

**NAACP EMPOWERMENT PROGRAMS, INC.
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2020**



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INDEPENDENT AUDITOR'S REPORT

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Board of Directors
National Association for the
Advancement of Colored People

Report on Financial Statements

We have audited the accompanying financial statements of the Empowerment Program, Inc. (NAACP Empowerment) 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 NAACP Empowerment Programs, Inc. 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.

Bert Smith & Co.

Washington, D.C.
November 30, 2021

NAACP EMPOWERMENT PROGRAMS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

	<u>2020</u>	<u>2019</u> <i>(as adjusted)</i>
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 9,006,698	\$ 3,731,296
Investments	42,760,913	5,397,939
Pledges and Accounts Receivable, net	4,420,059	1,285,374
Other Current Assets	906,047	343,067
Total Current Assets	<u>57,093,717</u>	<u>10,757,676</u>
Non-current Assets		
Other Assets	48,802	48,802
Accounts Receivable, net	-	2,586,299
Fixed Assets, net	2,203,148	2,065,642
Due from Affiliates	1,022,802	4,085,673
Total Non-current Assets	<u>3,274,752</u>	<u>8,786,416</u>
TOTAL ASSETS	<u>\$ 60,368,469</u>	<u>\$ 19,544,092</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 5,170,799	\$ 5,517,093
Line of Credit	-	1,762,718
Paycheck Protection Loan	1,893,443	-
Deferred Revenues	975,066	1,132,379
Total Current Liabilities	<u>8,039,308</u>	<u>8,412,190</u>
Pension Benefits Liability	<u>1,610,105</u>	<u>7,466,829</u>
TOTAL LIABILITIES	<u>9,649,413</u>	<u>15,879,019</u>
NET ASSETS		
Without Donor Restrictions	16,216,210	(9,865,208)
Designated by the Board	21,189,117	5,066,964
With Donor Restrictions	13,313,729	8,463,317
Total Net Assets	<u>50,719,056</u>	<u>3,665,073</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 60,368,469</u>	<u>\$ 19,544,092</u>

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

NAACP EMPOWERMENT PROGRAMS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019 <i>(as adjusted)</i>
SUPPORT AND REVENUE				
Membership	\$ -	\$ -	\$ -	\$1,740,538
Corporations	28,797,605	14,634,589	43,432,194	6,763,932
Trusts and Foundations	7,153,714	3,625,000	10,778,714	7,136,212
Government	205,591	-	205,591	-
Individuals	17,064,425	2,385,142	19,449,567	4,021,722
Convention	571,660	-	571,660	2,825,710
Image Awards	4,513,589	-	4,513,589	2,939,096
Leadership 500	30,000	-	30,000	-
Regional Conferences	-	-	-	3,825
Organizations	4,006,493	408,743	4,415,236	167,833
Freedom Funds	3,086	-	3,086	1,253,477
Planned Giving/Bequests	580,056	-	580,056	215,612
Combined Federal Campaign	-	-	-	23,523
In-Kind Contributions	3,151,971	-	3,151,971	405,089
Interest and Dividend Income	466,675	48,964	515,639	212,711
Return on Investment	714,507	94,793	809,300	800,405
Subscriptions	2,826	-	2,826	6,211
Advertising	3,102	-	3,102	344
Other	1,133,794	103,469	1,237,263	506,118
<i>Net Assets Released from Restrictions</i>	16,450,288	(16,450,288)	-	-
TOTAL SUPPORT AND REVENUE	84,849,382	4,850,412	89,699,794	29,002,538

