

NAACP FOUNDATION
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for 2019)



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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
NAACP Foundation

Report on Financial Statements

We have audited the accompanying financial statements of the NAACP Foundation (the "Foundation") which comprise the statement of financial position as of December 31, 2020, and the related statements 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 Foundation'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 Foundation'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 the Foundation 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 Matters

Report on Summarized Comparative Information

We have previously audited the Foundation's 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated, May 20, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2019 is consistent in all material respects, with the audited financial statements from which it was derived.

Report on the Foundation

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

Bert Smith & Co.

Washington, D.C.
November 30, 2021

NAACP FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Cash and Cash Equivalents	\$ 1,322,434	\$ 90,864
Pledges Receivable	50,000	100,000
Other Receivables	36,249	-
Investments	4,791,453	885,340
TOTAL ASSETS	\$ 6,200,136	\$ 1,076,204
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 46,951	\$ 71,855
Deferred Revenue	75,000	-
Due to NAACP	2,963,808	2,547,866
Total Liabilities	3,085,759	2,619,721
NET ASSETS		
Without Donor Restrictions	2,632,480	(2,260,925)
With Donor Restrictions	481,897	717,408
Total Net Assets (Deficit)	3,114,377	(1,543,517)
TOTAL LIABILITIES AND NET ASSETS	\$ 6,200,136	\$ 1,076,204

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

NAACP FOUNDATION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
REVENUE, SUPPORT AND OTHER				
Corporations	\$ 191,423	\$ 269,750	\$ 461,173	\$ 869,006
Trusts and Foundations	115,287	15,000	130,287	8,713
Individuals	971,964	450	972,414	39,825
Legal	-	-	-	50
Combined Federal Campaign	3,916,811	71	3,916,882	125,062
Interest and Dividends	1,413	36,326	37,739	26,996
Return on Investments	-	59,242	59,242	64,264
Other	1,706	-	1,706	5,010
Net Assets Released from Restriction	616,350	(616,350)	-	-
Total Revenue, Support and Other	5,814,954	(235,511)	5,579,443	1,138,926
EXPENSES				
<i>Program Services:</i>				
Legal	-	-	-	21,459
ACT-SO	776,651	-	776,651	808,661
Educational	10,269	-	10,269	7,380
Total Program Services	786,920	-	786,920	837,500
<i>Support Services:</i>				
Fundraising	108,387	-	108,387	112,734
Management and General	24,725	-	24,725	24,723
Total Support Services	133,112	-	133,112	137,457
Net Loss on Investments	1,517	-	1,517	-
Total Expenses	921,549	-	921,549	974,957
Change in Net Assets	4,893,405	(235,511)	4,657,894	163,969
Net Assets, (Deficit) Beginning of Year	(2,260,925)	717,408	(1,543,517)	(1,707,486)
Net Assets (Deficit), End of Year	\$ 2,632,480	\$ 481,897	\$ 3,114,377	\$(1,543,517)

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

NAACP FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for 2019)

	<u>ACT-SO</u>	<u>Education</u>	<u>Total Program Services</u>	<u>Fundraising Expenses</u>	<u>Management and General</u>	<u>2020 Total Expenses</u>	<u>2019 Total Expenses</u>
Personnel	\$ 165,753	\$ -	\$ 165,753	\$ 70,135	\$ -	\$ 235,888	\$ 223,400
Office Supplies	-	-	-	-	-	-	1,452
Printing	-	-	-	-	-	-	4,951
Postage and Delivery	21	-	21	-	-	21	1,439
Bank Charges	-	9,115	9,115	-	1,884	10,999	7,752
Travel	32,113	-	32,113	-	-	32,113	75,773
Meals and Entertainment	106	-	106	-	-	106	395
Special Events	122,973	-	122,973	-	-	122,973	288,803
Scholarships/Awards	199,437	-	199,437	-	-	199,437	144,740
Consulting Fees	10,200	-	10,200	-	-	10,200	8,063
Professional Fees	-	-	-	-	19,000	19,000	19,000
Other	118,791	-	118,791	20,188	-	138,979	37,509
	<u>649,394</u>	<u>9,115</u>	<u>658,509</u>	<u>90,323</u>	<u>20,884</u>	<u>769,716</u>	<u>813,277</u>
Indirect Cost Allocation	<u>127,257</u>	<u>1,154</u>	<u>128,411</u>	<u>18,064</u>	<u>3,841</u>	<u>150,317</u>	<u>161,680</u>
	<u>776,651</u>	<u>10,269</u>	<u>786,920</u>	<u>108,387</u>	<u>24,725</u>	<u>920,032</u>	<u>974,957</u>
Net Loss on Investments	-	-	-	-	1,517	1,517	-
Total	<u>\$ 776,651</u>	<u>\$ 10,269</u>	<u>\$ 786,920</u>	<u>\$ 108,387</u>	<u>\$ 26,242</u>	<u>\$ 921,549</u>	<u>\$ 974,957</u>

