, 2020:

Asphalt Pavement Alliance	$	178,086
Asphalt Industry Scholarship Program		4,591,035
Professor Training Program		179,170
NAPA Care Program		745,864
Total	$	5,694,155

NOTE I – RETIREMENT PLAN

During 2005, the Association established a 401(k)-retirement plan for which full-time employees of the Association, upon completion of six months of service and attaining the age of 21, are eligible to participate and make salary deferral contributions. The Association makes discretionary contributions (both safe harbor and profit sharing) on behalf of eligible employees. Retirement expense for the year ended December 31, 2020 totaled $305,421.

NOTE J – DEFERRED COMPENSATION

The Association maintains a supplemental retirement benefit plan (the "Supplemental Plan"). The Supplemental Plan is an unqualified plan maintained for the purpose of providing deferred compensation for exempt employees of the Association. Assets of the Supplemental Plan are subject to the claims of the Association's general creditors in the event of insolvency. Similarly, Supplemental Plan participants and beneficiaries have no preferred claim, or any beneficial ownership interest in any assets of the Supplemental Plan. During 2020, the individual for whom this plan was maintained transferred the related assets to their own personal accounts, therefore, with respect to this deferred compensation plan there are no expected future liabilities.

NOTE K – CONCENTRATION OF CREDIT RISK

Balances in certain cash and cash equivalents accounts occasionally exceed $250,000, the maximum amount insured by the Federal Deposit Insurance Corporation. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE L – LEASES

Equipment Rental expense totaled $28,926 for the year ended December 31, 2020.

Office Lease

In May 2019, the Association signed an office lease agreement with a commencement date of September 1, 2019 and continuing for 131 months and ending on July 31, 2030. The lease required a security deposit of $145,392. Lease payments for each of the first twelve months following the commencement date are $18,174 per month, for which an abatement was given, and payments increase by 2.5% annually. The lease allows for two renewal terms of five years each.

Future minimum payments under the current office lease agreements is as follows for the years ending December 31:

2021	$	225,403
2022		231,038
2023		236,814
2024		242,734
2025		248,803
Thereafter		1,221,837
Total	$	2,406,629

Rental expense was $203,196 for the year ended December 31, 2020.

NOTE M – NCAT FACILITY LEASES

On December 2, 1999, the Industrial Development Board of the City of Auburn, Alabama ("the Board") issued $4.48 million of Facility Revenue Bonds ("the Bonds") dated November 1, 1999. The proceeds from the Bonds were used to construct a research facility (the "Facility") in Auburn, Alabama for NCAT, and to
NOTE M – NCAT FACILITY LEASES – continued

acquire and install equipment and other personal property in the Facility. Payment of interest on the Bonds is due on May 1 and November 1 of each year, commencing May 1, 2000. Payments of principal began November 1, 2001. The Bonds matured on November 1, 2020.

Construction of the building commenced in December 1999, and the Facility was dedicated on October 23, 2000. In conjunction with the issuance of the Bonds, the Foundation entered into a non-cancellable operating lease agreement ("the Lease") for the Facility with the Board. During the lease term, the Foundation is required to pay basic rent amounts equal to the Board's debt service payments on the Bonds. The lease became effective in December 1999 and expired November 1, 2020. The Foundation has unconditionally guaranteed the payment of the principal and interest (the debt service) on the Bonds. Therefore, the Foundation cannot terminate the Lease until the debt service on the Bonds has been fully paid. The Foundation cannot renew the Lease without the consent of the Board.

Simultaneously with the execution of the Lease, the Foundation agreed to sublease ("the Sublease") the Facility to Auburn University ("Auburn"). The basic sublease payments to the Foundation are equal to the basic rent payment under the Lease with the Board. The Sublease is treated as a net lease to the Foundation. Therefore, Auburn is additionally responsible for all operating costs, premiums, fees and obligations relating to the Facility except for structural and mechanical system repairs and maintenance. Auburn cannot assign the Sublease without obtaining prior written consent of the Foundation. The Sublease was effective December 2, 1999 and expired November 1, 2020.

For the year ended December 31, 2020 rent expense was $314,291. For the year ended December 31, 2020, sublease income was $314,291.

Following the end of the second full twelve months of the Sublease, the Foundation increased the sublease payments by 3%. The increase is to cover estimated costs of any structural and mechanical systems repairs and maintenance.

As of November 1, 2020, the Facility was transferred over to Auburn and the Foundation does not maintain or have any ownership in the Facility.

NOTE N – JOINT VENTURE, WORLD OF ASPHALT

NAPA has a 55% controlling interest in the World of Asphalt Joint Venture. The purpose of the World of Asphalt Joint Venture is to administer an exposition two of every three years for the educational benefit of the asphalt industry and members of the parent organizations. As a result of the NAPA's controlling interest, the consolidated financial statements of the Association include the financial information of the World of Asphalt Joint Venture. Change in net assets reported in the accompanying consolidated statements of activities includes a noncontrolling interest portion of $(374,674) for the year ended December 31, 2020.

NOTE O – LIQUIDITY AND AVAILABILITY OF FUNDS

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Association strives to maintain liquid financial assets sufficient to cover six months of general expenditures. Financial assets in excess of daily cash and cash equivalents requirements are invested in a brokered investment account which includes money market funds, common stock, fixed income, asset backed securities, and U.S. treasury securities.

NOTE O – LIQUIDITY AND AVAILABILITY OF FUNDS – continued

The Association is substantially supported by dues and meetings revenues. As part of the Association's liquidity management, it has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Association's financial assets available with one year of the consolidated statement of financial position date for general expenditure are as follows as of December 31, 2020:

Financial assets:	
Cash and cash equivalents	6,711,759
Accounts receivable	390,424
Pledges receivable	17,500
Investments	13,861,242
Total Financial Investments	20,980,925
Less amounts not available for general purposes:	
Donor restricted amounts	(5,694,155)
Total Financial Assets Available to meet Cash needs for General Expenditures Within One Year	$ 15,286,770

NOTE P – LETTER OF CREDIT

Under the terms of the Lease (Note M), the Foundation was required to obtain a letter of credit, not to exceed $4,745,932, for the benefit of the Trustee of the Facility Revenue Bonds as security for payment of the debt service on the Bonds. The Foundation is liable to the issuer for any amounts paid under the letter of credit. When the lease was paid off on November 1, 2020, this letter of credit was terminated as well.

NOTE Q – RELATED PARTY

The Association provides the Foundation with administrative services at no charge to the Foundation. The Association believes that this amount is insignificant in relation to total expenses. The Foundation is related to NAPA by common management and administration personnel and selected board trustees. Throughout the year, transactions for one of the organizations may be funded by the other organization.

NOTE R – SUBSEQUENT EVENTS

Due to COVID -19 NAPA's annual meeting scheduled to be held in Orlando in February 2021 was changed to a virtual event. The World of Asphalt (March 2021 in Atlanta, GA) was cancelled, and was not rescheduled, and will remain with original schedule of being held every two out of three years. It is expected that these changes will not materially impact the organization from a financial standpoint.

As required by the Subsequent Events topic of the FASB ASC, the Association evaluated subsequent events through June 6, 2022, which is the date these consolidated financial statements were available to be issued. Except as noted above, there were no additional events or transactions that were discovered during the evaluation that required additional recognition or disclosure.