Financial Statements For the Years Ended December 31, 2023 and 2022 With Independent Auditor's Report



Financial Statements
For the Years Ended December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Minority Supplier
Development Council, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Minority Supplier Development Council, Inc. (the Council), which comprise the statements of financial position as of December 31, 2023 and 2022, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

Mitchell: Titus, LLP

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

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

November 14, 2024

Statements of Financial Position As of December 31, 2023 and 2022

	2023	2022
ASSETS Current assets		
Cash and cash equivalents	\$ 2,135,826	\$ 6,190,639
Short-term investments	3,291,017	3,192,058
Accounts receivable, net	3,851,590	2,661,567
Prepaid expenses	373,624	245,667
Total current assets	9,652,057	12,289,931
Restricted cash - collateral	_	173,874
Long-term investments	3,211,511	3,073,286
Furniture, fixtures, equipment and		
leasehold improvements, net	338,386	335,623
Security deposits	21,107	19,448
Total assets	\$ 13,223,060	\$ 15,892,162
LIABILITIES AND NET ASSETS Current liabilities Accounts payable and accrued expenses Due to regional councils Deferred revenue	\$ 4,361,513 - 1,264,329	\$ 1,807,318 1,714,109 2,970,385
Total current liabilities	5,625,842	6,491,812
Deferred compensation Deferred rent credits	293,519	261,038
Total liabilities	5,919,361	6,752,850
Net assets		
Without donor restrictions	6,034,875	6,757,795
Without donor restrictions - board designated	1,163,824	2,276,518
With donor restrictions	105,000	105,000
Total net assets	7,303,699	9,139,313
Total liabilities and net assets	\$ 13,223,060	\$ 15,892,162

Statement of Activities For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total 2023
REVENUE Membership dues Contributions Event and meeting fees Investment gain, net Other income Net assets released from restrictions Purpose restrictions satisfied Total revenue	\$ 13,824,010 7,697,736 4,868,898 229,600 2,062,348 2,602,779 31,285,371	\$ - 260,278 2,342,501 (2,602,779) -	\$ 13,824,010 7,958,014 4,868,898 229,600 4,404,849 - 31,285,371
EXPENSES Program services Field services Corporate success Annual conference and BOE Strategic alliances and programs Other program services	12,613,996 1,004,471 8,096,630 4,967,137 320,470	- - - - -	12,613,996 1,004,471 8,096,630 4,967,137 320,470
Total program services Supporting services General administration Fund development Total supporting services Total expenses	5,469,810 648,471 6,118,281 33,120,985	- - - -	5,469,810 648,471 6,118,281 33,120,985
Change in net assets Net assets, beginning of year	9,034,313	105,000	(1,835,614) 9,139,313
Net assets, end of year	\$ 7,198,699	\$ 105,000	\$ 7,303,699

Statement of Activities

For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total 2022
REVENUE Membership dues Contributions Non-financial contributions Event and meeting fees Investment gain, net Other income Net assets released from restrictions Purpose restrictions satisfied	\$ 13,188,138 6,285,120 316,925 4,477,338 178,643 124,211 3,049,426	\$ - 1,449,322 - - - 1,600,104 (3,049,426)	13,188,138 7,734,442 316,925 4,477,338 178,643 1,724,315
Total revenue	27,619,800		27,619,800
EXPENSES Program services Field services Corporate success Annual conference and BOE Strategic alliances and programs Other program services Total program services	10,029,609 1,058,790 7,418,152 4,155,416 90,247 22,752,214	- - - - -	10,029,609 1,058,790 7,418,152 4,155,416 90,247 22,752,214
Supporting services General administration Fund development Total supporting services Total expenses	4,063,929 182,385 4,246,314 26,998,528	- - - -	4,063,929 182,385 4,246,314 26,998,528
Change in net assets	621,272	-	621,272
Net assets, beginning of year Net assets, end of year	8,413,041 \$ 9,034,313	105,000 \$ 105,000	8,518,041 9,139,313

