

Financial Statements and Report of  
Independent Certified Public  
Accountants

**National Futures Association**

June 30, 2023 and 2022

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors  
National Futures Association

**Opinion**

We have audited the financial statements of the National Futures Association (the "Association"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities 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 June 30, 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 of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's 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 B to the financial statements, the Association has adopted new accounting guidance in 2023 related to the accounting for leases. 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.

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 for one year after the date the financial statements are available to be issued.

**Auditor's 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 auditor's 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 US 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 US 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.

*Grant Thornton LLP*

Chicago, Illinois  
November 7, 2023

**National Futures Association**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30,**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 20,259,637	\$ 23,339,988
Short-term investments	130,646,662	119,165,587
Assessments receivable	5,903,445	6,150,208
Other current assets, net	8,363,045	4,062,385
Total current assets	165,172,789	152,718,168
<b>Furniture, fixtures, equipment, leasehold improvements and software, net</b>	23,271,677	8,193,924
<b>Right-of-use asset</b>	16,227,889	-
<b>Investments</b>	9,099,062	15,331,716
<b>Other assets</b>	39,875	40,271
Total assets	<b>\$ 213,811,292</b>	<b>\$ 176,284,079</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Unearned dues and fees	\$ 10,402,742	\$ 11,220,981
Current portion of operating lease liability	1,637,976	-
Accounts payable, accrued expenses and other current liabilities	12,422,904	8,373,061
Total current liabilities	24,463,622	19,594,042
<b>Deferred rent credit</b>	-	482,341
<b>Operating lease liability</b>	22,613,504	-
<b>Other long-term liabilities</b>	10,060,275	9,385,392
Total liabilities	57,137,401	29,461,775
<b>Net assets without donor restrictions</b>	156,673,891	146,822,304
Total liabilities and net assets	<b>\$ 213,811,292</b>	<b>\$ 176,284,079</b>

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

**National Futures Association**

**STATEMENTS OF ACTIVITIES**

**Years ended June 30,**

	<b>2023</b>	<b>2022</b>
<b>Revenues</b>		
Assessments	\$ 71,579,573	\$ 66,701,215
Membership dues	53,321,835	46,046,978
Registration and other fees	5,050,695	5,293,549
Regulatory services outsourcing	6,667,385	6,770,000
Investment return, net	3,490,318	(8,633,941)
	140,109,806	116,177,801
<b>Expenses</b>		
Salaries, wages and employee benefits	95,286,941	85,351,974
Space rental and related expenses	5,399,626	4,702,220
Travel and meetings	2,682,544	669,584
Technology expenditures	7,990,194	6,513,675
Depreciation and amortization	5,770,612	5,769,983
Outside consulting fees and services	8,244,823	6,511,284
Supplies, postage and telephone	103,670	62,201
Outside printing and publications	24,618	23,112
Board and committee fees and expenses	774,267	627,284
Insurance, recruiting, education, dues and other	3,735,515	3,418,025
	130,012,810	113,649,342
<b>Postretirement benefit changes other than net periodic benefit costs</b>	(245,409)	3,330,701
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	9,851,587	5,859,160
<b>Net assets without donor restrictions at beginning of year</b>	146,822,304	140,963,144
<b>Net assets without donor restrictions at end of year</b>	\$ 156,673,891	\$ 146,822,304

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

**National Futures Association**  
**STATEMENTS OF CASH FLOWS**  
**Years ended June 30,**

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of change in net assets to net cash provided by operating activities:</b>		
Change in net assets	\$ 9,851,587	\$ 5,859,160
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net unrealized (gain) loss on investments	(263,423)	10,182,701
Depreciation and amortization	5,770,612	5,769,983
Postretirement benefit changes other than net periodic benefit costs	245,409	(3,330,701)
Changes in assets and liabilities		
Assessments receivable	246,763	(763,386)
Other assets	(4,300,265)	280,998
Unearned dues and fees	(818,239)	3,708,495
Accounts payable and accrued expenses	1,621,468	1,138,945
Deferred rent credit	(482,341)	(786,183)
Right of use asset and lease liability	8,023,592	-
	<u>19,895,163</u>	<u>22,060,012</u>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets and software	(17,990,516)	(3,835,509)
Purchase of investments	(46,879,516)	(62,461,096)
Sale of securities	5,894,518	-
Maturities of U.S. Treasury securities	36,000,000	34,000,000
	<u>(22,975,514)</u>	<u>(32,296,605)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,080,351)</b>	<b>(10,236,593)</b>
<b>Cash and cash equivalents at beginning of year</b>	<u>23,339,988</u>	<u>33,576,581</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 20,259,637</u>	<u>\$ 23,339,988</u>
<b>Non-cash investing activities:</b>		
Right-of-use assets obtained in exchange for lease liabilities	\$ 24,451,891	\$ -
Purchases of fixed assets not yet paid	\$ 2,857,849	\$ -

