

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

**Financial Statements**

**For the Years Ended December 31, 2020 and 2019**

**With Independent Auditor's Report**



**MITCHELL TITUS**  
ACHIEVING EXCELLENCE TOGETHER

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**  
Financial Statements  
For the Years Ended December 31, 2020 and 2019

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
National Minority Supplier Development Council, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the National Minority Supplier Development Council, Inc. (the Council), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Minority Supplier Development Council, Inc. as of December 31, 2020 and 2019, 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.

*Mitchell Titus, LLP*

August 31, 2021

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

## Statements of Financial Position

As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,390,314	\$ 1,127,595
Short-term investments	3,008,815	3,515,019
Accounts receivable, net	1,390,355	1,668,264
Prepaid expenses	118,361	258,919
Total current assets	<u>6,907,845</u>	<u>6,569,797</u>
Restricted cash - collateral	173,700	172,008
Long-term investments	4,218,351	4,506,910
Furniture, fixtures, equipment and leasehold improvements, net	301,206	373,374
Security deposits	-	5,775
<b>Total assets</b>	<u><u>\$ 11,601,102</u></u>	<u><u>\$ 11,627,864</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 1,322,161	\$ 458,189
Due to regional councils	760,523	2,095,924
Paycheck Protection Program loan	366,377	-
Deferred revenue	1,975,255	1,562,468
Total current liabilities	<u>4,424,316</u>	<u>4,116,581</u>
Deferred compensation	217,268	186,892
Deferred rent credits	96,723	71,209
Total liabilities	<u>4,738,307</u>	<u>4,374,682</u>
<i>Net assets</i>		
Without donor restrictions	6,757,795	7,148,182
With donor restrictions	105,000	105,000
Total net assets	<u>6,862,795</u>	<u>7,253,182</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 11,601,102</u></u>	<u><u>\$ 11,627,864</u></u>

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

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

## Statement of Activities

For the Year Ended December 31, 2020

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2020</b>
<b>REVENUE</b>			
Membership dues	\$ 9,248,450	\$ -	\$ 9,248,450
Seminar registration, trade show, and meeting fees	593,058	-	593,058
Contributions	2,013,614	927,975	2,941,589
Investment loss, net	(139,065)	-	(139,065)
Other income	122,920	703,163	826,083
<i>Net assets released from restrictions</i>			
Purpose restrictions satisfied	1,631,138	(1,631,138)	-
Total revenue	<u>13,470,115</u>	<u>-</u>	<u>13,470,115</u>
<b>EXPENSES</b>			
<i>Program services</i>			
Network delivery service	7,033,840	-	7,033,840
Corporate relations	894,808	-	894,808
Annual conference and BOE	750,453	-	750,453
Programs and enterprise learning	1,750,224	-	1,750,224
Other program services	230,019	-	230,019
Total program services	<u>10,659,344</u>	<u>-</u>	<u>10,659,344</u>
<i>Supporting services</i>			
General administration	3,070,644	-	3,070,644
Fund development	130,514	-	130,514
Total supporting services	<u>3,201,158</u>	<u>-</u>	<u>3,201,158</u>
Total expenses	<u>13,860,502</u>	<u>-</u>	<u>13,860,502</u>
Change in net assets	(390,387)	-	(390,387)
Net assets, beginning of year	<u>7,148,182</u>	<u>105,000</u>	<u>7,253,182</u>
<b>Net assets, end of year</b>	<u><u>\$ 6,757,795</u></u>	<u><u>\$ 105,000</u></u>	<u><u>\$ 6,862,795</u></u>

