

The Minority Corporate Counsel Association, Inc.

Financial Statements
and Independent Auditor's Report

December 31, 2022 and 2021

The Minority Corporate Counsel Association, Inc.

Financial Statements
December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Minority Corporate Counsel Association, Inc.

Opinion

We have audited the accompanying financial statements of The Minority Corporate Counsel Association, Inc. ("the Association"), which comprise the statement of financial position as of December 31, 2022; the related statements of activities, functional expenses, and cash flows for the year then ended; and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

The financial statements of the Association as of December 31, 2021, were audited by other auditors whose report, dated June 20, 2022, expressed an unmodified opinion on those standards.

Emphasis of Matter

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

A handwritten signature in black ink that reads "Rogers + Company PLLC". The signature is written in a cursive, slightly stylized font.

Vienna, Virginia
May 19, 2023

The Minority Corporate Counsel Association, Inc.

Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,394,768	\$ 1,825,534
Investments	4,040,211	4,411,392
Accounts receivable, net	69,995	498,513
Prepaid expenses	303,185	276,325
Property and equipment, net	<u>75,506</u>	<u>54,778</u>
Total assets	<u><u>\$ 5,883,665</u></u>	<u><u>\$ 7,066,542</u></u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 280,501	\$ 310,390
Deferred revenue	<u>928,489</u>	<u>912,368</u>
Total liabilities	<u>1,208,990</u>	<u>1,222,758</u>
Net Assets		
Without donor restrictions:		
Board-designated	101,066	101,038
Undesignated	<u>4,573,609</u>	<u>5,742,746</u>
Total net assets	<u>4,674,675</u>	<u>5,843,784</u>
Total liabilities and net assets	<u><u>\$ 5,883,665</u></u>	<u><u>\$ 7,066,542</u></u>

See accompanying notes.

The Minority Corporate Counsel Association, Inc.

Statements of Activities
For the Years Ended December 31, 2022 and 2021

	2022	2021
Revenue and Support		
Memberships	\$ 2,867,866	\$ 2,513,412
Conferences and meetings	236,250	48,680
Sponsorships	1,566,000	1,066,500
Grants and contributions	173,566	113,668
In-kind contributions	511,324	335,000
Job bank	114,073	120,699
Investment return, net	(578,402)	314,636
Other revenue	54,500	163,100
	4,945,177	4,675,695
Expenses		
Program services:		
Research, education, and website	1,300,129	1,322,413
Membership	497,370	383,888
M.A.P. services	493,156	-
Events	2,377,745	785,592
	4,668,400	2,491,893
Total program services		
Supporting services:		
Management and general	1,392,109	983,349
Fundraising	53,777	149,255
	1,445,886	1,132,604
Total supporting services		
Total expenses	6,114,286	3,624,497
Change in Net Assets	(1,169,109)	1,051,198
Net Assets, beginning of year	5,843,784	4,792,586
Net Assets, end of year	\$ 4,674,675	\$ 5,843,784

See accompanying notes.

The Minority Corporate Counsel Association, Inc.

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

	Program Services					Supporting Services			Total Expenses
	Research, Education, and Website	Membership	M.A.P. Services	Events	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 261,533	\$ 389,706	\$ 273,028	\$ 454,728	\$ 1,378,995	\$ 645,819	\$ 23,259	\$ 669,078	\$ 2,048,073
Professional fees	8,000	8,022	42,000	32,507	90,529	288,427	-	288,427	378,956
Meeting expenses	48,368	191	214	1,523,211	1,571,984	59,824	-	59,824	1,631,808
Travel expenses	31,470	2,318	4,821	7,143	45,752	37,533	-	37,533	83,285
Printing, postage, and freight	735	20	-	11,142	11,897	8,616	-	8,616	20,513
Banking and credit card fees	-	6,196	-	12,639	18,835	11,624	31	11,655	30,490
Occupancy (In-kind rent)	81,826	78,851	77,363	113,069	351,109	87,777	7,439	95,216	446,325
Office equipment and supplies	1,632	350	-	16,875	18,857	44,859	-	44,859	63,716
Contracted and temporary help	652,681	-	95,730	81,095	829,506	101,358	23,048	124,406	953,912
Insurance	-	-	-	-	-	39,123	-	39,123	39,123
Dues and subscriptions	2,895	106	-	-	3,001	4,134	-	4,134	7,135
Depreciation and amortization	-	-	-	-	-	42,315	-	42,315	42,315
Donations and contributions	30,000	-	-	-	30,000	157	-	157	30,157
Licenses and fees	3,204	11,610	-	399	15,213	16,994	-	16,994	32,207
Website costs	81,265	-	-	35,073	116,338	-	-	-	116,338
LMJ scholarships	96,467	-	-	-	96,467	-	-	-	96,467
Scholarship administration expense	53	-	-	-	53	-	-	-	53
Bad debt expense	-	-	-	53,500	53,500	-	-	-	53,500
Public relations and media	-	-	-	-	-	3,549	-	3,549	3,549
Software	-	-	-	36,364	36,364	-	-	-	36,364
Total Expenses	\$ 1,300,129	\$ 497,370	\$ 493,156	\$ 2,377,745	\$ 4,668,400	\$ 1,392,109	\$ 53,777	\$ 1,445,886	\$ 6,114,286