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

**National Futures Association**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2023 and 2022**

**NOTE A - ORGANIZATION**

The Commodity Futures Trading Commission has designated National Futures Association (the Association) as a registered futures association. Among the Association's activities are qualification screening and registration, financial and trade practice surveillance, enforcement of customer protection rules and uniform business standards, arbitration of disputes and educational activities. The Association is primarily financed through the payment of assessments and dues by its members and registration fees by registrants.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Recently Adopted Accounting Standards Updates***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The underlying principle is that lessees should recognize the assets and liabilities arising from leases on the statement of financial position. The guidance requires a lessee to recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous accounting standards. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous accounting standards is that the lease assets and lease liabilities arising from operating leases should be recognized in the statements of financial position. The accounting applied by a lessor is largely unchanged from that applied under previous accounting standards. The Association adopted ASU No. 2016-02 for the year ended June 30, 2023, using the current period adjustment method which significantly impacted the Association's financial condition and disclosures but there was no material impact on the results from operations.

***Use of Estimates***

The financial statements of the Association have been prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The preparation of financial statements in conformity with U.S. GAAP requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

***Revenue from Contracts with Customers***

All of the Association's revenue from contracts with customers is from performance obligations satisfied over time and is derived from contracts with an initial expected duration of one year or less. Prices are specific to distinct performance obligations and do not consist of multiple transactions. Contracts include standard payment terms and generally do not include any variable consideration.

**Assessments**

Assessments are reported monthly and are due within 30 days. Assessments are recognized as revenue in the month to which they apply. Amounts reported but not yet collected are recognized as assessments receivable on the accompanying statements of financial position.

**Membership Dues**

Membership dues are non-refundable and are recognized as revenue on a pro rata basis over each member's membership year.

## National Futures Association

### NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

#### Registration Renewal Fees

Registration renewal fees are non-refundable and are recognized as revenue on a pro rata basis over each registrant's renewal period.

#### Regulatory Services Outsourcing

Regulatory services outsourcing revenue relates to the Association's trade practice and market surveillance services. This revenue consists of non-refundable start-up fees and monthly maintenance fees for ongoing services for each customer. Start-up fees are recognized as revenue when paid by the customer. Monthly fees for ongoing surveillance and other regulatory services are recognized as revenue on a monthly basis as services are performed.

The Association records deferred revenue in situations when amounts are invoiced and received but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met. Deferred revenue was \$10,402,742 and \$11,220,981 as of June 30, 2023 and 2022, respectively, and are recognized as unearned dues and fees on the accompanying statements of financial position.

#### ***Furniture, Fixtures, Equipment and Leasehold Improvements***

The Association capitalizes individual purchases greater than \$1,500 and group purchases greater than \$15,000.

Furniture, fixtures, equipment, and leasehold improvements are recorded at cost and depreciated over three to seven years or the term of the lease, if applicable, on a straight-line basis. The Association uses the half-year convention so that the first and last years of depreciation and amortization are one-half the straight-line amount and all middle years are in direct proportion to the useful life of the capitalized item. Additionally, the Association has artwork that is considered non-depreciable, included in the furniture and fixtures line within Note E, valued at \$297,566 as of June 30, 2023 and 2022.

#### ***Purchased Software***

Purchased software is included in fixed assets and is capitalized and amortized over three years on a straight-line basis using the half-year convention.

#### ***Software Design and Development Costs***

Software design and development costs consist of salaries and benefits of the Association's personnel involved in projects to develop software for internal use. Software design and development costs incurred in the preliminary stage of a project, as well as training and maintenance costs, are expensed as incurred. Software design and development costs associated with the application development stage of software projects are capitalized until such time as the software is substantially complete and ready for its intended use. Capitalized software design and development costs are amortized over three years on a straight-line basis using the half-year convention.

