Thurgood Marshall College Fund and Affiliates

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

December 31, 2018 and 2017

Thurgood Marshall College Fund and Affiliates

Consolidated Financial Statements
December 31, 2018 and 2017

Contents

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of the Thurgood Marshall College Fund and Affiliates (collectively, "the Organization"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017; the related consolidated statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information as of and for the years ended December 31, 2018 and 2017 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

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

In accordance with *Government Auditing Standards,* we have also issued our report dated September 25, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Rogers + Company PLLC

Vienna, Virginia
September 25, 2019

Thurgood Marshall College Fund and Affiliates

Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash and cash equivalents	$ 957,510	$ 7,211,969
Accounts receivable	24,691	24,691
Grants receivable	3,145,041	951,586
Pledges receivable, net	7,649,516	4,336,063
Notes receivable	900,000	200,000
Investments	-	1,089,348
Investments - private corporation common stock	-	1,000,000
Prepaid expenses and other assets	700,421	55,906
Property and equipment, net	26,052	42,234
Security deposit	3,218	3,218
Total assets	$ 13,406,449	$ 14,915,015
Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable and accrued expenses	$ 686,734	$ 668,121
Deferred revenue	1,403,875	3,397,333
Deferred rent	20,722	25,740
Loan payable	1,038,704	1,078,934
Total liabilities	3,150,035	5,170,128
Net Assets (Deficit)		
Without donor restriction	(2,579,715)	(537,929)
With donor restrictions:		
Purpose restrictions	12,586,129	10,032,816
Perpetual in nature	250,000	250,000
Total with donor restrictions	12,836,129	10,282,816
Total net assets	10,256,414	9,744,887
Total liabilities and net assets	$ 13,406,449	$ 14,915,015

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Activities
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions and grants	$ 3,826,222	$ 15,371,946	$ 19,198,168
Government grants	5,831,618	-	5,831,618
In-kind contributions	1,042,719	-	1,042,719
Contract income	153,865	-	153,865
Registration fees	800	-	800
Membership fees	82,500	-	82,500
Interest income	68,057	-	68,057
Other income	19,567	-	19,567
Released from restrictions:			
Satisfaction of program restrictions	12,818,633	(12,818,633)	-
Total operating revenue and support	23,843,981	2,553,313	26,397,294
Expenses			
Program services	23,048,983	-	23,048,983
Supporting services:			
Management and general	2,006,099	-	2,006,099
Development	751,839	-	751,839
Total expenses	25,806,921	-	25,806,921
Change in Net Assets from Operations	(1,962,940)	2,553,313	590,373
Non-Operating Activities			
Unrealized loss on investments	(77,218)	-	(77,218)
Realized gain on investments	6,681	-	6,681
Investment fees	(8,309)	-	(8,309)
Change in Net Assets	(2,041,786)	2,553,313	511,527
Net Assets (Deficit), beginning of year	(537,929)	10,282,816	9,744,887
Net Assets (Deficit), end of year	$ (2,579,715)	$ 12,836,129	$ 10,256,414

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

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

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support			
Contributions and grants	$ 10,078,565	$ 5,460,307	$ 15,538,872
Government grants	6,442,571	-	6,442,571
In-kind contributions	1,055,733	-	1,055,733
Contract income	445,714	-	445,714
Registration fees	45,600	-	45,600
Membership fees	55,000	-	55,000
Interest income	45,268	-	45,268
Other income	52,764	-	52,764
Released from restrictions:			
Satisfaction of program restrictions	7,615,897	(7,615,897)	-
Total operating revenue and support	25,837,112	(2,155,590)	23,681,522
Expenses			
Program services	20,327,340	-	20,327,340
Supporting services:			
Management and general	2,576,440	-	2,576,440
Development	591,107	-	591,107
Total expenses	23,494,887	-	23,494,887
Change in Net Assets from Operations	2,342,225	(2,155,590)	186,635
Non-Operating Activities			
Unrealized gain on investments	98,223	-	98,223
Realized gain on investments	53,471	-	53,471
Investment fees	(8,624)	-	(8,624)
Change in Net Assets	2,485,295	(2,155,590)	329,705
Net Assets (Deficit), beginning of year	(3,023,224)	12,438,406	9,415,182
Net Assets (Deficit), end of year	$ (537,929)	$ 10,282,816	$ 9,744,887

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

	Program Services	Supporting Services: Management and General	Supporting Services: Development	Total Expenses
Salaries and fringe benefits	$ 7,112,158	$ 1,307,485	$ 618,856	$ 9,038,499
Travel and conferences	4,854,915	3,838	75,262	4,934,015
Scholarships and awards	6,651,888	1,258	3,750	6,656,896
Consultants and professionals	2,381,756	218,314	15,500	2,615,570
Promotion and advertising	933,847	5,777	3,077	942,701
Rent (office and equipment)	300,223	220,682	-	520,905
Technology	319,116	113,722	1,265	434,103
Subscriptions and dues	99,812	25,757	9,463	135,032
Office expense and supplies	182,996	32,580	10,113	225,689
Miscellaneous	109,961	19,456	-	129,417
Printing and publications	40,934	8,008	14,553	63,495
Insurance	29,202	23,270	-	52,472
Depreciation and amortization	8,957	7,225	-	16,182
Interest	23,218	18,727	-	41,945
Total Expenses	$ 23,048,983	$ 2,006,099	$ 751,839	$ 25,806,921