See accompanying notes.

The Minority Corporate Counsel Association, Inc.

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

	Program Services				Supporting Services			Total Expenses
	Research, Education, and Website	Membership	Events	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries and benefits	\$ 575,360	\$ 208,969	\$ 213,014	\$ 997,343	\$ 239,361	\$ 93,019	\$ 332,380	\$ 1,329,723
Professional fees	24,300	5,000	417,319	446,619	349,709	-	349,709	796,328
Meeting expenses	3,687	13,905	-	17,592	9,806	1,676	11,482	29,074
Travel expenses	4,049	1,472	-	5,521	5,696	1,840	7,536	13,057
Printing, postage, and freight	-	-	-	-	6,402	-	6,402	6,402
Banking and credit card fees	-	-	-	-	19,996	-	19,996	19,996
Occupancy (In-kind rent)	116,714	52,262	54,362	223,338	79,627	32,035	111,662	335,000
Office equipment and supplies	-	-	-	-	37,422	-	37,422	37,422
Contracted and temporary help	-	9,068	-	9,068	37,165	-	37,165	46,233
Insurance	-	-	-	-	22,533	-	22,533	22,533
Dues and subscriptions	-	-	-	-	1,615	-	1,615	1,615
Depreciation and amortization	-	-	-	-	20,794	-	20,794	20,794
Donations and contributions	23,000	2,500	-	25,500	500	-	500	26,000
Licenses and fees	-	-	-	-	182	-	182	182
Website costs	350,965	9,276	-	360,241	9,276	-	9,276	369,517
LMJ scholarships	48,500	-	-	48,500	-	-	-	48,500
Public relations and media	83,720	66,948	74,527	225,195	143,265	20,685	163,950	389,145
Software	-	14,488	14,488	28,976	-	-	-	28,976
Research and development	92,118	-	11,882	104,000	-	-	-	104,000
Total Expenses	\$ 1,322,413	\$ 383,888	\$ 785,592	\$ 2,491,893	\$ 983,349	\$ 149,255	\$ 1,132,604	\$ 3,624,497

See accompanying notes.

The Minority Corporate Counsel Association, Inc.

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

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ (1,169,109)	\$ 1,051,198
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Realized and unrealized loss (gain) on investments	667,569	(235,146)
Depreciation and amortization	42,315	20,794
Loan forgiveness — Paycheck Protection Program	-	(153,100)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable, net	428,518	28,083
Prepaid expenses	(26,860)	462,116
Increase (decrease) in:		
Accounts payable and accrued expenses	(29,889)	95,726
Deferred revenue	16,121	140,601
	(71,335)	1,410,272
Cash Flows from Investing Activities		
Purchases of property and equipment	(63,043)	(57,808)
Purchases of investments	(1,137,958)	(2,964,990)
Proceeds from sales of investments	841,570	2,887,330
	(359,431)	(135,468)
Net (Decrease) Increase in Cash and Cash Equivalents	(430,766)	1,274,804
Cash and Cash Equivalents, beginning of year	1,825,534	550,730
Cash and Cash Equivalents, end of year	\$ 1,394,768	\$ 1,825,534

See accompanying notes.

The Minority Corporate Counsel Association, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

1. Nature of Operations

The Minority Corporate Counsel Association, Inc. (“the Association”) was formed as a nonprofit, 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.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The Association’s financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions.

- *Net Assets Without Donor Restrictions* — Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Included in net assets without donor restrictions is a Board-designated fund reserved for scholarships.
- *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. At December 31, 2022 and 2021, there were no net assets with donor restrictions.

Cash Equivalents

For the purpose of the statements of cash flows, the Association considers as cash equivalents all highly liquid investments, including money market funds not held for long-term investment purposes, which can be converted into known amounts of cash and have a maturity period of 90 days or less at the time of purchase.

The Minority Corporate Counsel Association, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair value based on quoted market prices. All realized and unrealized gains and losses, net of investment management fees, are reported as a component of net investment return in the accompanying statements of activities.

