



NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2019 *(With Comparative Totals for 2018)*



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
National Association for the
Advancement of Colored People

1090 Vermont Avenue, NW
Suite 250
Washington, DC 20005

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Kingshill, VI 00851

200 E Pratt Street
Suite 4100
Baltimore, MD 21202

Report on Financial Statements

We have audited the accompanying consolidated financial statements of the National Association for the Advancement of Colored People and Affiliates (NAACP) which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of NAACP as of December 31, 2019, and the changes 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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Other Matters

Report on Summarized Comparative Information

We have previously audited NAACP's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on these audited consolidated financial statements in our report dated, August 15, 2019. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2018 is consistent in all material respects, with the audited consolidated financial statements from which it was derived.

Beit Smith & Co.

Washington, D.C.
May 20, 2021

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF
COLORED PEOPLE AND AFFILIATES**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(With Comparative Totals for 2018)

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 4,067,098	\$ 3,425,096
Pledges and Accounts Receivable, net	1,385,374	3,934,769
Other Current Assets	343,067	37,084
Investments	6,283,279	5,872,482
Total Current Assets	12,078,818	13,269,431
Non-current Assets		
Other Assets	48,802	48,802
Pledges and Accounts Receivable, net	2,586,299	1,343,406
Fixed Assets, net	2,065,642	1,031,473
Total Non-current Assets	4,700,743	2,423,681
TOTAL ASSETS	\$ 16,779,561	\$ 15,693,112
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 5,711,460	\$ 3,024,451
Line of Credit	1,762,718	1,742,743
Deferred Rent	209,486	212,645
Deferred Revenues	1,612,202	632,438
Total Current Liabilities	9,295,866	5,612,277
Pension Benefits Liability	7,466,829	6,798,462
TOTAL LIABILITIES	16,762,695	12,410,739
NET ASSETS		
Without Donor Restrictions:		
Undesignated	(14,230,823)	(7,852,122)
Designated by the Board	5,066,964	4,327,435
Total without donor restrictions	(9,163,859)	(3,524,687)
With Donor Restrictions:		
Purpose restrictions	9,180,725	6,807,060
Total Net Assets	16,866	3,282,373
TOTAL LIABILITIES AND NET ASSETS	\$ 16,779,561	\$ 15,693,112

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

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF
COLORED PEOPLE AND AFFILIATES**
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
SUPPORT AND REVENUE				
Membership	\$ 1,990,538	\$ -	\$ 1,990,538	\$ 2,749,408
Corporations	3,258,677	4,374,261	7,632,938	6,050,086
Trusts and Foundations	3,329,721	3,815,204	7,144,925	10,532,239
Government	-	-	-	98
Individuals	4,246,031	327,585	4,573,616	6,439,915
Convention	2,825,710	-	2,825,710	2,630,992
Image Awards	2,939,096	-	2,939,096	3,004,921
Regional Conferences	3,825	-	3,825	68,436
Organizations	144,083	23,750	167,833	190,351
Freedom Funds	1,324,840	-	1,324,840	1,458,838
Planned Giving/Bequests	215,612	-	215,612	-
Combined Federal Campaign	148,585	-	148,585	199,297
In-Kind Contributions	405,089	-	405,089	1,003,800
Interest and Dividend Income	167,306	72,401	239,707	275,722
Return on Investment	616,089	248,580	864,669	-
Subscriptions	6,211	-	6,211	13,824
Advertising	344	-	344	701
Other	493,050	4,310	497,360	435,191
<i>Net Assets Released from Restrictions</i>	<u>6,492,426</u>	<u>(6,492,426)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 28,607,233</u>	<u>\$ 2,373,665</u>	<u>\$30,980,898</u>	<u>\$35,053,819</u>

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

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF
COLORED PEOPLE AND AFFILIATES**
CONSOLIDATED STATEMENT OF ACTIVITIES *(Continued)*
YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019	2018
EXPENSES				
Program Services:				
Membership Services	\$ 1,680,089	\$ -	\$1,680,089	\$ 1,843,095
Field Operations	5,385,959	-	5,385,959	5,558,290
Convention	4,444,298	-	4,444,298	3,330,970
Image Awards	3,046,061	-	3,046,061	2,195,934
Leadership 500 Summit	185,264	-	185,264	15,000
Next Generation	127,606	-	127,606	-
ACT-SO	808,661	-	808,661	1,256,836
Civic Engagement	2,165,602	-	2,165,602	4,116,801
Program Operations	1,359,028	-	1,359,028	1,961,695
Research and Policy	1,034,415	-	1,034,415	1,108,128
Education	329,997	-	329,997	440,307
Health	372,486	-	372,486	433,786
Economic Development	1,715,952	-	1,715,952	2,142,074
Climate Justice	1,344,828	-	1,344,828	1,005,420
Criminal Justice	264,780	-	264,780	160,079
Total Program Services	<u>24,265,026</u>	<u>-</u>	<u>24,265,026</u>	<u>25,568,415</u>
Support Services:				
Fundraising	1,903,239	-	1,903,239	2,428,969
Management and General	6,393,368	-	6,393,368	4,672,934
Cost of Sales and Selling Expense	728,761	-	728,761	855,604
Total Support Services	<u>9,025,368</u>	<u>-</u>	<u>9,025,368</u>	<u>7,957,507</u>
Net Loss on Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>518,677</u>
TOTAL EXPENSES	<u>33,290,394</u>	<u>-</u>	<u>33,290,394</u>	<u>34,044,599</u>
Revenue and Support Over Expenses Before				
Pension-related Changes	(4,683,161)	2,373,665	(2,309,496)	1,009,220
Pension-Related Changes Other Than Net Periodic				
Pension Cost	<u>(956,010)</u>	<u>-</u>	<u>(956,010)</u>	<u>683,098</u>
Change in Net Assets/Accumulated Deficit	(5,639,171)	2,373,665	(3,265,506)	1,692,318
Net Assets (Deficit) Beginning of Year	<u>(3,524,688)</u>	<u>6,807,060</u>	<u>3,282,372</u>	<u>1,590,055</u>
Net Assets/(Deficit), End of Year	<u>\$ (9,163,859)</u>	<u>\$ 9,180,725</u>	<u>\$ 16,866</u>	<u>\$ 3,282,373</u>