#### ***Allowance for Doubtful Accounts***

The allowance for doubtful accounts, which is related to membership dues receivable, registration revenue receivable and regulatory fines, is maintained at a level that management deems adequate to provide for estimated uncollectible receivables and is based on the length of time receivables have been outstanding, historical experience and an assessment of business economic conditions. At June 30, 2023 and 2022, the allowance for doubtful accounts was \$30,591 and \$24,920, respectively. This allowance is a reduction of

**National Futures Association**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

receivables, which are included in other current assets, net on the accompanying statements of financial position.

***Leases***

The Association has operating lease agreements for office space expiring in various years through 2036. In most cases, the Association is required to make additional payments under facility operating leases for taxes, insurance and other operating expenses incurred during the operating lease period. The Association determines if a contract contains a lease when the contract conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. Upon such identification and commencement of a lease, the Association establishes a right-of-use ("ROU") asset and a lease liability in the statements of financial position.

A lease component is defined as an asset within the lease contract that a lessee can benefit from the use of and is not highly dependent or interrelated with other assets in the arrangement. A lease contract may contain multiple lease components. A non-lease component is defined as a component of the lease that transfers a good or service for the underlying asset, such as maintenance services. Additionally, the Association has elected the practical expedient to include both the lease component and the non-lease component as a single component when accounting for each lease and calculating the resulting lease liability and ROU asset. Any remaining contract consideration, such as property taxes and insurance, that does not meet the definition of a lease component or non-lease component would be allocated to the single lease component based on the election.

The lease liability represents future lease payments for lease and non-lease components discounted for present value. Lease payments that may be included in the lease liability include fixed payments, variable lease payments that are based on an index or rate and payments for penalties for terminating the lease if the lessee is reasonably certain to use a termination option, among others. Certain leases contain rent escalation clauses that are specifically stated in the lease and these are included in the calculation of the lease liability. Variable lease payments for lease and non-lease components which are not based on an index or rate are excluded from the calculation of the lease liability and are recognized in the statements of activities during the period incurred.

The ROU asset consists of the amount of the initial measurement of the lease liability and adjusted for any lease incentives, including rent abatements and tenant improvement allowances, and any initial direct costs incurred by the lessee. The ROU asset is amortized over the remaining lease term on a straight-line basis.

The lease term is determined by taking into account the initial period as stated in the lease contract and adjusted for any renewal options that the Association is reasonably certain to exercise as well as any period of time that the lessee has control of the space before the stated initial term of the lease.

The Association uses discount rates to determine the net present value of gross lease obligations when calculating the lease liability and related ROU asset. In cases in which the rate implicit in the lease is readily determinable, that discount rate is used for purposes of the net present value calculation. In most cases, lease agreements do not have a discount rate that is readily determinable and therefore the Association uses a risk free rate. The rate is determined at lease commencement or lease modification and represents the rate of interest of US Treasury obligations of similar maturity.

***Fair Value Measurements***

The FASB has issued guidance that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and specifies disclosure requirements for fair value measurements. This guidance maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

**National Futures Association**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market;
- Level 2 - Pricing inputs are other than quoted prices in active markets for identical assets or liabilities, which are either directly or indirectly observable as of the report date. These securities include investments for which quoted prices are available but are traded in an inactive market or investments that are fairly valued using other securities, the inputs for which can be directly observed; and
- Level 3 - Securities that are valued using significant unobservable inputs. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement; however, the determination of what constitutes observable requires significant judgment by the Association. The Association considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the fair value hierarchy is based on the pricing transparency of the instrument and does not necessarily correspond to the Association's perceived risk of that instrument.

All of the Association's investments have values that are based on quoted market prices in active markets and are, therefore, classified as Level 1. These investments include U.S. Treasury bills and equity and fixed income mutual funds. The Association does not adjust the quoted price for such instruments, even in situations where the Association may hold a large position and a sale could reasonably impact the quoted price.

***Functional Expenses***

The Association considers substantially all of its program expenses to be attributable to its one significant program, regulating the U.S. derivatives industry. The financial statements report certain categories of expenses that are allocated between program and supporting functions. These expenses include depreciation and amortization, space and related, and technology expenses. These expenses are allocated based on headcount.

