

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

FINANCIAL STATEMENTS

**YEARS ENDED
DECEMBER 31, 2019 AND 2018**

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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, 2019 and 2018, 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, 2019 and 2018, 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.

September 15, 2020

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash and cash equivalents	\$ 618,094	\$ 673,592
Accounts receivable, net	347,957	354,173
Investments	3,758,758	3,246,747
Prepaid expenses	<u>37,333</u>	<u>12,510</u>
Total current assets	4,762,142	4,287,022
Property and Equipment, net	<u>28,428</u>	<u>63,555</u>
TOTAL ASSETS	<u><u>\$ 4,790,570</u></u>	<u><u>\$ 4,350,577</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	\$ 21,291	\$ 284,376
Accrued expenses	190,690	134,793
Credit card payable	973	13,800
Line of credit	196,791	201,833
Deferred revenue	<u>620,105</u>	<u>95,500</u>
Total current liabilities	1,029,850	730,302
Net Assets		
Board-designated	71,015	120,821
Unrestricted and undesignated	<u>3,689,705</u>	<u>3,499,454</u>
Net Assets Without Donor Restriction	<u>3,760,720</u>	<u>3,620,275</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,790,570</u></u>	<u><u>\$ 4,350,577</u></u>

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Revenues		
Conferences	\$ 322,614	\$ 223,900
Memberships	1,349,095	1,638,500
Programs and dinner	1,095,987	1,147,924
Contributions and donations	496,766	570,859
C-Suite income	25,000	45,000
Publication income	5,100	6,800
Job bank	88,282	82,543
Vault diversity survey	29,425	25,228
Investment income (loss)	<u>599,514</u>	<u>(336,860)</u>
 Total revenues and other support without donor restrictions	 4,011,783	 3,403,894
Expenses		
Program services:		
Research, education and website	457,675	686,240
Publications	122,504	100,218
Dinners and special events	1,816,254	1,853,676
Supporting services:		
Management and general	1,336,586	1,424,415
Fundraising	<u>138,319</u>	<u>-</u>
 Total expenses	 <u>3,871,338</u>	 <u>4,064,549</u>
 Change in Net Assets Without Donor Restrictions	 140,445	 (660,655)
 Net Assets Without Donor Restrictions - beginning of year	 <u>3,620,275</u>	 <u>4,280,930</u>
 Net Assets Without Donor Restrictions - end of year	 <u><u>\$ 3,760,720</u></u>	 <u><u>\$ 3,620,275</u></u>

YEAR ENDED DECEMBER 31, 2019

	Program Services				Supporting Services		
	Research, Education and Website	Dinners and Special Events		Total Program Services	Management and General	Fundraising	Total Supporting Services
		Publications					
\$	-	\$	-	\$	-	\$	\$
Accounting	-	-	-	-	-	-	108,263
Administrative support	-	-	-	-	-	-	50,078
Auditing	-	-	-	-	-	-	18,987
Bad debts	-	-	10,000	10,000	-	-	1,000
Bank service charges	-	-	-	-	-	-	2,181
Board meeting expenses	-	-	-	-	-	-	22,457
Credit card processing fee	-	-	-	-	-	-	20,732
Depreciation expense	-	-	-	-	-	-	35,128
Donations	-	-	-	-	-	-	15,687
Dues and subscriptions	-	-	-	-	-	-	4,956
Equipment computer repairs	3,676	464	11,399	15,539	-	-	13,772
Employee benefits	6,299	795	19,533	26,627	2,657	2,657	23,598
Pathway conference	-	-	375,915	375,915	-	-	-
C-Suite expense	-	-	50,818	50,818	-	-	-
Health insurance	5,621	709	17,428	23,758	-	4,062	21,056
Insurance	-	-	-	-	-	-	21,375
Interest	-	-	-	-	-	-	16,860
Investment fees	-	-	-	-	-	-	57,824
License and fees	-	-	-	-	-	-	2,883
LMJ Scholarships	90,000	-	-	90,000	-	-	-
Membership acquisition	-	-	-	-	-	-	520
Networking and gala expense	-	-	510,357	510,357	-	-	-
On-line services	-	-	18,639	18,639	-	-	18,639

