

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

FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017



Certified Public Accountants and Business Consultants

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

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YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 and 2017, and the related statements of activities 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, 2018 and 2017, 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.

Emphasis of a Matter

As discussed in Note L to the financial statements, the June 30, 2017 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Maillie LLP

Oaks, Pennsylvania
May 9, 2019

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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS		
Cash and temporary cash investments	\$ 949,452	\$ 856,113
Membership fees and other receivables	134,000	360,562
Prepaid expenses	-	15,815
TOTAL CURRENT ASSETS	<u>1,083,452</u>	<u>1,232,490</u>
INVESTMENTS	3,822,012	3,694,142
PROPERTY AND EQUIPMENT, net	<u>739,323</u>	<u>763,696</u>
TOTAL ASSETS	<u>\$ 5,644,787</u>	<u>\$ 5,690,328</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 11,207	\$ -
Future event donations	1,000	1,000
Unearned membership fees	12,500	2,000
Deferred revenue	850,050	932,903
Current portion of long-term debt	46,226	44,306
TOTAL CURRENT LIABILITIES	<u>920,983</u>	<u>980,209</u>
LONG-TERM DEBT	<u>286,930</u>	<u>332,906</u>
NET ASSETS		
Unrestricted		
Undesignated	(290,102)	(120,895)
Board-designated	738,257	637,759
Funds functioning as endowment	3,988,719	3,860,349
TOTAL NET ASSETS	<u>4,436,874</u>	<u>4,377,213</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,644,787</u>	<u>\$ 5,690,328</u>

See accompanying notes.

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

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

	Unrestricted				Totals
	Board-Designated			Funds Functioning as Endowment	
	Undesignated	Designated Fellowships	Other Designated		
REVENUE					
Contributions	\$ 2,092,500	\$ -	\$ -	\$ -	\$ 2,092,500
Events/conferences	453,766	-	-	-	453,766
Grant revenues	20,000	-	-	-	20,000
Investment income	381	-	-	244,363	244,744
Membership fees	373,350	-	-	-	373,350
Alumni giving	12,627	-	-	-	12,627
Other revenue	55,800	-	-	-	55,800
TOTAL REVENUE	<u>3,008,424</u>	<u>-</u>	<u>-</u>	<u>244,363</u>	<u>3,252,787</u>
AWARDED FELLOWSHIPS, net	<u>(1,545,000)</u>	<u>1,545,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES					
Bank service fees	7,259	-	-	-	7,259
Consulting fees	10,352	-	-	-	10,352
Depreciation	28,708	-	-	-	28,708
Events/conferences	309,151	-	-	-	309,151
Fellowship expenses	-	1,546,502	-	-	1,546,502
Insurance	8,435	-	-	-	8,435
Interest expense	15,359	-	-	-	15,359
Investment fees	-	-	-	13,993	13,993
Miscellaneous	23,703	-	-	-	23,703
Other benefits	165,288	-	-	-	165,288
Postage	3,882	-	-	-	3,882
Printing	7,995	-	-	-	7,995
Professional fees	322,690	-	-	-	322,690
Real estate taxes	9,981	-	-	-	9,981
Repairs and maintenance	16,157	-	-	-	16,157
Salaries and wages	630,123	-	-	-	630,123
Supplies	5,061	-	-	-	5,061
Travel	50,420	-	-	-	50,420
Utilities	18,067	-	-	-	18,067
TOTAL EXPENSES	<u>1,632,631</u>	<u>1,546,502</u>	<u>-</u>	<u>13,993</u>	<u>3,193,126</u>
CHANGE IN NET ASSETS	(169,207)	(1,502)	-	230,370	59,661
NET ASSETS AT BEGINNING OF YEAR	<u>(120,895)</u>	<u>(18,600)</u>	<u>656,359</u>	<u>3,860,349</u>	<u>4,377,213</u>
Board designation of funds functioning as endowment	<u>-</u>	<u>102,000</u>	<u>-</u>	<u>(102,000)</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ (290,102)</u>	<u>\$ 81,898</u>	<u>\$ 656,359</u>	<u>\$ 3,988,719</u>	<u>\$ 4,436,874</u>

See accompanying notes.