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

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

	Program Services	Supporting Services: Management and General	Supporting Services: Development	Total Expenses
Salaries and fringe benefits	$ 7,119,607	$ 1,704,701	$ 527,785	$ 9,352,093
Travel and conferences	5,265,987	83,306	9,304	5,358,597
Scholarships and awards	4,754,524	9,538	-	4,764,062
Consultants and professionals	1,750,328	135,793	21,020	1,907,141
Promotion and advertising	619,155	5,513	2,578	627,246
Rent (office and equipment)	172,803	318,078	-	490,881
Technology	320,987	106,798	3,373	431,158
Subscriptions and dues	42,917	38,832	12,399	94,148
Office expense and supplies	165,343	40,206	30	205,579
Miscellaneous	26,674	33,466	-	60,140
Printing and publications	44,664	5,109	14,618	64,391
Insurance	20,504	44,056	-	64,560
Depreciation and amortization	8,725	18,676	-	27,401
Interest	15,122	32,368	-	47,490
Total Expenses	$ 20,327,340	$ 2,576,440	$ 591,107	$ 23,494,887

See accompanying notes.

Thurgood Marshall College Fund and Affiliates

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Change in net assets	$ 511,527	$ 329,705
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	16,182	27,401
Change in discount on multi-year pledges	(79,585)	110,526
Net realized and unrealized loss (gain) on investments	70,537	(151,694)
Donated stocks - private common stocks	-	(1,000,000)
Conversion of donated stocks to note receivable	1,000,000	-
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	-	46,809
Grants receivable	(2,193,455)	181,133
Pledges receivable	(3,233,868)	3,424,901
Prepaid expenses and other assets	(644,515)	(37,168)
Increase (decrease) in:		
Accounts payable and accrued expenses	18,613	(129,688)
Deferred revenue	(1,993,458)	1,418,332
Deferred rent	(5,018)	(79,704)
Net cash (used in) provided by operating activities	(6,533,040)	4,140,553
Cash Flows from Investing Activities		
Purchase of investments	(41,554)	(17,642)
Proceeds from sales of investments	1,060,365	104,365
Issuance of note receivable	(1,000,000)	-
Receipts on notes receivable	300,000	200,000
Net cash provided by investing activities	318,811	286,723
Cash Flows from Financing Activity		
Principal payments under loan payable	(40,230)	(42,156)
Net cash used in financing activity	(40,230)	(42,156)
Net (Decrease) Increase in Cash and Cash Equivalents	(6,254,459)	4,385,120
Cash and Cash Equivalents, beginning of year	7,211,969	2,826,849
Cash and Cash Equivalents, end of year	$ 957,510	$ 7,211,969
Supplementary Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 41,945	$ 47,490
Supplementary Disclosure of Non-Cash Operating Activities		
Donated stocks - private common stocks	$ -	$ 1,000,000
Conversion of donated stocks to note receivable	$ 1,000,000	$ -

See accompanying notes.

1. Nature of Operations

The Thurgood Marshall College Fund (TMCF) was organized in 1987 as a not-for-profit organization that provides scholarships, leadership training, and career development. TMCF also promotes student development and programmatic and capacity-building support to students who attend any of the 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 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.

Grants Receivable

Grants receivable consist of amounts due to be reimbursed to the Organization for expenses incurred under grant agreements with the U.S. government. The entire amount is expected to be collected within one year, and is recorded at net realizable value at December 31, 2018 and 2017. No allowance for doubtful accounts is recorded, as management believes that all receivables are fully collectible.

2. Summary of Significant Accounting Policies (continued)

Pledges Receivable

Pledges receivable represent unconditional amounts committed to the Organization. Pledges receivable are reflected at their net realizable value. Pledges due in more than one year are discounted to present value based on management's estimate of the risk adjusted rate of return (3.00% and 3.20% at December 31, 2018 and 2017, respectively). Discount on pledges receivable was $30,941 and $110,526 at December 31, 2018 and 2017, respectively. Management determines the allowance for uncollectible pledges by identifying troubled accounts and by using historical experience. The allowance for uncollectible pledges was $61,059 at both December 31, 2018 and 2017.

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 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

Contributions and grants, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports them as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets 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. However, restrictions met in the same accounting period in which the related contribution was received are treated as unrestricted.

Revenue from government grants that are cost reimbursable in nature are recognized as revenue as the allowable costs are incurred. Costs incurred in excess of cash received are reflected as 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, 2018 and 2017 are included in deferred revenue in the accompanying consolidated statements of financial position.

