

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

**Financial Statements**

**For the Years Ended December 31, 2021 and 2020**

**With Independent Auditor's Report**



**MITCHELL TITUS**  
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**NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.**  
Financial Statements  
For the Years Ended December 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Mitchell Titus, LLP*

July 29, 2022

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

## Statements of Financial Position

As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 5,311,206	\$ 2,390,314
Short-term investments	3,099,082	3,008,815
Accounts receivable, net	1,014,342	1,390,355
Prepaid expenses	313,206	118,361
Total current assets	9,737,836	6,907,845
Restricted cash - collateral	173,787	173,700
Long-term investments	3,974,285	4,218,351
Furniture, fixtures, equipment and leasehold improvements, net	265,116	301,206
Security deposits	-	-
<b>Total assets</b>	<b><u><u>\$ 14,151,024</u></u></b>	<b><u><u>\$ 11,601,102</u></u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<i>Current liabilities</i>		
Accounts payable and accrued expenses	\$ 1,471,686	\$ 1,322,161
Due to regional councils	662,209	760,523
Paycheck Protection Program loan	-	366,377
Deferred revenue	3,234,214	1,975,255
Total current liabilities	5,368,109	4,424,316
Deferred compensation	236,427	217,268
Deferred rent credits	28,447	96,723
Total liabilities	5,632,983	4,738,307
<i>Net assets</i>		
Without donor restrictions	6,757,795	6,757,795
Without donor restrictions-board designated	1,655,246	-
With donor restrictions	105,000	105,000
Total net assets	8,518,041	6,862,795
<b>Total liabilities and net assets</b>	<b><u><u>\$ 14,151,024</u></u></b>	<b><u><u>\$ 11,601,102</u></u></b>

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, 2021

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2021</b>
<b>REVENUE</b>			
Membership dues	\$ 11,631,977	\$ -	\$ 11,631,977
Contributions	2,803,869	1,030,706	3,834,575
In-kind contributions	47,600	-	47,600
Event and meeting fees	562,676	-	562,676
Investment gain, net	82,452	-	82,452
Other income	150,485	2,747,990	2,898,475
<i>Net assets released from restrictions</i>			
Purpose restrictions satisfied	3,778,696	(3,778,696)	-
Total revenue	<u>19,057,755</u>	<u>-</u>	<u>19,057,755</u>
<b>EXPENSES</b>			
<i>Program services</i>			
Field services	8,770,358	-	8,770,358
Corporate success	1,016,541	-	1,016,541
Annual conference and BOE	909,641	-	909,641
Strategic alliances and programs	3,424,736	-	3,424,736
Other program services	39,843	-	39,843
Total program services	<u>14,161,119</u>	<u>-</u>	<u>14,161,119</u>
<i>Supporting services</i>			
General administration	3,065,387	-	3,065,387
Fund development	176,003	-	176,003
Total supporting services	<u>3,241,390</u>	<u>-</u>	<u>3,241,390</u>
Total expenses	<u>17,402,509</u>	<u>-</u>	<u>17,402,509</u>
Change in net assets	1,655,246	-	1,655,246
Net assets, beginning of year	<u>6,757,795</u>	<u>105,000</u>	<u>6,862,795</u>
<b>Net assets, end of year</b>	<u><u>\$ 8,413,041</u></u>	<u><u>\$ 105,000</u></u>	<u><u>\$ 8,518,041</u></u>

