Table of Contents

Message from the President ............................................................................................. 4
Our Mission .................................................................................................................... 7
NMSDC by the Numbers ............................................................................................... 8
Highlights: 2013 ............................................................................................................ 12
2013 In Pictures ........................................................................................................... 20
Our 2013 Supporters .................................................................................................... 22
MBE Profiles ................................................................................................................ 26
Corporate Profiles ....................................................................................................... 32
NMSDC Leadership ...................................................................................................... 46
Affiliate Councils ......................................................................................................... 50
A Glimpse of 2014 ..................................................................................................... 54
Financials .................................................................................................................... 64
Throughout 2013, powerful change began to reshape the National Minority Supplier Development Council (NMSDC®) – the kind of change that will transform our ability to meet the existing and emerging needs of our nearly 13,000 Asian, Black, Hispanic and Native American suppliers and 1,750 corporate members to remain the leader in minority supplier development.

This transformation is part of an ambitious five-year strategic plan we developed with our stakeholders from across the organization.

As we enter our fourth decade, NMSDC’s mission is unchanged: to advance business opportunities for certified MBEs and connect them to corporate members. Our vision is to be the leader in advancing minority suppliers to help corporations meet their global supply chain needs.

Supporting both is our demonstrated excellence in four core capabilities:

- **Certify**
- **Develop**
- **Connect**
- **Advocate**

The most striking evidence of change is in the restructuring and streamlining of our national network. Acting on the recommendations of a study by Accenture, our affiliate regional council presidents, their board chairpersons, corporate members and MBEs worked together to devise a new affiliate map with 24 council areas, instead of the 36 that existed before. The impacted affiliates worked together to determine the new consolidated entity, its leadership and staffing.

The new network was unveiled in January 2014. To support the network and position it for maximum success, we developed a new funding model.

It provides more balanced funding from the national office to the affiliates, and it will be supported by a 10 percent increase in national corporate member dues that became effective in January 2014.

Another part of the strategic restructuring is an ongoing review of the effectiveness of NMSDC’s delivery of programs and services, as well as an assessment of any new programs and services that might benefit our stakeholders.

At the same time, our Technology Modernization team has been at work improving support for a true enterprise network to support our strategically restructured network. Our proprietary database of certified MBEs has been revamped and updated, and a database matching service for corporate members is now operational.

This fee-based service compares a corporate member’s minority supplier database with NMSDC’s database, ensuring the authenticity of a supplier’s minority status.

NMSDC’s stakeholders are already seeing the benefits of these changes. Throughout this process, our goal has been to implement and coordinate the changes throughout our organization, in every detail, while sharpening our focus on our unchanging mission: to advance business opportunities for minority suppliers in the global corporate supply chain.

We at NMSDC look back on 2013 with great satisfaction in what was accomplished and are inspired by what this transformation promises – a new momentum for the work that turns vision into action, a new energy for our enduring mission.

*Jocelyn Wright Lacy*
NMSDC’s stakeholders are already seeing the benefits of these changes.
You can’t solve a problem on the same level that it was created. You have to rise above it to the next level. - Albert Einstein
Our Mission

The National Minority Supplier Development Council (NMSDC) is in its fourth decade as the nation’s most dynamic force in developing successful relationships between America’s top corporations and supply-chain partners from the Asian, Black, Hispanic and Native American communities.

Chartered in 1972, NMSDC has established a network of corporate members, now numbering 1,750. Among them are America’s top companies – publicly, privately and internationally owned – as well as universities, hospitals and other institutions with supply-chain needs.

NMSDC connects these corporate members with qualified minority-owned suppliers of all sizes – Minority Business Enterprises (MBEs) – that meet a high standard of excellence. NMSDC ensures that standard in four essential steps:

- **Certify**: Examine and investigate each MBE, verifying its viability, its practices and its capacity for growth.
- **Develop**: Promote and strengthen a universal understanding of the value of minority supplier development.
- **Connect**: Introduce and facilitate a mutually beneficial business relationship between MBEs and corporate members.
- **Advocate**: Assist and enable MBEs in expanding their visions and their capabilities to meet the needs of corporate members.

From its headquarters in New York, NMSDC coordinates its work nationally through 24 regional councils, each of which certifies, develops, connects and advocates for the relationship between MBEs and corporate members in its region.

**Passion** inspires the mission of NMSDC.

**Perspective** builds a firm foundation, in fact and perception, for NMSDC’s goals.

**Progress** drives those enduring goals, in an evolving and ever-expanding business universe.
Making Connections

NMSDC connects 1,750 corporations (including 472 national corporate members and 1,278 local corporate members) with more than 12,000 nationally-certified Asian, Black, Hispanic and Native American-owned businesses.

MBE ETHNICITY:

Thirty-seven percent (4,450) of certified MBEs are Black American; the next largest group represented is Hispanic, at 31% (3,728). A total of 14% and 13%, respectively, of certified MBEs are Asian Indian and Asian Pacific.

Of the four primary ethnic groups represented, 5% (601) of the total number of certified MBEs is Native American.

MBE GENDER

Currently, the number of NMSDC-certified MBEs is 12,026. Of that total, 73% (8,779) are male and 27% (3,247) are female.
Top Ten Industries

“Minority-owned firms are an engine of job creation, demonstrating the highest level of new job growth and company formation compared to non minority-owned firms” (U.S. Census Bureau, 2007 Survey of Business Owners).

Of the 12,026 NMSDC-certified MBEs, 93% (11,198) represent the Top Ten Industry groups listed below.

1. Professional, Scientific and Technical Services 33% (3,913)
2. Manufacturing 13% (1,582)
3. Construction 13% (1,519)
4. Wholesale Trade 11% (1,280)
5. Administrative Services 11% (1,251)
6. Transportation and Warehousing 4% (505)
7. Information 3% (403)
8. Retail Trade 2% (280)
9. Real Estate, Rental and Leasing 2% (239)
10. Finance and Insurance 2% (226)
"Minority-owned businesses generate $1 trillion in economic output to the U.S. economy, creating nearly six million American jobs. Twenty-one percent of all firms in the United States are owned by minorities." (U.S. Census Bureau, 2007 Survey of Business Owners)

Supplementary text:

NMSDC
MBE
Total 12,026

Value Proposition:
Minority Business is critical to the economic growth of U.S.

Minority-owned businesses generate $1 trillion in economic output to the U.S. economy, creating nearly six million American jobs.

Today, minorities represent 35% of the total U.S. population and are expected to become the majority by 2043.
Connecting MBEs to Growth and Capacity: Challenges and Opportunities

Three Strategic Areas of Focus

- **Operational Competency**
  - People
  - Process
  - Products

- **Access to Capital**
  - Financing
  - Credit Terms
  - Contracting Terms

- **Capacity Building**
  - New Markets
  - New Partners
  - Mergers & Acquisitions
  - GlobalLink

1. Advanced Management Education Program (AMEP)
2. Conference
3. Enterprise-wide Learning Events
4. Minority Business Executive Program (MBEP)

1. NMSDC Certification
2. Corporate Plus®
3. Centers of Excellence
4. Joint Venture Strategy
5. CPO Summit
6. Mergers & Acquisitions Summit

1. Mergers & Acquisitions Summit
2. Business Consortium Fund
3. Resource List
Connect for Growth: Minority Businesses and Corporate America
Top-performing Minority Business Enterprises (MBEs)

Corporate Plus® is a special designation NMSDC reserves for the top-performing minority business enterprises (MBEs) it certifies. MBEs awarded this designation have demonstrated success in fulfilling – and building on – their national contracts. NMSDC national corporate members recommend those chosen for this honor. All recommendations are reviewed by the NMSDC Corporate Plus® Management Committee, which selects new members with the approval of NMSDC’s Executive Committee.

The Corporate Plus® Management Committee welcomed a new chairman in 2014 – Jim Holloway, General Manager, Purchasing – Vehicle Parts & Materials for Toyota Motor Engineering and Manufacturing North America, Inc. Mr. Holloway’s term follows the outstanding leadership of the outgoing chairman, Steven G. Miller, Senior Vice President, Strategic Sourcing & Procurement and Facility Services Support for The Walt Disney Company. With Mr. Miller’s retirement from Disney, NMSDC and his fellow committee members joined in thanking him for his remarkable service and in wishing him the very best in his new endeavors.

Joining the Committee in 2013 were David W. Barfield, President and CEO of The Bartech Group, Inc., and Cory Locke, Vice President, Global Categories at Hewlett-Packard Company, with Heidi Hemmer, Vice President, Supply Chain Segment, Verizon Communications, joining them in 2014.
Each year, NMSDC hosts professional development seminars that provide supplier diversity leaders at member corporations with examples of best practices in minority supplier development. These seminars are held nationally and regionally to explore the full range of issues that impact minority supplier development.

In 2013, 150 managers participated in the national seminar, which was held July 9-11 at the Hilton Chicago, with the theme “Minority Supplier Development: Delivering ROI.”

The regional seminars seek to provide professionals in sourcing and supplier diversity with access to the most effective, up-to-date concepts in supplier diversity process management.

For 2013, the regional seminar series – facilitated by RGMA, Inc. – had the theme “Minority Supplier Development: Collaborative Strategies.” The first seminar, in Atlanta in April 2013, was hosted by United Parcel Service and drew 43 attendees. Chevron Corporation and Pacific Gas and Electric Company hosted the second seminar, in San Francisco in June, and it drew 40 attendees.

Participation in all NMSDC seminars allows attendees to earn continuing education hours that can be applied toward Institute for Supply Management CPSM®, CPSP™ and C.P.M. recertification and/or A.P.P. re-accreditation program requirements.

Advanced Management Education Program

In June of 2013, NMSDC welcomed 32 minority business chief executive officers – representing 17 affiliate councils – to its Advanced Management Education Program (AMEP) at Northwestern University’s Kellogg School of Management.