Revenue from all other sources is recognized when earned.

In-Kind Contributions

The Organization receives in-kind contributions from various donors that benefit both program and supporting services. Services are recognized only when they create or enhance nonfinancial assets, or require specialized skills, are provided by qualified individuals, and would typically be purchased if not donated. In-kind contributions are recognized as revenue and support and expenses in the accompanying consolidated statements of activities at their estimated fair value, as provided by the donor at the date of donation.

2. Summary of Significant Accounting Policies (continued)

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

Promotion and advertising costs are expensed as incurred and totaled $942,701 and $627,246 for the years ended December 31, 2018 and 2017, 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.

Reclassifications

Certain amounts in the 2017 consolidated financial statements have been reclassified to conform to the 2018 presentation. These reclassifications have no effect on the change in net assets previously reported.

2. Summary of Significant Accounting Policies (continued)

Adopted Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update changed the manner by which nonprofit organizations classify net assets as well as improved information presented in financial statements and noted about nonprofit organization's liquidity, financial performance, and cash flows. The Organization adjusted the presentation of 2018 consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented, except for the liquidity and availability footnote, which is allow by the ASU in the year of adoption. The implementation had no impact on the previously reported net assets.

Recently Issued Accounting Pronouncement

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

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 25, 2019, the date the consolidated financial statements were available to be issued.

Subsequent to year end, in April 2019, a pledge receivable of $1,000,000 was converted into common stocks in a private corporation. Additionally, during 2019, the private corporation repurchased the stock from the Organization over the next four years under an agreement, which included terms of a $100,000 down payment and four equal installments of $225,000, plus accrued interest at the rate of 4.5% per year. The first payment was received by the Organization in May 2019.

3. Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. As part of this liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments. 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.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2018:

Cash and cash equivalents	$ 957,510
Accounts receivable	24,691
Grants receivable	3,145,041
Pledges receivable, net	7,649,516
Notes receivable	900,000
Total financial assets available	12,676,758
Less: restricted by donors in perpetuity	(250,000)
Less: restricted by donors	(7,753,377)
Total available for general expenditures	$ 4,673,381

4. Concentration of Risks

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.

4. Concentration of Risks (continued)

Revenue Risk

For the years ended December 31, 2018 and 2017, a substantial portion of the Organization's revenue was generated from a small number of donors. For the year ended December 31, 2018, $10,480,945 was received from four donors, and for the year ended December 31, 2017, $6,091,707 was received from three donors. These contributions approximate 40% and 26% of the Organization's total operating revenue and support for the years ended December 31, 2018 and 2017, respectively.

5. Pledges Receivable

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

	2018	2017
Due in less than one year	$ 7,019,516	$ 3,768,648
Due in one to five years	722,000	739,000
Total pledges receivable	7,741,516	4,507,648
Less: allowance for uncollectible pledges	(61,059)	(61,059)
Less: discount on pledges	(30,941)	(110,526)
Pledges receivable, net	$ 7,649,516	$ 4,336,063

The Organization was owed $4,344,250 from three donors and $2,085,600 from three donors, which accounted for 56% and 46% of pledges receivable at December 31, 2018 and 2017, respectively.

6. Notes Receivable

Notes receivable consists of a note issued in March 2014 to a private corporation, for the repurchase of donated stocks back from the Organization, over the next five years, in 20% annual increments plus accrued interest at the rate of 2.25% per year. The outstanding amount on this note was $0 and $200,000 at December 31, 2018 and 2017, respectively.

6. Notes Receivable (continued)

Additionally, 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 first payment was received by the Organization in April 2018. The outstanding amount on this note was $900,000 and $0 at December 31, 2018 and 2017, respectively.

7. Investments and Fair Value Measurements

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

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

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

The Organization's Level 3 investment consists of common stocks in a private corporation. The investment was received as a stock donation during 2017. The common stock is not listed on a national exchange for which quoted market prices are publicly available. Fair value is determined based on a third-party appraisal. This investment is subject to certain restrictions and is not redeemable on the open market, but has the ability to be sold back to the corporation through a private market. The corporation also has the ability to call the stock at its discretion.

7. Investments and Fair Value Measurements (continued)

In March 2014, the corporation repurchased the stock 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 first payment was received by the Organization in April 2018. The remaining balance is recorded under note receivable in the accompanying consolidated statements of financial position.

The Organization did not have any investments at December 31, 2018.