**National Futures Association**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Expenses by natural and functional categories for the year ended June 30, 2023 were as follows:

	Program Services Member Regulation	Supporting Services General and Administration	Total
Salaries, wages and employee benefits	\$ 56,636,437	\$ 38,650,504	\$ 95,286,941
Space rental and related expenses	3,222,276	2,177,350	5,399,626
Travel and meetings	2,258,386	424,158	2,682,544
Technology expenditures	4,768,222	3,221,972	7,990,194
Depreciation and amortization	3,443,666	2,326,946	5,770,612
Outside consulting fees and services	1,257,065	6,987,758	8,244,823
Supplies, postage and telephone	39,035	64,635	103,670
Outside printing and publications	2,231	22,387	24,618
Board and committee fees and expenses	-	774,267	774,267
Insurance, recruiting, education, dues and other	1,960,807	1,774,708	3,735,515
	<u>\$ 73,588,125</u>	<u>\$ 56,424,685</u>	<u>\$ 130,012,810</u>

Expenses by natural and functional categories for the year ended June 30, 2022 were as follows:

	Program Services Member Regulation	Supporting Services General and Administration	Total
Salaries, wages and employee benefits	\$ 52,284,028	\$ 33,067,946	\$ 85,351,974
Space rental and related expenses	2,789,720	1,912,500	4,702,220
Travel and meetings	566,484	103,100	669,584
Technology expenditures	3,864,415	2,649,260	6,513,675
Depreciation and amortization	3,423,200	2,346,783	5,769,983
Outside consulting fees and services	1,742,073	4,769,211	6,511,284
Supplies, postage and telephone	20,771	41,430	62,201
Outside printing and publications	4,594	18,518	23,112
Board and committee fees and expenses	-	627,284	627,284
Insurance, recruiting, education, dues and other	1,543,975	1,874,050	3,418,025
	<u>\$ 66,239,260</u>	<u>\$ 47,410,082</u>	<u>\$ 113,649,342</u>

**Federal Income Taxes**

The Association follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Association is exempt from federal income tax under Internal Revenue Code section 501(c)(6), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code. The Association has determined that there are no material uncertain tax

**National Futures Association**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

positions that require recognition or disclosure in the financial statements, and there are no interest and penalties recognized in the accompanying financial statements.

**NOTE C - CASH AND CASH EQUIVALENTS**

The Association considers investments with an original maturity of less than three months to be cash equivalents. As of June 30, 2023 and 2022, cash equivalents included a U.S. Treasury Money Market Fund of \$2,914,785 and \$7,698,588, respectively. The Association maintains cash balances at financial institutions insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the balances in these accounts may exceed the insured limits. The Association has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

**NOTE D - INVESTMENTS**

The Association's investment portfolio is classified on the statements of financial position as short-term investments consisting of securities with maturity dates of one year or less and long-term investments consisting of securities with maturity dates more than one year after year-end. Also included as short-term investments is the Association's investment in equity and fixed income mutual funds.

The aggregate fair value of short-term and long-term investments by major type as of June 30, 2023 and 2022, is as follows:

	2023	2022
Short term		
U.S. Treasury securities	\$ 32,764,382	\$ 29,713,292
Developed Markets Index Fund	5,084,831	4,201,733
Extended Markets Signal Index Fund	5,262,342	4,096,336
Intermediate Term Treasury Fund	77,143,026	72,776,884
S&P 500 Index Mutual Fund	10,392,081	8,377,342
Total short-term investments	130,646,662	119,165,587
Long term		
U.S. Treasury securities	9,099,062	15,331,716
Total investments	\$ 139,745,724	\$ 134,497,303

For its four mutual funds, the Association immediately reinvests all interest income, dividend income and capital gains back into the funds. U.S. Treasury securities are held to maturity.

**National Futures Association**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**NOTE E - FURNITURE, FIXTURES, EQUIPMENT, LEASEHOLD IMPROVEMENTS AND SOFTWARE, NET**

Depreciation expense for fiscal 2023 was \$5,700,612 and fiscal 2022 was \$5,769,983. At June 30, 2023 and 2022, furniture, fixtures, equipment, leasehold improvements and software, and the related accumulated depreciation and amortization, are as follows:

	<u>2023</u>	<u>2022</u>
Furniture and fixtures	\$ 3,429,874	\$ 1,383,740
Equipment	14,018,454	8,995,524
Leasehold improvements	24,904,019	12,036,180
Software	<u>11,906,132</u>	<u>12,333,826</u>
 Total furniture, fixtures, equipment, leasehold improvements and software	 54,258,479	 34,749,270
 Less: accumulated depreciation and amortization	 <u>30,986,802</u>	 <u>26,555,346</u>
 Furniture, fixtures, equipment, leasehold improvements and software, net	 <u>\$ 23,271,677</u>	 <u>\$ 8,193,924</u>

**NOTE F - COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Association is, at times, involved in pending legal proceedings. Management, after consultation with outside legal counsel, believes that the resolution of current proceedings will not have a material effect on the Association's net assets.