With the goal of providing significant opportunities for growth and business development for some of our best and brightest Asian, Black, Hispanic and Native American business owners, the program offered a four-day, customized executive management program for these CEOs—designed to explore and address the challenges faced by a growth-oriented minority firm. Distinguished academics, corporate buyers, financial and other functional specialists and business consultants comprised the program’s faculty.

Some 28 corporate sponsors provided scholarships for all 32 graduates. Among the attendees, the average sales of manufacturing/distributing and service companies were $46 million and $12 million, respectively.

NMSDC/University of Washington Alliance

In May 2013, NMSDC announced it was embarking on a new, synergistic partnership with the Business and Economic Development Center of the University of Washington’s Foster School of Business to further the development of minority-owned businesses across the U.S.

The Foster School of Business is the nation’s most comprehensive business school center devoted to the growth of minority-owned firms and businesses in low- and moderate-income communities.

This new alliance—the Minority Business Executive Program—underscores the importance of the development of MBEs, from idea to incorporation, and its aim is grow them more effectively and in greater numbers.

Minority Business Program Manager’s Seminar

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In 2013, NMSDC rechristened its annual salute to corporate/minority business partnerships as the Leadership Awards, but for a final time in 2013 the event was known as the annual Dinner-Dance, held May 22 at the New York Hilton and Towers.

Some 1,500 guests attended the black-tie event, including national CEOs, corporate executives and minority business owners.

David Hernandez, chief executive officer of Liberty Power – one of the largest minority-owned utility companies in the country – served as the Master of Ceremonies. Awards were presented to 20 corporate/minority business partnerships. NMSDC corporate members selected NMSDC-certified minority suppliers who had been their partners continuously for 10 years, sharing a current contract valued at $5 million or more. The winning partnerships were success stories based on mutual history, an evolving relationship and how the supplier added value to the corporation’s supply chain.

NMSDC presented each corporate/minority business success story pair in attendance with a medallion and shared its stories and photos with the corporate guests.

Dinner-Dance

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NMSDC Conference and Business Opportunity Fair

NMSDC’s signature event—the 2013 Conference and Business Opportunity Fair—drew almost 6,000 corporate executives, supplier diversity professionals, government agency representatives and minority business owners from around the world to San Antonio’s Henry B. Gonzalez Convention Center October 27-31. “Connect for Growth: Minority Businesses and Corporate America” was the theme for the four-day event that featured workshops and plenary sessions lead by top procurement executives and leading MBEs, and culminated with a black-tie Awards Banquet.

Heriberto Guerra, Jr. of Avanzar Interior Technologies and Stephen J. Felice of Dell were the MBE and corporate conference co-chairs, respectively. The event had an economic impact of $31 million on the city of San Antonio.

NMSDC also introduced two new corporate awards at the Awards Banquet.

- **The Corporate Excellence in Access to Capital Award** – recognizing a corporation with an exceptional corporate initiative and/or program providing access to capital solutions or unique financial arrangements to minority suppliers – was presented to Bank of America Corporation for its Small Business Reserve Grant Program.

- **The Corporate Innovation Award** – recognizing a new corporate method, initiative or process to accelerate and positively impact minority supplier development in support of NMSDC’s vision, mission and core capabilities – was presented to Chrysler for its High Focus Supplier Program, encouraging lower performing suppliers to improve by creating a structured reporting process.
Reginald K. Layton, Executive Director, Supplier Diversity and Business Development, Johnson Controls, Inc. (JCI) was named Minority Supplier Development Leader of the Year.

The awards for National Suppliers of the Year went to: AD PRO of Huntington Beach, CA (sales less than $1 million); 21st Century Expo Group in Temple Hills, MD ($1 million - $10 million in sales); Way To Be Designs of Hayward, CA ($10 million - $50 million in sales); and Guy Brown of Brentwood, TN ($50 million-plus in sales).

Twelve awards were presented to Regional Suppliers of the Year:

- Cube Care Company, Miami Lakes, FL
- Custom Service Plastics, Inc., Lake Geneva, WI
- Diamond Restoration, LLC, Nashville, TN
- GDKN Corporation, Pembroke Pines, FL
- Metal-Era, Waukesha, WI
- New Age Communications, Louisville, KY
- Osceola Consulting, Tiburon, CA
- Pride Technologies, New York, NY
- Rose International, Inc., Chesterfield, MO
- Tempo Creative Consultants, Minnetonka, MI
- World Wide Technology, Inc., Maryland Heights, MO
- Zycron, Inc., Nashville, TN

The Regional Council of the Year Award was presented to the Houston Minority Supplier Development Council for providing outstanding service to hundreds of corporations and minority businesses in the state of Houston. HMSDC President Richard Huebner accepted the award.
“Leveraging Private Equity Funds to Grow Your Business” was the topic of the Corporate Plus® Forum 2013, held October 27, 2013, in San Antonio during NMSDC’s annual Conference. Designed and facilitated by Ralph G. Moore, President of Ralph G. Moore Associates, the Forum’s topic was chosen based on feedback from evaluations of the 2012 Forum. Joining Mr. Moore in the presentation to 60 attendees were Craig Fowler, Bank of America; Daphne Dufresne, RLJ Equity Partners, LLC; Qian N. Elmore, ICV Partners; Alan R. Jones, Blaylock Robert Van, LLC (a Corporate Plus® member); and Gerry Paez, Supplier Capital Partners, LLC.

The reception that followed recognized four new Corporate Plus® members, each of whom was presented with a pin and a banner.

Throughout the 2013 Conference, NMSDC Corporate Plus® members were an impressive presence. Some 34 Corporate Plus® members had booths in the Business Opportunity Fair, and – with 43% of Corporate Plus® members reporting – the spend with other MBEs totaled $326 million.

Among the Corporate Plus® members who participated in panels in San Antonio were Bruce Geier, Technology Integration Group); Timothy M. Harris (Harris and Ford, LLC); Stephen Hightower (Hightowers Petroleum Co.); Carl Satterwhite (The RCF Group); Janice Bryant Howroyd (Act•1 Group); and – from the Telamon Corporation – Albert Chen, Stanley Chen and Stephanie Chen Fuhrmann.

David Wheeler of Cintas led a discussion on succession planning with the Chen family of Telamon Corporation.
Janice Bryant Howroyd, founder of the Act•1 Group shares her inspirational journey to success.

Minority Supplier Development: Delivering ROI

Siblings Stephanie Chen Fuhrmann and Stanley Chen of Telamon Corporation share a light moment at a luncheon.
MBES IN ACTION: KELLOGG SCHOOL OF MANAGEMENT

Stephen Hightower II and his fellow MBEs engage in a discussion at the 2013 Advanced Management Education Program at the Kellogg School of Management.

THE KEYS TO OKLAHOMA CITY

Oklahoma City Mayor Mick Cornett presents NMSDC President Joset Wright-Lacy with a key to the city at an event hosted by the former Oklahoma MSDC in July 2013.

CORPORATE PLUS®

Ying McGuire (left) of Technology Integration Group, Joe Blackstone of Blackstone Consulting and Darlene Fuller of Sodexo share a laugh at the 2013 Corporate Plus® Reception in San Antonio.
LEADERSHIP AWARDS

NMSDC Vice Chairman Shelley Stewart, Jr. (far right) and his DuPont colleagues enjoy the reception at the 2013 Minority Business Leadership Awards Dinner-Dance.

GLOBAL LINK

Denise Coley of Cisco Systems (center) accepts the Global-Link Award from NMSDC President Joset Wright-Lacy and Eric Vicioso, director of the International Program, at the 2013 NMSDC Conference. Also pictured are Gary Joseph of the South African Supplier Diversity Council (left) and Mayank Shah of Minority Supplier Development United Kingdom (right).

LEADERSHIP AWARDS

Benita Fortner (second from left) of Raytheon Company and Cheryl W. Snead (second from right) of Banneker Industries were honored for their long-standing partnership.
bravo
Special Recognition

Our 2013 Supporters
The National Minority Supplier Development Council acknowledges with appreciation the following generous support:

Scholarships for Advanced Management Education Program

AT&T Corporation
American Express Company
BP America
Central and North Florida Minority Supplier Development Council
Chevron Corporation
D.W. Morgan Company
DTE Energy Company
Dallas/Fort Worth Minority Supplier Development Council
Exxon Mobil Corporation
Ford Motor Company
GlaxoSmithKline
The Home Depot
Honda of America Manufacturing
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Johnson & Johnson
Louisiana Minority Supplier Development Council
Maryland/D.C. Minority Supplier Development Council
Merck & Co., Inc.
Michigan Minority Supplier Development Council
Pennsylvania-New Jersey-Delaware Minority Supplier Development Council
Pfizer, Inc.
The Procter & Gamble Company
South Central Ohio Minority Supplier Development Council
Southern California Minority Supplier Development Council
Telecommunications Industry Group
Toyota Motor Engineering and Manufacturing North America, Inc.
U.S. Bank
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Western Pennsylvania Minority Supplier Development Council
Contributions for Centers of Excellence

The Interpublic Group of Companies
Jones Lang LaSalle

Chairman’s Legacy Grant

Harley-Davidson, Inc.

Hosts for Regional Minority Business Program Managers’ Seminars

Atlanta
United Parcel Service, Inc.

San Francisco
Chevron Corporation
Pacific Gas and Electric Company

Funding for International Program, Business Missions and/or Reception

AT&T Corporation
Chrysler Group LLC
Cisco Systems, Inc.
Cummins Inc.
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Dell Inc.
Exxon Mobil Corporation
Ford Motor Company
General Motors Corporation
GlaxoSmithKline
Hewlett-Packard Company
IBM Corporation
Johnson Controls, Inc.
Merck & Co., Inc.
Pfizer, Inc.
Raytheon Company
Scholarships for Minority Business Executive Program
Southern Florida Minority Supplier Development Council

2013 Conference and Business Opportunity Fair Special Event Sponsors

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Bank of America Corporation
Caesars Entertainment Corporation
Capital One
Chevron Corporation
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North America, Inc.
Tyco International
Xerox Corporation

2013 Dinner-Dance Contributions

Amgen Inc.
Baldwin Richardson Foods Company
Blackstone Consulting
Market Probe
Recall Corporation
Our 12,000-plus certified minority business enterprises (MBEs) are the lifeblood of the corporate supply chain—providing the most innovative, cost-effective products, services and solutions to corporations across a broad spectrum of industries.