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

	Level 1	Level 2	Level 3	Total fair value
Mutual funds:				
Bank loan fund	$ 16,741	$ -	$ -	$ 16,741
Diversified emerging markets	89,634	-	-	89,634
Emerging markets bond	18,548	-	-	18,548
Energy limited partnership	10,925	-	-	10,925
Foreign large value	73,678	-	-	73,678
High-yield bond	17,464	-	-	17,464
Large value	204,518	-	-	204,518
Mid-cap blend	78,833	-	-	78,833
Multisector bond	75,459	-	-	75,459
Real estate fund	14,652	-	-	14,652
Short-term bond	170,737	-	-	170,737
World bond	20,799	-	-	20,799
Exchange-traded funds:				
Diversified emerging markets	29,968	-	-	29,968
Foreign large blend	80,693	-	-	80,693
Large growth	130,052	-	-	130,052
Small blend	56,605	-	-	56,605
Money market funds	42	-	-	42
Private corporation common stocks	-	-	1,000,000	1,000,000
Total investments	$ 1,089,348	$ -	$ 1,000,000	$ 2,089,348

7. Investments and Fair Value Measurements (continued)

The following table summarizes information about investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) and the effect of measurements on changes in net assets during the years ended December 31:

	Level 3
Balance at December 31, 2016	$ -
Donated stocks	1,000,000
Balance at December 31, 2017	1,000,000
Stocks repurchased by the issuer	(1,000,000)
Balance at December 31, 2018	$ -

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

	2018	2017
Interest income	$ 68,057	$ 45,268
Unrealized (loss) gain	(77,218)	98,223
Realized gain	6,681	53,471
Investment fees	(8,309)	(8,624)
Total investment (loss) income	$ (10,789)	$ 188,338

8. Property and Equipment

Property and equipment consists of the following at December 31:

	2018	2017
Office equipment	$ 340,736	$ 340,736
Computer hardware and software	310,506	310,506
Furniture and fixtures	166,486	166,486
Leasehold improvements	51,536	51,536
Total property and equipment	869,264	869,264
Less: accumulated depreciation and amortization	(843,212)	(827,030)
Property and equipment, net	$ 26,052	$ 42,234

9. Loan Payable

In December 2014, the Organization obtained a loan for $1,200,000. Interest accrues at 4.25% per annum. The Organization is required to make interest and principal payments of $7,471 on a monthly basis based on a 47-month amortization schedule commencing on January 9, 2015, with a balloon payment of $1,042,322 due on December 9, 2018.

In December 2018, the Organization renewed this loan. Interest accrues at 5.24% per annum. The Organization is 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 $41,945 and $47,490 for the years ended December 31, 2018 and 2017, respectively. The amount outstanding on the loan payable totaled $1,038,704 and $1,078,934 at December 31, 2018 and 2017, respectively.

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

2019	$ 46,257
2020	48,944
2021	51,757
2022	891,746
Total future principal payments	$ 1,038,704

Additionally, the loan contains certain financial reporting covenants. The Organization was in compliance with all of these financial reporting covenants at both December 31, 2018 and 2017.

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, 2019. This line of credit bears interest at a variable rate equal to the bank's prime rate (5.50% and 4.50% for the years ended December 31, 2018 and 2017, respectively). The Organization did not have an outstanding balance on this line of credit at December 31, 2018 and 2017.

11. Commitments and Contingencies

Operating Lease Agreements

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

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

Rent expense for the office leases totaled $494,377 and $469,076 for the years ended December 31, 2018 and 2017, respectively.

The Organization also leases office equipment under an operating lease, which began in January 2015 and expired in February 2018. In 2018, the Organization began leasing office equipment under a new operating lease, which began in March 2018 and expires in February 2021. The lease requires fixed monthly payments of $616.

Rent expense for the equipment leases were $7,392 and $7,164 for the years ended December 31, 2018 and 2017, respectively.

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

2019	$ 367,186
2020	376,184
2021	379,346
2022	387,588
2023	397,277
Thereafter	509,636
Future minimum lease payments	$ 2,417,217

11. Commitments and Contingencies (continued)

Service Organization

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

Office of Management and Budget

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

Hotel Contracts

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

12. Net Assets With Donor Restrictions

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

	2018	2017
Purpose restricted:		
Scholarships and grants	$ 5,955,204	$ 6,274,586
Leadership training and seminars	6,630,925	3,758,230
Perpetual in nature	250,000	250,000
Total net assets with donor restrictions	$ 12,836,129	$ 10,282,816

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.

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, 2018 and 2017.

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 Funds

Endowment net asset composition was as follows at December 31, 2018:

	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 250,000	$ 250,000

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

	Without Donor Restriction	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 250,000	$ 250,000

Changes in Endowment Net Assets

There were no changes in endowment net assets for the years ended December 31, 2018 and 2017, as no budgeted interest and dividends were allocated to the endowment.

14. In-Kind Contributions

For the year ended December 31, 2018, in-kind contributions consisted of $560,000 for promotions and advertising, $328,099 for travel and conferences, and $154,620 for legal services. For the year ended December 31, 2017, in-kind contributions consisted of $935,042 for promotions and advertising, and $120,691 for travel and conferences.

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

15. 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. The expenses that are allocated include natural expenses reported on the consolidated statements of functional expenses, which are allocated on the basis of estimates of time and effort.

16. 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 $64,281 and $66,877 to the Plan for the years ended December 31, 2018 and 2017, respectively.

