Thurgood Marshall College Fund and Affiliates

Consolidated Financial Statements
Including Uniform Guidance Reports
and Independent Auditors' Report

December 31, 2017 and 2016

Thurgood Marshall College Fund and Affiliates

Consolidated Financial Statements
December 31, 2017 and 2016

Contents

ROGERS & COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Thurgood Marshall College Fund and Affiliates

We have audited the accompanying consolidated financial statements of the Thurgood Marshall College Fund and Affiliates (collectively, "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2017 and 2016; the related consolidated statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Auditor's Responsibility (continued)

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as of and for the years ended December 31, 2017 and 2016 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

***Other Reporting Required by* Government Auditing Standards**

In accordance with *Government Auditing Standards,* we have also issued our report dated September 28, 2018, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Rogers + Company PLLC

Vienna, Virginia
September 28, 2018

Thurgood Marshall College Fund and Affiliates

Consolidated Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and cash equivalents	$ 7,211,969	$ 2,826,849
Accounts receivable	24,691	71,500
Grants receivable	951,586	1,132,719
Pledges receivable, net	5,336,063	7,871,490
Note receivable	200,000	400,000
Prepaid expenses and other assets	55,906	18,738
Investments	1,089,348	1,024,377
Property and equipment, net	42,234	69,635
Security deposit	3,218	3,218
Total assets	$ 14,915,015	$ 13,418,526
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable and accrued expenses	$ 668,121	$ 797,809
Deferred revenue	3,397,333	1,979,001
Deferred rent	25,740	105,444
Loan payable	1,078,934	1,121,090
Total liabilities	5,170,128	4,003,344
Net Assets (Deficit)		
Unrestricted	(537,929)	(3,023,224)
Temporarily restricted	10,032,816	12,188,406
Permanently restricted	250,000	250,000
Total net assets	9,744,887	9,415,182
Total liabilities and net assets	$ 14,915,015	$ 13,418,526

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support				
Contributions and grants	$ 10,078,565	$ 5,460,307	$ -	$ 15,538,872
Government grants	6,442,571	-	-	6,442,571
In-kind contributions	1,055,733	-	-	1,055,733
Contract income	445,714	-	-	445,714
Registration fees	45,600	-	-	45,600
Membership fees	55,000	-	-	55,000
Interest income	45,268	-	-	45,268
Other income	52,764	-	-	52,764
Released from restrictions:				
Satisfaction of program restrictions	7,615,897	(7,615,897)	-	-
Total operating revenue and support	25,837,112	(2,155,590)	-	23,681,522
Expenses				
Program services	20,327,340	-	-	20,327,340
Management and general	2,585,064	-	-	2,585,064
Development	591,107	-	-	591,107
Total expenses	23,503,511	-	-	23,503,511
Change in Net Assets from Operations	2,333,601	(2,155,590)	-	178,011
Non-Operating Activities				
Unrealized gain on investments	98,223	-	-	98,223
Realized gain on investments	53,471	-	-	53,471
Change in Net Assets	2,485,295	(2,155,590)	-	329,705
Net Assets (Deficit), beginning of year	(3,023,224)	12,188,406	250,000	9,415,182
Net Assets (Deficit), end of year	$ (537,929)	$ 10,032,816	$ 250,000	$ 9,744,887

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue and Support				
Contributions and grants	$ 4,257,393	$ 7,502,600	$ -	$ 11,759,993
Government grants	5,375,262	-	-	5,375,262
In-kind contributions	1,930,458	-	-	1,930,458
Contract income	187,670	-	-	187,670
Registration fees	160,000	-	-	160,000
Rental income	84,978	-	-	84,978
Membership fees	55,815	-	-	55,815
Interest income	28,949	-	-	28,949
Other income	151,462	-	-	151,462
Released from restrictions: Satisfaction of program restrictions	7,439,494	(7,439,494)	-	-
Total operating revenue and support	19,671,481	63,106	-	19,734,587
Expenses				
Program services	15,941,634	-	-	15,941,634
Management and general	3,589,634	-	-	3,589,634
Development	642,487	-	-	642,487
Total expenses	20,173,755	-	-	20,173,755
Change in Net Assets from Operations	(502,274)	63,106	-	(439,168)
Non-Operating Activities				
Unrealized gain on investments	269,529	-	-	269,529
Realized gain on investments	52,018	-	-	52,018
Change in Net Assets	(180,727)	63,106	-	(117,621)
Net Assets (Deficit), beginning of year	(2,842,497)	12,125,300	250,000	9,532,803
Net Assets (Deficit), end of year	$ (3,023,224)	$ 12,188,406	$ 250,000	$ 9,415,182

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2017

	Program Services	Management and General	Development	Total Expenses
Salaries and fringe benefits	$ 7,119,607	$ 1,704,701	$ 527,785	$ 9,352,093
Travel and conferences	5,265,987	83,306	9,304	5,358,597
Scholarships and awards	4,754,524	9,538	-	4,764,062
Consultants and professionals	1,750,328	135,793	21,020	1,907,141
Promotion and advertising	619,155	5,513	2,578	627,246
Rent (office and equipment)	172,803	318,078	-	490,881
Technology	320,987	106,798	3,373	431,158
Subscriptions and dues	42,917	38,832	12,399	94,148
Office expense and supplies	164,689	40,206	30	204,925
Miscellaneous	26,674	42,090	-	68,764
Printing and publications	44,664	5,109	14,618	64,391
Insurance	20,504	44,056	-	64,560
Depreciation and amortization	8,725	18,676	-	27,401
Interest	15,122	32,368	-	47,490
Postage	654	-	-	654
Total Expenses	$ 20,327,340	$ 2,585,064	$ 591,107	$ 23,503,511

