

**FINANCIAL STATEMENTS**



**FOR THE YEAR ENDED AUGUST 31, 2019  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2018**

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

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## CPAs & ADVISORS

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the National Action Council for Minorities in Engineering (NACME), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

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

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

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

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NACME as of August 31, 2019, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

The prior year summarized comparative information has been derived from NACME's 2018 financial statements, which were audited by other auditors and, in their report dated November 15, 2018, they expressed an unmodified opinion on those statements.

*Gelman Rosenberg & Freedman*

September 17, 2020

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF FINANCIAL POSITION  
AS OF AUGUST 31, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<b>ASSETS</b>	
	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,671,928	\$ 8,394,396
Investments	9,724,960	10,980,710
Dividends receivable	-	22,000
Grants and pledges receivable, net of allowance for doubtful accounts of \$160,000 and \$0 in 2019 and 2018, respectively	720,625	176,125
Prepaid expenses	<u>322,350</u>	<u>307,460</u>
Total current assets	<u>16,439,863</u>	<u>19,880,691</u>
<b>FIXED ASSETS</b>		
Land	529,504	-
Building and related improvements	490,095	-
Furniture and equipment	609,910	573,389
Computer software	100,000	-
Leasehold improvements	<u>60,980</u>	<u>60,980</u>
Less: Accumulated depreciation and amortization	<u>1,790,489</u>	<u>634,369</u>
	<u>(520,703)</u>	<u>(467,267)</u>
Net fixed assets	<u>1,269,786</u>	<u>167,102</u>
<b>NONCURRENT ASSETS</b>		
Investments - long-term	<u>807,665</u>	<u>807,665</u>
<b>TOTAL ASSETS</b>	<b>\$ 18,517,314</b>	<b>\$ 20,855,458</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 938,193	\$ 97,218
Agency liability	<u>4,188,462</u>	<u>5,751,994</u>
Total liabilities	<u>5,126,655</u>	<u>5,849,212</u>
<b>NET ASSETS</b>		
Without donor restrictions	11,498,788	13,435,770
With donor restrictions	<u>1,891,871</u>	<u>1,570,476</u>
Total net assets	<u>13,390,659</u>	<u>15,006,246</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 18,517,314</b>	<b>\$ 20,855,458</b>

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<b>2019</b>			<b>2018</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Total</b>
<b>SUPPORT AND REVENUE</b>				
Contributions and grants	\$ 1,540,027	\$ 628,000	\$ 2,168,027	\$ 2,394,872
In-kind contributions	2,326,557	-	2,326,557	2,746,875
Investment income, net	251,738	24,239	275,977	1,095,953
Symposium	299,500	-	299,500	-
Management fee	250,000	-	250,000	265,750
Special event, net of expenses of \$314,205 for 2018	-	-	-	76,545
Other revenue	3,985	-	3,985	45,004
Net assets released from donor restrictions	<u>330,844</u>	<u>(330,844)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<b><u>5,002,651</u></b>	<b><u>321,395</u></b>	<b><u>5,324,046</u></b>	<b><u>6,624,999</u></b>
<b>EXPENSES</b>				
Program Services:				
Scholarships and University Relations	4,442,158	-	4,442,158	4,796,094
Information Dissemination	179,588	-	179,588	105,245
NACME Career Center	376,459	-	376,459	273,848
Research, Leadership and Policy	66,895	-	66,895	51,504
Pre-engineering Education	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,922</u>
<b>Total program services</b>	<b><u>5,065,100</u></b>	<b><u>-</u></b>	<b><u>5,065,100</u></b>	<b><u>5,281,613</u></b>
Supporting Services:				
Resource Development	241,696	-	241,696	482,187
Management and General	<u>1,632,837</u>	<u>-</u>	<u>1,632,837</u>	<u>921,536</u>
<b>Total supporting services</b>	<b><u>1,874,533</u></b>	<b><u>-</u></b>	<b><u>1,874,533</u></b>	<b><u>1,403,723</u></b>
<b>Total expenses</b>	<b><u>6,939,633</u></b>	<b><u>-</u></b>	<b><u>6,939,633</u></b>	<b><u>6,685,336</u></b>
Change in net assets	(1,936,982)	321,395	(1,615,587)	(60,337)
Net assets at beginning of year	<u>13,435,770</u>	<u>1,570,476</u>	<u>15,006,246</u>	<u>15,066,583</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 11,498,788</u></b>	<b><u>\$ 1,891,871</u></b>	<b><u>\$ 13,390,659</u></b>	<b><u>\$ 15,006,246</u></b>

