NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION, INCORPORATED

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION, INCORPORATED

CONTENTS

INDEPENDENT AUDITORS' REPORT

To the Executive Committee of the Board of Governors
National Electrical Contractors Association, Incorporated

Opinion

We have audited the financial statements of National Electrical Contractors Association, Incorporated (the Association), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the accompanying financial statements are those of the Association only and are not those of the primary consolidated reporting entity. The consolidated financial statements of National Electrical Contractors Association, Incorporated and of its affiliates have been issued to the Executive Committee of the Board of Governors as the general purpose financial statements of the reporting entity and should be read in conjunction with these financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Marcum LLP

Washington, D.C.
May 30, 2024

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	General Fund	Board Designated Reserve Fund	2023	2022
Assets				
Cash and cash equivalents	$ 2,103,381	$ 887,733	$ 2,991,114	$ 1,483,489
Receivables				
Service charges receivable	2,544,256	--	2,544,256	2,154,919
Accounts receivable, net of estimated credit losses of $0 and $50,355 at December 31, 2023 and 2022, respectively	955,756	--	955,756	1,627,051
Accrued interest and dividends	4,860	27,772	32,632	23,381
Due from affiliates	1,522,717		1,522,717	1,076,793
Inventory	278,448	--	278,448	256,155
Prepaid expenses	2,192,185	--	2,192,185	2,192,502
Investments	1,986,465	19,791,160	21,777,625	19,960,291
Assets held for deferred compensation plans	576,657	--	576,657	517,335
Total Current Assets	12,164,725	20,706,665	32,871,390	29,291,916
Funded Portion of Pension Benefits	2,461,455	888,273	3,349,728	3,094,866
Operating Lease Right of Use Asset	14,705,640	--	14,705,640	16,114,971
Property and Equipment				
Furniture, equipment and software	4,741,277	--	4,741,277	5,091,693
Learning management system	1,568,581	--	1,568,581	1,499,110
Leasehold improvements	2,651,288	--	2,651,288	2,651,288
	8,961,146	--	8,961,146	9,242,091
Less accumulated depreciation and amortization	(4,033,258)	--	(4,033,258)	(3,367,088)
Total Property, Plant and Equipment	4,927,888	--	4,927,888	5,875,003
Total Assets	$ 34,259,708	$ 21,594,938	$ 55,854,646	$ 54,376,756
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$ 2,834,574	$ --	$ 2,834,574	$ 1,624,016
Accrued vacation payable	1,122,443	--	1,122,443	1,159,865
Operating lease liabilities, current	1,486,226	--	1,486,226	1,500,315
Deferred revenue	2,212,946	--	2,212,946	1,249,969
Total Current Liabilities	7,656,189	--	7,656,189	5,534,165
Deferred compensation	576,657	--	576,657	517,335
Operating lease liabilities, non-current	18,146,611	--	18,146,611	19,632,838
Total Liabilities	26,379,457	--	26,379,457	25,684,338
Net Assets				
Without donor restrictions				
General fund	7,880,251	--	7,880,251	8,557,925
Board-designated reserve fund	--	20,706,665	20,706,665	19,232,117
Reserve for pension-related items not yet recognized as a component of net periodic pension cost	--	888,273	888,273	902,376
Total Net Assets Without Donor Restrictions	7,880,251	21,594,938	29,475,189	28,692,418
Total Liabilities and Net Assets	$ 34,259,708	$ 21,594,938	$ 55,854,646	$ 54,376,756

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

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION, INCORPORATED

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

	General Fund	Board Designated Reserve Fund	Total
Activities Without Donor Restrictions			
Revenue			
Membership dues and service charges	$ 20,457,166	$ --	$ 20,457,166
Convention and expositions income	11,679,150	--	11,679,150
Advertising sales	4,816,380	--	4,816,380
Net investment gain	203,786	2,674,548	2,878,334
Regional and district meetings	2,253,231	--	2,253,231
Educational courses and workshops	2,018,889	--	2,018,889
Grants and other income	1,228,548	--	1,228,548
Sales of publications	375,001	--	375,001
Total Revenue	43,032,151	2,674,548	45,706,699
Expense			
Program Services			
Conventions, meetings and partnerships	10,735,283	--	10,735,283
Field service	8,298,076	--	8,298,076
Magazines	5,754,501	--	5,754,501
Industry development and public affairs	5,483,291	--	5,483,291
Labor relations services	2,582,586	--	2,582,586
Education	2,368,497	--	2,368,497
Codes, standards and safety	2,290,418	--	2,290,418
Government affairs	1,756,681	--	1,756,681
NECA's Contribution to ELECTRI	125,000	--	125,000
Total Program Services	39,394,333	--	39,394,333
Supporting Services:			
Governance	1,121,777	--	1,121,777
General and administrative	4,557,677	--	4,557,677
Total Supporting Services	5,679,454	--	5,679,454
Total Expense	45,073,787	--	45,073,787
Change in Net Assets Before Other Changes	(2,041,636)	2,674,548	632,912
Income tax expense	(93,454)	--	(93,454)
Net periodic benefit credit other than service cost	268,965	--	268,965
Other defined benefit changes	--	(14,103)	(14,103)
Loss on disposal of property and equipment	(11,549)	--	(11,549)
Interfund transfer	1,200,000	(1,200,000)	--
Change in Net Assets	(677,674)	1,460,445	782,771
Net Assets, Beginning of Year	8,557,925	20,134,493	28,692,418
Net Assets, End of Year	$ 7,880,251	$ 21,594,938	$ 29,475,189

