Financial Statements
and Supplemental Information

National Fire Protection Association

December 31, 2019 and 2018

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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matters

As discussed in Note 1 to the financial statements, in 2019, NFPA adopted Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*, ASU No. 2018-08, *Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and ASU No. 2017-07*, Compensation - Retirement Benefits.* Our opinion is not modified with respect to these matters.

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 31, 2020 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.

Mayer Hoffman McCann P.C.

March 31, 2020
Boston, Massachusetts

NATIONAL FIRE PROTECTION ASSOCIATION

Statements of Financial Position

(000 omitted)

	December 31, 2019	December 31, 2018
Assets		
Cash and cash equivalents	$ 17,613	$ 13,707
Accounts and other receivables, net	5,615	4,583
Inventory, net	12,053	11,193
Prepaid expenses and other assets	1,942	2,027
Investments	265,033	243,495
Rent receivables and other deferred costs - real estate investments	7,452	8,246
Property and equipment, net	19,369	19,200
Real estate investments, net	29,924	31,944
Total assets	**$ 359,001**	**$ 334,395**
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$ 12,294	$ 11,289
Deferred revenues	14,305	13,030
Pension liability	20,828	26,029
Total liabilities	**47,427**	**50,348**
Net assets:		
Without donor restrictions	311,516	283,911
With donor restrictions	58	136
Total net assets	**311,574**	**284,047**
Total liabilities and net assets	**$ 359,001**	**$ 334,395**

See accompanying notes to the financial statements.

NATIONAL FIRE PROTECTION ASSOCIATION

Statements of Activities

(000 omitted)

		Years Ended December 31,
	2019	***2018***
Change in net assets without donor restrictions:		
Operating revenues:		
Publications	$ 54,133	$ 51,705
Membership	14,503	13,384
Training	12,165	12,661
Contracts and grants	1,799	2,098
Other	949	1,064
	83,549	80,912
Net assets released from restrictions	270	98
Total operating revenues	**83,819**	**81,010**
Operating expenses:		
Publications	27,106	23,610
Membership	9,549	10,171
Training	7,674	7,878
Contracts and grants	1,510	1,767
Standards development	15,336	16,307
Public education	1,858	1,936
International	1,390	1,624
General and administrative	21,025	19,215
Total operating expenses	**85,448**	**82,508**
Change in net assets without donor restrictions from operating activities	**(1,629)**	**(1,498)**
Non-operating revenue and expenses:		
Real estate investments - lease operations:		
Lease income	8,212	8,298
Lease expenses	(7,619)	(7,978)
Net lease income	593	320
Investment return (loss), net	33,836	(12,330)
Gain on sale/disposal of property and equipment	22	1
Pension costs other than periodic benefit costs	(5,217)	(6,093)
Change in net assets without donor restrictions from non-operating activities	**29,234**	**(18,102)**
Change in net assets without donor restrictions	**27,605**	**(19,600)**
Change in net assets with donor restrictions:		
Contributions	192	150
Net assets released from restrictions	(270)	(98)
Change in net assets with donor restrictions	**(78)**	**52**
Change in net assets	**27,527**	**(19,548)**
Net assets, beginning of year	284,047	303,595
Net assets, end of year	**$ 311,574**	**$ 284,047**

See accompanying notes to the financial statements.

NATIONAL FIRE PROTECTION ASSOCIATION

Statements of Cash Flows

(000 omitted)

		Years Ended December 31, 2019		2018
Cash flows from operating activities:				
Change in net assets	$	27,527	$	(19,548)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:				
Depreciation and amortization		5,500		5,319
Net realized and unrealized (gains) losses on investments		(28,199)		17,677
Gain on sale/disposal of property and equipment		(22)		(1)
Changes in assets and liabilities:				
Accounts and other receivables, net		(1,032)		(174)
Inventory, net		(860)		(630)
Prepaid expenses and other assets		85		(100)
Rent receivables and other deferred costs - real estate investments		794		153
Accounts payable and accrued expenses		1,085		(1,784)
Deferred revenues		1,275		194
Pension liability		(5,201)		5,039
Net cash and cash equivalents provided by operating activities		**952**		**6,145**
Cash flows from investing activities:				
Purchases of property and equipment		(3,229)		(1,771)
Proceeds from sale of property and equipment		22		1
Capital purchase of real estate investments		(500)		(1,548)
Purchase of investments		(95,323)		(45,326)
Proceeds from sales of investments		101,984		39,774
Net cash and cash equivalents provided by (used in) investing activities		**2,954**		**(8,870)**
Net increase (decrease) in cash and cash equivalents		**3,906**		**(2,725)**
Cash and cash equivalents, beginning of year		13,707		16,432
Cash and cash equivalents, end of year	**$**	**17,613**	**$**	**13,707**
Supplemental disclosure of noncash activities:				
Property and equipment acquisitions included in accounts payable and accrued expenses	$	786	$	866

See accompanying notes to the financial statements.