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

NAACP FOUNDATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020
(With Comparative Totals for 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$4,657,894	\$ 163,969
<i>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:</i>		
Realized and Unrealized Loss (Gain) on Investments, net	(57,725)	(64,264)
<i>(Increase) Decrease in Assets:</i>		
Pledges Receivable	50,000	100,000
<i>Increase (Decrease) in Liabilities:</i>		
Accounts Payable	(24,906)	66,256
Deferred Revenue	75,000	-
Due to NAACP	415,942	233,206
Net Cash Provided by Operating Activities	5,116,205	499,167
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(3,991,608)	(615,911)
Sales of Investments	143,299	152,857
Reinvestment of Interest and Dividends	(36,326)	(26,996)
Net Cash Used in Investing Activities	(3,884,635)	(490,050)
Net Increase in Cash and Cash Equivalents	1,231,570	9,117
Cash and the Cash Equivalents, Beginning of Year	90,864	81,747
Cash and the Cash Equivalents, End of Year	\$1,322,434	\$ 90,864

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

NAACP FOUNDATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- ***Organization***

The NAACP Foundation (the “Foundation”), previously known as the National Association for the Advancement of Colored People Special Contribution Fund (SCF), was established as a separate trust in April 1964 to support the NAACP in its mission to eliminate social injustices, including forms of discrimination, in American society through legal action and economic and social programs.

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 has been classified as a “publicly supported” organization of the type described in Section 170(b)(i)(A)(vi) of the Internal Revenue Code. The financial statements herein are of the Foundation only and are not the financial statements of the National Association for the Advancement of Colored People taken as a whole.

- ***Program and Supporting Services***

The Foundation’s operations consist of the following programs and supporting services:

- ***Legal***

The legal program provides continuing legal education (CLE) programs which represent an opportunity for attorneys to enhance their education in legal matters related to civil rights.

- ***Afro-American, Culture, Technologies and Scientific Olympics (ACT-SO)Program***

ACT-SO program prepares, recognizes and rewards African-American youth who exemplify scholastic and artistic excellence. The NAACP local units, College Chapters and Youth Councils conduct annual competitions for students in grades 9-12 throughout the country. Participating branches hold local competitions in the categories of Science, Humanities, and Performing and Visual Arts. The top winners from the local competitions compete against winners from other cities at the national ACT-SO finals held during the NAACP’s Annual Convention.

- ***Education***

The education agenda for the Foundation is primarily the various scholarships to provide eligible students access to quality education for undergraduate and graduate level.

- ***Fundraising***

The Fundraising represents NAACP staff support assistance to the Board of Trustees in raising contributions for the NAACP and the Foundation.

- ***Management and General***

Management and general expenses include activities on the national level that are necessary to maintain and support the Foundation in a legal and financially responsible manner. This includes a prorated portion of NAACP’s 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. Revenue is recognized when earned and expenses are recorded when incurred.

- ***Basis of Presentation***

The net assets of the Foundation 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 Trustees and management and also includes donor restricted resources which become available for use by the Foundation 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 the Foundation and/or the passage of time.

- ***Cash and Cash Equivalents***

The Foundation considers funds in the bank and on hand, along with highly liquid investments purchased with a maturity of three months or less, to be cash equivalents.

- ***Investments***

Investments are reported at fair market 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 as increases or decreases in net assets without donor restrictions, unless their use is restricted by the donor.

- ***Fair Value Measurements***

The Foundation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. 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: Inputs that reflect unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable 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.

The Foundation 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.

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

- **Fixed Assets**

Property and equipment are recorded at cost or if donated, at the fair market value of the donated assets. The Foundation 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:

Computer Equipment	3-5 Years
Furniture and Equipment	5-7 Years
Software	3 Years

All fixed assets were fully depreciated as of December 31, 2020.

- **Due to NAACP Empowerment**

Represents balance of vendor transactions, net of receipts, paid by NAACP Empowerment on behalf of the Foundation at year end. The balance at December 31, 2020 due from the Foundation totaled \$2,963,808.

- **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. The Foundation reports expirations of donor stipulations when the donated or acquired assets are placed in service, by reclassifying net asset with donor restrictions to net assets without donor restrictions.

- **Revenue Recognition**

Contributions, including promises to give and sponsorships, are recorded as made. 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, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restricted.

Promises to give are carried at fair value, and are written-off when deemed uncollectible based on the Foundation's experience with the donors and their ability to pay. Sponsorships represent exchange transactions based on benefits received. The Foundation's performance obligations is satisfied and revenue is recognized upon completion of the scheduled event

- **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**

The Foundation is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as an other-than-private foundation within the meaning of Section 509(a) of the internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Financial Accounting Standards Board (FASB), Accounting Standards Codification 740, *Income Taxes* (ASC 740). ASC 740 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.

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

• ***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, 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.

