

**NATIONAL CONSORTIUM FOR GRADUATE
DEGREES FOR MINORITIES IN
ENGINEERING AND SCIENCE, INC.**

FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR MINORITIES IN ENGINEERING AND SCIENCE, INC.

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YEARS ENDED JUNE 30, 2020 AND 2019

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Independent Auditors' Report

To the Board of Directors
National Consortium for Graduate Degrees for
Minorities in Engineering and Science, Inc.
Alexandria, Virginia

We have audited the accompanying financial statements of the National Consortium for Graduate Degrees for Minorities in Engineering and Science, Inc. (GEM), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, statements of functional expenses and cash flows for the years 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 the National Consortium for Graduate Degrees for Minorities in Engineering and Science, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
National Consortium for Graduate Degrees for
Minorities in Engineering and Science, Inc.
Alexandria, Virginia

Emphasis of Matter

As discussed in Note M, the spread of the COVID-19 coronavirus is affecting the United States and global economies and may have an impact on National Consortium for Graduate Degrees for Minorities in Engineering and Science, Inc.'s operational and financial performance. At this point, National Consortium for Graduate Degrees for Minorities in Engineering and Science, Inc.'s cannot reasonably estimate the impact on its operations or financial results. Our opinion is not modified with respect to this matter.

Maillie LLP

Limerick, Pennsylvania
January 18, 2022

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
MINORITIES IN ENGINEERING AND SCIENCE, INC.**

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	\$ 2,468,944	\$ 1,438,188
Membership fees and other receivables	1,157,250	851,005
Prepaid expenses	-	27,139
TOTAL CURRENT ASSETS	<u>3,626,194</u>	<u>2,316,332</u>
INVESTMENTS	5,994,851	4,770,647
PROPERTY AND EQUIPMENT, net	<u>682,812</u>	<u>710,035</u>
TOTAL ASSETS	<u>\$ 10,303,857</u>	<u>\$ 7,797,014</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts and fellowships payable	\$ 1,101,448	\$ 877,425
Future event donations	1,000	1,000
Unearned membership fees	5,000	-
Deferred sponsorship and conference revenue	257,750	193,800
Deferred grant revenue	1,363,303	-
Current portion of long-term debt	50,319	48,229
TOTAL CURRENT LIABILITIES	<u>2,778,820</u>	<u>1,120,454</u>
LONG-TERM DEBT	<u>189,043</u>	<u>238,969</u>
NET ASSETS (DEFICIT)		
Unrestricted		
Without donor restrictions	(174,822)	178,646
Board-designated	1,349,259	1,321,591
Funds functioning as endowment	6,161,557	4,937,354
TOTAL NET ASSETS	<u>7,335,994</u>	<u>6,437,591</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,303,857</u>	<u>\$ 7,797,014</u>

See accompanying notes.

NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR MINORITIES IN ENGINEERING AND SCIENCE, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2020

	Unrestricted			Totals
	Without Donor Restrictions	Board-Designated		
		Designated Fellowships	Funds Functioning as Endowment	
REVENUE				
Contributions for fellowship sponsorships	\$ 4,612,500	\$ -	\$ -	\$ 4,612,500
Events/conferences	431,763	-	-	431,763
Grant revenues	213,070	-	-	213,070
Investment income	145	-	241,415	241,560
Membership fees	489,800	-	-	489,800
Alumni giving	9,435	-	-	9,435
Other revenue and donations	199,647	-	-	199,647
TOTAL REVENUE	5,956,360	-	241,415	6,197,775
AWARDED FELLOWSHIPS, net	(4,612,500)	4,612,500	-	-
EXPENSES				
Bank service fees	8,513	-	-	8,513
Consulting fees	25,723	-	-	25,723
Depreciation	27,223	-	-	27,223
Events/conferences	352,702	-	-	352,702
Fellowship expenses	-	3,584,832	-	3,584,832
Insurance	8,401	-	-	8,401
Interest expense	6,632	-	-	6,632
Investment fees	-	-	17,212	17,212
Miscellaneous	23,224	-	-	23,224
Other benefits	205,176	-	-	205,176
Postage	3,970	-	-	3,970
Printing	3,983	-	-	3,983
Professional fees	113,958	-	-	113,958
Real estate taxes	5,026	-	-	5,026
Repairs and maintenance	24,699	-	-	24,699
Salaries and wages	854,418	-	-	854,418
Supplies	9,433	-	-	9,433
Travel	8,478	-	-	8,478
Utilities	15,769	-	-	15,769
TOTAL EXPENSES	1,697,328	3,584,832	17,212	5,299,372
CHANGE IN NET ASSETS	(353,468)	1,027,668	224,203	898,403
NET ASSETS AT BEGINNING OF YEAR				
Board designation of funds functioning as endowment	178,646	1,321,591	4,937,354	6,437,591
	-	(1,000,000)	1,000,000	-
NET ASSETS AT END OF YEAR	\$ (174,822)	\$ 1,349,259	\$ 6,161,557	\$ 7,335,994