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services	Management and General	Development	Total Expenses
Salaries and fringe benefits	$ 5,259,565	$ 1,879,375	$ 458,933	$ 7,597,873
Travel and conferences	4,186,770	136,428	29,617	4,352,815
Scholarships and awards	3,636,544	-	-	3,636,544
Consultants and professionals	1,108,902	573,091	90,756	1,772,749
Promotion and advertising	1,137,051	1,568	5,535	1,144,154
Rent (office and equipment)	1,196	531,540	-	532,736
Technology	373,986	137,106	3,476	514,568
Subscriptions and dues	71,710	36,957	6,733	115,400
Office expense and supplies	122,003	44,292	21,869	188,164
Miscellaneous	6,702	108,858	636	116,196
Printing and publications	37,069	10,886	24,932	72,887
Insurance	-	52,218	-	52,218
Depreciation and amortization	-	27,781	-	27,781
Interest	-	49,534	-	49,534
Postage	136	-	-	136
Total Expenses	$ 15,941,634	$ 3,589,634	$ 642,487	$ 20,173,755

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	$ 329,705	$ (117,621)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	27,401	27,781
Change in discount on multi-year pledges	110,526	-
Net realized and unrealized gain on investments	(151,694)	(321,547)
Donated stock	-	(30,211)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	46,809	(4,507)
Grants receivable	181,133	(931,929)
Pledges receivable	2,424,901	(4,187,665)
Prepaid expenses and other assets	(37,168)	(4,507)
Security deposit	-	45,145
Increase (decrease) in:		
Accounts payable and accrued expenses	(129,688)	103,433
Deferred revenue	1,418,332	(504,316)
Deferred rent	(79,704)	(5,232)
Grant advances	-	(82,275)
Security deposit	-	(48,492)
Net cash provided by (used in) operating activities	4,140,553	(6,061,943)
Cash Flows from Investing Activities		
Purchase of investments	(17,642)	-
Proceeds from sales of investments	104,365	5,133,655
Purchase of property and equipment	-	(7,182)
Receipts on note receivable	200,000	200,000
Net cash provided by investing activities	286,723	5,326,473
Cash Flows from Financing Activity		
Principal payments under loan payable	(42,156)	(40,113)
Net cash used in financing activity	(42,156)	(40,113)
Net Increase (Decrease) in Cash and Cash Equivalents	4,385,120	(775,583)
Cash and Cash Equivalents, beginning of year	2,826,849	3,602,432
Cash and Cash Equivalents, end of year	$ 7,211,969	$ 2,826,849

See accompanying notes.

1. Nature of Operations

The Thurgood Marshall College Fund (TMCF) was organized in 1987 as a not-for-profit organization that provides scholarships, leadership training, and career development. TMCF also promotes student development and programmatic and capacity-building support to students who attend any of the 47 historically black public colleges and universities (HBCU) that it serves. Member colleges and universities receive scholarships and programmatic and capacity-building grants from TMCF. TMCF also provides donor-restricted funds to colleges from workplace campaigns and grants and contributions from corporations, foundations, and individual donors.

Opportunity Funding Corporation, Inc. (OFCI) was created in 1984 by Opportunity Funding Corporation (OFC) to serve as the financing vehicle for the hundreds of minority entrepreneurs who have successfully launched business enterprises nationwide. Pursuant to an Agreement and Plan of Merger, OFC was merged into TMCF, effective August 30, 2013. As part of the merger, TMCF acquired OFC's wholly-owned interest in its subsidiary OFCI.

On January 19, 2016, TMCF founded TM2 Search, LLC (TM2), a limited liability company, under the laws of Delaware, to identify, match, and support the unique leadership needs of the Black College Community. TM2's sole member is TMCF, and its vision is to build sustainable institutions by identifying and supporting creative and competent leadership.

2. Summary of Significant Accounting Policies

Principles of Consolidation

TMCF's financial statements have been consolidated with those of OFCI and TM2 (collectively, "the Organization"). All significant intercompany balances and transactions have been eliminated in consolidation. As a wholly-owned subsidiary, any dividends paid by OFCI are netted against TMCF's investment in OFCI, with the net investment eliminated in consolidation. As a single-member managed liability company with TMCF as its sole member, TM2 is included in the accompanying financial statements.

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Accounting and Presentation

The Organization's consolidated financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization's operations.

- *Temporarily restricted net assets* represent funds subject to donor-imposed restrictions that are met either by actions of the Organization or through the passage of time.

- *Permanently restricted net assets* represent funds in which the principal must be held in perpetuity, while the earnings may be available for general operations or restricted purposes imposed by the donors.

Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase. Excluded from this definition are amounts held for investments.

Accounts Receivable

Accounts receivable are recorded at net realizable value. Uncollectible accounts are written-off in the year in which they are identified. The Organization does not maintain an allowance for doubtful accounts, but does monitor and estimate the amount of any uncollectible balances throughout the year.

2. Summary of Significant Accounting Policies (continued)

Grants Receivable

Grants receivable consist of amounts due to be reimbursed to the Organization for expenses incurred under grant agreements with the U.S. government. The entire amount is expected to be collected within one year, and is recorded at net realizable value at December 31, 2017 and 2016. No allowance for doubtful accounts is recorded, as management believes that all receivables are fully collectible.