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

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION, INCORPORATED

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Board Designated Reserve Fund	Total
Activities Without Donor Restrictions			
Revenue			
Membership dues and service charges	$ 18,854,125	$ --	$ 18,854,125
Convention and expositions income	10,443,269	--	10,443,269
Advertising sales	5,217,738	--	5,217,738
Net investment loss	(230,918)	(3,714,502)	(3,945,420)
Regional and district meetings	1,780,741	--	1,780,741
Educational courses and workshops	1,825,690	--	1,825,690
Grants and other income	863,037	--	863,037
Sales of publications	408,253	--	408,253
Total Revenue	39,161,935	(3,714,502)	35,447,433
Expense			
Program Services			
Conventions, meetings and partnerships	9,961,830	--	9,961,830
Field service	8,167,201	--	8,167,201
Magazines	5,708,600	--	5,708,600
Industry development and public affairs	4,836,828	--	4,836,828
Labor relations services	1,758,538	--	1,758,538
Education	2,590,717	--	2,590,717
Codes, standards and safety	2,286,238	--	2,286,238
Government affairs	2,022,211	--	2,022,211
NECA's Contribution to ELECTRI	250,000	--	250,000
Total Program Services	37,582,163	--	37,582,163
Supporting Services:			
Governance	1,260,220	--	1,260,220
General and administrative	5,387,174	--	5,387,174
Total Supporting Services	6,647,394	--	6,647,394
Total Expense	44,229,557	--	44,229,557
Change in Net Assets Before Other Changes	(5,067,622)	(3,714,502)	(8,782,124)
Income tax expense	(141,657)	--	(141,657)
Net periodic benefit credit (cost) other than service cost	293,583	--	293,583
Other defined benefit changes	--	(2,970,488)	(2,970,488)
Interfund transfer	1,600,000	(1,600,000)	--
Change in Net Assets	(3,315,696)	(8,284,990)	(11,600,686)
Net Assets, Beginning of Year	11,873,621	28,419,483	40,293,104
Net Assets, End of Year	$ 8,557,925	$ 20,134,493	$ 28,692,418

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

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services										Supporting Services		
	Conventions Meetings and Partnerships	Field Service	Magazines	Industry Development & Public Affairs	Labor Relations Services	Education	Codes Standards and Safety	Government Affairs	NECA's Contribution to ELECTRI	Total Program Services	Govemance	General and Administrative	Total
Salaries, taxes and benefits	$ 2,101,987	$ 6,310,506	$ 971,945	$ 3,184,944	$ 1,522,535	$ 901,795	$ 1,061,617	$ 689,438	$ --	$ 16,744,767	$ --	$ 2,881,672	$ 19,626,439
Conference and meetings	6,639,318	260,532	406,027	297,857	179,708	627,090	327,002	337,708	--	9,075,242	339,119	4,155	9,418,516
Travel	937,787	1,048,060	64,336	351,362	330,417	212,455	289,517	162,630	--	3,396,564	749,227	181,290	4,327,081
Professional fees	473,157	343,357	798,672	439,016	158,637	75,715	249,836	155,513	--	2,693,903	18,543	340,548	3,052,994
Occupancy	517,727	291,176	523,678	629,182	289,030	367,339	259,284	211,196	--	3,088,612	10,491	469,587	3,568,690
Selling and promotion	18,126	5,130	1,533,380	28,459	4,829	23,940	19,388	31,048	--	1,664,300	--	473,786	2,138,086
Research and publications	14	--	1,245,616	--	--	24,009	--	--	--	1,269,639	--	--	1,269,639
Digital tools and communications	16,618	8,645	156,902	379,335	2,079	121,903	10,255	62,527	--	758,264	--	115,891	874,155
Other	30,549	30,670	53,945	163,136	16,522	10,501	55,932	51,610	--	412,865	4,397	90,748	508,010
Contributions	--	--	--	10,000	78,829	3,750	17,587	55,011	125,000	290,177	--	--	290,177
Total	$ 10,735,283	$ 8,298,076	$ 5,754,501	$ 5,483,291	$ 2,582,586	$ 2,368,497	$ 2,290,418	$ 1,756,681	$ 125,000	$ 39,394,333	$ 1,121,777	$ 4,557,677	$ 45,073,787

