

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

**Financial Statements
For the Years Ended December 31, 2024 and 2023
With Independent Auditor's Report**



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NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.
Financial Statements
For the Years Ended December 31, 2024 and 2023

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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, 2024 and 2023, 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, 2024 and 2023, 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:

- 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.

Mitchell Titus, LLP

September 19, 2025

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Statements of Financial Position

As of December 31, 2024 and 2023

	2024	2023
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 2,736,993	\$ 2,135,826
Short-term investments	3,394,046	3,291,017
Accounts receivable, net	1,975,901	3,851,589
Prepaid expenses	501,426	373,624
Total current assets	8,608,366	9,652,056
Long-term investments	2,128,965	3,211,511
Furniture, fixtures, equipment and leasehold improvements, net	30,311	338,386
Security deposits	-	21,107
Total assets	\$ 10,767,642	\$ 13,223,060
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 1,723,266	\$ 3,037,906
Due to regional councils	2,018,797	1,323,607
Deferred revenue	1,557,227	1,264,329
Total current liabilities	5,299,290	5,625,842
Deferred compensation	22,898	293,519
Total liabilities	5,322,188	5,919,361
<i>Net assets</i>		
Without donor restrictions	5,138,716	6,034,875
Without donor restrictions - board designated	201,738	1,163,824
With donor restrictions	105,000	105,000
Total net assets	5,445,454	7,303,699
Total liabilities and net assets	\$ 10,767,642	\$ 13,223,060

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total 2024
REVENUE			
Membership dues	\$ 14,617,560	\$ -	\$ 14,617,560
Contributions	5,428,248	905,640	6,333,888
Non-financial contributions	3,682	-	3,682
Event and meeting fees	5,261,612	-	5,261,612
Investment gain, net	229,911	-	229,911
Other income	1,274,578	2,072,190	3,346,768
<i>Net assets released from restrictions</i>			
Purpose restrictions satisfied	2,977,830	(2,977,830)	-
Total revenue	29,793,421	-	29,793,421
EXPENSES			
<i>Program services</i>			
Field services	10,236,782	-	10,236,782
Corporate success	4,311,327	-	4,311,327
Annual conference and BOE	7,187,761	-	7,187,761
Strategic alliances and programs	3,230,500	-	3,230,500
Other program services	265,520	-	265,520
Total program services	25,231,890	-	25,231,890
<i>Supporting services</i>			
General administration	6,388,755	-	6,388,755
Fund development	31,021	-	31,021
Total supporting services	6,419,776	-	6,419,776
Total expenses	31,651,666	-	31,651,666
Change in net assets	(1,858,245)	-	(1,858,245)
Net assets, beginning of year	7,198,699	105,000	7,303,699
Net assets, end of year	\$ 5,340,454	\$ 105,000	\$ 5,445,454

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total 2023
REVENUE			
Membership dues	\$ 13,824,010	\$ -	\$ 13,824,010
Contributions	7,697,736	260,278	7,958,014
Event and meeting fees	4,868,898	-	4,868,898
Investment gain, net	229,600	-	229,600
Other income	2,062,348	2,342,501	4,404,849
<i>Net assets released from restrictions</i>			
Purpose restrictions satisfied	2,602,779	(2,602,779)	-
Total revenue	<u>31,285,371</u>	<u>-</u>	<u>31,285,371</u>
EXPENSES			
<i>Program services</i>			
Field services	12,613,996	-	12,613,996
Corporate success	1,004,471	-	1,004,471
Annual conference and BOE	8,096,630	-	8,096,630
Strategic alliances and programs	4,967,137	-	4,967,137
Other program services	320,470	-	320,470
Total program services	<u>27,002,704</u>	<u>-</u>	<u>27,002,704</u>
<i>Supporting services</i>			
General administration	5,469,810	-	5,469,810
Fund development	648,471	-	648,471
Total supporting services	<u>6,118,281</u>	<u>-</u>	<u>6,118,281</u>
Total expenses	<u>33,120,985</u>	<u>-</u>	<u>33,120,985</u>
Change in net assets	(1,835,614)	-	(1,835,614)
Net assets, beginning of year	<u>9,034,313</u>	<u>105,000</u>	<u>9,139,313</u>
Net assets, end of year	<u><u>\$ 7,198,699</u></u>	<u><u>\$ 105,000</u></u>	<u><u>\$ 7,303,699</u></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, 2024