More than 80 of our certified suppliers have distinguished themselves for their proven ability to execute national contracts, earning our Corporate Plus® designation.

On the following pages, meet the four MBEs selected to join Corporate Plus® in 2013.
Since its founding in 1981, Faison Office Products, Inc. has become a major force in its field, while also winning national recognition as an exemplary small-, disadvantaged-, minority-, veteran-owned and operated business. From its Aurora, Colorado, headquarters, Faison provides quality office supplies, office furniture, computer supplies and peripherals, facility supplies and eco-friendly products as well as specialty item solutions for business and government entities nationwide. The company also offers technology support, computer repair and copier and office machine sales and maintenance.

Jared D. Casey, Jr. is the president and CEO of Faison Office Products. The company has 102 employees (21 minority) and continues to grow organically and through acquisitions, with distribution centers in North Carolina and the North Dakota/Montana region.

Faison’s regional affiliation is with the Mountain Plains Minority Supplier Development Council. Citigroup is its Corporate Plus® sponsor.

Vocalink Language Services creates a full multilingual managed solution for its clients.

Through its worldwide network of skilled linguists and its proprietary global content solutions, Vocalink helps companies centralize their international communications by managing the corporate message across cultures and within international markets. Founded by Amelia Rodriguez in 1995 as an interpretation company serving the local Dayton, Ohio, market, Vocalink expanded its product line in 1998 to include translation services—resulting in an accelerated annual growth rate of over 40 percent, which continues today.

Vocalink now has offices in Cincinnati, Cleveland and Louisville, while servicing client accounts globally through offices in Cairo and Madrid, in addition to offering technology-based solutions.

Amelia Rodriguez is the CEO of Vocalink Language Services, a company she founded in 1995. The firm’s affiliate council is the Ohio Minority Supplier Development Council.

Standard Register Company is its Corporate Plus® sponsor.
Now in its 25th year of operation, Perfect Output LLC provides office document management services and strategies. Its success is based on its ability to blend the attributes of a smaller, more agile service organization with the technological, product and distribution industry leadership that its partners represent.

John Walker is the owner and CEO of Perfect Output, a company he established in 1997. For businesses throughout the U.S., Canada and Puerto Rico, Perfect Output manages over 5,000 output devices including multifunctional devices, printers and production equipment. Its services include maintenance, supplies, fleet management/analysis and advanced technological solutions.

Twenty of the company’s 59 employees are minority. Perfect Output’s regional affiliation is with the Mountain Plains Minority Supplier Development Council.

Sprint is its Corporate Plus® sponsor.

Harris & Ford LLC is a major distributor of chemicals, ingredients and related products and services for food, personal care, cosmetic, pharmaceutical, water treatment and industrial customers. The company has earned industry-wide respect for its vision, integrity and proficiency in the distribution business through a commitment to exceeding customer expectations by employing enhanced measurable value and result oriented solutions.

Harris & Ford was established in 1994 by Tim Harris, Joe Ford and Chris LaMothe. Located in Indianapolis – an ideal hub for warehousing and shipping nationwide – Harris & Ford can take advantage of the city’s rail, air and highway systems to accommodate customized and industrial cargo handling.

The geographical proximity of suppliers and manufacturers, combined with the balance of transportation systems, reduces inventory and transportation costs. All but 10 of Harris & Ford’s 59 employees represent minorities. Harris & Ford’s regional affiliation is with the Mid-States Minority Supplier Development Council.

The Procter & Gamble Company is its Corporate Plus® sponsor.
Corporate Plus® MBEs distinguish themselves by their proven ability to execute national contracts.
NATIONAL CORPORATE PLUS® MEMBERS

Act•i Group
AEL Span, LLC
ASI Corp.
Acro Service Corporation
Aldelano Packaging Corporation
All American Meats, Inc.
Alliance of Professionals & Consultants, Inc.
American Product Distributors, Inc.
Aquent, LLC
Artech Information Systems, LLC
Aspen Group, Inc.
Atlanta Peach Movers, Inc.
B & S Electric Supply Co., Inc.
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The Bartech Group
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EWIE Co., Inc.
Faison Office Products, Inc.
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Gonzalez Saggio & Harlan LLP
Goodman Networks, Inc.
Ernie Green Industries, Inc.
Group O, Inc.
Harris & Ford, LLC
Heritage Vision Plans, Inc.
Hightowers Petroleum Company
Image Projections West, Inc.
Infinite Computer Solutions, Inc.
Integrated Systems Analysts, Inc.
JS Products, Inc.
Kem Krest Corporation
LaCosta Facility Support & Services, Inc.
Liberty Power Corp.
López Negrete Communications, Inc.
MPS Group, Inc.
MW Logistics, LLC
MarkMaster, Inc.
MasTec, Inc.
The Matlet Group, LLC
Mays Chemical Company, Inc.
D. W. Morgan Company, Inc.
NuTek Steel, LLC
PS Energy Group, Inc.
Pacific Rim Capital, Inc.
Perfect Output
Prystup Packaging Products
Quality Packaging Specialists International, LLC
Radio One, Inc.
The RCF Group
Rose International, Inc.
Rush Trucking Corporation
SBM Site Services, LLC
SDI International Corp.
SET Enterprises, Inc.
SHI International Corp., Inc.
Sayers40, Inc.
South Coast Paper, LLC
Summit Container Corporation
Superior Maintenance Co.
Synova, Inc.
Taylor Bros. Construction Co., Inc.
Technology Integration Group (TIG)
Telamon Corporation
Telcobuy.com
THOR Construction, Inc.
Total Technical Services, Inc.
Trillion Communications Corporation
Tronex International, Inc.
Urban Lending Solutions
VisionIT
Vocalink Language Services
The Williams Capital Group, L. P.
World Pac Paper, LLC
World Wide Technology, Inc.
Zones, Inc.
Unwavering Commitment To Diversity

Corporate Profiles
Corporate America’s unwavering commitment to supplier diversity fuels the continued success of NMSDC and our certified suppliers.

Matchmaker events, mentor-protégé programs and capacity-building initiatives designed to build and strengthen the supply chain underscore the value corporations place on strong, solid diverse suppliers.

On the following pages, we highlight three corporate members—Bank of America, Chrysler Group LLC and The Kroger Co.—and their “outside the box” supplier diversity processes.
Bank of America, the second largest bank holding company in the U.S., has been in the vanguard of corporate minority supplier development since the company instituted its Supplier Diversity and Development Program almost a quarter of a century ago.

Tiffany Eubanks-Saunders, Senior Vice-President and Enterprise Services Executive, reports that, in 2013, Bank of America spent $2.3 billion with minority suppliers, with $1.5 billion of that total going to NMSDC-certified MBEs.

As the Supplier Diversity and Development Program approaches its 25th anniversary in 2015, Bank of America has restructured its efforts over the last three years in three specific areas – 1) supplier development; 2) diverse and small business capacity building; and 3) supplier mentoring.

The formal Supplier Development Program will relaunch in 2015, with a focus on providing a year-long development experience for select diverse suppliers. This experience is designed to provide intimate coaching
and development opportunities and structured curriculum, with the goal of taking businesses to the next level.

“As a result of our restructuring, we’ve created initiatives that are long-term enhancements to the Program, and we anticipate experiencing the positive outcome of these initiatives for years to come,” Eubanks-Saunders says. “The Bank of America Supplier Diversity and Development Team have developed two critical workshops for Diverse Suppliers – the ‘Small Business Institute’ and ‘Credit and Lending Options for Small Business.’

Bank of America maintains a scholarship fund that helps diverse and small businesses pursue continuing educational experiences that enhance their business capabilities and overall competitiveness in the marketplace. The fund was redesigned in 2011 to provide distinct scholarship levels that give participants great flexibility in obtaining business education that fits their specific needs.

Eubanks-Saunders adds that Bank of America will award a significant number of these enhanced scholarships in the next year. In the banking and financial services industry, Bank of America has forged vital and enduring relationships with MBEs.

We are pleased to have a 30-plus-year relationship with MarkMaster, not only as its client, but as a mentor and a financial partner,” Eubanks-Saunders says. “Today, MarkMaster provides Bank of America name badges, name plates and rubber stamps; stanchions; Bank of America stock and custom banners; U.S., State and Bank of America corporate flags; commemorative acrylic awards; and deal-closing lucites, as well as notary commissions and other supplies.”

“We’ve partnered with MarkMaster on several initiatives, including e-commerce, environmental, international trade and Six Sigma,” she adds. “These skills have been used to make MarkMaster more successful not only with Bank of America, but to become the premier supplier in its field.

In the last three years, Bank of America has brought significant focus to identifying diverse suppliers for non-traditional opportunities. To sharpen that focus, the company emphasized its search for MBEs; the development of MBEs (analysis of their revenue concentration and financial viability); and coaching for MBEs in revenue diversification.
“In areas like global technology – where large, ‘majority-owned’ primes are the manufacturers of goods – Bank of America has actively engaged with council presidents to advise of potential partners to assist in delivering these services,” Eubanks-Saunders states.

“In the last year, we’ve awarded a direct contract to World Wide Technologies. For the call center commodity, we have awarded a global contract to an MBE. While this RFP was extremely challenging, with global specifications, there was strong support of our MBE candidate (at all levels of leadership) throughout the process.”

Across its business units and departments, Bank of America continues to benefit from the positive impact minority suppliers are having and look for new opportunities. In that regard, Eubanks-Saunders points to the promise of a remarkable strategic alliance the company has brokered.

“Bank of America introduced and is currently providing support for a high-potential, strategic alliance between Meridian Technologies Consulting (which has an impressive value-add with its commitment to mentorship and sales training for MBEs) and Global Networkers,” she says. “This strategy reflects the opportunity to align the synergies of a larger, longer-established firm with a smaller, more niche-focused firm.