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

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

## Statement of Activities

For the Year Ended December 31, 2019

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2019</b>
<b>REVENUE</b>			
Special event	\$ 760,500	\$ -	\$ 760,500
<i>Less: Direct benefit to donor costs</i>	198,225	-	198,225
	562,275	-	562,275
Membership dues	8,786,550	-	8,786,550
Seminar registration, trade show, and meeting fees	3,696,089	-	3,696,089
Contributions	2,016,985	102,100	2,119,085
In-kind contributions	106,725	-	106,725
Investment income	143,808	-	143,808
Other income	414,932	214,567	629,499
<i>Net assets released from restrictions</i>			
Purpose restrictions satisfied	316,667	(316,667)	-
Total revenue	16,044,031	-	16,044,031
<b>EXPENSES</b>			
<i>Program services</i>			
Network delivery services	7,156,794	-	7,156,794
Member relations	980,686	-	980,686
Annual conference	2,931,918	-	2,931,918
Business opportunity exchange	499,352	-	499,352
Programs and enterprise learning	602,738	-	602,738
Other program services	97,546	-	97,546
Total program services	12,269,034	-	12,269,034
<i>Supporting services</i>			
General administration	3,243,135	-	3,243,135
Fund development	485,195	-	485,195
Total supporting services	3,728,330	-	3,728,330
Total expenses	15,997,364	-	15,997,364
Change in net assets	46,667	-	46,667
Net assets, beginning of year	7,101,515	105,000	7,206,515
<b>Net assets, end of year</b>	<b>\$ 7,148,182</b>	<b>\$ 105,000</b>	<b>\$ 7,253,182</b>

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

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Statement of Functional Expenses

For the Year Ended December 31, 2020

	Program Services					Supporting Services			Total Expenses 2020	
	Network Delivery Services	Corporate Relations	Annual Conference and BOE	Programs & Enterprise Learning	Other Program Services	Total	General Administration	Fund Development		Total
Payments to regional councils	\$ 6,706,511	\$ -	\$ 4,719	\$ 135,000	\$ -	\$ 6,846,230	\$ -	\$ -	\$ -	\$ 6,846,230
Grants to MBEs and BCF	-	-	-	631,861	-	631,861	-	-	-	631,861
Salaries	134,162	407,493	169,436	190,800	171,106	1,072,997	1,198,401	105,500	1,303,901	2,376,898
Employee benefits	31,201	88,733	54,209	21,127	54,224	249,494	273,222	22,482	295,704	545,198
Administrative	9,253	5,248	2,283	3,732	1,529	22,045	128,067	1,589	129,656	151,701
Consultant and contractual services	63,607	338,640	364,741	724,296	140	1,491,424	462,481	-	462,481	1,953,905
Occupancy	-	-	-	-	-	-	732,577	-	732,577	732,577
Travel	9,664	7,166	3,858	1,854	41	22,583	77,015	-	77,015	99,598
Meetings and conferences	15,883	48	30,632	22,182	-	68,745	931	-	931	69,676
Printing and supplies	759	1,538	82	529	347	3,255	9,467	236	9,703	12,958
Other	17,959	9,771	96,413	16,680	2,584	143,407	79,346	492	79,838	223,245
Depreciation and amortization	44,841	36,171	24,080	2,163	48	107,303	109,137	215	109,352	216,655
<b>Total expenses</b>	<u>\$ 7,033,840</u>	<u>\$ 894,808</u>	<u>\$ 750,453</u>	<u>\$ 1,750,224</u>	<u>\$ 230,019</u>	<u>\$ 10,659,344</u>	<u>\$ 3,070,644</u>	<u>\$ 130,514</u>	<u>\$ 3,201,158</u>	<u>\$ 13,860,502</u>

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



**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Statement of Functional Expenses

For the Year Ended December 31, 2019

	Program Services					Total	Supporting Services				Total Expenses 2019
	Network Delivery Services	Corporate Relations	Annual Conference and BOE	Programs & Enterprise Learning	Other Program Services		General Administration	Fund Development	Direct Benefit to Donor Costs	Total	
Payments to regional councils	\$ 6,542,002	\$ -	\$ 125,000	\$ -	\$ -	\$ 6,667,002	\$ -	\$ -	\$ -	\$ -	\$ 6,667,002
Salaries	242,875	416,407	249,122	-	64,333	972,737	1,061,699	204,060	-	1,265,759	2,238,496
Employee benefits	36,351	84,106	73,110	-	18,817	212,384	258,891	44,602	-	303,493	515,877
Administrative	25,832	33,397	560,709	12,680	757	633,375	132,601	48,373	-	180,974	814,349
Consultant and contractual services	95,614	255,556	647,937	582,221	5,704	1,587,032	418,481	71,328	-	489,809	2,076,841
Occupancy	-	-	141,000	-	-	141,000	909,272	-	-	909,272	1,050,272
Travel	50,611	34,566	273,790	95	2,411	361,473	246,346	25,883	-	272,229	633,702
Meetings and conferences	86,779	94,095	903,736	2,059	-	1,086,669	9,539	36,215	198,225	243,979	1,330,648
Printing and supplies	1,764	753	70,541	618	1,314	74,990	18,124	1,669	-	19,793	94,783
Other	18,056	23,628	373,199	2,569	4,210	421,662	77,454	46,179	-	123,633	545,295
Depreciation and amortization	56,910	38,178	13,126	2,496	-	110,710	110,728	6,886	-	117,614	228,324
Subtotal	7,156,794	980,686	3,431,270	602,738	97,546	12,269,034	3,243,135	485,195	198,225	3,926,555	16,195,589
Direct benefit to donor costs	-	-	-	-	-	-	-	-	(198,225)	(198,225)	(198,225)
<b>Total expenses</b>	<b>\$ 7,156,794</b>	<b>\$ 980,686</b>	<b>\$ 3,431,270</b>	<b>\$ 602,738</b>	<b>\$ 97,546</b>	<b>\$ 12,269,034</b>	<b>\$ 3,243,135</b>	<b>\$ 485,195</b>	<b>\$ -</b>	<b>\$ 3,728,330</b>	<b>\$ 15,997,364</b>