Accounts Receivable

The Association's accounts receivable are all due in less than one year and are recorded at net realizable value. The Association writes off accounts receivable when they become uncollectible. When necessary, an allowance for uncollectible accounts receivable is determined based upon management's best estimate of uncollectible accounts. At December 31, 2022 and 2021, the allowance for doubtful accounts was \$0 and \$16,500, respectively.

Property and Equipment

Property and equipment acquisitions with a cost greater than \$1,000 and a projected useful life exceeding one year are capitalized and recorded at cost. Depreciation and amortization is computed using the straight-line method over the shorter of the estimated useful lives of the related assets or applicable lease terms. The useful lives range from three to five years. Repairs and maintenance costs are expensed as incurred.

Revenue Recognition

Revenue Accounted for as Contracts with Customers

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

The Minority Corporate Counsel Association, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for as Contracts with Customers (continued)

Conference revenue consists of registrations and speaker fees. Registration and speaker fees are recognized as revenue in the period in which the event takes place. Amounts received in advance are deferred until the event takes place and performance obligations are met. At December 31, 2022 and 2021, there was no deferred revenue for conferences.

Memberships are recognized quarterly over the applicable membership period, which runs on an anniversary basis. Memberships received in advance of the membership period are deferred and recognized in the fiscal period to which they apply. At December 31, 2022 and 2021, deferred memberships totaled \$928,489 and \$912,368, respectively, and are reflected as deferred revenue in the accompanying statements of financial position.

Revenue Accounted for in Accordance with Contribution Accounting

Grants and contributions that are nonreciprocal are recognized as revenue when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. The Association reports gifts of cash and other assets as restricted support if they are received or promised with donor stipulations that limit the use of the donated funds to one of the Association'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 statements of activities as net assets released from restrictions.

Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Association is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized as revenue, either with or without donor restrictions, when donor-imposed conditions are substantially met, and any barriers are overcome. Donor restrictions are also satisfied when qualifying expenditures are incurred for the donor-specified program. Revenue is recognized when the condition or conditions are satisfied.

The Minority Corporate Counsel Association, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Revenue Accounted for in Accordance with Contribution Accounting (continued)

Conference sponsorships that are nonreciprocal are recognized as contributions. For contributions, revenue is recognized when a contribution becomes unconditional. Sponsorship agreements contain a right of return or release from obligation should the sponsored event not take place. As such, the Association recognizes revenue for these conditional contributions when the related event is conducted. Amounts received in advance are deferred until the event takes place or the conditions are fulfilled. At December 31, 2022 and 2021, there were no deferred sponsorships.

In-kind contributions that meet the criteria for recognition are recognized at fair value at the time of donation. These in-kind contributions consist of donated services that benefit the general programs, and are comprised of donated legal and advertising services. The value of these donated services is included in in-kind contributions in the statements of activities as both revenue and expense in the amount of \$65,000 for the year ended December 31, 2022. There were no donated services for the year ended December 31, 2021.

Additionally, during the years ended December 31, 2022 and 2021, the Association's office space and administrative services were donated by a law firm in Washington, DC. The fair market value of the space donated based on similar market prices, along with administrative services, were recognized as revenue and expense in the amounts of \$446,324 and \$335,000 for the years ended December 31, 2022 and 2021, respectively, and are included as in-kind contributions in the accompanying statements of activities.

Functional Allocation of Expenses

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

Advertising Expenses

Advertising costs are expensed as incurred. Advertising costs totaled \$81,265 and \$18,552 during the years ended December 31, 2022 and 2021, respectively.

The Minority Corporate Counsel Association, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of 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 financial statements and accompanying notes. Actual results could differ from those estimates.

Adopted Accounting Pronouncement

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash and other financial assets. ASU 2020-07 also required additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. The Association has implemented ASU 2020-07. There were no changes as a result of the implementation. The implementation had no impact on previously reported net assets.

Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications have no effect on the change in net assets previously reported.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through May 19, 2023, the date the financial statements were available to be issued.

3. Liquidity and Availability

The Association strives to maintain liquid financial assets sufficient to cover its general operating expenditures. Management periodically reviews the Association's liquid asset needs and adjusts the cash and cash equivalents balances as necessary. Amounts in excess of operating liquidity needs are invested in short-term and highly liquid securities. Excluded from total available for general expenditures are the Board-designated net assets that are reserved for scholarships.

