Thurgood Marshall College Fund and Affiliates

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2022 and 2021

Thurgood Marshall College Fund and Affiliates

Consolidated Financial Statements
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Contents

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021; 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the Organization adopted Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *Leases,* and all subsequent ASUs that modified ASC 842. The Organization has applied the modified retrospective method to adopt this standard during the year ended December 31, 2022, and adjusted the presentation in the consolidated financial statements as permitted by ASC 842. Our opinion is not modified with respect to this matter.

Emphasis of Matter (continued)

As discussed in Note 2 to the consolidated financial statements, the Organization adopted Financial Accounting Standards Board issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 29-30 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
February 12, 2024

Thurgood Marshall College Fund and Affiliates

Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	$ 61,574,459	$ 64,548,995
Accounts receivable	28,872	34,772
Government grants receivable	2,011,359	1,921,861
Grants and contributions receivable, net	7,098,132	6,589,649
Notes receivable	-	25,000
Investments	43,545,862	49,439,178
Prepaid expenses and other assets	-	565,598
Right-of-use asset – operating lease	10,567,425	-
Deferred compensation asset	1,872,887	-
Security deposit	3,218	3,218
Total assets	$ 126,702,214	$ 123,128,271
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 2,585,624	$ 2,535,117
Deferred revenue	238,799	258,674
Deferred rent	-	79,267
Lease liability – operating lease	10,750,947	-
Deferred compensation liability	1,872,887	-
Total liabilities	15,448,257	2,873,058
Net Assets		
Without donor restrictions:		
Undesignated	15,565,135	27,569,267
Board-designated reserve fund	31,861,850	37,201,363
Total without donor restrictions	47,426,985	64,770,630
With donor restrictions:		
Purpose restrictions	62,219,091	53,684,391
Endowments	1,607,881	1,800,192
Total with donor restrictions	63,826,972	55,484,583
Total net assets	111,253,957	120,255,213
Total liabilities and net assets	$ 126,702,214	$ 123,128,271

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	$ 13,815,963	$ 57,338,172	$ 71,154,135
Government grants	153,701	-	153,701
In-kind contributions	4,005,818	-	4,005,818
Registration fees	239,250	-	239,250
Membership fees	58,750	-	58,750
Interest income	966,969	43,094	1,010,063
Other income	17,344	-	17,344
Released from restrictions:			
Satisfaction of program restrictions	48,840,472	(48,840,472)	-
Total operating revenue and support	68,098,267	8,540,794	76,639,061
Expenses			
Program services	66,378,760	-	66,378,760
Supporting services:			
Management and general	8,880,397	-	8,880,397
Development	3,375,943	-	3,375,943
Total expenses	78,635,100	-	78,635,100
Change in Net Assets from Operations	(10,536,833)	8,540,794	(1,996,039)
Non-Operating Activities			
Unrealized loss on investments	(3,729,533)	(124,544)	(3,854,077)
Realized loss on investments	(2,909,035)	(67,975)	(2,977,010)
Investment fees	(168,244)	(5,886)	(174,130)
Change in Net Assets	(17,343,645)	8,342,389	(9,001,256)
Net Assets, beginning of year	64,770,630	55,484,583	120,255,213
Net Assets, end of year	$ 47,426,985	$ 63,826,972	$ 111,253,957

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Grants and contributions	$ 50,781,597	$ 45,412,243	$ 96,193,840
Government grants	435,206	-	435,206
In-kind contributions	7,186,182	-	7,186,182
Registration fees	114,450	-	114,450
Membership fees	56,125	-	56,125
Interest income	750,642	24,523	775,165
Other income	951,103	-	951,103
Released from restrictions:			
Satisfaction of program restrictions	21,746,787	(21,746,787)	-
Total operating revenue and support	82,022,092	23,689,979	105,712,071
Expenses			
Program services	63,144,077	-	63,144,077
Supporting services:			
Management and general	6,698,664	-	6,698,664
Development	1,291,676	-	1,291,676
Total expenses	71,134,417	-	71,134,417
Change in Net Assets from Operations	10,887,675	23,689,979	34,577,654
Non-Operating Activities			
Unrealized gain on investments	1,936,297	23,722	1,960,019
Realized (loss) gain on investments	(19,658)	5,171	(14,487)
Investment fees	(149,976)	(3,224)	(153,200)
Change in Net Assets	12,654,338	23,715,648	36,369,986
Net Assets, beginning of year	52,116,292	31,768,935	83,885,227
Net Assets, end of year	$ 64,770,630	$ 55,484,583	$ 120,255,213