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

NAACP EMPOWERMENT PROGRAMS, INC.
STATEMENT OF ACTIVITIES (Continued)
YEAR ENDED DECEMBER 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019 (as adjusted)</u>
EXPENSES				
Program Services:				
Membership Services	\$ 597,108	\$ -	\$ 597,108	\$ 1,433,734
Field Operations	6,275,251	-	6,275,251	4,135,077
Convention	995,724	-	995,724	4,444,298
Image Awards/Hollywood Bureau	3,276,615	-	3,276,615	3,046,061
Leadership 500 Summit	14,327	-	14,327	185,264
Next Generation	-	-	-	127,606
Civic Engagement	10,178,790	-	10,178,790	2,165,602
Program Operations	1,970,048	-	1,970,048	1,337,569
Research and Policy	877,302	-	877,302	634,024
Education	338,951	-	338,951	322,617
Health	390,515	-	390,515	372,486
Economic Development	3,600,785	-	3,600,785	1,715,952
Climate Justice	943,710	-	943,710	1,344,828
Criminal Justice	129,631	-	129,631	264,780
Total Program Services	<u>29,588,757</u>	<u>-</u>	<u>29,588,757</u>	<u>21,529,898</u>
Support Services:				
Fundraising	2,901,881	-	2,901,881	1,790,505
Management and General	8,352,086	-	8,352,086	6,070,731
Total Support Services	<u>11,253,967</u>	<u>-</u>	<u>11,253,967</u>	<u>7,861,236</u>
TOTAL EXPENSES	<u>40,842,724</u>	<u>-</u>	<u>40,842,724</u>	<u>29,391,134</u>
Revenue and Support Over Expenses Before				
Pension-related Changes	44,006,658	4,850,412	48,857,070	(368,775)
Pension-Related Changes Other Than Net Periodic Pension Cost	<u>(1,803,087)</u>	<u>-</u>	<u>(1,803,087)</u>	<u>(956,010)</u>
Change in Net Assets	42,203,571	4,850,412	47,053,983	(1,324,785)
Net Assets (Deficit), Beginning of Year	<u>(4,798,244)</u>	<u>8,463,317</u>	<u>3,665,073</u>	<u>4,989,858</u>
Net Assets, End of Year	<u>\$37,405,327</u>	<u>\$ 13,313,729</u>	<u>\$50,719,056</u>	<u>\$ 3,665,073</u>

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

**NAACP EMPOWERMENT PROGRAMS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

DECEMBER 31, 2020 EXPENSE CLASSIFICATIONS:

	Personnel	Administrative and Office Expenses	Facility Expenses	Travel	Special Events	Consulting Fees	Professional Fees	Other	Subtotal	Indirect Cost Allocation	Total
Program Services:											
Membership	\$ 496,133	\$ 1,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 497,590	\$ 99,518	\$ 597,108
Field Operations	2,550,156	674,608	100,810	398,053	48,815	1,441,346	13,588	2,000	5,229,376	1,045,875	6,275,251
Convention	-	5,934	-	2,599	514,106	32,131	-	275,000	829,770	165,954	995,724
Image Awards/Hollywood Bureau	486,855	135,282	92,506	170,945	1,091,798	548,691	29,436	175,000	2,730,513	546,102	3,276,615
Leadership 500 Summit	-	353	-	11,586	-	-	-	-	11,939	2,388	14,327
Civic Engagement	277,154	1,061,662	-	24,721	1,069,088	5,639,190	410,510	-	8,482,325	1,696,465	10,178,790
Programs Operations	694,441	662,060	-	241	883	279,142	5,531	-	1,642,298	327,750	1,970,048
Research and Policy	279,705	68,787	299,011	11,583	-	72,000	-	-	731,086	146,216	877,302
Education	90,029	15,071	-	359	177,000	-	-	-	282,459	56,492	338,951
Health	303,957	20,019	-	303	1,150	-	-	-	325,429	65,086	390,515
Economic Development	625,784	44,026	-	18,578	2,306,180	6,086	-	-	3,000,654	600,131	3,600,785
Climate Justice	675,382	72,208	1,650	4,528	3,238	29,418	-	-	786,424	157,286	943,710
Criminal Justice	80,914	27,112	-	-	-	-	-	-	108,026	21,605	129,631
Total Program Services	<u>6,560,510</u>	<u>2,788,579</u>	<u>493,977</u>	<u>643,496</u>	<u>5,212,258</u>	<u>8,048,004</u>	<u>459,065</u>	<u>452,000</u>	<u>24,657,889</u>	<u>4,930,868</u>	<u>29,588,757</u>
Support Services:											
Fundraising	865,297	682,923	116,378	30,717	10,000	712,919	-	-	2,418,234	483,647	2,901,881
Management and General	4,032,569	1,809,461	1,384,076	781,615	102,651	1,776,182	4,035,801	227,119	14,149,474	(5,797,388)	8,352,086
Total Support Services	<u>4,897,866</u>	<u>2,492,384</u>	<u>1,500,454</u>	<u>812,332</u>	<u>112,651</u>	<u>2,489,101</u>	<u>4,035,801</u>	<u>227,119</u>	<u>16,567,708</u>	<u>(5,313,741)</u>	<u>11,253,967</u>
Total Expenses 2020	<u>\$11,458,376</u>	<u>\$ 5,280,963</u>	<u>\$ 1,994,431</u>	<u>\$1,455,828</u>	<u>\$5,324,909</u>	<u>\$10,537,105</u>	<u>\$ 4,494,866</u>	<u>\$ 679,119</u>	<u>\$41,225,597</u>	<u>\$ (382,873)</u>	<u>\$40,842,724</u>
Total Expenses 2019 (as adjusted)	<u>\$ 9,379,164</u>	<u>\$ 3,581,456</u>	<u>\$ 2,248,450</u>	<u>\$1,921,373</u>	<u>\$7,167,413</u>	<u>\$ 4,675,454</u>	<u>\$ 753,484</u>	<u>\$ -</u>	<u>\$29,726,794</u>	<u>\$ (335,660)</u>	<u>\$29,391,134</u>