The Minority Corporate Counsel Association, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

3. Liquidity and Availability (continued)

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,394,768	\$ 1,825,534
Investments	4,040,211	4,411,392
Accounts receivable, net	69,995	498,513
Less: Board-designated net assets	<u>(101,066)</u>	<u>(101,038)</u>
Total available for general expenditures	<u>\$ 5,403,908</u>	<u>\$ 6,634,401</u>

4. Concentration of Credit Risk

Financial instruments that potentially subject the Association to significant concentrations of credit risk consist of cash and cash equivalents, and investments. The Association 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 Association 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.

5. Investments and Fair Value Measurements

The Association 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 Minority Corporate Counsel Association, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

5. Investments and Fair Value Measurements (continued)

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

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

The following table presents the Association's fair value hierarchy for those investments measured on a recurring basis at December 31, 2022:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,068,907	\$ -	\$ -	\$ 1,068,907
Exchange-traded funds	201,626	-	-	201,626
Mutual funds	2,769,678	-	-	2,769,678
Total investments	<u>\$ 4,040,211</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,040,211</u>

The following table presents the Association's fair value hierarchy for those investments measured on a recurring basis at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 1,191,953	\$ -	\$ -	\$ 1,191,953
Exchange-traded funds	221,847	-	-	221,847
Mutual funds	2,997,592	-	-	2,997,592
Total investments	<u>\$ 4,411,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,411,392</u>

The Minority Corporate Counsel Association, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

5. Investments and Fair Value Measurements (continued)

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 168,665	\$ 160,260
Realized (loss) gain	(13,426)	280,215
Unrealized loss	(654,143)	(45,069)
Investment management fees	<u>(79,498)</u>	<u>(80,770)</u>
Total investment return, net	<u>\$ (578,402)</u>	<u>\$ 314,636</u>

6. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 64,553	\$ 62,421
Furniture and fixtures	35,808	35,808
Website and software	<u>207,061</u>	<u>146,149</u>
Total property and equipment	307,422	244,378
Less: accumulated depreciation and amortization	<u>(231,916)</u>	<u>(189,600)</u>
Property and equipment, net	<u>\$ 75,506</u>	<u>\$ 54,778</u>

7. Line of Credit

The Association has a line of credit with a commercial lender, with a credit limit in the amount of \$200,000. The line of credit is collateralized by the assets of the Association. The balance is due upon demand by the bank and interest is payable at a rate equal to 0.75% 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. There was no balance outstanding nor accrued interest on the line of credit for both years ended December 31, 2022 and 2021.

The Minority Corporate Counsel Association, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

8. Loan Payable – Paycheck Protection Program

The Association applied for a loan under the Paycheck Protection Program (PPP) pursuant to Division A, Title 1 of the CARES Act, which was enacted on March 27, 2020. The PPP is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll through the COVID-19 pandemic, for which the Association qualified. After the loan is granted, the Small Business Administration (SBA) will forgive loans if all employee retention criteria are met.

The initial loan was granted to the Association on April 13, 2020 in the amount of \$153,100, with terms including a 1.00% fixed interest rate. The loan was scheduled to mature on April 13, 2022. The loan was forgiven by the SBA, and the full forgiveness amount was remitted to the financial institution, including applicable interest accruals. The full forgiven amount was recognized as other revenue in the accompanying statement of activities for the year ended December 31, 2021.

9. Commitments and Contingencies

Hotel Commitments

The Association has entered into agreements with hotels and venues for future events. The agreements indicate the Association may be liable for certain cancellation fees and liquidated damages in the event of cancellation. Management does not expect any cancellations.

10. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Where feasible, the Association allocates its expenses directly to specific functions. The expenses that are allocated indirectly include salaries and benefits, which are allocated on the basis of estimates of time and effort. Additionally, other expenses are allocated utilizing an overhead cost allocation methodology based on estimates of staff time and effort spent on the specific function.

The Minority Corporate Counsel Association, Inc.

Notes to Financial Statements
December 31, 2022 and 2021

11. Retirement Plan

The Association maintains a defined contribution retirement plan qualified under Section 401(k) of the Internal Revenue Code (IRC). Employees who have been employed for six months or more are eligible to participate in the plan. The Association matches up to 4% of employee contributions. Employees are 100% vested in all contributions made by them or the Association at the time of the contribution. The Association contributed \$33,529 and \$25,011 to the plan during the years ended December 31, 2022 and 2021, respectively.

12. Income Taxes

The Association is recognized as a tax-exempt organization under IRC Section 501(c)(3) and is exempt from income taxes excepts for taxes on unrelated business activities. No provision for income taxes has been made as there were no significant unrelated business activities during the years ended December 31, 2022 and 2021. Management has evaluated the Association's tax positions and concluded that there are no uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.