Thurgood Marshall College Fund and Affiliates

Consolidated Financial Statements
and Independent Auditors' Report

December 31, 2020 and 2019

Thurgood Marshall College Fund and Affiliates

Consolidated Financial Statements
December 31, 2020 and 2019

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 Thurgood Marshall College Fund and Affiliates (collectively, "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019; 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 consolidated 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. 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

ROGERS & COMPANY

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included on pages 28-29 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.

Rogers + Company PLLC

Vienna, Virginia
September 29, 2021

Thurgood Marshall College Fund and Affiliates

Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Cash and cash equivalents	$ 28,529,988	$ 4,057,302
Accounts receivable	34,772	24,691
Government grants receivable	2,477,271	2,753,731
Grants and contributions receivable, net	7,808,875	5,226,179
Notes receivable	1,125,000	1,575,000
Investments	45,448,846	212,996
Prepaid expenses and other assets	421,016	840,692
Property and equipment, net	5,268	14,904
Security deposit	3,218	3,218
Total assets	$ 85,854,254	$ 14,708,713
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable and accrued expenses	$ 492,016	$ 1,152,486
Deferred revenue	467,552	754,002
Deferred rent	83,483	41,726
Loan payable	925,976	988,798
Line of credit	-	800,000
Total liabilities	1,969,027	3,737,012
Net Assets (Deficit)		
Without donor restrictions	52,116,292	(3,318,172)
With donor restrictions:		
Purpose restrictions	31,518,935	14,039,873
Perpetual in nature	250,000	250,000
Total with donor restrictions	31,768,935	14,289,873
Total net assets	83,885,227	10,971,701
Total liabilities and net assets	$ 85,854,254	$ 14,708,713

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	$ 66,989,484	$ 29,650,177	$ 96,639,661
Government grants	481,964	-	481,964
In-kind contributions	1,434,612	-	1,434,612
Contract income	1,000	-	1,000
Registration fees	75,300	-	75,300
Membership fees	58,750	-	58,750
Interest income	98,339	-	98,339
Other income	31,281	-	31,281
Released from restrictions:			
Satisfaction of program restrictions	12,171,115	(12,171,115)	-
Total operating revenue and support	81,341,845	17,479,062	98,820,907
Expenses			
Program services	18,457,026	-	18,457,026
Supporting services:			
Management and general	5,627,857	-	5,627,857
Development	1,913,671	-	1,913,671
Total expenses	25,998,554	-	25,998,554
Change in Net Assets from Operations	55,343,291	17,479,062	72,822,353
Non-Operating Activities			
Unrealized gain on investments	132,069	-	132,069
Realized gain on investments	5	-	5
Investment fees	(40,901)	-	(40,901)
Change in Net Assets	55,434,464	17,479,062	72,913,526
Net (Deficit) Assets, beginning of year	(3,318,172)	14,289,873	10,971,701
Net Assets, end of year	$ 52,116,292	$ 31,768,935	$ 83,885,227

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	$ 6,245,251	$ 15,608,902	$ 21,854,153
Government grants	1,396,793	-	1,396,793
In-kind contributions	1,157,543	-	1,157,543
Contract income	15,103	-	15,103
Membership fees	18,750	-	18,750
Interest income	43,589	-	43,589
Other income	22,609	-	22,609
Released from restrictions:			
Satisfaction of program restrictions	14,155,158	(14,155,158)	-
Total operating revenue and support	23,054,796	1,453,744	24,508,540
Expenses			
Program services	18,466,179	-	18,466,179
Supporting services:			
Management and general	3,378,603	-	3,378,603
Development	1,948,565	-	1,948,565
Total expenses	23,793,347	-	23,793,347
Change in Net Assets from Operations	(738,551)	1,453,744	715,193
Non-Operating Activity			
Realized gain on investments	94	-	94
Change in Net Assets	(738,457)	1,453,744	715,287
Net (Deficit) Assets, beginning of year	(2,579,715)	12,836,129	10,256,414
Net (Deficit) Assets, end of year	$ (3,318,172)	$ 14,289,873	$ 10,971,701