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	2019				
	Program Services				
	Scholarships and University Relations	Information Dissemination	NACME Career Center	Research, Leadership and Policy	Total Program Services
Awards and grants	\$ 3,934,055	\$ -	\$ -	\$ -	\$ 3,934,055
Salaries, benefits and payroll related services	303,321	98,085	208,011	49,043	658,460
Telephone and email	8,416	2,722	5,772	1,361	18,271
Travel	6,632	-	1,325	-	7,957
Professional and consulting fees	5,246	45,800	41,495	-	92,541
Equipment rental and maintenance	9,015	2,915	6,182	1,458	19,570
Information technology	-	-	41,246	-	41,246
Occupancy and relocation	65,595	21,212	44,984	10,606	142,397
Printing and postage	4,261	647	1,371	323	6,602
Office and program supplies	6,747	2,099	4,452	1,050	14,348
Conferences and meetings	79,981	-	8,667	-	88,648
Fundraising events	-	-	-	-	-
Bad debt	-	-	-	-	-
Other	-	-	-	-	-
Depreciation and amortization	18,889	6,108	12,954	3,054	41,005
 Total expenses	 4,442,158	 179,588	 376,459	 66,895	 5,065,100
 Less: Special event expenses included with revenues in the Statement of Activities	 -	 -	 -	 -	 -
 <b>TOTAL EXPENSES, NET OF SPECIAL EVENTS</b>	 <b>\$ 4,442,158</b>	 <b>\$ 179,588</b>	 <b>\$ 376,459</b>	 <b>\$ 66,895</b>	 <b>\$ 5,065,100</b>

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<b>2019 (Continued)</b>			<b>2018</b>	
	<b>Supporting Services</b>				
	<b>Resource Development</b>	<b>Management and General</b>	<b>Total Supporting Services</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
Awards and grants	\$ -	\$ -	\$ -	\$3,934,055	\$ 4,159,118
Salaries, benefits and payroll related services	125,530	156,195	281,725	940,185	1,462,065
Telephone and email	3,483	9,846	13,329	31,600	18,020
Travel	2,503	37,120	39,623	47,580	31,384
Professional and consulting fees	62,481	610,736	673,217	765,758	524,351
Equipment rental and maintenance	3,731	18,240	21,971	41,541	46,561
Information technology	-	26,839	26,839	68,085	41,949
Occupancy and relocation	32,637	578,829	611,466	753,863	246,291
Printing and postage	828	-	828	7,430	9,110
Office and program supplies	2,686	11,852	14,538	28,886	1,931
Conferences and meetings	-	-	-	88,648	48,533
Fundraising events	-	-	-	-	314,205
Bad debt	-	160,000	160,000	160,000	-
Other	-	17,059	17,059	17,059	45,108
Depreciation and amortization	7,817	6,121	13,938	54,943	50,915
 Total expenses	 241,696	 1,632,837	 1,874,533	 6,939,633	 6,999,541
 Less: Special event expenses included with revenues in the Statement of Activities	 -	 -	 -	 -	 (314,205)
 <b>TOTAL EXPENSES, NET OF SPECIAL EVENTS</b>	 <b>\$ 241,696</b>	 <b>\$ 1,632,837</b>	 <b>\$1,874,533</b>	 <b>\$ 6,939,633</b>	 <b>\$ 6,685,336</b>