See accompanying notes.

NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR MINORITIES IN ENGINEERING AND SCIENCE, INC.

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

	Unrestricted			Totals
	Without Donor Restrictions	Board-Designated		
		Designated Fellowships	Funds Functioning as Endowment	
REVENUE				
Contributions for fellowship sponsorships	\$ 3,937,500	\$ -	\$ -	\$ 3,937,500
Events/conferences	347,185	-	-	347,185
Grant revenues	45,549	-	-	45,549
Investment income	186	-	283,788	283,974
Membership fees	450,675	-	-	450,675
Alumni giving	12,055	-	-	12,055
Other revenue and donations	90,546	-	-	90,546
TOTAL REVENUE	4,883,696	-	283,788	5,167,484
 AWARDED FELLOWSHIPS, net	(2,960,000)	2,960,000	-	-
 EXPENSES				
Advertising	450	-	-	450
Bank service fees	9,158	-	-	9,158
Consulting fees	9,383	-	-	9,383
Depreciation	29,288	-	-	29,288
Events/conferences	233,588	-	-	233,588
Fellowship expenses	-	2,536,663	-	2,536,663
Insurance	8,401	-	-	8,401
Interest expense	13,457	-	-	13,457
Investment fees	-	-	15,153	15,153
Miscellaneous	41,909	-	-	41,909
Other benefits	188,243	-	-	188,243
Postage	2,588	-	-	2,588
Printing	5,328	-	-	5,328
Professional fees	265,887	-	-	265,887
Real estate taxes	10,052	-	-	10,052
Repairs and maintenance	27,007	-	-	27,007
Salaries and wages	708,324	-	-	708,324
Supplies	6,375	-	-	6,375
Travel	78,576	-	-	78,576
Utilities	17,761	-	-	17,761
TOTAL EXPENSES	1,655,775	2,536,663	15,153	4,207,591
CHANGE IN NET ASSETS	267,921	423,337	268,635	959,893
 NET ASSETS AT BEGINNING OF YEAR	590,725	898,254	3,988,719	5,477,698
Board designation of funds functioning as endowment	(680,000)	-	680,000	-
NET ASSETS AT END OF YEAR	\$ 178,646	\$ 1,321,591	\$ 4,937,354	\$ 6,437,591

See accompanying notes.

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
MINORITIES IN ENGINEERING AND SCIENCE, INC.**

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services			Supporting Services			Total Program and Supporting Services
	Fellowships	Program Activities	Totals	Management and General	Fund- Raising	Totals	
FUNCTIONAL EXPENSES							
Bank service fees	\$ -	\$ -	\$ -	\$ 8,513	\$ -	\$ 8,513	\$ 8,513
Consulting fees	-	20,000	20,000	5,723	-	5,723	25,723
Depreciation	-	12,359	12,359	8,657	6,207	14,864	27,223
Events/conferences	-	346,567	346,567	6,135	-	6,135	352,702
Fellowship expenses	3,584,832	-	3,584,832	-	-	-	3,584,832
Insurance	-	3,814	3,814	2,672	1,915	4,587	8,401
Interest expense	-	3,011	3,011	2,109	1,512	3,621	6,632
Investment fees	-	-	-	17,212	-	17,212	17,212
Miscellaneous	-	906	906	13,379	8,939	22,318	23,224
Other benefits	-	104,024	104,024	57,244	43,908	101,152	205,176
Postage	-	-	-	3,970	-	3,970	3,970
Printing	-	-	-	3,983	-	3,983	3,983
Professional fees	-	28,080	28,080	77,093	8,785	85,878	113,958
Real estate taxes	-	2,282	2,282	1,598	1,146	2,744	5,026
Repairs and maintenance	-	8,237	8,237	12,325	4,137	16,462	24,699
Salaries and wages	-	433,190	433,190	238,297	182,931	421,228	854,418
Supplies	-	-	-	9,433	-	9,433	9,433
Travel	-	8,478	8,478	-	-	-	8,478
Utilities	-	7,159	7,159	5,015	3,595	8,610	15,769
TOTAL FUNCTIONAL EXPENSES	\$ 3,584,832	\$ 978,107	\$ 4,562,939	\$ 473,358	\$ 263,075	\$ 736,433	\$ 5,299,372