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	Program Services			Supporting Services				
	Research, Education and Website	Publications	Dinners and Special Events	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Postage and delivery services	-	-	-	-	8,602	-	8,602	8,602
Payroll/401(k) services fees	967	123	3,000	4,090	3,624	699	4,323	8,413
Professional services - legal	-	-	-	-	15,763	-	15,763	15,763
Professional services - communication firm	8,047	2,154	31,759	41,960	23,411	2,432	25,843	67,803
Professional services- marketing	-	-	-	-	182,256	-	182,256	182,256
Rent	38,523	4,861	119,455	162,839	144,317	27,844	172,161	335,000
Publications	-	96,627	-	96,627	-	-	-	96,627
Research	146,314	-	-	146,314	-	-	-	146,314
Payroll taxes	7,446	940	23,092	31,478	27,899	5,383	33,282	64,760
Salaries and wages	115,868	14,619	359,288	489,775	434,068	83,748	517,816	1,007,591
Scholarship administration expense	8,500	-	-	8,500	-	-	-	8,500
GTCC conference	-	-	229,597	229,597	-	-	-	229,597
CLE	-	-	6,201	6,201	-	-	-	6,201
Staff meetings & entertainment	759	96	2,354	3,209	2,843	549	3,392	6,601
Supplies	-	-	-	-	4,683	-	4,683	4,683
Telephone	1,114	140	3,453	4,707	4,171	805	4,976	9,683
Travel and entertainment - CEO	5,997	757	18,597	25,351	22,468	4,335	26,803	52,154
Travel and entertainment - staff meals	163	21	506	690	610	118	728	1,418
Travel and entertainment - staff travel	1,568	198	4,863	6,629	5,875	1,134	7,009	13,638
Website costs	16,813	-	-	16,813	-	-	-	16,813
Total expenses	\$ 457,675	\$ 122,504	\$ 1,816,254	\$ 2,396,433	\$ 1,336,586	\$ 138,319	\$1,474,905	\$ 3,871,338

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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
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
Donation and contributions	-	-	-	-	7,294	7,294
Dues and subscriptions	-	-	-	-	3,915	3,915
Equipment computer repairs	4,335	-	9,023	13,358	18,337	31,695
Employee benefits	4,004	-	8,334	12,338	16,938	29,276
C-Suite expense	-	-	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 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	Dinners and Special Events		Total Program Services	Management and General	Total
		Publications				
Postage and delivery services	-	-	-	-	8,301	8,301
Payroll/401(k) 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 wages	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	19,243	33,261
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 financial statements.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets without donor restrictions	\$ 140,445	\$ (660,655)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	35,128	35,890
Realized gain on investments	(53,901)	(123,750)
Unrealized loss (gain) on investments	(424,825)	558,209
(Increase) decrease in:		
Accounts receivable, net	6,216	24,450
Prepaid expenses	(24,823)	122,836
Increase (decrease) in:		
Accounts payable	(263,085)	187,216
Accrued expenses	55,897	31,281
Credit card payable	(12,827)	13,800
Deferred revenue	<u>524,605</u>	<u>70,500</u>
Net cash provided (used) by operating activities	(17,170)	259,777
Cash Flows From Investing Activities		
Purchase of property and equipment	-	(5,089)
Purchase of investments	(3,206,384)	(2,083,242)
Proceeds on sale of investments	<u>3,173,098</u>	<u>2,085,242</u>
Net cash used by investing activities	(33,286)	(3,089)
Cash Flows Provided (Used) By Financing Activities		
Line of credit	(5,042)	1,833
Net Increase (Decrease) in Cash and Cash Equivalents	(55,498)	258,521
Cash and Cash Equivalents - beginning of year	<u>673,592</u>	<u>415,071</u>
Cash and Cash Equivalents - end of year	<u>\$ 618,094</u>	<u>\$ 673,592</u>
Supplemental Disclosure of Additional Cash Flow Information		
Cash paid for:		
Interest expense	<u>\$ 16,860</u>	<u>\$ 13,500</u>

See notes to the financial statements.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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.

Basis of Presentation

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.

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 net 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, 2019 AND 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 restrictions. 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>2019</u>	<u>2018</u>
Cash - operating account	\$ 85,921	\$ 356,160
Cash and cash equivalents - investments	461,158	196,611
Cash and cash equivalents - scholarship fund	<u>71,015</u>	<u>120,821</u>
	<u>\$ 618,094</u>	<u>\$ 673,592</u>

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018. 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, 2019 AND 2018

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Association is a non-profit organization 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
Employee 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. Fundraising costs totaled \$138,319 for the year ended December 31, 2019. No fundraising costs were incurred during 2018.