See accompanying notes to the financial statements.

NAACP EMPOWERMENT PROGRAMS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	2020	2019 <i>(as adjusted)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$47,053,983	\$(1,324,785)
<i>Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:</i>		
Depreciation/Amortization	224,279	180,761
Unrealized Loss (Gain) on Investments, net	(809,300)	(800,405)
<i>(Increase) Decrease in Assets:</i>		
Pledges and Accounts Receivable	(548,386)	1,206,501
Other Current Assets	(562,980)	(305,983)
Due to/from Affiliates, net	3,062,871	(1,344,476)
<i>Increase in Liabilities:</i>		
Accounts Payable and Accrued Expenses	(346,294)	2,498,241
Pension Benefits	(5,856,724)	668,367
Deferred Revenue	(157,313)	287,295
Net Cash Provided by (Used in) Operating Activities	42,060,136	1,065,516
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(76,350,801)	(3,323,732)
Sale of Investments	41,307,703	3,053,761
Reinvestment of Interest and Dividends	(510,508)	(212,711)
Purchase of Property and Equipment	(361,786)	(1,214,929)
Net Cash Used In (Provided by) Investing Activities	(35,915,392)	(1,697,611)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Loan Management Account	(1,762,718)	(49,928)
Paycheck Protection Loan	2,037,637	-
Payments on Paycheck Protection Loan	(144,194)	69,903
Net Cash Provided by (Used in) Financing Activities	130,725	19,975
Net Increase in Cash and Cash Equivalents	6,275,469	(612,120)
Cash and Cash Equivalents – Beginning of Year	2,731,229	3,343,349
Cash and Cash Equivalents – End of Year	\$ 9,006,698	\$ 2,731,229

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

NAACP EMPOWERMENT PROGRAMS, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***Organization***

The NAACP Empowerment Programs, Inc. (“NAACP EPI” or “NAACP Empowerment”) was established on March 6, 2019, and was previously known under the name of the National Association for the Advancement of Colored People (“NAACP”). Also, effective March 6, 2019, the former NAACP was established as a 501(c)(4) entity.

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. NAACP EPI was created to work with NAACP to ensure the political, educational, social, and economic equality of rights of all persons and to eliminate racial hatred and racial discrimination. The financial statements herein are of NAACP EPI only and are not the financial statements of the National Association for the Advancement of Colored People taken as a whole.

Effective January 1, 2020, Crisis Publishing Company (Crisis) was closed out and incorporated as part of NAACP EPI, and the related financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). As a result, the combined financial statements incorporates the carrying value of Crisis account balances at January 1, 2020 and all intercompany account balances have been eliminated. Although management does not believe the inclusion of Crisis led to a change in the NAACP EPI reporting entity, as allowed under ASC 805-50-45 the 2019 balances are being reflected retrospectively. The combining of the financial statement data and eliminations resulted in the change in the beginning net assets from \$5,144,784 to \$3,665,073.