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.

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, 2019 and 2018. 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.

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

Investments and Related Income (Continued)

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

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 and direct internal 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

(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, 2019 and 2018 include self-insurance reserves amounting to approximately $279 and $169, respectively, for employee health care claims incurred but not paid at year end. NFPA is responsible for claims on an annual basis up to $4,080 and $4,414 for the years ended December 31, 2019 and 2018, respectively, and has purchased stop-loss insurance for coverage in excess of these amounts. Actual claims paid for 2019 and 2018 totaled $3,968 and $2,798, respectively.

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.

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

Shipping and Handling Costs

Shipping and handling costs are fulfilment 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 16 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.

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.

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.

New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This standard changes the basis for determining whether revenue is recognized over time or at a point in time, provides new and more detailed guidance on specific topics, and expands and improves disclosures about revenue. In addition, it provides guidance on costs related to obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer that are not in the scope of another ASC Topic. NFPA adopted this standard effective January 1, 2019 using the modified retrospective method.

NFPA also adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard addresses inconsistency in revenue recognition as to when an item should be considered a contribution versus an exchange type transaction. It also provides guidance as to when a contribution should be considered conditional. Conditional contributions are recognized as earned when barriers to entitlement are overcome. Any difference is recorded as deferred or a receivable, as applicable. Exchanges would be accounted for using the revenue recognition standards above. NFPA adopted this standard effective January 1, 2019 using the modified retrospective method.

NFPA is required to indicate the effects of adopting the change in the current reporting period. Management determined that the effects on earned revenue, deferred revenue and contribution revenue were immaterial. As such, no disclosures have been provided on the effect of adoption in the financial statements. In addition, certain changes from adopting these new standards resulted in changes to terminology which impacted certain disclosures and presentation of amounts.

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

New Accounting Pronouncements (Continued)

In addition, NFPA adopted ASU No. 2017-07, *Compensation - Retirement Benefits*. This financial statement standard improves the presentation of Net Periodic Cost and Net Periodic Postretirement Benefit Cost. The service cost component is now reported in the same line as other compensation costs arising from services rendered by the pertinent employees during the period. The standard was retrospectively applied and the impact related to the adoption of the new standard resulted in a reclassification of $1,043 and $1,036 to non-operating pension costs for the years ended December 31, 2019 and 2018, respectively.

In February 2016, the FASB issued ASU No. 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 year 2020 for NFPA.

In March 2019, the FASB issued ASU No. 2019-01, *Leases (ASC 842): Codification Improvements*, which provided clarifying guidance to the original ASU No. 2016-02. NFPA is evaluating the impact of the clarified guidance on the financial statements.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order to conform with the current year presentation.

Subsequent Events

NFPA has evaluated subsequent events through March 31, 2020, the date the financial statements were authorized to be issued. The World Health Organization's declaration on March 11, 2020 that the outbreak of a coronavirus (COVID-19) as a pandemic had no bearing on the December 31, 2019 stated results or balances and the related subsequent market volatility is being monitored by NFPA.

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.

(000 omitted)

Note 2 - Liquidity and Availability of Resources (Continued)

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

Cash and cash equivalents	$	17,613
Accounts and other receivables		5,615
Investments not encumbered by donor or board restrictions		249,899
	$	**273,127**

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

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 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 $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.

(000 omitted)

Note 3 - Revenue from Contracts with Customers (Continued)

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, 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 statement of financial position.

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

At December 31, 2019, NFPA had conditional contributions under Federal Awards in the amount of $1,489 that are not recognized as revenues in the statement of activities.

Note 4 - Receivables and Inventory

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

	2019	*2018*
Accounts and other receivables	$ 5,875	$ 4,794
Less allowance for uncollectibles	(260)	(211)
Accounts and other receivables, net	**$ 5,615**	**$ 4,583**

Included in accounts and other receivables are credit balances of $162 and $124 at December 31, 2019 and 2018, respectively.