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

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>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 547,079	\$ 552,771
Accounts receivable, net	347,957	354,173
Prepaid expenses	37,333	12,510
Investments	<u>3,758,758</u>	<u>3,246,747</u>
	<u>\$ 4,691,127</u>	<u>\$ 4,166,201</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>2019</u>	<u>2018</u>
Cash and cash equivalents - scholarship fund	\$ 71,015	\$ 120,821

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, 2019 AND 2018

NOTE C – INVESTMENTS (CONTINUED)

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

	<u>2019</u>	<u>2018</u>
Corporate fixed income	\$ 1,535,281	\$ 527,769
Corporate equity stocks	1,552,403	2,105,927
Mutual funds	<u>671,074</u>	<u>613,051</u>
Total Investments	<u>\$ 3,758,758</u>	<u>\$ 3,246,747</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>2019</u>	<u>2018</u>
Interest income	\$ 120,788	\$ 97,599
Realized gain	53,901	123,750
Unrealized gain (loss)	<u>424,825</u>	<u>(558,209)</u>
	<u>\$ 599,514</u>	<u>\$ (336,860)</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, 2019 AND 2018

NOTE D– FAIR VALUE MEASUREMENTS (CONTINUED)

Fair value of assets measured on a recurring basis at December 31, 2019, are as follows:

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)
Corporate fixed income	\$ 1,535,281	\$ 1,535,281
Corporate equity stocks	1,552,403	1,552,403
Mutual funds	<u>671,074</u>	<u>671,074</u>
Total	<u>\$ 3,758,758</u>	<u>\$ 3,758,758</u>

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
Corporate equity stocks	2,105,927	2,105,927
Mutual funds	<u>613,051</u>	<u>613,051</u>
Total	<u>\$ 3,246,747</u>	<u>\$ 3,246,747</u>

THE MINORITY CORPORATE COUNSEL ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 48,083	\$ 48,083
Furniture and fixtures	34,625	34,625
Website and software	<u>95,084</u>	<u>95,084</u>
 Total property and equipment	 177,792	 177,792
 Less: accumulated depreciation and amortization	 <u>(149,364)</u>	 <u>(114,237)</u>
	 <u><u>\$ 28,428</u></u>	 <u><u>\$ 63,555</u></u>

NOTE F – PREPAID EXPENSES

Prepaid expenses consisted of the following at December 31:

	<u>2019</u>	<u>2018</u>
Conference, dinner, and tournament expenses	\$ 37,333	\$ 12,510

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 5.5% at December 31, 2019. 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, 2019 and 2018, was \$196,791 and \$201,833, respectively.

NOTE H – DEFERRED REVENUE

Deferred revenue arises from program fees collected in advance. Deferred revenues as of December 31, 2019 and 2018, were \$620,105 and \$95,500, respectively.

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NOTE I – IN-KIND CONTRIBUTION

During the years ended December 31, 2019 and 2018, 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, 2019 and 2018, were \$335,000 for both years.

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, 2019 and 2018, the contributions to employees' 401(k) plan was \$23,566 and \$20,188, respectively.

NOTE K – REVENUE

A portion of the dinner, professional development, and conference revenues includes contributions from donors. The following chart shows detail for the period ended December 31, 2019 and 2018:

	<u>Contributions</u>	<u>Programs</u>	<u>Total</u>
<u>2019</u>			
Dinner revenue	\$ 832,268	\$ 263,719	\$ 1,095,987
C-Suite	25,000	-	25,000
G-TEC Conference	-	60,450	60,450
Pathways Conference	-	262,164	262,164
<u>2018</u>			
Dinner revenue	\$ 861,583	\$ 286,341	\$ 1,147,924
C-Suite	45,000	-	45,000
G-TEC Conference	-	60,000	60,000
Pathways Conference	-	163,900	163,900

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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, 2019, the cash balance did not exceed the FDIC limit.

The Association has cash investments that are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000. At December 31, 2019, the cash balances exceeded the SIPC limit by \$282,173. The SIPC also insures an additional \$250,000 in equity securities.

NOTE M – SUBSEQUENT EVENTS

Management has reviewed subsequent events through September 15, 2020, the date the financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Company expects this matter to negatively impact its operating results. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain. Therefore, the related financial impact and duration cannot be reasonably estimated at this time.

On April, 13, 2020, the Organization received loan proceeds in the amount of \$153,100 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest of 1% with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP.