

**THE MINORITY CORPORATE COUNSEL
ASSOCIATION, INC.**

FINANCIAL STATEMENTS

**YEARS ENDED
DECEMBER 31, 2018 AND 2017**

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PENAN & SCOTT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Minority Corporate Counsel Association, Inc.
Washington, DC

We have audited the accompanying financial statements of The Minority Corporate Counsel Association, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in 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 financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Minority Corporate Counsel Association, Inc. 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.

Penan & Scott, P.C.

Rockville, Maryland
September 13, 2019

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 552,771	\$ 294,459
Cash and cash equivalents - scholarship fund	120,821	120,612
Accounts receivable, net	354,173	378,623
Investments	3,246,747	3,683,205
Prepaid expenses	<u>12,510</u>	<u>135,346</u>
Total current assets	4,287,022	4,612,245
Property and Equipment, net	<u>63,555</u>	<u>94,357</u>
TOTAL ASSETS	<u>\$4,350,577</u>	<u>\$4,706,602</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 284,376	\$ 97,160
Accrued expenses	134,793	103,512
Credit card payable	13,800	-
Line of credit	201,833	200,000
Deferred revenue	<u>95,500</u>	<u>25,000</u>
Total current liabilities	730,302	425,672
Net Assets		
Board-designated	120,821	120,612
Unrestricted and undesignated	<u>3,499,454</u>	<u>4,160,318</u>
Net Assets Without Donor Restriction	<u>3,620,275</u>	<u>4,280,930</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,350,577</u>	<u>\$4,706,602</u>

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Conferences	\$ 223,900	\$ 337,730
Memberships	1,638,500	1,311,450
Programs and dinner	1,147,924	1,454,894
Contributions and donations	570,859	475,295
Golf income	45,000	227,174
Publication income	6,800	3,535
Job bank	82,543	56,919
Vault diversity survey	25,228	43,513
Investment income (loss)	<u>(336,860)</u>	<u>567,557</u>
 Total revenues and other support without donor restrictions	 3,403,894	 4,478,067
Expenses		
Program services:		
Research, education and website	686,240	1,219,190
Publications	100,218	76,522
Dinners and special events	1,853,676	1,895,167
Supporting services:		
Management and general	1,424,415	915,376
Fundraising	<u>-</u>	<u>82,908</u>
 Total expenses	 <u>4,064,549</u>	 <u>4,189,163</u>
 Change in Net Assets Without Donor Restrictions	 (660,655)	 288,904
 Net Assets Without Donor Restrictions - beginning of year	 <u>4,280,930</u>	 <u>3,992,026</u>
 Net Assets Without Donor Restrictions - end of year	 <u>\$ 3,620,275</u>	 <u>\$ 4,280,930</u>

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>				<u>Supporting Services</u>	
	<u>Research, Education and Website</u>	<u>Publications</u>	<u>Dinners and Special Events</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Total</u>
Accounting	\$ -	\$ -	\$ -	\$ -	\$ 82,284	\$ 82,284
Administrative support	-	-	-	-	31,177	31,177
Auditing	-	-	-	-	17,854	17,854
Bank service charges	-	-	-	-	2,628	2,628
Board meeting expenses	-	-	-	-	20,608	20,608
Credit card processing fee	-	-	-	-	25,702	25,702
Depreciation expense	-	-	-	-	35,890	35,890
Donations	-	-	-	-	7,294	7,294
Dues and subscriptions	-	-	-	-	3,915	3,915
Equipment computer repairs	4,335	-	9,023	13,358	18,337	31,695
Fringe benefits	4,004	-	8,334	12,338	16,938	29,276
GSC	-	-	60,548	60,548	-	60,548
Health insurance	4,983	-	10,372	15,355	21,078	36,433
Insurance	-	-	-	-	17,647	17,647
Interest	-	-	-	-	13,500	13,500
Investment fees	-	-	-	-	70,857	70,857
License and fees	-	-	-	-	10	10
LMJ Scholarships	175,000	-	-	175,000	-	175,000
Membership acquisition	-	-	-	-	2,993	2,993
Miscellaneous expense	-	-	-	-	3,356	3,356
Networking and gala expense	-	-	594,457	594,457	-	594,457
On-line services	-	-	13,708	13,708	13,708	27,416
Pathway Conference	-	-	378,268	378,268	-	378,268