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

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services										Supporting Services		
	Conventions Meetings and Partnerships	Field Service	Magazines	Industry Development & Public Affairs	Labor Relations Services	Education	Codes Standards and Safety	Government Affairs	NECA's Contribution to ELECTRI	Total Program Services	Governance	General and Administrative	Total
Salaries, taxes and benefits	$ 2,049,114	$ 6,092,442	$ 915,752	$ 2,657,202	$ 1,120,813	$ 820,415	$ 991,994	$ 716,229	$ --	$ 15,363,961	$ 164	$ 3,353,686	$ 18,717,811
Conference and meetings	5,746,803	194,719	427,678	346,857	20,444	601,720	469,076	462,139	--	8,269,436	438,226	29,870	8,737,532
Travel	879,122	1,253,425	81,961	362,478	187,204	321,278	268,047	166,893	--	3,520,408	750,893	538,032	4,809,333
Professional fees	660,155	241,865	858,096	361,197	136,130	192,232	184,909	265,360	--	2,899,944	48,936	318,167	3,267,047
Occupancy	560,358	368,313	381,373	539,312	217,117	451,609	255,610	213,090	--	2,986,782	21,067	593,998	3,601,847
Selling and promotion	36,258	--	1,783,430	25,202	3,213	30,787	34,662	23,441	--	1,936,993	--	428,964	2,365,957
Research and publications	--	--	1,222,628	--	--	12,250	--	--	--	1,234,878	--	--	1,234,878
Digital tools and communication	21,478	13,874	37,296	320,159	6,367	141,327	12,842	59,607	--	612,950	--	75,281	688,231
Other	8,542	2,563	386	214,421	750	9,466	54,707	65,970	--	356,805	934	49,176	406,915
Contributions	--	--	--	10,000	66,500	9,633	14,391	49,482	250,000	400,006	--	--	400,006
Total	$ 9,961,830	$ 8,167,201	$ 5,708,600	$ 4,836,828	$ 1,758,538	$ 2,590,717	$ 2,286,238	$ 2,022,211	$ 250,000	$ 37,582,163	$ 1,260,220	$ 5,387,174	$ 44,229,557

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

NATIONAL ELECTRICAL CONTRACTORS ASSOCIATION, INCORPORATED

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows From Operating Activities		
Change in net assets	$ 782,771	$ (11,600,686)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,056,603	971,288
Loss on disposal of property and equipment	11,549	--
Provision for estimated credit losses	(47,155)	15,019
Net (gain) loss on investments	(2,265,839)	4,445,261
Amortization of operating lease right to use asset	1,409,331	1,434,971
Change in assets and liabilities:		
Receivables	319,862	350,533
Due from affiliates	(445,924)	(600,007)
Inventory	(22,293)	(53,908)
Prepaid expenses	317	(133,718)
Assets held for deferred compensation plan	(59,322)	31,358
Funded portion of pension benefits	(254,862)	2,676,905
Accounts payable and accrued expenses	1,210,558	(512,473)
Accrued vacation payable	(37,422)	352,489
Deferred revenue	962,977	(14,689)
Operating lease liabilities	(1,500,316)	(1,256,101)
Deferred compensation	59,322	(31,358)
Net Cash Provided by (Used in) Operating Activities	1,180,157	(3,925,116)
Cash Flows From Investing Activities		
Proceeds from sales of investments	1,291,661	4,300,000
Purchases of investments	(843,156)	(1,029,385)
Purchases of property and equipment	(121,037)	(771,787)
Net Cash Provided by Investing Activities	327,468	2,498,828
Net Increase (Decrease) in Cash and Cash Equivalents	1,507,625	(1,426,288)
Cash and Cash Equivalents, Beginning of Year	1,483,489	2,909,777
Cash and Cash Equivalents, End of Year	$ 2,991,114	$ 1,483,489
Supplemental Disclosures of Cash Flow		
Cash paid for income taxes	$ --	$ 291,000

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

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

National Electrical Contractors Association, Incorporated (the Association) was created in 1901 to represent, promote and enhance the management interests of its electrical contractor members through labor relations, education, management skill improvements, apprentice and journeyman training, marketing services, public relations, information, communication and creation of a better business environment; and to coordinate the collective activities of the electrical contracting industry in the area of government relations, technical standards, public relations, communication, information and business ethics. The Association's operations are mainly funded through membership, service, meetings and advertising fees.

