

THE National DIVERSITY COUNCIL
(A NONPROFIT ORGANIZATION)

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

John F. Coggin, CPA PLLC
Certified Public Accountant

THE National DIVERSITY COUNCIL
(A NONPROFIT ORGANIZATION)

Table of Contents

	Pages
INDEPENDENT AUDITOR'S REPORT	1
Statement of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6

*John F. Coggin, CPA PLLC
1200 Smith St Ste 1600
Houston, Tx. 77002*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
National Diversity Council

We have audited the accompanying financial statements of National Diversity Council (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Diversity Council as of December 31, 2015 and 2014, 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.

DRAFT
John F. Coggin, CPA PLLC
Houston, Tx.
November 9, 2016

The National Diversity Council
Statement of Financial Position
December 31, 2015 and 2014

	2015	2014
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash - Unrestricted	\$ 151,477	\$ 78,412
Receivables - Net of Allowance for Doubtful Accounts	126,294	11,000
Total Current Assets	277,771	89,412
<u>Other Assets</u>		
Receivable - Ingirls	\$ 9,149	\$ 14,149
Receivable - Other	69	-
Total Fixed Assets	9,218	14,149
TOTAL ASSETS	\$ 286,989	\$ 103,561
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 22,100	\$ 10,804
Loan Payable - Texas Diversity Council	\$ 70,837	\$ 90,678
Loan Payable - Director	\$ -	\$ 6,202
Loan Payable - Diversity and Leadership, Inc.	\$ 162,019	\$ 208,598
Total Current Liabilities	254,956	316,282
TOTAL LIABILITIES	254,956	316,282
<u>Net Assets</u>		
Unrestricted Net Assets	32,033	(212,721)
TOTAL NET ASSETS	32,033	(212,721)
TOTAL LIABILITIES AND NET ASSETS	\$ 286,989	\$ 103,561

The accompanying notes are an integral part of these financial statements

The National Diversity Council
Statement of Activities
For The Year End December 31, 2015 and 2014

	2015 Unrestricted Fund	2014 Unrestricted Fund
Revenue and Other Support		
Events and Programs	308,771	296,151
Grants	213,000	-
In Kind Donation	-	25,000
Dues and Memberships	949,598	457,321
Consulting, Certification and Other Revenue	128,419	-
Interest Income	19	-
Total Revenue and Other Support	<u>1,599,807</u>	<u>778,472</u>
Expenses		
Events and Programs	389,697	318,029
Management and General	576,094	501,586
Financial Development	389,262	220,570
Total Expenses	<u>1,355,053</u>	<u>1,040,185</u>
Increase (Decrease) in Unrestricted Net Assets	244,754	(261,713)
Net Assets Beginning of Year	(212,721)	73,992
Prior Period Adjustment	-	(25,000)
Net Assets (Deficit), End of Year	<u>\$ 32,033</u>	<u>\$ (212,721)</u>

The accompanying notes are an integral part of these financial statements

The National Diversity Council
Statement of Functional Expenses
For The Year End December 31, 2015 and 2014

	2015		2015		2015		2014		2014		2014 Total
	Events/Program Services	Management and General	Financial Development	Events/Program Services	Management and General	Financial Development	Events/Program Services	Management and General	Financial Development		
Salaries and Wages	193,130	60,326	250,051	503,507	48,455	200,846	155,126	48,455	200,846	404,427	
Payroll Taxes	15,063	4,705	19,503	39,271	10,360	11,340	7,874	10,360	11,340	29,574	
Contract Labor	40,580	290,770	70,620	401,970	280,710		11,706	280,710		292,416	
Advertising	4,635	1,448	6,001	12,084			83			83	
Bank and Card Service Charges		16,675	-	16,675				11,202		11,202	
Bad Debts		9,566	-	9,566				6,581		6,581	
Contributions	2,000		-	2,000			250			250	
In Kind Donations			-	-			25,000			25,000	
Dues and Subscriptions		2,146	-	2,146				4,236		4,236	
Event Expenses	101,009		-	101,009			112,168			112,168	
Insurance - Health	11,142	3,480	14,426	29,048			5,822	17,002	8,384	31,208	
Interest								2,891		2,891	
Meals and Entertainment		14,204		14,204				9,736		9,736	
Miscellaneous		1,791		1,791				311		311	
Office Supplies And Administration		17,074		17,074				10,632		10,632	
Parking Tolls		1,640		1,640				1,915		1,915	
Postage & Delivery		2,080		2,080				1,007		1,007	
Professional Fees		26,009		26,009				11,104		11,104	
Rent	21,193	6,620	27,438	55,251				8,268		8,268	
Staff Development	945	295	1,223	2,463						-	
Telephone and Technology		9,969		9,969				8,301		8,301	
Travel and Meetings		93,567		93,567				43,633		43,633	
Website and Internet Expenses		13,729		13,729				25,242		25,242	
Total Functional Expenses	\$ 389,697	\$ 576,094	\$ 389,262	\$ 1,355,053	\$ 501,586	\$ 220,570	\$ 318,029	\$ 501,586	\$ 220,570	\$ 1,040,185	

The accompanying notes are an integral part of these financial statements

The National Diversity Council
Statement of Cash Flows
For The Year End December 31, 2015 and 2014

	Totals 2015	Totals 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	244,754	(261,713)
Adjustments to reconcile change in net assets		
Decrease (Increase) in receivables	(115,294)	197,824
Decrease (Increase) in other assets	4,931	(9,477)
(Decrease) Increase in accounts payable	11,298	(1,521)
(Decrease) Increase in Loan from Director	(6,203)	(4,501)
(Decrease) Increase in payable to Texas Diversity Council	(19,842)	90,678
(Decrease) Increase in payable to Diversity and Leadership, Inc.	(46,579)	68,758
NET CASH PROVIDED BY (Used In) Operating Activities	73,065	80,048
CASH FLOWS FROM INVESTING		
	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Prior Period Adjustment	-	(25,000)
NET INCREASE (DECREASE) IN CASH	73,065	55,048
Cash, Beginning of Year	78,412	23,364
Cash, End of Year	151,477	78,412
Additional Disclosures:		
Interest Paid	-	2,891
Federal Income Tax Paid	-	-

The accompanying notes are an integral part of these financial statements

The National Diversity Council
Notes to Financial Statements
For The Year End December 31, 2015 and 2014

1. **NATURE OF ORGANIZATION**

The National Diversity Council ("Council") was incorporated in the State of Texas on August 31, 2007, under the National Non-Profit Corporation Act.

The Council's primary purpose is to engage in fostering a learning environment for the business community to grow in their knowledge of diversity. The Council currently has Councils located in 26 States. These councils serve the localities as both a resource and an advocate for the value of diversity.

The council promotes networking and mentoring opportunities, scholarship programs and events to raise the awareness of diversity in the workplace.

The Council is operated by personnel and utilizes facilities shared with the Texas Diversity Council.

2. **DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through November 9, 2016 the date that the financial statements were available to be issued.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

METHOD OF ACCOUNTING

Revenue and Support are recorded based on the accrual method.

BASIS OF PRESENTATION

The Council presents its financial statements under FASB Accounting Standards Codification 958, Not-for-Profit Entities (FASB ASC 958). Under FASB ASC 958, the Council is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met by actions of the Council and/or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently on behalf of the Council. Generally, the donors of these assets permit the Council to use all or part of the investment return on these assets. The Council had no permanently restricted net assets at December 31, 2015 or 2014.

See Independent Auditors Report

The National Diversity Council
Notes to Financial Statements
For The Year End December 31, 2015 and 2014

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

REVENUE RECOGNITION

Grants and other contributions of cash and other assets are recognized when the donor makes a promise to give to the Council that is in substance, unconditional. Contributions are reported as temporarily restricted revenues if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires (when a donor stipulation is met by actions of the Council and/or the passage of time), the amounts are reported as net assets released from restrictions and reclassified to unrestricted net assets. If the restriction is satisfied in the same period the contribution is originally received, the contribution is reported as unrestricted.

DONATED ASSETS AND SERVICES

The Council shares the use of office space, utilities and various office equipment and expenses with the Texas Diversity Council. No amounts have been recognized for these donated services in the statements of activities.

The Council also receives donated services from the Texas Diversity Council personnel for trustee and administrative functions. No amounts have been recognized for these donated services in the statements of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

CASH AND CASH EQUIVALENTS

The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

SOURCES OF REVENUE

The sources of revenue for the Council consist of Board of Directors Memberships, Funds received for events and Advisory Board Membership sources.

See Independent Auditors Report

The National Diversity Council
Notes to Financial Statements
For The Year End December 31, 2015 and 2014

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

OTHER ASSETS

Receivables from the Texas Diversity Council for shared expenses are reflected as well as prepaid rent for facilities shared with Texas Diversity Council

Maintenance and repairs are expenses as incurred. Expenditures for major improvements that extend the useful lives of property or equipment are capitalized.

INCOME TAX

The Council is tax exempt under Section 501 (c)(3) of the Internal Revenue Code and accordingly, is not subject to federal income tax. However, the Council is subject to taxes on unrelated business income. The Council had no unrelated business income during 2015 other than interest income. The Council is required to file annual information returns with the Internal Revenue Service. The Federal IRS filed returns remain open to potential examination by the Internal Revenue Service for a period of three years after the returns are filed. Current open years are December 31, 2012, December 31, 2013, December 31, 2014 and December 31, 2015.

CONCENTRATIONS

There are no concentrations of deposits or commitments that exceed 5% of total receipts.

FUNCTIONAL EXPENSES

Expenses are charged directly to program or general and administrative categories based on specific identification. Indirect expenses have been allocated based on hours worked, square footage or other similar allocation methods.