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Development	Total Expenses
Salaries and fringe benefits	$ 7,657,355	$ 4,258,331	$ 1,237,894	$ 13,153,580
Travel and conferences	6,263,107	702,128	1,129,545	8,094,780
Scholarships and awards	39,639,285	735	10,160	39,650,180
Consultants and professionals	4,987,169	444,580	933,112	6,364,861
Promotion and advertising	855,877	447,670	7,983	1,311,530
Rent (office and equipment)	219,140	343,302	-	562,442
Technology	853,245	410,160	20,476	1,283,881
Subscriptions and dues	645,250	57,763	5,706	708,719
Office expense and supplies	708,664	126,939	17,104	852,707
Miscellaneous	357,595	287,940	1,298	646,833
Printing and publications	142,662	17,917	12,665	173,244
Insurance	43,593	69,837	-	113,430
Bad debt	-	1,713,095	-	1,713,095
In-kind expense	4,005,818	-	-	4,005,818
Total Expenses	$ 66,378,760	$ 8,880,397	$ 3,375,943	$ 78,635,100

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2021

		Supporting Services		
	Program Services	Management and General	Development	Total Expenses
Salaries and fringe benefits	$ 6,683,659	$ 4,471,489	$ 272	$ 11,155,420
Travel and conferences	963,258	163,524	25,593	1,152,375
Scholarships and awards	43,908,918	30,539	8,250	43,947,707
Consultants and professionals	2,820,502	594,072	1,196,568	4,611,142
Promotion and advertising	211,307	99,451	25,837	336,595
Rent (office and equipment)	81,234	294,862	-	376,096
Technology	595,298	388,990	18,168	1,002,456
Subscriptions and dues	315,607	80,102	4,088	399,797
Office expense and supplies	388,045	122,479	9,445	519,969
Miscellaneous	105,999	217,384	3,150	326,533
Printing and publications	10,329	3,411	305	14,045
Insurance	12,720	47,233	-	59,953
Bad debt	-	46,147	-	46,147
In-kind expense	7,047,201	138,981	-	7,186,182
Total Expenses	$ 63,144,077	$ 6,698,664	$ 1,291,676	$ 71,134,417

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (9,001,256)	$ 36,369,986
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Change in allowance for uncollectible grants and contributions	(210,420)	46,148
Net realized and unrealized loss (gain) on investments	6,831,087	(1,945,532)
Donated stocks	(143,311)	(38,323)
Contributions restricted for endowment	-	(1,500,000)
Forgiveness of loan payable – Paycheck Protection Program	-	(925,976)
Loss on disposal of property and equipment	-	5,268
Amortization of right-of-use assets – operating lease	4,617,920	-
Change in operating assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	5,900	-
Government grants receivable	(89,498)	555,410
Grants and contributions receivable	(298,063)	1,173,078
Prepaid expenses and other assets	565,598	(144,582)
Right-of-use asset – operating lease	(15,185,345)	-
Deferred compensation asset	(1,872,887)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	50,507	2,043,101
Deferred revenue	(19,875)	(208,878)
Deferred rent	(79,267)	(4,216)
Lease liability – operating lease	10,750,947	-
Deferred compensation liability	1,872,887	-
Net cash (used in) provided by operating activities	(2,205,076)	35,425,484
Cash Flows from Investing Activities		
Purchase of investments	(33,220,445)	(45,715,924)
Proceeds from sale of investments	32,425,985	43,709,447
Receipts on notes receivable	25,000	1,100,000
Net cash used in investing activities	(769,460)	(906,477)
Cash Flows from Financing Activity		
Contributions restricted for endowment	-	1,500,000
Net cash provided by financing activity	-	1,500,000
Net (Decrease) Increase in Cash and Cash Equivalents	(2,974,536)	36,019,007
Cash and Cash Equivalents, beginning of year	64,548,995	28,529,988
Cash and Cash Equivalents, end of year	$ 61,574,459	$ 64,548,995
Supplementary Disclosure of Non-Cash Operating and Financing Activities		
Establishment of right-of-use assets – operating lease	$ 15,185,345	$ -
Establishment of lease liability – operating lease	$ 15,264,612	$ -
Write-off of deferred rent	$ 79,267	$ -
Donated stocks	$ 143,311	$ 38,323
Forgiveness of loan payable – Paycheck Protection Program	$ -	$ 925,976

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

<u>Principles of Consolidation</u>

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.