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Supporting Services: Management and General	Supporting Services: Development	Total Expenses
Salaries and fringe benefits	$ 2,612,059	$ 3,360,588	$ 904,134	$ 6,876,781
Travel and conferences	109,100	198,424	16,188	323,712
Scholarships and awards	7,987,737	17,183	1,901	8,006,821
Consultants and professionals	3,032,405	544,720	180,728	3,757,853
Promotion and advertising	91,628	119,052	789,272	999,952
Rent (office and equipment)	55,337	447,804	-	503,141
Technology	302,109	411,758	10,330	724,197
Subscriptions and dues	53,139	52,516	3,243	108,898
Office expense and supplies	74,735	135,552	4,424	214,711
Miscellaneous	63,649	97,561	872	162,082
Printing and publications	6,070	14,623	2,579	23,272
Insurance	3,437	28,241	-	31,678
Depreciation and amortization	-	9,636	-	9,636
Interest	6,930	56,940	-	63,870
Bad debt	2,693,288	64,050	-	2,757,338
In-kind expense	1,365,403	69,209	-	1,434,612
Total Expenses	$ 18,457,026	$ 5,627,857	$ 1,913,671	$ 25,998,554

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Supporting Services: Management and General	Supporting Services: Development	Total Expenses
Salaries and fringe benefits	$ 5,349,100	$ 1,449,609	$ 775,490	$ 7,574,199
Travel and conferences	2,848,161	561,915	526,128	3,936,204
Scholarships and awards	6,953,171	2,768	15,022	6,970,961
Consultants and professionals	1,111,964	332,324	572,306	2,016,594
Promotion and advertising	244,202	74,450	8,376	327,028
Rent (office and equipment)	134,273	346,977	-	481,250
Technology	363,355	232,927	5,158	601,440
Subscriptions and dues	38,379	84,453	5,986	128,818
Office expense and supplies	126,422	64,620	10,767	201,809
Miscellaneous	60,121	96,335	2,704	159,160
Printing and publications	41,937	18,109	26,628	86,674
Insurance	11,181	33,978	-	45,159
Depreciation and amortization	2,760	8,388	-	11,148
Interest	23,610	71,750	-	95,360
In-kind expense	1,157,543	-	-	1,157,543
Total Expenses	$ 18,466,179	$ 3,378,603	$ 1,948,565	$ 23,793,347

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	$ 72,913,526	$ 715,287
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	9,636	11,148
Change in allowance for uncollectible grants and contributions	903,186	-
Change in discount on multi-year grants and contributions receivable	(30,941)	-
Net realized and unrealized gain on investments	(132,074)	(94)
Donated stocks	(111,942)	(212,902)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(10,081)	-
Government grants receivable	276,460	391,310
Grants and contributions receivable	(3,454,941)	2,423,337
Prepaid expenses and other assets	419,676	(140,271)
(Decrease) increase in:		
Accounts payable and accrued expenses	(660,470)	465,752
Deferred revenue	(286,450)	(649,873)
Deferred rent	41,757	21,004
Net cash provided by operating activities	69,877,342	3,024,698
Cash Flows from Investing Activities		
Purchase of investments	(45,041,809)	-
Proceeds from sales of investments	49,975	-
Issuance of notes receivable	-	(1,000,000)
Receipts on notes receivable	450,000	325,000
Net cash used in investing activities	(44,541,834)	(675,000)
Cash Flows from Financing Activities		
Principal payments under loan payable	(988,798)	(49,906)
Proceeds from loan payable	925,976	-
Payments on line of credit	(800,000)	-
Proceeds from line of credit	-	800,000
Net cash (used in) provided by financing activities	(862,822)	750,094
Net Increase in Cash and Cash Equivalents	24,472,686	3,099,792
Cash and Cash Equivalents, beginning of year	4,057,302	957,510
Cash and Cash Equivalents, end of year	$ 28,529,988	$ 4,057,302
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 63,870	$ 95,360
Supplementary Disclosure of Non-Cash Operating Activity		
Donated stocks	$ 111,942	$ 212,902

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 forty-seven (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 consolidated financial statements.

2. Summary of Significant Accounting Policies (continued)

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:

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

- *Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 (90) 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.

Government Grants Receivable

Government 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, 2020 and 2019. No allowance for doubtful receivables is recorded, as management believes that all receivables are fully collectible.

2. Summary of Significant Accounting Policies (continued)

Grants and Contributions Receivable

Grants and contributions receivable represent unconditional amounts committed to the Organization. Grants and contributions receivable are reflected at their net realizable value. Grants and contributions receivable due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return. There was no present value discount at December 31, 2020, as all grants and contributions receivable were due within one year. The discount on grants and contributions receivable was $30,941 at December 31, 2019. Management determines the allowance for uncollectible grants and contributions receivable by identifying troubled accounts and by using historical experience. The allowance for uncollectible grants and contributions receivable was $964,245 and $61,059 at December 31, 2020 and 2019, respectively.

