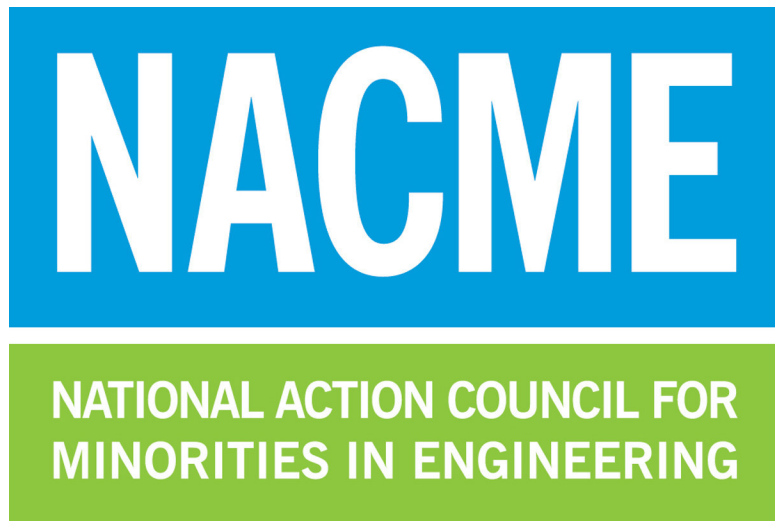


FINANCIAL STATEMENTS



**FOR THE YEAR ENDED AUGUST 31, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

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

Opinion

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, 2022, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NACME as of August 31, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 NACME and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 accounting principles generally accepted in the United States of America, 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 NACME's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted auditing standards will always detect a material misstatement when it exists.

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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, including omissions, 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 generally accepted auditing standards, 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 NACME'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 NACME'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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited NACME's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 9, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



March 2, 2023

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,758,444	\$ 8,144,578
Investments	10,299,407	13,215,611
Contributions and grants receivable	206,500	791,000
Prepaid expenses	<u>56,968</u>	<u>12,144</u>
Total current assets	<u>21,321,319</u>	<u>22,163,333</u>
FIXED ASSETS		
Land	529,504	529,504
Building and related improvements	496,085	496,085
Furniture and equipment	623,638	623,638
Computer software	274,643	274,643
Leasehold improvements	<u>60,980</u>	<u>60,980</u>
	1,984,850	1,984,850
Less: Accumulated depreciation and amortization	<u>(703,553)</u>	<u>(648,845)</u>
Net fixed assets	<u>1,281,297</u>	<u>1,336,005</u>
NONCURRENT ASSETS		
Investments	1,198,157	957,581
Security deposit	<u>4,065</u>	<u>4,065</u>
Total noncurrent assets	<u>1,202,222</u>	<u>961,646</u>
TOTAL ASSETS	<u>\$ 23,804,838</u>	<u>\$ 24,460,984</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Loan payable	\$ -	\$ 188,200
Accounts payable and accrued liabilities	1,245,584	520,517
Accrued salaries and related benefits	87,108	99,491
Refundable advance	183,996	1,546,248
Agency liability	<u>7,823,580</u>	<u>6,536,672</u>
Total liabilities	<u>9,340,268</u>	<u>8,891,128</u>

NET ASSETS

Without donor restrictions	12,093,176	13,561,003
With donor restrictions	<u>2,371,394</u>	<u>2,008,853</u>
Total net assets	<u>14,464,570</u>	<u>15,569,856</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 23,804,838</u>	<u>\$ 24,460,984</u>

See accompanying notes to financial statements.

