

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE  
FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT  
YEAR ENDED DECEMBER 31, 2020**



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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
National Association for the  
Advancement of Colored People

### Report on Financial Statements

We have audited the accompanying financial statements of the National Association for the Advancement of Colored People (NAACP) which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Association for the Advancement of Colored People as of December 31, 2020, 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.

## **Other Matter**

### ***Report on NAACP***

As indicated in Note 1, the accompanying financial statements present the financial results of NAACP, a 501(c)(4). These statements are not intended to, and do not purport to, present the consolidated financial position, changes in financial position and cash flows of the National Association for the Advancement of Colored People and Affiliates taken as a whole.

*Bert Smith & Co.*

Washington, D.C.  
November 30, 2021

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2020**

	<b>2020</b>
<b>ASSETS</b>	
<b>Assets</b>	
Cash and Cash Equivalents	\$ 2,398,903
Investments	17,230,314
Pledges and Accounts Receivable, net	349,657
Due From Empowerment Programs	1,941,006
Total Assets	<b>\$ 21,919,880</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
Accounts Payable and Accruals	\$ 1,476,599
Deferred Revenues	1,550,045
Total Liabilities	3,026,644
<b>Net Assets</b>	
Without Donor Restrictions	18,743,236
With Donor Restrictions	150,000
Total Net Assets	18,893,236
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 21,919,880</b>

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

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total 2020</b>
<b>SUPPORT AND REVENUE</b>			
Membership	\$ 4,700,868	\$ -	\$ 4,700,868
Corporations	19,997,799	1,045,000	21,042,799
Individuals	2,218,430	250,000	2,468,430
Organizations	-	1,050,000	1,050,000
Freedom Funds	1,429,917	-	1,429,917
Interest and Dividend Income	83,497	-	83,497
Return on Investment	-	-	-
Other Income	731,939	-	731,939
Net Assets Released from Restrictions	2,195,000	(2,195,000)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<b>31,357,450</b>	<b>150,000</b>	<b>31,507,450</b>
<b>EXPENSES</b>			
<b>Program Services:</b>			
Membership Services	1,260,365	-	1,260,365
Field Operations	547,245	-	547,245
Civic Engagement	7,225,534	-	7,225,534
Research and Policy	169,573	-	169,573
Total Program Services	9,202,717	-	9,202,717
<b>Support Services:</b>			
Fundraising	1,285,757	-	1,285,757
Management and General	-	-	-
Total Support Services	1,285,757	-	1,285,757
<b>Net Investment Losses</b>	<b>21,050</b>	<b>-</b>	<b>21,050</b>
<b>TOTAL EXPENSES</b>	<b>10,509,524</b>	<b>-</b>	<b>10,509,524</b>
Change in Net Assets	20,847,926	150,000	20,997,926
Net Assets Beginning of Year	(2,104,690)	-	(2,104,690)
Net Assets/(Deficit), End of Year	<u>\$ 18,743,236</u>	<u>\$ 150,000</u>	<u>\$ 18,893,236</u>