17. Income Taxes

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

OFCI is a for-profit corporation that is subject to income tax and had no taxable net income for the years ended December 31, 2018 and 2017.

17. Income Taxes (continued)

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, 2018 and 2017, 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, 2018 and 2017, 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, 2018
(With Comparative Totals for December 31, 2017)

	TMCF	OFCI	TM2	Eliminations	2018 Total	2017 Total
Assets						
Cash and cash equivalents	$ 699,419	$ 245,241	$ 12,850	$ -	$ 957,510	$ 7,211,969
Accounts receivable	5,189	-	19,502	-	24,691	24,691
Grants receivable	3,145,041	-	-	-	3,145,041	951,586
Pledges receivable, net	7,649,516	-	-	-	7,649,516	4,336,063
Notes receivable	900,000	-	-	-	900,000	200,000
Due from related entities	236,392	-	-	(236,392)	-	-
Investments	-	-	-	-	-	1,089,348
Investments - private corporation common stock	-	-	-	-	-	1,000,000
Investment in subsidiary	240,896	-	-	(240,896)	-	-
Prepaid expenses and other assets	700,421	-	-	-	700,421	55,906
Property and equipment, net	26,052	-	-	-	26,052	42,234
Security deposit	3,218	-	-	-	3,218	3,218
Total assets	$ 13,606,144	$ 245,241	$ 32,352	$ (477,288)	$ 13,406,449	$ 14,915,015
Liabilities, Net Assets (Deficit), and Stockholder's Equity						
Liabilities						
Accounts payable and accrued expenses	$ 685,406	$ 366	$ 962	$ -	$ 686,734	$ 668,121
Due to related entities	-	3,979	232,413	(236,392)	-	-
Deferred revenue	1,403,875	-	-	-	1,403,875	3,397,333
Deferred rent	20,722	-	-	-	20,722	25,740
Loan payable	1,038,704	-	-	-	1,038,704	1,078,934
Total liabilities	3,148,707	4,345	233,375	(236,392)	3,150,035	5,170,128
Net Assets (Deficit) and Stockholder's Equity						
Without donor restriction	(2,378,692)	-	(201,023)	-	(2,579,715)	(537,929)
With donor restrictions:						
Purpose restrictions	12,586,129	-	-	-	12,586,129	10,032,816
Perpetual in nature	250,000	-	-	-	250,000	250,000
Common stock and retained earnings	-	240,896	-	(240,896)	-	-
Total net assets and stockholder's equity	10,457,437	240,896	(201,023)	(240,896)	10,256,414	9,744,887
Total liabilities, net assets, and stockholder's equity	$ 13,606,144	$ 245,241	$ 32,352	$ (477,288)	$ 13,406,449	$ 14,915,015

Thurgood Marshall College Fund and Affiliates

Consolidating Schedule of Activities
For the Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	TMCF	OFCI	TM2	Eliminations	2018 Total	2017 Total
Operating Revenue and Support						
Contributions and grants	$ 19,198,168	$ -	$ -	$ -	$ 19,198,168	$ 15,538,872
Government grants	5,831,618	-	-	-	5,831,618	6,442,571
In-kind contributions	1,042,719	-	-	-	1,042,719	1,055,733
Contract income	89,000	-	64,865	-	153,865	445,714
Registration fees	800	-	-	-	800	45,600
Membership fees	82,500	-	-	-	82,500	55,000
Interest income	67,098	959	-	-	68,057	45,268
Other income	19,567	-	-	-	19,567	52,764
Total operating revenue and support	26,331,470	959	64,865	-	26,397,294	23,681,522
Expenses						
Program services	22,919,632	-	129,351	-	23,048,983	20,327,340
Management and general	2,004,861	1,238	-	-	2,006,099	2,576,440
Development	751,839	-	-	-	751,839	591,107
Total expenses	25,676,332	1,238	129,351	-	25,806,921	23,494,887
Change in Net Assets from Operations	655,138	(279)	(64,486)	-	590,373	186,635
Non-Operating Activities						
Unrealized (loss) gain on investments	(77,218)	-	-	-	(77,218)	98,223
Realized gain on investments	6,681	-	-	-	6,681	53,471
Investment fees	(8,309)	-	-	-	(8,309)	(8,624)
Net gain from investment in subsidiary	(279)	-	-	279	-	-
Change in Net Assets	576,013	(279)	(64,486)	279	511,527	329,705
Net Assets and Stockholder's Equity, beginning of year	9,881,424	316,175	(136,537)	(316,175)	9,744,887	9,415,182
Net Assets and Stockholder's Equity, end of year	$ 10,457,437	$ 315,896	$ (201,023)	$ (315,896)	$ 10,256,414	$ 9,744,887

SUPPLEMENTARY SCHEDULE AND REPORTS REQUIRED BY THE UNIFORM GUIDANCE

ROGERS & COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Thurgood Marshall College Fund and Affiliates (collectively, "the Organization"), which comprise the consolidated statement of financial position as of December 31, 2018; the related consolidated statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the consolidated financial statements, and have issued our report thereon dated September 25, 2019.