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED AUGUST 31, 2019**  
**WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,615,587)	\$ (60,337)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	54,943	50,915
Net realized and unrealized gain on investments	(13,022)	(869,469)
Investment earnings to be maintained in perpetuity	(19,730)	(4,001)
Decrease (increase) in:		
Dividends receivable	22,000	18,033
Grants and pledges receivable	(544,500)	17,506
Prepaid expenses	(14,890)	186,065
Increase (decrease) in:		
Accounts payable and accrued liabilities	840,975	14,840
Agency liability	<u>(1,563,532)</u>	<u>(296,533)</u>
Net cash used by operating activities	<u>(2,853,343)</u>	<u>(942,981)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(1,157,627)	(1,263)
Purchase of investments	(231,228)	(11,522,398)
Proceeds from sale of investments	<u>1,500,000</u>	<u>11,641,803</u>
Net cash provided by investing activities	<u>111,145</u>	<u>118,142</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Investment earnings to be maintained in perpetuity	<u>19,730</u>	<u>4,001</u>
Net cash provided by financing activities	<u>19,730</u>	<u>4,001</u>
Net decrease in cash and cash equivalents	(2,722,468)	(820,838)
Cash and cash equivalents at beginning of year	<u>8,394,396</u>	<u>9,215,234</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>5,671,928</u></b>	<b>\$ <u>8,394,396</u></b>

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2019

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

Organization -

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

NACME directly engages in the following program activities as a result:

- Scholarships and University Relations Programs: NACME is the nation's largest private source of scholarships for minorities in engineering. NACME scholarships broaden the technology talent pool, recognize and reward high academic achievement, and connect NACME donor companies to a rich pool of minority students. Its scholarship initiatives are designed to promote diversity on the university campus while fostering individual achievement. The programs provide financial aid for minority engineering students who meet NACME's eligibility criteria, along with a wide range of academic and professional development support.
- Information Dissemination: NACME's marketing and communications efforts target key stakeholders in K-12, university, government, industry, and foundations by utilizing a full range of publications, video, radio, television, internet, social media, and conferences. NACME uses these vehicles to disseminate best practices and delivers the research and analysis necessary for shaping effective programs and policy. NACME develops and publishes materials that promote STEM education.
- NACME Career Center: NACME's Career Center contains the resumes of thousands of NACME Scholars who are currently available for engineering internships and full-time positions upon graduation. NACME's corporate partners, with high recruiting capability and hiring needs, are also very interested in deepening their engagement with NACME Scholars for the purpose of serving in internships or full-time positions.
- Research, Leadership and Policy: Recognizing that programs must be evaluated, NACME conducts research on its core activities and examines best practices in the retention of underrepresented minority students in Colleges of Engineering.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted during the year ended August 31, 2019 and applied retrospectively. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2019

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

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NACME's financial statements for the year ended August 31, 2018, from which the summarized information was derived.

Cash and cash equivalents -

NACME considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash and cash equivalents include restricted cash of \$4,188,462 (see Note 5 for further details). Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, NACME maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

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

Grants and pledges receivable -

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

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to ten years for furniture, equipment and software or thirty-nine years for buildings and related improvements. Leasehold improvements are amortized over the remaining life of the lease. Building improvements are capitalized and amortized over the remaining useful life of the building. The cost of maintenance and repairs is recorded as expenses as incurred. Depreciation and amortization expense for the year ended August 31, 2019 totaled \$54,943.

## **NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

### **NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2019**

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

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statement of Activities and Change in Net Assets, to its current fair value.

Income taxes -

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

Uncertain tax positions -

For the year ended August 31, 2019, NACME has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions". Grants and pledges receivable represents amounts due from funding organizations in accordance with the terms and conditions outlined in grant agreements.

Special events -

Revenue from special events consists primarily of sponsorships, which are in substance contributions. Revenue received in advance of the year to which the events relate are reported as net assets with donor restrictions. The Statement of Functional Expenses includes special event expenses which are deducted from special event revenue in the Statement of Activities and Change in Net Assets

In-kind contributions -

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

Use of estimates -

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

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2019

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

Functional allocation of expenses -

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

Risks and uncertainties -

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

Fair value measurement -

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

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of August 31, 2018 as unrestricted net assets in the amount of \$13,435,770 are now classified as "net assets without donor restrictions". Net assets previously classified as temporarily restricted net assets and permanently restricted net assets in the amount of \$762,811 and \$807,665, respectively, are now classified as "net assets with donor restrictions".