The Supplier Diversity and Development team recognized that these two firms could learn a great deal from one another, share their relationship resource pool for increased sales, leverage different geographic locations, and continue to both support BAC in a new delivery model.

Last year, they worked with Bank of America executives to review its ‘first to market’ concept. They are currently working to solidify the implementation of their joint company.”
Tier I Initiative: Minority Suppliers

Making automobiles has become a complex, high-tech business model, so Chrysler’s enduring commitment to supplier diversity in every facet of its business affirms the importance – and the value – of working with minority-owned suppliers. Kevin Bell is Senior Manager, Diversity Development, for the Chrysler Group LLC. He points to the fact that, in 2013, Chrysler – working with some 200 minority suppliers across its business – spent $2.2 billion with minority suppliers in its Tier I initiative, an increase of some $200 million over the previous year. “And that number keeps growing,” Bell adds, noting the speed with which Chrysler recovered from the economic downturn that hurt automobile manufacturing.

Kevin Bell helps Chrysler stay focused on minority suppliers’ success.
“In 2009, because of the economic decline, we spent about $1 billion with our certified suppliers. So we were able to double that spend in just three years.”

“We are on a positive track on two fronts,” Bell continues. “One is our Tier 1 spending levels and spending percentages. At the same time, we increasingly make progress on our Tier 2 spending numbers, working with our direct suppliers to make sure they have strong and robust spending objectives and meet our objectives with their supply base.”

Bell says that among many of Chrysler’s key direct suppliers – large, publicly-traded Tier 1 corporations that supply engines, transmissions, axles and other essentials – diversity can present challenges. To encourage Tier 1 suppliers to reflect Chrysler Group’s corporate value to support greater supplier diversity, the company’s High Focus Program, instituted in 2010, creates a structured process that brings new tools to assist Tier 1 suppliers in developing their own sustainable supplier diversity strategies, and fostering access to strong MBEs nationally and internationally.

“This year, we were presented NMSDC’s first Corporate Innovation Award as a result of our High Focus Program,” Bell says. “When we launched the program, we reached out to 160 large, multibillion-dollar corporations that collectively spent just over $1.50 million with diverse suppliers. Last year, three years into the program, those same 160 suppliers spent $1 billion. So it had gone up tenfold. Next year, those suppliers are on track to exceed those numbers.”

“I like to point out that, with the $2 billion we paid to minority suppliers last year, all that business is won,” he emphasizes. “At times, there’s this belief that minority businesses are awarded through non-competitive processes, that we lower our standards.
We can be unequivocally clear that they won that business because what they offered was better – better service, better price, better quality, better logistical support.”

To illustrate, Bell cites ChemicoMays, under the leadership of Leon Richardson. “ChemicoMays manages our paint-shop facilities – all the products and chemicals, waste reduction activities that take place within our paint shop,” he says. “It’s a huge operation. We introduced them three years ago, and we gave them one plant, as a kind of trial. They have performed so well that currently they have all of our paint-shop chemical management programs for all of our assembly plants in North America.”

Minority suppliers run the gamut of Chrysler’s portfolio, Bell says. Flex-N-Gate provides Chrysler with everything from steel-based products to interior chemical-related products; SET Enterprises supplies steel to Chrysler; the marketing/advertising company GlobalHue has worked with Chrysler for many years; and Pacific Rim Capital provides the company with leasing options.

“In all aspects of our business, we have strong, diverse suppliers,” Bell says. “Whether it’s the core product or core services, there are strong contributors in almost every commodity space in which we participate.”
An Increased Commitment to Supplier Diversity
Yields Big Results

One of the world’s largest grocery retailers, The Kroger Co., intensified its commitment to minority-supplier development throughout 2013, a year in which the company’s sales totaled $98.4 billion. Kroger divided more than $1.3 billion in expenditures between its first- and second-tier MBEs, exceeding its goal of maintaining a place at the Billion Dollar Roundtable. Denise Thomas, Kroger’s Director of Corporate Supplier Diversity, also points out that the supplier diversity program has become a prime consideration in the company’s planning in a year that has seen major restructuring and improvements in process and sourcing at Kroger.

“Our supplier diversity team has been able to get involved very early in these changes, to have input about how we work, so the supplier diversity program has not been negatively affected,” Thomas says. “We’ve been able to get the commitment from senior management to make sure that happens.”

Thomas is particularly proud of her team’s work in the development of a new supplier information management element in a new e-sourcing tool Kroger has developed.

“What I like about this new portal is that we have incorporated a lot of our questions in the supplier management tool”, she says. “Eventually, it will erase the need to have a separate supplier diversity registration tool. I want our diverse suppliers to be able to register right there on that management tool, so everyone in the organization sees that information immediately.”

Thomas also notes that – unlike other grocery retailers that outsource – Kroger manufactures all of its own private-label products through some 38 separate manufacturing plants.

To ensure supplier diversity in this sprawling configuration, the company instituted the Manufacturing Kroger Brands Supplier Diversity Business Interchange.
An Increased Commitment to Supplier Diversity

$1.3 billion
As Relationships Grow, They Branch Out Into Other Areas.

“We brought in about 40 suppliers – not a large number, but they were specific to private-label manufacturing,” she adds. “We had the suppliers meet directly with the buyers who source the products. The intro, the face-to-face, our follow-up with them on next steps – it was very productive. A lot of business came out of it for those suppliers, and it began with their being able just to sit down and meet.”

Because of the breadth of Kroger’s business, the company relies on a variety of suppliers in its core business. Among the MBEs that stood out in 2013 was Hightowers Petroleum, which provides fuel for Kroger’s fuel stations in the Cincinnati/Dayton area.

“We have been doing business with Hightowers for five years, and our spend with them continues to grow,” Thomas says. “It is a little unique because we have always bought fuel directly from a refinery – we have over 1,200 fuel centers – and Hightowers isn’t actually a refinery. But they found a way to deliver the product, still
be competitive and bring us a unique value-added proposition.”

Thomas also points to the success of the sale of sushi in Kroger stores, a product brought to the company by the Lwin Family Company, which owns Hissho Sushi.

“We didn’t even have sushi in our stores, and now it’s a multi-million dollar area of our business,” Thomas adds.

She cites Kroger’s top Hispanic and Mexican food suppliers – Reese Foods, Cacique, Marquez Brothers International – that have developed unique opportunities with and for the company.

On the non-retail side at Kroger, the minority supplier development spend is across the board, from the architects, general contractors and engineers who ensure the ideal environment for Kroger, to ingredient and packaging suppliers. Thomas also points to the work of an outside ad agency, Excel Edge, which began with Kroger by assisting the in-house marketing team on multicultural issues and now includes involvement with Kroger’s corporate branding.

“That relationship has really taken off, and it started in a specific area,” Thomas notes. “As the relationship has grown, you see it branching out into other areas.”
NMSDC Leadership

NMSDC has remained one of the nation’s leading advocates for supplier diversity for more than 40 years because of corporate members’ shared vision and embrace of our mission.

Their leadership on the NMSDC Board of Directors, Affiliate Council boards, Industry Groups and engagement in NMSDC programs continues to shape and guide the organization.

Listed on the following pages are our:

- NMSDC Board of Directors
- National Corporate Members
- Affiliate Councils
# 2013 BOARD OF DIRECTORS

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<tbody>
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<td>Senior Vice President and Senior Supply Chain Manager</td>
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Our Core Supporters

National Corporate Members

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We Energies
The World Bank Group
Wyndham Worldwide Corporation
Xcel Energy, Inc.
Xerox Corporation
Yazaki North America, Inc.
Yum! Brands, Inc.
AFFILIATE COUNCILS

Certification and front-line service to our corporate and MBE constituents begins with the affiliate councils.

Our recent restructuring from 36 to 24 affiliate councils has created a stronger network that can more effectively and efficiently meet the changing needs of our growing base of corporate members and certified suppliers.

Here are the leaders who comprise the NMSDC network:

“Commitment is an act, not a word.”
- Jean-Paul Sartre
Capital Region Minority Supplier Development Council
Serving the District of Columbia, Maryland and Northern Virginia
Mr. Philip DeVliegher
Interim President/CEO
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Carolinas-Virginia Minority Supplier Development Council
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“Commitment is an act, not a word.”
- Jean-Paul Sartre
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Mid-States Minority Supplier Development Council
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Mergers & Acquisitions (M&A) Summit

On May 20, 2014, Bank of America Merrill Lynch and the National Association of Investment Companies (NAIC) joined NMSDC in hosting a Mergers & Acquisitions (M&A) Summit – a valuable opportunity for participants to examine what MBEs need to consider in acquiring other companies, as well as strategic assets to grow their business to the next level.

More than 70 guests attended the invitation-only event for private equity dealmakers, corporate executives, supplier diversity professionals, NMSDC-certified MBEs and Corporate Plus® members. Panel session topics included “The Anatomy of a Deal” and “Roadmap for Closing a Large-Scale Deal: Lessons Learned.”

CPO Summit

The following day, NMSDC presented a CPO (Chief Procurement Officer) Summit, hosted by Citi – an invitation-only event for CPOs of national corporate members of NMSDC. More than 20 CPOs attended the summit.

A roundtable discussion explored “The Role of Minority Business in Supply Chain Management: Why It Matters,” and guests discussed how MBE utilization creates a competitive advantage for supply chain, as well as ways in which each company is prepared to leverage the power of MBEs in an increasingly diverse marketplace. Facilitating the summit was one of the country’s leading experts on entrepreneurial finance and management – Steven S. Rogers, Senior Lecturer in Business Administration, Harvard Business School.
NMSDC President Joset Wright-Lacy (center) moderated a panel featuring Robert Greene (left) of the National Association of Investment Companies and Craig Fowler (right) of Bank of America Merrill Lynch at the M&A Summit.

Craig Fowler (center) introduces Daphne Dufresne (left) of RLJ Equity Partners talks to John Auth of Bank of America Merrill Lynch.