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

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

## Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (390,387)	\$ 46,667
<i>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</i>		
Depreciation and amortization	216,655	228,325
Amortization of deferred rent credits	25,514	(49,372)
Unrealized depreciation on investments	331,875	73,210
<i>Change in assets/liabilities</i>		
Decrease (increase) in accounts receivable, net	277,909	(690,536)
Decrease (increase) in prepaid expenses	140,558	(134,562)
Decrease (increase) in security deposits	5,775	(1,380)
Increase (decrease) in accounts payable and accrued expenses	863,972	(38,554)
(Decrease) increase in due to regional councils	(1,335,401)	726,684
Increase (decrease) in deferred revenue	412,787	(237,048)
Increase (decrease) in deferred compensation	30,376	(53,102)
Net cash provided by (used in) operating activities	<u>579,633</u>	<u>(129,668)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(421,589)	(220,039)
Proceeds from maturity/sale of investments	884,477	418,990
Purchases of furniture, fixtures, and equipment, and leasehold improvements	<u>(144,487)</u>	<u>(59,635)</u>
Net cash provided by investing activities	<u>318,401</u>	<u>139,316</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
SBA loan - Paycheck Protection Program	<u>366,377</u>	<u>-</u>
Net increase in cash and cash equivalents	1,264,411	9,648
Restricted and unrestricted cash and cash equivalents, beginning of year	<u>1,299,603</u>	<u>1,289,955</u>
<b>Restricted and unrestricted cash and cash equivalents, end of year</b>	<u><u>\$ 2,564,014</u></u>	<u><u>\$ 1,299,603</u></u>

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

## **NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

### **NOTE 1 ORGANIZATION**

National Minority Supplier Development Council, Inc. (the Council) advances business opportunities for certified minority business enterprises (MBEs) and connects them to corporate members.

The Council, a not-for-profit organization incorporated in Illinois, is a publicly supported organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

As of and for the years ended December 31, 2020 and 2019, the Council had 23 regional councils across the country. The regional councils certify and match minority-owned businesses with member corporations that want to purchase their products and services. Effective January 1, 2014, a new funding model was adopted that allocates a portion of the national dues collected as follows: a) 70% is divided equally among all regional councils; (b) 10% is allocated as a headquarter stipend based on national member headquarter locations; and (c) 20% is allocated as a performance bonus according to performance metrics agreed upon by the Council and the regional councils. A percentage of the membership renewal dues is set aside to provide fringe benefits and training for regional council staff and technology tools and software upgrades. In addition, selected regional councils share in the profits earned from the annual conference and business opportunity exchange.

### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting. The financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

#### Net Asset Classifications

The Council reports information regarding its financial position and activities according to two net asset classes: without donor restrictions and with donor restrictions.

*Without donor restrictions:* Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by actions on behalf of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Undesignated net assets can be utilized to carry out any purpose of the Council.

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Net Asset Classifications *(continued)*

*With donor restrictions:* Net assets used by the Council and subject to donor-imposed stipulations that can be fulfilled by actions of the Council pursuant to those stipulations or that expire with the passage of time.

Contributions

Contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions, depending on the existence and/or nature of any donor restrictions.

When a donor's restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

In-kind contributions, donated services, and materials are recorded at the fair value on the date of donation.