A summary of the Association's significant accounting policies follows:

BASIS OF PRESENTATION

These financial statements are not intended to be the general purpose financial statements of the Association and have been prepared in conformity with accounting principles that would otherwise be considered a departure from accounting principles generally accepted in the United States of America (U.S. GAAP) because certain affiliated organizations are not consolidated. The Association has also issued the consolidated statements of financial position of National Electrical Contractors Association, Incorporated and Affiliates as of December 31, 2023 and 2022, the related consolidated statements of activities, functional expenses and cash flows for the years then ended (none of which is presented herein). Such consolidated financial statements are the general purpose financial statements of the consolidated entity.

The Association follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under FASB ASC 958, the Association is required to report information regarding its net assets and its activities according to two categories: (1) net assets without donor restrictions, and (2) net assets with donor restrictions.

WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. See Note 5 for further details about the Association's board-designated net assets.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

WITH DONOR RESTRICTIONS

Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. The Association has no net assets with donor restrictions.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, the Association considers all highly liquid instruments, including repurchase agreements, which are to be used for current operations to be cash and cash equivalents. All other highly liquid instruments, which are intended for long-term purposes, are classified as investments.

INVESTMENTS

Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is charged or credited to current operations.

FAIR VALUE MEASUREMENT

In accordance with U.S. GAAP, the Association uses the following prioritized input levels to measure fair value. The input levels used for valuing investments and liabilities are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes.

Level 2: Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data.

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

RECEIVABLES

Trade receivables consist primarily of amounts owed from members for service charges and from customers as a result of the sale of advertising and other services. At each statement of financial position date, the Association recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECEIVABLES (CONTINUED)

where similar risk characteristics exist. The allowance estimate is derived from a review of the Association's historical losses based on the loss rate method. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Association. The Association believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as operations and conditions have remained reasonably consistent.

The allowance for credit losses was $0 and $50,355 for the years ending December 31, 2023 and 2022, respectively.

The Association writes off receivables when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the entity's accounting policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the years ending December 31, 2023 and 2022.

INVENTORY

Inventory is comprised primarily of publications and is stated at net realizable value.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost at the time of purchase. Major additions are capitalized while maintenance and repairs, which do not improve or extend the lives of the respective assets, are expensed currently. Depreciation and amortization is computed on the straight-line method at rates calculated to allocate the cost of the assets over their estimated useful lives, generally over the lease term for leasehold improvements, and three to 10 years for the learning management system, and furniture, equipment and software.

LEASES

Effective January 1, 2022, the Association adopted FASB ASC 842, *Leases*, using the modified retrospective method. In accordance with ASC 842, the right of use asset and lease liability are recognized at the commencement date of the lease agreement based on the present

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES (CONTINUED)

value of lease payments over the lease term using the Association's estimated incremental borrowing rate or implicit rate, when readily determinable. The asset is amortized on a straight-line basis over the lease term and is reflected as occupancy expense in the accompanying financial statements. The future lease obligation is reduced as cash payments are made under the terms of the lease. Interest is charged to occupancy expense for the difference. Short-term operating leases, which have an initial term of 12 months or less, are not recorded on the statement of financial position. The Association elected the package of practical expedients permitted under the transition guidance. The Association generally does not have access to the rate implicit in the lease, and therefore, the Association has elected to use the risk-free interest rate as the discount rate for computing lease liabilities.

REVENUE RECOGNITION

Revenue includes membership dues and service charges, convention, expositions, meetings and educational courses, advertising and publications. These revenues have performance obligations and are considered contracts with customers.

Economic factors driven by consumer confidence, employment, inflation, natural disasters, and other world events impact the timing and level of revenue recognized by the Association. Periods of economic downturn resulting from any of the above factors may result in declines in revenue recognized by the Association, or can have a positive impact on cash flows in good economic times.

Membership dues and service charges relate to the benefits received in the calendar year that the revenue is recognized. Membership dues are a fixed annual amount. Service charges are calculated monthly by each member company based upon a formula of certain "man-hours" times a rate. Benefits include discounted convention registration, discounted publications, access to member only content on the Association's website, labor relations services, advocacy, access to education and industry standards. All member benefits are considered one performance obligation and revenue is recognized ratably over the membership period as benefits provided to members are provided ratably throughout the period, which is on a calendar-year basis.

The Association holds events such as the annual convention, expositions, meetings and educational courses. There is a sliding scale of benefits provided to exhibitors commensurate with the fees paid. All performance obligations for attendees and exhibitors are satisfied at

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION (CONTINUED)

the time of the convention, meeting or educational course. Therefore, revenue is recognized at a point in time. Registration and exhibitor fees are generally collected in advance of the event and are recorded as deferred revenue until the event occurs.