John Webb of Quantum Reach and John Henderson of AEL Span discuss the art of the deal at the M&A Summit.
After a year in which transformative change began reshaping its profile, NMSDC entered 2014 with a sharper focus, renewed energy and a fresh identity for one of the landmark events on our yearly calendar.

The NMSDC Leadership Awards, held in New York on May 21, 2014, introduced a new direction to the annual celebration of our work.

The black-tie event at the New York Hilton Midtown attracted almost 1,200 guests, among them Asian, Black, Hispanic and Native American business owners, corporate executives, supplier diversity professionals, affiliate council presidents and staff members. MSNBC’s Disrupt’s Karen Finney was emcee for the evening, and the featured speaker was Jay Williams, Senior Advisor to the Secretary for Economic Development, U.S. Department of Commerce.

New awards were devised for this year’s event, awards that more thoroughly and effectively reflect leaders throughout the NMSDC Network.

Three degrees of accomplishment were recognized in Clarion, Trailblazer and Catalyst categories of our new awards. Each award had two winners – one corporate, the other an MBE.

In the Clarion category, the recipients were Richard A. Hughes, Chief Purchasing Officer The Procter & Gamble Company (corporate); and William G. Mays, Chairman and CEO, Mays Chemical Company (MBE). The Trailblazer winners were Joan N. Kerr, Director, Supplier Diversity, Pacific Gas & Electric Company (corporate); and Roderick Rickman, Chairman and CEO, Rickman Enterprise Group (MBE).

In the Catalyst category, the awardees were Diane Lin, Director, Global Procurement Starbucks Coffee Company (Corporate); and Daniel Sung Park, President and CEO Eclaro International (MBE).

The Robert M. Stuart Leadership Award – named for NMSDC’s founding chairman – was presented to Fernando Hernandez, Supplier Diversity Director Microsoft Corporation. Microsoft made more than $1 million in licenses available to NMSDC affiliates to facilitate upgrades as part of our enterprise development.

The Vanguard Award, presented annually to an NMSDC affiliate council president, was awarded to Carolyn Mosby, President and CEO of the Indiana-based Mid-States Minority Supplier Development Council. In the restructuring of our network throughout 2013, she was an instrumental figure as a liaison between the affiliate councils and the NMSDC national office.
Clarion Awardee: William G. Mays

Robert M. Stuart Leadership Awardee: Fernando Hernandez

Trailblazer Awardee: Roderick Rickman

Vanguard Awardee: Carolyn Mosby

Catalyst Awardee: Daniel Sung Park

Catalyst Awardee: Diane Lin
A Year of Transformation
The Very Look of NMSDC Has Changed

The power of transformation – it is redefining and re-energizing the mission of the National Minority Supplier Development Council as we continue the implementation of an ambitious five-year strategic plan that, in 2012, began reshaping our unique network.

The map of our affiliate councils has been reconstituted and redrawn, focusing our mission through the work of 24 affiliates instead of the previous 36. This fundamental restructuring is allowing us to standardize and expand our services and resources, and to empower the individual affiliates by enhancing their impact regionally and making them more responsive to each other nationally.

As a result, NMSDC’s network is becoming more unified, more flexible, more effective than ever before. Redeploying our affiliates has resulted in nothing less than a transformation of power, harnessed to drive our core capabilities.

Rebranding

A New Structure Deserves a New Context

In September 2013, NMSDC launched a new effort to recharge and rejuvenate our brand, in a plan developed with the input of national office staff, corporate members, affiliate council presidents and MBEs.

The goal was to align and craft our image to reflect the extraordinary changes that are reshaping the way we do business. NMSDC’s mission itself is unchanged: to advance business opportunities for minority suppliers in the global corporate supply chain. The look and feel of how we present our mission has been transformed, from our affiliate map to the versatile, unifying new logo we have unveiled.

A national network is only as strong as its components, and – from the outset – the rebranding of NMSDC has sought to emphasize the newly restructured affiliate councils both as individual entities and as constituents in a unified effort.

A key objective in the rebranding of NMSDC has been to evolve a striking but infinitely variable image that links the organization’s national and regional identities.

Image tells the story: NMSDC’s new logo has been designed to reflect a distinct identity, through changes of color, for each of its affiliate regional councils. The look is simple and direct – a call to action that resonates throughout our network, where the power of many is also the power of one.
OUR 24 AFFILIATE COUNCILS

NATIONAL
Minority Supplier
Development Council

Capital Region
Minority Supplier
Development Council

Carolinas-Virginia
Minority Supplier
Development Council

Central & North Florida
Minority Supplier
Development Council

Chicago
Minority Supplier
Development Council

Dallas/Fort Worth
Minority Supplier
Development Council

Eastern
Minority Supplier
Development Council

Georgia
Minority Supplier
Development Council

Greater New England
Minority Supplier
Development Council

Houston
Minority Supplier
Development Council

Michigan
Minority Supplier
Development Council

Mid-States
Minority Supplier
Development Council

Mountain Plains
Minority Supplier
Development Council
Highlights 2014

OUR 24 AFFILIATE COUNCILS

New York & New Jersey
Minority Supplier Development Council

North Central
Minority Supplier Development Council

Northwest Mountain
Minority Supplier Development Council

Ohio
Minority Supplier Development Council

Pacific Southwest
Minority Supplier Development Council

Puerto Rico
Minority Supplier Development Council

Southern California
Minority Supplier Development Council

Southern Florida
Minority Supplier Development Council

Southern Region
Minority Supplier Development Council

Southwest
Minority Supplier Development Council

TriState
Minority Supplier Development Council

Western Regional
Minority Supplier Development Council
**Website**

As our network is streamlined and transformed, NMSDC’s web presence is also changing. It is an essential component in the organization’s identity and profile, and – as in the restructuring of the organization itself – the challenge has been to be bold, daring and imaginative.

With that in mind, our Communications and Marketing Department worked closely with the Information Technology and Services Department to redesign and reconfigure our website. It delivers a responsive enterprise network that supports the work of each individual affiliate council as well as the mission and the mechanics of NMSDC as a whole.

![Website Redesign](image)

**PRISM**

Nothing is more vital to the work of NMSDC than the delivery of thorough, up-to-date information about MBEs, and the organization’s adoption of the PRISM system in 2013 has been a game-changing development.

More than the simple reporting tool that its predecessor MBISYS was, PRISM is a comprehensive data management system.

It offers dynamic search capabilities for identifying and sourcing MBEs by location, industry, products and services, and certification classifications. PRISM also manages supplier registration certifications, and Tier 1 and Tier 2 spend analysis and reporting, and delivers real-time updates to the MBE database as it fully integrates with certification processing.
In Review

2013

NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

Financial Statements and Supplementary Information For the Year Ended December 31, 2013
(With Comparative Totals for 2012)
With Report of Independent Auditors

* These pages include the 2013 Financial Statements only. The complete Financial Statements with Notes is included in the online version.
FINANCIALS

REPORT OF INDEPENDENT AUDITORS ................................................................................. 1–2

FINANCIAL STATEMENTS

Statements of Financial Position as of December 31, 2013
(With Comparative Figures for 2012) ..................................................................................... 3

Statement of Activities for the Year Ended December 31, 2013
(With Summarized and Comparative Totals for 2012) .......................................................... 4

Statements of Cash Flows for the Year Ended December 31, 2013
(With Comparative Figures for 2012) ..................................................................................... 5

Notes to Financial Statements December 31, 2013 ............................................................. 6

Supplementary Information .................................................................................................... 21
REPORT OF INDEPENDENT AUDITORS

The Board of Directors
National Minority Supplier Development Council, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of National Minority Supplier Development Council, Inc. (the Council), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Council’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 above present fairly, in all material respects, the financial position of National Minority Supplier Development Council, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the National Minority Supplier Development Council, Inc.'s 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

May 2, 2014
### NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

**Statements of Financial Position**

**As of December 31, 2013**

(With Comparative Figures for 2012)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 2,003,147</td>
<td>$ 1,544,862</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,018,334</td>
<td>1,001,912</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>553,980</td>
<td>1,017,253</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>342,321</td>
<td>129,626</td>
</tr>
<tr>
<td>Total current assets</td>
<td>3,919,782</td>
<td>3,693,653</td>
</tr>
<tr>
<td>Cash—collateral</td>
<td>168,982</td>
<td>168,561</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>5,559,109</td>
<td>5,458,914</td>
</tr>
<tr>
<td>Furniture, fixtures, equipment and leasehold improvements, net</td>
<td>2,202,259</td>
<td>2,576,943</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 11,850,132</td>
<td>$ 11,898,071</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES AND NET ASSETS</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$ 926,958</td>
<td>$ 1,012,118</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>2,106,195</td>
<td>1,557,009</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>3,033,153</td>
<td>2,569,127</td>
</tr>
<tr>
<td>Deferred compensation</td>
<td>263,654</td>
<td>277,023</td>
</tr>
<tr>
<td>Deferred rent credits</td>
<td>329,133</td>
<td>336,696</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>3,627,940</td>
<td>3,182,846</td>
</tr>
</tbody>
</table>

Commitment and contingencies

Net assets

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board-designated</td>
<td>-</td>
<td>1,685,280</td>
</tr>
<tr>
<td>Undesignated</td>
<td>8,117,192</td>
<td>6,924,945</td>
</tr>
<tr>
<td>Total unrestricted</td>
<td>8,117,192</td>
<td>8,610,225</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Total net assets</td>
<td>8,222,192</td>
<td>8,715,225</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total liabilities and net assets</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ 11,850,132</td>
<td>$ 11,898,071</td>
</tr>
</tbody>
</table>
NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.
Statement of Activities
For the Year Ended December 31, 2013
(With Summarized and Comparative Totals for 2012)