Membership Dues

Certain firms in private industries that desire membership in the Council are required to pay annual membership dues in amounts determined by the Council's Board of Directors. Dues are deferred until recognized as income based on the fiscal period for which they are assessed.

Furniture, Fixtures, Equipment, and Leasehold Improvements

Furniture, fixtures, and equipment are carried at cost and are depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the lesser of their estimated useful lives or the term of the lease. Equipment, furniture and fixtures are capitalized if they cost \$500 or more and have a useful life when acquired of more than one year. Estimated useful lives are as follows:

Leasehold improvements	6-12.5 years (or the remaining lease term, if shorter)
Equipment	5 years
Furniture and fixtures	7 years

## **NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

### **NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

#### Cash Equivalents

For purposes of the statements of cash flows, the Council considers all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents.

#### Investments

Investments are in certificates of deposit, annuities, mutual funds, money market funds, real estate investment trusts and artwork. Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (*i.e.*, an exit price). See Note 5 for further discussion and disclosures related to fair value measurements.

Purchase and sale of securities are recorded on a trade-date basis. Interest income, including unrealized appreciation/depreciation earned on investments, is recognized as revenue without donor restrictions unless specifically restricted for use by the donor in the accompanying financial statements as investment income or loss.

#### Functional Allocations of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain expenses are attributed to more than one program or supporting function and are therefore allocated in the accompanying financial statements. The allocation among the programs and supporting services benefited is based on estimated time, effort or usage.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Accounting Pronouncement Not Yet Adopted

The FASB also issued ASU 2016-02, *Leases (Topic 842)*, which requires recognition of (a) a lease asset (right of use) and lease liability, initially measured at the present value of the least payments, in the statements of financial position and (b) a single lease cost, calculated so that the cost of the lease is allocated over the lease term generally on a straight-line basis. All cash payments are to be classified within operating activities in the statements of cash flows. The amendments are effective for the Council's fiscal year ending December 31, 2021, with early adoption permitted. This ASU will impact the accounting for the Council's lease arrangements when it is adopted.

**NOTE 3      CONCENTRATION OF CREDIT AND MARKET RISK**

Credit Risk

At December 31, 2020 and 2019, cash balances at financial banking institutions exceeded the federally insured limit of \$250,000. Management regularly monitors the financial condition of the banking institutions, along with their cash balances, and its endeavors to keep the potential risk to a minimum.

Market Risk

The Council's investments are subject to various risks, such as interest rate, credit and overall market volatility. Further, because of the significance of the investments to the Council's financial position and the level of risk inherent in most investments, it is reasonably possible that the changes in the values of these investments could occur in the near term. The changes could materially affect the amounts reported in the financial statements. Management believes that the diversification of its investments among the various asset classes (see Note 4) should mitigate the impact of changes in any one asset class.

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally, causing widespread economic turmoil. The ultimate extent to which the COVID-19 pandemic impacts the Council's operations depend on future developments, which are highly uncertain and cannot be predicted with confidence.

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 4 INVESTMENTS**

Investments held at December 31, 2020 and 2019, consisted of the following:

	<b>2020</b>	<b>2019</b>
	<b>Fair Value</b>	<b>Fair Value</b>
Certificates of deposit	\$ 332,278	\$ 328,140
Annuities	5,741,067	6,213,838
Mutual funds	217,268	150,154
Money market funds	1,712,050	390,566
Real estate investment trusts	1,084,331	1,439,145
Artwork	25,922	25,922
	<u>\$ 9,112,916</u>	<u>\$ 8,547,765</u>
<i>Statement of financial position reconciliation</i>		
Amounts reflected as cash equivalents	\$ 1,712,050	\$ 353,828
Amount designated for cash collateral	173,700	172,008
Short-term investments	3,008,815	3,515,019
Long-term investments	4,218,351	4,506,910
<b>Total investments</b>	<u>\$ 9,112,916</u>	<u>\$ 8,547,765</u>

Certificates of deposit at December 31, 2020 and 2019 consisted of amounts on deposit at financial institutions, with interest rates ranging from 0.02% to 1.25% and with various maturity dates.