<u>Basis of Accounting and Presentation</u>

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:

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing Board has designated, from net assets without donor restrictions, a reserve fund set aside for operating reserves.

- *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.

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.

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.

2. Summary of Significant Accounting Policies (continued)

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, 2022 and 2021. No allowance for doubtful receivables is recorded, as management believes that all receivables are fully collectible.

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. At December 31, 2022 and 2021, all grants and contributions receivable were due within one year. Management determines the allowance for uncollectible grants and contributions receivable by specific identification and by using historical experience. The allowance for uncollectible grants and contributions receivable was $799,973 and $1,010,393 at December 31, 2022 and 2021, 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. Interest and dividends, and 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 $5,000 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.

2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

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

Leases

The Organization determines if an arrangement is a lease at inception. Operating lease is included in the right-of-use ("ROU") assets, which represent the Organization's right to use an underling asset for the lease terms, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating ROU lease assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As the Organization's lease does not provide an implicit rate, the Organization used a risk-free rate based on the information available at the commencement date in determining the present value of lease payments.

The ROU assets also include any lease payments made and exclude lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized in a straight-line basis over the lease term.

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.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

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.

Contributions with donor restrictions to the endowment corpus are invested in perpetuity by or on the Organization's behalf. The principal of the gift is never expended, while the investment return is spent on current restricted or unrestricted programs as specified by the donor.

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, 2022 and 2021 in the amounts of $238,799 and $258,674, respectively, are reflected as deferred revenue in the accompanying consolidated statements of financial position.

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 $4,005,818 and $7,186,182 for the years ended December 31, 2022 and 2021, respectively.

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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. There was no deferred conference revenue at December 31, 2022 and 2021.

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. There was no deferred membership dues at December 31, 2022 and 2021.

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.

Promotion and Advertising Costs

The Organization expenses promotion and advertising costs as incurred. These expenses totaled $1,311,530 and $336,595 for the years ended December 31, 2022 and 2021, respectively.

2. Summary of Significant Accounting Policies (continued)

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.

Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Accounting Standards Codification (ASC) 842, *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 for the Organization's fiscal year ended December 31, 2022. The Organization adopted ASC 842 during the year ended December 31, 2022, and adjusted the presentation in the consolidated financial statements as permitted by ASC 842. A modified retrospective transition approach is required for lessees for finance and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets,* which is intended to increase transparency of contributed nonfinancial assets for nonprofit entities through enhancements in presentation and disclosure requirements. Nonprofit entities are required to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities, apart from contributions of cash and other financial contributions. Nonprofit entities are also required to disclose various information related to contributed nonfinancial assets. The Organization has implemented ASU 2020-07, and has adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, and the implementation had no impact on previously reported net assets.

2. Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncement

In 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments.* This ASU addresses measurement and reporting of credit losses related to accounts receivable, notes receivable, leases receivable, and held-to-maturity debt securities. The ASU mandates the current expected credit loss (CECL) model, which measures and reports expected losses over the contractual life of an asset. The measurement of expected life credit losses will be based on relevant information, not just past events (including historical experience and current conditions), but also the "reasonable and supportable" forecasts that affect collectability of the reported amount. This guidance is effective for the Organization beginning in 2023. Management is evaluating the potential impact of this update on the Organization's consolidated financial statements.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 12, 2024, the date the consolidated financial statements were available to be issued.

Subsequent to year end on April 26, 2023, as described in Note 8, the Organization extended the term of the residential lease agreement for the President and CEO's apartment for one year through May 31, 2024.

3. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover its 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. 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.