See notes to the financial statements.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services		
	Research, Education and Website	Publications	Dinners and Special Events	Total Program Services	Management and General	Total
Postage and delivery services	-	-	-	-	8,301	8,301
Payroll/401k Services Fees	1,217	-	2,534	3,751	5,150	8,901
Printing and duplications	-	-	-	-	1,646	1,646
Professional services - legal	-	-	-	-	17,052	17,052
Professional services - Communication Firm	16,153	2,738	50,643	69,534	39,466	109,000
Professional services- Recruiting	-	-	-	-	3,000	3,000
Professional services- Technology	-	-	-	-	9,475	9,475
Lease	934	-	2,119	3,053	4,694	7,747
Rent	40,371	-	91,649	132,020	202,980	335,000
Public relations and media	38,537	6,532	120,823	165,892	94,157	260,049
Publications	-	90,948	-	90,948	-	90,948
Research	107,531	-	-	107,531	-	107,531
Payroll taxes	7,525	-	15,662	23,187	31,830	55,017
Salaries and taxes	127,333	-	265,031	392,364	538,620	930,984
Scholarship Administration Expense	15,232	-	-	15,232	-	15,232
GTEC Conference	-	-	198,447	198,447	-	198,447
CLE	-	-	4,740	4,740	-	4,740
Staff Meetings & Entertainment	1,589	-	3,307	4,896	6,722	11,618
Supplies	-	-	-	-	6,750	6,750
Telephone	1,356	-	2,823	4,179	5,736	9,915
Travel and entertainment - CEO	5,277	-	10,984	16,261	22,323	38,584
Travel and entertainment - Staff meals	353	-	735	1,088	1,494	2,582
Travel and entertainment - Staff travel	4,549	-	9,469	14,018	19,244	33,262
Vault Project Expense	108,334	-	-	108,334	-	108,334
Website costs	21,627	-	-	21,627	-	21,627
Total expenses	\$ 686,240	\$ 100,218	\$ 1,853,676	\$ 2,640,134	\$ 1,424,415	\$ 4,064,549

See notes to the financial statements.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			
	Research, Education and Website	Publications	Dinners and Special Events	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Accounting	\$ -	\$ -	\$ -	\$ -	\$ 82,748	\$ -	\$ 82,748	\$ 82,748
Administrative support	29,588	372	29,589	59,549	11,165	3,722	14,887	74,436
Auditing	-	-	-	-	16,153	-	16,153	16,153
Bank service charges	27,006	340	27,005	54,351	10,191	3,397	13,588	67,939
Board meeting expenses	4,398	55	4,398	8,851	1,660	553	2,213	11,064
Credit card processing fee	7,623	96	7,623	15,342	2,877	959	3,836	19,178
Depreciation expense	-	-	-	-	32,086	-	32,086	32,086
Donation and contributions	-	-	-	-	12,837	-	12,837	12,837
Dues and subscriptions	-	-	-	-	5,996	-	5,996	5,996
Equipment computer repairs	12,785	161	12,784	25,730	4,825	1,608	6,433	32,163
Fringe benefits	9,823	375	9,824	20,022	3,754	1,251	5,005	25,027
Pathway Conference	-	-	367,850	367,850	-	-	-	367,850
Golf tournament expense	-	-	217,645	217,645	-	-	-	217,645
Health insurance	18,599	711	18,599	37,909	7,107	2,369	9,476	47,385
Insurance	-	-	-	-	23,824	-	23,824	23,824
Interest	-	-	-	-	9,506	-	9,506	9,506
License and fees	-	-	-	-	2,383	-	2,383	2,383
LMJ Scholarships	260,000	-	-	260,000	-	-	-	260,000
Membership acquisition	813	10	813	1,636	308	102	410	2,046
Networking and gala expense	-	-	657,134	657,134	-	-	-	657,134
Other Program expense	-	-	-	-	1,665	-	1,665	1,665
On-line services	11,815	149	11,815	23,779	4,458	1,486	5,944	29,723