Sponsorship revenue is included in convention and expositions income in the statements of activities. A typical agreement includes multiple performance obligations such as exhibit space at specified events, registration at specified events, advertising in the magazine and opportunities to be present with the Association's members. The performance obligations are outlined in the signed partnership agreement. Each agreement states the total price of the contract, the duration of the contract, as well as the components that the partner receives during the length of the agreement. Performance obligations related to registration and exhibit space are distinguishable and the transaction price is allocated based on the fair value (i.e., what would the price be for each performance obligation) of those obligations. Revenue is recognized at the point in time when each performance obligation is met. Other performance obligations, such as advertising in the magazine and opportunities to meet members occur at various times throughout the year and, therefore, revenue is recognized over time.

Advertising includes direct advertising revenue in the magazine, Electrical Contractor, digital ad sales and sponsored research. The performance obligation is to provide the ad. Revenue is recognized at the point in time the advertising takes place. The Association's publication contract occurs when the member orders a publication. The performance obligation for the Association is to send the selected material to the purchasing member. The transaction price is displayed on the website or order form when the publication is ordered. Revenue is recognized at the point in time when the ordered materials are sent.

CONTRACT BALANCES

The Association records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Opening balances as of January 1, 2022, were as follows:

Accounts receivable, net	$ 4,622,405
Deferred revenue	$ 1,264,658

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONTRACT BALANCES (CONTINUED)

Accounts receivable are shown net of estimated credit losses of $35,336 as of January 1, 2022.

FUNCTIONAL ALLOCATION OF EXPENSE

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Allocable costs consist primarily of occupancy related to the national headquarters in Washington, D.C., and certain salaries, digital tools and professional fees that benefit all functions. Costs are allocated based on each functional area's share of total salary expense.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECENTLY ADOPTED ACCOUNTING STANDARDS

In June 2016, the FASB issued guidance ASC 326, *Current Expected Credit Losses*, which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Association that are subject to the guidance in FASB ASC 326 were receivables. The Association adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT

Assets measured at fair value consisted of the following at December 31:

	2023			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual and exchange traded funds:				
Fixed income bond	$ 9,165,067	$ 9,165,067	$ --	$ --
US large cap index	6,597,283	6,597,283	--	--
Emerging market	4,355,096	4,355,096	--	--
Small cap	1,098,593	1,098,593	--	--
Certificates of deposit	561,586	--	561,586	--
Total Investments	21,777,625	21,216,039	561,586	--
Assets held for deferred compensation:				
Mutual funds	$ 576,657	$ 576,657	$ --	$ --
	$ 22,354,282	$21,792,696	$ 561,586	$ --
Liabilities at fair value:				
Deferred compensation	$ 576,657	$ --	$ 576,657	$ --

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENT (CONTINUED)

	2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
Mutual and exchange traded funds:				
Fixed income bond	$ 8,461,626	$ 8,461,626	$ --	$ --
US large cap index	5,974,760	5,974,760	--	--
Emerging market	3,906,972	3,906,972	--	--
Small cap	1,071,653	1,071,653	--	--
Certificates of deposit	545,280	--	545,280	--
Total Investments	19,960,291	19,415,011	545,280	--
Assets held for deferred compensation:				
Mutual funds	517,335	517,335	--	--
	$ 20,477,626	$19,932,346	$ 545,280	$ --
Liabilities at fair value:				
Deferred compensation	$ 517,335	$ --	$ 517,335	$ --

Mutual and exchange traded funds are valued based on quoted prices in the market and hence classified as Level 1 investments. Certificates of deposit are valued based on the prices for similar securities. The deferred compensation liabilities are based on the fair value of the deferred compensation assets, which are observable inputs based on quoted market prices and hence classified as level 1; however, the liabilities are not publicly traded and are, therefore, considered Level 2 items.

NOTE 3 – RETIREMENT PLANS FOR EMPLOYEES

457 DEFERRED COMPENSATION PLANS

The Association maintains deferred compensation plans on behalf of several employees under Sections 457(b) and 457(f) of the IRC. Assets held for deferred compensation plans, which are held in mutual funds as directed by the participants, amounted to $576,657 and $517,335 at December 31, 2023 and 2022, respectively. Total accrued liabilities related to these plans were $576,657 and $517,335 as of December 31, 2023 and 2022, respectively. Employer contributions to these plans were $72,194 and $24,448 for the years ended December 31, 2023 and 2022, respectively.

EMPLOYEE PENSION PLAN

The Association has a defined benefit pension plan covering substantially all employees who were hired before December 31, 2003. The plan is funded by contributions from the Association as annually determined by the plan's actuary. Effective December 31, 2003, the plan was amended to cease all further benefit accruals for all plan participants. In addition, all participants were fully vested in benefits accrued through December 31, 2003. Participants will continue to be credited with prior service with any local NECA chapter and retired participants will continue to be entitled to receive cost-of-living adjustments as permitted by and in accordance with the plan.