	Program Services						Supporting Services			Total Expenses 2024
	Field Services	Corporate Success	Annual Conference and BOE	Strategic Alliances & Programs	Other Program Services	Total	General Administration	Fund Development	Total	
Payments to regional councils	\$ 8,825,948	\$ -	\$ 175,000	\$ -	\$ -	\$ 9,000,948	\$ -	\$ -	\$ -	\$ 9,000,948
Grants to MBEs and BCF	-	-	-	-	265,520	265,520	-	-	-	265,520
Salaries	1,042,312	1,308,276	-	482,634	-	2,833,222	2,516,629	5,480	2,522,109	5,355,331
Employee benefits	211,145	235,441	-	114,111	-	560,697	617,865	474	618,339	1,179,036
Consultant and contractual services	142,970	1,376,779	539,810	560,306	-	2,619,865	1,850,160	21,000	1,871,160	4,491,025
Travel	12,440	78,776	390,092	145,877	-	627,185	100,589	-	100,589	727,774
Meetings and conferences	3,458	303,264	6,032,853	1,634,863	-	7,974,438	76,964	-	76,964	8,051,402
Printing and supplies	(1,961)	5,910	25,588	7,893	-	37,430	162,854	-	162,854	200,284
Other	470	10,635	5,042	233,247	-	249,394	804,628	3,000	807,628	1,057,022
Depreciation and amortization	-	3,786	19,376	51,569	-	74,731	259,066	1,067	260,133	334,864
Bad debt expenses	-	988,460	-	-	-	988,460	-	-	-	988,460
Subtotal	10,236,782	4,311,327	7,187,761	3,230,500	265,520	25,231,890	6,388,755	31,021	6,419,776	31,651,666
Direct benefit to donor costs	-	-	-	-	-	-	-	-	-	-
Total expenses	\$ 10,236,782	\$ 4,311,327	\$ 7,187,761	\$ 3,230,500	\$ 265,520	\$ 25,231,890	\$ 6,388,755	\$ 31,021	\$ 6,419,776	\$ 31,651,666

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, 2023

	Program Services						Supporting Services			Total Expenses 2023
	Field Services	Corporate Success	Annual Conference and BOE	Strategic Alliances & Programs	Other Program Services	Total	General Administration	Fund Development	Total	
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
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

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,858,245)	\$ (1,835,614)
<i>Adjustments to reconcile change in net assets to net cash used in operating activities</i>		
Depreciation and amortization	334,864	136,898
Unrealized appreciation on investments	(229,911)	(229,600)
<i>Change in operating assets and liabilities</i>		
Decrease (increase) in accounts receivable, net	1,875,689	(1,190,023)
(Increase) in prepaid expenses	(127,802)	(127,957)
Decrease (increase) in security deposits	21,107	(1,659)
(Decrease) increase in accounts payable and accrued expenses	(1,314,640)	2,554,198
(Increase) decrease in due to regional councils	695,190	(1,714,109)
Decrease (increase) in deferred revenue	292,898	(1,706,056)
(Decrease) increase in deferred compensation	(270,621)	32,481
Net cash used in operating activities	<u>(581,471)</u>	<u>(4,081,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	-	(181,526)
Proceeds from maturity/sale of investments	1,209,427	173,941
Purchases of furniture, fixtures, and equipment, and leasehold improvements	<u>(26,789)</u>	<u>(139,661)</u>
Net cash provided by (used in) investing activities	<u>1,182,638</u>	<u>(147,246)</u>
Net increase (decrease) in cash and cash equivalents	601,167	(4,228,687)
Cash and cash equivalents, beginning of year	<u>2,135,826</u>	<u>6,364,513</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,736,993</u></u>	<u><u>\$ 2,135,826</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, 2024 and 2023

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, 2024 and 2023, 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. 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, 2024 and 2023

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.

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

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.

Reclassifications

Certain amounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 3 CONCENTRATION OF CREDIT AND MARKET RISK

Credit Risk

At December 31, 2024 and 2023, 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.

