

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED AUGUST 31, 2020  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2019**

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

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**CPAs & ADVISORS**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
National Action Council for Minorities in Engineering  
Alexandria, Virginia

We have audited the accompanying financial statements of the National Action Council for Minorities in Engineering (NACME), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NACME as of August 31, 2020, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

4550 MONTGOMERY AVENUE • SUITE 800 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • WWW.GRFCPA.COM

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### **Report on Summarized Comparative Information**

We have previously audited NACME's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Gelman Rosenberg & Freedman*

May 18, 2021

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2020**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

## ASSETS

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 7,452,144	\$ 5,671,928
Investments	11,082,986	9,660,204
Grants and pledges receivable, net of allowance for doubtful accounts of \$160,000	725,000	720,625
Prepaid expenses	<u>30,825</u>	<u>322,350</u>
Total current assets	<u>19,290,955</u>	<u>16,375,107</u>
<b>FIXED ASSETS</b>		
Land	529,504	529,504
Building and related improvements	504,645	490,095
Furniture and equipment	629,660	609,910
Computer software	100,000	100,000
Leasehold improvements	<u>60,980</u>	<u>60,980</u>
	1,824,789	1,790,489
Less: Accumulated depreciation and amortization	<u>(591,613)</u>	<u>(520,703)</u>
Net fixed assets	<u>1,233,176</u>	<u>1,269,786</u>
<b>NONCURRENT ASSETS</b>		
Investments - long-term	1,025,471	872,421
Security deposit	<u>4,065</u>	<u>-</u>
Total noncurrent assets	<u>1,029,536</u>	<u>872,421</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 21,553,667</u></b>	<b><u>\$ 18,517,314</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 887,511	\$ 770,588
Accrued salaries and related benefits	61,998	-
Refundable advance	1,225,000	-
Agency liability	<u>5,982,960</u>	<u>4,188,462</u>
Total liabilities	<u>8,157,469</u>	<u>4,959,050</u>
<b>NET ASSETS</b>		
Without donor restrictions	11,826,633	11,666,393
With donor restrictions	<u>1,569,565</u>	<u>1,891,871</u>
Total net assets	<u>13,396,198</u>	<u>13,558,264</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 21,553,667</u></b>	<b><u>\$ 18,517,314</u></b>

See accompanying notes to financial statements.

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 2,349,903	\$ -	\$ 2,349,903	\$ 2,168,027
In-kind contributions	1,611,278	-	1,611,278	2,326,557
Investment income, net	1,441,988	153,050	1,595,038	275,977
Symposium	-	-	-	299,500
Management fee	204,328	-	204,328	250,000
Other revenue	14,047	-	14,047	3,985
Net assets released from donor restrictions	<u>475,356</u>	<u>(475,356)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>6,096,900</u>	<u>(322,306)</u>	<u>5,774,594</u>	<u>5,324,046</u>
<b>EXPENSES</b>				
Program Services:				
Scholarship Programs	<u>4,599,100</u>	<u>-</u>	<u>4,599,100</u>	<u>5,065,100</u>
Supporting Services:				
Resource Development	497,064	-	497,064	241,696
Management and General	<u>840,496</u>	<u>-</u>	<u>840,496</u>	<u>1,465,232</u>
Total supporting services	<u>1,337,560</u>	<u>-</u>	<u>1,337,560</u>	<u>1,706,928</u>
Total expenses	<u>5,936,660</u>	<u>-</u>	<u>5,936,660</u>	<u>6,772,028</u>
Change in net assets	160,240	(322,306)	(162,066)	(1,447,982)
Net assets at beginning of year (as restated)	<u>11,666,393</u>	<u>1,891,871</u>	<u>13,558,264</u>	<u>15,006,246</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 11,826,633</u></b>	<b><u>\$ 1,569,565</u></b>	<b><u>\$ 13,396,198</u></b>	<b><u>\$ 13,558,264</u></b>