Statement of Functional Expenses

For the Year Ended December 31, 2023

	Program Services						s			
	Field Services	Corporate Success	Annual Conference and BOE	Strategic Alliances & Programs	Other Program Services	Total	General Administration	Fund Development	Total	Total Expenses 2023
Payments to regional										
councils	\$ 11,570,745	\$ -	\$ -	\$ -	\$ -	11,570,745	\$ -	\$ -	\$ -	11,570,745
Grants to MBEs and BCF	38,493	-	-	134,136	=	172,629	-	-	-	172,629
Salaries	493,591	720,896	85,167	1,074,420	11,076	2,385,150	2,323,528	437,374	2,760,902	5,146,052
Employee benefits	94,614	109,463	24,129	227,387	738	456,331	417,142	73,558	490,700	947,031
Administrative	-	-	-	-	-	-	-	-	-	-
Consultant and										
contractual services	314,626	118,687	150,920	1,604,298	289,955	2,478,486	1,733,888	107,356	1,841,244	4,319,730
Occupancy	-	-	-	-	=	-	49,364	-	49,364	49,364
Travel	26,423	41,412	295,886	98,506	17,506	479,733	130,968	24,202	155,170	634,903
Meetings and										
conferences	26,500	2,384	7,400,712	1,533,847	=	8,963,443	246,878	-	246,878	9,210,321
Printing and supplies	4,038	2,506	37,423	81,398	254	125,619	104,757	912	105,669	231,288
Other	18,465	6,709	83,114	154,439	123	262,850	435,090	4,084	439,174	702,024
Depreciation and										
amortization	26,501	2,414	19,279	58,706	818	107,718	28,195	985	29,180	136,898
Subtotal	12,613,996	1,004,471	8,096,630	4,967,137	320,470	27,002,704	5,469,810	648,471	6,118,281	33,120,985
Direct benefit to										
donor costs						-				
Total expenses	\$ 12,613,996	\$ 1,004,471	\$ 8,096,630	\$ 4,967,137	\$ 320,470	27,002,704	\$ 5,469,810	\$ 648,471	6,118,281	33,120,985

Statement of Functional Expenses

For the Year Ended December 31, 2022

	Program Services							Supporting Services			
	Field Services	Corporate Success	Annual Conference and BOE	Strategic Alliances & Programs	Other Program Services	Total	General Administration	Fund Development	Total	Total Expenses 2022	
Payments to regional											
councils	\$ 9,135,609	\$ -	\$ -	\$ -	\$ -	\$ 9,135,609	\$ -	\$ -	\$ -	\$ 9,135,609	
Grants to MBEs and BCF	18,050	-	-	205,796	-	223,846	-	-	-	223,846	
Salaries	283,294	576,366	84,376	832,710	14,229	1,790,975	1,757,277	113,526	1,870,803	3,661,778	
Employee benefits	83,717	104,625	28,104	142,776	24,641	383,863	353,040	37,066	390,106	773,969	
Administrative	2,754	58,042	1,080,293	268,707	1,150	1,410,946	155,795	1,691	157,486	1,568,432	
Consultant and											
contractual services	414,223	166,336	2,295,476	2,050,489	54	4,926,578	1,098,767	16,451	1,115,218	6,041,796	
Occupancy	-	-	-	-	-	-	394,413	-	394,413	394,413	
Travel	13,300	34,239	314,041	96,573	43,521	501,674	68,475	10,257	78,732	580,406	
Meetings and											
conferences	1,523	89,580	2,248,343	370,445	111	2,710,002	6,954	23	6,977	2,716,979	
Printing and supplies	446	3,647	86,845	3,958	812	95,708	4,530	666	5,196	100,904	
Other	29,020	20,332	1,259,091	152,963	5,633	1,467,039	201,546	1,892	203,438	1,670,477	
Depreciation and											
amortization	47,673	5,623	21,583	30,999	96	105,974	23,132	813	23,945	129,919	
Total expenses	\$ 10,029,609	\$ 1,058,790	\$ 7,418,152	\$ 4,155,416	\$ 90,247	\$ 22,752,214	\$ 4,063,929	\$ 182,385	\$ 4,246,314	\$ 26,998,528	