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See accompanying notes.

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
MINORITIES IN ENGINEERING AND SCIENCE, INC.**

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services			Supporting Services			Total Program and Supporting Services
	Fellowships	Program Activities	Totals	Management and General	Fund- Raising	Totals	
FUNCTIONAL EXPENSES							
Advertising	\$ -	\$ 450	\$ 450	\$ -	\$ -	\$ -	\$ 450
Bank service fees	-	-	-	9,158	-	9,158	9,158
Consulting fees	-	5,419	5,419	3,964	-	3,964	9,383
Depreciation	-	13,297	13,297	9,314	6,678	15,992	29,289
Events/conferences	-	223,743	223,743	9,845	-	9,845	233,588
Fellowship expenses	2,536,663	-	2,536,663	-	-	-	2,536,663
Insurance	-	3,814	3,814	2,672	1,915	4,587	8,401
Interest expense	-	6,109	6,109	4,279	3,069	7,348	13,457
Investment fees	-	-	-	15,153	-	15,153	15,153
Miscellaneous	-	1,406	1,406	10,448	30,055	40,503	41,909
Other benefits	-	95,439	95,439	52,520	40,284	92,804	188,243
Postage	-	-	-	2,588	-	2,588	2,588
Printing	-	-	-	5,328	-	5,328	5,328
Professional fees	-	33,377	33,377	211,510	21,000	232,510	265,887
Real estate taxes	-	4,564	4,564	3,197	2,291	5,488	10,052
Repairs and maintenance	-	12,261	12,261	8,588	6,158	14,746	27,007
Salaries and wages	-	359,819	359,819	197,227	151,278	348,505	708,324
Supplies	-	-	-	6,375	-	6,375	6,375
Travel	-	78,576	78,576	-	-	-	78,576
Utilities	-	8,062	8,062	5,648	4,050	9,698	17,760
TOTAL FUNCTIONAL EXPENSES	\$ 2,536,663	\$ 846,336	\$ 3,382,999	\$ 557,814	\$ 266,778	\$ 824,592	\$ 4,207,591

See accompanying notes.

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
MINORITIES IN ENGINEERING AND SCIENCE, INC.**

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 898,403	\$ 959,893
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	27,223	29,288
Unrealized gain on investments	(102,621)	(166,692)
(Increase) decrease in		
Membership fees and other receivables	(306,245)	270,656
Prepaid expenses	27,139	(27,139)
Increase (decrease) in		
Accounts and fellowships payable payable	224,023	442,881
Unearned membership fees	5,000	(12,500)
Deferred sponsorship and conference revenue	63,950	(179,750)
Deferred grant revenue	1,363,303	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,200,175</u>	<u>1,316,637</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	1,017,212	695,153
Purchase of investments	<u>(2,138,795)</u>	<u>(1,477,096)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,121,583)</u>	<u>(781,943)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	<u>(47,836)</u>	<u>(45,958)</u>
NET INCREASE IN CASH AND TEMPORARY CASH INVESTMENTS	1,030,756	488,736
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR	<u>1,438,188</u>	<u>949,452</u>
CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR	<u>\$ 2,468,944</u>	<u>\$ 1,438,188</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	\$ 6,632	\$ 13,457

See accompanying notes.

NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR MINORITIES IN ENGINEERING AND SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE A - ORGANIZATION

The National Consortium for Graduate Degrees for Minorities in Engineering and Science, Inc. (GEM) is a separately incorporated not-for-profit organization whose purpose is to provide aid and support to minority students pursuing graduate degrees in the field of engineering and science. Revenue consists of corporate contributions and membership fees from corporate and university members.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the accounting policies adopted by GEM, which have a significant effect on the financial statements.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses when incurred.

Financial Statement Presentation

The financial statements of GEM have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require GEM to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of GEM. These net assets may be used at the discretion of GEM's management and the board of directors.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of GEM or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increased in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is received and recognized.

NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR MINORITIES IN ENGINEERING AND SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Temporary Cash Investments

Resources invested in money market funds and short-term investments with maturities of three months or less at date of purchase are classified as temporary cash investments.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2020 and 2019, there was no valuation allowance.

Investments

Investments in marketable securities with readily determinable fair value are reported at their fair values in the statements of financial position. Unrealized gains (losses) are included in the change in net assets.

Contributions

In accordance with FASB ASC 958-605, unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions. GEM did not have any conditional contributions for the years ended June 30, 2020 and 2019.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The general capitalization policy is that all equipment and other fixed assets costing in excess of \$1,000 will be recorded as an asset.

NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR MINORITIES IN ENGINEERING AND SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Status

GEM 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 on related income pursuant to Section 501(a) of the Internal Revenue Code.

GEM takes the position that it has no net income derived from unrelated business activities and believes it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Functional Allocation of Expenses

The cost of providing program services and other activities has been summarized on a functional basis in the statements of activities. Directly identifiable expenses are charged to programs and supporting services. Costs that constitute an appeal for financial support are charged to fundraising expenses. Expenses related to more than one function are charged to programs and supporting services based on estimates of time/expense incurred in each area. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide the overall support and direction of GEM. Such costs are expensed as incurred. These expenses are allocated based on a pro-rata share of the total payroll charged to each function.

Membership Fees

Membership fees, which are billed in advance, are recognized as revenue when earned. Unearned fee revenue represents membership fees billed for periods extending beyond year-end.

Awarded Fellowships, Net

As GEM fellowships are awarded, the amounts associated with each award are transferred to Board-designated net assets. These amounts are net of fellowship offers declined and amounts related to students who have withdrawn from a GEM fellowship program or who have graduated without expending the full designated amounts.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
MINORITIES IN ENGINEERING AND SCIENCE, INC.**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the 2019 financial statement presentation to correspond to the current year's format.

Date of Management's Review

Management has evaluated subsequent events through January 18, 2022, the date which the financial statements were available to be issued.

NOTE C - FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

Financial Instruments

The carrying values of GEM's financial instruments approximate their estimated fair values. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- ***Cash and Temporary Cash Investments*** - The carrying amount approximates fair value due to the short-term maturity of these instruments.
- ***Marketable Securities and Investments*** - The fair value of marketable securities and investments held for investment purposes is based on quoted market prices.

Concentrations of Credit Risk

Financial instruments which potentially subject GEM to concentrations of credit risk consist principally of cash and accounts receivable. GEM places its cash with high credit quality institutions. At times, such amounts may be in excess of the FDIC insurance limits.

Concentrations of credit risk with respect to trade accounts receivable are generally diversified due to the large number of individuals comprising GEM's customer base.

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
MINORITIES IN ENGINEERING AND SCIENCE, INC.**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE D - INVESTMENTS

Investments are carried at market. The following summarizes the relationship between cost and carrying values at market value at June 30, 2020 and 2019, and the related investment income included in the statements of activities.

	2020		2019	
	Cost	Market	Cost	Market
Mutual funds				
Equity	\$ 2,581,484	\$ 3,435,500	\$ 1,978,366	\$ 2,815,818
Fixed income	<u>2,422,992</u>	<u>2,559,351</u>	<u>1,904,528</u>	<u>1,954,829</u>
	<u>\$ 5,004,476</u>	<u>\$ 5,994,851</u>	<u>\$ 3,882,894</u>	<u>\$ 4,770,647</u>

The composition of investment return consists of:

	2020	2019
Interest income, cash and cash equivalents	\$ 145	\$ 186
Investment portfolio income	138,805	117,470
Realized loss	(11)	(374)
Unrealized gain	<u>102,621</u>	<u>166,692</u>
	<u>\$ 241,560</u>	<u>\$ 283,974</u>

It is GEM's intent to hold investments for long-term purposes.