Annuities represent (i) a \$1,000,000 seven-year, fixed annuity with New York Life Insurance Company, with a guaranteed principal provision, a 5.6% guaranteed interest rate to July 22, 2010, and a 3% minimum guaranteed interest rate after July 22, 2010; (ii) two five-year annuities of \$500,000 each with Allstate Insurance Company of New York, with a guaranteed principal provision and a 2.5% minimum guaranteed interest return on both annuities; (iii) a \$500,000 five-year, fixed annuity with Valic Insurance Company, with a guaranteed principal provision, a 4% guaranteed interest rate for the first year, and a 3% minimum guaranteed interest rate after the first year. An additional \$1,200,000 investment was added to this policy since the initial investment with a guaranteed interest rate of 3%; (iv) a \$500,000 10-year, variable annuity with Allianz Life Insurance Company of New York with a guaranteed principal provision; (v) a \$400,000 seven-year, fixed annuity with Genworth Life Insurance Company with a guaranteed principal provision, a 3.6% guaranteed interest rate for the first three years and a 1% minimum guaranteed interest rate thereafter; and (vi) a \$400,000 seven-year, fixed indexed annuity with Integrity Life Insurance Company with a guaranteed principal provision and guaranteed interest based on positive changes in market indexes never to be less than zero. The balances recorded include the accrued interest that has been reinvested into the respective annuity.

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 4 INVESTMENTS** *(continued)*

Investment income for the years ended December 31, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
<i>Investment income (loss)</i>		
Interest and dividends	\$ 192,810	\$ 217,018
Net unrealized and realized losses	<u>(331,875)</u>	<u>(73,210)</u>
	<u>\$ (139,065)</u>	<u>\$ 143,808</u>

**NOTE 5 FAIR VALUE MEASUREMENTS**

Investments are stated at fair value.

The Council values its investments in accordance with a hierarchy that prioritizes the inputs to valuation techniques, giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement) when market prices are not readily available or reliable.

The three levels of the hierarchy under fair value measurements are described below:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs, which are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, credit risk, and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Council's own assumptions and would be based on the best information available.

Changes in valuation techniques could result in transfers in or out of an assigned level within the hierarchy.



**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 5 FAIR VALUE MEASUREMENTS** *(continued)*

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

*Certificates of deposit (traditional) and money market funds:* Valued at carrying value, which approximates fair value.

*Artwork:* Value is based on fair value at date of gift.

*Market-linked certificates of deposits:* Valued on the basis of the performance of the underlying assets.

*Annuities:* Valued at contract value, which approximates fair value, which represents deposits and reinvested interest, less any withdrawals plus accrued interest.

*Mutual funds:* Valued at the daily closing price reported in the active market in which the individual securities are traded. The open-ended mutual funds are registered with the Securities and Exchange Commission. These mutual funds are required to publish their daily net asset value (NAV) and transact at that price. The mutual funds held by the Council are deemed to be actively traded.

*Real estate investment trusts (REITs):* Value is based on the latest NAV received using NAV as a practical expedient. The estimated values are determined by the management of the REITs and independent third parties using common methodologies used in the commercial real estate industry, including discounted cash flow analyses and reviews of current, historical, and projected capitalization rates for comparable properties.

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 5 FAIR VALUE MEASUREMENTS** *(continued)*

The following table provide further information about the REITs at December 31, 2020 and 2019:

<u>Name of REIT</u>	<u>Investment Strategy</u>	<u>Fair Value at 12/31/20</u>	<u>Fair Value at 12/31/19</u>	<u>Unfunded Commitments at 12/31/20</u>	<u>Unfunded Commitments at 12/31/19</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Preferred Apartment Communities Inc.	Real estate	\$ -	\$ 200,000	\$ -	\$ -	5 years	None
Preferred Apartment Communities Inc.	Real estate	100,000	100,000	-	-	5 years	None
Preferred Apartment Communities Inc.	Real estate	-	100,000	-	-	5 years	None
Preferred Apartment Communities Inc.	Real estate	100,000	100,000	-	-	5 years	None
Preferred Apartment Communities Inc.	Real estate	300,000	-	-	-	5 years	None
Computershare-American Realty Capital Hospitality Trust	Real estate	114,585	126,387	-	-	N/A	None
AR Global-American Realty Capital NYC REIT	Real estate	50,311	304,233	-	-	N/A	None
Benefit Street Partners formerly American Realty Finance Trust	Real estate	247,122	241,468	-	-	N/A	None
Hines Global REIT	Real estate	31,408	90,980	-	-	N/A	None
Phillips Edison Shopping Center REIT	Real estate	140,905	176,077	-	-	N/A	None
		<u>\$1,084,331</u>	<u>\$1,439,145</u>	<u>\$ -</u>	<u>\$ -</u>		

The preceding methods described may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, although the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments may result in a different fair value measurement at the reporting date.