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

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

	Unrestricted				Totals
	Board-Designated			Funds Functioning as Endowment	
	Undesignated	Designated Fellowships	Other Designated		
REVENUE					
Contributions	\$ 2,092,500	\$ -	\$ -	\$ -	\$ 2,092,500
Events/conferences	354,134	-	-	-	354,134
Investment income	199	-	-	403,503	403,702
Membership fees	346,650	-	-	-	346,650
Alumni giving	13,396	-	-	-	13,396
Other revenue	16,579	-	-	-	16,579
TOTAL REVENUE	<u>2,823,458</u>	<u>-</u>	<u>-</u>	<u>403,503</u>	<u>3,226,961</u>
AWARDED FELLOWSHIPS, net	<u>(1,567,500)</u>	<u>1,567,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES					
Bank service fees	7,660	-	-	-	7,660
Consulting fees	22,741	-	-	-	22,741
Depreciation	26,161	-	-	-	26,161
Events/conferences	291,963	-	-	-	291,963
Fellowship expenses	-	1,790,837	-	-	1,790,837
Insurance	10,240	-	-	-	10,240
Interest expense	17,926	-	-	-	17,926
Investment fees	-	-	-	13,350	13,350
Miscellaneous	14,447	-	-	-	14,447
Other benefits	153,168	-	-	-	153,168
Postage	1,630	-	-	-	1,630
Printing	3,391	-	-	-	3,391
Professional fees	79,882	-	-	-	79,882
Real estate taxes	9,182	-	-	-	9,182
Repairs and maintenance	16,519	-	-	-	16,519
Salaries and wages	646,708	-	-	-	646,708
Supplies	4,270	-	-	-	4,270
Travel	53,495	-	-	-	53,495
Utilities	15,443	-	-	-	15,443
TOTAL EXPENSES	<u>1,374,826</u>	<u>1,790,837</u>	<u>-</u>	<u>13,350</u>	<u>3,179,013</u>
CHANGE IN NET ASSETS	(118,868)	(223,337)	-	390,153	47,948
NET ASSETS AT BEGINNING OF YEAR	<u>(2,027)</u>	<u>204,737</u>	<u>656,359</u>	<u>3,470,196</u>	<u>4,329,265</u>
NET ASSETS AT END OF YEAR	<u>\$ (120,895)</u>	<u>\$ (18,600)</u>	<u>\$ 656,359</u>	<u>\$ 3,860,349</u>	<u>\$ 4,377,213</u>

See accompanying notes.

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

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 59,661	\$ 47,948
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	28,708	26,161
Unrealized gain on investments	(79,708)	(319,615)
(Increase) decrease in		
Membership fees and other receivables	226,562	338,348
Prepaid expenses	15,815	(15,815)
Increase (decrease) in		
Accounts payable	11,207	(1,397)
Unearned membership fees	10,500	(23,000)
Deferred revenue	(82,853)	(98,910)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>189,892</u>	<u>(46,280)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(4,335)	(4,271)
Sale of investments	102,500	13,350
Purchase of investments	(150,662)	(83,888)
NET CASH USED BY INVESTING ACTIVITIES	<u>(52,497)</u>	<u>(74,809)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(44,056)	(41,489)
NET INCREASE (DECREASE) IN CASH AND TEMPORARY CASH INVESTMENTS	93,339	(162,578)
CASH AND TEMPORARY CASH INVESTMENTS AT BEGINNING OF YEAR	<u>856,113</u>	<u>1,018,691</u>
CASH AND TEMPORARY CASH INVESTMENTS AT END OF YEAR	<u>\$ 949,452</u>	<u>\$ 856,113</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid during the year for interest	\$ 15,359	\$ 17,926

See accompanying notes.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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.

Basis of Presentation

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-225-45, GEM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. GEM does not have any restricted net assets.

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, 2018 and 2017, there was no valuation allowance.

Investments

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Contributions

Contributions consist of GEM member sponsorships that are recognized as unrestricted revenues in the period such contributions are received.

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.

Date of Management's Review

Management has evaluated subsequent events through May 9, 2019, the date which the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

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.

NOTE D - INVESTMENTS

Investments are carried at market. The following summarizes the relationship between cost and carrying values at market value at June 30, 2018 and 2017, and the related investment income included in the statements of activities.

