

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED AUGUST 31, 2021  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2020**

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of August 31, 2021, with Summarized Financial Information for 2020	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended August 31, 2021, with Summarized Financial Information for 2020	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended August 31, 2021, with Summarized Financial Information for 2020	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended August 31, 2021, with Summarized Financial Information for 2020	7
NOTES TO FINANCIAL STATEMENTS	8 - 17



**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, 2021, 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, 2021, and the change in its net assets, functional expenses, 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**

---

**MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL**  
**MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION**

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

We have previously audited NACME's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 18, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

December 9, 2021

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF FINANCIAL POSITION**  
**AS OF AUGUST 31, 2021**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

## ASSETS

	<u>2021</u>	<u>2020</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 8,144,578	\$ 7,452,144
Investments	13,215,611	11,082,986
Contributions and grants receivable, net of allowance for doubtful accounts of \$160,000	791,000	725,000
Prepaid expenses	<u>12,144</u>	<u>30,825</u>
Total current assets	<u>22,163,333</u>	<u>19,290,955</u>
<b>FIXED ASSETS</b>		
Land	529,504	529,504
Building and related improvements	496,085	504,645
Furniture and equipment	623,638	629,660
Computer software	274,643	100,000
Leasehold improvements	<u>60,980</u>	<u>60,980</u>
	1,984,850	1,824,789
Less: Accumulated depreciation and amortization	<u>(648,845)</u>	<u>(591,613)</u>
Net fixed assets	<u>1,336,005</u>	<u>1,233,176</u>
<b>NONCURRENT ASSETS</b>		
Investments - long-term	957,581	1,025,471
Security deposit	<u>4,065</u>	<u>4,065</u>
Total noncurrent assets	<u>961,646</u>	<u>1,029,536</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 24,460,984</u></b>	<b><u>\$ 21,553,667</u></b>

## LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES</b>		
Loan payable	\$ 188,200	\$ -
Accounts payable and accrued liabilities	560,597	887,511
Accrued salaries and related benefits	59,411	61,998
Refundable advance	1,546,248	1,225,000
Agency liability	<u>6,536,672</u>	<u>5,982,960</u>
Total liabilities	<u>8,891,128</u>	<u>8,157,469</u>
<b>NET ASSETS</b>		
Without donor restrictions	13,561,003	11,826,633
With donor restrictions	<u>2,008,853</u>	<u>1,569,565</u>
Total net assets	<u>15,569,856</u>	<u>13,396,198</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 24,460,984</u></b>	<b><u>\$ 21,553,667</u></b>

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED AUGUST 31, 2021  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 3,260,939	\$ 250,000	\$ 3,510,939	\$ 2,349,903
In-kind contributions	1,052,406	-	1,052,406	1,611,278
Investment income, net	2,350,390	314,288	2,664,678	1,595,038
Management fees	350,000	-	350,000	204,328
Other revenue	13,516	-	13,516	14,047
Net assets released from donor restrictions	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>7,152,251</u>	<u>439,288</u>	<u>7,591,539</u>	<u>5,774,594</u>
<b>EXPENSES</b>				
Program Services:				
Scholarship Programs	<u>4,178,371</u>	<u>-</u>	<u>4,178,371</u>	<u>4,599,100</u>
Supporting Services:				
Resource Development	561,142	-	561,142	497,064
Management and General	<u>678,368</u>	<u>-</u>	<u>678,368</u>	<u>840,496</u>
Total supporting services	<u>1,239,510</u>	<u>-</u>	<u>1,239,510</u>	<u>1,337,560</u>
Total expenses	<u>5,417,881</u>	<u>-</u>	<u>5,417,881</u>	<u>5,936,660</u>
Change in net assets	1,734,370	439,288	2,173,658	(162,066)
Net assets at beginning of year (as restated)	<u>11,826,633</u>	<u>1,569,565</u>	<u>13,396,198</u>	<u>13,558,264</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 13,561,003</u></b>	<b><u>\$ 2,008,853</u></b>	<b><u>\$ 15,569,856</u></b>	<b><u>\$ 13,396,198</u></b>