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

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF
COLORED PEOPLE AND AFFILIATES**
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

DECEMBER 31, 2019 EXPENSE CLASSIFICATIONS:

	Personnel	Administrative and Office Expenses	Facility Expenses	Travel	Special Events	Consulting Fees	Professional Fees	Subtotal	Indirect Cost Allocation	Total
Program Services:										
Membership	\$ 624,060	\$ 223,049	\$ 13,250	\$ 29,466	\$ 115,090	\$ 393,175	\$ -	\$ 1,398,090	\$ 281,999	\$ 1,680,089
Field Operations	1,914,435	321,709	148,735	365,042	683,763	1,162,515	-	4,596,199	789,760	5,385,959
Convention	-	14,308	-	85,435	3,353,690	250,149	-	3,703,582	740,716	4,444,298
Image Awards	460,009	120,922	129,054	143,472	1,322,517	362,411	-	2,538,385	507,676	3,046,061
Leadership 500 Summit	-	-	-	4,010	150,377	-	-	154,387	30,877	185,264
Next Generation	-	6,340	-	41,416	58,582	-	-	106,338	21,268	127,606
Civic Engagement	499,945	478,584	4,747	151,314	259,231	410,847	-	1,804,668	360,934	2,165,602
Programs Operations	495,365	361,529	8,736	18,056	12,181	108,764	127,892	1,132,523	226,505	1,359,028
Research and Policy	471,670	96,284	247,204	24,385	727	88,475	-	928,745	105,670	1,034,415
Education	122,514	25,570	1,929	2,785	116,449	5,751	-	274,998	54,999	329,997
Health	240,751	13,147	1,254	28,814	26,439	-	-	310,405	62,081	372,486
Economic Development	728,045	63,278	58,351	158,583	305,546	116,157	-	1,429,960	285,992	1,715,952
Climate Justice	631,235	58,590	3,502	158,574	149,091	119,698	-	1,120,690	224,138	1,344,828
Criminal Justice	14,615	100,569	3,596	1,548	1,657	98,665	-	220,650	44,130	264,780
ACT-SO	150,598	16,008	-	71,411	428,354	8,063	-	647,434	134,227	808,661
Total Program Services	6,353,242	1,899,887	620,358	1,284,311	6,983,694	3,124,670	127,892	20,394,054	3,870,972	24,265,026
Support Services:										
Fundraising	651,245	344,836	206,516	67,027	2,226	314,447	-	1,586,297	316,942	1,903,239
Management and General	4,223,703	1,371,850	1,637,864	669,886	710,342	1,390,358	577,279	10,581,282	(4,187,914)	6,393,368
Cost of Sales	374,035	189,968	-	-	-	-	67,314	631,317	-	631,317
Selling Expenses	-	97,444	-	-	-	-	-	97,444	-	97,444
Total Support Services	5,248,983	2,004,098	1,844,380	736,913	712,568	1,704,805	644,593	12,896,340	(3,870,972)	9,025,368
Total Expenses 2019	\$11,602,224	\$ 3,903,985	\$ 2,464,738	\$2,021,224	\$7,696,261	\$ 4,829,475	\$ 772,485	\$33,290,394	\$ -	\$33,290,394
Total Expenses 2018	\$10,873,706	\$ 4,845,301	\$ 1,989,596	\$2,232,029	\$6,960,314	\$ 5,638,585	\$ 1,505,068	\$34,044,599	\$ -	\$34,044,599

See accompanying notes to the consolidated financial statements.

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF
COLORED PEOPLE AND AFFILIATES**
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
(With Comparative Totals for 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ (3,626,406)	\$ 1,692,318
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Bad Debt	12,158	12,210
Depreciation	180,761	159,507
Realized and Unrealized Loss (Gain) on Investments, net	(864,668)	518,677
<i>(Increase) Decrease in Assets:</i>		
Pledges and Accounts Receivable	1,306,502	(2,324,460)
Other Current Assets	305,983	185,002
<i>Increase (Decrease) in Liabilities:</i>		
Accounts Payable and Accrued Expenses	2,687,009	1,607,775
Pension Benefits	668,367	(919,777)
Deferred Rent	-	988
Deferred Revenue	976,605	22,438
Net Cash Provided by Operating Activities	1,646,311	954,688
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(2,939,576)	(686,066)
Sale of Investments	3,439,831	743,477
Reinvestment of Interest and Dividends	(239,707)	(121,961)
Purchase of Property and Equipment	(1,214,929)	(207,444)
Net Cash Used In Investing Activities	(954,381)	(271,994)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Loan Management Account	(49,928)	(27,237)
Net Cash Used in Financing Activities	(49,928)	(27,237)
 Net Increase (Decrease) in Cash and Cash Equivalents	642,002	655,457
Cash and Cash Equivalents – Beginning of Year	3,425,096	2,769,639
Cash and Cash Equivalents – End of Year	\$ 4,067,098	\$ 3,425,096
 Supplemental Data		
Cash Paid for Interest	\$ 80,161	\$ 8,534

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

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF
COLORED PEOPLE AND AFFILIATES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***Organization***

The National Association for the Advancement of Colored People (“NAACP”) is a national, multiracial, not-for-profit organization founded in February 1909 and incorporated in 1911. NAACP was organized to ensure the political, educational, social, and economic equality and rights of all persons and to eliminate racial hatred and racial discrimination.