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

- ***Program and Supporting Services***

NAACP EPI 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.

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

– **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.

– **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.

– **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.

– **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.

○ **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 EPI 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.

– **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:

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

- 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.

– **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.

– **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 EPI in a legal and financially responsible manner. This included executive services, finance and budget, administration and purchasing, human resources, information technology and legal counsel.

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

- ***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 EPI 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 includes donor restricted resources which become available for use by NAACP EPI 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 EPI and/or the passage of time.
- ***Cash and Cash Equivalents***

NAACP Empowerment 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 and Board designated funds.
- ***Fair Value Measurements***

NAACP Empowerment 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 Empowerment 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 Empowerment 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 Empowerment 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 Empowerment 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 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 Empowerment's experience with the donors and their ability to pay.

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

Grant funds received but unexpended are reflected as deferred revenue at year end. In addition, membership dues are recognized over the applicable membership period and dues received in advance are recorded as deferred revenue.

- ***Risk and Uncertainties***

Investment 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 Empowerment Programs, Inc. is a qualifying nonprofit organization as defined in §501(c)(3) of the Internal Revenue Code, and therefore is exempt for federal and state income taxes. Thus, no provisions have been made for taxes in the 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, 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. The fair value of donated legal services during 2020 has been estimated to be \$2,761,971 and are included in professional fees in the statement of functional expenses. In addition, donated services and various credits and goods were received 2020 in the amount of \$390,000. These were used in support of the association’s events.

In addition, volunteers, including the members of the Board of Directors, have made significant contributions of time to NAACP Empowerment’s policymaking, 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.

- ***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 Empowerment), with early application permitted. NAACP Empowerment is evaluating the impact that this standard will have on the financial statements.

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

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The purpose of the new guidance is to improve transparency related to nonfinancial assets (also known as in-kind contributions) received by not-for-profit (NPF) organizations. This new standard was amended to be effective for fiscal years beginning after June 15, 2021 (fiscal year 2022 for NAACP Empowerment), with early application permitted. NAACP Empowerment is evaluating the impact that this standard will have on the financial statements.

NOTE 2 CONCENTRATION OF CREDIT RISK

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

As at December 31, 2020, NAACP Empowerment Programs had deposits in bank accounts which are insured up to the FDIC limit of \$250,000. A total of \$10,918,468 of uninsured balances are held in those accounts. In addition, within the investment accounts, there are cash accounts that are insured up to the SPIC limit of \$250,000 with a total of \$5,576,468 uninsured as at December 31, 2020. However, NAACP Empowerment Programs has not experienced any losses in such accounts.

NOTE 3 INVESTMENTS – RESTRICTED AND UNRESTRICTED

Investments are stated at fair value and consist of the following at December 31, 2020:

	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 26,750	\$ 6,326,469	\$ 6,353,219
Fixed Income	-	4,347,900	4,347,900
Corporate Bonds	-	10,779,191	10,779,191
Mutual Funds	1,341,611	18,676,820	20,018,431
Equity	94,260	1,167,912	1,262,172
Total	<u>\$ 1,462,621</u>	<u>\$ 41,298,292</u>	<u>\$42,760,913</u>

The following schedule summarizes NAACP Empowerment Programs' investment return for the year ended December 31, 2020:

Net Realized and Unrealized Gains	\$ 809,300
Interest and Dividends	<u>510,508</u>
Total	<u>\$1,319,808</u>

NOTE 4 FAIR VALUE MEASUREMENTS

At December 31, 2020, NAACP Empowerment Programs 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.

NOTE 4 – FAIR VALUE MEASUREMENTS**(CONTINUED)**

The following table sets forth by level, with the fair value hierarchy, NAACP Empowerment Programs' investments at fair value as of December 31, 2020:

	Quoted Prices in Active Markets for Identifiable Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash/Money Accounts	\$ 6,353,219	\$ -	\$ -	\$ 6,353,219
Fixed Income	4,347,900	-	-	4,347,900
Equity	1,262,172	-	-	1,262,172
Corporate Bonds	-	10,779,191	-	10,779,191
Mutual Funds	20,018,431	-	-	20,018,431
Total Investments	<u>\$ 31,981,722</u>	<u>\$10,779,191</u>	<u>\$ -</u>	<u>\$42,760,913</u>

Investments in money funds are determined by reference to quoted market prices and other relevant information generation by market transactions and are classified as Level 1.