Internal Control over Financial Reporting

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

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

Internal Control over Financial Reporting (continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control, as described in the accompanying schedule of findings and questions costs as items 2018-001, and 2018-002, which we consider to be significant deficiencies.

Compliance and Other Matters

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

Purpose of this Report

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

Rogers + Company PLLC

Vienna, Virginia
September 25, 2019

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

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

Report on Compliance for Each Major Federal Program

We have audited the Thurgood Marshall College Fund and Affiliates' (collectively, "the Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended December 31, 2018. The Organization's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Report on Internal Control over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, as described in the accompanying schedule of findings and questions costs as item 2018-004, which we consider to be significant deficiency.

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

Rogers + Company PLLC

Vienna, Virginia
September 25, 2019

Thurgood Marshall College Fund and Affiliates

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Grant Number	Passed Through to Subrecipients	Total Federal Expenditures
Research and Development Cluster:				
U.S. Department of Defense				
Basic Scientific Research	12.431	W911NF-16-1-0107	$ -	$ 2,056,970
Basic Scientific Research	12.431	W911NF-15-0641	-	1,350,854
Collaborative Research and Development	12.114	FA8651-15-2-0001	-	542,604
Total U.S. Department of Defense			-	3,950,428
U.S. Department of Agriculture				
Plant and Animal Disease, Pest Control, and Animal Care	10.025	OAO-1890-18-1	-	1,087,529
Plant and Animal Disease, Pest Control, and Animal Care	10.025	18-1001-0834-CA	-	394,413
Plant and Animal Disease, Pest Control, and Animal Care	10.025	OAO-1890-17-1	-	79,152
Total U.S. Department of Agriculture			-	1,561,094
Total Research and Development Cluster			-	5,511,522
U.S. Department of Agriculture				
Soil and Water Conservation	10.902	68-3A75-17-137	-	92,368
Total U.S. Department of Agriculture			-	92,368
U.S. Department of Energy				
Minority Economic Impact	81.137	DE-ED000605	-	73,750
Total U.S. Department of Energy			-	73,750
National Credit Union Administration				
Student Intern Program	44.U01	NCUA-18-D-00010	-	113,097
Student Intern Program	44.U01	NCUA-17-D-00010	-	4,060
Total National Credit Union Administration			-	117,157
Total Expenditures of Federal Awards			$ -	$ 5,794,797

See accompanying notes to this schedule.

Thurgood Marshall College Fund and Affiliates

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Organization under the programs of the federal government for the year ended December 31, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

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

3. Indirect Cost Rates

The Organization records its expenditures of federal awards using the indirect cost and fringe benefit rates per the nonprofit rate agreement with the federal government, which was approved in accordance with the authority in the Uniform Guidance.

In this manner, the Organization has elected not to use the 10% *de minimis* indirect cost rate, which is allowed in accordance with the Uniform Guidance.

4. Reconciliation to Financial Statements

Reconciliation between federal expenditures per the SEFA and government grants per the accompanying statement of activities for the year ended December 31, 2018 is as follows:

Federal expenditures per schedule of expenditures of federal awards	$ 5,794,797
Add: NCUA contract timing difference	36,821
Government grants per consolidated statement of activities	$ 5,831,618

Thurgood Marshall College Fund and Affiliates

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section I – Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over the major federal programs:

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

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

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

Identification of major federal programs:

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

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

Auditee qualified as low-risk auditee? __X__ Yes ______ No

Thurgood Marshall College Fund and Affiliates

Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2018

Section II – Financial Statement Findings

Finding No. 2018-001 – Significant Deficiency – Timely Year-End Reporting Procedures and Accounts Reconciliations

Criteria:	In accordance with U.S. generally accepted accounting principles, accounts reconciliations and year-end reporting closes should be performed on a timely basis.
Condition:	We noted that the year-end closing process was not performed timely, and a number of adjusting entries resulted from certain accounts and transactions not being recorded or reconciled during the year. Specifically, these adjusting entries related to cash, pledges receivable, investments, prepaid expenses, intercompany reconciliations, accounts payable, and accrued expenses. Unreconciled differences were carried during the year and not addressed until the year-end reconciliation process and submission of the final trial balance for the audit.
Questioned Costs:	None.
Context:	The Organization has experienced turnover within key accounting and finance positions over the past year, which has contributed to the aforementioned deficiencies, and achieving staff stability may help address this going forward.
Effect:	A number of adjusting journal entries were made subsequent to the commencement of our audit to record adjustments at year end, which included audit adjustments and adjustments prepared by the Organization.
Cause:	The Organization did not perform a timely and thorough close of the books at the end of the fiscal year.
Identification as a Repeat Finding:	Yes.
Recommendation:	The Organization should review its current processes and take necessary steps to ensure timely account reconciliations, and ensure the year-end closing and reporting process is completed prior to the commencement of the audit.
Views of Responsible Officials and Planned Corrective Action:	See Corrective Action Plan.