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total 2013</th>
<th>Total 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues</td>
<td>$ 8,591,726</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 8,591,726</td>
<td>$ 8,854,371</td>
</tr>
<tr>
<td>Seminar registration, trade show, and meeting fees</td>
<td>3,406,043</td>
<td>-</td>
<td>-</td>
<td>3,406,043</td>
<td>2,965,635</td>
</tr>
<tr>
<td>Contributions</td>
<td>1,065,486</td>
<td>314,650</td>
<td>-</td>
<td>1,380,136</td>
<td>1,328,900</td>
</tr>
<tr>
<td>Inkind contributions</td>
<td>36,257</td>
<td>-</td>
<td>-</td>
<td>36,257</td>
<td>1,802,183</td>
</tr>
<tr>
<td>Special event</td>
<td>988,000</td>
<td>-</td>
<td>-</td>
<td>988,000</td>
<td>913,000</td>
</tr>
<tr>
<td>Investment income</td>
<td>134,100</td>
<td>-</td>
<td>-</td>
<td>134,100</td>
<td>161,344</td>
</tr>
<tr>
<td>Other income</td>
<td>243,430</td>
<td>-</td>
<td>-</td>
<td>243,430</td>
<td>323,234</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>314,650</td>
<td>(314,650)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Purpose restrictions satisfied</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>$14,779,692</td>
<td>-</td>
<td>-</td>
<td>14,779,692</td>
<td>16,348,667</td>
</tr>
</tbody>
</table>

| **EXPENSES**         |              |                        |                        |            |            |
|                      |              |                        |                        |            |            |
| Field operations     | 7,194,494    | -                      | -                      | 7,194,494  | 6,908,197  |
| Member services      | 975,800      | -                      | -                      | 975,800    | 788,344    |
| Annual conference    | 2,154,154    | -                      | -                      | 2,154,154  | 2,374,304  |
| Trade show           | 422,387      | -                      | -                      | 422,387    | 393,635    |
| Learning programs    | 438,195      | -                      | -                      | 438,195    | 482,411    |
| Other program services | 496,444    | -                      | -                      | 496,444    | 626,591    |
| **Total program services** | 11,681,474 | - | - | 11,681,474 | 11,573,482 |
| Supporting services  |              |                        |                        |            |            |
| General administration | 2,832,970   | -                      | -                      | 2,832,970  | 2,835,892  |
| Fund development     | 738,281      | -                      | -                      | 738,281    | 702,088    |
| **Total supporting services** | 3,591,251 | - | - | 3,591,251 | 3,537,980 |
| **Total expenses**   | 15,272,725   | -                      | -                      | 15,272,725 | 15,111,462 |
| Change in net assets | $(499,033)   | -                      | -                      | $(499,033) | 1,237,205  |
| Net assets, beginning of year | 8,610,225 | 5,000 | 100,000 | 8,715,225  | 7,478,020  |
| **Net assets, end of year** | $ 8,117,192 | $ 5,000 | $ 100,000 | $ 8,222,192 | $ 8,715,225 |

4
# National Minority Supplier Development Council, Inc.

**Statements of Cash Flows**

For the Year Ended December 31, 2013

(With Comparative Figures for 2012)

---

## Cash Flows from Operating Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>(493,033)</td>
<td>1,237,205</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>592,299</td>
<td>432,618</td>
</tr>
<tr>
<td>Amortization of deferred rent credits</td>
<td>(7,563)</td>
<td>(7,563)</td>
</tr>
<tr>
<td>Deferred compensation</td>
<td>11,369</td>
<td>12,035</td>
</tr>
<tr>
<td>Donated software</td>
<td>-</td>
<td>(1,767,450)</td>
</tr>
<tr>
<td>Unrealized (appreciation) depreciation on investments</td>
<td>(14,014)</td>
<td>26,278</td>
</tr>
<tr>
<td>Decrease (increase) in accounts receivable</td>
<td>461,273</td>
<td>(230,939)</td>
</tr>
<tr>
<td>(Increase) in prepaid expenses</td>
<td>212,695</td>
<td>(6,899)</td>
</tr>
<tr>
<td>(Decrease) in accounts payable and accrued expenses</td>
<td>(85,160)</td>
<td>(479,358)</td>
</tr>
<tr>
<td>Increase (decrease) in deferred revenue</td>
<td>549,186</td>
<td>(389,023)</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>778,924</td>
<td>(1,173,096)</td>
</tr>
</tbody>
</table>

## Cash Flows from Investing Activities

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of investments</td>
<td>(114,394)</td>
<td>(2,400,000)</td>
</tr>
<tr>
<td>Proceeds from maturity/sale of investments</td>
<td>-</td>
<td>4,260,236</td>
</tr>
<tr>
<td>Deferred compensation</td>
<td>11,369</td>
<td>(12,035)</td>
</tr>
<tr>
<td>Purchases of furniture, fixtures, and equipment, and leasehold improvements</td>
<td>(217,614)</td>
<td>(157,512)</td>
</tr>
<tr>
<td>Net cash (used in) provided by investing activities</td>
<td>(320,639)</td>
<td>1,690,089</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>458,285</td>
<td>517,593</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>1,544,862</td>
<td>1,027,269</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$ 2,003,147</td>
<td>$ 1,544,862</td>
</tr>
</tbody>
</table>

**Supplemental Disclosure of Cash Flow Information**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution of software</td>
<td>$</td>
<td>$ 1,767,450</td>
</tr>
</tbody>
</table>
NOTE 1  ORGANIZATION

National Minority Supplier Development Council, Inc. (the Council) advances business opportunities for certified minority business enterprises (MBEs) and connects them to corporate members.

The Council, a not-for-profit organization incorporated in Illinois, is a publicly supported organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC).

NOTE 2  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Council have been prepared on the accrual basis of accounting. The following significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Council reports information regarding its financial position and activities according to three net asset classes: unrestricted, temporarily restricted, and permanently restricted.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are recorded as temporarily or permanently restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor’s restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

In-kind contributions, donated services, and materials are recorded at the fair value on the date of donation.
NOTE 2  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Membership Dues

Certain firms in private industry that desire membership in the Council are required to pay annual membership dues in amounts determined by the Council’s Board of Directors. Dues are deferred until recognized as income based on the fiscal period for which they are assessed.

Furniture, Fixtures, Equipment, and Leasehold Improvements

Furniture, fixtures, and equipment are carried at cost and are depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the lesser of their estimated useful lives or the term of the lease. Equipment and furniture and fixtures are capitalized if they cost $500 or more and have a useful life when acquired of more than one year. Estimated useful lives are as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leasehold improvements</td>
<td>6-12.5 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>5 years</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>7 years</td>
</tr>
</tbody>
</table>

Cash Equivalents

For purposes of the statement of cash flows, the Council considers all highly liquid debt instruments purchased with a maturity of 90 days or less to be cash equivalents.

Investments

Investments are stated at fair value.

The Council values its investments in accordance with a hierarchy that prioritizes the inputs to valuation techniques, giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement) when market prices are not readily available or reliable. The three levels of the hierarchy under fair value measurements are described below:

Level 1: Quoted prices in active markets for identical securities.
NOTE 2  SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

Level 2: Prices determined using other significant observable inputs, which are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, credit risk, and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Council’s own assumptions and would be based on the best information available.

Changes in valuation techniques could result in transfers in or out of an assigned level within the hierarchy.

Interest income, including unrealized depreciation earned on investments, is recognized as unrestricted revenue unless specifically restricted for use by the donor.

Functional Allocations of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities 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.

NOTE 3  CONCENTRATION OF RISK

At December 31, 2013 and 2012, cash balances at financial banking institutions exceeded the federally insured limit of $250,000.
NOTE 3  CONCENTRATION OF RISK (continued)

Management regularly monitors the financial condition of the banking institutions, along with their cash balances, and endeavors to keep the potential risk to a minimum.

The Council’s investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to the Council’s financial position and the level of risk inherent in most investments, it is reasonably possible that the changes in the values of these investments could occur in the near term. The changes could materially affect the amounts reported in the financial statements. Management believes that the diversification of its investments among the various asset classes (see Note 4) should mitigate the impact of changes in any one asset class.

NOTE 4  INVESTMENTS

Investments held at December 31, 2013 and 2012, consisted of the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013 Fair Value</th>
<th>2012 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$1,492,248</td>
<td>$1,477,519</td>
</tr>
<tr>
<td>Annuities</td>
<td>3,509,134</td>
<td>3,440,350</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>1,253,133</td>
<td>1,209,882</td>
</tr>
<tr>
<td>Money market funds</td>
<td>1,479,401</td>
<td>1,914,042</td>
</tr>
<tr>
<td>Real estate investment trusts</td>
<td>435,133</td>
<td>406,660</td>
</tr>
<tr>
<td>Corporate bond</td>
<td>5,044</td>
<td>5,171</td>
</tr>
<tr>
<td>Artwork</td>
<td>25,922</td>
<td>25,922</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$8,200,015</strong></td>
<td><strong>$8,479,546</strong></td>
</tr>
</tbody>
</table>

Statement of financial position reconciliation:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013 Fair Value</th>
<th>2012 Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount reflected as cash equivalent</td>
<td>$1,453,590</td>
<td>$1,850,159</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>1,018,334</td>
<td>1,001,912</td>
</tr>
<tr>
<td>Amount designated for cash collateral</td>
<td>168,982</td>
<td>168,561</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>5,559,109</td>
<td>5,458,914</td>
</tr>
<tr>
<td><strong>Total investments</strong></td>
<td><strong>$8,200,015</strong></td>
<td><strong>$8,479,546</strong></td>
</tr>
</tbody>
</table>

Certificates of deposit at December 31, 2013, and 2012, consisted of amounts on deposit at financial institutions, with interest rates ranging from 0.15% to 3.44% and various maturity dates.
NOTE 4

INVESTMENTS (continued)

Annuities represent (i) a $1,000,000 seven-year, fixed annuity with New York Life Insurance Company, with a guaranteed principal provision, a 5.6% guaranteed interest rate to July 22, 2010, and a 3% minimum guaranteed interest rate after July 22, 2010; (ii) two five-year annuities of $500,000 each with Allstate Insurance Company of New York, with a guaranteed principal provision and a 2.5% minimum guaranteed interest return on each annuity; (iii) a $500,000 five-year, fixed annuity with Valic Insurance Company, with a guaranteed principal provision, a 4% guaranteed interest rate for the first year, and a 3% minimum guaranteed interest rate after the first year; and (iv) a $500,000 10-year, fixed annuity with Allianz Life Insurance Company of New York with a guaranteed principal provision.