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 5 FAIR VALUE MEASUREMENTS** *(continued)*

The following tables set forth by level, within the fair value hierarchy, the Council's investments at fair value, as of December 31, 2020 and 2019:

	<b>Assets at Fair Value as of December 31, 2020</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Mutual funds</i>				
Equity and income funds	\$ 63,880	\$ -	\$ -	63,880
Other funds	153,388	-	-	153,388
	<u>217,268</u>	<u>-</u>	<u>-</u>	<u>217,268</u>
Money market funds		1,712,050	-	1,712,050
Certificates of deposit	-	332,278	-	332,278
Annuities	-	5,741,067	-	5,741,067
Artwork	-	-	25,922	25,922
<b>Total investments, at fair value</b>	<b>\$ 217,268</b>	<b>\$ 7,785,395</b>	<b>\$ 25,922</b>	<b>8,028,585</b>
Real estate investment trusts valued at NAV				<u>1,084,331</u>
<b>Total Investments</b>				<b>\$ 9,112,916</b>

	<b>Assets at Fair Value as of December 31, 2019</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Mutual funds</i>				
Equity and income funds	\$ 77,284	\$ -	\$ -	\$ 77,284
Other funds	109,608	-	-	109,608
	<u>186,892</u>	<u>-</u>	<u>-</u>	<u>186,892</u>
Money market funds	-	353,828	-	353,828
Certificates of deposit	-	328,140	-	328,140
Annuities	-	6,213,838	-	6,213,838
Artwork	-	-	25,922	25,922
<b>Total investments, at fair value</b>	<b>\$ 186,892</b>	<b>\$ 6,895,806</b>	<b>\$ 25,922</b>	<b>7,108,620</b>
Real estate investment trusts valued at NAV				<u>1,439,145</u>
<b>Total Investments</b>				<b>\$ 8,547,765</b>

Transfers between level categories may occur due to changes in the availability of market observable inputs, which are usually caused by changes in market conditions, such as availability of market observable quoted prices, liquidity, trading volume, or bid-ask spreads. Transfers in and out of level categories are reported as having occurred at the beginning of the year in which the transfer occurred. There were no transfers in 2020.

There was no activity or change in the value of Level 3 investments between 2020 and 2019.

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 6 FURNITURE, FIXTURES, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS**

Furniture, fixtures, equipment, and leasehold improvements consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Equipment	\$ 4,780,669	\$ 4,636,182
Furniture and fixtures	600,523	600,523
Leasehold improvements	<u>881,761</u>	<u>881,761</u>
	6,262,953	6,118,466
Less: Accumulated depreciation and amortization	<u>(5,961,747)</u>	<u>(5,745,092)</u>
	<u>\$ 301,206</u>	<u>\$ 373,374</u>

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 amounted to \$216,655 and \$228,325, respectively.

**NOTE 7 OFFICE LEASE**

On November 15, 2008, the Council entered into a new lease agreement for office space set to expire on May 31, 2021, which has provisions for future rent increases and rent-free periods. On June 15, 2020, a 23.5-month agreement was negotiated, extending the lease expiration date to May 31, 2022, with a two-month rent-free period. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. As security for the lease, the lease agreement requires the Council to have a \$168,036 letter of credit as of December 31, 2020 and 2019, which is collateralized by a certificate of deposit owned by the Council.

During 2020 and 2019, the Council incurred \$732,577 and \$872,500, respectively, in rent and related occupancy expenses under the lease. As of December 31, 2020, minimum future annual rents under the terms of the leases are as follows:

<u>Years</u>	<u>Amounts</u>
2021	\$ 802,232
2022	<u>334,263</u>
	<u>\$ 1,136,495</u>

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 8 PAYCHECK PROTECTION PROGRAM LOAN**

On April 8, 2020, the Council was granted a loan (the Loan) from the U.S. Treasury through JPMorgan Chase Bank, N.A. in the aggregate amount of \$366,377, pursuant to the Paycheck Protection Program (the PPP) under Division A, Title I of the Coronavirus Aid and Relief Economic Security (CARES) Act, which was enacted on March 27, 2020.