Section II – Financial Statement Findings (continued)

Finding No. 2018-002 – Significant Deficiency – Tracking of Net Assets With Donor Restrictions

Criteria:	In accordance with U.S. generally accepted accounting principles, reconciliation of net assets should be performed timely at the end of each year. Tracking and identifying activities of net assets with donor restrictions ensures that all transactions that satisfy a restricted purpose are properly met and reflected in the consolidated financial statements.
Condition:	We noted that the Organization receives certain contributions with donor stipulations that limit its use to certain programs or to a future year. We noted that some of these contributions were not appropriately tracked and the purpose of certain restricted funds were sometimes unclear, and in other cases, qualifying expenses that met the donor restrictions were not identified and released against the corresponding restricted funds.
Questioned Costs:	None.
Context:	The Organization has experienced turnover within key accounting and finance positions over the past year, resulting in a lack of controls related to the tracking of the net assets with donor restrictions.
Effect:	There were misclassifications to the net assets without donor restrictions.
Cause:	The Organization did not perform a timely and thorough reconciliation of net assets with donor restrictions during the fiscal year.
Identification as a Repeat Finding:	No.
Recommendation:	We recommend that the Organization evaluate policies and procedures for tracking net assets with donor restrictions. Further, management should periodically review the balances in the restricted funds to ensure the balances accurately reflect expenditures of those funds and available balances remaining. These procedures will ensure accurate and consistent financial reporting and will also ensure that donor-restricted funds are spent on the purposes intended by the donor.
Views of Responsible Officials and Planned Corrective Action:	See Corrective Action Plan.

Section III – Federal Award Findings and Questioned Costs

<u>Finding No. 2018-003 – Advance Drawdown of Federal Funds</u>

Research and Development Cluster – U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-16-1-0107; Grant Period: Year Ended December 31, 2018

<u>Criteria:</u>	Under the Uniform Guidance, recipients that draw funds in advance should maintain or demonstrate the willingness to maintain: (1) written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient and (2) financial management systems that meet the standards for fund control and accountability. Cash advances drawn by a recipient organization shall be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient organization in carrying out the purpose of the approved program or project. The timing and amount of cash advances shall be as close as is administratively feasible to the actual disbursements by the recipient organization for direct program or project costs and the proportionate share of any allowable indirect costs.
<u>Condition:</u>	There was a large gap between the time the advanced funds were drawn down by the Organization and the disbursement of cash under the grant.
<u>Questioned Costs:</u>	None.
<u>Context:</u>	CFDA 12.431 - The Organization had funds drawn down in advance from the grant, which were not completely depleted as of December 31, 2018. A draw down of $2,175,000 was completed on May 10, 2016. As of December 31, 2018, the outstanding balance of this grant was $1,403,875 and is recorded under deferred revenue in the accompanying consolidated statement of financial position.
<u>Effect:</u>	The program was not in compliance with the Uniform Guidance.
<u>Cause:</u>	The Organization did not prepare a detailed analysis of the anticipated costs.
<u>Identification as a Repeat Finding:</u>	Yes.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No. 2018-003 – Advance Drawdown of Federal Funds (continued)

Research and Development Cluster – U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-16-1-0107; Grant Period: Year Ended December 31, 2018 (continued)

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

Finding No. 2018-004 – Significant Deficiency – Preparation of the Schedule of Expenditures of Federal Awards

Criteria:	Under the Uniform Guidance, the Organization is responsible for the preparation of the Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the financial statements.
Condition:	The SEFA was not complete at the commencement of our audit, delaying audit procedures and requiring additional time for management to ensure the completeness of the SEFA. Further, there were multiple versions of the SEFA that were provided.
Questioned Costs:	None.
Context:	The Organization has experienced turnover within key accounting and finance positions over the past year, resulting in a lack of controls related to the timely and accurate preparation of the SEFA.
Effect:	The Organization was not in compliance with the Uniform Guidance.
Cause:	The Organization did not perform a timely and thorough preparation of the SEFA.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding No. 2018-004 – Significant Deficiency – Preparation of Schedule of Expenditures of Federal Awards (continued)

Identification as a Repeat Finding:	No.
Recommendation:	We recommend that the Organization review its year-end closing and reporting process to ensure that the preparation of the SEFA is accurate and within a reasonable time period in preparation for the year-end audit process.
Views of Responsible Officials and Planned Corrective Action:	See Corrective Action Plan.

Thurgood Marshall College Fund and Affiliates

Schedule of Prior Audit Findings
For the Year Ended December 31, 2018

Finding No. 2017-001

Current Status: Finding still applicable, see Finding No. 2018-001 under schedule of findings and questioned costs.

Finding No. 2017-002

Current Status: Finding still applicable, see Finding No. 2018-003 under schedule of findings and questioned costs.