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

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

## Statement of Activities

For the Year Ended December 31, 2020

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

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

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

Statement of Functional Expenses

For the Year Ended December 31, 2021

	Program Services					Supporting Services			Total Expenses 2021	
	Field Services	Corporate Success	Annual Conference and BOE	Strategic Alliances & Programs	Other Program Services	Total	General Administration	Fund Development		Total
Payments to regional councils	\$ 8,418,558	\$ -	\$ 17,731	\$ 196,000	\$ -	\$ 8,632,289	\$ -	\$ -	\$ -	\$ 8,632,289
Grants to MBEs and BCF	-	-	-	1,754,151	-	1,754,151	-	-	-	1,754,151
Salaries	143,374	564,966	138,925	409,968	27,559	1,284,792	1,382,799	140,389	1,523,188	2,807,980
Employee benefits	42,019	129,819	45,659	75,698	9,131	302,326	281,659	32,431	314,090	616,416
Administrative	2,146	4,111	2,072	5,531	1,209	15,069	137,953	1,542	139,495	154,564
Consultant and contractual services	84,424	276,268	523,422	912,449	-	1,796,563	323,260	-	323,260	2,119,823
Occupancy	-	-	-	-	-	-	750,689	-	750,689	750,689
Travel	9,344	989	24,118	6,016	228	40,695	40,239	681	40,920	81,615
Meetings and conferences	-	1,500	20,701	14,437	48	36,686	5,992	-	5,992	42,678
Printing and supplies	125	1,917	486	4,754	308	7,590	4,156	269	4,425	12,015
Other	20,465	24,564	115,148	44,414	1,264	205,855	68,758	45	68,803	274,658
Depreciation and amortization	49,903	12,407	21,379	1,318	96	85,103	69,882	646	70,528	155,631
Subtotal	8,770,358	1,016,541	909,641	3,424,736	39,843	14,161,119	3,065,387	176,003	3,241,390	17,402,509
Direct benefit to donor costs	-	-	-	-	-	-	-	-	-	-
<b>Total expenses</b>	<b>\$ 8,770,358</b>	<b>\$ 1,016,541</b>	<b>\$ 909,641</b>	<b>\$ 3,424,736</b>	<b>\$ 39,843</b>	<b>\$ 14,161,119</b>	<b>\$ 3,065,387</b>	<b>\$ 176,003</b>	<b>\$ 3,241,390</b>	<b>\$ 17,402,509</b>

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

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

Statement of Functional Expenses

For the Year Ended December 31, 2020

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

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

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

## Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,655,246	\$ (390,387)
<i>Adjustments to reconcile changes in net assets to net cash provided by operating activities</i>		
Depreciation and amortization	155,631	216,655
Amortization of deferred rent credits	(68,276)	25,514
Extinguishment of debt - PPP loan	(855,554)	-
Unrealized depreciation on investments	113,233	331,875
<i>Change in assets/Liabilities</i>		
Decrease in accounts receivable, net	376,013	277,909
(Increase) decrease in prepaid expenses	(194,845)	140,558
Decrease in security deposits	-	5,775
Increase in accounts payable and accrued expenses	149,525	863,972
Decrease in due to regional councils	(98,314)	(1,335,401)
Increase in deferred revenue	1,258,959	412,787
Increase in deferred compensation	19,159	30,376
Net cash provided by operating activities	<u>2,510,777</u>	<u>579,633</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(213,336)	(421,589)
Proceeds from maturity/Sale of investments	253,902	884,477
Purchases of furniture, fixtures, and equipment, and leasehold improvements	(119,541)	(144,487)
Net cash (used in) provided by investing activities	<u>(78,975)</u>	<u>318,401</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
SBA loan - Paycheck Protection Program	<u>489,177</u>	<u>366,377</u>
Net increase in cash and cash equivalents	2,920,979	1,264,411
Restricted and unrestricted cash and cash equivalents, beginning of year	<u>2,564,014</u>	<u>1,299,603</u>
<b>Restricted and unrestricted cash and cash equivalents, end of year</b>	<u><u>\$ 5,484,993</u></u>	<u><u>\$ 2,564,014</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, 2021 and 2020

### **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, 2021 and 2020, the Council had 23 regional councils across the country. The regional councils certify and match minority-owned businesses with member corporations that want to purchase their products and services. Effective January 1, 2014, a new funding model was adopted that allocates a portion of the national dues collected as follows: a) 70% is divided equally among all regional councils; (b) 10% is allocated as a headquarter stipend based on national member headquarter locations; and (c) 20% is allocated as a performance bonus according to performance metrics agreed upon by the Council and the regional councils. A percentage of the membership renewal dues is set aside to provide fringe benefits and training for regional council staff and technology tools and software upgrades. In addition, selected regional councils share in the profits earned from the annual conference and business opportunity exchange.

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

#### Basis of Presentation

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

#### Net Asset Classifications

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

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

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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

Net Asset Classifications *(continued)*

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

Contributions

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

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

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

Membership Dues

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

Furniture, Fixtures, Equipment, and Leasehold Improvements

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

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

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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

Cash Equivalents

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

Investments

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

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

Functional Allocations of Expenses

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

Use of Estimates

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

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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

#### Accounting Pronouncement Not Yet Adopted

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires recognition of (a) a lease asset (right of use) and lease liability, initially measured at the present value of the least payments, in the statements of financial position and (b) a single lease cost, calculated so that the cost of the lease is allocated over the lease term generally on a straight-line basis. All cash payments are to be classified within operating activities in the statements of cash flows. The amendments are effective for the Council's fiscal year ending December 31, 2022, with early adoption permitted. This ASU will impact the accounting for the Council's lease arrangements when it is adopted.