Statements of Cash Flows For the Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,835,614)	\$ 621,272
Adjustments to reconcile changes in net assets to	Ψ (1,000,011)	Ψ 021,272
net cash (used in) provided by operating activities		
Depreciation and amortization	136,898	129,919
Amortization of deferred rent credits	-	(28,447)
Unrealized appreciation on investments	(229,600)	(4,690)
Change in assets/liabilities	(,)	(1,555)
Increase in accounts receivable, net	(1,190,023)	(1,647,225)
(Increase) decrease in prepaid expenses	(127,957)	67,539
Increase in security deposits	(1,659)	-
Increase in accounts payable and accrued expenses	2,554,197	335,631
(Decrease) increase in due to regional councils	(1,714,109)	1,051,900
Decrease in deferred revenue	(1,706,056)	(263,829)
Increase in deferred compensation	32,481	24,611
Net cash (used in) provided by operating activities	(4,081,442)	286,681
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(181,526)	(183,467)
Proceeds from maturity/Sale of investments	173,941	976,732
Purchases of furniture, fixtures, and equipment, and		
leasehold improvements	(139,661)	(200,426)
Net cash (used in) provided by investing activities	(147,246)	592,839
Not (doors one) in any one in months at a double way of the d		
Net (decrease) increase in restricted and unrestricted	(4 220 600)	970 520
cash and cash equivalents	(4,228,688)	879,520
Restricted and unrestricted cash and cash equivalents,		
beginning of year	6,364,513	5,484,993
Restricted and unrestricted cash and cash		
equivalents, end of year	\$ 2,135,826	\$ 6,364,513
-		

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

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, 2023 and 2022, 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.

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

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.

Non-financial and financial contributions, which include 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

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.

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

NOTE 3 CONCENTRATION OF CREDIT AND MARKET RISK

Credit Risk

At December 31, 2023 and 2022, 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.

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 3 CONCENTRATION OF CREDIT AND MARKET RISK (continued)

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.

NOTE 4 INVESTMENTS

Investments held at December 31, 2023 and 2022, consisted of the following:

	2023 Fair Value			2022 Fair Value
Certificates of deposit Annuities Mutual funds Money market funds Real estate investment trusts Artwork	\$	5,754,868 - 1,798,035 428,219 25,922 8,007,044	\$ 	5,601,925 - 6,066,783 376,459 25,922
Statement of financial position reconciliate	tion			
Amounts reflected as cash equivalents Amount designated for cash collateral Short-term investments Long-term investments	\$	1,504,517 3,291,017 3,211,511	\$	5,805,745 173,874 3,192,058 3,073,286
Total investments	\$	8,007,044	_\$	12,244,963

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 4 INVESTMENTS (continued)

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 fiveyear, fixed annuity with Valic Insurance Company, with a guaranteed principal provision, a 4% guaranteed interest rate for the first year, and a 3% minimum quaranteed 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 vears and a 1.0% 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.

Investment income for the years ended December 31, 2023 and 2022, is summarized as follows:

	2023	 2022
Investment income (loss)		
Interest and dividends	\$ 153,735	\$ 173,866
Net unrealized and realized losses	 75,865	 4,777
	\$ 229,600	\$ 178,643

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.

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 5 FAIR VALUE MEASUREMENTS (continued)

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

- Level 1: Quoted prices in active markets for identical securities.
- <u>Level 2:</u> 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.

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, 2023 and 2022.

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

Artwork: Value is based on the 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.

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 5 FAIR VALUE MEASUREMENTS (continued)

The following table provides further information about the REITs at December 31, 2023 and 2022:

Name of REIT	Unfunde Investment Fair Value at Fair Value at Commitme Strategy 12/31/23 12/31/22 at 12/31/2		nitments	Unfunded Commitments at 12/31/22		Redemption Frequency	Redemption Notice Period			
Preferred Apartment Communities Inc.	Real estate	\$	_	\$ _	\$	-	\$	-	5 years	None
Preferred Apartment Communities Inc.	Real estate		-	-		-		-	5 years	None
Preferred Apartment Communities Inc.	Real estate		-	-		-		-	5 years	None
Preferred Apartment Communities Inc.	Real estate		-	-		-		-	5 years	None
Preferred Apartment Communities Inc.	Real estate		-	-		-		-	5 years	None
Computershare-American Realty Capital										
Hospitality Trust	Real estate		-	-		-		-	N/A	None
AR Global-American Realty Capital NYC										
REIT	Real estate		6,535	11,619		-		-	N/A	None
Benefit Street Partners formerly American										
Realty Finance Trust	Real estate		223,962	192,266		-		-	N/A	None
Hines Global REIT	Real estate		-	-		-		-	N/A	None
Phillips Edison Shopping Center REIT	Real estate		197,722	 172,573					N/A	None
		\$	428,219	\$ 376,459	\$		\$			

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.