Pledges Receivable

Pledges receivable represent unconditional amounts committed to the Organization. Pledges receivable are reflected at their net realizable value. Pledges due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return, using 3.20%. Discount on pledges receivable was $110,526 and $0 at December 31, 2017 and 2016, respectively. Management determines the allowance for uncollectible pledges by identifying troubled accounts and by using historical experience. The allowance for uncollectible pledges was $61,059 at both December 31, 2017 and 2016.

Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses are included in the accompanying consolidated statements of activities.

Property and Equipment

Property and equipment purchased at a cost of $1,000 or more are capitalized and recorded at cost. Leasehold improvements are stated at cost and are amortized using the straight-line method over the shorter of their estimated useful lives or the lease term. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed as incurred.

Property and equipment are depreciated or amortized on a straight-line basis over their estimated useful lives as follows:

Office equipment	7 years
Furniture and fixtures	10 years
Computer hardware	7 years
Computer software	5 years

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports contributions and grants as temporarily or permanently restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Restricted net assets are reported as unrestricted net assets if the restrictions are met in the same period received.

Revenue from government grants is recognized as allowable costs are incurred. Advances received from grantors are recorded as deferred revenue in the accompanying consolidated statements of financial position. Unspent grant funds from previous years that were not returned to the funding federal agencies as of December 31, 2017 and 2016 are included in grant advances in the accompanying consolidated statements of financial position.

Revenue from all other sources is recognized when earned.

In-Kind Contributions

In-kind contributions are recognized as revenue and support and expenses in the accompanying consolidated statements of activities at their estimated fair value, as provided by the donor at the date of donation.

Measure of Operations

Net realized and unrealized gains and losses on investments are considered non-operating activities. The Organization does not consider these items to be part of normal operating activities and, accordingly, separately identifies them in the accompanying consolidated statements of activities.

Functional Allocation of Expenses

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

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The update requires a lessee to recognize a right-of-use asset and lease liability, initially measured at the present value of the lease payments, in its statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2020.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The update changes the manner by which nonprofit organizations classify net assets as well as improves information presented in financial statements and notes about nonprofit organization liquidity, financial performance, and cash flows. The guidance is effective beginning in 2018.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 28, 2018, the date the consolidated financial statements were available to be issued.

3. Concentrations

Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Organization maintains cash deposit and transaction accounts, along with investments, with various financial institutions and these values, from time to time, exceed insurable limits under the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). The Organization has not experienced any credit losses on its cash and cash equivalents, and investments to date as it relates to FDIC and SIPC insurance limits. Management periodically assesses the financial condition of these financial institutions and believes that the risk of any credit loss is minimal.

3. Concentrations (continued)

Revenue Risk

For the years ended December 31, 2017 and 2016, a substantial portion of the Organization's revenue was generated from a small number of donors. For the year ended December 31, 2017, $6,091,707 was received from three donors, and for the year ended December 31, 2016, $3,946,500 was received from the one donor. These contributions approximate 26% and 20% of the Organization's total operating revenue and support for the years ended December 31, 2017 and 2016, respectively.

4. Pledges Receivable

Pledges receivable represent amounts due from individual and corporate donors, as well as foundations, and are due as follows at December 31:

	2017	2016
Due in less than one year	$ 3,868,648	$ 7,166,549
Due in one to five years	1,639,000	766,000
Total pledges receivable	5,507,648	7,932,549
Less: allowance for uncollectible pledges	(61,059)	(61,059)
Less: discount on pledges	(110,526)	-
Pledges receivable, net	$ 5,336,063	$ 7,871,490

The Organization was owed $2,095,600 from two donors and $5,042,100 from two donors, which accounted for 39% and 64% of pledges receivable, as of December 31, 2017 and 2016, respectively.

5. Note Receivable

Note receivable consists of a note issued in March 2014 to a private corporation, for the repurchase of donated stocks back from the Organization, over the next five years, in 20% annual increments plus accrued interest at the rate of 2.25% per year. Payments received on this note were $200,000 for both years ended December 31, 2017 and 2016.

6. Investments and Fair Value Measurements

The Organization follows FASB Accounting Standards Codification 820, *Fair Value Measurements and Disclosures,* for its financial assets. This standard establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value measurement standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

The inputs used in measuring fair value are categorized into three levels. Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. Level 2 is based upon observable inputs other than quoted market prices, and Level 3 is based on unobservable inputs.

The Organization recognizes transfers between levels in the fair value hierarchy at the end of the reporting period.

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. This pricing methodology applies to Level 1 investments.

Investment income consists of the following for the years ended December 31:

	2017	2016
Interest income	$ 45,268	$ 28,949
Unrealized gain	98,223	269,529
Realized gain	53,471	52,018
Total investment income	$ 196,962	$ 350,496

6. Investments and Fair Value Measurements (continued)

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at December 31, 2017:

	Total fair value	Level 1	Level 2	Level 3
Mutual funds:				
Bank loan fund	$ 16,741	$ 16,741	$ -	$ -
Diversified emerging markets	89,634	89,634	-	-
Emerging markets bond	18,548	18,548	-	-
Energy limited partnership	10,925	10,925	-	-
Foreign large value	73,678	73,678	-	-
High-yield bond	17,464	17,464	-	-
Large value	204,518	204,518	-	-
Mid-cap blend	78,833	78,833	-	-
Multisector bond	75,459	75,459	-	-
Real estate fund	14,652	14,652	-	-
Short-term bond	170,737	170,737	-	-
World bond	20,799	20,799	-	-
Exchange-traded funds:				
Diversified emerging markets	29,968	29,968	-	-
Foreign large blend	80,693	80,693	-	-
Large growth	130,052	130,052	-	-
Small blend	56,605	56,605	-	-
Money market funds	42	42	-	-
Total investments	$ 1,089,348	$ 1,089,348	$ -	$ -