New accounting pronouncements (not yet adopted) -

FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. During 2020, the FASB delayed the implementation date under ASU 2020-05 for an additional year. Organizations may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019 and for interim periods within annual reporting periods beginning after December 15, 2020. Early adoption is still permitted.

# NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2019

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

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

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. NACME has not yet decided on a transition method. This ASU is effective for fiscal years beginning after December 15, 2018.

IFASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

NACME plans to adopt the new ASUs at the respective required implementation dates.

### 2. INVESTMENTS

Investments consisted of the following as of August 31, 2019:

	<u>Fair Value</u>
Mutual funds:	
Equity	\$ 7,228,051
Fixed income	3,218,274
Certificate of deposit	<u>86,300</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 10,532,625</u></b>

Included in investment income are the following:

Interest and dividends	\$ 284,038
Unrealized and realized gain on investments	13,022
Investment expenses provided by external investment advisors	<u>(21,083)</u>
<b>TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES</b>	<b><u>\$ 275,977</u></b>

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

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2019

#### 2. INVESTMENTS (Continued)

If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of August 31, 2019. There were no transfers between levels in the fair value hierarchy during the year ended August 31, 2019. Transfers between levels are recorded at the end of the reporting period, if applicable.

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

The table below summarizes, the investments measured at fair value on a recurring basis by level within the fair value hierarchy as of August 31, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Asset Class:</b>				
Mutual funds:				
Equity	\$ 7,228,051	\$ -	\$ -	\$ 7,228,051
Fixed income	3,218,274	-	-	3,218,274
Certificate of deposit	-	86,300	-	86,300
<b>TOTAL</b>	<b>\$ 10,446,325</b>	<b>\$ 86,300</b>	<b>\$ -</b>	<b>\$ 10,532,625</b>

#### 3. LINE OF CREDIT

NACME has a \$1,500,000 bank line of credit which matures on July 19, 2020. Amounts borrowed under this agreement bear interest at a rate equal to 30-day LIBOR plus 219.1 basis points (5.26% at August 31, 2019). As of August 31, 2019, there was no outstanding balance on the line of credit. Upon maturity, the line of credit had not been renewed.

# NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

## NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2019

### 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at August 31, 2019:

Subject to expenditure for specified purpose:	
Bechtel Scholarships	\$ 148,140
Hess Fund	1,000
Campbell Fund	41
Pre-engineering Education	394,913
Special events	325,356
Accumulated earnings from endowment not yet authorized for spending	<u>45,026</u>
Subtotal	914,476
Subject to passage of time	150,000
Contributions to be invested in perpetuity	<u>827,395</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ <u>1,891,871</u></b>

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

Purpose restrictions accomplished:	
Bechtel Scholarships	\$ 10,000
Special events	158,344
Timing restrictions accomplished	150,000
Accumulated earnings from endowment funds authorized for spending	<u>12,500</u>
<b>NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b>\$ <u>330,844</u></b>

### 5. AGENCY TRANSACTIONS

NACME has entered into an agreement with the Alfred P. Sloan Foundation (Sloan) related to the Sloan Minority Ph.D. Program (the Sloan Program) to administer the Sloan Program. The Sloan Program funding shall be used by NACME for payment of scholarships to students attending universities identified by the Sloan Program.

During the year ended August 31, 2019, Sloan provided NACME with approximately \$950,000 of additional funds and the unexpended portion of the Sloan Program fund amounted to \$4,188,462. The funds received are recorded in cash and cash equivalents and a corresponding liability is included in agency liability on the accompanying Statement of Financial Position as of August 31, 2019.

In addition, NACME receives from Sloan compensation for administering the Sloan Program. The compensation received by NACME amounted to \$250,000 for the year ended August 31, 2019 and is included in management fee revenue in the accompanying Statement of Activities and Change in Net Assets.