3. Liquidity and Availability (continued)

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:

	2022	2021
Cash and cash equivalents	$ 61,574,459	$ 64,548,995
Accounts receivable	28,872	34,772
Government grants receivable	2,011,359	1,921,861
Grants and contributions receivable, net	7,098,132	6,589,649
Notes receivable	-	25,000
Short-term investments	36,725,614	29,373,930
Less: endowment corpus restricted by donors in perpetuity	(1,750,000)	(1,750,000)
Total available for general expenditures	$ 105,688,436	$ 100,744,207

4. Concentrations 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, 2022 and 2021, a substantial portion of the Organization's revenue was generated from a small number of donors. For the year ended December 31, 2022, $14,430,000 was received from one donor, and for the year ended December 31, 2021, $45,644,809 was received from two donors. These contributions totaled 19% and 43% of the Organization's total operating revenue and support for the years ended December 31, 2022 and 2021, respectively.

5. Notes Receivable

Notes receivable consist 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 $25,000 at December 31, 2021. This note was fully paid during the year ended December 31, 2022, and there was no outstanding balance at December 31, 2022.

Additionally, notes receivable consist 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. This note was fully paid during the year ended December 31, 2021, and there was no outstanding balance at December 31, 2021.

6. Investments and Fair Value Measurements

The Organization follows FASB 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.

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.

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:

	Level 1	Level 2	Level 3	Total fair value
2022:				
Money market funds	$ 2,513,890	$ -	$ -	$ 2,513,890
Common stocks	16,205,942	-	-	16,205,942
Alternative investments	4,184,678			4,184,678
Mutual funds	10,483,259	-	-	10,483,259
Fixed income:				
Government obligation	3,617,120	-	-	3,617,120
Corporate obligation	2,222,771	-	-	2,222,771
Municipal bonds	160,425	-	-	160,425
Mortgage backed securities	819,932	-	-	819,932
Domestic mutual funds	3,337,845	-	-	3,337,845
Total investments	$ 43,545,862	$ -	$ -	$ 43,545,862
2021:				
Money market funds	$ 2,077,998	$ -	$ -	$ 2,077,998
Common stocks	24,033,730	-	-	24,033,730
Mutual funds	55,329	-	-	55,329
Fixed income:				
Government obligation	6,651,700	-	-	6,651,700
Corporate obligation	11,730,477	-	-	11,730,477
Municipal bonds	299,852	-	-	299,852
Mortgage backed securities	962,610	-	-	962,610
Domestic mutual funds	3,627,482	-	-	3,627,482
Total investments	$ 49,439,178	$ -	$ -	$ 49,439,178

6. Investments and Fair Value Measurements (continued)

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

	2022	2021
Interest income:		
Interest and dividends on investments	$ 1,010,063	$ 699,399
Interest earned on notes receivable	-	75,766
Unrealized (loss) gain	(3,854,077)	1,960,019
Realized (loss) gain	(2,977,010)	(14,487)
Investment fees	(174,130)	(153,200)
Total investment return, net	$ (5,995,154)	$ 2,567,497

7. Loan 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.

The loan was granted to the Organization on May 7, 2020 in the amount of $925,976, and management used the entire loan amount for qualifying expenses in order to apply for full forgiveness. At December 31, 2020, the amount was reflected as a loan payable in the accompanying consolidated statement of financial position. Subsequent to year end in January 2022, the SBA approved full forgiveness of the loan, and remitted the forgiveness amount to the financial institution, including applicable interest accruals. The forgiven amount is included in other income in the accompanying consolidated statement of activities for the year ended December 31, 2021.

8. 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 $562,442 and $376,096 for the years ended December 31, 2022 and 2021, respectively.

The Organization had an agreement with a residential building to lease an apartment for use by the President and CEO, which commenced on June 1, 2022 and expired on May 31, 2023. Subsequent to year end on April 26, 2023, the Organization extended the term for one year through May 31, 2024. The terms of the lease require fixed monthly rent payments.

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, and was not renewed upon expiration.

Rent expense for the equipment leases was $1,232 for the year ended December 31, 2021.

Supplemental qualitative information related to the office lease is as follows:

Operating lease cost	$	4,755,308
Cash paid for amounts included in the measurement of lease liability – operating cash flows	$	4,651,053
Right-of-use asset obtained in exchange for lease obligations	$	15,264,612
Weighted-average remaining lease term (in years)		2.3
Weighted-average discount rate		1.04%

8. Commitments and Contingencies (continued)

Operating Leases (continued)

Maturities of the lease liability under the Organization's office lease are as follows for the years ending December 31:

2023	$	4,767,330
2024		4,886,513
2025		1,229,123
Total minimum lease payments		10,882,966
Less: discount to present value at 1.04%		(132,019)
Present value of operating lease liability	$	10,750,947

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.