6. Investments and Fair Value Measurements (continued)

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at December 31, 2016:

	Total fair value	Level 1	Level 2	Level 3
Mutual funds:				
Bank loan fund	$ 16,003	$ 16,003	$ -	$ -
Diversified emerging markets	68,588	68,588	-	-
Emerging markets bond	16,834	16,834	-	-
Energy limited partnership	11,742	11,742	-	-
Foreign large value	61,605	61,605	-	-
High-yield bond	41,888	41,888	-	-
Large value	176,086	176,086	-	-
Mid-cap blend	68,492	68,492	-	-
Multisector bond	52,410	52,410	-	-
Real estate fund	13,683	13,683	-	-
Short-term bond	198,788	198,788	-	-
Ultrashort bond	25,176	25,176	-	-
World bond	20,267	20,267	-	-
Exchange-traded funds:				
Diversified emerging markets	21,804	21,804	-	-
Foreign large blend	63,350	63,350	-	-
Large growth	118,966	118,966	-	-
Small blend	48,695	48,695	-	-
Total investments	$ 1,024,377	$ 1,024,377	$ -	$ -

7. Property and Equipment

Property and equipment consists of the following at December 31:

	2017	2016
Office equipment	$ 340,736	$ 340,736
Computer hardware and software	310,506	310,506
Furniture and fixtures	166,486	166,486
Leasehold improvements	51,536	51,536
Total property and equipment	869,264	869,264
Less: accumulated depreciation and amortization	(827,030)	(799,629)
Property and equipment, net	$ 42,234	$ 69,635

8. Loan Payable

In December 2014, the Organization obtained a loan for $1,200,000. Interest accrues at 4.25% per annum. The Organization is required to make interest and principal payments of $7,471 on a monthly basis based on a 47-month amortization schedule commencing on January 9, 2015, with a balloon payment of $1,042,322 due on December 9, 2018. The loan contains certain financial covenants, including a minimum liquidity of $500,000 measured at the end of each quarter. As of December 31, 2017 and 2016, the Organization was in compliance with all material covenants. Interest expense associated with the loan payable totaled $43,656 and $49,534 for the years ended December 31, 2017 and 2016, respectively. The amount outstanding on the loan payable totaled $1,078,934 and $1,121,090 at December 31, 2017 and 2016, respectively.

Future principal payments under the loan total $1,078,934 for the year ending December 31, 2018.

9. Line of Credit

In December 2014, the Organization obtained a revolving line of credit with a bank that provides for borrowings of up to $1,000,000. This line of credit bears interest at a variable rate equal to the bank's prime rate, which equaled 4.00% for both years ended December 31, 2017 and 2016. The outstanding balance on the line of credit was $0 at both December 31, 2017 and 2016.

10. Commitments and Contingencies

Operating Leases

In August 2011, the Organization entered into an annual lease agreement for office space in Houston, Texas. During 2015, the lease was amended to include additional office space and extended through October 2018. The base rate was subject to annual rental increases of 2%. Subsequent to year-end in August 2018, the landlord and the Organization entered into an agreement to terminate the office lease as of September 1, 2018 with no termination fee. As of September 1, 2018, the Organization was released of all further obligations to the lease.

The Organization has a noncancelable operating lease agreement for its office space in Washington, D.C., extending through March 31, 2018. The lease called for annual rent increases of 2.5%. On November 20, 2017, the office lease was amended and extended for a further period of 7 years, commencing April 1, 2018 and expiring March 31, 2025. The base rate is subject to annual rental increases of 2.5%. The unamortized portion of the cumulative difference between the actual rent paid and the straight-line rent, is reflected as deferred rent, in the accompanying consolidated statements of financial position.

Rent expense from the operating leases totaled $469,076 and $509,377 for the years ended December 31, 2017 and 2016, respectively.

The Organization leases office equipment under an operating lease, which began in January 2015 and expired in February 2018. Subsequent to year end, the Organization began leasing office equipment under a new operating lease, which began in March 2018 and expires in February 2021. The lease requires fixed monthly payments of $616. Rental expense for the lease was $7,164 for both years ended December 31, 2017 and 2016.

10. Commitments and Contingencies (continued)

Operating Leases (continued)

Total future minimum lease payments under all operating leases are as follows for the years ending December 31:

2018	$ 431,301
2019	367,186
2020	376,184
2021	379,346
2022	387,588
Thereafter	906,914
Future minimum lease payments	$ 2,848,519

Service Organization

The Organization has contracted with Insperity PEO Services, L.P. ("Insperity") as their professional employer organization. As such, Insperity is the employer of record for tax, benefits, and insurance purposes for the Organization's employees. This co-employment relationship allows the Organization to maintain direct control of the day-to-day activities of employees, while Insperity assumes the administrative functions of human resources and absorbs many employer-related liabilities.

Office of Management and Budget

Funds that the Organization receives from the Department of Defense, Department of Agriculture, and Department of Energy are subject to audit under the provisions of the cooperative agreements. The ultimate determination of amounts received under the U.S. government cooperative agreements and grants is based upon the allowance of costs reported to and accepted by the oversight agencies. Until such cooperative agreements are closed out, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability exists.