On March 6, 2019, the legal and tax status of the Corporation was changed from a 501(c)(3) to a 501(c)(4). In addition, certain program activities were designated specifically for the 501(c)(4) entity. Remaining program activities were designated to a new 501(c)(3) entity called NAACP Empowerment Programs, Inc. NAACP’s principal objectives continue to include to improve the political, educational, social and economic status of minority groups; eliminate racial prejudices; keep the public aware of the adverse effects of racial discrimination; and to take all lawful actions to eliminate such discrimination. NAACP performs its objectives nationwide through a network that includes seven (7) regions, representing over 2,000 branches (units), including approximately 400 youth council chapters. The consolidated financial statements of NAACP do not include the operations of the units and youth council chapters which maintain their own separate accounts.

NAACP receives funding from grants, contributions, memberships and vendor fees.

- ***Program and Supporting Services***

NAACP operations consist of the following program and supporting services:

- **Membership Services**

The National Membership Department is responsible for the growth in the number of NAACP members through the planning, structuring and directing of campaigns through NAACP Units, churches, donors and other organizations. The Membership Department’s staff processes all new and renewed membership dues and provides direct service to individual members as well as to local adult units of NAACP.

- **Field Operations**

NAACP regional and field offices are responsible for assuring that NAACP units are viable and capable of carrying out the NAACP’s mission at the local level. This effort requires providing the necessary training and information to adult volunteers, serving and strengthening stakeholder relations, and cultivating youth and college members. Youth program objectives are to inspire, motivate, and create interest in civic activities; provide young people with an understanding of pertinent issues; develop organizational skills for implementation of community-related activities; and encourage active participation in these activities.

- **Convention**

NAACP constitution mandates an annual convention of its members, board and officers to share information and accomplishments and to establish policies and programs for the coming year.

- **Image Awards**

The NAACP Image Awards (the Awards) honor projects and individuals of all races who help promote positive images of people of color. The Awards take place annually and usually air live on network television.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

– **Leadership 500 Summit**

The NAACP's Leadership 500 Summit (the Summit) serves as a training ground for leadership development of mid-level professionals between the ages of 30-50 years old. The Summit helps participants gain awareness, focus, and hone their skills as they advance professionally.

– **Afro-American, Culture, Technological and Scientific Olympics (ACT-SO)**

The objective of ACT-SO is to prepare, recognize and reward African American youth who exemplify scholastic and artistic excellence. NAACP units conduct annual competitions for students in grades 9-12 throughout the country. The top winners from local competitions then compete at the national ACT-SO finals held during NAACP's annual convention.

– **Program Operations**

Program operations include NAACP national costs for the legal programs and direct issue education further explained below, internship programs and program support.

○ **Legal Programs and Fellows**

The NAACP's Legal Department includes a number of programs of national interest and engages in litigation directly and indirectly through the utilization of outside counsel. The department also has an ongoing Continuing Legal Education Program and an annual resident fellows program.

○ **Direct Issue Education**

NAACP utilizes its direct mail and communications capacity to regularly inform and educate its constituents, stakeholders, and supporters about its programs and other strategic initiatives.

– **Research and Policy**

This division was created late in 2005 to provide research and develop NAACP policy on public policy issues affecting people of color in the United States.

– **Education**

The fundamental goal of NAACP's Education Program advocacy agenda is to provide all students access to quality education. The NAACP Education Department's resources are strategically focused on three major objectives:

- Preventing racial discrimination in educational programs and services
- Advancing educational excellence
- Promoting an equal opportunity education agenda

The education program also includes administration of educational scholarships.

– **Health**

The NAACP Health Program promotes equality in health care for African Americans and seeks to address the disparities between the quality of care received by African Americans and other groups. The National Health Director works with the National Health Committee to create and implement projects; evaluates and drafts policy statements; and represents NAACP at conferences, workshops, and on advisory boards.