Fixed income investments include treasury bonds, government and agency bonds, municipal bonds, corporate bonds, and mortgage-backed securities, as well as certificates of deposit and preferred stock or securities. They are designed to generate a specific, or “fixed”, level of interest income.

Fair values for government securities and equities are determined by reference to quoted market prices and other relevant information generated by market transactions and are classified 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, determined primarily from quoted prices in the market in which they are traded and are classified as Level 1.

Corporate bonds consider transactions in securities of the issuer or comparable issuers, market price quotations (when observable) and fundamental data relating to the issuers and are classified as Level 2.

NOTE 5 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 2020, the letter of credit was extended. NAACP had the applicable funds invested in a certificate of deposit.

NOTE 6 PLEDGES AND ACCOUNTS RECEIVABLE

Pledges and accounts receivable represent amounts due from donors, employees, and sponsors, and promises to give as of December 31, 2020:

	Total
Foundations	\$1,586,299
Corporations	2,487,154
Other	346,606
Total Pledges and Accounts Receivable	4,420,059
Less: Allowance for Doubtful Accounts	-
Net Pledges and Accounts Receivable	<u>\$4,420,059</u>

There were no material discounts to record on pledges and accounts receivable more than one year.

NOTE 7 FIXED ASSETS

Fixed assets consisted of the following at December 31, 2020:

	<u>Total</u>
Land	\$ 315,659
Building and Improvements	2,697,148
Furniture and Equipment	3,989,830
Software	2,719,374
Leasehold Improvement	632,023
	<u>10,354,034</u>
Less: Accumulated Depreciation	<u>(8,150,886)</u>
Fixed Assets, net	<u>2,203,148</u>
Depreciation Expense for the Year	<u>\$ 224,279</u>

NOTE 8 DONATED PROPERTY

NAACP Empowerment has acquired real estate over the years through gifts and bequests. However, a number of these donations have not been recorded in the 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, 2020, donated land and buildings for which current assessed values have been identified but which have not been recorded totaled \$958,586.

NOTE 9 LINE OF CREDIT

On November 18, 2011, NAACP Empowerment (formally 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 EPI has pledged as collateral, securities accounts established at Merrill Lynch. Finance charges are accrued daily based on a variable rate. Total charges paid were \$26,281 and the balance of the line of credit was paid in full.

NOTE 10 PAYCHECK PROTECTION LOAN – REFUNDABLE ADVANCES

During April 21 2020, the NAACP EPI received a Paycheck Protection Program (PPP) Loan for an amount of \$2,037,637 under PPP, which was established under the Cares Act. The application for the PPP Loans requires the NAACP EPI to, in good faith, certify that the then-current economic uncertainty made the loan request necessary to support the ongoing operation of the NAACP EPI. This certification further requires the NAACP EPI to take into account its ability to access other sources of liquidity sufficient to support the ongoing operations in a manner that is not significantly detrimental to the NAACP EPI. The receipt of the funds from the PPP Loan and the forgiveness of the PPP Loan are dependent on the NAACP EPI having initially qualified for the PPP Loan and qualifying for the forgiveness of such PPP Loan based on funds being used for certain expenditures such as payroll costs, as required by the terms of the PPP Loans. During 2020 the NAACP EPI repaid \$144,194 of the outstanding principal balance and interest of \$1,507 was accrued. The NAACP EPI applied for loan forgiveness for the original amount of \$2,037,637, which was subsequently accepted on August 2, 2021.

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, 2020. Based on the valuation, the projected benefit obligation of \$ \$25,278,456 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, changes in Plan assets fair value, and the composition of accrued benefit costs in the statement of financial position for the year ended December 31, 2020:

	<u>2020</u>
Change in Benefit Obligations	
Benefit obligations at beginning of year	\$22,723,629
Interest cost	692,659
PBO Experience	179,952
Actuarial loss	2,263,187
Benefits paid	(580,971)
Projected benefit obligations at end of year	<u>\$25,278,456</u>
Change in Plan Assets	
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	(580,971)
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	5,856,724
Funded status at end of year	<u>\$ (1,610,105)</u>

NAACP EPI's estimated share of the pension liability totaled \$1,393,102 at December 31, 2020. Total pension liability is recorded in NAACP Empowerment, Inc. financial statements as it is acting sponsor of the Plan.