10. Commitments and Contingencies (continued)

Hotel Contracts

TMCF is committed under agreements for hotel and conference facilities through 2019. The total commitment under the agreements is not determinable as it depends upon attendance and other unknown factors. In the event that TMCF cancels its agreements with the hotels, it can be held liable for liquidated damages up to the amount of lost profit less the hotel's mitigation, depending upon the date of cancellation. Management believes that no material liability is likely.

11. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets were restricted for the following purposes as of December 31:

	2017	2016
Scholarships and grants	$ 6,274,586	$ 8,601,084
Leadership training and seminars	3,758,230	3,587,322
Total temporarily restricted net assets	$ 10,032,816	$ 12,188,406

Permanently Restricted Net Assets

Permanently restricted net assets held at both December 31, 2017 and 2016 were $250,000. These funds were held to provide earnings in support of general operations.

12. Endowment Funds

The Organization's endowment (permanently restricted net assets) has been funded by donor-restricted contributions to be held in perpetuity, the earnings of which can be used to fund either specific programs or general operations. The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by Delaware's Uniform Prudent Management of Institutional Funds Act (UPMIFA), is $250,000.

12. Endowment Funds (continued)

Interpretation of Relevant Law

The Organization's Board of Directors has interpreted Delaware's UPMIFA 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 Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) duration and preservation of the fund; (2) purposes of the Organization and the donor-restricted endowment fund; (3) general economic conditions; (4) possible effect of inflation and deflation; (5) expected total return from income and the appreciation or depreciation of investments; (6) other resources of the Organization; and (7) investment policies of the Organization.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature would be reported by the Organization in unrestricted net assets. There were no fund deficiencies for the years ended December 31, 2017 and 2016.

Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies for endowment funds that attempt to provide a predictable stream of funding to programs supported by its endowment while protecting the principal balance. The objective of the permanently restricted assets is the preservation of capital. To achieve the return objectives within the risk parameters, the Organization has elected to invest in money market funds.

The Organization follows a conservative investment policy for endowment assets that attempts to preserve fully the original corpus and optimize returns. Considering the current relatively small size of the endowment, funds are held within cash and cash equivalents and treated as a component thereof.

12. Endowment Funds (continued)

Return Objectives, Risk Parameters, and Strategies (continued)

Should significant, new donations be made to the endowment assets, the Organization's investment policy would permit a strategy of long-term growth of the endowment assets. Under such a policy, the endowment assets would be invested in a manner that is intended to produce results exceeding major investment benchmarks while assuming a moderate level of risk.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization currently allocates budgeted interest and dividends based on a current rate of return for spending on operations. If the budgeted interest and dividends exceed actual interest and dividends for the budget year, the full amount of the actual interest and dividends is deemed to be appropriated. If no amounts are allocated, no appropriations are made from the endowment.

Composition of Endowment Funds

Endowment net asset composition was as follows at December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 250,000	$ 250,000

Endowment net asset composition was as follows at December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 250,000	$ 250,000

Changes in Endowment Net Assets

There were no changes in endowment net assets for the years ended December 31, 2017 and 2016, as no budgeted interest and dividends were allocated to the endowment.

13. In-Kind Contributions

For the year ended December 31, 2017, in-kind contributions consisted of $935,042 for promotions and advertising, and $120,691 for travel and conferences. For the year ended December 31, 2016, in-kind contributions consisted of $932,165 for promotions and advertising, $593,513 for travel and conferences, and $404,780 for legal services.

These contributions have been reflected in the accompanying consolidated statements of activities as revenue, and support and program expenses.

14. Retirement Plan

The Organization sponsors a 403(b) retirement plan ("the Plan") for employees who have attained age 21 and have one year of continuous service at the Organization. The Plan is a voluntary, contributory annuity plan with the Teachers Insurance and Annuity Association – College Retirement Equities Fund. The Organization contributes to the Plan at its discretion. The Organization contributed $66,877 and $69,924 to the Plan for the years ended December 31, 2017 and 2016, respectively.

15. Income Taxes

TMCF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Pursuant to IRC Section 509(a), TMCF was determined to be a public charity. TMCF follows the authoritative guidance relating to accounting for uncertainty in income taxes included in the FASB ASC Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return.

OFCI is a for-profit corporation that is subject to income tax and had no taxable net income for the years ended December 31, 2017 and 2016.

TM2 is a disregarded entity for income tax purposes. As a single member LLC, all items of income and expenditure are attributable to TMCF, and are reported on its annual Form 990. All activities are related to the mission of TMCF.

The Organization performed an evaluation of uncertain tax positions for the years ended December 31, 2017 and 2016, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2017 and 2016, the Organization had no accrual for interest and/or penalties.

16. Supplementary Disclosure of Cash Flow Information

Supplementary disclosure of cash flow information is as follows for the years ended December 31:

	2017	2016
Interest paid	$ 47,490	$ 49,534
Noncash Investing Activities		
Donated stock	$ -	$ 30,211

SUPPLEMENTARY INFORMATION

Thurgood Marshall College Fund and Affiliates

Consolidating Schedule of Financial Position
December 31, 2017
(With Comparative Totals for December 31, 2016)