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

#### Credit Risk

At December 31, 2021 and 2020, cash balances at financial banking institutions exceeded the federally insured limit of \$250,000. Management regularly monitors the financial condition of the banking institutions, along with their cash balances, and its endeavors to keep the potential risk to a minimum.

#### Market Risk

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

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

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

## Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

**NOTE 4 INVESTMENTS**

Investments held at December 31, 2021 and 2020, consisted of the following:

	<b>2021</b>	<b>2020</b>
	<b>Fair Value</b>	<b>Fair Value</b>
Certificates of deposit	\$ 334,835	\$ 332,278
Annuities	5,873,669	5,741,067
Mutual funds	-	217,268
Money market funds	4,925,701	1,712,050
Real estate investment trusts	776,301	1,084,331
Artwork	25,922	25,922
	<u>\$ 11,936,428</u>	<u>\$ 9,112,916</u>
<i>Statement of financial position reconciliation</i>		
Amounts reflected as cash equivalents	\$ 4,689,274	\$ 1,712,050
Amount designated for cash collateral	173,787	173,700
Short-term investments	3,099,082	3,008,815
Long-term investments	3,974,285	4,218,351
<b>Total investments</b>	<u>\$ 11,936,428</u>	<u>\$ 9,112,916</u>

Certificates of deposit at December 31, 2021 and 2020 consisted of amounts on deposit at financial institutions, with interest rates ranging from 0.02% to 1.25% and with various maturity dates.

Annuities represent (i) a \$1,000,000 seven-year, fixed annuity with New York Life Insurance Company, with a guaranteed principal provision, a 5.6% guaranteed interest rate to July 22, 2010, and a 3% minimum guaranteed interest rate after July 22, 2010; (ii) two five-year annuities of \$500,000 each with Allstate Insurance Company of New York, with a guaranteed principal provision and a 2.5% minimum guaranteed interest return on both annuities; (iii) a \$500,000 five-year, fixed annuity with Valic Insurance Company, with a guaranteed principal provision, a 4% guaranteed interest rate for the first year, and a 3% minimum guaranteed interest rate after the first year. An additional \$1,200,000 investment was added to this policy since the initial investment with a guaranteed interest rate of 3%; (iv) a \$500,000 10-year, variable annuity with Allianz Life Insurance Company of New York with a guaranteed principal provision; (v) a \$400,000 seven-year, fixed annuity with Genworth Life Insurance Company with a guaranteed principal provision, a 3.6% guaranteed interest rate for the first three years and a 1.0% minimum guaranteed interest rate thereafter; and (vi) a \$400,000 seven-year, fixed indexed annuity with Integrity Life Insurance Company with a guaranteed principal provision and guaranteed interest based on positive changes in market indexes never to be less than zero. The balances recorded include the accrued interest that has been reinvested into the respective annuity.

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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

Investment income for the years ended December 31, 2021 and 2020 is summarized as follows:

	<u>2021</u>	<u>2020</u>
<i>Investment income (loss)</i>		
Interest and dividends	\$ 195,685	\$ 192,810
Net unrealized and realized losses	<u>(113,233)</u>	<u>(331,875)</u>
	<u>\$ 82,452</u>	<u>\$ (139,065)</u>

**NOTE 5 FAIR VALUE MEASUREMENTS**

Investments are stated at fair value.

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

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

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

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

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

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

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

*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, 2021 and 2020

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

The following table provide further information about the REITs at December 31, 2021 and 2020:

<u>Name of REIT</u>	<u>Investment Strategy</u>	<u>Fair Value at 12/31/21</u>	<u>Fair Value at 12/31/20</u>	<u>Unfunded Commitments at 12/31/21</u>	<u>Unfunded Commitments at 12/31/20</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Preferred Apartment Communities Inc.	Real estate	\$ -	\$ -	\$ -	\$ -	5 years	None
Preferred Apartment Communities Inc.	Real estate	-	100,000	-	-	5 years	None
Preferred Apartment Communities Inc.	Real estate	-	-	-	-	5 years	None
Preferred Apartment Communities Inc.	Real estate	-	100,000	-	-	5 years	None
Preferred Apartment Communities Inc.	Real estate	300,000	300,000	-	-	5 years	None
Computershare-American Realty Capital Hospitality Trust	Real estate	-	114,585	-	-	N/A	None
AR Global-American Realty Capital NYC REIT	Real estate	68,535	50,311	-	-	N/A	None
Benefit Street Partners formerly American Realty Finance Trust	Real estate	209,664	247,122	-	-	N/A	None
Hines Global REIT	Real estate	19,022	31,408	-	-	N/A	None
Phillips Edison Shopping Center REIT	Real estate	179,080	140,905	-	-	N/A	None
		<u>\$ 776,301</u>	<u>\$ 1,084,331</u>	<u>\$ -</u>	<u>\$ -</u>		