The following table sets forth the plan's funded status and amounts recognized in the Association's financial statements at December 31:

	2023	2022
Accumulated and projected benefit obligation	$(24,994,687)	$(24,962,054)
Fair value of plan assets	28,344,415	28,056,920
Funded Status	$ 3,349,728	$ 3,094,866

The funded status at the end of the year is recognized as an asset in the statements of financial position.

Under U.S. GAAP, certain pension-related items, such as net gains/losses, are recognized as a change in net assets without donor restrictions but are not included in net periodic pension cost. Such items are systematically amortized and recognized as a component of net periodic pension cost. The balance of the pension-related items in net assets without donor restrictions that have not yet been recognized as net periodic pension cost consisted of an unrecognized

NOTE 3 – RETIREMENT PLANS FOR EMPLOYEES (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

net gain of $888,273 and $902,376 at December 31, 2023 and 2022, respectively, and is included in the reserve for pension-related items not yet recognized as a component of net periodic pension cost within net assets without donor restrictions in the statements of financial position. The amount of unrecognized net prior service cost and net gain that is expected to be amortized and recognized as a component of net periodic pension cost for the year ending December 31, 2024 totals $40,076.

During the year ended December 31, 2023 and 2022, lump-sum payments totaling approximately $0 and $1,016,000, respectively, were paid to terminated vested participants. As a result of these lump-sum payments, settlement gains of $0 and $44,779 were recognized for the year ended December 31, 2023 and 2022, respectively.

Net periodic benefit cost and other amounts recognized in nonoperating income are as follows for the years ended December 31:

	2023	2022
Changes in net periodic benefit cost recognized in Nonoperating income:		
Interest cost	$ (1,310,662)	$ (942,288)
Return on plan assets	1,619,703	1,357,706
Amortization on prior service cost	(40,076)	(166,614)
Net gain from settlements	--	44,779
Total Recognized in Net Periodic Benefit Cost	$ 268,965	$ 293,583
Other defined benefit changes recognized in Nonoperating income:		
Actuarial (loss) gain	$ (54,179)	$ (2,893,934)
Net prior service cost	--	(198,389)
Amortization on prior service cost	40,076	166,614
Net gain from settlements	--	(44,779)
Total Recognized in Nonoperating Income	$ (14,103)	$ (2,970,488)

NOTE 3 – RETIREMENT PLANS FOR EMPLOYEES (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

Assumptions used to determine benefit obligations at December 31 are as follows:

	2023	2022
Discount rate-benefit obligation	5.24%	5.60%
Increases for in-payments benefits	3.00%	3.00%
Rate of compensation increase	N/A	N/A

Assumptions used to determine net periodic costs at December 31 are as follows:

	2023	2022
Discount rate-periodic pension cost	5.60%	2.97%
Expected return on plan assets	6.00%	4.70%
Increases for in-payments benefits	3.00%	3.00%
Rate of compensation increase	N/A	N/A

The Pri-2012 employees and health retirees mortality tables with no collar adjustment for males and females projected generationally with Scale MP-2021 were used for the years ended December 31, 2023 and 2022.

Total employee benefits paid by the plan during the years ended December 31, 2023 and 2022, were $2,568,607 and $2,081,478, respectively. There were no employer contributions made for the years ended December 31, 2023 and 2022. The Association does not anticipate making a contribution to the plan during the fiscal year ending December 31, 2024.

The overall long-term rate of return was developed by estimating the rate of return for each asset class and computing a weighted average return for the portfolio as a whole. All assets were valued using a market approach, as described in Note 1.

NOTE 3 – RETIREMENT PLANS FOR EMPLOYEES (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

The Association's pension plan assets by major asset class were as follows at December 31:

	2023			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments, at fair value:				
Mutual and exchange traded funds:				
Index	$ 7,962,988	$ 7,962,988	$ --	$ --
Emerging market	742,005	742,005	--	--
Small cap	1,585,667	1,585,667	--	--
US government bonds	2,648,173	--	2,648,173	--
Domestic corporate bonds	12,021,331	--	12,021,331	--
Foreign corporate bonds	1,692,161	--	1,692,161	--
Asset-backed securities	1,429,206	--	1,429,206	--
Municipal bonds	88,059	--	88,059	--
	28,169,590	$ 10,290,660	$ 17,878,930	$ --
Investments, at cost:				
Money market funds and cash	174,825			
Total Plan Investments	$ 28,344,415			

NOTE 3 – RETIREMENT PLANS FOR EMPLOYEES (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

	2022			
	Fair Value	Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments, at fair value:				
Mutual and exchange traded funds:				
Index	$ 7,930,283	$ 7,930,283	$ --	$ --
Emerging market	752,772	752,772	--	--
Small cap	1,544,254	1,544,254	--	--
US government bonds	2,322,199	--	2,322,199	--
Domestic corporate bonds	12,209,329	--	12,209,329	--
Foreign corporate bonds	1,804,568	--	1,804,568	--
Asset-backed securities	1,117,173	--	1,117,173	--
Municipal bonds	87,149	--	87,149	--
	27,767,727	$ 10,227,309	$ 17,540,418	$ --
Investments, at cost:				
Money market funds and cash	289,193			
Total Plan Investments	$ 28,056,920			

Investments classified in Level 1 consist of mutual funds that are priced daily in active markets.