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.

8. 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.

9. Net Assets With Donor Restrictions

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

	2022	2021
Subject to specified purpose:		
Scholarships and grants	$ 54,630,285	$ 47,928,906
Leadership training and seminars	7,588,806	5,755,485
Subject to endowment spending policy and appropriation:		
Perpetual in nature	1,750,000	1,750,000
Unappropriated endowment earnings	(142,119)	50,192
Total net assets with donor restrictions	$ 63,826,972	$ 55,484,583

10. Endowment Funds

The Organization's endowments have 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 are required to be retained permanently, either by explicit donor stipulation or by Delaware's Uniform Prudent Management of Institutional Funds Act (UPMIFA), is $1,750,000 and consist of two separate endowments. The NBA endowment corpus totaled $250,000 at December 31, 2022 and 2021; and the Hershey endowment corpus totaled $1,500,000 at December 31, 2022 and 2021.

10. 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 gifts 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 endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments 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. At December 31, 2022, deficiencies of this nature are reflected in the Hershey endowment and totaled $142,119. There were no deficient funds in the NBA endowment at December 31, 2022. There were no fund deficiencies at December 31, 2021.

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 endowments 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.

10. 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. The Organization's investment policy permits a strategy of long-term growth of the endowment assets. The endowment assets are 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 endowments.

Composition of Endowment Net Assets

Endowment net asset composition was as follows at December 31:

	2022	2021
Donor-restricted endowment funds	$ 1,607,881	$ 1,800,192

Changes in Endowment Net Assets

Changes in endowment net assets were as follows for the years ended December 31:

	2022	2021
Endowment net assets, beginning of year	$ 1,800,192	$ 250,000
Contributions	-	1,500,000
Investment return	(155,311)	50,192
Appropriations	(37,000)	-
Endowment net assets, end of year	$ 1,607,881	$ 1,800,192

11. 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.

12. Retirement Plans

Defined Contribution Plan

The Organization sponsors a 403(b) retirement plan ("the 403(b) plan") for employees who have attained age 21 and have one year of continuous service at the Organization. The 403(b) plan is a voluntary, contributory annuity plan with the Teachers Insurance and Annuity Association – College Retirement Equities Fund. The Organization contributes to the 403(b) plan at its discretion. The Organization contributed $414,214 and $242,565 to the 403(b) plan for the years ended December 31, 2022 and 2021, respectively.

Deferred Compensation Plan

During the year ended December 31, 2022, the Organization established a non-qualified deferred compensation plan ("the Plan") on behalf of certain key executives. Organized under Internal Revenue Code (IRC) Section 457(f), the Plan is funded through annual contributions by the Organization, and will be paid to the executives upon retirement. The deferred compensation assets and corresponding liabilities held at fair value amounted to $1,872,887 at December 31, 2022, and is reflected as deferred compensation assets and liabilities in the accompanying consolidated statements of financial position.

13. Income Taxes

TMCF is exempt from income taxes under IRC Section 501(c)(3). 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.

13. Income Taxes (continued)

OFCI is a for-profit corporation that is subject to income tax and had no taxable net income for the years ended December 31, 2022 and 2021.

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, 2022 and 2021, 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, 2022 and 2021, the Organization had no accrual for interest and/or penalties.

SUPPLEMENTARY INFORMATION

Thurgood Marshall College Fund and Affiliates

Consolidating Schedule of Financial Position
December 31, 2022
(With Comparative Totals for December 31, 2021)