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

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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

The following tables set forth by level, within the fair value hierarchy, the Council's investments at fair value, as of December 31, 2021 and 2020:

	<b>Assets at Fair Value as of December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>Mutual funds</i>				
Equity and income funds	\$ -	\$ -	\$ -	-
Other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Money market funds	-	4,925,701	-	4,925,701
Certificates of deposit	-	334,835	-	334,835
Annuities	-	5,873,669	-	5,873,669
Artwork	-	-	25,922	25,922
<b>Total investments, at fair value</b>	<u>\$ -</u>	<u>\$ 11,134,205</u>	<u>\$ 25,922</u>	<u>11,160,127</u>
Real estate investment trusts valued at NAV				<u>776,301</u>
<b>Total Investments</b>				<u><b>\$ 11,936,428</b></u>

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

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 2021.

There was no activity or change in the value of Level 3 investments between 2021 and 2020.

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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

	<u>2021</u>	<u>2020</u>
Equipment	\$ 4,900,210	\$ 4,780,669
Furniture and fixtures	600,523	600,523
Leasehold improvements	<u>881,761</u>	<u>881,761</u>
	6,382,494	6,262,953
Less : Accumulated depreciation and amortization	<u>(6,117,378)</u>	<u>(5,961,747)</u>
	<u>\$ 265,116</u>	<u>\$ 301,206</u>

Depreciation and amortization expense for the years ended December 31, 2021 and 2020 amounted to \$155,631 and \$216,655, respectively.

**NOTE 7 OFFICE LEASE**

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

During 2021 and 2020, the Council incurred \$750,689 and \$732,577, respectively, in rent and related occupancy expenses under the lease. As of December 31, 2021, minimum future annual rents under the terms of the leases are as follows:

<u>Years</u>	<u>Amounts</u>
2022	\$ 334,263
	<u>\$ 334,263</u>

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

**NOTE 8 PAYCHECK PROTECTION PROGRAM LOAN**

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

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

The Council received a second loan in the amount of \$489,177. The Loan, which was in the form of a note, dated March 25, 2021, matures on March 24, 2023, and bears interest at a rate of 0.98% per year, payable monthly. The note may be prepaid by the Council at any time prior to maturity with no prepayment penalties. The Council used the funds from the Loan for payroll costs, benefits, and utilities. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses, as described in the CARES Act. The Council applied for forgiveness on November 5, 2021 and was granted total forgiveness on November 16, 2021.

**NOTE 9 NET ASSETS**

The Council's net assets are as follows:

Without Donor Restrictions

Net assets without donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 6,757,795	\$ 5,866,167
Board-designated	<u>1,655,246</u>	<u>891,628</u>
<b>Total net assets without donor restriction</b>	<b><u>\$ 8,413,041</u></b>	<b><u>\$ 6,757,795</u></b>

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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

Net assets with donor restrictions were available to support the following program activities as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Advance Management Education Program	\$ 5,000	\$ 5,000
Endowment Funds	<u>100,000</u>	<u>100,000</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$ 105,000</u></b>	<b><u>\$ 105,000</u></b>

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

Net Assets Released from Restrictions

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

	<u>2021</u>	<u>2020</u>
Minority Business Development Agency	\$ -	\$ 220,000
Granted PPP loans	855,554	-
Corporate grants for MBE education and development	1,872,321	483,163
Donations for economic relief for MBEs and program development	894,421	904,835
Scholarships and contributions	136,285	23,140
NMBEIC Opportunity Accelerator	<u>20,115</u>	<u>-</u>
	<b><u>\$ 3,778,696</u></b>	<b><u>\$ 1,631,138</u></b>

**NOTE 10 ENDOWMENTS**

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

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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, 2021 are composed as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment fund	\$ -	\$ -	\$ 100,000	\$ 100,000
Board-designated endowment	921,376	-	-	921,376
<b>Total</b>	<b>\$ 921,376</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 1,021,376</b>

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Endowment net assets, January 1, 2021	\$ 891,627	\$ -	\$ 100,000	\$ 991,627
<i>Investment return</i>				
Investment income	26,749	3,000	-	29,749
Appropriation of endowment assets for expenditure	3,000	(3,000)	-	-
<b>Endowment net assets, December 31, 2021</b>	<b>\$ 921,376</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 1,021,376</b>