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Certificates of deposit (traditional), money market funds, and artwork: Valued at cost, which approximates fair value.

Market-linked certificates of deposits: Valued on the basis of the performance of the underlying assets.

Annuities: Valued at contract value, which approximates fair value by totaling deposits and reinvested interest, less any withdrawals plus accrued interest.

Mutual funds and corporate bond: Valued at the daily closing price reported in the active market in which the individual securities and bonds are traded. The open-ended mutual funds are registered with the Securities and Exchange Commission. These mutual funds are required to publish their daily net asset value (NAV) to transact at that price. The mutual funds held by the Council are deemed to be actively traded.

Real estate investment trusts (REITs): Valued based on the valuations of the real estate investments, including estimates of value that were determined by the management of the REITs and independent third parties using common methodologies used in the commercial real estate industry, including discounted cash flow analyses and reviews of current, historical, and projected capitalization rates for comparable properties.
NOTE 4  INVESTMENTS (continued)

The preceding methods described may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, although the Council believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments may result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Council’s investments at fair value on a recurring basis, as of December 31, 2013 and 2012:

<table>
<thead>
<tr>
<th>Assets at Fair Value as of December 31, 2013</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income fund</td>
<td>$ 1,018,334</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 1,018,334</td>
</tr>
<tr>
<td>Total return fund</td>
<td>40,281</td>
<td>-</td>
<td>-</td>
<td>40,281</td>
</tr>
<tr>
<td>Equity and income funds</td>
<td>78,125</td>
<td>-</td>
<td>-</td>
<td>78,125</td>
</tr>
<tr>
<td>Value fund</td>
<td>48,641</td>
<td>-</td>
<td>-</td>
<td>48,641</td>
</tr>
<tr>
<td>Income and growth funds</td>
<td>20,037</td>
<td>-</td>
<td>-</td>
<td>20,037</td>
</tr>
<tr>
<td>Other funds</td>
<td>47,715</td>
<td>-</td>
<td>-</td>
<td>47,715</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,253,133</td>
<td>-</td>
<td>-</td>
<td>1,253,133</td>
</tr>
<tr>
<td>Corporate bond</td>
<td>5,044</td>
<td>-</td>
<td>-</td>
<td>5,044</td>
</tr>
<tr>
<td>Baa2 credit rating</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money market funds</td>
<td>-</td>
<td>1,479,401</td>
<td>-</td>
<td>1,479,401</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>-</td>
<td>1,492,248</td>
<td>-</td>
<td>1,492,248</td>
</tr>
<tr>
<td>Annuities</td>
<td>-</td>
<td>3,509,134</td>
<td>-</td>
<td>3,509,134</td>
</tr>
<tr>
<td>Real estate investment trusts</td>
<td>-</td>
<td>-</td>
<td>435,133</td>
<td>435,133</td>
</tr>
<tr>
<td>Artwork</td>
<td>-</td>
<td>-</td>
<td>25,922</td>
<td>25,922</td>
</tr>
<tr>
<td><strong>Total investments, at fair value</strong></td>
<td>$ 1,258,177</td>
<td>$ 6,480,783</td>
<td>$ 461,055</td>
<td>$ 8,200,015</td>
</tr>
</tbody>
</table>
### NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.
#### Notes to Financial Statements
December 31, 2013

#### NOTE 4 INVESTMENTS (continued)

<table>
<thead>
<tr>
<th>Assets at Fair Value as of December 31, 2012</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mutual funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income fund</td>
<td>$1,001,912</td>
<td>-</td>
<td>-</td>
<td>$1,001,912</td>
</tr>
<tr>
<td>Total return fund</td>
<td>36,079</td>
<td>-</td>
<td>-</td>
<td>36,079</td>
</tr>
<tr>
<td>Equity and income funds</td>
<td>51,210</td>
<td>-</td>
<td>-</td>
<td>51,210</td>
</tr>
<tr>
<td>Value fund</td>
<td>36,657</td>
<td>-</td>
<td>-</td>
<td>36,657</td>
</tr>
<tr>
<td>Income and growth funds</td>
<td>12,456</td>
<td>-</td>
<td>-</td>
<td>12,456</td>
</tr>
<tr>
<td>Other funds</td>
<td>71,568</td>
<td>-</td>
<td>-</td>
<td>71,568</td>
</tr>
<tr>
<td>Total</td>
<td>1,209,882</td>
<td>-</td>
<td>-</td>
<td>1,209,882</td>
</tr>
<tr>
<td>Corporate bond</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bas2 credit rating</td>
<td>5,171</td>
<td>-</td>
<td>-</td>
<td>5,171</td>
</tr>
<tr>
<td>Money market funds</td>
<td>-</td>
<td>1,914,042</td>
<td>-</td>
<td>1,914,042</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>-</td>
<td>1,477,519</td>
<td>-</td>
<td>1,477,519</td>
</tr>
<tr>
<td>Annuities</td>
<td>-</td>
<td>3,440,350</td>
<td>-</td>
<td>3,440,350</td>
</tr>
<tr>
<td>Real estate investment trusts</td>
<td>-</td>
<td>-</td>
<td>406,660</td>
<td>406,660</td>
</tr>
<tr>
<td>Artwork</td>
<td>-</td>
<td>-</td>
<td>25,922</td>
<td>25,922</td>
</tr>
<tr>
<td>Total investments, at fair value</td>
<td>$1,215,053</td>
<td>$6,831,911</td>
<td>$432,582</td>
<td>$8,479,546</td>
</tr>
</tbody>
</table>

Transfers between level categories may occur due to changes in the availability of market observable inputs, which are usually caused by changes in market conditions such as availability of market observable quoted prices, liquidity, trading volume, or bid-ask spreads. Transfers in and out of level categories are reported as having occurred at the beginning of the year in which the transfer occurred.

There were no transfers between levels as of December 31, 2013. As of January 1, 2012, mutual funds were transferred from Level 2 to Level 1 due to the availability of market observable inputs.

The Council’s Vice President of Finance and Administration reviews the real estate investment trusts’ (REITs) monthly statements to assess the reasonableness of the fair values. In addition, the Council uses a third-party investment advisor to assist in determining the fair values of the REITs. The investment advisor reports to the President and the Vice President of Finance and Administration of the Council. The President and Vice President of Finance and Administration report to the Executive Committee of the Board of Directors. The Executive Committee meets at least three times each year.
NOTE 4  INVESTMENTS (continued)

The following tables represent the Council’s Level 3 assets, the valuation techniques used to measure the fair value of those assets, and the significant unobservable inputs used in the fair value measurement as of December 31, 2013 and 2012:

<table>
<thead>
<tr>
<th>Asset</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate investment</td>
<td>Fair Value</td>
<td>Fair Value</td>
</tr>
<tr>
<td>trusts</td>
<td>$ 425,133</td>
<td>$ 406,050</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The significant unobservable inputs used in the fair value measurement of the REITs are the weighted-average cost of capital, the volatility of credit, and the discount for lack of marketability and illiquid shares. Significant increases (decreases) in any of those inputs in isolation would result in a significantly lower (higher) fair value measurement, respectively.
NOTE 4  INVESTMENTS (continued)

The table below is a reconciliation of level 3 assets for the year ended December 31, 2013:

<table>
<thead>
<tr>
<th></th>
<th>Real Estate Investment</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trusts</td>
<td>Artwork</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$ 406,660</td>
<td>$ 25,922</td>
<td>$ 432,582</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>28,473</td>
<td>-</td>
<td>28,473</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 435,133</td>
<td>$ 25,922</td>
<td>$ 461,055</td>
<td></td>
</tr>
</tbody>
</table>

The table below is a reconciliation of level 3 assets for the year ended December 31, 2012:

<table>
<thead>
<tr>
<th></th>
<th>GE Interest Plus</th>
<th>Real Estate Investment</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trusts</td>
<td>Artwork</td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$ 4,272,550</td>
<td>$ -</td>
<td>$ 25,922</td>
<td>$ 4,298,472</td>
</tr>
<tr>
<td>Purchases</td>
<td>-</td>
<td>400,000</td>
<td>-</td>
<td>400,000</td>
</tr>
<tr>
<td>Sales</td>
<td>(4,301,181)</td>
<td>-</td>
<td>-</td>
<td>(4,301,181)</td>
</tr>
<tr>
<td>Interest</td>
<td>28,631</td>
<td>6,660</td>
<td>-</td>
<td>35,291</td>
</tr>
<tr>
<td></td>
<td>$ -</td>
<td>$ 406,660</td>
<td>$ 25,922</td>
<td>$ 432,582</td>
</tr>
</tbody>
</table>

NOTE 5  FURNITURE, FIXTURES, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, fixtures, equipment, and leasehold improvements consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment</td>
<td>$3,586,362</td>
<td>$3,368,748</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>555,499</td>
<td>555,499</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>868,331</td>
<td>868,331</td>
</tr>
<tr>
<td></td>
<td>5,010,192</td>
<td>4,792,578</td>
</tr>
</tbody>
</table>

Less: Accumulated depreciation and amortization

|                      | 2,807,933 | 2,215,635 |
|                      | $2,202,259| $2,576,943|

Depreciation and amortization expense for the years ended December 31, 2013 and 2012, amounted to $592,299, and $432,618, respectively.
NOTE 6  OFFICE LEASE

On November 15, 2008, the Council entered into a new lease agreement for office space set to expire on May 31, 2021, which has provisions for future rent increases and rent-free periods. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. As security for the lease, the lease agreement requires the Council to have a $336,072 letter of credit that is collateralized by a certificate of deposit owned by the Council. As of December 31, 2012, the collateral required was lowered to $168,036.