See notes to financial statements.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services				Supporting Services			
	Research, Education and Website	Publications	Dinners and Special Events	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Penalties	-	-	-	-	1,250	-	1,250	1,250
Postage and delivery services	4,257	54	4,257	8,568	1,607	535	2,142	10,710
Payroll/401k Services Fees	3,685	141	3,685	7,511	1,409	469	1,878	9,389
Printing and duplications	3,858	49	3,858	7,765	1,456	485	1,941	9,706
Professional services	46,364	1,772	46,364	94,500	17,719	5,906	23,625	118,125
Professional services - legal	4,994	63	4,994	10,051	1,883	628	2,511	12,562
Professional services - recruiting	-	-	-	-	91,352	-	91,352	91,352
Rent	-	-	-	-	332,235	-	332,235	332,235
Public relations and media	20,243	774	20,243	41,260	7,736	2,579	10,315	51,575
Publications	-	55,017	-	55,017	-	-	-	55,017
Research	20,144	-	-	20,144	-	-	-	20,144
Salaries and taxes	419,842	16,045	419,842	855,729	160,449	53,483	213,932	1,069,661
Scholarship Administration	7,996	-	-	7,996	-	-	-	7,996
GTEC Conference	257,118	-	-	257,118	-	-	-	257,118
Supplies	4,591	-	-	4,591	15,580	-	15,580	20,171
Telephone	4,754	58	4,591	9,403	1,732	577	2,309	11,712
Travel and entertainment - CEO	-	60	4,754	4,814	1,794	598	2,392	7,206
Travel and entertainment - Staff	17,500	-	-	17,500	39,028	-	39,028	56,528
Vault	1,556	220	17,500	19,276	6,603	2,201	8,804	28,080
Website costs	19,838	-	-	19,838	-	-	-	19,838
Total expenses	<u>\$ 1,219,190</u>	<u>\$ 76,522</u>	<u>\$ 1,895,167</u>	<u>\$ 3,190,879</u>	<u>\$ 915,376</u>	<u>\$ 82,908</u>	<u>\$ 997,034</u>	<u>\$ 4,189,163</u>

See notes to financial statements.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (660,655)	\$ 288,904
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	35,890	32,086
Realized (gain) loss on investments	(123,750)	(177,774)
Unrealized loss (gain) on investments	558,209	(292,076)
(Increase) decrease in:		
Accounts receivable	24,450	(282,321)
Prepaid expenses	122,836	44,038
Increase (decrease) in:		
Accounts payable	187,216	(83,930)
Accrued expenses	31,281	8,820
Deferred revenue	<u>70,500</u>	<u>(166,900)</u>
Net cash provided (used) by operating activities	245,977	(629,153)
Cash Flows From Investing Activities		
Purchase of fixed assets	(5,089)	(94,410)
Purchase of investments	(2,083,242)	(1,525,408)
Proceeds on sale of investments	<u>2,085,242</u>	<u>1,898,810</u>
Net cash provided (used) by investing activities	(3,089)	278,992
Cash Flows From Financing Activities		
Credit card payable	13,800	-
Line of credit	<u>1,833</u>	<u>-</u>
Net cash provided by financing activities	<u>15,633</u>	<u>-</u>
Net Increase (decrease) in Cash and Cash Equivalents	258,521	(350,161)
Cash and Cash Equivalents - beginning of year	<u>415,071</u>	<u>765,232</u>
Cash and Cash Equivalents - end of year	<u>\$ 673,592</u>	<u>\$ 415,071</u>
Supplemental Disclosure of Additional Cash Flow Information		
Cash paid for:		
Interest expense	<u>\$ 13,500</u>	<u>\$ 9,506</u>

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Minority Corporate Counsel Association, Inc. (the “Association”) was formed as a not-for-profit, New York corporation in November 1996 and began operations in 1997. The purpose is to advocate for the expanded hiring, retention, and promotion of minority attorneys in corporate law departments and the law firms that serve them. The Association furthers its mission through the collection and dissemination of information about diversity in the legal profession.

New Accounting Provisions

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of net resources, and the lack of consistency in the type of information provided about expenses and investment return. The Association has adjusted the presentation of the statements accordingly.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Associations” (the “Guide”). ASC 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the nets assets of the Association and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Association. The Association’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Association or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation - continued

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless the use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Association has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contributions were received.