**NOTE G - OPERATING LEASES**

Components of lease expense for the year ended June 30, 2023 is summarized as follows:

	<u>2023</u>
Lease expenses <sup>(1)</sup>	
Fixed lease expenses - operating	\$ 4,988,015
Variable lease expenses - operating	<u>408,906</u>
 Total lease expenses	 <u>\$ 5,396,921</u>

<sup>(1)</sup> Lease expense and sublease income represent the amount recorded within the statement of activity. Variable lease amounts represent expenses recognized as incurred which are not included in the lease liability. Fixed lease expenses and sublease income are recorded on a straight-line basis over the lease term and therefore are not necessarily representative of cash payments during the same period.

Total lease expense was \$4,286,117 for the year ended June 30, 2022.

Supplemental statement of financial position information related to leases at June 30, 2023 was as follows:

Weighted average remaining lease term (in months) - operating leases	147 months
Weighted average discount rate - operating leases	4%

**National Futures Association**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

Minimum future lease payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2023, are as follows:

<u>Years Ending June 30,</u>		
2024	\$	1,686,281
2025		1,936,285
2026		2,199,808
2027		2,254,803
2028		2,311,173
Thereafter		<u>21,166,684</u>
Total minimum lease payments		31,555,034
Less: imputed interest		<u>(7,303,554)</u>
Present value of future minimum lease payments		<u>\$ 24,251,480</u>

As of June 30, 2022, the following is a schedule of future payments under the operating leases, and various technology contracts, that have remaining non-cancellable payment terms as of June 30:

<u>Years Ending June 30,</u>		
2023	\$	4,672,001
2024		1,956,816
2025		2,343,138
2026		2,264,007
2027		2,230,607
2028 and years after		<u>23,678,036</u>
Total operating lease commitments		<u>\$ 37,144,605</u>

**NOTE H - EMPLOYEE BENEFIT PLANS**

The Association sponsors an Employee Retirement Savings Plan (the Savings Plan). Contributions to the Savings Plan of up to 100% of employees' compensation can be made through payroll deductions, subject to Internal Revenue Service elective deferral limits. The Association will match employee contributions up to 6% of the employee's eligible compensation. The Association may also contribute to the Savings Plan an additional profit-sharing contribution expressed as a percent of the calendar year's compensation of participants who are employed on the last day of the calendar year. A profit-sharing contribution for calendar year 2022 of \$2,985,385 was made in 2023. A profit-sharing contribution for calendar year 2021 of \$2,813,364 was made in 2022. Employees are eligible to participate in the Savings Plan upon their date of hire. Employee contributions and any vested employer contributions are payable upon termination or retirement as stipulated in the Savings Plan.

The Association also sponsors the National Futures Association Retiree Medical Benefits Plan (the Plan) for the benefit of the Association's retirees and their eligible spouses/domestic partners and dependents. Effective January 1, 2016, employees who retire from the Association on or after attaining age 55 and who have at least 10 years of full-time service with the Association since their 45<sup>th</sup> birthday are entitled to receive benefits from the Plan.

**National Futures Association**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

For eligible retirees, automatically upon retirement, the Association will establish a Retiree Health Reimbursement Account (HRA). A retiree's spouse or domestic partner at the time of retirement will also be eligible to receive an HRA of equal value to the retiree's HRA (a partner HRA). The Association will make a one-time, notional contribution to the HRA and partner HRA. The amount allocated to the HRA and the partner HRA, if applicable, is based on years of service (YOS) with the Association after age 45 and the indexed credit for the year of retirement.

The HRA benefit is calculated as follows:

$$[\text{Indexed Credit \$ Amount}] \times [\text{YOS after age 45 (maximum of 20)}] = \text{HRA Account Value}$$

Prior to 2016, eligible retirees received reimbursement for the cost of medical coverage or Medicare supplement coverage, limited by an indexed YOS percentage.

At June 30, 2023 and 2022, the actuarial and recorded liabilities for the Plan, none of which have been funded, and the net periodic post-retirement benefit cost and benefits paid for the Plan that are included in other liabilities, were as follows:

	2023	2022
Change in benefit obligation		
Benefit obligation, beginning of year	\$ (9,423,414)	\$ (12,045,755)
Employer service cost	(651,037)	(840,018)
Interest cost	(465,795)	(309,848)
Actuarial gain	211,635	3,587,046
Benefits paid	270,059	185,161
Benefit obligation, end of year	\$ (10,058,552)	\$ (9,423,414)
	2023	2022
Change in plan assets		
Plan assets, beginning of year	\$ -	\$ -
Employer contributions	270,059	185,161
Benefits paid	(270,059)	(185,161)
Plan assets, end of year	\$ -	\$ -
	2023	2022
Amounts recognized in the statements of financial position		
Accumulated benefit obligations - current	\$ (448,095)	\$ (324,130)
Accumulated benefit obligations - noncurrent	(9,610,457)	(9,099,284)
Total accumulated benefit obligations	\$ (10,058,552)	\$ (9,423,414)

**National Futures Association**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

The components of the net periodic post-retirement benefit cost for the Plan for the years ended June 30, 2023 and 2022, are as follows:

	2023	2022
Net periodic post-retirement benefit cost		
Service cost	\$ 651,037	\$ 840,018
Interest cost	465,795	309,848
Amortization of prior service cost	(281,011)	(303,335)
Amortization of net actuarial loss/(gain)	(135,883)	46,989
Total net periodic post-retirement benefit cost	\$ 699,938	\$ 893,520

The post-retirement benefit plan accumulated losses and prior service cost not yet recognized as a component of periodic postretirement benefit cost, but accumulated in net assets without donor restrictions as of June 30, 2023 and 2022, are as follows:

	2023	2022
Unrecognized net gain	\$ (2,109,138)	\$ (2,033,386)
Unrecognized prior service credit	(346,489)	(627,500)
Total accumulated in net assets without donor restrictions	\$ (2,455,627)	\$ (2,660,886)

The post-retirement benefit plan items not yet recognized as a component of periodic postretirement benefit cost, but included as a separate charge to net assets without donor restrictions for the years ended June 30, 2023 and 2022, are as follows:

	2023	2022
Actuarial gain arising during the period	\$ (211,635)	\$ (3,587,047)
Amortization of net prior service credit	281,011	303,335
Amortization of net actuarial gain (loss)	135,883	(46,989)
Total recognized as a separate charge to net assets without donor restrictions charge (credit)	\$ 205,259	\$ (3,330,701)

Actuarial assumptions for the postretirement benefits as of June 30, 2023 and 2022, are as follows:

	2023	2022
Weighted-average assumptions:		
Discount rate - benefit obligation	5.20%	4.70%
Discount rate - benefit cost	4.70	2.45

The rate of increase in the gross cost of covered health care benefits was assumed to be 7.00% for fiscal year 2023 and 5.75% for fiscal year 2022. The rate of increase is assumed to decline by 0.25% for each year after 2023, to 5.00% in 2031 and after.

**National Futures Association**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

The following table presents the benefits expected to be paid under the Plan in each of the next five fiscal years, and in the aggregate for the five years thereafter, as of June 30, 2023:

2024	\$ 459,598
2025	546,207
2026	643,943
2027	746,794
2028	810,835
2029-2033	5,341,058

**NOTE I - AVAILABILITY AND LIQUIDITY**

The following reflects the Association's financial assets as of June 30, 2023 and 2022 available for general use within one year of the financial statement date.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 20,259,637	\$ 23,339,988
Short-term investments	130,646,662	119,165,587
Assessments receivable net	5,903,445	6,150,208
Other current assets, net	<u>4,028,188</u>	<u>798,426</u>
Total financial assets available within one year	<u>\$ 160,837,932</u>	<u>\$ 149,454,209</u>

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments.

**NOTE J - SUBSEQUENT EVENTS**

The Association evaluated its June 30, 2023 financial statements for subsequent events through November 7, 2023, the date the financial statements were available to be issued. The Association is not aware of any subsequent events that require recognition or disclosure in the financial statements except as follows. On July 27, 2023, the Association entered into a 10-year lease agreement for office space in New York. The commencement date of the lease was October 9, 2023. The monthly fixed rent will be \$174,760 for a period of five years and will be \$189,740 for the remainder of the lease term.