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020				2019	
	Program Services	Supporting Services			Total Expenses	Total Expenses
	Scholarship Programs	Resource Development	Management and General	Total Supporting Services		
Awards and grants	\$ 3,437,705	\$ -	\$ -	\$ -	\$ 3,437,705	\$ 3,934,055
Salaries, benefits and payroll related services	598,914	352,303	227,998	580,301	1,179,215	940,185
Professional and consulting fees	175,490	86,095	426,051	512,146	687,636	765,758
Travel	280,541	-	8,338	8,338	288,879	47,580
Occupancy and relocation	61,155	35,974	22,783	58,757	119,912	586,258
Depreciation and amortization	36,164	21,273	13,473	34,746	70,910	54,943
Other	3,438	-	50,594	50,594	54,032	17,059
Information technology	-	-	37,940	37,940	37,940	68,085
Equipment rental and maintenance	-	-	29,633	29,633	29,633	41,541
Telephone and email	2,646	-	17,871	17,871	20,517	31,600
Office and program supplies	2,822	1,419	2,285	3,704	6,526	28,886
Printing and postage	225	-	3,530	3,530	3,755	7,430
Bad debt	-	-	-	-	-	160,000
Conferences and meetings	-	-	-	-	-	88,648
<b>TOTAL</b>	<b>\$ 4,599,100</b>	<b>\$ 497,064</b>	<b>\$ 840,496</b>	<b>\$ 1,337,560</b>	<b>\$ 5,936,660</b>	<b>\$ 6,772,028</b>

See accompanying notes to financial statements.

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED AUGUST 31, 2020  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (162,066)	\$ (1,447,982)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	70,910	54,943
Net realized and unrealized gain on investments	(1,353,982)	(13,022)
Investment earnings to be maintained in perpetuity	(57,613)	(19,730)
Decrease (increase) in:		
Dividends receivable	-	22,000
Grants and pledges receivable	(4,375)	(544,500)
Prepaid expenses	291,525	(14,890)
Security deposit	(4,065)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	116,923	673,370
Accrued salaries and related benefits	61,998	-
Refundable advance	1,225,000	-
Agency liability	<u>1,794,498</u>	<u>(1,563,532)</u>
Net cash provided (used) by operating activities	<u>1,978,753</u>	<u>(2,853,343)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(34,300)	(1,157,627)
Purchase of investments	(221,850)	(231,228)
Proceeds from sale of investments	<u>-</u>	<u>1,500,000</u>
Net cash (used) provided by investing activities	<u>(256,150)</u>	<u>111,145</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Investment earnings to be maintained in perpetuity	<u>57,613</u>	<u>19,730</u>
Net cash provided by financing activities	<u>57,613</u>	<u>19,730</u>
Net increase (decrease) in cash and cash equivalents	1,780,216	(2,722,468)
Cash and cash equivalents at beginning of year	<u>5,671,928</u>	<u>8,394,396</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 7,452,144</u></b>	<b><u>\$ 5,671,928</u></b>



# NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

#### Organization -

The National Action Council for Minorities in Engineering (NACME) is a non-profit organization, incorporated in the State of New York. NACME's mission is to ensure American competitiveness in the world by leading and supporting the national effort to expand U.S. capability through increasing the number of successful African American, Native American, and Latinx women and men in comprehensive science, technology, engineering and mathematics (STEM) education and careers. In that effort, NACME's primary focus is on providing resources to college students, corporations, NACME Scholar professionals, universities, selected partnerships and the media.

#### Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than NACME mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NACME's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

#### New accounting pronouncements adopted -

During 2020, NACME early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way NACME recognized revenue; however, the presentation and disclosures of revenue have been enhanced.

# NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

#### New accounting pronouncements adopted (continued) -

NACME has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2020, NACME adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. NACME adopted the ASU using a modified prospective basis.

#### Cash and cash equivalents -

NACME considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents include restricted cash of \$5,982,960 (as further discussed in Note 5).

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, NACME maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

#### Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statement of Activities and Change in Net Assets.

#### Grants and pledges receivable -

Grants and pledges receivable are recorded at their net realizable value, which approximates fair value. The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the donor.

#### Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to ten years for furniture, equipment and software or thirty-nine years for buildings and related improvements. Leasehold improvements are amortized over the remaining life of the lease. Building improvements are capitalized and amortized over the remaining useful life of the building. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended August 31, 2020 totaled \$70,910.

#### Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable.

# NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

#### Impairment of long-lived assets (continued) -

When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

#### Income taxes -

NACME is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. NACME is not a private foundation.

#### Uncertain tax positions -

For the year ended August 31, 2020, NACME has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

#### Contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. NACME performs an analysis of the individual contribution and grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

Contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Contributions or grants qualifying as conditional contributions contain a right of return from obligation provision that limits NACME on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards from entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. NACME recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. As of August 31, 2020, NACME had refundable advances of \$1,225,000 and unrecognized conditional awards of \$1,250,000.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant and contract agreements.

# NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

#### In-kind contributions -

In-kind contributions consist of scholarship support and legal services. In-kind contributions are recorded at their fair value as of the date of the gift.

#### Use of estimates -

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

#### Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of NACME are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

#### Risks and uncertainties -

NACME invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

#### Fair value measurement -

NACME adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. NACME accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

#### Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact NACME's operations. The overall potential impact is unknown at this time.

#### New accounting pronouncement (not yet adopted) -

ASU 2019-01, Leases (Topic 842), changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements.

# NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncement (not yet adopted) (continued) -

During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

NACME plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

### 2. INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, NACME has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market NACME has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of August 31, 2020. There were no transfers between levels in the fair value hierarchy during the year ended August 31, 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by NACME are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by NACME are deemed to be actively traded.
- *Certificate of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020**

**2. INVESTMENTS (Continued)**

The table below summarizes, the investments measured at fair value on a recurring basis by level within the fair value hierarchy as of August 31, 2020.

<b>Asset Class:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 8,771,834	\$ -	\$ -	\$ 8,771,834
Fixed income	3,249,241	-	-	3,249,241
Certificate of deposit	<u>-</u>	<u>87,382</u>	<u>-</u>	<u>87,382</u>
<b>TOTAL</b>	<b><u>\$ 12,021,075</u></b>	<b><u>\$ 87,382</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 12,108,457</u></b>

Included in investment income are the following:

Interest and dividends	\$ 261,895
Unrealized gain	1,353,982
Investment expenses provided by external investment advisors and allocated internal management costs	<u>(20,839)</u>
<b>TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES</b>	<b><u>\$ 1,595,038</u></b>

**3. LINE OF CREDIT**

NACME renewed its \$1,500,000 bank line of credit which matured on July 19, 2020. The new line of credit matures on December 2, 2021. Amounts borrowed under this agreement bear interest at a rate equal to adjusted LIBOR rate plus 3% (3.16% at August 31, 2020). As of August 31, 2020, there was no outstanding balance on the line of credit.

**4. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at August 31, 2020:

Subject to expenditure for specified purpose:	
Scholarship Programs	\$ 544,094
Accumulated earnings from endowment not yet authorized for spending	<u>140,464</u>
Subtotal	684,558
Contributions to be invested in perpetuity	<u>885,007</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 1,569,565</u></b>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished:	
Special events	\$ 325,356
Timing restrictions accomplished	<u>150,000</u>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 475,356</u></b>

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2020**

**5. AGENCY TRANSACTIONS**

NACME has an agreement with the Alfred P. Sloan Foundation (Sloan) to administer the Sloan Minority Ph.D. Program (the Sloan Program). Sloan provides NACME with funds to be used by NACME for payment of scholarships to students attending universities identified by the Sloan Program. Funds received are recorded in cash and cash equivalents and a corresponding agency liability on the accompanying Statement of Financial Position. As of August 31, 2020, the unexpended portion of the Sloan Program fund amounted to \$5,982,960. For the year ended August 31, 2020, NACME received \$204,328 from Sloan for administering the Sloan Program and is reported as management fee revenue in the accompanying Statement of Activities and Change in Net Assets.