– **Economic Development**

The NAACP Economic Program recognizes the importance of the economy and economic issues in advancing an equal opportunity society and aims to address the challenging economic realities facing our country (e.g., disproportionate high unemployment, poverty and foreclosures, etc.). The Financial Freedom Center was launched in 2010 to enhance the capacity of African Americans, and other undeserved groups, by financially educating individuals to effectively manage their personal finances and credit; promoting diversity and inclusion in business hiring, career advancement and procurement; monitoring financial banking practices; and promoting community economic development.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Climate Justice**
This program seeks to reduce racial disparities among communities affected by national disasters, environmental pollution, and other characteristics of global warming.
- **Criminal Justice**
The Criminal Justice program addresses promoting alliances, legislation and racial disparities within the criminal justice system by initiatives that positively impact inmate recidivism, ex-felon re-enfranchisement and re-employment. The program also assists with the formation of the NAACP Prison membership units.
- **Human Rights**
The Human Rights project seeks to apply a human rights norm and utilize international forums to raise issues of concern to NAACP, such as the disenfranchisement of persons with felony convictions, and the impact of global warming and environmental degradation on communities of color.
- **Voting Rights**
The Voting Rights initiative seeks to raise public awareness on the detrimental impact of new restrictions on voter registration and voter ID requirements occurring at the state level. NAACP is analyzing these new restrictions and determining when legal action should be taken to protect the right to vote, and in other instances educating potential voters about the new requirements to ensure their right to vote is protected.
- **Next Generation Program**
The NAACP Next Generation Program (NextGen) is a leadership development training program for young adults between the ages of 21 and 40 to receive comprehensive leadership and advocacy training to develop leadership competencies to become effective civil rights leaders. The NextGen program features a series of trainings, including leadership development, legislative action, unit administration, advocacy and program planning consistent with the six NAACP Game Changer areas, which include economic sustainability, education, health, criminal justice, political action, and youth engagement.
- **Fundraising**
Fundraising represents all costs that are necessary to raise funds for NAACP, including the purchase of mailing lists, postage and direct mail campaigns.
- **Management and General**
Management and general expenses include activities on a national level that are necessary to maintain and support NAACP, CRISIS and the NAACP Foundation in a legal and financially responsible manner. This included executive services, finance and budget, administration and purchasing, human resources, information technology and legal counsel.
- **Cost of Sales and Selling Expense - CRISIS**
These costs for CRISIS magazine include printing, advertising, postage, writers, photographers and production staff.
- **Principles of Consolidation**
The accompanying consolidated financial statements present the consolidated financial position and changes in net assets and cash flows of the National Association for the Advancement of Colored People and Affiliates (*hereafter referred to as the "NAACP"*). The accompanying consolidated statements consist of the National Association for the Advancement of Colored People, the NAACP Empowerment Programs, Inc., the NAACP Foundation (the "Foundation") and Crisis Publishing Company, Inc. (CRISIS). See Note 2 for further description of the affiliates. All intercompany transactions and balances have been eliminated in the consolidation.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ***Basis of Accounting***

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

- ***Basis of Presentation***

The net assets of NAACP and related changes are classified as follows:

... *Net Assets Without Donor Restrictions* – unrestricted resources available to support operations that can be utilized at the discretion of the Board of Directors and management and also includes donor restricted resources which become available for use by NAACP in accordance with intention of donors.

... *Net Assets With Donor Restrictions* – net assets that are subject to donor-imposed stipulations. Donor imposed restrictions will be met either by actions of NAACP and/or the passage of time.

The accompanying consolidated financial statements include the accounts of all wholly-owned and controlled subsidiaries and affiliates (See Note 2).

- ***Cash and Cash Equivalents***

NAACP considers all funds in the bank and on hand, along with highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash and cash equivalents are maintained at various financial institutions. Total deposits maintained at these institutions, at times, exceed the amount insured by federal agencies, although through December 31, 2019, no loss of funds had been experienced.

- ***Investments***

Investments are reported at fair value in the consolidated statement of financial position. Investment income includes interest and dividend income, realized and unrealized gains and losses, and are recognized as revenue and reported in the consolidated statement of activities and changes in net assets. The investment accounts consist of donor restricted funds and Board designated funds.

- ***Fair Value Measurements***

NAACP follows FASB ASC 820, *Fair Value Measurements and Disclosures* for fair value measurements of investments that are recognized in the financial statements. FASB ASC 820 provides a framework for measuring fair value under accounting principles generally accepted in the United States of America, and applies to all financial instruments that are being measured and reported on a fair value basis. FASB ASC 820 sets out a fair value hierarchy and defines fair value 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. The fair value hierarchy is defined as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; or other than quoted prices in which significant inputs and significant value drivers are observable in active markets either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability and that include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimates.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NAACP assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer. There were no transfers among Levels 1, 2 and 3 during the fiscal year. FASB ASC 820 requires the use of observable market data if such data is available without undue cost and effort.

- ***Fixed Assets***

Land, property and equipment are recorded at cost or if donated, at the fair market value of the donated assets. NAACP capitalizes property and equipment over \$5,000 and depreciates them on a straight-line basis over their estimated useful lives.

The estimated useful lives used in computing depreciation are as follows:

Buildings and Improvement	15-30 Years
Computer Equipment	3-5 Years
Furniture and Equipment	5-7 Years
Software	3 Years

- ***Impairment of Long-Lived Assets***

NAACP reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would recognize when the estimated future cash flows from the use of the asset are less than the carrying amount of the asset. To date, there have been no such losses.

- ***Donated Property***

Gifts of land, buildings, and equipment are reported as support without donor restrictions unless restricted by the donor. Assets donated with explicit restriction as to use and cash contributions that must be used to acquire property and equipment are reported as contributions with donor restrictions. NAACP reports expirations of donor stipulations when the donated or acquired assets are placed in service, by reclassifying net assets with donor restrictions to net assets without donor restrictions.

- ***Convention and Other Events Revenues and Expenses***

Revenue and expenses for the National Convention and other events are recognized when the respective event takes place. Event fees and underwriting revenue received in advance are recorded as deferred revenue. Expenses paid in advance are recorded as prepaid expenses.

- ***Revenue Recognition***

Contributions and grants, including promises to give, are considered revenue when earned or support when promised.

All donor contributions are reported as an increase in donor net assets, with or without restrictions depending on the presence of restrictions. When a 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 are reported in the consolidated statement of activities as net assets released from restrictions.

Membership fees are recognized as revenue for the applicable membership period.

Promises to give are carried at fair value, and are written off when deemed uncollectible based on NAACP's experience with the donors and their ability to pay.

Grant funds received but unexpended are reflected as either deferred revenue or temporarily restricted depending on the specific terms of the grant.