Inventory consisted of the following as of December 31:

	2019	*2018*
Finished goods	$ 7,772	$ 6,649
Less reserve for obsolete inventory	(600)	(709)
Finished goods, net	**7,172**	**5,940**
Work-in-progress	4,881	5,253
Inventory, net	**$ 12,053**	**$ 11,193**

(000 omitted)

Note 5 - Investments and Fair Value Measurements

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

		2019		2018
Investment return (loss), net:				
Interest and dividends	$	5,849	$	5,552
Net realized and unrealized gains (losses) on investments		28,199		(17,677)
Less investment management and advisory fees		(212)		(205)
Investment return (loss), net	**$**	**33,836**	**$**	**(12,330)**

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

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

		Investments Measured at Net Asset Value		*Level 1*		*Total Fair Value*
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**

(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, 2018:

	Investments Measured at Net Asset Value	Level 1	Total Fair Value
Equity funds:			
US large cap blend	$ -	$ 31,529	$ 31,529
US small cap growth	-	16,600	16,600
International	-	21,907	21,907
Emerging market	12,743	-	12,743
Fixed income funds:			
Investment grade	-	60,636	60,636
Global bond fund	12,882	-	12,882
Fixed income holdings	19,556	-	19,556
Global asset allocation fund	-	50,149	50,149
Private debt limited partnership	14,760	-	14,760
Cash	-	2,733	2,733
Total investments	**$ 59,941**	**$ 183,554**	**$ 243,495**

Unfunded commitments related to the private debt limited partnership were $9,547 as of December 31, 2019. NFPA intends to fund this amount from existing investments.

Liquidity of investments valued at net asset value at December 31, 2019 is as follows:

90 days and under	$ 87,919
Illiquid	13,765
Total	**$ 101,684**

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.

(000 omitted)

Note 6 - Property and Equipment

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

	2019	2018
Land and improvements	$ 2,734	$ 2,734
Buildings and improvements	43,081	42,699
Furniture and office equipment	10,352	9,834
Business systems	17,748	16,848
Business systems and property improvements in progress	1,302	173
	75,217	72,288
Less accumulated depreciation	(55,848)	(53,088)
Property and equipment, net	**$ 19,369**	**$ 19,200**

Depreciation expense was $2,980 and $2,854 for the years ended December 31, 2019 and 2018, respectively.

Note 7 - Real Estate Investments

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

	2019	2018
Land and improvements	$ 1,132	$ 1,132
Buildings and improvements	63,370	62,870
	64,502	64,002
Less accumulated depreciation	(34,578)	(32,058)
Real estate investments, net	**$ 29,924**	**$ 31,944**

Depreciation expense was $2,520 and $2,465 for the years ended December 31, 2019 and 2018, respectively.

Note 8 - Employee Benefits

Defined Benefit Pension Plan

NFPA has a qualified defined benefit pension plan (the "Plan") covering substantially all of its employees 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 $565 and $374 for the years ended December 31, 2019 and 2018, 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 $677 and $408 at December 31, 2019 and 2018, respectively.

(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 $427 and $340 at December 31, 2019 and 2018, 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*	
	2019	***2018***	***2019***	***2018***	***2019***	***2018***
Changes in benefit obligation:						
Benefit obligation at beginning of year	$ 117,737	$ 118,651	$ 1,381	$ 1,349	$ 119,118	$ 120,000
Service cost	3,096	3,677	106	102	3,202	3,779
Interest cost	4,782	4,130	55	44	4,837	4,174
Impact of assumption changes	14,577	(4,358)	284	100	14,861	(4,258)
Experience (gain)/loss	1,584	298	(124)	(29)	1,460	269
Benefits paid	(4,756)	(4,425)	(92)	(185)	(4,848)	(4,610)
Actual expenses	-	(236)	-	-	-	(236)
Benefit obligation at end of year	137,020	117,737	1,610	1,381	138,630	119,118
Changes in plan assets:						
Assets beginning of year	93,089	99,009	-	-	93,089	99,009
Expected return/(loss) on investments	16,277	(6,065)	-	-	16,277	(6,065)
Contributions	13,192	4,570	92	185	13,284	4,755
Benefits paid	(4,756)	(4,425)	(92)	(185)	(4,848)	(4,610)
Fair value of assets at end of year	117,802	93,089	-	-	117,802	93,089
Accrued postretirement benefit obligation	**$ 19,218**	**$ 24,648**	**$ 1,610**	**$ 1,381**	**$ 20,828**	**$ 26,029**

(000 omitted)

Note 8 - Employee Benefits (Continued)

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

	Plan		DB SERP		Total	
	2019	2018	2019	2018	2019	2018
Service cost	$ 3,096	$ 3,677	$ 106	$ 102	$ 3,202	$ 3,779
Interest cost	4,782	4,130	55	44	4,837	4,174
Expected return on assets	(7,360)	(6,853)	-	-	(7,360)	(6,853)
Prior service cost amortization	-	-	-	-	-	-
Net loss amortization	3,034	3,527	194	110	3,228	3,637
Net periodic benefit cost	**$ 3,552**	**$ 4,481**	**$ 355**	**$ 256**	**$ 3,907**	**$ 4,737**