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2019

#### **6. LIQUIDITY AND AVAILABILITY**

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

Cash and cash equivalents	\$ 5,671,928
Investments	9,724,960
Grants and pledges receivable	<u>720,625</u>
Subtotal financial assets available	16,117,513
Less: Donor restricted funds	(1,416,515)
Less: Restricted cash	<u>(4,188,462)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$ <u>10,512,536</u></b>

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

#### **7. IN-KIND CONTRIBUTIONS**

During the year ended August 31, 2019, NACME was the beneficiary of donated goods and services which allowed NACME to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended August 31, 2019.

Donated scholarship support	\$ 2,188,386
Donated legal services	<u>138,171</u>
<b>TOTAL</b>	<b>\$ <u>2,326,557</u></b>

The following programs have benefited from these donated services:

Scholarships and University Relations	\$ 2,188,386
Management and General	<u>138,171</u>
<b>TOTAL</b>	<b>\$ <u>2,326,557</u></b>

#### **8. LEASE COMMITMENTS**

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

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

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2019

#### **8. LEASE COMMITMENTS (Continued)**

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

**Year Ending August 31,**

2020	\$ 66,000
2021	66,000
2022	<u>16,500</u>
 <b>\$</b>	 <b><u>148,500</u></b>

Rent expense for the year ended August 31, 2019 was \$190,800 and is included in occupancy and relocation expense in the accompanying Statement of Functional Expense.

#### **9. PROFESSIONAL EMPLOYER ORGANIZATION**

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

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

#### **10. RETIREMENT PLAN**

NACME has a 401(k) retirement plan that allows employees to contribute part of their pay to the Plan. NACME is allowed to contribute to this plan for the benefit of the employee, but is not required to contribute. For the year ended August 31, 2019, NACME made no contributions to the Plan.

#### **11. COMMITMENTS**

NACME and its corporate sponsors intend to provide continuing support for participating students until completion of their education. Accordingly, policy goals have been adopted by NACME and its corporate sponsors to identify resources needed to provide this future support at the time grants are made for new students. NACME estimates based on attrition experience, that the aggregate cost for future grants to complete the education for present NACME students and those for whom new awards have been committed in fiscal year 2019, stated at its net present value would be approximately \$3.98 million under its NACME Scholarship Programs.

#### **12. ENDOWMENT**

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

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2019**

**12. ENDOWMENT (Continued)**

The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary.

As a result of this interpretation, when reviewing its donor-restricted endowment funds, NACME considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

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

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

Endowment net asset composition by type of fund as of August 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Donor-Restricted Endowment Funds:</b>			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor including purchase power maintenance increases	\$ -	\$ 827,395	\$ 827,395
Accumulated investment earnings	<u>-</u>	<u>45,026</u>	<u>45,026</u>
<b>TOTAL ENDOWMENT FUNDS</b>	<b>\$ -</b>	<b>\$ 872,421</b>	<b>\$ 872,421</b>

Changes in endowment net assets for the year ended August 31, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 860,682	\$ 860,682
Investment return, net	<u>-</u>	<u>24,239</u>	<u>24,239</u>
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(12,500)</u>	<u>(12,500)</u>
<b>ENDOWMENT NET ASSETS, END OF YEAR</b>	<b>\$ -</b>	<b>\$ 872,421</b>	<b>\$ 872,421</b>

## NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

### NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2019

#### 12. ENDOWMENT (Continued)

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

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

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

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

#### Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. There were no deficiencies at August 31, 2019.

#### Return Objectives and Risk Parameters -

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

#### Strategies Employed for Achieving Objectives -

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

**NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING**

**NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2019**

**12. ENDOWMENT (Continued)**

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

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

**13. SUBSEQUENT EVENTS**

In preparing these financial statements, NACME has evaluated events and transactions for potential recognition or disclosure through September 17, 2020, the date the financial statements were issued.

Subsequent to August 31, 2019, NACME relocated from White Plains, New York to Alexandria, Virginia.

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