- ***Risk and Uncertainties***

Investments securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

- ***Income Tax Status***

NAACP and the Foundation are qualifying nonprofit organizations as defined in §501(c)(3) sections of the Internal Revenue Code, and therefore are exempt for federal and state income taxes. Crisis Publishing Company, Inc. (CRISIS), NAACP's for-profit subsidiary, has net operating loss carryforwards to offset current and future taxable income that NAACP does not believe will be utilized considering the planned dissolution of the CRISIS entity (See Note 18). Thus, no provisions have been made for taxes in the consolidated financial statements.

ASC 740, *Income Taxes*, requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to position as taken or expected to be taken in a tax return. As of December 31, 2019, management has assessed its various tax positions and it believes there are no liabilities for uncertain tax positions.

- ***Contributed Services***

Contributions of donated goods and services are recorded at their fair value if they create or enhance non-financial assets or that require specialized skills and would typically need to be purchased if not provided by donation. The fair value of donated legal services during 2019 has been estimated to be \$360,089, and are included in professional fees in the statement of functional expenses. In addition, donated services received for Image Awards has been estimated to be \$45,000, and are included in special events.

In addition, volunteers, including the members of the Board of Directors, have made significant contributions of time to NAACP's policy-making, program and support functions. These contributed services do not meet the above criteria for recognition of contributed services and, accordingly, are not included in the accompanying consolidated financial statements.

- ***Use of Estimates***

The preparation of consolidated 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 and disclosures at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

- ***Comparative Financial Data***

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. The 2018 fiscal year amounts are not intended to present all information necessary for fair presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with NAACP's consolidated financial statements for the year ended December 31, 2019, from which the summarized information was derived.

- ***Reclassifications***

Certain accounts and amounts reported in the 2018 consolidated financial statements have been reclassified to conform to the 2019 consolidated financial statement presentation. The reclassification had no effect on the change in the net assets for 2018.

- ***Adoption of Accounting Pronouncement***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This standard implements a single comprehensive framework to use in accounting for revenue arising from contracts with customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. The guidance, as amended by ASU-2015-14, *Revenue from Contracts with Customers (Topic 606)*, is effective for NAACP Empowerment. The standard is effective for fiscal years beginning after December 15, 2017 for mainly public entities. All other entities should apply guidance to annual reporting periods beginning after December 15, 2018. Early adoption is not permitted. NAACP adopted ASU No. 2014-09, with no effect on net assets.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This standard, states that entities which are not public business entities and do not carry financial instruments at fair value in the statement of financial position to no longer be required to apply the fair value of financial instruments disclosure guidance in the General Subsection of Section 825-10-50. The standard is effective for fiscal years beginning after December 15, 2017 for mainly public entities. All other entities, including not-for-profits, should apply guidance to annual reporting periods beginning after December 15, 2018. NAACP adopted ASU No. 2016-01, with no effect on net assets.

In April 2016, the FASB issued Accounting Standards Update No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. The amendment clarifies the following: (a) identifying performance obligations; and (b) the licensing implementation guidance. The amendment does not change the core principle of the guidance in Topic 606, *Revenue from Contracts with Customers (Topic 606)*. In May 2016, the FASB issued Accounting Standards Update No. 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. The amendment does not change the main revenue recognition principle in Topic 606. The amendment provides clarification of certain narrow areas and adds some practical expedients. The effective dates of these amendments are the same as the effective date of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. NAACP is evaluating the impact these amendments will have on the financial statements beginning in fiscal year 2019. NAACP adopted ASU No. 2014-09, with no effect on net assets.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The objective of the update is to provide guidance on eight cash flow classification issues. The amendments in the update are effective for NAACP for fiscal years beginning after December 15, 2018. NAACP Empowerment adopted ASU No. 2016-15, with no effect on financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in the update are effective for public entities for fiscal years beginning after December 15, 2017, and for all other entities (including nonprofits), for fiscal years beginning after December 15, 2018. Early adoption is permitted. These amendments in this update should be applied retrospectively. NAACP Empowerment adopted ASU No. 2016-18, with no effect on net assets.

In June 2018, the FASB issued a new accounting standard, ASU 2018-08, *Not-for-Profit Entities (Topic 958)*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2018. Early adoption is permitted. NAACP adopted ASU No. 2018-08, with no effect on net assets.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- ***Issued Accounting Pronouncements***

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Based on this guidance, lessees are required to recognize the following for all leases with terms longer than 12 months: (a) lease liabilities measured on a discounted basis; and (b) lease assets, which represent the lessee’s right to use, or control the use of, a specified asset for the lease term. The new guidance requires a modified retrospective transition approach for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. This new standard was amended to be effective for fiscal years beginning after December 15, 2021 (fiscal year 2022 for NAACP), with early application permitted. NAACP is evaluating the impact that this standard will have on the financial statements.

NOTE 2 AFFILIATES

NAACP Empowerment Program, Inc. (the “NAACP EPI”)

The NAACP EPI shares common management and Board of Directors with NAACP. The NAACP EPI is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes. The NAACP EPI engages in transactions with the NAACP, resulting in intercompany receivables and payables. The financial statements of the NAACP EPI are reflected in the accompanying consolidated financial statements.

NAACP Foundation (the “Foundation”)

The Foundation shares common management, under the direction of the Board of Directors of NAACP. The Foundation is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes. The Foundation engages in transactions with the NAACP, resulting in intercompany receivables and payables. The financial statements of the Foundation are reflected in the accompanying consolidated financial statements.

Crisis Publishing Company, Inc. (CRISIS)

Crisis Publishing Company, Inc. (CRISIS), which publishes *The Crisis*, a quarterly magazine is a for-profit corporation, which is wholly-owned by NAACP. The financial statements of Crisis Publishing Company, Inc. are reflected in the accompanying consolidated financial statements.