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

	Plan		DB SERP	
	2019	2018	2019	2018
Discount rate for net periodic benefit cost	4.15%	3.55%	4.15%	3.55%
Discount rate for benefit obligation	3.15%	4.15%	3.15%	4.15%
Rate of increase in future compensation levels	3.00%	3.50%	3.00%	3.50%
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 2019 and 2018. The employer contributions expected to be made during the fiscal year ending December 31, 2020 are $2,770 and $1,408 for the Plan and the DB SERP, respectively.

The expected future benefit payments are as follows:

Year End	*Plan*	*DB SERP*	*Total*
2020	$ 5,413	$ 1,408	$ 6,821
2021	5,742	46	5,788
2022	5,968	40	6,008
2023	6,208	34	6,242
2024	6,475	28	6,503
2025 - 2029	35,716	80	35,796

(000 omitted)

Note 8 - Employee Benefits (Continued)

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

	Investments Measured at Net Asset Value	Level 1	Total
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 investments	**$ 64,401**	**$ 53,401**	**$ 117,802**

The fair values of the Plan's assets by asset category are as follows at December 31, 2018:

	Investments Measured at Net Asset Value	Level 1	Total
Equity funds:			
US large cap blend	$ -	$ 19,458	$ 19,458
US small cap growth	-	6,079	6,079
International	14,246	-	14,246
Emerging market	4,677	-	4,677
Fixed income funds:			
Investment grade	-	19,430	19,430
Global bond fund	-	4,890	4,890
Fixed income holdings	7,524	-	7,524
Global asset allocation fund	-	9,517	9,517
Private debt fund	5,367	-	5,367
Cash	-	1,901	1,901
Total investments	**$ 31,814**	**$ 61,275**	**$ 93,089**

(000 omitted)

Note 8 - Employee Benefits (Continued)

Unfunded commitments related to the private debt limited partnership were $3,472 as of December 31, 2019. 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:

	2019	***2018***
Publications	$ 6,249	$ 5,933
Memberships	7,710	6,512
Seminars	124	231
Other	222	354
Deferred revenues	**$ 14,305**	**$ 13,030**

Note 10 - 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 three to eleven years expiring through 2029.

(000 omitted)

Note 10 - Rental Leases (Continued)

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, 2019 are as follows:

Year	*Operating*	*Non-operating*	*Minimum Future Rentals*
2020	$ 440	$ 7,501	$ 7,941
2021	346	7,480	7,826
2022	251	7,383	7,634
2023	200	7,216	7,416
2024	59	6,396	6,455
Thereafter	92	12,795	12,887
	$ 1,388	**$ 48,771**	**$ 50,159**

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

Note 11 - Lease Income - Real Estate Investments

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

	2019	*2018*
Billed rent	$ 8,108	$ 7,701
Deferred rent adjustment	104	597
Lease income	**$ 8,212**	**$ 8,298**

(000 omitted)

Note 12 - 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:

	2019	*2018*
Deferred rent receivables	$ 2,729	$ 2,624
Tenant allowances	1,804	2,262
Other tenant receivables	143	170
Leasing commissions	2,776	3,190
Rent receivables and other deferred costs - real estate investments	**$ 7,452**	**$ 8,246**

Amortization expense for tenant allowance and leasing commissions were $918 and $1,218 for the years ended December 31, 2019 and 2018, respectively.

Note 13 - 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.

	2019	*2018*
DiNenno Fund	$ 1,369	$ 1,246
DiNenno Fund assets included in net assets without donor restrictions	**$ 1,369**	**$ 1,246**

Awards paid by the DiNenno Fund were $50 and $0 for the years ended December 31, 2019 and 2018, respectively.

(000 omitted)

Note 13 - Net Assets (Continued)

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

		2019		*2018*
Real estate investments, net	$	29,924	$	31,944
Property and equipment, net		19,369		19,200
DiNenno Fund		1,369		1,249
Undesignated		260,854		231,518
Net assets without donor restrictions	**$**	**311,516**	**$**	**283,911**

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

		2019		*2018*
Purpose:				
Prizes and scholarships - accumulated unspent gains	$	-	$	3
Prizes and scholarship funds to be held in perpetuity		44		81
Contributions to be used on program activities		14		52
Net assets with donor restrictions	**$**	**58**	**$**	**136**

Net assets released from restrictions in accordance with their purpose totaled $270 and $98 for the years ended December 31, 2019 and 2018, respectively. During 2019, NFPA obtained approval from a donor to transfer $37 of a permanently restricted gift to another organization that will maintain the funds in perpetuity.