	TMCF	OFCI	TM2	Eliminations	2017 Total	2016 Total
Assets						
Cash and cash equivalents	$ 6,965,187	$ 244,282	$ 2,500	$ -	$ 7,211,969	$ 2,826,849
Accounts receivable	5,189	-	19,502	-	24,691	71,500
Grants receivable	951,586	-	-	-	951,586	1,132,719
Pledges receivable, net	5,336,063	-	-	-	5,336,063	7,871,490
Note receivable	200,000	-	-	-	200,000	400,000
Due from related entities	150,569	-	-	(150,569)	-	-
Prepaid expenses and other assets	55,906	-	-	-	55,906	18,738
Investments	1,089,348	-	-	-	1,089,348	1,024,377
Investment in subsidiary	241,175	-	-	(241,175)	-	-
Property and equipment, net	42,234	-	-	-	42,234	69,635
Security deposit	3,218	-	-	-	3,218	3,218
Total assets	$ 15,040,475	$ 244,282	$ 22,002	$ (391,744)	$ 14,915,015	$ 13,418,526
Liabilities, Net Assets (Deficit), and Stockholder's Equity						
Liabilities						
Accounts payable and accrued expenses	$ 657,044	$ -	$ 11,077	$ -	$ 668,121	$ 797,809
Due to related entities	-	3,107	147,462	(150,569)	-	-
Deferred revenue	3,397,333	-	-	-	3,397,333	1,979,001
Deferred rent	25,740	-	-	-	25,740	105,444
Loan payable	1,078,934	-	-	-	1,078,934	1,121,090
Total liabilities	5,159,051	3,107	158,539	(150,569)	5,170,128	4,003,344
Net Assets (Deficit) and Stockholder's Equity						
Unrestricted	(401,392)	-	(136,537)	-	(537,929)	(3,023,224)
Temporarily restricted	10,032,816	-	-	-	10,032,816	12,188,406
Permanently restricted	250,000	-	-	-	250,000	250,000
Common stock and retained earnings	-	241,175	-	(241,175)	-	-
Total net assets and stockholder's equity	9,881,424	241,175	(136,537)	(241,175)	9,744,887	9,415,182
Total liabilities, net assets, and stockholder's equity	$ 15,040,475	$ 244,282	$ 22,002	$ (391,744)	$ 14,915,015	$ 13,418,526

Thurgood Marshall College Fund and Affiliates

Consolidating Schedule of Activities
For the Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	TMCF	OFCI	TM2	Eliminations	2017 Total	2016 Total
Operating Revenue and Support						
Contributions and grants	$ 15,538,872	$ -	$ -	$ -	$ 15,538,872	$ 11,759,993
Government grants	6,442,571	-	-	-	6,442,571	5,375,262
In-kind contributions	1,055,733	-	-	-	1,055,733	1,930,458
Contract income	199,714	-	246,000	-	445,714	187,670
Registration fees	45,600	-	-	-	45,600	160,000
Rental income	-	-	-	-	-	84,978
Membership fees	55,000	-	-	-	55,000	55,815
Interest income	44,294	974	-	-	45,268	28,949
Other income	52,764	-	-	-	52,764	151,462
Total operating revenue and support	23,434,548	974	246,000	-	23,681,522	19,734,587
Expenses						
Program services	20,003,196	-	324,144	-	20,327,340	15,941,634
Management and general	2,582,693	2,371	-	-	2,585,064	3,589,634
Development	591,107	-	-	-	591,107	642,487
Total expenses	23,176,996	2,371	324,144	-	23,503,511	20,173,755
Change in Net Assets from Operations	257,552	(1,397)	(78,144)	-	178,011	(439,168)
Non-Operating Activities						
Unrealized gain on investments	98,223	-	-	-	98,223	269,529
Realized gain on investments	53,471	-	-	-	53,471	52,018
Net gain from investment in subsidiary	(1,397)	-	-	1,397	-	-
Change in Net Assets	407,849	(1,397)	(78,144)	1,397	329,705	(117,621)
Net Assets and Stockholder's Equity, beginning of year	9,473,575	317,572	(58,393)	(317,572)	9,415,182	9,532,803
Net Assets and Stockholder's Equity, end of year	$ 9,881,424	$ 316,175	$ (136,537)	$ (316,175)	$ 9,744,887	$ 9,415,182

SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED BY THE UNIFORM GUIDANCE

ROGERS & COMPANY

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Thurgood Marshall College Fund and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Thurgood Marshall College Fund and Affiliates (collectively, "the Organization"), which comprise the consolidated statement of financial position as of December 31, 2017; the related consolidated statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the consolidated financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Internal Control over Financial Reporting (continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, as described in the accompanying schedule of findings and questions costs as item 2017-001, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rogers + Company PLLC

Vienna, Virginia
September 28, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Thurgood Marshall College Fund and Affiliates

Report on Compliance for Each Major Federal Program

We have audited the Thurgood Marshall College Fund and Affiliates' (collectively, "the Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2017. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed two instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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Report on Internal Control over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-003, which we consider to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rogers + Company PLLC

Vienna, Virginia
September 28, 2018

Thurgood Marshall College Fund and Affiliates

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster:				
U.S. Department of Defense				
Basic Scientific Research	12.431	W911NF-16-1-0107	$ -	$ 2,455,250
Basic Scientific Research	12.431	W911NF-15-0641	-	1,470,361
Collaborative Research and Development	12.114	FA8651-15-2-0001	-	811,247
Total U.S. Department of Defense			-	4,736,858
U.S. Department of Agriculture				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	OAO-1890-17-1	-	1,108,364
Plant and Animal Disease, Pest Control, and Animal Care	10.025	17-1001-0834-CA	-	475,963
Total U.S. Department of Agriculture			-	1,584,327
Total Research and Development Cluster			-	6,321,185
U.S. Department of Agriculture				
Soil and Water Conservation	10.902	68-3A75-17-137	-	92,756
Total U.S. Department of Agriculture			-	92,756
U.S. Department of Energy				
Minority Economic Impact	81.137	DE-ED000605	-	24,381
Total U.S. Department of Energy			-	24,381
National Credit Union Administration				
Student Intern Program	44.U01	NCUA-17-D-00010	-	4,249
Total National Credit Union Administration			-	4,249
Total Expenditures of Federal Awards			$ -	$ 6,442,571

See accompanying notes to this schedule.