	TMCF	OFCI	TM2	Eliminations	2022 Total	2021 Total
Assets						
Cash and cash equivalents	$ 61,566,044	$ 5,565	$ 2,850	$ -	$ 61,574,459	$ 64,548,995
Accounts receivable	9,370	-	19,502	-	28,872	34,772
Government grants receivable	2,011,359	-	-	-	2,011,359	1,921,861
Grants and contributions receivable, net	7,098,132	-	-	-	7,098,132	6,589,649
Notes receivable	-	-	-	-	-	25,000
Due from related entities	4,508	220,413	-	(224,921)	-	-
Investments	43,545,862	-	-	-	43,545,862	49,439,178
Investment in subsidiary	225,978	-	-	(225,978)	-	-
Prepaid expenses and other assets	-	-	-	-	-	565,598
Right-of-use asset - operating lease	10,567,425	-	-	-	10,567,425	
Deferred compensation asset	1,872,887	-	-	-	1,872,887	-
Security deposit	3,218	-	-	-	3,218	3,218
Total assets	$ 126,904,783	$ 225,978	$ 22,352	$ (450,899)	$ 126,702,214	$ 123,128,271
Liabilities, Net Assets (Deficit), and Stockholder's Equity						
Liabilities						
Accounts payable and accrued expenses	$ 2,575,389	$ -	$ 10,235	$ -	$ 2,585,624	$ 2,535,117
Due to related entities	-	-	224,921	(224,921)	-	-
Deferred revenue	238,799	-	-	-	238,799	258,674
Deferred rent	-	-	-	-	-	79,267
Lease liability - operating lease	10,750,947	-	-	-	10,750,947	-
Deferred compensation liability	1,872,887	-	-	-	1,872,887	-
Total liabilities	15,438,022	-	235,156	(224,921)	15,448,257	2,873,058
Net Assets (Deficit) and Stockholder's Equity						
Without donor restrictions:						
Undesignated	15,777,939	-	(212,804)	-	15,565,135	27,569,267
Board-designated reserve fund	31,861,850	-	-	-	31,861,850	37,201,363
With donor restrictions:						
Purpose restrictions	62,219,091	-	-	-	62,219,091	53,684,391
Endowments	1,607,881	-	-	-	1,607,881	1,800,192
Common stock and retained earnings	-	225,978	-	(225,978)	-	-
Total net assets (deficit) and stockholder's equity	111,466,761	225,978	(212,804)	(225,978)	111,253,957	120,255,213
Total liabilities, net assets, and stockholder's equity	$ 126,904,783	$ 225,978	$ 22,352	$ (450,899)	$ 126,702,214	$ 123,128,271

Thurgood Marshall College Fund and Affiliates

Consolidating Schedule of Activities
For the Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)

	TMCF	OFCI	TM2	Eliminations	2022 Total	2021 Total
Operating Revenue and Support						
Grants and contributions	$ 71,154,135	$ -	$ -	$ -	$ 71,154,135	$ 96,193,840
Government grants	153,701	-	-	-	153,701	435,206
In-kind contributions	4,005,818	-	-	-	4,005,818	7,186,182
Registration fees	239,250	-	-	-	239,250	114,450
Membership fees	58,750	-	-	-	58,750	56,125
Interest income	1,010,053	10	-	-	1,010,063	775,165
Other income	17,344	-	-	-	17,344	951,103
Total operating revenue and support	76,639,051	10	-	-	76,639,061	105,712,071
Expenses						
Program services	66,378,760	-	-	-	66,378,760	63,144,077
Supporting services:						
Management and general	8,880,397	-	-	-	8,880,397	6,698,664
Development	3,375,943	-	-	-	3,375,943	1,291,676
Total expenses	78,635,100	-	-	-	78,635,100	71,134,417
Change in Net Assets from Operations	(1,996,049)	10	-	-	(1,996,039)	34,577,654
Non-Operating Activities						
Unrealized loss on investments	(3,854,077)	-	-	-	(3,854,077)	1,960,019
Realized loss on investments	(2,977,010)	-	-	-	(2,977,010)	(14,487)
Investment fees	(174,130)	-	-	-	(174,130)	(153,200)
Net gain from investment in subsidiary	10	-	-	(10)	-	-
Change in Net Assets	(9,001,256)	10	-	(10)	(9,001,256)	36,369,986
Net Assets (Deficit) and Stockholder's Equity, beginning of year	120,468,017	225,968	(212,804)	(225,968)	120,255,213	83,885,227
Net Assets (Deficit) and Stockholder's Equity, end of year	$ 111,466,761	$ 225,978	$ (212,804)	$ (225,978)	$ 111,253,957	$ 120,255,213