Investments classified in Level 2 were valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield and other terms and conditions of each security. Management believes the estimated fair value to be a reasonable approximation of the exit price for these investments.

NOTE 3 – RETIREMENT PLANS FOR EMPLOYEES (CONTINUED)

EMPLOYEE PENSION PLAN (CONTINUED)

The asset class return is developed using historical asset return performance, the underlying investments of each asset class, and current expectations for that class based on inflation, interest rates and equity market performance. Investment asset allocation and performance is monitored by the plan's administrators and the asset review committee. The asset review committee has adopted a glide path strategy which outlines changes in the asset allocation based upon the funded status of the pension plan.

The following are the asset allocations based upon a funded level status of 77% to 105%:

Investment Class	Target Allocation
Large capitalization equity	35% to 16%
Small capitalization equity	10% to 5%
Developed international	15% to 7%
Emerging markets	5% to 2%
Fixed income	35% to 70%

Benefits expected to be paid from the plan for each of the next five fiscal years and in the aggregate for the five fiscal years thereafter are as follows:

For the Year Ending December 31,	
2024	$ 2,764,379
2025	2,157,397
2026	2,126,936
2027	2,092,620
2028	2,051,737
2029 – 2033	9,728,748
Total	$ 20,921,817

401(K) RETIREMENT PLAN

The Association also has a 401(k) plan covering all employees who have achieved certain age and length of service requirements. The Association makes mandatory contributions on behalf of each eligible participant equal to 5% of annual compensation. In addition, the Association decided to make discretionary contributions on behalf of eligible participants of 7% of annual compensation during each of the years ended December 31, 2023 and 2022. Employer contributions are 100% vested after three years of service. Employer contributions to the plan totaled $1,727,217 and $1,470,783 during the years ended December 31, 2023 and 2022, respectively.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Association has entered into various long-term leasing arrangements for office equipment and office space. Certain office leases provide for an escalation of rental payments for increased real estate taxes and maintenance costs of the lessor over the base year as specified in each lease.

The following summarizes the line items in the statement of financial position which include amounts for the operating leases at December 31, 2023 and 2022:

	2023	2022
Operating lease right of use asset	$ 14,705,640	$ 16,114,971
Operating lease liability	$ 19,632,837	$ 21,133,153

The following summarizes the cash flow information related to the operating lease for the years ended December 31, 2023 and 2022:

Cash paid for amounts included in the measurement of lease liabilities:

	2023	2022
Operating cash flows from operating lease	$ 1,538,794	$ 1,268,939
Operating lease right of use asset obtained in exchange for new lease liability	$ --	$ 17,549,942

Lease term and discount rate are as follows at December 31, 2023 and 2022:

	2023	2022
Weighted average remaining lease term in months	157.39	168.90
Weighted average discount rate	1.711%	1.706%

Expense recognized under the lease obligations for the years ended December 31, 2023 and 2022 was $1,448,752 and $1,447,809, respectively.

NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The following is a summary of future minimum payments required under the lease agreements:

For the Year Ending December 31,	
2024	$ 1,550,320
2025	1,537,191
2026	1,555,147
2027	1,594,026
2028	1,633,877
Thereafter	14,967,851
Total	22,838,412
Less: Interest	(3,205,575)
Total Operating Lease Liability	$ 19,632,837

FINANCIAL RISK

The Association maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant financial risk on cash.

The Association invests in a professionally managed portfolio. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

HOTEL AND CONVENTION CONTRACTS

The Association has contracts with various hotels and convention centers for future events. In the event that the Association cancels, it can be held liable for liquidated damages incurred by the hotels and convention centers as calculated in accordance with the terms of the agreements.

LITIGATION

From time to time, the Association may be involved with litigation related to business matters. Management believes that any loss related to litigation would have no significant impact on the Association.

NOTE 4 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

EMPLOYMENT AGREEMENT

The Association has an employment agreement with its chief executive officer (CEO). Under the terms of the agreement, the CEO will be eligible to receive specified severance payments upon the occurrence of certain events.

NOTE 5 – BOARD-DESIGNATED RESERVE FUND

The board of governors (the Board) has adopted a policy directing the executive committee to establish and maintain a board-designated reserve fund (the Fund). The Fund is to assist in providing the Association with financial stability. The Fund is maintained by the executive committee in accordance with policies and directives set by the Board. Because this fund was created by an action of the Board, and not by an outside donor, the Fund is classified as a component of net assets without donor restrictions.