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	<u>(183,034)</u>
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	1%
Mutual funds	99%
	<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
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.

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.

Contributions

The NAACP EPI contributed \$7,475,171 to its pension plan in 2020 and expects to make no contributions 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	\$23,466,253

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 \$19,000 for 2019, and \$19,500 for 2020-2021. 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 EPI contributed \$120,775 to the Plan during the year ended December 31, 2020.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Operating Leases

During 2020, NAACP EPI has commitments under five operating leases for office space expiring from 2021 to 2027. Rent expense for 2020 totaled \$1,125,792.

NAACP EPI has operating lease agreements for rental of offices in various states with terms which range from five (5) to eleven (11) years and expire from March 2025 to October 2027, provided NAACP EPI with rent abatement for the premises totaling \$642,365. 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>
2021	\$ 1,322,656
2022	1,391,424
2023	1,428,049
2024	1,465,709
2025	1,504,326
Thereafter	<u>2,397,535</u>
Total	<u>\$ 9,509,699</u>

Contingencies

The NAACP EPI 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 EPI 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 EPI'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, 2020:

Board-designated	<u>\$21,189,117</u>
Changes in Board Restricted Investments for the Year Ended December 31, 2020	
Investments, Beginning of the Year	\$ 5,066,964
Contributions	15,076,934
Investment Return:	
Investment Income	328,038
Net Depreciation (realized and unrealized)	<u>793,640</u>
Total Investment Return	<u>1,121,678</u>
Appropriation of Board Designated Assets for Expenditures	<u>(76,459)</u>
Investments, End of Year	<u>\$21,189,117</u>

NOTE 14 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 by Purpose:	
Scholarships	\$ 1,242,967
Educational Programs	2,435,806
Economic Development	1,448,073
Civic Engagement	1,667,288
Health Programs	1,055,817
Human Rights/Voting Rights	81,301
Criminal Justice	188,618
Climate Justice	2,219,459
Building Feasibility	123,860
Legal Programs	440,430
Field Operations (Youth & College)	552,299
Research & Policy	89,606
Next Generation	1,677,193
Other	91,012
Total	<u><u>\$13,313,729</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the specified purposes by the donors totaling \$16,450,288 for the year ended December 31, 2020.

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 2020, the NAACP National Office incurred joint costs totaling \$1,686,742 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, 2020 the allocation of the joint costs is summarized as follows:

Program Operations	\$ 108,042
Fundraising	1,410,026
Administrative	168,674
	<u><u>\$1,686,742</u></u>

NOTE 17 LIQUIDITY AND FUNDS AVAILABLE

During 2020, NAACP Empowerment's cash inflows significantly exceeded its cash outflows, which contributed to a net assets without donor restrictions surplus of approximately \$42,203,571.

NAACP Empowerment 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, NAACP Empowerment 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 Empowerment also has available a line of credit at December 31, 2020 at its disposal to meet cash flow needs, if necessary.

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	\$ 9,006,698
Investments at fair value	42,760,913
Pledges and accounts receivable	<u>4,420,059</u>
Total financial assets at year-end	<u>56,187,670</u>
Less amounts not available to be used within one year:	
Donor contributions restricted for specific purpose	<u>(13,313,729)</u>
Total amounts not available to be used within one year	<u>(13,313,729)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$42,873,941</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 AFFILIATES/RELATED PARTIES

NAACP

NAACP shares common management and Board of Directors with NAACP EPI. The NAACP 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 NAACP engages in transactions with the NAACP EPI, resulting in intercompany receivables and payables.

NAACP Foundation (the "Foundation")

The Foundation shares common management, under the direction of the Board of Directors of NAACP along with a separate Board of Trustees. 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.

NOTE 19 SUBSEQUENT EVENTS

NAACP EPI 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.