**6. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 7,452,144
Investments, current	11,082,986
Grants and pledges receivable	<u>725,000</u>
Subtotal financial assets available	19,260,130
Less: Donor restricted funds	(1,569,565)
Less: Restricted cash	<u>(5,982,960)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 11,707,605</u></b>

NACME has a policy to structure its financial assets to be available and liquid as its obligations become due. Additionally, NACME has a line of credit agreement (as further discussed in Note 3) which allows for additional available borrowings up to \$1,500,000.

**7. IN-KIND CONTRIBUTIONS**

During the year ended August 31, 2020, NACME was the beneficiary of donated legal services which allowed NACME to provide greater resources toward various programs.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended August 31, 2020.

Donated scholarship support	\$ 1,528,125
Donated legal services	<u>83,153</u>
<b>TOTAL</b>	<b><u>\$ 1,611,278</u></b>

The following programs have benefited from these donated services:

Scholarship Programs	\$ 1,528,125
Management and General	<u>83,153</u>
<b>TOTAL</b>	<b><u>\$ 1,611,278</u></b>

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**8. LEASE COMMITMENTS**

On January 2, 2014, NACME entered into an operating lease located in White Plains Plaza, One North Broadway, White Plains, New York. The term of the lease is seven years and five months which includes five months of abated rent in the first year of the lease. Base rent under the agreement was \$195,384 per year, plus a proportionate share of utilities and parking, increasing by a factor of 4% every two years. NACME obtained an irrevocable letter of credit with JP Morgan Chase totaling \$84,802. The terms under the lease stipulate that NACME maintain this letter of credit in lieu of a security deposit.

On July 10, 2019, NACME amended its current lease to occupy a smaller space. Base rent under the amended agreement is \$66,000 per year. The lease was extended three years through July 2022. The remaining terms of the lease remained unchanged.

On July 12, 2019, NACME entered into a lease agreement to lease space in Montclair, New Jersey on a month-to-month basis at a rate of \$835 per month.

On December 13, 2019, NACME entered into a lease agreement to lease additional office space in Newark, New Jersey. The term of the lease is two years commencing on December 15, 2019 and base rent under the agreement is \$24,390 per year, plus a proportionate share of utilities. The lease agreement also requires a security deposit in the amount of \$4,065.

The following is a schedule of the future minimum lease payments:

**Year Ending August 31,**

2021	\$ 90,390
2022	<u>68,630</u>
	<b><u>\$ 159,020</u></b>

Occupancy expense for the year ended August 31, 2020 was \$119,912.

**9. PROFESSIONAL EMPLOYER ORGANIZATION**

NACME has entered into an agreement with a Professional Employer Organization (PEO). A PEO provides comprehensive employee benefits and other services, including human resources consulting.

Under this arrangement, a PEO becomes a surrogate employer. Consequently, expenditures for employee salary, benefits and payroll taxes are billed to the employer (NACME) as outsourced employee administrative charges. These expenses are reported as salaries, benefits and payroll related services in the accompanying Statement of Functional Expenses.

**10. RETIREMENT PLAN**

NACME has a 401(k) retirement plan that allows employees to contribute part of their pay to the Plan. NACME is allowed to contribute to this plan for the benefit of the employee, but is not required to contribute. For the year ended August 31, 2020, NACME made no contributions to the Plan.



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**11. COMMITMENTS**

NACME and its corporate sponsors intend to provide continuing support for participating students until completion of their education. Accordingly, policy goals have been adopted by NACME and its corporate sponsors to identify resources needed to provide this future support at the time grants are made for new students. NACME estimates based on attrition experience, that the aggregate cost for future grants to complete the education for present NACME students and those for whom new awards have been committed in fiscal year 2020, stated at its net present value would be approximately \$3.98 million under its NACME Scholarship Programs.