The following tables set forth by level, within the fair value hierarchy, the Council's investments at fair value as of December 31, 2023 and 2022:

	Assets at Fair Value as of December 31, 2023							
	Level 1		Level 2		_evel 3	Total		
Money market funds Annuities Artwork	\$	- - -	\$ 1,798,035 5,754,868	\$	- - 25,922	\$ 1,798,035 5,754,868 25,922		
Total investments, at fair value	\$	-	\$ 7,552,903	\$	25,922	7,578,825		
Real estate investment trusts valued at N	٩V					428,219		
Total investments						\$ 8,007,044		
		Asset	s at Fair Value as	s of D	ecember 3	1, 2022		
	L	evel 1	Level 2		_evel 3	Total		
Money market funds Certificates of deposit Annuities Artwork	\$	- - -	\$ 6,066,783 173,874 5,601,925	\$	- - - 25,922	\$ 6,066,783 173,874 5,601,925 25,922		
Total investments, at fair value	\$	-	\$11,842,582	\$	25,922	11,868,504		
Real estate investment trusts valued at No Total investments	376,459 \$12,244,963							

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 5 FAIR VALUE MEASUREMENTS (continued)

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 2023.

There was no activity or change in the value of Level 3 investments between 2023 and 2022.

NOTE 6 FURNITURE, FIXTURES, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

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

	 2023	 2022
Equipment	\$ 5,240,297	\$ 5,100,635
Furniture and fixtures	600,523	600,523
Leasehold improvements	 881,762	881,762
	6,722,581	6,582,919
Less: Accumulated depreciation		
and amortization	 (6,384,195)	 (6,247,297)
	\$ 338,386	\$ 335,623

Depreciation and amortization expense for the years ended December 31, 2023 and 2022, amounted to \$136,898 and \$129,919, respectively.

NOTE 7 OFFICE LEASE

During 2023 and 2022, the Council incurred \$49,364 and \$376,189, respectively, in rent and related occupancy expenses under the lease. As of June 30, 2023, NMSDC no longer had office lease space.

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 8 NET ASSETS

The Council's net assets are as follows:

Without Donor Restrictions

Net assets without donor restrictions consisted of the following:

	2023	 2022
Undesignated Board-designated	\$ 6,034,875 1,163,824	\$ 6,757,795 2,276,518
Total net assets without donor restriction	\$ 7,198,699	\$ 9,034,313

In 2021, the Board of Directors designated \$1,655,246 to be used for the transformation of the organization and to enhance its ability to serve its members and affiliates. In 2022 this was increased to \$2,276,518. In 2023, NMSDC invested in new technology, systems, and processes to begin its transformation of certification services and other modernization efforts costing \$1,112,694.

With Donor Restrictions

Net assets with donor restrictions were available to support the following program activities as of December 31, 2023 and 2022:

	 2023	 2022
Advance Management Education		
Program	\$ 5,000	\$ 5,000
Endowment funds	 100,000	 100,000
Total net assets with donor		
restrictions	\$ 105,000	\$ 105,000

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.

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 8 NET ASSETS (continued)

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:

	2023			2022
Minority Business Development Agency Granted PPP loans	\$	860,000 -		\$ - -
Corporate grants for MBE education and development Donations for economic relief for MBEs		469,896		2,377,877
and program development		1,158,504		407,232
Scholarships and contributions		66,868		230,000
NMBEIC Opportunity Accelerator		47,512		34,317
	\$	2,602,779	1	\$ 3,049,426

NOTE 9 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.