NOTE 4 INVESTMENTS

Investments held at December 31, 2024 and 2023, consisted of the following:

	2024	2023
	Fair Value	Fair Value
Annuities	\$ 5,516,049	\$ 6,048,387
Real estate investment trusts	6,962	428,219
Artwork	-	25,922
	<u>\$ 5,523,011</u>	<u>\$ 6,502,528</u>

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

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 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 \$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 1.0% minimum guaranteed interest rate thereafter. The balances recorded include the accrued interest that has been reinvested into the respective annuity.

Investment income for the years ended December 31, 2024 and 2023, is summarized as follows:

	<u>2024</u>	<u>2023</u>
<i>Investment income</i>		
Interest and dividends	\$ 179,316	\$ 153,735
Net unrealized and realized losses	50,595	75,865
	<u>\$ 229,911</u>	<u>\$ 229,600</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.

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 5 FAIR VALUE MEASUREMENTS *(continued)*

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, 2024 and 2023.

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.

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.
Notes to Financial Statements
For the Years Ended December 31, 2024 and 2023

NOTE 5 FAIR VALUE MEASUREMENTS *(continued)*

The following table provides further information about the REITs at December 31, 2024 and 2023:

Name of REIT	Investment Strategy	Fair Value at 12/31/24	Fair Value at 12/31/23	Unfunded Commitments at 12/31/24	Unfunded Commitments at 12/31/23	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	6,962	6,535	-	-	N/A	None
Benefit Street Partners formerly American Realty Finance Trust	Real estate	-	223,962	-	-	N/A	None
Hines Global REIT	Real estate	-	-	-	-	N/A	None
Phillips Edison Shopping Center REIT	Real estate	-	197,722	-	-	N/A	None
		<u>\$ 6,962</u>	<u>\$ 428,219</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.

The following tables set forth by level, within the fair value hierarchy, the Council's investments at fair value as of December 31, 2024 and 2023:

Assets at Fair Value as of December 31, 2024			
	Level 1	Level 2	Level 3
Annuities	\$ -	\$ 5,516,049	\$ -
Artwork	-	-	-
Total investments, at fair value	<u>\$ -</u>	<u>\$ 5,516,049</u>	<u>\$ -</u>
Real estate investment trusts valued at NAV			6,962
Total investments			<u>\$ 5,523,011</u>

Assets at Fair Value as of December 31, 2023			
	Level 1	Level 2	Level 3
Annuities	\$ -	\$ 6,048,387	\$ -
Artwork	-	-	25,922
Total investments, at fair value	<u>\$ -</u>	<u>\$ 6,048,387</u>	<u>\$ 25,922</u>
Real estate investment trusts valued at NAV			428,219
Total investments			<u>\$ 6,502,528</u>

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

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 2024.

The value of Level 3 investments decreased by \$25,922 in 2024. There was no activity or change in the value of Level 3 investments in 2023.

NOTE 6 FURNITURE, FIXTURES, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

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

	<u>2024</u>	<u>2023</u>
Equipment	\$ 5,267,085	\$ 5,240,297
Furniture and fixtures	600,523	600,523
Leasehold improvements	<u>881,762</u>	<u>881,762</u>
	6,749,370	6,722,581
Less: Accumulated depreciation and amortization	<u>(6,719,059)</u>	<u>(6,384,195)</u>
	<u>\$ 30,311</u>	<u>\$ 338,386</u>

Depreciation and amortization expense for the years ended December 31, 2024 and 2023, amounted to \$334,864 and \$136,898, respectively.

NOTE 7 OFFICE LEASE

During 2024 and 2023, the Council incurred \$0 and \$49,364, respectively, in rent and related occupancy expenses under the lease. As of June 30, 2023, NMSDC no longer had office lease space.

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 8 NET ASSETSWithout Donor Restrictions

Net assets without donor restrictions consisted of the following:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 5,138,716	\$ 6,034,875
Board-designated	<u>201,738</u>	<u>1,163,824</u>
Total net assets without donor restriction	<u>\$ 5,340,454</u>	<u>\$ 7,198,699</u>

In 2021, the Board of Directors designated \$1,655,246 to be used for the transformation of the Council 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, followed in 2024 by an additional \$962,086 investment to further advance these initiatives.

With Donor Restrictions

Net assets with donor restrictions were available to support the following program activities as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Advance Management Education Program	\$ 5,000	\$ 5,000
Endowment funds	<u>100,000</u>	<u>100,000</u>
Total net assets with donor restrictions	<u>\$ 105,000</u>	<u>\$ 105,000</u>

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.