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 4,060,494	\$ 1,136,352	\$ 5,196,846	\$ 3,510,939
In-kind contributions	1,053,326	-	1,053,326	1,052,406
Investment (loss) income, net	(1,718,390)	(202,459)	(1,920,849)	2,664,678
Management fees	300,000	-	300,000	350,000
Special events, net of special event expenses	152,676	-	152,676	-
Other revenue	13,434	-	13,434	13,516
Net assets released from donor restrictions	<u>571,352</u>	<u>(571,352)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,432,892</u>	<u>362,541</u>	<u>4,795,433</u>	<u>7,591,539</u>
EXPENSES				
Program Services:				
Scholarship Programs	<u>4,697,552</u>	<u>-</u>	<u>4,697,552</u>	<u>4,178,371</u>
Supporting Services:				
Resource Development	514,614	-	514,614	561,142
Management and General	<u>876,753</u>	<u>-</u>	<u>876,753</u>	<u>678,368</u>
Total supporting services	<u>1,391,367</u>	<u>-</u>	<u>1,391,367</u>	<u>1,239,510</u>
Total expenses	<u>6,088,919</u>	<u>-</u>	<u>6,088,919</u>	<u>5,417,881</u>
Change in net assets before other item	(1,656,027)	362,541	(1,293,486)	2,173,658
OTHER ITEM				
Forgiveness of debt	<u>188,200</u>	<u>-</u>	<u>188,200</u>	<u>-</u>
Change in net assets after other item	(1,467,827)	362,541	(1,105,286)	2,173,658
Net assets at beginning of year	<u>13,561,003</u>	<u>2,008,853</u>	<u>15,569,856</u>	<u>13,396,198</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,093,176</u>	<u>\$ 2,371,394</u>	<u>\$ 14,464,570</u>	<u>\$ 15,569,856</u>

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022				2021	
	Program Services	Supporting Services			Total Expenses	Total Expenses
	Scholarship Programs	Resource Development	Management and General	Total Supporting Services		
Awards and grants	\$ 3,602,913	\$ -	\$ -	\$ -	\$ 3,602,913	\$ 3,220,662
Salaries, benefits and payroll related services	678,939	429,347	254,272	683,619	1,362,558	1,459,467
Professional and consulting fees	225,223	2,150	339,162	341,312	566,535	448,101
Information technology	12,868	8,638	175,674	184,312	197,180	55,102
Occupancy	52,270	32,398	19,248	51,646	103,916	108,673
Other	55,623	105	26,284	26,389	82,012	25,252
Depreciation and amortization	27,442	17,009	10,257	27,266	54,708	57,232
Office and program supplies	29,235	20,378	-	20,378	49,613	3,813
Travel	10,120	4,589	18,576	23,165	33,285	2,748
Telephone	2,919	-	19,011	19,011	21,930	22,197
Insurance	-	-	14,269	14,269	14,269	14,634
TOTAL	\$ 4,697,552	\$ 514,614	\$ 876,753	\$ 1,391,367	\$ 6,088,919	\$ 5,417,881

See accompanying notes to financial statements.

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,105,286)	\$ 2,173,658
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	54,708	57,232
Net realized and unrealized loss (gain) on investments	2,033,729	(2,456,052)
Investment earnings to be maintained in perpetuity	-	(176,817)
Forgiveness of debt	(188,200)	-
Change in allowance for doubtful accounts	(160,000)	-
Contribution to be invested in perpetuity	(250,000)	-
Decrease (increase) in:		
Contributions and grants receivable	744,500	(66,000)
Prepaid expenses	(44,824)	18,681
Increase (decrease) in:		
Accounts payable and accrued liabilities	725,067	(326,914)
Accrued salaries and related benefits	(12,383)	(2,587)
Refundable advance	(1,362,252)	321,248
Agency liability	<u>1,286,908</u>	<u>553,712</u>
Net cash provided by operating activities	<u>1,721,967</u>	<u>96,161</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	-	(160,061)
Net sales and purchases of investments	<u>641,899</u>	<u>391,317</u>
Net cash provided by investing activities	<u>641,899</u>	<u>231,256</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	-	188,200
Investment earnings to be maintained in perpetuity	-	176,817
Proceeds from contribution to be invested in perpetuity	<u>250,000</u>	<u>-</u>
Net cash provided by financing activities	<u>250,000</u>	<u>365,017</u>
Net increase in cash and cash equivalents	2,613,866	692,434
Cash and cash equivalents at beginning of year	<u>8,144,578</u>	<u>7,452,144</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,758,444</u>	<u>\$ 8,144,578</u>

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

Basis of presentation -

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

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than NACME mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with NACME's financial statements for the year ended August 31, 2021, from which the summarized information was derived.

New accounting pronouncement adopted -

During the year ended August 31, 2022, NACME adopted Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this ASU address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022

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

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 \$7,823,580 (as further discussed in Note 6).

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, NACME maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

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

Contributions and grants receivable -

Contributions and grants 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. There was no allowance recorded as of August 31, 2022.