**12. ENDOWMENT**

NACME's endowment consists of donor-restricted endowment funds and funds designated by the governing Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, NACME considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

NACME has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, NACME considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of August 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor including purchase power maintenance increases	\$ -	\$ 885,007	\$ 885,007
Accumulated investment earnings	<u>-</u>	<u>140,464</u>	<u>140,464</u>
<b>TOTAL ENDOWMENT FUNDS</b>	<u><u>\$ -</u></u>	<u><u>\$ 1,025,471</u></u>	<u><u>\$ 1,025,471</u></u>

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

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**12. ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended August 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 872,421	\$ 872,421
Investment return, net	<u>-</u>	<u>153,050</u>	<u>153,050</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u><u>\$ -</u></u></b>	<b><u><u>\$ 1,025,471</u></u></b>	<b><u><u>\$ 1,025,471</u></u></b>

Reginald H. Jones Distinguished Service Award: The Reginald H. Jones Endowment Fund was established with grants of \$100,000 from the General Electric Foundation. Interest from the endowment is required to be used for annual Reginald H. Jones Distinguished Service Awards. Under this program, NACME recognizes selected individuals for their outstanding contributions to engineering education for minority students. The recipient then designates a nonprofit institution serving the community that educates minority engineers to receive a \$10,000 grant from NACME. To the extent interest earned on the endowment assets is insufficient to fund the annual award, NACME uses undesignated funds to finance the shortfall.

Sidney and Katherine Friend Scholarship Fund: A scholarship endowment fund was established with a grant of \$50,000 from the Friend Family Foundation. The endowment uses its income to fund five-year awards of \$2,500 annually to an engineering major at NYU Polytechnic School of Engineering. To the extent interest earned on the endowment assets is insufficient to fund the annual award, NACME uses undesignated funds to finance the shortfall.

William Randolph Hearst Foundation: A scholarship endowment fund was established with a grant of \$200,000 from the William Randolph Hearst Foundation. NACME maintains a balance in the endowment fund sufficient to maintain the purchasing power of the principal, based on the Consumer Price Index.

Philip D. Reed Undergraduate Fellowship Program in Environmental Engineering: An endowment fund in the name of Philip D. Reed was established with a grant of \$250,000, from the Philip D. Reed Foundation. NACME maintains a balance in the endowment fund sufficient to maintain the purchasing power of the principal, based on the Consumer Price Index.

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. There were no deficiencies at August 31, 2020.

Return Objectives and Risk Parameters -

NACME has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide real (inflation adjusted) growth of capital, without undue risk.

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

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**12. ENDOWMENT (Continued)**

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, NACME relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). NACME targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

NACME has a spending policy which considers the long-term expected return on its endowment. This is consistent with NACME's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional growth through new gifts and investment return.

**13. PRIOR PERIOD ADJUSTMENT**

During the year ended August 31, 2020, management noted that accounts payable and accrued liabilities were not properly stated at August 31, 2019.

Accordingly, the following is a reconciliation of NACME's financial statement account balances (as previously stated and as restated) in connection with the correction:

	<u>Accounts Payable and Accrued Liabilities</u>	<u>Total Liabilities</u>	<u>Occupancy and Relocation Expense</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>Total Expenses</u>	<u>Net Assets Without Donor Restrictions</u>
Balance at August 31, 2019	\$ 938,193	\$ 5,126,655	\$ 753,863	\$ 1,632,837	\$ 1,874,533	\$ 6,939,633	\$ 11,498,788
Restatement	<u>(167,605)</u>	<u>(167,605)</u>	<u>(167,605)</u>	<u>(167,605)</u>	<u>(167,605)</u>	<u>(167,605)</u>	<u>167,605</u>
<b>BALANCE AT AUGUST 31, 2019, AS RESTATED</b>	<b><u>\$ 770,588</u></b>	<b><u>\$ 4,959,050</u></b>	<b><u>\$ 586,258</u></b>	<b><u>\$ 1,465,232</u></b>	<b><u>\$ 1,706,928</u></b>	<b><u>\$ 6,772,028</u></b>	<b><u>\$ 11,666,393</u></b>

**14. SUBSEQUENT EVENTS**

In preparing these financial statements, NACME has evaluated events and transactions for potential recognition or disclosure through May 18, 2021, the date the financial statements were issued.