NOTE E - FAIR VALUE MEASUREMENTS

FASB ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

Level 1 inputs are unadjusted quoted prices for identical assets or liabilities in active markets that GEM has the ability to access. *Level 2* inputs are other than quoted market prices that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. *Level 3* inputs are unobservable inputs based on GEM's assumptions used to measure assets and liabilities at fair value. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
MINORITIES IN ENGINEERING AND SCIENCE, INC.**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE E - FAIR VALUE MEASUREMENTS (Continued)

The assets of GEM for which fair values are determined on a recurring basis are summarized as follows:

	Level 1	
	<u>2020</u>	<u>2019</u>
MUTUAL FUNDS		
International equity	\$ 1,334,298	\$ 1,074,264
Domestic equity	2,101,202	1,741,554
Short term fixed income	522,187	273,152
Intermediate term fixed income	378,024	399,786
International bond	908,471	591,453
Domestic bond	<u>750,669</u>	<u>690,438</u>
	<u>\$ 5,994,851</u>	<u>\$ 4,770,647</u>

Mutual funds are valued at quoted market prices, which represent the fair values of shares held by GEM at year end.

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Fixtures and equipment	\$ 101,402	\$ 101,402
Website	172,199	172,199
Phone and security system equipment	19,143	19,143
Buildings	<u>950,983</u>	<u>950,983</u>
	1,243,727	1,243,727
Accumulated depreciation	<u>(560,915)</u>	<u>(533,692)</u>
	<u>\$ 682,812</u>	<u>\$ 710,035</u>

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
MINORITIES IN ENGINEERING AND SCIENCE, INC.**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE G - LONG-TERM DEBT

Long-term debt is as follows:

	<u>2020</u>	<u>2019</u>
Mortgage payable, interest at 4.25%, monthly payments of \$4,952, payable to maturity in November 2024, secured by building	\$ 239,362	\$ 287,198
Current portion	<u>(50,319)</u>	<u>(48,229)</u>
	<u>\$ 189,043</u>	<u>\$ 238,969</u>

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 50,319
2022	52,500
2023	54,775
2024	57,149
2025	<u>24,619</u>
	<u>\$ 239,362</u>

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS

The board has committed to the following fellowships:

	<u>2020</u>	<u>2019</u>
GEM FELLOWSHIPS		
M.S. Engineering Fellowship Program	\$ 3,487,500	\$ 1,680,000
Ph.D. Engineering & Science Fellowship Programs	<u>3,487,500</u>	<u>1,680,000</u>
	<u>\$ 6,975,000</u>	<u>\$ 3,360,000</u>

Net assets of \$535,816 and \$2,898,945 respectively are designated for operations and fellowship expenses by the board for the years ended June 30, 2020 and 2019.

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
MINORITIES IN ENGINEERING AND SCIENCE, INC.**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE H - NETS ASSETS WITHOUT DONOR RESTRICTIONS (Continued)

Endowment

GEM classifies as endowment net assets (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment and (3) enhancements or diminishments of the fund from investment income, loss and spending allowance.

Return Objectives and Risk Parameters

GEM has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, GEM relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). GEM's current assets allocation for endowment funds is structured to achieve the appropriate level of investment return.

Spending Policy and How the Investment Objectives Relate to Spending Policy

As of June 30, 2020, GEM's net asset endowment is invested in a diversified portfolio of mutual funds and fixed income mutual funds. GEM intends to use endowment net assets to support operations in accordance with donor stipulations. Each year, the investment committee recommends expenditures based on portfolio growth and earnings. Half of the portfolio earnings, up to 3% of the portfolio value, may be distributed to the general operating accounts of GEM. Endowment expenditures totaled \$680,000 for the year ended June 30, 2019.