Contributions

All contributions are available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as donor restricted support that increases net asset with donor restrictions.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

Cash and cash equivalents were comprised of the following at year end:

	<u>2018</u>	<u>2017</u>
Cash - operating account	\$ 356,160	\$ 251,244
Cash and cash equivalents - investments	196,611	43,215
Cash and cash equivalents - Scholarship fund	<u>120,821</u>	<u>120,612</u>
	<u>\$ 673,592</u>	<u>\$ 415,071</u>

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions, if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Accounts Receivable

Accounts receivable consist of program fees that have been invoiced to participants. The Association uses the allowance method to account for uncollectible accounts receivable. Accounts receivable are presented net of allowance for doubtful accounts of \$10,000 at December 31, 2018 and 2017. The provision is based on historical collections on receivables.

Property, Equipment and Depreciation

Property and equipment are stated at cost or at estimated fair market value at the time of contribution to the Association. Depreciation is being computed using the straight-line method over the applicable estimated useful lives. Individual purchases over \$1,000 and improvements which prolong the useful life of an asset are capitalized. The cost of maintenance and repairs is expensed as incurred.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Association, in substance and unconditional. Contributions that are restricted by the donor are reported as increase in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as net assets with donor restriction depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Association uses the allowance method to determine uncollectible receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Association is a non-profit association that is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. However, income from certain activities, not directly related to the Association's tax-exempt purpose, is subject to taxation as unrelated business income. The Association is exempt from the payment of sales tax in the States of New York, Florida, Texas, and District of Columbia.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expense

The costs of providing program and other activities have been summarized on a functional basis in the statement of functional expense. Accordingly, certain cost have been allocated to program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time and effort
Fringe benefit costs	Time and effort
Rent	Staff usage
Public relations and marketing	Program usage

Fundraising Costs

Fundraising costs are incurred by the Association in generating funds through contributions and donations in support of its tax exempt purpose. These costs are expensed as incurred. No fundraising costs were incurred during 2018. Fundraising costs totaled \$82,908 for the year ended December 31, 2017.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE B - LIQUIDITY AND AVAILABILITY OF RESOURCES

The Association financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 552,771	\$ 294,459
Accounts receivable	354,173	378,623
Prepaid expenses	12,510	135,346
Investments	<u>3,246,747</u>	<u>3,683,205</u>
	<u>\$ 4,166,201</u>	<u>\$ 4,491,633</u>

The Association financial assets have been reduced by amounts not available for general use because of board designated purpose restrictions. Within one year of the balance sheet date, the board designated amount for scholarship is:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents - scholarship fund	\$ 120,821	\$ 120,612

As part of the Association's liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they come due. To help manage unanticipated liquidity needs the Association may ask members for additional contributions. The Association does not intend to use restricted funds other than fulfilling purpose restriction. However, the Association may ask for approval from the board of directors should the need arise.

NOTE C – INVESTMENTS

Investments in marketable securities with readily determinable fair value and all investments in debt securities are valued at their fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets without donor restrictions in the statement of activities. Market risk could occur and is dependent on the future changes in market price of the various investments held.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE C – INVESTMENTS (CONTINUED)

Investments stated at fair value include the following at December 31:

	<u>2018</u>	<u>2017</u>
Corporate fixed income	\$ 527,769	\$ 429,559
Stocks	2,105,927	2,614,734
Alternatives	<u>613,051</u>	<u>638,912</u>
Total Investments	<u>\$ 3,246,747</u>	<u>\$ 3,683,205</u>

The following schedule summarizes investment returns and their classification in the statements of activities for the years ended December 31:

	<u>Without Donor Restrictions</u>	
	<u>2018</u>	<u>2017</u>
Interest income	\$ 97,599	\$ 97,707
Realized gain	123,750	177,774
Unrealized gain (loss)	<u>(558,209)</u>	<u>292,076</u>
	<u>\$ (336,860)</u>	<u>\$ 567,557</u>