Note 14 - 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, 2019 and 2018, NFPA made contributions to the Foundation for both unrestricted and research purposes that amounted to $340 and $285, respectively. During the years ended December 31, 2019 and 2018, NFPA paid fees to the Foundation for research services of $0 and $15, respectively.

Notes to Financial Statements
(000 omitted)

Note 14 - Related Party (Continued)

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, 2019 and 2018.

During 2019, NFPA received a pass-through federal grant from the Foundation which amounted to $271.

Note 15 - Naming Rights Agreement

During 2017, NFPA entered into a naming rights agreement with the National Center for Fire & Life Safety ("NCFLS") for sole and exclusive title naming rights for a period of 99 years for a center to be built in Alabama, known as the "NFPA HEROES experience". At December 31, 2018, NFPA's remaining commitment was $14,500; during 2019, NFPA terminated the agreement due to decline in interest and two consecutive years in which milestones were not met. NFPA no longer has any future payment obligations.

Note 16 - Natural Classification of Operating Expenses

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

	Publications	Membership	Training	Contracts and Grants	Standards Development	Public Education	International	General and Administrative	Total
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.

Notes to Financial Statements
(000 omitted)

Note 16 - Natural Classification of Operating Expenses (Continued)

Operating expenses presented by natural classification and function are as follows for the year ended December 31, 2018:

	Publications	Membership	Training	Contracts and Grants	Standards Development	Public Education	International	General and Administrative	Total
Salaries and Wages	$ 5,078	$ 3,023	$ 1,628	$ 141	$ 7,688	$ 769	$ 356	$ 8,128	$ 26,811
Fringe and Overhead Costs	2,779	1,349	724	63	4,961	343	171	2,919	13,309
Cost of Goods Sold	6,940	-	267	1,497	-	-	-	-	8,704
Outside Services	3,700	1,417	3,578	20	327	556	549	3,663	13,810
Printing and Paper	854	844	89	4	35	15	66	53	1,960
Postage Freight and Mailing	2,540	1,079	339	2	42	4	109	31	4,146
Travel	156	234	236	21	1,175	95	143	522	2,582
Meetings	44	1,926	966	14	1,239	144	186	258	4,777
Equipment	78	29	5	-	2	-	-	907	1,021
Building Maintenance	-	3	-	-	-	-	-	1,457	1,460
Other	1,441	267	46	5	838	10	44	1,277	3,928
Total operating expenses	**$ 23,610**	**$ 10,171**	**$ 7,878**	**$ 1,767**	**$ 16,307**	**$ 1,936**	**$ 1,624**	**$ 19,215**	**$ 82,508**

The natural non-operating lease expenses consist of salaries and wages of $255, fringe and occupancy costs of $110, depreciation expense of $2,465, outside services of $109, building expenses of $5,027 and general and administrative expenses of $12 for the year ended December 31, 2018.

Supplemental Information

NATIONAL FIRE PROTECTION ASSOCIATION

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	*Federal CFDA Number*	*Pass-Through Entity Identifying Number*	*Federal Expenditures*
U.S. Department of Agriculture, Forest Service, Direct Program:			
Cooperative Forestry Assistance	10.664		$ 144,569
Total U.S. Department of Agriculture, Forest Service, Direct Program			**144,569**
U.S. Department of Homeland Security, Direct Program:			
Assistance to Firefighters Grant - 2016 Grant	97.044		991,484
Total U.S. Department of Homeland Security, Direct Program			991,484
U.S. Department of Homeland Security, Pass-through Program from the Fire Protection Research Foundation			
Assistance to Firefighters Grant	97.044	2017136	271,473
Total CFDA Number 97.044 and U.S. Department of Homeland Security			**1,262,957**
Total Expenditures of Federal Awards			**$ 1,407,526**

See Independent Auditors' Report and Notes to the Schedule of Expenditures of Federal Awards.

NATIONAL FIRE PROTECTION ASSOCIATION

Notes to the Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

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, 2019. 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, 2019, 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 31, 2020.

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) to determine the 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 determination of financial statement amounts. 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 31, 2020
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, 2019. 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, 2019.

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 31, 2020
Boston, Massachusetts

NATIONAL FIRE PROTECTION ASSOCIATION

Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

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	Name of Federal Program or Cluster
97.044	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, 2019

Section 2

<u>Financial Statement Findings</u>

None noted.

Section 3

<u>Federal Award Findings and Questioned Costs</u>

None noted.