The Loan, which was in the form of a note, dated April 19, 2020 issued to the Council, matures on April 8, 2022 and bears interest at a rate of 0.98% per year, payable monthly. The note may be prepaid by the Council at any time prior to maturity with no prepayment penalties. The Council used the funds from the Loan for payroll costs, benefits and utilities. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses, as described in the CARES Act. The Council applied for forgiveness in December 2020 and was granted total forgiveness on January 27, 2021.

**NOTE 9 NET ASSETS**

The Council's net assets are as follows:

Without Donor Restrictions

Net assets without donor restrictions consisted of the following:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 5,866,167	\$ 5,691,574
Board-designated	<u>891,628</u>	<u>1,456,588</u>
<b>Total net assets without donor restriction</b>	<b><u>\$ 6,757,795</u></b>	<b><u>\$ 7,148,162</u></b>

With Donor Restrictions

Net assets with donor restrictions were available to support the following program activities as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Advance Management Education Program	\$ 5,000	\$ 5,000
Endowment funds	<u>100,000</u>	<u>100,000</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 105,000</u></b>	<b><u>\$ 105,000</u></b>

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 9 NET ASSETS (continued)**With Donor Restrictions (continued)

Endowment funds were received from the James H. O'Neal/PepsiCo Foundation/NMSDC Endowed Scholarship Fund. The income earned will be used to support scholarships for minority business owners who participate in the Advanced Management Education Program. Funds are invested in a seven-year annuity.

Net Assets Released from Restrictions

Net assets released from restrictions based on satisfaction of purpose and/or time restriction were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Minority Business Development Agency	\$ 220,000	\$ -
Corporate grants for education and MBE development	483,163	203,767
Donations for economic relief for MBEs and program development	914,835	-
Scholarships and contributions	13,140	112,900
	<u>\$ 1,631,138</u>	<u>\$ 316,667</u>

**NOTE 10 ENDOWMENTS**

The Council's endowment assets include those assets of Board-designated and donor-restricted funds that it must hold in perpetuity or for donor-specified periods.

The Council's Board of Directors has interpreted the applicable state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as with donor restrictions: (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, if any, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 10 ENDOWMENTS** *(continued)*

Endowment funds as of December 31, 2020 are composed as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment fund	\$ -	\$ -	\$ 100,000	\$ 100,000
Board-designated endowment fund	891,627	-	-	891,627
<b>Total</b>	<b>\$ 891,627</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 991,627</b>

Changes in endowment net assets for the year ended December 31, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Endowment net assets, January 1, 2020	\$ 1,456,588	\$ -	\$ 100,000	\$ 1,556,588
<i>Investment return</i>				
Investment income	32,039	3,000	-	35,039
Appropriation of endowment assets for expenditure	(597,000)	(3,000)	-	(600,000)
<b>Endowment net assets, December 31, 2020</b>	<b>\$ 891,627</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 991,627</b>

Endowment funds as of December 31, 2019 are composed as follows:

	With Donor Restrictions	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment fund	\$ -	\$ -	\$ 100,000	\$ 100,000
Board-designated endowment fund	1,456,588	-	-	1,456,588
<b>Total</b>	<b>\$ 1,456,588</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 1,556,588</b>

Changes in endowment net assets for the year ended December 31, 2019 are as follows:

	Unrestricted	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Endowment net assets, January 1, 2019	\$ 1,411,305	\$ -	\$ 100,000	\$ 1,511,305
<i>Investment return</i>				
Investment income	42,283	3,000	-	45,283
Appropriation of endowment assets for expenditure	3,000	(3,000)	-	-
<b>Endowment net assets, December 31, 2019</b>	<b>\$ 1,456,588</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 1,556,588</b>

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 10      ENDOWMENTS** *(continued)*

The Council 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 maintaining their purchasing power. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to preserve the assets of donor-restricted funds that the Council intends hold in perpetuity, while assuming a low level of investment risk. The Council expects its endowment funds, over time, to provide a rate of return of approximately 3% to 4%.

Therefore, the investment objectives require disciplined and consistent management philosophies to accommodate all those relevant, reasonable, and probable events. Consequently, a periodic review of total rate of return and spending rate objectives is performed. The spending rate established by the Council is currently 3% per year.