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE H - NET ASSETS WITHOUT DONOR RESTRICTIONS (Continued)

Endowment net assets consist of the following:

	<u>2020</u>	<u>2019</u>
BEGINNING BALANCE	\$ 4,937,354	\$ 3,988,719
Contributions		
Investment gain	241,415	283,788
Investment expenses	(17,212)	(15,153)
Transfer from fellowships	1,000,000	-
Transfer from operating	<u>-</u>	<u>680,000</u>
ENDING BALANCE	<u>\$ 6,161,557</u>	<u>\$ 4,937,354</u>

Endowment net assets are designated for the following purposes as of June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Operations	<u>\$ 6,161,557</u>	<u>\$ 4,937,354</u>

NOTE I - PROGRAM INFORMATION

GEM presently operates the following programs:

- ***GEM M.S. Engineering Fellowship Program*** - The objective of the master's program is to increase the pool of minority M.S. engineering graduates. Each participant is afforded a summer internship experience and a portable academic fellowship of tuition, fees and stipend. Fellows are supported for three semesters or four quarters.
- ***GEM Ph.D. Engineering Fellowship Program*** - This program's objective is to offer post-master's fellowships to under-represented minority students. Fellowships may be used at any participating GEM member university. Tuition, fees and an academic year stipend are provided, and the students are afforded a summer internship experience before the start of the first academic year under the program. Fellows may also be required to accept a research or teaching assistantship.
- ***GEM Ph.D. Science Fellowship Program*** - The goal of this program is to increase the number of minority students pursuing doctoral degrees in the natural, physical and life sciences (chemistry, physics, mathematics and computer science, as well as the earth, biological and pharmaceutical sciences). Fellowships are portable to any participating GEM member university and include a stipend, tuition and fees, along with an opportunity for a summer internship experience before the start of the first academic year under the program. Fellows may be required to accept a research or teaching assistantship.

**NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR
MINORITIES IN ENGINEERING AND SCIENCE, INC.**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE I - PROGRAM INFORMATION (Continued)

For the years ended June 30, 2020 and 2019, a GEM employer or university member pays a non-refundable annual membership fee of \$2,500 or \$5,000, respectively, to belong to the National GEM Consortium.

The membership fees and additional contributions are recorded as revenue for the purpose of funding GEM programs and extensions.

NOTE J - FUNCTIONAL CLASSIFICATION OF EXPENSES

The functional classification of expenses is as follows:

	<u>2020</u>	<u>2019</u>
PROGRAM EXPENSES		
Fellowships	\$ 3,584,832	\$ 2,536,663
Program activities	978,107	846,336
FUND-RAISING	263,075	266,778
GENERAL AND ADMINISTRATIVE	<u>473,358</u>	<u>557,814</u>
	<u>\$ 5,299,372</u>	<u>\$ 4,207,591</u>

NOTE K - 401(k) PLAN

GEM has a defined contribution plan (i.e., Section 401(k) under the Internal Revenue Code). GEM contributions are discretionary and determined annually by management. The plan also allows employee contributions through salary reduction. GEM's contributions for the years ended June 30, 2020 and 2019, were \$15,322 and \$12,440, respectively.

NATIONAL CONSORTIUM FOR GRADUATE DEGREES FOR MINORITIES IN ENGINEERING AND SCIENCE, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

NOTE L - LIQUIDITY

As part of the National Consortium for Graduate Degrees for Minorities' liquidity management, GEM's strategy is to structure financial assets to be available to satisfy cash needs for general expenditures and current liabilities with a goal to meet at least 30 days of normal operating expenses, which are on average \$11,400 per day. GEM's financial assets available to meet cash needs for general expenditure include:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,468,944	\$ 1,438,188
Membership fees and other receivables	<u>1,157,250</u>	<u>851,005</u>
	<u>\$ 3,626,194</u>	<u>\$ 2,289,193</u>

In addition, GEM has investments which may be drawn upon in the event of immediate liquidity need resulting from events outside the typical life cycle of converting financial assets or settling financial liabilities.

NOTE M - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") outbreak a pandemic which has impacted the global economy. Although no significant financial impact has occurred thus far, the COVID-19 pandemic is still on-going and the duration and extent of the related financial impact on the Company's financial position, operations and cash flows is uncertain and cannot be reasonably estimated at this time.