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

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:

	<u>2024</u>	<u>2023</u>
Minority Business Development Agency	\$ 750,000	\$ 860,000
Corporate grants for MBE education and development	1,295,990	469,896
Donations for economic relief for MBEs and program development	926,200	1,158,504
Scholarships and contributions	5,640	66,868
NMBEIC Opportunity Accelerator	-	47,512
	<u>\$ 2,977,830</u>	<u>\$ 2,602,779</u>

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, 2024, are composed as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment fund	\$ -	\$ 100,000	\$ 100,000
Board-designated endowment	50,595	-	50,595
Total	<u>\$ 50,595</u>	<u>\$ 100,000</u>	<u>\$ 150,595</u>

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 9 ENDOWMENTS *(continued)*

Changes in endowment net assets for the year ended December 31, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2024	\$ 75,865	\$ 100,000	\$ 175,865
<i>Investment return</i>			
Investment income	50,595	-	50,595
Appropriation of endowment assets for expenditure	<u>(75,865)</u>	<u>-</u>	<u>(75,865)</u>
Endowment net assets, December 31, 2024	<u>\$ 50,595</u>	<u>\$ 100,000</u>	<u>\$ 150,595</u>

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

	With Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	\$ -	\$ 100,000	\$ 100,000
Board-designated endowment fund	<u>75,865</u>	<u>-</u>	<u>75,865</u>
Total	<u>\$ 75,865</u>	<u>\$ 100,000</u>	<u>\$ 175,865</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2023	\$ 1,052,017	\$ 100,000	\$ 1,152,017
<i>Investment return</i>			
Investment income	75,865	-	75,865
Appropriation of endowment assets for expenditure	<u>(1,052,017)</u>	<u>-</u>	<u>(1,052,017)</u>
Endowment net assets, December 31, 2023	<u>\$ 75,865</u>	<u>\$ 100,000</u>	<u>\$ 175,865</u>

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%.

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

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, 2024 and 2023, the Plans' balance was \$22,898 and \$293,519, respectively. The deferred compensation plan had deposits of \$10,000, withdrawals of \$280,685; and a net gain of \$64 for the year ended December 31, 2024. For the year ended December 31, 2023, the deferred compensation plan had deposits of \$21,308, withdrawals of \$0 and a net gain of \$11,173.

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 \$189,859 and \$148,623 for 2024 and 2023, respectively. The value of the fund was equal to the vested benefits therein at December 31, 2024.

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

NOTE 12 CONTRIBUTED NON-FINANCIAL AND FINANCIAL ASSETS

There was contributed non-financial or financial assets, which are reflected in the accompanying financial statements at fair value at the date of the contribution, for the year ended December 31, 2024 was \$3,682. There were no contributed non-financial or financial assets for the year ended December 31, 2023. 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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 2,736,993	\$ 2,135,826
Short-term investments	3,394,046	3,291,017
Accounts receivable, net	<u>1,975,901</u>	<u>3,851,590</u>
Total financial assets available within one year	8,106,940	9,278,433
Less:		
Amounts unavailable for general expenditures within one year, due to		
Board-designated endowment funds	(150,595)	(175,865)
Restricted by donors with purpose restrictions	<u>(105,000)</u>	<u>(105,000)</u>
Total financial assets available to management for general expenditures within one year	<u><u>\$ 7,851,345</u></u>	<u><u>\$ 8,997,568</u></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.

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Notes to Financial Statements

For the Years Ended December 31, 2024 and 2023

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, 2024, 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 2022.

NOTE 15 RELATED-PARTY TRANSACTIONS

As of and for the years ended December 31, 2024 and 2023, the Council had 23 regional councils across the country. Payments to the regional councils were \$9,543,561 and \$8,752,735 for the years ended December 31, 2024 and 2023, respectively. Amounts due to the regional councils were \$2,018,797 and \$1,323,607 as of December 31, 2024 and 2023, respectively.

NOTE 16 GENERAL LITIGATION

The Council is subject to claims and lawsuits that arise primarily in the ordinary course of business. Management does not believe the lawsuits, after considering insurance coverage, would have a material impact on the financial position or results of operations of the Council.

NOTE 17 SUBSEQUENT EVENTS

The Council has evaluated subsequent events through September 19, 2025, 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.