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2021  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021				2020	
	Program Services	Supporting Services			Total Expenses	Total Expenses
	Scholarship Programs	Resource Development	Management and General	Total Supporting Services		
Awards and grants	\$ 3,220,662	\$ -	\$ -	\$ -	\$ 3,220,662	\$ 3,437,705
Salaries, benefits and payroll related services	734,168	451,040	274,259	725,299	1,459,467	1,179,215
Professional and consulting fees	118,110	41,650	288,341	329,991	448,101	687,636
Occupancy	54,514	33,783	20,376	54,159	108,673	119,912
Depreciation and amortization	28,710	17,791	10,731	28,522	57,232	70,910
Information technology	2,437	10,451	42,214	52,665	55,102	37,940
Other	3,845	1,609	19,798	21,407	25,252	54,032
Telephone	4,792	119	17,286	17,405	22,197	20,517
Insurance	7,341	4,549	2,744	7,293	14,634	4,734
Office and program supplies	1,194	-	2,619	2,619	3,813	5,547
Travel	2,598	150	-	150	2,748	288,879
Equipment rental and maintenance	-	-	-	-	-	29,633
<b>TOTAL</b>	<b>\$ 4,178,371</b>	<b>\$ 561,142</b>	<b>\$ 678,368</b>	<b>\$ 1,239,510</b>	<b>\$ 5,417,881</b>	<b>\$ 5,936,660</b>

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 2,173,658	\$ (162,066)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	57,232	70,910
Net realized and unrealized gain on investments	(2,456,052)	(1,353,982)
Investment earnings to be maintained in perpetuity	(176,817)	(57,613)
(Increase) decrease in:		
Grants and pledges receivable	(66,000)	(4,375)
Prepaid expenses	18,681	291,525
Security deposit	-	(4,065)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(326,914)	116,923
Accrued salaries and related benefits	(2,587)	61,998
Refundable advance	321,248	1,225,000
Agency liability	<u>553,712</u>	<u>1,794,498</u>
Net cash provided by operating activities	<u>96,161</u>	<u>1,978,753</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(160,061)	(34,300)
Purchase of investments	(207,630)	(221,850)
Proceeds from sale of investments	<u>598,947</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>231,256</u>	<u>(256,150)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable	188,200	-
Investment earnings to be maintained in perpetuity	<u>176,817</u>	<u>57,613</u>
Net cash provided by financing activities	<u>365,017</u>	<u>57,613</u>
Net increase in cash and cash equivalents	692,434	1,780,216
Cash and cash equivalents at beginning of year	<u>7,452,144</u>	<u>5,671,928</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 8,144,578</u></b>	<b><u>\$ 7,452,144</u></b>



# NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021

### 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, 2020, from which the summarized information was derived.

#### 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 \$6,536,672 (as further discussed in Note 6).

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.

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021**

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

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, 2021 totaled \$57,232.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. 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, 2021, 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 -

The majority of NACME's activities are supported by contributions and grants from private entities. These awards are for various activities performed by NACME. Contributions and grants are recognized in the appropriate category of net assets in the period received. NACME performs an analysis of the individual awards 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*.

# NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021

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

#### Contributions and grants (continued) -

For awards qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Unconditional contributions with 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. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Awards qualifying as conditional contributions contain a right of return from obligation provision that limits NACME on how funds transferred should be spent. Additionally, conditional awards include a significant barrier that needs to be overcome in connection with the purpose of the award agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most awards from NACME's donors require NACME to incur qualifying direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. As of August 31, 2021, NACME had refundable advances of \$1,546,248 and unrecognized conditional awards of \$1,250,000.

Grants classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers*, and are recorded as revenue at a point in time when the performance obligations are met. NACME has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transactions are based on an agreed upon price included in the contracts.

#### 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.

#### Management fees -

Management fees are classified as exchange transactions and revenue is reported at the amount that reflects consideration to which NACME expects to be entitled in exchange for administering the Sloan Program. Funds received in advance are recorded as deferred revenue within the accompanying Statement of Financial Position.

#### 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.

# NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2021

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

#### Investment 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 pronouncements (not yet adopted) -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

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. 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 ASUs at the required implementation dates and management is currently in the process of evaluating the adoption methods and the impacts of the new standards on its accompanying financial statements.

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021**

**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, 2021. There were no transfers between levels in the fair value hierarchy during the year ended August 31, 2021. 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.

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, 2021.