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under the programs of the federal government for the year ended December 31, 2017. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement.

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the SEFA follow the cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*. The cost principles indicate that certain types of expenditures are not allowable or reimbursements of allowable costs are limited as to reimbursement.

3. Indirect Cost Rates

The Organization records its expenditures of federal awards using the indirect cost and fringe benefit rates per the nonprofit rate agreement with the federal government, which was approved in accordance with the authority in the Uniform Guidance. In this manner, the Organization has elected not to use the 10% *de minimis* indirect cost rate, which is allowed in accordance with the Uniform Guidance.

4. Subrecipients

The Organization did not provide any federal awards to subrecipients for the year ended December 31, 2017.

Thurgood Marshall College Fund and Affiliates

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _______ Yes ___X___ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___X___ Yes _______ None reported

Noncompliance material to financial statements noted? _______ Yes ___X___ No

Federal Awards

Internal control over the major federal programs:

- Material weakness(es) identified? _______ Yes ___X___ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ___X___ Yes _______ None reported

Type of auditors' report issued on compliance for the major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___X___ Yes _______ No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
12.431, 12.114, 10.025	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? ___X___ Yes _______ No

Section II – Financial Statement Findings

Finding No. 2017-001

Timely Year-End Reporting Procedures and Accounts Reconciliation – Significant Deficiency

Criteria:	In accordance with U.S. generally accepted accounting principles, reconciliations of accrual accounts and annual year-end reporting closes should be performed timely at the end of each year. Revenues and expenses should be reported in the fiscal period in which the revenues are earned and expenses are incurred.
Condition:	The accrual adjustments at year end were not complete at the commencement of our audit, delaying audit procedures, and requiring additional time for management to ensure all accrual adjustments were made.
Questioned Costs:	None.
Context:	The Organization experienced significant turnover in the accounting and finance department at the end of the year, resulting in a lack of controls related to the performance of year-end accrual reconciliations and close of accounting records.
Effect:	A number of adjusting journal entries were made subsequent to the commencement of our audit to record certain accruals at year end.
Cause:	The Organization did not perform a timely and thorough close of the books at the end of the fiscal year.
Identification as a Repeat Finding:	No.
Recommendation:	We recommend that the Organization review its year-end closing and reporting process to ensure that all accrual basis adjustments and reconciling accounts are within a reasonable time period in preparation for the year-end audit process.
Views of Responsible Officials and Planned Corrective Action:	See Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

<u>Finding No. 2017-002</u>

Research and Development Cluster - U.S. Department of Defense; Collaborative Research and Development Program – CFDA No. 12.114; Grant No. FA8651-15-2-0001; Grant Period: Year Ended December 31, 2017

Research and Development Cluster - U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-16-1-0107; Grant Period: Year Ended December 31, 2017

Research and Development Cluster - U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-15-0641; Grant Period: Year Ended December 31, 2017

<u>Criteria:</u> Under the Uniform Guidance, recipients that draw funds in advance should maintain or demonstrate the willingness to maintain: (1) written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient and (2) financial management systems that meet the standards for fund control and accountability. Cash advances to a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.

<u>Condition:</u> There was a large gap between the time the advanced funds were drawn down by the Organization and the disbursement of cash under the grants.

<u>Questioned Costs:</u> None.

Finding No. 2017-002 (continued)

Context:	CFDA 12.114 - The Organization had funds drawn down in advance from the grant, which was not completely depleted as of December 31, 2017. A draw down of $2,992,577 was completed on March 11, 2015. As of December 31, 2017, the outstanding balance of this grant was $542,584 and is recorded under deferred revenue in the accompanying consolidated statement of financial position.
	CFDA 12.431 - The Organization had funds drawn down in advance from the grants, which were not completely depleted as of December 31, 2017. A draw down of $2,175,000 was completed on May 10, 2016. Additional drawdowns of $6,153,408 were completed during the year ended December 31, 2017. As of December 31, 2017, the outstanding balance of these grants was $2,764,525 and is recorded under deferred revenue in the accompanying consolidated statement of financial position.
Effect:	The programs were not in compliance with the Uniform Guidance.
Cause:	The Organization did not prepare a detailed analysis of the anticipated costs.
Identification as a Repeat Finding:	Finding number 2017-002 is a repeat of finding number 2016-001.
Recommendation:	We recommend that management anticipate future costs for the next month and request a cash advance based on these anticipated future costs. Further, once cash is received, we recommend that management disburse the expenses within the next month to minimize the time elapsed between the date the cash advance is received and the disbursement of expenses. Interest earned on the advances shall be remitted back to the federal awarding agencies.
Views of Responsible Officials and Planned Corrective Action:	See Corrective Action Plan.

Finding No. 2017-003

Research and Development Cluster - U.S. Department of Agriculture; Plant and Animal Disease, Pest Control, and Animal Care Program – CFDA No. 10.025; Grant No. USDA-OAO-1890-17-1; Grant Period: Year Ended December 31, 2017

Research and Development Cluster - U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-16-1-0107; Grant Period: Year Ended December 31, 2017

Research and Development Cluster - U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-15-0641; Grant Period: Year Ended December 31, 2017

Criteria:

a) Under the Uniform Guidance, the Organization should have procedures and policies in place for the monitoring and reporting of financial and program performance and the necessary standard reporting requirements.

b) Funds that the Organization received from the U.S. Department of Agriculture and U.S. Department of Defense are subject to audit under the provisions of this grant agreement until the expiration of three years after final payment under the grant agreement. Further, this particular grant agreement requires the Organization to maintain pertinent books, documents, papers, and records of the transactions related to the grants for up to three years after the final payment of the grant.