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

	With Donor Restrictions	With Donor Restrictions		Total
		Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment fund	\$ -	\$ -	\$ 100,000	\$ 100,000
Board-designated endowment fund	891,627	-	-	891,627
<b>Total</b>	<b>\$ 891,627</b>	<b>\$ -</b>	<b>\$ 100,000</b>	<b>\$ 991,627</b>

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

## Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

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

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

	<u>Unrestricted</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, January 1, 2020	\$ 1,456,588	\$ -	\$ 100,000	\$ 1,556,588
<i>Investment return</i>				
Investment income	32,039	3,000	-	35,039
Appropriation of endowment assets for expenditure	<u>(597,000)</u>	<u>(3,000)</u>	<u>-</u>	<u>(600,000)</u>
<b>Endowment net assets, December 31, 2020</b>	<u>\$ 891,627</u>	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 991,627</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%.

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

**NOTE 11      DEFERRED COMPENSATION PLANS**

The Council established a deferred compensation plan under Section 457 of the IRC and a nonqualified deferred compensation plan (the Plans). The nonqualified deferred compensation plan is offered to select executives. The Plans are a vehicle to save for retirement on a tax-efficient basis. Employees may elect to defer compensation (salary/bonus) under the Plans. The Council may, at its discretion, make contributions on a selective basis. The contributions are invested in a trust and reflected in the accompanying financial statements as long-term investments. At December 31, 2021 and 2020, the Plans' balance was \$236,427 and \$217,268, respectively. The deferred compensation plan had deposits of \$17,000, withdrawals of \$0; and a net gain of \$2,159 for the year ended December 31, 2021 and had deposits of \$12,000, withdrawals of \$385 and a net gain of \$18,762 for the year ended December 31, 2020.

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

**NOTE 12      DEFINED CONTRIBUTION PLAN**

The Council has a defined contribution plan, the National Minority Supplier Development Council, Inc. Retirement Plan and Trust, for which it provides an amount equal to 5% of the base salary for eligible, full-time employees. In addition, employees are permitted to make contributions on their own behalf. The Council's contributions amounted to \$138,161 and \$118,131 for 2021 and 2020, respectively. The value of the fund was equal to the vested benefits therein at December 31, 2021.

**NOTE 13      IN-KIND CONTRIBUTIONS**

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

	<u>2021</u>
Airline frequent-flyer points	\$ 20,000
Press releases/Communications-annual conference	25,000
Workout video-annual conference	<u>2,600</u>
<b>Total in-kind contributions</b>	<b>\$ 47,600</b>

The Council did not sponsor its annual leadership award gala (a special event) in New York City in 2021.

At December 31, 2020, total revenue and expenses related to the event were as follows:

	<u>2021</u>
<i>NMSDC-annual leadership awards</i>	
Revenue	\$ -
Direct donor benefits costs	<u>-</u>
<b>Net special event-revenue</b>	<b>\$ -</b>

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

**NOTE 14 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,311,206	\$ 2,390,314
Short-term investments	3,099,082	3,008,815
Accounts receivable, net	<u>1,014,342</u>	<u>1,390,355</u>
Total financial assets available within one year	9,424,630	6,789,484
Less:		
<i>Amounts unavailable for general expenditures within one year, due to</i>		
Board-designated endowment funds	(921,376)	(891,627)
Restricted by donors with purpose restrictions	<u>(105,000)</u>	<u>(105,000)</u>
<b>Total financial assets available to management for general expenditures within one year</b>	<u>\$ 8,398,254</u>	<u>\$ 5,792,857</u>

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

**NOTE 15 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, 2021, no uncertain positions were taken or expected to be taken. The Council is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. Management believes the Council is no longer subject to income tax examinations for years prior to 2018.

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

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

**NOTE 16 RELATED-PARTY TRANSACTIONS**

As of and for the years ended December 31, 2021 and 2020, the Council had 23 regional councils across the country. Payments to the regional councils were \$8,632,289 and \$6,846,230 for the years ended December 31, 2021 and 2020, respectively. Amounts due to the regional councils were \$662,209 and \$760,523 as of December 31, 2021 and 2020, respectively.

**NOTE 17 SUBSEQUENT EVENTS**

The Council has evaluated subsequent events through July 29, 2022, which is the date the financial statements were available to be issued and has determined that there were no subsequent events to be recognized in these financial statements.