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

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2020**

	<b>Membership Services</b>	<b>Field Operations</b>	<b>Civic Engagement</b>	<b>Research and Policy</b>	<b>Total Program Services</b>	<b>Fundraising Expense</b>	<b>Management and General</b>	<b>2020</b>
Personnel	\$ 48,149	\$ 281,976	\$ 163,874	\$ 147,728	\$ 641,727	\$ 153,583	\$ 678,309	\$ 1,473,619
Office Supplies	24,321	-	-	-	24,321	-	56,228	80,549
Printing	16,779	-	1,171,359	-	1,188,138	-	-	1,188,138
Postage and Delivery	45,945	194,772	1,019,436	-	1,260,153	129,848	60,596	1,450,597
Insurance	-	-	-	-	-	-	74,039	74,039
Telephone	-	-	-	-	-	-	48,039	48,039
Facilities	-	-	-	-	-	-	127,785	127,785
Bank Charges	13,497	-	-	-	13,497	787,192	1,885	802,574
Unit Dues Share	744,928	-	-	-	744,928	-	-	744,928
State Conf Tax	-	-	194,409	-	194,409	-	-	194,409
Travel	2,696	-	-	-	2,696	-	-	2,696
Meals and Entertainment	-	-	-	-	-	-	-	-
Special Events	90,603	-	973,623	-	1,064,226	-	-	1,064,226
Scholarships/Awards	-	-	-	-	-	-	-	-
Consulting Fees	51,073	-	2,722,016	-	2,773,089	49,500	-	2,822,589
Professional Fees	-	-	-	-	-	-	5,677	5,677
Taxes and Registration	-	-	-	-	-	-	24,674	24,674
Other	60,011	-	50,010	-	110,021	-	41,358	151,379
	<u>1,098,002</u>	<u>476,748</u>	<u>6,294,727</u>	<u>147,728</u>	<u>8,017,205</u>	<u>1,120,123</u>	<u>1,118,590</u>	<u>10,255,918</u>
Indirect Cost Allocation	162,363	70,497	930,807	21,845	1,185,512	165,634	(1,118,590)	232,556
Total	<u>\$ 1,260,365</u>	<u>\$ 547,245</u>	<u>\$7,225,534</u>	<u>\$ 169,573</u>	<u>\$9,202,717</u>	<u>\$ 1,285,757</u>	<u>\$ -</u>	<u>\$ 10,488,474</u>

*See accompanying notes to the financial statements.*

**NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2020**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Changes in Net Assets	\$ 20,997,926
<i>Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:</i>	
Unrealized Loss (Gain) on Investments, net	21,050
<i>(Increase) Decrease in Assets:</i>	
Pledges and Accounts Receivable	(349,657)
Due to/from Affiliates, net	(3,478,813)
<i>Increase in Liabilities:</i>	
Accounts Payable and Accrued Expenses	1,354,087
Deferred Revenue	860,736
<b>Net Cash Provided by Operating Activities</b>	<u>19,405,329</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Sale of Investments	17,356,191
Purchase of Investments	(34,524,058)
Reinvestment of Interest and Dividends	(83,497)
<b>Net Cash Used in Investing Activities</b>	<u>(17,251,364)</u>
Net Increase in Cash and Cash Equivalents	2,153,965
Cash and Cash Equivalents – Beginning of Year	244,938
Cash and Cash Equivalents – End of Year	<u>\$ 2,398,903</u>

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



**NATIONAL ASSOCIATION FOR  
THE ADVANCEMENT OF COLORED PEOPLE**  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2020

**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 NAACP 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. These financial statements reflect the activities of the NAACP entity as a partner in mission with NAACP Empowerment Programs, Inc. and NAACP Foundation. These three entities together are also shown consolidated to provide the full scope of the work performed. The financial statements herein are of NAACP only and are not the financial statements of the consolidated financial statements of NAACP and affiliates.

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.

- **Civic Engagement**  
NAACP national office supports the activities of the regional and field offices work with the volunteers in communities around the nation. They assist in engagement in group activities, and campaigns that address issues of concern and promote and encourage the public to join in the activities of the NAACP mission.
- **Research and Policy**  
This division of NAACP provides research and development of NAACP public policies on issues affecting people of color in the United States.
- **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 in a legal and financially responsible manner. This includes executive services, finance and budget, administration and purchasing, human resources, information technology and legal counsel.
- **Basis of Accounting**  
The accompanying 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.
- **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, 2020, no loss of funds had been experienced.
- **Investments**  
Investments are reported at fair value in the 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 statement of activities and changes in net assets. The investment accounts consist of donor restricted 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.

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.

- ***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 statement of activities as net assets released from restrictions.

Membership fees are recognized as revenue for the applicable membership period. Dues received in advance are recorded in deferred revenue.

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 nonprofit organizations as defined in §501(c)(4) sections of the Internal Revenue Code, and therefore are exempt for federal and state income taxes.

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, 2020, 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.

NAACP has 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 financial statements.