Endowment funds as of December 31, 2023 are composed as follows:

	_	out Donor strictions	strictions	 Total
Donor-restricted endowment fund Board-designated endowment	\$	- 75,865	\$ 100,000	\$ 100,000 75,865
Total	\$	75,865	\$ 100,000	\$ 175,865

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 9 ENDOWMENTS (continued)

Changes in endowment net assets for the year ended December 31, 2023 are as follows:

	 thout Donor estrictions	 th Donor strictions	 Total
Endowment net assets, January 1, 2023	\$ 1,052,017	\$ 100,000	\$ 1,152,017
Investment return Investment income	75,865	-	75,865
Appropriation of endowment assets for expenditure	 (1,052,017)	 	 (1,052,017)
Endowment net assets, December 31, 2023	\$ 75,865	\$ 100,000	\$ 175,865

Endowment funds as of December 31, 2022 are composed as follows:

	ith Donor	rmanently estricted	 Total
Donor-restricted endowment fund Board-designated endowment fund	\$ - 1,573,289	\$ 100,000	\$ 100,000 1,573,289
Total	\$ 1,573,289	\$ 100,000	\$ 1,673,289

Changes in endowment net assets for the year ended December 31, 2022 are as follows:

	_Uı	nrestricted	manently estricted	 Total
Endowment net assets,				
January 1, 2022	\$	921,376	\$ 100,000	\$ 1,021,376
Investment return				
Investment income		30,641	-	30,641
Appropriation of endowment assets				
for expenditure		621,271	 	 621,271
Endowment net assets,				
December 31, 2022	\$	1,573,288	\$ 100,000	\$ 1,673,288

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%.

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 9 ENDOWMENTS (continued)

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 10 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, 2023 and 2022, the Plans' balance was \$293,519 and \$261,038, respectively. The deferred compensation plan had deposits of \$21,308, withdrawals of \$0; and a net gain of \$11,173 for the year ended December 31, 2023. For the year ended December 31, 2022, the deferred compensation plan had deposits of \$24,500, withdrawals of \$0 and a net gain of \$110.

NOTE 11 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 \$148,623 and \$121,243 for 2023 and 2022, respectively. The value of the fund was equal to the vested benefits therein at December 31, 2023.

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 12 CONTRIBUTED NON-FINANCIAL AND FINANCIAL ASSETS

There was contributed non-financial or financial assets for the year ended December 31, 2023. Contributed non-financial assets, which are reflected in the accompanying financial statements at fair value at the date of the contribution, included the following amounts for the year ended December 31:

		 2022
Monitors and wayfinders Welcome lounge	Conference Conference	\$ 36,725 25,000
Office furniture	Conference	20,000
Coffee gifts for sponsors	Conference	10,000
Printing	Conference	30,000
Air purifiers to be used during the conference	Conference	30,200
Computers	Conference	110,000
Consulting services		55,000
Total in-kind contributions		\$ 316,925

The contributed non-financial assets were used in the of the Council's annual conference.

NOTE 13 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:

	2023	_	2022
Cash and cash equivalents Short-term investments Accounts receivable, net	\$ 2,135,826 3,291,017 3,851,590	;	\$ 6,190,739 3,192,058 2,661,567
Total financial assets available within one year	9,278,433		12,044,364
Less:			
Amounts unavailable for general expenditures within one year, due to Board-designated endowment funds Restricted by donors with purpose restrictions	(175,865) (105,000)	_	(1,673,290) (105,000)
Total financial assets available to management for general expenditures within one year	\$ 8,997,568	_;	\$ 10,266,074

Notes to Financial Statements For the Years Ended December 31, 2023 and 2022

NOTE 13 LIQUIDITY AND AVAILABLE RESOURCES (continued)

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 14 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, 2023, no uncertain tax 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 2020.

NOTE 15 RELATED-PARTY TRANSACTIONS

As of and for the years ended December 31, 2023 and 2022, the Council had 23 regional councils across the country. Payments to the regional councils were \$8,752,735 and \$8,453,134 for the years ended December 31, 2023 and 2022, respectively. Amounts due to the regional councils were \$1,323,607 and \$1,714,109 as of December 31, 2023 and 2022, respectively.

NOTE 16 SUBSEQUENT EVENTS

The Council has evaluated subsequent events through November 14, 2024, which is the date the financial statements were available to be issued, and determined that there were no subsequent events to be recognized in these financial statements.