Fixed assets -

Fixed assets in excess of \$1,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to ten years for furniture, equipment and software or thirty-nine years for buildings and related improvements. Leasehold improvements are amortized over the remaining life of the lease. Building improvements are capitalized and amortized over the remaining useful life of the building. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended August 31, 2022 totaled \$54,708.

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, 2022, 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.

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022

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

Revenue recognition -

Contributions and grants -

Contributions and grants are recognized in the appropriate category of net assets in the period received. NACME performs an analysis of the individual awards to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have 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 qualifying as conditional contributions contain a right of return from obligation provision that limits NACME on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Some grant awards from foundations and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. NACME recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. There were no unrecognized conditional awards as of August 31, 2022.

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. In-kind contributions are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by NACME.

Management fees -

Management fees classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers*, and the revenue is reported at the amount that reflects consideration to which NACME expects to be entitled in exchange for administering the Sloan Program. Funds received in advance are recorded as deferred revenue within the accompanying Statement of Financial Position.

Special events -

Special events revenue (net of event expenses) includes ticket sales and sponsorships, which are recorded as revenue when the performance obligation is met which is when the related event has occurred. The transaction price is determined based on the cost or sales price.

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

NOTES TO FINANCIAL STATEMENTS AUGUST 31, 2022

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

Use of estimates -

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

Functional allocation of expenses -

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

Investment risks and uncertainties -

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

Fair value measurement -

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

New accounting pronouncement not yet adopted -

The FASB issued Accounting Standards Update (ASU) 2019-01, *Leases* (Topic 842), which changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 which delayed the implementation date by one year. The ASU is effective for non-public entities for fiscal years beginning after December 15, 2021. 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 ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022**

2. INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, NACME has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used as of August 31, 2022. There were no transfers between levels in the fair value hierarchy during the year ended August 31, 2022.

- *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, 2022.

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Equity	\$ 7,852,683	\$ -	\$ -	\$ 7,852,683
Fixed income	3,557,063	-	-	3,557,063
Certificate of deposit	<u>-</u>	<u>87,818</u>	<u>-</u>	<u>87,818</u>
TOTAL	<u>\$ 11,409,746</u>	<u>\$ 87,818</u>	<u>\$ -</u>	<u>\$ 11,497,564</u>

Included in investment loss, net of fees, consisted of the following for the year ended August 31, 2022:

Interest and dividends	\$ 133,169
Net realized and unrealized loss	(2,033,729)
Investment fees	<u>(20,289)</u>
TOTAL INVESTMENT LOSS, NET	<u>\$ (1,920,849)</u>

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022**

3. LINE OF CREDIT

NACME has a \$1,500,000 bank line of credit. Amounts borrowed under this agreement bear interest at a rate equal to the Secured Overnight Financing Rate (SOFR) plus 3%. As of August 31, 2022, there was no outstanding balance on the line of credit.

4. LOAN PAYABLE

On March 9, 2021, NACME received loan proceeds in the amount of \$188,200 under the Paycheck Protection Program. The promissory note called for monthly principal and interest payments amortized over the term of the promissory note, unless otherwise forgiven.

During the year ended August 31, 2022, NACME expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and received full forgiveness from the SBA in June 2022. Accordingly, NACME has recorded revenue from forgiveness of debt on the accompanying Statement of Activities and Change in Net Assets.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at August 31, 2022:

Subject to expenditure for specified purpose:	
Scholarship Programs	\$ 984,084
Accumulated earnings on donor restricted endowments	<u>75,476</u>
Subtotal net assets subject to expenditure for specific purposes	1,059,560
Contributions to be invested in perpetuity	<u>1,311,834</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 2,371,394</u>

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:	
Scholarship Programs	<u>\$ 571,352</u>

6. AGENCY TRANSACTIONS

NACME has an agreement with the Alfred P. Sloan Foundation (Sloan) to administer the Sloan Minority Ph.D. Program (the Sloan Program). Sloan provides NACME with funds to be used by NACME for payment of scholarships to students attending universities identified by the Sloan Program. Funds received are recorded in cash and cash equivalents and a corresponding agency liability on the accompanying Statement of Financial Position. As of August 31, 2022, the unexpended portion of the Sloan Program fund amounted to \$7,823,580. For the year ended August 31, 2022, NACME received \$300,000 from Sloan for administering the Sloan Program and is reported as management fees revenue in the accompanying Statement of Activities and Change in Net Assets.