- ***Use of Estimates***

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

**NOTE 2 AFFILIATE/RELATED PARTY**

**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 NAACP, resulting in intercompany receivables and payables, as applicable.

**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, 2020, NAACP had deposits in bank accounts which are insured up to the FDIC limit of \$250,000. There was a total of \$2,148,903 in uninsured balances at December 31, 2020. 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, 2020:

Cash/Money Accounts	\$ 413,979
Government Securities	7,985,803
Corporate Bonds	3,768,539
Mutual Funds	5,061,992
Total	<u>\$17,230,314</u>

The following schedule summarizes NAACP's investment return for the year ended December 31, 2020.

Net Realized and Unrealized Gains (Losses)	\$ (21,050)
Interest and Dividends	83,497
Total	<u>\$ 62,447</u>

#### NOTE 5 FAIR VALUE MEASUREMENTS

At December 31, 2020, NAACP financial instruments included cash and cash equivalents, receivables, accounts payable, accrued expenses and other liabilities. The carrying amounts reported in the accompanying 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, 2020.

	<b>Quoted Prices in Active Markets for Identifiable Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Total</b>
Cash/Money Accounts	\$ 413,979	\$ -	\$ -	\$ 413,979
Government Securities	7,985,803	-	-	7,985,803
Corporate Bonds	-	3,768,539	-	3,768,539
Mutual Funds	5,061,992	-	-	5,061,992
Total investments	<u>\$ 13,461,775</u>	<u>\$3,768,539</u>	<u>\$ -</u>	<u>\$17,230,314</u>

Investments in money market funds and government securities are determined by reference to quoted market prices and other relevant information generation by market transactions.

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, determined primarily from quoted prices in the market in which they are traded.

Corporate bonds consider transactions in securities of the issuer or comparable issuers, market price quotations (when observable) and fundamental data relating to the issuers.

**NOTE 6 PLEDGES AND ACCOUNTS RECEIVABLE**

During 2020, two entities pledged funds for a one-year period. As a result, the ending balance as of December 31, 2020 totaled \$349,657.

**NOTE 7 COMMITMENTS AND CONTINGENCIES**

Contingencies

NAACP asserts that there have been no material claims, suits, or complaints filed nor are any pending against the organization. In the opinion of management and legal counsel, all other matters which are asserted or unasserted are without merit and would not have a significant effect on the financial position or results of operations of the organization if disposed of unfavorably.

**NOTE 8 RELATED PARTY TRANSACTIONS**

NAACP is a separate charitable organization exempt from taxes under IRS Code 501(c)(4). NAACP shares certain operating costs, such as utilities and building maintenance with NAACP Empowerment Programs, Inc. (NAACP Empowerment). NAACP Empowerment, an affiliate of NAACP, provides administrative services to NAACP, including finance and budget; administration and purchasing; human resources; information technology; development and legal counsel. These transactions are recorded as receivables from or liabilities to NAACP Empowerment, as applicable. During 2020, the administrative services provided to NAACP totaled approximately \$232,556.

NAACP also had a Due from NAACP Empowerment balance of approximately \$1,941,006 relating to transfers on its behalf.

**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

As of December 31, 2020, net assets with donor restrictions consisted of various donations restricted for the following specified programs or activities:

As of December 31, 2020, donor restricted net assets consisted of funds for the following, restricted for purpose:

Project Yellowstone	<u>\$ 150,000</u>
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Net assets were released from donor restrictions by incurring expenses satisfying the specified purposes by the donor totaling \$2,195,000, for the year ended December 31, 2020.

**NOTE 10 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 (management and general) are fully allocated to programs and other support services based on the percentage of total costs methodology.

## NOTE 11      EMPLOYEE BENEFIT PLANS

The participant payments and obligations for the defined benefit plan reside with NAACP Empowerment Programs, Inc. The following provides a summary of the Plan

### **Defined Benefit Pension Plan**

The NAACP has a defined benefit pension plan (the Plan) that covers substantially all employees of the 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. NAACP Empowerment 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, 2019. Based on the valuation, the projected benefit obligation of \$25,278,456 exceeded the fair value of the Plan's assets of \$23,668,351, resulting in an underfunded status (pension liability) of \$1,610,105, which is a decrease of \$5,856,724 from the prior fiscal year.