<b>Asset Class:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 10,074,666	\$ -	\$ -	\$ 10,074,666
Fixed income	4,010,752	-	-	4,010,752
Certificate of deposit	<u>-</u>	<u>87,774</u>	<u>-</u>	<u>87,774</u>
<b>TOTAL</b>	<b><u>\$ 14,085,418</u></b>	<b><u>\$ 87,774</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 14,173,192</u></b>

Included in investment income are the following:

Interest and dividends	\$ 236,115
Net realized and unrealized gain on investments	2,456,052
Investment expenses provided by external investment advisors and allocated internal management costs	<u>(27,489)</u>
<b>TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES</b>	<b><u>\$ 2,664,678</u></b>

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021

**3. LOAN PAYABLE**

On March 9, 2021, NACME received loan proceeds in the amount of \$188,200 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part. NACME intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. NACME intends to apply for forgiveness after completing the 24-week period. If forgiveness is granted, NACME will record revenue from debt extinguishments during the period that forgiveness is approved.

**4. LINE OF CREDIT**

NACME has a \$1,500,000 bank line of credit. Amounts borrowed under this agreement bear interest at a rate equal to adjusted LIBOR rate plus 3% (3.23% at August 31, 2021). As of August 31, 2021, there was no outstanding balance on the line of credit. The line of credit matured on December 2, 2021. Management intends to renew the line of credit.

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consist of the following at August 31, 2021:

Subject to expenditure for specified purpose:	
Scholarship Programs	\$ 669,094
Accumulated earnings from endowment not yet authorized for spending	<u>277,935</u>
Subtotal	947,029
Contributions to be invested in perpetuity	<u>1,061,824</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 2,008,853</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:

<b>Purpose Restrictions Accomplished:</b>	
Scholarship Programs	<b><u>\$ 125,000</u></b>

**6. 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, 2021, the unexpended portion of the Sloan Program fund amounted to \$6,536,672. For the year ended August 31, 2021, NACME received \$350,000 from Sloan for administering the Sloan Program and is reported as management fees revenue in the accompanying Statement of Activities and Change in Net Assets.

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021**

**7. 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	\$ 8,144,578
Investments	14,173,192
Grants and pledges receivable	<u>791,000</u>
Subtotal financial assets available	23,108,770
Less: Donor restricted funds	(2,008,853)
Less: Restricted cash	<u>(6,536,672)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 14,563,245</u></b>

NACME has a policy to structure its financial assets to be available and liquid as its obligations become due. As of August 31, 2021, NACME had financial assets equal to approximately 32 months of operating expenses. Additionally, NACME has a line of credit agreement (as further discussed in Note 4) which allows for additional available borrowings up to \$1,500,000.

**8. IN-KIND CONTRIBUTIONS**

During the year ended August 31, 2021, 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, 2021.

Donated scholarship support	\$ 977,216
Donated legal services	<u>75,190</u>
<b>TOTAL</b>	<b><u>\$ 1,052,406</u></b>

The following programs have benefited from these donated services:

Scholarship Programs	\$ 977,216
Management and General	<u>75,190</u>
<b>TOTAL</b>	<b><u>\$ 1,052,406</u></b>

**9. LEASE COMMITMENTS**

On January 2, 2014, NACME entered into an operating lease for office space located in 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 the White Plains, New York 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.

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021**

**9. LEASE COMMITMENTS (Continued)**

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:

<b>Year Ending August 31, 2022</b>	<b><u>\$ 68,630</u></b>
------------------------------------	-------------------------

Occupancy expense for the year ended August 31, 2021 was \$108,672.

**10. 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.

**11. 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, 2021, NACME made no contributions to the Plan.

**12. 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 2021, stated at its net present value would be approximately \$3.98 million under its NACME Scholarship Programs.

**13. 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.



**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021**

**13. ENDOWMENT (Continued)**

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 appropriated 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, 2021:

	<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	\$ -	\$ 1,061,834	\$ 1,061,834
Accumulated investment earnings	<u>-</u>	<u>277,935</u>	<u>277,935</u>
<b>TOTAL ENDOWMENT FUNDS</b>	<b><u>\$ -</u></b>	<b><u>\$ 1,339,769</u></b>	<b><u>\$ 1,339,769</u></b>

Changes in endowment net assets for the year ended August 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,025,471	\$ 1,025,471
Investment return, net	-	137,481	137,481
Contributions	<u>-</u>	<u>176,817</u>	<u>176,817</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 1,339,769</u></b>	<b><u>\$ 1,339,769</u></b>

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, 2021.

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2021**

**13. ENDOWMENT (Continued)**

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.

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.

**14. SUBSEQUENT EVENTS**

In preparing these financial statements, NACME has evaluated events and transactions for potential recognition or disclosure through December 9, 2021, the date the financial statements were issued.