NAACP Voter Fund (Voter Fund)

NAACP Voter Fund is a not-for-profit organization as described in Section 501(c)(4) of the Internal Revenue Code and is exempt from Federal income taxes. The Voter Fund is affiliated with NAACP through its Board of Directors, but NAACP does not exercise majority voting power or control. The Voter Fund does not engage in any transactions with NAACP. The financial statements of the Voter Fund are not reflected in the accompanying consolidated financial statements.

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject NAACP to concentrations of credit risk consist of cash and cash equivalents, and investments held at a creditworthy financial institution.

At December 31, 2019, NAACP had deposits in bank accounts which are insured up to the FDIC limit of \$250,000. There was a total of \$3,100,601 in uninsured balances at December 31, 2019. However, NAACP has not experienced any losses in such accounts.

NOTE 4 INVESTMENTS - UNRESTRICTED

Investments are stated at fair value and consist of the following at December 31, 2019:

Corporate Bonds	793,658
Mutual Funds	5,101,353
Equity	388,268
Total	<u>\$6,283,279</u>

The following schedule summarizes NAACP's investment return for the year ended December 31, 2019.

Net Realized and Unrealized Gains	\$ 864,669
Interest and Dividends	239,707
Total	<u>\$ 1,104,376</u>

NOTE 5 FAIR VALUE MEASUREMENTS

At December 31, 2019, NAACP financial instruments included cash and cash equivalents, receivables, accounts payable, accrued expenses and other liabilities. The carrying amounts reported in the accompanying consolidated statement of financial position for these financial instruments approximate their fair values.

The following table sets forth by level, with the fair value hierarchy, NAACP's investments at fair value as of December 31, 2019.

	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equity	388,268	-	-	388,268
Corporate Bonds	793,658	-	-	793,658
Mutual Funds	5,101,353	-	-	5,101,353
Total investments	<u>\$ 6,283,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,283,279</u>

The following table represents a reconciliation of financial instruments measured at fair value on a recurring basis using significant unobservable inputs for Level 3 investments for the year ended December 31, 2019:

	Total
Beginning balances at December 31, 2018	\$ 12,158
Purchases	-
Net Realized and Unrealized Gains (Losses) included in Change in Net Assets	(12,158)
Ending balances at December 31, 2019	<u>\$ -</u>

Fair values for corporate bonds, government securities and equities are determined by reference to quoted market prices and other relevant information generated by market transactions and are classified as Level 1.

Mutual funds are pools of assets commingled together to benefit from professional management and through economies of scale. Mutual funds are valued at net asset value (NAV), determined primarily from quoted prices in the market in which they are traded.

NOTE 6 OTHER ASSETS

In October 2016, NAACP was required to obtain a certain letter of credit in the amount of \$48,802 from a bank on behalf of 50 Broadway Realty Corporation as security related to the rental of space. During 2019, the letter of credit was extended. NAACP had the applicable funds invested in a certificate of deposit.

NOTE 7 PLEDGES AND ACCOUNTS RECEIVABLE

Pledges and accounts receivable represent amounts due from donors, employees and sponsors, and promises to give as of December 31, 2019:

	<u>Total</u>
Foundations	\$3,465,198
Corporations	462,000
Other	73,125
Total Pledges and Accounts Receivable	4,000,323
Less: Allowance for Doubtful Accounts	(28,650)
Net Pledges and Accounts Receivable	<u>\$3,971,673</u>

There were no material discounts to record on pledges and accounts receivable in excess of one year.

NOTE 8 FIXED ASSETS

Fixed assets consisted of the following at December 31, 2019:

	<u>Total</u>
Land	\$ 315,659
Building and Improvements	2,697,148
Furniture and Equipment	4,509,172
Software	2,573,898
Leasehold Improvement	424,013
	<u>10,519,890</u>
Less: Accumulated Depreciation	(8,454,248)
Fixed Assets, net	<u>\$ 2,065,642</u>
Depreciation Expense for the Year	<u>\$ 180,761</u>

NOTE 9 DONATED PROPERTY

NAACP has acquired real estate over the years through gifts and bequests. However, a number of these donations have not been recorded in the consolidated financial statements of NAACP due to inadequate conveyance support and the lack of reliable assessment or market value documentation at time of donation. As of December 31, 2019, donated land and buildings for which current assessed values have been identified but which have not been recorded totaled \$958,586.

NOTE 10 LINE OF CREDIT

On November 18, 2011, NAACP entered into a loan management account (line of credit) agreement with Bank of America to provide working capital for the organization. The maximum available credit is determined by Bank of America from time to time based on the value of the securities pledged as collateral for the line of credit. NAACP has pledged as collateral, securities accounts established at Merrill Lynch. Finance charges are accrued daily based on a variable rate. At year-end, the outstanding balance totaled \$1,762,718.

NOTE 11 EMPLOYEE BENEFIT PLANS

Defined Benefit Plan

NAACP has a defined benefit pension plan (the Plan) that covers substantially all employees of NAACP and its Affiliates. The benefits paid to retirees are based on years of service and employees' annual earnings, averaged over the highest three consecutive years. The Plan was frozen effective July 31, 2017. Consequently, beginning August 1, 2017, no new or rehired participants will be allowed to enter the Plan, and benefit accruals ceased for existing participants. The NAACP entirely funds the Plan through contributions to a separately maintained trust.