Notes Receivable

Notes receivable consists of notes from a private corporation for the repurchase of donated stocks back from the Organization.

Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses, net of investment fees, 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

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Organization reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Organization's programs or to a future year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

The Organization receives certain promises to give, collected over multiple accounting periods, and classifies the portion receivable in future accounting periods as restricted revenue. The Organization discounts the promises to give using an appropriate discount rate over the contribution period, if material.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Additionally, the Organization has agreements with various government agencies. These agreements contain substantial conditions that must be met prior to recognition of revenue. The donor-imposed conditions primarily consist of qualifying expenditures that must be incurred by the Organization before the governmental agencies will reimburse those expenditures. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program. Costs incurred in excess of cash received are reflected as government grants receivable 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, 2020 and 2019 are included in deferred revenue in the accompanying consolidated statements of financial position.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

Donated services that meet the criteria for recognition are recognized at fair value at the time of donation. Donated services consist of pro-bono legal services, along with promotions and advertising services, and are reported as in-kind contributions in the accompanying consolidated statements of activities in the amount of $1,434,612 and $1,157,543 for the years ended December 31, 2020 and 2019, respectively.

Revenue Accounted for as Contracts with Customers

Revenue is recognized when the Organization satisfies a performance obligation by transferring a promised good to, or performing a service for, a customer. The amount of revenue recognized reflects the consideration the Organization expects to receive in exchange for satisfying distinct performance obligations. If a performance obligation does not meet the criteria to be considered distinct, the Organization combines it with other performance obligations until a distinct bundle of goods or services exists. Fees or amounts received in advance of satisfying contractual performance obligations are reflected as deferred revenue in the consolidated statements of financial position. Revenue is recognized either over time or at the point in time that contractual obligations are met.

Registration fees for meetings, conferences, and events are recognized in the period the events are held. Amounts received in advance are reflected as deferred conference revenue in the accompanying consolidated statements of financial position.

Membership fees are recognized as revenue ratably over the applicable membership fees period. Fees received that are applicable to the following period are reflected as deferred membership dues in the accompanying consolidated statements of financial position.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. Summary of Significant Accounting Policies (continued)

Promotion and Advertising Costs

The Organization expenses promotion and advertising costs as incurred. These expenses totaled $999,952 and $327,028 for the years ended December 31, 2020 and 2019, respectively.

Measure of Operations

Realized and unrealized gains and losses on investments and investment fees 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.

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.

Recently Issued Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 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 consolidated statements of financial position. The guidance also expands the required quantitative and qualitative lease disclosures. The guidance is effective beginning in 2022.

Reclassifications

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation. These reclassifications have no effect on the change in net assets previously reported.

2. Summary of Significant Accounting Policies (continued)

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 29, 2021, the date the consolidated financial statements were available to be issued.

3. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Management periodically reviews the Organization's liquid asset needs and adjusts the cash and cash equivalents balances as necessary. Amounts in excess of operating liquidity needs are invested in various short-term and highly liquid securities. As described in Note 10 to the consolidated financial statements, the Organization also has a committed line of credit in the amount of $1,000,000, which it could draw upon in the event of an unanticipated liquidity need.

Additionally, the Organization considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. Excluded from total available for general expenditures is the portion of the endowments that is donor-restricted and held in perpetuity.

Financial assets that are available for general expenditures within one year of the consolidated statements of financial position date comprise the following at December 31:

	2020	2019
Cash and cash equivalents	$ 28,529,988	$ 4,057,302
Accounts receivable	34,772	24,691
Government grants receivable	2,477,271	2,753,731
Grants and contributions receivable, current portion	8,773,120	5,102,179
Notes receivable, current portion	450,000	450,000
Investments appropriated for current use	41,322,729	212,996
Less: endowment corpus restricted by donors in perpetuity	(250,000)	(250,000)
Total available for general expenditures	$ 81,337,880	$ 12,350,899

4. Concentration of Risk

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.

Revenue Risk

For the years ended December 31, 2020 and 2019, a substantial portion of the Organization's revenue was generated from a small number of donors. For the year ended December 31, 2020, $55,000,000 was received from two donors, and for the year ended December 31, 2019, $11,411,293 was received from four donors. These contributions approximate 56% and 47% of the Organization's total operating revenue and support for the years ended December 31, 2020 and 2019, respectively.