The following table presents the changes in benefit obligations and changes in Plan assets fair value in the Plan's statement of financial position for the year ended December 31, 2020:

	<b><u>2020</u></b>
<b>Change in Benefit Obligations</b>	
Benefit obligations at beginning of year	\$22,723,629
Interest cost	692,659
PBO Experience	179,952
Actuarial loss	2,263,187
Benefits paid	<u>(580,971)</u>
Projected benefit obligations at end of year	<u>\$25,278,456</u>
<b>Change in Plan Assets</b>	
Fair value of plan assets at beginning of year	\$15,256,800
Actual return on plan assets	1,517,351
Employer contributions	7,475,171
Benefits paid	<u>(580,971)</u>
Fair value of plan assets at end of year	<u>\$23,668,351</u>
Funded status at beginning of year	\$ (7,466,829)
Change in funded status	<u>5,856,724</u>
Funded status at end of year	<u>\$ (1,610,105)</u>

NAACP's estimated share of other pension liability totaled \$212,428 at December 31, 2020. Total pension liability is recorded in NAACP Empowerment, Inc. financial statements as it is acting sponsor of the Plan.

The amounts unrecognized in net assets without donor restrictions at December 31, 2020 are as follows:

Net gain (loss)	\$ (5,856,724)
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Accumulated benefit obligation as of December 31, 2020 was \$25,278,456.

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

Projected benefit obligations	\$25,278,456
Accumulated benefit obligations	\$25,278,456
Fair value of plan assets	\$23,668,351

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

**Components of Net Periodic Pension Expense:**

Interest cost	\$ 692,659
Expected return on plan assets	(1,060,333)
Amortization of loss	183,034
Net periodic pension cost	<u>\$ (184,640)</u>

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

Net loss	\$ 1,986,121
Reclassification adjustment of net gain recognized in net periodic pension cost	(183,034)
Total	<u>\$ 1,803,087</u>

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

Total	<u>\$ 1,618,447</u>
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**Actuary Assumptions**

Weighted average assumptions used to determine benefit obligations at December 31, 2020:

Discount rate	2.50%
Rate of compensation increases	3.00%

Weighted average assumptions used to determine net periodic benefit cost as of December 31, 2020:

Discount rate	2.50%
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, 2020, by asset category are as follows:

Equity securities	2%
Mutual funds	98%
	<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, 2020.

**Fair Value Measurement at Reporting Date Using:**

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>Total</u>
Common Stock – Financial Sector	\$ 302,734	\$ -	\$ 302,734
Total Common Stock	302,734		302,734
Investments measured at net asset value			
Pooled Separate Accounts – NAV			23,365,617
			<u>\$ 23,668,351</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.

Insurance Company Pooled Separate Accounts: The Plan holds shares or interest in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

**Contributions**

The NAACP contributed \$7,475,171 in 2020 and does not expect to contribute to its pension plan in 2021.

**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>
2021	\$23,446,253

**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 \$19,500 for 2020. 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. Pension expense approximating \$8,520 related to NAACP during the year ended December 31, 2020.

**NOTE 12 LIQUIDITY AND FUNDS AVAILABLE**

During 2020, NAACP's cash inflows significantly exceeded its cash outflows, which contributed to an increase in a net assets surplus of approximately \$20,997,926.

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	\$ 2,398,903
Investments at fair value	17,230,314
Pledges and accounts receivable	349,657
Due from Empowerment	1,941,006
Total financial assets at year-end	<u>21,919,880</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$21,919,880</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Donor contributions restricted to specific purposes	<u>(150,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$21,769,880</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 13 SUBSEQUENT EVENTS**

NAACP has evaluated subsequent events through November 30, 2021, the date that the financial statements were available to be issued, and determined that there were no other events that require adjustments to or disclosure in the financial statements.