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022**

7. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 10,758,444
Investments	10,299,407
Contributions and grants receivable	<u>206,500</u>
Subtotal financial assets available	21,264,351
Less: Donor restricted funds	(2,371,394)
Less: Restricted cash	<u>(7,823,580)</u>

FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 11,069,377</u>
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NACME has a policy to structure its financial assets to be available and liquid as its obligations become due.

8. IN-KIND CONTRIBUTIONS

During the year ended August 31, 2022, NACME was the beneficiary of donated scholarship support and legal services which allowed NACME to provide greater resources toward various programs. To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended August 31, 2022:

Donated scholarship support	\$ 932,500
Donated legal services	<u>120,826</u>
TOTAL	<u>\$ 1,053,326</u>

The following programs have benefited from these donated services:

Scholarship Programs	\$ 932,500
Management and General	<u>120,826</u>
TOTAL	<u>\$ 1,053,326</u>

9. LEASE COMMITMENTS

On January 2, 2014, NACME entered into an operating lease for office space located in White Plains, New York. The term of the lease is seven years and five months which includes five months of abated rent in the first year of the lease. Base rent under the agreement was \$195,384 per year, plus a proportionate share of utilities and parking, increasing by a factor of 4% every two years. On July 10, 2019, NACME amended the lease to occupy a smaller space. Base rent under the amended agreement was \$66,000 per year. The lease was extended three years and terminated in July 2022.

On December 13, 2019, NACME entered into a lease agreement to lease office space in Newark, New Jersey. The term of the lease was two years commencing on December 15, 2019 and base rent under the agreement was \$24,390 per year, plus a proportionate share of utilities.

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022**

9. LEASE COMMITMENTS (Continued)

In December 2021, NACME signed a lease agreement for the same space for a period of one year. A second agreement was entered into in December 2022 for the same space for a period of one year. The base rent remained unchanged.

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

Year Ending August 31,

2023	\$ 24,390
2024	<u>8,130</u>
	<u>\$ 32,520</u>

Occupancy expense for the year ended August 31, 2022 was \$103,916.

10. PROFESSIONAL EMPLOYER ORGANIZATION

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

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

11. RETIREMENT PLAN

NACME has a 401(k) retirement plan that allows employees to contribute part of their pay to the Plan. NACME is allowed to contribute to this plan for the benefit of the employee, but is not required to contribute. Contributions to the Plan during the year ended August 31, 2022 totaled \$55,703.

12. COMMITMENTS

NACME and its corporate sponsors intend to provide continuing support for participating students until completion of their education. Accordingly, policy goals have been adopted by NACME and its corporate sponsors to identify resources needed to provide this future support at the time grants are made for new students. NACME estimates based on attrition experience, that the aggregate cost for future grants to complete the education for present NACME students and those for whom new awards have been committed in fiscal year 2022, stated at its net present value would be approximately \$3.98 million under its NACME Scholarship Programs.

13. ENDOWMENT FUNDS

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.

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**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022**

13. ENDOWMENT FUNDS (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, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor including purchase power maintenance increases	\$ -	\$ 1,311,834	\$ 1,311,834
Accumulated investment earnings	<u>-</u>	<u>75,476</u>	<u>75,476</u>
TOTAL ENDOWMENT FUNDS	<u>\$ -</u>	<u>\$ 1,387,310</u>	<u>\$ 1,387,310</u>

Changes in each endowment fund's net assets for the year ended August 31, 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,339,769	\$ 1,339,769
Contributions	-	250,000	250,000
Investment loss	<u>-</u>	<u>(202,459)</u>	<u>(202,459)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 1,387,310</u>	<u>\$ 1,387,310</u>

NATIONAL ACTION COUNCIL FOR MINORITIES IN ENGINEERING

**NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022**

13. ENDOWMENT FUNDS (Continued)

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 NACME to retain as a fund of perpetual duration. As of August 31, 2022, the Boston Scientific donor-restricted endowment fund had an original value totaling \$250,000, a current value totaling \$240,576 and a deficiency totaling \$9,424. This deficiency resulted from unfavorable market fluctuations.

Return Objectives and Risk Parameters -

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

Strategies Employed for Achieving Objectives -

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

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

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

14. SUBSEQUENT EVENTS

In preparing these financial statements, NACME has evaluated events and transactions for potential recognition or disclosure through March 2, 2023, the date the financial statements were issued.