5. Grants and Contributions Receivable

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

	2020	2019
Due in less than one year	$ 8,773,120	$ 5,102,179
Due in one to five years	-	216,000
Total grants and contributions receivable	8,773,120	5,318,179
Less: allowance for uncollectible grants and contributions	(964,245)	(61,059)
Less: discount on grants and contributions	-	(30,941)
Grants and contributions receivable, net	$ 7,808,875	$ 5,226,179

6. Notes Receivable

Notes receivable consists of a note issued in April 2018 to a private corporation for the repurchase of donated stocks back from the Organization, over the next four years, with $100,000 down payment and four equal installments of $225,000, plus accrued interest at the rate of 3.75% per year. The initial payment was received by the Organization in April 2018. The outstanding amount on this note was $450,000 and $675,000 at December 31, 2020 and 2019, respectively.

Additionally, notes receivable consists of a note issued in May 2019 to a private corporation, for the repurchase of donated stocks back from the Organization, over the next four years, with $100,000 down payment and four equal installments of $225,000, plus accrued interest at the rate of 4.50% per year. The initial payment was received by the Organization in May 2019. The outstanding amount on this note was $675,000 and $900,000 at December 31, 2020 and 2019, respectively.

Notes receivable are due as follows for the years ended December 31:

	2020	2019
Due in less than one year	$ 450,000	$ 450,000
Due in one to five years	675,000	1,125,000
Total notes receivable	$ 1,125,000	$ 1,575,000

7. Investments and Fair Value Measurements

The Organization follows FASB Accounting Standards Codification (ASC) 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.

7. Investments and Fair Value Measurements (continued)

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.

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at December 31, 2020:

	Level 1	Level 2	Level 3	Total fair value
Money market funds	$ 210,147	$ -	$ -	$ 210,147
Common stocks	459,993	-	-	459,993
Mutual funds	1,101	-	-	1,101
Fixed income:				
Government obligation	39,145,401	-	-	39,145,401
Corporate obligation	4,631,043	-	-	4,631,043
Domestic mutual funds	1,001,161	-	-	1,001,161
Total investments	$ 45,448,846	$ -	$ -	$ 45,448,846

The following table presents the Organization's fair value hierarchy for those investments measured on a recurring basis at December 31, 2019:

	Level 1	Level 2	Level 3	Total fair value
Common stocks	$ 212,996	$ -	$ -	$ 212,996
Total investments	$ 212,996	$ -	$ -	$ 212,996

7. Investments and Fair Value Measurements (continued)

Net investment return consists of the following for the years ended December 31:

	2020	2019
Interest income:		
Interest and dividends on investments	$ 37,853	$ 18,589
Interest earned on notes receivable	60,486	25,000
Unrealized gain	132,069	-
Realized gain	5	94
Investment fees	(40,901)	-
Total investment return, net	$ 189,512	$ 43,683

8. Property and Equipment

Property and equipment consists of the following at December 31:

	2020	2019
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
Total property and equipment	817,728	869,264
Less: accumulated depreciation and amortization	(812,460)	(854,360)
Property and equipment, net	$ 5,268	$ 14,904

9. Loans Payable

Paycheck Protection Program

The Organization applied for a loan under the Paycheck Protection Program ("the PPP loan") pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which the Organization qualified. After the loans are granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met, and the funds are used for eligible expenses (which primarily consist of payroll costs, costs used to continue group healthcare benefits, rent, and utilities).

The loan was granted to the Organization on May 7, 2020 in the amount of $925,976, and management has used the entire loan amount for qualifying expenses in order to apply for full forgiveness. Once the loan is, in part or wholly, forgiven and legal release is received, the Organization will reduce the liability by the amount forgiven and record a gain on extinguishment in the accompanying consolidated statements of activities. If the Organization is not approved for full forgiveness by the SBA, the loan would bear interest at a fixed rate of 1.00%, which is payable in monthly installments. The loan matures on May 7, 2022. At December 31, 2020, the Organization recorded $925,976 as a loan payable, which is reflected in the accompanying consolidated statements of financial position.

Principal payments on the loan obligation are as follows for the years ending December 31:

2021	$ 718,226
2022	207,750
Total future principal payments	$ 925,976

Georgetown Loan

In December 2014, the Organization obtained a loan for $1,200,000 with a 5-year term including a balloon payment initially due on December 9, 2018. In December 2018, the Organization renewed this loan. Interest accrues at 5.24% per annum. The Organization was required to make interest and principal payments of $8,386 on a monthly basis based on a 47-month amortization schedule commencing on January 9, 2019, with a balloon payment of $845,502 due on December 9, 2022. Interest expense associated with the loan payable totaled $36,497 and $59,109 for the years ended December 31, 2020 and 2019, respectively.