Condition:

CFDA 10.025 - For the year ended December 31, 2017, the Organization was late on submitting the quarterly Form SF-425, *Federal Financial Report,* for USDA-OAO-1890-17-1 grant, which is generally due 30 days after the reporting period end date to the U.S. Department of Agriculture.

CFDA 12.431 - For the year ended December 31, 2017, the Organization was late on submitting the annual Form SF-425, *Federal Financial Report,* which is due 30 days after the reporting period end date to the U.S. Department of Defense.

Questioned Costs: None.

Finding No. 2017-003 (continued)

Context:	The instance described in the condition was a sample of a population of all quarterly, annual, and final reports submitted during the year.
Effect:	a) Without proper controls in place to ensure accurate and timely submission of the required reports, the Organization is at risk of making a disallowed expenditure for expenditures incurred. b) Until the grant agreements are closed out, there exists a contingency to refund any amount received in excess of allowable costs.
Cause:	Lack of specific controls and procedures to ensure compliance for the reporting requirement.
Identification as a Repeat Finding:	Finding number 2017-003 is a repeat of finding number 2016-002.
Recommendation:	We recommend that the Organization establish controls and procedures to ensure all required reports are submitted timely and accurately to the appropriate agencies, as required by the grant agreement. Furthermore, we recommend that the Organization conduct a careful review of its filing procedures and record retention requirements, to ensure that all documents relating to the federal awards are retained for at least three years.
Views of Responsible Officials and Planned Corrective Action:	See Corrective Action Plan.

Thurgood Marshall College Fund and Affiliates

Corrective Action Plan
For the Year Ended December 31, 2017

Finding No. 2017-001

Timely Year-End Reporting Procedures and Accounts Reconciliation – Significant Deficiency

Recommendation:	We recommend that the Organization review its year-end closing and reporting process to ensure that all accrual basis adjustments and accounts reconciliation are within a reasonable time period in preparation for the year-end audit process.
Views of Responsible Officials and Planned Corrective Action:	Management agrees with our recommendation, and action will be taken to address the condition. The finance and accounting staff will review its policies and procedures, and ensure that controls are in place to capture all year-end adjustments on a timely basis, and ensure accrual adjustments are made prior to the commencement of the audit.
Person Responsible:	Ms. Aisha T. Brown Vice President of Finance aisha.brown@tmcf.org 202-747-7184

Finding No. 2017-002

Research and Development Cluster - U.S. Department of Defense; Collaborative Research and Development Program – CFDA No. 12.114; Grant No. FA8651-15-2-0001; Grant Period: Year Ended December 31, 2017

Research and Development Cluster - U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-16-1-0107; Grant Period: Year Ended December 31, 2017

Research and Development Cluster - U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-15-0641; Grant Period: Year Ended December 31, 2017

Recommendation:	We recommend that management anticipate future costs for the next month and request a cash advance based on these anticipated future costs. Further, once cash is received, we recommend that management disburse the expenses within the next month to minimize the time elapsed between the date the cash advance is received and the disbursement of expenses. Interest earned on the advances shall be remitted back to the federal awarding agencies.

Finding No. 2017-002 (continued)

Views of Responsible Officials and Planned Corrective Action:	The funds in question were drawn as requested by the funder for spending over the period of the short-term grant. Documentation was provided regarding this matter to the auditors for review. While not a regular occurrence, these advance draws are and have been approved by the funders.
Person Responsible:	Ms. Aisha T. Brown Vice President of Finance aisha.brown@tmcf.org 202-747-7184

Finding No. 2017-003

Research and Development Cluster - U.S. Department of Agriculture; Plant and Animal Disease, Pest Control, and Animal Care Program – CFDA No. 10.025; Grant No. USDA-OAO-1890-17-1; Grant Period: Year Ended December 31, 2017

Research and Development Cluster - U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-16-1-0107; Grant Period: Year Ended December 31, 2017

Research and Development Cluster - U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-15-0641; Grant Period: Year Ended December 31, 2017

Recommendation:	We recommend that the Organization review and enforce their controls and procedures to ensure all required reports are submitted timely and accurately to the appropriate agencies, as required by the grant agreement. Furthermore, we recommend that the Organization conduct a careful review of its filing procedures and record retention requirements, to ensure that all documents relating to the federal awards are retained for at least three years.
Views of Responsible Officials and Planned Corrective Action:	Management agrees with our recommendation, and action will be taken to address the condition. Program, finance, and administrative staff will convene to review reporting requirements upon initial receipt of an award. Reporting requirements and due dates will be assigned and communicated to staff and recorded in the organizational grant-tracking system. This reporting schedule will be reviewed quarterly to provide oversight.

Finding No. 2017-003 (continued)

Person Responsible:	Ms. Aisha T. Brown Vice President of Finance aisha.brown@tmcf.org 202-747-7184

Thurgood Marshall College Fund and Affiliates

Schedule of Prior Audit Findings
For the Year Ended December 31, 2017

Finding No. 2016-001

Current Status: Finding still applicable, see Finding No. 2017-002 under schedule of findings and questioned costs.

Finding No. 2016-002

Current Status: Finding still applicable, see Finding No. 2017-003 under schedule of findings and questioned costs.