NOTE D– FAIR VALUE MEASUREMENTS

The Association invests in marketable securities from companies located throughout the United States and internationally. Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE D— FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets measured on a recurring basis at December 31, 2018, are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)
Corporate fixed income	\$ 527,769	\$ 527,769
Stocks	2,105,927	2,105,927
Alternatives	<u>613,051</u>	<u>613,051</u>
Total	<u>\$ 3,246,747</u>	<u>\$ 3,246,747</u>

Fair value of assets measured on a recurring basis at December 31, 2017, are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)
Corporate fixed income	\$ 429,559	\$ 429,559
Stocks	2,614,734	2,614,734
Mutual Funds	<u>638,912</u>	<u>638,912</u>
Total	<u>\$ 3,683,205</u>	<u>\$ 3,683,205</u>

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NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Equipment	\$ 48,083	\$ 46,963
Furniture and fixtures	34,625	30,656
Website and software	<u>95,084</u>	<u>95,083</u>
 Total property and equipment	 177,792	 172,702
 Less: accumulated depreciation and amortization	 <u>(114,237)</u>	 <u>(78,345)</u>
	 <u>\$ 63,555</u>	 <u>\$ 94,357</u>

NOTE F – PREPAID EXPENSES

Prepaid expenses consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Conference, dinner, and tournament expenses	\$ 12,510	\$ 135,346

NOTE G – LINE OF CREDIT

The Association has a line of credit with a commercial lender, with a maximum borrowing amount of \$200,000 bearing interest at 6% at December 31, 2018. The line is secured by the assets of the Association. The balance is due upon demand by the bank and interest is payable at a rate equal to .75% above the highest US Prime Rate in the Money Rates Section of the *Wall Street Journal* on the effective date. The Association is in compliance with the line of credit covenants requirements. The balance outstanding plus accrued interest on the line of credit at December 31, 2018 and 2017, was \$201,833 and \$200,000, respectively.

NOTE H – DEFERRED REVENUE

Deferred revenue arises from program fees collected in advance. Deferred revenues as of December 31, 2018 and 2017, were \$95,500 and \$25,000, respectively.

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NOTE I – IN-KIND CONTRIBUTION

During the years ended December 31, 2018 and 2017, the Association's office space and administrative services were donated to the Association by the law firm Morgan, Lewis & Bockius, LLP in Washington, DC. The fair market value of the space donated and administrative services were recognized as income and an equivalent value of expenses were also recognized. The income and expenses for the years ended December 31, 2018 and 2017, were \$335,000 and \$332,235, respectively.

NOTE J – RETIREMENT PLAN

During 2002, the Association instituted a defined contribution retirement plan, which is available to all employees who are employed for six months or more. The Association matches dollar for dollar up to the first 3% and then the match is 50% per dollar contributed subject to an overall cap on the company match of 4%. Employees are 100% vested in all contributions made by them or the Association at the time of the contribution. For the years ended December 31, 2018 and 2017, the contributions to employees' 401(k) plan was \$20,188 and \$15,561, respectively.

NOTE K – REVENUE

A portion of the dinner, golf, and conference revenues includes contributions from donors. The following chart shows detail for the period ended December 31, 2018 and 2017:

	<u>Contributions</u>	<u>Programs</u>	<u>Total</u>
<u>2018</u>			
Dinner revenue	\$ 861,583	\$ 286,341	\$ 1,147,924
GCS	45,000	-	45,000
G-TEC Conference	-	60,000	60,000
Pathways Conference	-	163,900	163,900
<u>2017</u>			
Dinner revenue	\$ 1,259,394	\$ 195,500	\$ 1,454,894
Golf revenue	138,738	88,436	227,174
G-TEC Conference	41,492	75,433	116,925
Pathways Conference	96,346	124,459	220,805

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NOTE L – CONCENTRATION OF CREDIT RISK

The Association maintains its cash in bank deposit accounts at a financial institution. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed federally insured limits. At December 31, 2018, the cash balance exceeded the FDIC limit by \$114,238.

The Association has cash investments that are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000. At December 31, 2018, the cash balances exceeded the SIPC limit by \$67,432.

NOTE M – SUBSEQUENT EVENTS

Management has reviewed subsequent events through September 13, 2019, the date the financial statements were available to be issued.