	2018		2017	
	Cost	Market	Cost	Market
Mutual funds				
Equity	\$ 783,588	\$ 909,070	\$ 1,777,600	\$ 2,410,991
Fixed income	<u>2,317,362</u>	<u>2,912,942</u>	<u>1,275,212</u>	<u>1,283,151</u>
	<u>\$ 3,100,950</u>	<u>\$ 3,822,012</u>	<u>\$ 3,052,812</u>	<u>\$ 3,694,142</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE D - INVESTMENTS (Continued)

The composition of investment return consists of:

	<u>2018</u>	<u>2017</u>
Interest income, cash and cash equivalents	\$ 381	\$ 199
Investment portfolio income	88,166	83,941
Realized gain (loss)	76,489	(53)
Unrealized gain	<u>79,708</u>	<u>319,615</u>
	<u>\$ 244,744</u>	<u>\$ 403,702</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.

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

	<u>Level 1</u>	
	<u>2018</u>	<u>2017</u>
MUTUAL FUNDS		
International equity	\$ 909,070	\$ 958,354
Domestic equity	1,472,737	1,452,637
Short term fixed income	203,208	192,438
Intermediate term fixed income	285,763	261,826
International bond	447,751	382,010
Domestic bond	<u>503,483</u>	<u>446,877</u>
	<u>\$ 3,822,012</u>	<u>\$ 3,694,142</u>

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

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE F - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Fixtures and equipment	\$ 101,402	\$ 97,067
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	1,239,392
Accumulated depreciation	<u>(504,404)</u>	<u>(475,696)</u>
	<u>\$ 739,323</u>	<u>\$ 763,696</u>

NOTE G - LONG-TERM DEBT

Long-term debt is as follows:

	<u>2018</u>	<u>2017</u>
Mortgage payable, interest at 4.25%, monthly payments of \$4,952, payable to maturity in November 2024, secured by building	\$ 333,156	\$ 377,212
Current portion	<u>(46,226)</u>	<u>(44,306)</u>
	<u>\$ 286,930</u>	<u>\$ 332,906</u>

Future maturities of long-term debt are as follows:

<u>Year Ending June 30,</u>	
2019	\$ 46,226
2020	48,229
2021	50,319
2022	54,775
2023	57,149
Thereafter	<u>76,458</u>
	<u>\$ 333,156</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE H - UNRESTRICTED NET ASSETS

The board has committed to the following fellowships:

	2018	2017
GEM FELLOWSHIPS		
M.S. Engineering Fellowship Program	\$ 1,680,000	\$ 971,373
Ph.D. Engineering & Science Fellowship Programs	1,680,000	1,236,294

Net assets of \$738,257 are designated for operations and fellowship expenses by the board.

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 diminishment 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, 2018, GEM’s net asset endowment is invested in a diversified portfolio of equities and fixed assets. 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 \$102,000 for the year ended June 30, 2018. There were no Endowment expenditures during the year ended June 30, 2017.

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

NOTE H - UNRESTRICTED NET ASSETS (Continued)

Endowment net assets consist of the following:

	<u>2018</u>	<u>2017</u>
BEGINNING BALANCE	\$ 3,860,349	\$ 3,470,196
Contributions		
Investment gain	244,363	403,503
Investment expenses	(13,993)	(13,350)
Operation expenditures	<u>(102,000)</u>	<u>-</u>
ENDING BALANCE	<u>\$ 3,988,719</u>	<u>\$ 3,860,349</u>

Endowment net assets are designated for the following purposes as of June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Operations	<u>\$ 3,988,719</u>	<u>\$ 3,860,349</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, 2018 AND 2017

NOTE I - PROGRAM INFORMATION (Continued)

For the years ended June 30, 2018 and 2017, 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>2018</u>	<u>2017</u>
PROGRAM EXPENSES		
Fellowships	\$ 1,546,502	\$ 1,790,837
Program activities	849,307	816,469
FUND-RAISING	228,154	195,988
GENERAL AND ADMINISTRATIVE	<u>569,163</u>	<u>375,719</u>
	<u>\$ 3,193,126</u>	<u>\$ 3,179,013</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, 2018 and 2017, were \$11,272 and \$14,407, respectively.

NOTE L - PRIOR PERIOD RESTATEMENT

The 2017 financial statements have been restated to recognize deferred fellowship contributions from employers received in prior years. The restatement increased deferred revenue at June 30, 2017 and decreased net assets at June 30, 2017 by \$704,853.