FASB ASC 958-715, *Not-for-Profit Entities - Compensation-Retirement Benefits*, requires the funding status to be recognized as an asset or liability in the statement of financial position and the measurement date to be as of the statement of financial position date. The funding status is the difference between the Plan's projected future benefit obligation and the fair value of Plan assets.

The fair value of the Plan's assets is the anticipated value of the Plan's invested funds during that same period. The majority of the Plan's assets are invested in annuity contracts and pooled separate accounts of the Plan Custodian's General Account.

The valuation, which is based on various actuary assumptions, had a measurement date as of December 31, 2018. Based on the valuation, the projected benefit obligation of \$22,723,629 exceeded the fair value of the Plan's assets of \$15,256,800, resulting in an underfunded status (pension liability) of \$7,466,829, which is an increase of \$668,367 from the prior fiscal year.

The following table presents the changes in benefit obligations, changes in Plan assets fair value, and the composition of accrued benefit costs in the consolidated statement of financial position for the year ended December 31, 2019:

	<u>2019</u>
Change in Benefit Obligations	
Benefit obligations at beginning of year	\$19,732,763
Interest cost	791,299
PBO Experience	(420,970)
Actuarial loss	3,192,842
Benefits paid	<u>(572,305)</u>
Projected benefit obligations at end of year	<u>\$22,723,629</u>
Change in Plan Assets	
Fair value of plan assets at beginning of year	\$12,934,301
Actual return on plan assets	2,599,535
Employer contributions	295,269
Benefits paid	<u>(572,305)</u>
Fair value of plan assets at end of year	<u>\$15,256,800</u>

Funded status at beginning of year	\$ (6,798,462)
Change in funded status	<u>(668,367)</u>
Funded status at end of year	<u>\$ (7,466,829)</u>

The amounts unrecognized in net assets without donor restrictions are as follows:

Net gain	\$ (668,367)
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Accumulated benefit obligation as of December 31, 2019 was \$22,723,629.

The Pension Plan's accumulated benefit obligations compared with the projected benefit obligations and plan assets are as follows:

Projected benefit obligations	\$22,723,629
Accumulated benefit obligations	\$22,723,629
Fair value of plan assets	\$15,256,800

Component of Net Periodic Pension Cost and Other Amounts Recognized in Change in Unrestricted Net Assets:

Components of Net Periodic Pension Expense:

Interest cost	\$ 791,299
Expected return on plan assets	(886,308)
Amortization of loss	<u>102,635</u>
Net periodic pension cost	<u>\$ 7,626</u>

Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income:

Net loss	\$ 1,058,645
Reclassification adjustment of net gain recognized in net periodic pension cost	<u>(102,635)</u>
Total	<u>\$ 956,010</u>

Total Recognized in Net Periodic Pension Cost and Changes in Plan Assets and Benefit Obligation:

Total	<u>\$ 963,636</u>
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Actuary Assumptions

Weighted average assumptions used to determine benefit obligations at December 31, 2019:

Discount rate	3.10%
Rate of compensation increases	3.00%

Weighted average assumptions used to determine net periodic benefit cost as of December 31, 2019:

Discount rate	3.10%
Expected long-term rate of investment return	7.00%
Rate of compensation increases	3.00%

Plan Asset Allocations

The NAACP pension plan asset weighted-average allocations at December 31, 2019, by asset category are as follows:

Equity securities	2%
Mutual funds	<u>98%</u>
	<u>100%</u>

A description of the fair value hierarchy is presented in Note 1. The following table represents the pension plan assets that are measured at fair value on a recurring basis at December 31, 2019.

Fair Value Measurement at Reporting Date Using:

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>Total</u>
Common Stock – Financial Sector	\$ 330,693	\$ -	\$ 330,693
Total Common Stock			330,693
Investments measured at Net Asset Value			
Pooled Separate Accounts - NAV			<u>14,926,107</u>
			<u>\$ 15,256,800</u>

The Plan invests in various investments. The objective is to provide sufficient assets to fund retirement benefits with the least negative financial impact to participants. The investments underlying exposure is interest rates, market, foreign exchange rate, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of the underlying investments will occur in the near term and that those changes could materially affect the amounts reported in the Plan's statements of net assets available for benefits.

Following is a description of the valuation methodologies used for assets measured at fair value.

Common Stock – The value is based on the closing price reported on the active market on which the individual security is traded, and classified as Level 1 investments.

Mutual Funds: Mutual funds are pools of assets commingled together to benefit from professional management and through economies of scale. Mutual funds are valued at NAV, a practical expedient, and have been determined as an appropriate estimate of fair value determined primarily from quoted prices in the market in which they are traded, and classified as Level 2.

Contributions

The NAACP contributed \$295,269 in 2019 and expects to contribute \$500,000 to its pension plan in 2020.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<u>Year</u>	<u>Amount</u>
2020	\$ 576,402
2021	\$ 828,293
2022	\$ 858,876
2023	\$ 899,749
2024	\$ 942,422
2025 – 2029	\$ 5,208,183

Defined Contribution Pension Plan

NAACP has a defined contribution plan which meets the requirements of Section 401(k) of the U.S. Internal Revenue Code. Each active participant may enter into a salary deferral agreement with the employer in an amount equal to not less than 1% or more than 20% of his or her compensation for the contribution period, with a maximum of \$19,000 and \$18,500 for 2019 and 2018, respectively. The employer matches each participant's pre-tax contributions up to 50% on the dollar of the first 6% of the employee's compensation contributed to the plan. Employer contributions to employee accounts vest 0% up to two years of employment and 100% after two years. Employees may also borrow up to 50% against their vested account balance up to a maximum of \$50,000. NAACP contributed \$112,005 to the Plan during the year ended December 31, 2019.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Operating Leases

During 2019, NAACP has commitments under seven operating leases for office space expiring from 2019 to 2027. Rent expense for these leases in 2019 totaled \$621,383.48.