**NOTE 11      DEFERRED COMPENSATION PLANS**

The Council established a deferred compensation plan under Section 457 of the IRC and a nonqualified deferred compensation plan (the Plans). The nonqualified deferred compensation plan is offered to select executives. The Plans are a vehicle to save for retirement on a tax-efficient basis. Employees may elect to defer compensation (salary/bonus) under the Plans. The Council may, at its discretion, make contributions on a selective basis. The contributions are invested in a trust and reflected in the accompanying financial statements as long-term investments. At December 31, 2020 and 2019, the Plans' balance was \$217,268 and \$186,892, respectively. The deferred compensation plan had deposits of \$12,000, withdrawals of \$385; and a net gain of \$18,762 for the year ended December 31, 2020 and had deposits of \$12,000; withdrawals of \$315,000 and a net gain of \$65,952 for the year ended December 31, 2019.

**NOTE 12      DEFINED CONTRIBUTION PLAN**

The Council has a defined contribution plan, the National Minority Supplier Development Council, Inc. Retirement Plan and Trust, for which it provides an amount equal to 5% of the base salary for eligible, full-time employees. In addition, employees are permitted to make contributions on their own behalf. The Council's contributions amounted to \$118,131 and \$102,563 for 2020 and 2019, respectively. The value of the fund was equal to the vested benefits therein at December 31, 2020.



**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 13 IN-KIND CONTRIBUTIONS**

There was no in-kind contribution for the year ended December 31, 2020. In-kind contributions, which are reflected in the accompanying financial statements at fair value at the date of gift, included the following amounts for the years ended December 31:

	<u>2019</u>
Loaned equipment—annual conference	\$ 5,225
Public transportation passes	1,500
Social media/advertising-annual conference	<u>100,000</u>
<b>Total in-kind contributions</b>	<u><u>\$ 106,725</u></u>

**NOTE 14 LEADERSHIP AWARDS**

The Council did not sponsor its annual leadership award gala (a special event) in New York City in 2020.

At December 31, 2019, total revenue and expenses related to the event were as follows:

	<u>2019</u>
<i>NMSDC—annual leadership awards</i>	
Revenue	\$ 760,500
Direct donor benefits costs	<u>(198,225)</u>
<b>Net special event—revenue</b>	<u><u>\$ 562,275</u></u>

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 15 LIQUIDITY AND AVAILABLE RESOURCES**

The Council's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,390,314	\$ 1,127,595
Short-term investments	3,008,815	3,515,019
Accounts receivable, net	<u>1,390,355</u>	<u>1,668,264</u>
Total financial assets available within one year	6,789,484	6,310,878
Less:		
<i>Amounts unavailable for general expenditures within one year, due to Board-designated endowment funds</i>	(891,627)	(1,456,588)
Restricted by donors with purpose restrictions	<u>(105,000)</u>	<u>(105,000)</u>
<b>Total financial assets available to management for general expenditures within one year</b>	<u>\$ 5,792,857</u>	<u>\$ 4,749,290</u>

The Council maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations are due. In addition, the Council maintains a money market savings account and invests cash in excess of weekly requirements in short-term investments. The Board-designated funds could be drawn upon in the event of financial distress or a liquidity need.

**NOTE 16 INCOME TAXES**

U.S. GAAP requires management to evaluate uncertain tax positions taken by the Council. The financial statement effects of a tax position are recognized when the position is more-likely-than-not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. Management analyzed the Council's tax positions, and it concluded that as of December 31, 2020, no uncertain positions were taken or expected to be taken. The Council is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. Management believes the Council is no longer subject to income tax examinations for years prior to 2017.

**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

**NOTE 17 RELATED-PARTY TRANSACTIONS**

As of and for the years ended December 31, 2020 and 2019, the Council had 23 regional councils across the country. Payments to the regional councils were \$6,846,230 and \$6,667,002 for the years ended December 31, 2020 and 2019, respectively. Amounts due to the regional councils were \$760,523 and \$2,095,924 as of December 31, 2020 and 2019, respectively.

**NOTE 18 SUBSEQUENT EVENTS**

The Council has evaluated subsequent events through August 31, 2021, which is the date the financial statements were available to be issued, and has determined that there were no subsequent events to be recognized in these financial statements.