• ***Comparative Information***

The amounts shown for 2019 in the accompanying financial statements are included only to provide a basis for comparison with 2020 and are not intended to present all information necessary for a fair presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation’s financial statements for the year ended December 31, 2019.

• ***Reclassifications***

Certain accounts and amounts reported in the 2019 Foundation financial statements have been reclassified to conform to the 2020 financial statement presentation. The reclassification had no effect on the change in the net assets for 2019.

NOTE 2 AFFILIATE/RELATED PARTY

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

The NAACP EPI shares common management with the Foundation. 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 Foundation, resulting in intercompany receivables and payables, as applicable.

NOTE 3 CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentration of credit risk consist principally of cash balances maintained with creditworthy financial institutions. At December 31, 2020, the Foundation had deposits with various financial institutions, which are insured up to the FDIC limit of \$250,000. A total of \$1,072,434 of uninsured balances are held in those accounts. However, the Foundation has not experienced any losses in those accounts.

NOTE 4 INVESTMENTS

As of December 31, 2020, investments stated at fair value consist of the following:

Money Market Funds	\$ 3,809,722
Mutual Funds	981,731
Total	<u>\$ 4,791,453</u>

The following schedule summarizes the Foundation’s investment return for the year ended December 31, 2020:

Net Realized and Unrealized Gains	\$ 57,725
Interest and Dividend Income	37,739
Total	<u>\$ 95,464</u>

NOTE 5 FAIR VALUE MEASUREMENTS

At December 31, 2020, the Foundation financial instruments included cash and cash equivalents, receivables and payables. The carrying amounts reported in the accompanying statement of financial position for these financial instruments approximate their fair values.

Investments in money market funds are determined by reference to quoted market prices and other relevant information generation 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, determined primarily from quoted prices in the market in which they are traded and are classified as Level 1.

Level 1 inputs were used to determine the fair values, measured on a recurring basis using the market approach, of the following investments at December 31, 2020:

Money Market Funds	\$ 3,809,722
Mutual Funds	981,731
Total	<u>\$ 4,791,453</u>

NOTE 6 PLEDGES RECEIVABLE

During 2020, one entity pledged \$50,000 payable within the next year, resulting in a balance of \$50,000 at December 31, 2020.

NOTE 7 RELATED PARTY TRANSACTIONS

The Foundation is an affiliate of NAACP, which is a separate charitable organization exempt from taxes under IRS Code 501(c)(3). The Foundation shares certain operating costs, such as utilities and building maintenance with NAACP. NAACP Empowerment, an affiliate of NAACP, provides administrative services to the Foundation, 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 the Foundation totaled approximately \$150,317.

The Foundation also had a Due to NAACP Empowerment balance of approximately \$2,963,808 relating to payment of vendor transactions on its behalf.

NOTE 8 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:

Foundation General	\$ 13,607
Scholarships	393,290
Back-to-School/Stay-in-School	75,000
Total	<u>\$ 481,897</u>

Net assets were released from donor restrictions by incurring expenses satisfying the specified purposes by the donors totaling \$616,350, for the year ended December 31, 2020.

NOTE 9 EMPLOYEE BENEFIT PLANS

The Foundation participates with the NAACP in its defined benefit and defined contribution pension plans. The participant payments and obligations for the defined benefit plan reside with NAACP Empowerment, the sponsor. The following provides a summary of the plans.

Defined Benefit Pension Plan

The NAACP Empowerment 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. The NAACP 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 consolidated 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	<u>(580,971)</u>
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	<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>

The Foundation's share of other pension liability totaled \$4,575 at December 31, 2020. Total pension liability is recorded in the consolidated financial statements of NAACP and Affiliates. NAACP Empowerment, Inc. financial statements reflect the total liability 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 reduction	\$ 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 plan to make contributions 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 and \$19,000 for 2020 and 2019, 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. Pension expense totaling \$399 related to the Foundation during 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 are allocated based on various criteria, such as time and effort and percentage of costs.

NOTE 11 LIQUIDITY AND FUNDS AVAILABLE

During 2020, the Foundation's cash inflows exceeded its cash outflows, which contributed to an additional net asset increase of approximately \$4,657,894. In addition, at December 31, 2020, its current assets exceeded its current liabilities by approximately \$3,114,377.

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

Financial assets at year end	\$6,200,136
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Donor contributions restricted to specific purposes	<u>(481,897)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$5,718,239</u></u>

Financial assets are considered unavailable when not liquid or convertible to cash within one year and contractual or donor-imposed restrictions limit their use. While the Foundation is actively seeking external sources of support and revenues and is engaged in cost cutting and restructuring initiatives, it expects continued support from NAACP Empowerment to meet obligations over the next year.

NOTE 12 CONTINGENCIES

The Foundation 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 consolidated financial position or results of operations of the organization if disposed of unfavorably.

NOTE 13 SUBSEQUENT EVENTS

NAACP Foundation 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.