9. Loans Payable (continued)

Georgetown Loan (continued)

Additionally, the loan contains certain financial reporting covenants. The Organization was in compliance with all of these financial reporting covenants at December 31, 2019. The amount outstanding on the loan payable totaled $988,798 at December 31, 2019.

On August 6, 2020, the Organization paid off the outstanding principal of the loan in the amount of $960,295. There was no outstanding balance on the loan at December 31, 2020.

10. Line of Credit

The Organization maintains a $1,000,000 line of credit with United Bank, payable on demand, with a maturity date of December 1, 2020. This line of credit bears interest at a variable rate equal to the bank's prime rate. The outstanding balances on this line of credit were $0 and $800,000 at December 31, 2020 and 2019, respectively. Interest expense associated with the line of credit totaled $27,373 and $36,251 for the years ended December 31, 2020 and 2019, respectively.

11. Commitments and Contingencies

Operating Leases

The Organization has a noncancelable operating lease agreement with several amendments for its office space in Washington, D.C. that is scheduled to expire on March 31, 2025. The lease calls for annual rent increases of 2.5% and includes a moving allowance amounted at $35,000. 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 for the office lease totaled $473,017 and $451,335 for the years ended December 31, 2020 and 2019, respectively.

The Organization had an agreement with a residential building to lease an apartment for use by the President and CEO. The terms of the lease required fixed monthly rent payments. The lease expired in December 2020 and was not renewed.

Additionally, the Organization leased office equipment under an operating lease, which commenced in March 2018 and expired in February 2021. The lease required fixed monthly payments of $616.

11. Commitments and Contingencies (continued)

Operating Leases (continued)

Rent expense for the equipment leases was $7,392 for both years ended December 31, 2020 and 2019.

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

2021	$	379,366
2022		387,588
2023		397,277
2024		407,209
2025		102,427
Total future minimum lease payments	$	1,673,867

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.

Government Grants

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.

11. Commitments and Contingencies (continued)

Hotel Contracts

TMCF is committed under agreements for hotel and conference facilities for future events. 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.

Employment Agreement

The Organization has an employment agreement with the President and CEO, which contains terms that require payments upon the occurrence of certain contractual events.

12. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2020	2019
Purpose restricted:		
Scholarships and grants	$ 26,175,726	$ 8,409,561
Leadership training and seminars	5,343,209	5,630,312
Perpetual in nature	250,000	250,000
Total net assets with donor restrictions	$ 31,768,935	$ 14,289,873

13. Endowment Funds

The Organization's endowment 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.

13. 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 net assets with donor restrictions to be held in perpetuity (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 net assets without donor restrictions. There were no fund deficiencies for the years ended December 31, 2020 and 2019.

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 net assets with donor restrictions to be held in perpetuity is the preservation of capital. To achieve the return objectives within the risk parameters, the Organization has elected to invest in money market funds.

13. Endowment Funds (continued)

Return Objectives, Risk Parameters, and Strategies (continued)

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.

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 Net Assets

Endowment net asset composition was as follows at December 31:

	2020	2019
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, 2020 and 2019, as no budgeted interest and dividends were allocated to the endowment.

14. Functionalized Expenses

The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, the Organization allocates its expenses directly to specific programs or functions. Additionally, the Organization utilizes an indirect cost allocation methodology to allocate its expenses. The expenses that are allocated include salaries, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort. Additionally, other expenses are allocated across specific programs or functions based on an estimated percentage of time and effort spent by staff on the natural type of expense.

15. 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 $139,992 and $84,759 to the Plan for the years ended December 31, 2020 and 2019, respectively.

16. 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 consolidated 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, 2020 and 2019.

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.

16. Income Taxes (continued)

The Organization performed an evaluation of uncertain tax positions for the years ended December 31, 2020 and 2019, 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, 2020 and 2019, the Organization had no accrual for interest and/or penalties.