NOTE 6 – RELATED PARTY TRANSACTIONS

ELECTRI INTERNATIONAL

The Association and ELECTRI International – The Foundation for Electrical Construction, Inc. (the Foundation) share some common board members and officers. During the years ended December 31, 2023 and 2022, the Association incurred certain general and administrative expenses on behalf of the Foundation. These expenses are being treated as a contribution to the Foundation by the Association.

Cash contributions and in-kind services provided to the Foundation consisted of the following for the years ended December 31:

	2023	2022
Cash contribution to affiliate	$ 125,000	$ 250,000
In-kind general and administrative support	274,410	400,585
Total Contributions	$ 399,410	$ 650,585

The Foundation owed the Association $1,518,157 and $1,074,447 as of December 31, 2023 and 2022, respectively. This amount is included in due from affiliates in the accompanying statement of financial position.

NOTE 6 – RELATED PARTY TRANSACTIONS (CONTINUED)

NECA-IBEW

The Association donates management services at no cost to NECA-IBEW National Labor Management Cooperation Committee Trust Fund (NLMCC), a related party. During the years ended December 31, 2023 and 2022, NLMCC paid the Association $500,000 and $250,000, respectively, to support business and workforce development programs. NLMCC owed the Association $4,560 and $2,346 as of December 31, 2023 and 2022, respectively. These amounts are included in due from affiliates in the accompanying statements of financial position.

NOTE 7 – INCOME TAXES

The Association is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code (IRC), except on net income derived from unrelated business activities. The Association's primary unrelated business activity consists of advertising revenue.

Based on the Association's operations for the years ended December 31, 2023 and 2022, no provision for uncertain tax positions is required or has been made in the accompanying financial statements.

As of December 31, 2023, there were tax years open that could be subject to review by federal and state taxing authorities. However, there are currently no examinations pending or in progress.

The components of income tax expense were as follows at December 31:

	2023	2022
Federal – unrelated business income	$ 71,130	$ 89,350
State	22,324	52,307
Total Current Income Tax Expense	$ 93,454	$ 141,657

The components of the deferred tax asset were as follows at December 31:

	2023	2022
Deferred tax asset	$ 347,321	$ 385,764
Deferred tax asset valuation allowance	(347,321)	(385,764)
Net Deferred Tax Asset	$ --	$ --

NOTE 7 – INCOME TAXES (CONTINUED)

The deferred tax asset consisted of contribution carryforwards. At December 31, 2023, the Association had contribution carry-forwards available to offset future federal and state taxable income of approximately $1,187,000, subject to certain limitations, which expire during various years through 2028. The contribution carry-forwards consist of charitable contributions made primarily to the Foundation in excess of the deductible amount. A valuation allowance has been recognized to offset the deferred tax asset due to the uncertainty of realizing the benefit of the contribution carryforwards.

NOTE 8 – AVAILABILITY AND LIQUIDITY

As part of its liquidity management process, the Association has established a reserve fund for the purposes of providing for the stability of Association operations and responding to unpredictable problems and opportunities. The goal is to maintain designated reserve funds equal to the annual operating expenses of the Association. The minimum fund shall be equal to at least six months of operating expenses and not in excess of two years of operating expenses. The executive committee may utilize up to 7% of the value of the board-designated reserve fund for annual operations. To meet short-term cash needs, the executive committee may transfer additional amounts to the operations account provided such amounts are returned to the designated reserves during the following fiscal year. All other withdrawals from the board-designated reserve require prior authorization by the Board.

The Association's management monitors the organization's liquid assets balance on an ongoing basis in order to ensure funds are available to meet operating needs.

The following reflects the Association's financial assets available for general use within one year of the statement of financial position date as of December 31:

	2023	2022
Cash and cash equivalents	$ 2,991,114	$ 1,483,489
Accounts receivable, net	3,532,644	3,805,351
Due from affiliates	1,522,717	1,076,793
Investments	21,777,625	19,960,291
Assets held under deferred compensation plans	576,657	517,335
Financial Assets Available	30,400,757	26,843,259
Less: Deferred compensation liabilities	(576,657)	(517,335)
Less: Board-designated reserve fund	(20,706,665)	(19,232,117)

NOTE 8 – AVAILABILITY AND LIQUIDITY (CONTINUED)

	2023	2022
(continued)		
Plus: Budgeted subsequent year's transfer from board-designated reserve	$ 1,400,000	$ 1,200,000
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 10,517,435	$ 8,293,807

NOTE 9 – RECLASSIFICATIONS

Certain amounts in the 2022 financial statements have been reclassified for comparative purposes to conform to the presentation of the current year financial statements.

NOTE 10 – SUBSEQUENT EVENTS

In preparing the financial statements, the Association has evaluated, for potential recognition or disclosure, events and transactions through May 30, 2024, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in the financial statements.