One of the operating lease agreements for the rental of an office in Washington, D.C. with a term of eleven (11) years, which expires February 28, 2026, provided NAACP with rent abatement for the premises totaling \$201,221. Rental expense is recognized on a straight-line basis, calculated by dividing the total rent to be paid during the term of the lease by the lease term. As a result, deferred rent includes or is adjusted by amounts applicable to the difference between the rent expense under GAAP and the rent actually due under the terms of the lease.

Minimum lease payments under non-cancelable operating leases are as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 904,701
2021	1,204,453
2022	1,251,027
2023	1,283,720
2024	1,317,375
Thereafter	<u>3,347,123</u>
Total	<u>\$ 9,308,399</u>

Contingencies

The NAACP is involved in legal actions arising in the ordinary course of its business. In the opinion of management, after consultation with internal and external legal counsel, the NAACP has adequate legal defense with respect to any of these actions and if the outcomes are unfavorable, management does not believe that they will materially affect the NAACP's results of operations or financial position.

NOTE 13 BOARD DESIGNATED FUNDS

The Board of Directors of the NAACP has designated investment funds to be used to maintain the financial stability of the Association.

Investment Policies

The NAACP has adopted investment policies for the investments that attempt to provide predictable annual earnings while seeking to maximize returns of investments over the long-term.

Board Restricted Investments at December 31, 2019:

Board-designated	<u>\$ 5,066,964</u>
Changes in Board Restricted Investments for the Year Ended December 31, 2019	
Investments, Beginning of the Year	\$ 4,327,435
Contributions	-
Investment Return:	
Investment Income	95,178
Net Depreciation (realized and unrealized)	<u>689,292</u>
Total Investment Return	<u>784,470</u>
Appropriation of Board Designated Assets for Expenditures	<u>(44,941)</u>
Investments, End of Year	<u>\$ 5,066,964</u>

NOTE 14 NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2019, net assets with donor restrictions consisted of various donations restricted for the following specified programs or activities:

As of December 31, 2019, donor restricted net assets consisted of funds for the following:

Restricted by Purpose:	
Scholarships	\$ 1,421,831
Educational Programs	2,434,703
Economic Development	1,817,804
Civic Engagement	649,356
Health Programs	1,009,499
Voting Rights/Human Rights	81,302
Criminal Justice	162,249
Climate Justice	74,318
Building Feasibility	123,860
Legal Programs	403,412
Field Operations (Youth & College)	591,701
Research & Policy	89,606
Next Generation	253,288
Disaster Relief	20,813
Other	46,983
Total	<u>\$ 9,180,725</u>

Net assets were released from donor restrictions by incurring expenses satisfying the specified purposes by the donors totaling \$6,492,426, for the year ended December 31, 2019.

NOTE 15 FUNCTIONAL EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses which can be identified with a specific program and support service are directly allocated according to the natural expenditure classification. Indirect expenses are allocated based on various criteria, such as time and effort, percentage of costs and square footage.

NOTE 16 JOINT COSTS

In 2019, the NAACP National Office incurred joint costs totaling \$522,694 for informational materials and activities that included fundraising appeals as part of the NAACP National Office’s direct mail. Only those activities that are allocated among programmatic, fundraising and administrative components are included below, the amounts do not include all expenses presented in the statement of functional expenses. For the year ended December 31, 2019, the allocation of the joint costs is summarized as follows:

Program Operations	\$ 28,824
Fundraising	441,601
Administrative	<u>52,269</u>
	<u>\$ 522,694</u>

NOTE 17 LIQUIDITY AND FUNDS AVAILABLE

During 2019, NAACP’s cash outflows significantly exceeded its cash inflows, which contributed to a net assets deficit of approximately \$3,265,506. However, NAACP had an increase in net assets with donor restrictions totaling \$2,373,665 at December 31, 2019.

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

In addition to financial assets available, which includes cash and cash equivalents, investments and receivables to meet general expenditures over the next 12 months, the Association operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Further, management is continuously engaged in development activities that it expects to generate additional sources of support and revenue. NAACP also has \$1,132,371 available under a line of credit at December 31, 2019 at its disposal to meet cash flow needs, if necessary. Lastly, after the events that occurred in Minneapolis, Minnesota, there was a huge influx of new donors to NAACP that were not solicited, which resulted in a significant increase in funds in 2020.

Financial assets available for general expenditures within one year of the financial position date consisted of the following:

Total financial assets at year-end:	
Cash and cash equivalents	\$4,067,098
Investments at fair value	6,283,279
Pledges and accounts receivable	1,385,374
Total financial assets at year-end	<u>11,735,751</u>
Less amounts not available to be used within one year:	
Donor contributions restricted for specific purpose	<u>(9,180,725)</u>
Total amounts not available to be used within one year	<u>(9,180,725)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,555,026</u>

Financial assets are considered unavailable when not liquid or convertible to cash within one year and contractual or donor-imposed restrictions limiting their use.

NOTE 18 SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 20, 2021, which is the date the financial statements were available to be issued. As a result of the coronavirus (COVID-19) outbreak in the United States, economic uncertainties have arisen which may negatively impact our operating results in the upcoming year. At this point in time, the related duration and financial impact cannot be reasonably estimated. In addition, the governing board of the pension plan (the Plan) approved the liquidation of the Plan effective December 22, 2020.

This review and evaluation revealed no other material events or transaction which require additional adjustment to or disclosure in the accompanying financial statements.