Finding No. 2017-003

Current Status: During the current year, we noted the Organization took appropriate measures to implement our recommendations. No additional follow up recommendations are being made as a result of our current audit.

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CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2018

September 25, 2019

Thurgood Marshall College Fund and Affiliates (collectively, "the Organization") respectfully submits the following corrective action plan for the year ended .

Name and address of independent public accounting firm:

Rogers and Company, PLLC
8300 Boone Blvd, Suite 600
Vienna, Virginia 22182

Audit period:

01/01/2018 to 12/31/2018

The findings from the Schedule of Findings and Questioned Costs for the year ended are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

Section II - Financial Statement Findings:

Finding No. 2018-001 - Significant Deficiency - Timely Year-End Reporting Procedures and Accounts Reconciliations

Recommendation:	The Organization should review its current processes and take necessary steps to ensure timely account reconciliations and ensure the year-end closing and reporting process is completed prior to the commencement of the audit.
Views of Responsible Officials and Planned Corrective Action:	Management will return to more traditional best practices in its internal control by reconciling our accounts monthly. It is worth noting that during fiscal year 2018 there was turnover in senior management that lead to a gap in procedures. Now that the department is adequately staffed, procedures are currently in place to ensure that all accounts are reconciled monthly.
Person Responsible:	Vice President of Finance

Planned Completion Date:	December 31, 2019

Finding No. 2018-002 – Significant Deficiency - Tracking of Net Assets with Donor Restrictions

Recommendation:	The Organization should evaluate policies and procedures for tracking net assets with donor restrictions. Further, management should periodically review the balances in the restricted funds to ensure the balances accurately reflect expenditures of those funds and available balances remaining. These procedures will ensure accurate and consistent financial reporting and will also ensure that donor-restricted funds are spent on the purposes intended by the donor.
Views of Responsible Officials and Planned Corrective Action:	Management acknowledges the need for corrective action around reconciling the release of donor-restricted activity throughout the year. The Finance department contemporaneously reviews aggregate donor-restricted activity at year-end; and while management provides a schedule of annual activity for the audit, there needs to be deeper analysis done during the year. During fiscal year 2019, management will implement better practices and properly codify its procedures around this deficiency for review during the next fiscal audit.
Person Responsible:	Vice President of Finance
Planned Competition Date:	December 31, 2019

Section III - Federal Award Findings and Questioned Costs:

Finding No. 2018-003 – Advance Drawdown of Federal Funds

Research and Development Cluster - U.S. Department of Defense; Basic Scientific Research Program – CFDA No. 12.431; Grant No. W911NF-16-1-0107; Grant Period: Year Ended December 31, 2018

Recommendation:	We recommend that management anticipate future costs for the next month and request a cash advance based on these anticipated future costs. Further, once cash is received, we recommend that management disburse the expenses within the next month to minimize the time elapsed between the date the cash advance is received and the disbursement of expenses. Interest earned on the advances shall be remitted back to the federal awarding agencies.
Views of Responsible Officials and Planned Corrective Action:	While management acknowledges the need to update its written procedures to align with the guidelines expressed in Section 2 CFR Part 200, Section 200, management does not agree that there was impropriety around the advance issuance of federal funds. Advanced funds were authorized and subsequently disbursed by the awarding agency prior to the beginning of the grant year term for the aforementioned award. The payments occurred at the commencement of each respective award because of the exigent circumstances of capital needed at the beginning of each grant to fund programmatic benchmarks early on in the grant. Once management was in receipt of the advance payments, funds were held in an interest-bearing account and properly recording as a restricted asset in the accounting system. Interest on the advance funds were remitted to the awarding agency quarterly. Ahead of each audit for fiscal years 2015 and 2016, Management reported this practice to its independent audit firm as well its fiscal treatment of the asset. Management's audit firm noted the aforementioned practice in their findings but found no material weakness in the subsequent accountancy of the asset. As of the date of this response, management can report that all advanced funds have been used and that we now request funds under active awards in accordance with 2 CFR Part 200, Section 200. Management further agrees to implement formal procedures in fiscal year 2019.
Person Responsible:	Vice President of Finance
Planned Competition Date:	December 31, 2019

Finding No. 2018-004 – Significant Deficiency –Preparation of Schedule of Expenditures of Federal Awards

Recommendation:	The Organization should review its year-end closing and reporting process to ensure that the preparation of the SEFA is accurate and within a reasonable time period in preparation for the year-end audit process.
Views of Responsible Officials and Planned Corrective Action:	Management acknowledges the need to tighten procedures around year-end close out and ensuring that all activity, especially federal activity, ties out the SEFA so that when it's submitted for review the content is accurate. During fiscal year 2019, management is working cross-functionally to ensure that federal activity is reconciled quarterly.
Person Responsible:	Vice President of Finance
Planned Competition Date:	December 31, 2019

THURGOOD MARSHALL COLLEGE FUND AND AFFILIATES

Aisha T. Brown

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