During 2013 and 2012, the Council incurred $787,073 and $774,574, respectively, in rent and related occupancy expenses under the lease. As of December 31, 2013, minimum future annual rents under the terms of the leases are as follows:

<table>
<thead>
<tr>
<th>Years</th>
<th>Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$ 630,135</td>
</tr>
<tr>
<td>2015</td>
<td>672,144</td>
</tr>
<tr>
<td>2016</td>
<td>672,144</td>
</tr>
<tr>
<td>2017</td>
<td>672,144</td>
</tr>
<tr>
<td>2018</td>
<td>672,144</td>
</tr>
<tr>
<td>2019-2021</td>
<td>1,624,348</td>
</tr>
<tr>
<td></td>
<td>$4,943,059</td>
</tr>
</tbody>
</table>

NOTE 7  NET ASSETS

Unrestricted

Board-designated: The Council allocated a percentage of the membership dues to provide grants to regional councils for specific certification services and grants to support retirement plans in 2012. Accordingly, certain funds had been designated to support these activities through 2012. There were no Board-designated net assets as of December 31, 2013.

Temporarily Restricted

Temporarily restricted net assets were available to support the following program activities as of December 31, 2013 and 2012:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance Management Education Program</td>
<td>$ 5,000</td>
<td>$ 5,000</td>
</tr>
</tbody>
</table>
NOTE 7  NET ASSETS (continued)

Permanently Restricted

Permanently restricted net assets represent the James H. O'Neal/PepsiCo Foundation/NMSDC Endowed Scholarship Fund. The income earned will be used to support scholarships for minority business owners who participate in the Advanced Management Education Program. Funds are invested in a seven-year annuity.

The Council’s endowment assets include those assets of Board-designated and donor-restricted funds that it must hold in perpetuity or for donor-specified periods.

The Council’s Board of Directors has interpreted the applicable state law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Council classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, if any, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Changes in endowment net assets for the years ended December 31, 2013 and 2012 were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January 1, 2013</td>
<td>$1,165,933</td>
<td>$ -</td>
<td>$100,000</td>
<td>$1,265,933</td>
</tr>
<tr>
<td>Investment return</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>34,978</td>
<td>3,000</td>
<td>-</td>
<td>37,978</td>
</tr>
<tr>
<td>Appropriation of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>endowment assets for</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>expenditure</td>
<td>3,000</td>
<td>[3,000]</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Endowment net assets,</td>
<td>$1,203,911</td>
<td>$ -</td>
<td>$100,000</td>
<td>$1,303,911</td>
</tr>
<tr>
<td>December 31, 2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

16
NOTE 7

NET ASSETS (continued)

Permanently Restricted (continued)

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>January 1, 2012</td>
<td>$1,129,017</td>
<td>$ -</td>
<td>$100,000</td>
<td>$1,229,017</td>
</tr>
<tr>
<td>Investment return</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appropriation of</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>endowment assets for expenditure</td>
<td>3,000</td>
<td>(3,000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment net assets,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31, 2012</td>
<td>$1,165,933</td>
<td></td>
<td>$100,000</td>
<td>$1,265,933</td>
</tr>
</tbody>
</table>

The Council has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while maintaining their purchasing power. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner intended to preserve the assets of donor-restricted funds that the Council must hold in perpetuity, while assuming a low level of investment risk. Therefore, the investment objectives require disciplined and consistent management philosophies to accommodate all those relevant, reasonable, and probable events. Consequently, a periodic review of total rate of return and spending rate objectives is required.

NOTE 8

DEFERRED COMPENSATION PLANS

The Council established a deferred compensation plan under Section 457 of the IRC and a nonqualified deferred compensation plan (the Plans). The nonqualified deferred compensation plan is offered to select executives. The Plans are a vehicle to save for retirement on a tax-efficient basis. Employees may elect to defer compensation (salary/bonus) under the Plans. The Council may, at its discretion, make contributions on a selective basis. The contributions are invested in a trust and are reflected in the accompanying financial statements as a long-term investment. At December 31, 2013 and 2012, the Plans’ balance was $265,654 and $277,023, respectively. The deferred compensation plan had deposits of $26,750; withdrawals of $60,429; and a net gain of $22,310 for the year ended December 31, 2013, and had deposits of $21,400; withdrawals of $28,110; and a net gain of $18,745 for the year ended December 31, 2012.
NOTE 9  PENSION PLAN

The Council has a defined contribution pension plan, the National Minority Supplier Development Council, Inc. Retirement Plan and Trust, for which it provides an amount equal to 5% of the base salary for eligible, full-time employees. In addition, employees are permitted to make contributions on their own behalf. The pension expense amounted to $167,665 and $161,446 for 2013 and 2012, respectively. The value of the fund was equal to the vested benefits therein as of December 31, 2013. There were no liabilities for past service costs.

NOTE 10  IN-KIND CONTRIBUTIONS

In-kind contributions, which are reflected in the accompanying financial statements at fair value at the date of gift, included the following amounts for the years ended December 31:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment on loan—annual conference</td>
<td>$23,129</td>
<td>$17,000</td>
</tr>
<tr>
<td>loaned vehicles</td>
<td></td>
<td>3,953</td>
</tr>
<tr>
<td>Software</td>
<td></td>
<td>1,767,450</td>
</tr>
<tr>
<td>Technical support services—annual conference</td>
<td>12,578</td>
<td>13,000</td>
</tr>
<tr>
<td>Cell phone services</td>
<td>550</td>
<td>780</td>
</tr>
<tr>
<td><strong>Total in-kind contributions</strong></td>
<td><strong>$36,257</strong></td>
<td><strong>$1,802,183</strong></td>
</tr>
</tbody>
</table>

NOTE 11  COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Council’s financial statements for the year ended December 31, 2012, from which the summarized information was derived.
NOTE 12  INCOME TAXES

U.S. GAAP requires management to evaluate uncertain tax positions taken by the Council. The financial statement effects of a tax position are recognized when the position is more-likely-than-not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service. Management analyzed the Council's tax positions, and it concluded that as of December 31, 2013, there are no uncertain positions taken or expected to be taken. The Council is subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. Management believes the Council is no longer subject to income tax examinations for years prior to 2010.

NOTE 13  RELATED-PARTY TRANSACTIONS

As of and for the years ended December 31, 2013 and 2012, the Council had 24 and 36 regional councils across the country, respectively. The regional councils certify and match minority-owned businesses with member corporations that want to purchase their products and services. A portion of the national dues collected by the Council is allocated to the regional councils based on service points and average local dues. In addition, a percentage of the membership renewal dues are set aside to provide fringe benefits and training program for regional council staff, grants to increase MBE certification, and technology upgrades. In addition, the regional councils share in the profits earned from the annual conference and trade shows. Payments to the regional councils were $6,307,125 and $6,401,024 for the years ended December 31, 2013 and 2012, respectively. Amounts due to the regional councils were $391,596 and $457,196 as of December 31, 2013 and 2012, respectively.

NOTE 14  SUBSEQUENT EVENTS

The Council has evaluated subsequent events through May 2, 2014, which is the date the financial statements were available to be issued, and has determined that there were no subsequent events to be recognized in these financial statements.
SUPPLEMENTARY INFORMATION
### NATIONAL MINORITY SUPPLIER DEVELOPMENT COUNCIL, INC.

**Schedule of Functional Expenses**

*For the Year Ended December 31, 2013*

(With Summarized and Comparative Totals for 2012)

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</thead>
<tbody>
<tr>
<td>Payments to regional councils</td>
<td>$ 6,211,243</td>
<td>$ 81,291</td>
<td>$ 13,494</td>
<td>$ -</td>
<td>$ 6,007,155</td>
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</tr>
<tr>
<td>Scholarships</td>
<td>377,318</td>
<td>118,774</td>
<td>202,868</td>
<td>57,567</td>
<td>14,918</td>
<td>203,080</td>
<td>1,598,160</td>
<td>1,023,086</td>
<td>1,023,086</td>
<td>1,218,054</td>
<td>1,218,054</td>
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<tr>
<td>Employee benefits</td>
<td>38,431</td>
<td>115,833</td>
<td>78,984</td>
<td>13,410</td>
<td>29,933</td>
<td>36,921</td>
<td>336,704</td>
<td>227,010</td>
<td>227,010</td>
<td>275,009</td>
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<tr>
<td>Administrative</td>
<td>7,650</td>
<td>30,370</td>
<td>361,700</td>
<td>8,599</td>
<td>6,080</td>
<td>7,534</td>
<td>307,901</td>
<td>173,731</td>
<td>173,731</td>
<td>141,600</td>
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<tr>
<td>Conduits and contractual services</td>
<td>227,725</td>
<td>132,426</td>
<td>113,642</td>
<td>220,023</td>
<td>237,834</td>
<td>36,820</td>
<td>1,153,879</td>
<td>2,405,976</td>
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<tr>
<td>Meetings and conferences</td>
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<td>12,350</td>
<td>746,573</td>
<td>2,293</td>
<td>357,933</td>
<td>350,066</td>
<td>220,807</td>
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<tr>
<td>Printing and supplies</td>
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<td>28,325</td>
<td>102,008</td>
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<td>2,344</td>
<td>1,132</td>
<td>158,674</td>
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<tr>
<td>Other</td>
<td>6,619</td>
<td>10,130</td>
<td>508,700</td>
<td>5,338</td>
<td>5,065</td>
<td>330,001</td>
<td>68,182</td>
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<tr>
<td>Depreciation and amortization</td>
<td>251,634</td>
<td>15,215</td>
<td>16,795</td>
<td>3,167</td>
<td>3,155</td>
<td>1,667</td>
<td>290,703</td>
<td>259,702</td>
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22
“When you’re surrounded by people who share a passionate commitment around a common purpose, anything is possible.”
- Howard Schultz, Chairman and CEO, Starbucks