17. COVID-19 Pandemic

The COVID-19 outbreak in the United States and around the world has caused business disruption due to mandatory lockdowns implemented in most states in order to slow down the spread of virus. The Organization's management has been monitoring the situation and implementing certain changes in its operations and upcoming events in order to mitigate the impact of this pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around its duration, and the full financial impact cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

Thurgood Marshall College Fund and Affiliates

Consolidating Schedule of Financial Position
December 31, 2020
(With Comparative Totals for December 31, 2019)

	TMCF	OFCI	TM2	Eliminations	2020 Total	2019 Total
Assets						
Cash and cash equivalents	$ 28,521,588	$ 5,550	$ 2,850	$ -	$ 28,529,988	$ 4,057,302
Accounts receivable	15,270	-	19,502	-	34,772	24,691
Government grants receivable	2,477,271	-	-	-	2,477,271	2,753,731
Grants and contributions receivable, net	7,808,875	-	-	-	7,808,875	5,226,179
Notes receivable	1,125,000	-	-	-	1,125,000	1,575,000
Due from related entities	4,319	220,523	-	(224,842)	-	-
Investments	45,448,846	-	-	-	45,448,846	212,996
Investment in subsidiary	226,073	-	-	(226,073)	-	-
Prepaid expenses and other assets	421,016	-	-	-	421,016	840,692
Property and equipment, net	5,268	-	-	-	5,268	14,904
Security deposit	3,218	-	-	-	3,218	3,218
Total assets	$ 86,056,744	$ 226,073	$ 22,352	$ (450,915)	$ 85,854,254	$ 14,708,713
Liabilities, Net Assets (Deficit), and Stockholder's Equity						
Liabilities						
Accounts payable and accrued expenses	$ 481,781	$ -	$ 10,235	$ -	$ 492,016	$ 1,152,486
Due to related entities	-	-	224,842	(224,842)	-	-
Deferred revenue	467,552	-	-	-	467,552	754,002
Deferred rent	83,483	-	-	-	83,483	41,726
Loan payable	925,976	-	-	-	925,976	988,798
Line of credit	-	-	-	-	-	800,000
Total liabilities	1,958,792	-	235,077	(224,842)	1,969,027	3,737,012
Net Assets (Deficit) and Stockholder's Equity						
Without donor restrictions	52,329,017	-	(212,725)	-	52,116,292	(3,318,172)
With donor restrictions:						
Purpose restrictions	31,518,935	-	-	-	31,518,935	14,039,873
Perpetual in nature	250,000	-	-	-	250,000	250,000
Common stock and retained earnings	-	226,073	-	(226,073)	-	-
Total net assets (deficit) and stockholder's equity	84,097,952	226,073	(212,725)	(226,073)	83,885,227	10,971,701
Total liabilities, net assets (deficit), and stockholder's equity	$ 86,056,744	$ 226,073	$ 22,352	$ (450,915)	$ 85,854,254	$ 14,708,713

Thurgood Marshall College Fund and Affiliates

Consolidating Schedule of Activities
For the Year Ended December 31, 2020
(With Comparative Totals for the Year Ended December 31, 2019)

	TMCF	OFCI	TM2	Eliminations	2020 Total	2019 Total
Operating Revenue and Support						
Grants and contributions	$ 96,639,661	$ -	$ -	$ -	$ 96,639,661	$ 21,854,153
Government grants	481,964	-	-	-	481,964	1,396,793
In-kind contributions	1,434,612	-	-	-	1,434,612	1,157,543
Contract income	1,000	-	-	-	1,000	15,103
Registration fees	75,300	-	-	-	75,300	-
Membership fees	58,750	-	-	-	58,750	18,750
Interest income	98,333	6	-	-	98,339	43,589
Other income	31,281	-	-	-	31,281	22,609
Total operating revenue and support	98,820,901	6	-	-	98,820,907	24,508,540
Expenses						
Program services	18,456,349	-	677	-	18,457,026	18,466,179
Management and general	5,627,460	397	-	-	5,627,857	3,378,603
Development	1,913,671	-	-	-	1,913,671	1,948,565
Total expenses	25,997,480	397	677	-	25,998,554	23,793,347
Change in Net Assets from Operations	72,823,421	(391)	(677)	-	72,822,353	715,193
Non-Operating Activities						
Unrealized gain on investments	132,069	-	-	-	132,069	-
Realized gain on investments	5	-	-	-	5	94
Investment fees	(40,901)	-	-	-	(40,901)	-
Net loss from investment in subsidiary	(391)	-	-	391	-	-
Change in Net Assets	72,914,203	(391)	(677)	391	72,913,526	715,287
Net Assets (Deficit) and Stockholder's Equity, beginning of year	11,183,749	226,464	(212,048)	(226,464)	10,971,701	10,256,414
Net Assets (Deficit) and Stockholder's Equity, end of year	$ 84,097,952	$ 226,073	$ (212,725)	$ (226,073)	$ 83,885,227	$ 10,971,701