See Independent Auditors Report

The National Diversity Council
Notes to Financial Statements
For The Year End December 31, 2015 and 2014

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

FUNDRAISING EXPENSES

Fundraising expenses mainly consist of time incurred soliciting grants and memberships. These services are provided free of charge by employees of the National Diversity Council. No amounts have been recognized for these services in the statements of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

4 **RECEIVABLES**

Receivables are carried at the value agreed to by the donor and the Council. All amounts are reflected net of those amounts doubtful to be collected. Various conditions result in the doubtful account amount including change in previous staff of donor and/or approval for membership.

5 **TEMPORARILY RESTRICTED NET ASSETS**

The Council had no temporarily restricted net assets as of December 31, 2015 or 2014.

6 **RECEIVABLES**

The accounts receivable as of December 31, 2014 and 2013 were due from memberships and program events. The components are:

	2015	2014
Receivables - Gross	\$ 135,860	\$ 54,781
Allowance for Doubtful Accounts	<u>(9,566)</u>	<u>(43,781)</u>
Total	<u>126,294</u>	<u>11,000</u>

7 **COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES**

The Council's activities are subject to review by Federal, State and Local taxing authorities. Thus far the Council has not received notification of any pending reviews to be carried out in the near future. At December 31, 2015 and 2014 the tax years remain subject to examination by taxing authorities begin with the 2011 tax year. In evaluating the Council's review and status of tax provisions and accruals, the Council believes that its estimates are appropriate based on current facts and circumstances.

It is at least reasonably possible that a change in estimates reflected in the financial statements will occur in the near term. The estimates are material as related to the financial condition of the Association.

See Independent Auditors Report

The National Diversity Council
Notes to Financial Statements
For The Year End December 31, 2015 and 2014

8 **ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Losses on receivables are recognized when it is more likely than not that the receivables will not be totally collected. An allowance for estimated uncollectible amounts has been recognized to reduce the amount of receivables to their net realizable value. The allowance for uncollectible amounts is a management estimate. Analytic procedures has been performed to ensure that the allowance is reasonable in relation to total billed accounts receivable balances, past due accounts receivable balances and historical bad debt experience.

9 **CONDITIONAL PROMISES TO GIVE**

The Council may receive grant monies administered by various foundations and endowments. Grant monies are to be used for specific purposes as set out in the agreement agreed to by the Council. Funds are disbursed periodically during the grant period and are contingent upon approval of proposed budget amounts and other conditions specified in the agreements.

The Foundation and Endowment retains the right to terminate funding if monies are not available at a future date. The Foundation and Endowment also retain the right to terminate funding and obtain a refund of previous grant awards in the event it determines provisions of grant agreements have been violated.

10 **RELATED PARTY TRANSACTIONS**

The National Diversity Council shares building space and expenses as well as management and staffing with the Texas Diversity Council and the Diversity Leadership Council, Inc. Officers of the National Diversity Council, the Diversity Leadership Council and the Texas Diversity Council are common to both organizations. Numerous deposits and disbursements by each organization is reimbursed or disbursed to the related organization based on payroll allocation, rental space and revenue received. Also, certain officers of National Diversity Council are paid employees of Texas Diversity Council.

Accordingly, there are related party transactions between the entities controlled by management and the Board.

In addition there are receivables and payables between the entities and management.

Related party loans are as follows:

	2015	2014
Loan Payable - Director	-	6,202
Payable - Texas Diversity Council	70,837	90,678
Payable - Diversity and Leadership Council	162,019	208,598

In addition In-Kind Donations are shared between the organizations. During 2015 In-Kind Travel Donations totaled \$5,000.00

See Independent Auditors Report

The National Diversity Council
Notes to Financial Statements
For The Year End December 31, 2015 and 2014

11 **LEASES**

For eight months the Council paid monthly rent of \$689 plus allocations to a landlord, shared between related parties. This monthly amount was a verbal agreement with no signed commitment. The lease of \$689 was a three way split of expenses and was paid by the Council, the Diversity & Leadership Council and the Texas Diversity Council. As of September 1, 2015 the Council entered into a new lease as follows:

Term	60 Months
Start Date	September 1, 2015
Monthly 2015	11,309.75 Base Rent
Shared Offset	-0-
Paid during 2015	45,239.00
Future Lease Payments:	
2016	135,717
2017	138,098
2018	140,479
2019	142,860
2020	96,824

12 **IN KIND DONATION**

The in kind donation is from a Board member who receives member benefits and board membership in exchange for airline tickets used by the Council.

13 **LOAN PAYABLE - DIVERSITY AND LEADERSHIP, INC.**

The Council shares management with Texas Diversity Council and Diversity and Leadership, Inc. The loans from Diversity and Leadership, Inc. are non interest bearing and have no payment schedule or amortization. The loans were established in lieu of bank loans to assist in operating needs.

14 **PRIOR PERIOD ADJUSTMENT**

The adjustment to net assets was an allocation of salary expenses relating to prior years. The adjustment was as a result of a relationship with a related party, National Diversity Council.

See Independent Auditors Report