

**District of Columbia College Access
Program, Inc.**

Financial Statements

**As of and For the Years Ended June 30, 2021 and 2020
and Report of Independent Auditors**

District of Columbia College Access Program, Inc.

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June 30, 2021 and 2020

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Report of Independent Auditors

To the Board of Directors of
the District of Columbia College Access Program, Inc.

We have audited the accompanying financial statements of the District of Columbia College Access Program, Inc. ("DC-CAP") which comprise the Statements of Financial Position as of June 30, 2021 and 2020, and the related Statements of Activities and of Cash Flows for the years then ended.

Management's Responsibility 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; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to DC-CAP'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 DC-CAP'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 District of Columbia College Access Program, Inc. as of June 30, 2021 and 2020, 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

December 21, 2021

District of Columbia College Access Program, Inc.
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 9,880,480	\$ 8,201,721
Accounts receivable	367,711	119,774
Short-term pledges receivable	2,325,000	6,380,000
Short-term investments	1,129,186	504,702
Prepaid expenses and other assets	124,397	133,953
Total current assets	<u>13,826,774</u>	<u>15,340,150</u>
Fixed assets, net of accumulated depreciation and amortization		
Long-term pledges receivable, net	100,501	196,185
Long-term investments	2,242,990	412,165
Long-term investments	89,789,605	74,450,394
Total assets	<u>\$ 105,959,870</u>	<u>\$ 90,398,894</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 725,781	\$ 833,688
Total liabilities	<u>725,781</u>	<u>833,688</u>
Net assets		
Without donor restrictions	78,859,282	65,274,195
With donor restrictions	26,374,807	24,291,011
Total net assets	<u>105,234,089</u>	<u>89,565,206</u>
Total liabilities and net assets	<u>\$ 105,959,870</u>	<u>\$ 90,398,894</u>

The accompanying notes are an integral part of these financial statements.

District of Columbia College Access Program, Inc.
Statements of Activities
June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support						
Contributions and grants	\$ 567,087	\$ 1,418,922	\$ 1,986,009	\$ 363,916	\$ 919,874	\$ 1,283,790
Special events revenue and contributions	-	-	-	501,500	-	501,500
Contributed services	186,093	-	186,093	193,093	-	193,093
Net assets released from restriction	4,381,352	(4,381,352)	-	4,246,241	(4,246,241)	-
Total revenues, gains and other support	<u>5,134,532</u>	<u>(2,962,430)</u>	<u>2,172,102</u>	<u>5,304,750</u>	<u>(3,326,367)</u>	<u>1,978,383</u>
Operating expenses						
Salaries and benefits	4,772,292	-	4,772,292	4,824,199	-	4,824,199
Office and administrative	1,311,925	-	1,311,925	1,453,877	-	1,453,877
Scholarship awards	6,531,290	-	6,531,290	4,563,577	-	4,563,577
Events and meetings	10,019	-	10,019	124,253	-	124,253
Rent and storage expense	485,489	-	485,489	455,606	-	455,606
Depreciation and amortization	95,684	-	95,684	93,873	-	93,873
Total expenses	<u>13,206,699</u>	<u>-</u>	<u>13,206,699</u>	<u>11,515,385</u>	<u>-</u>	<u>11,515,385</u>
Operating Change in net assets	(8,072,167)	(2,962,430)	(11,034,597)	(6,210,635)	(3,326,367)	(9,537,002)
Investments return, net	21,657,254	5,046,226	26,703,480	2,862,804	822,141	3,684,945
Change in net assets	<u>13,585,087</u>	<u>2,083,796</u>	<u>15,668,883</u>	<u>(3,347,831)</u>	<u>(2,504,226)</u>	<u>(5,852,057)</u>
Net assets						
Beginning of year	65,274,195	24,291,011	89,565,206	68,622,026	26,795,237	95,417,263
End of year	<u>\$ 78,859,282</u>	<u>\$ 26,374,807</u>	<u>\$ 105,234,089</u>	<u>\$ 65,274,195</u>	<u>\$ 24,291,011</u>	<u>\$ 89,565,206</u>

The accompanying notes are an integral part of these financial statements.

District of Columbia College Access Program, Inc.
Statements of Cash Flows
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 15,668,883	\$ (5,852,057)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net (gains) on investments	(26,691,630)	(3,677,785)
Amortization of discount on pledges receivable	44,175	(109,374)
Depreciation and amortization	95,684	93,873
Changes in assets and liabilities:		
Increase in accounts receivable	(247,937)	(11,569)
Decrease in short-term and long-term pledges receivable	2,180,000	2,405,000
Decrease in prepaid expenses	9,556	40,993
Decrease / increase in accounts payable and accrued liabilities	(107,907)	97,456
Net cash used in operating activities	<u>(9,049,176)</u>	<u>(7,013,463)</u>
Cash flows from investing activities		
Purchases of fixed assets	-	(15,551)
Purchases of investments	(36,899,194)	(22,284,406)
Proceeds from sales or maturities of investments	47,627,129	26,818,821
Net cash provided by investing activities	<u>10,727,935</u>	<u>4,518,864</u>
Increase / decrease in cash and cash equivalents	1,678,759	(2,494,599)
Cash and cash equivalents		
Beginning of year	<u>8,201,721</u>	<u>10,696,320</u>
End of year	<u>\$ 9,880,480</u>	<u>\$ 8,201,721</u>

The accompanying notes are an integral part of these financial statements.

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

1. District of Columbia College Access Program

Organization

The District of Columbia College Access Program, Inc. (DC-CAP) is a not-for-profit organization incorporated under the laws of the District of Columbia (D.C.) on November 30, 1998.

The purpose of DC-CAP is to encourage and enable at-risk D.C. public and charter high school students to enter and graduate from college. DC-CAP principally derives its revenues from contributions and investment income.

Programs

Counseling

DC-CAP's primary mission is to provide counseling services to high school students in the **District of Columbia Public School System (DCPS)**. Services include motivating students to prepare, apply, gain acceptance to, and graduate from college. Counselors assist with the financial aid process by identifying scholarships and other funding sources to create a financial aid package for each student. Counselors also work with parents of students to gather all necessary documentation and information to advance the process. In addition, DC-CAP has expanded counseling services to **Charter Schools**.

In FY 2020, DC-CAP developed a **Partnerships** program with certain high-performing, public, four-year institutions that are committed to increasing enrollment and graduation rates for DC students. Partner institutions must demonstrate high completion rates for minority students and offer comprehensive support services for low-income and first-generation students. Partnership institutions will collaborate closely with DC-CAP to recruit and select a cohort of students annually, provide year-round high intensity retention support services and tracking, and award substantial financial aid packages to ensure that DC students can persist and earn their degrees.

Once a student has entered college, DC-CAP provides college **retention** counseling to guide students with any difficulties they may encounter academically or personally. DC-CAP is not only committed to college acceptance but to ongoing success and graduation from college.

DC-CAP counselors offer workshops, meetings, and trainings for members of the community including parents, teachers, and individuals involved with students in the D.C. area and who are not currently served by DC-CAP.

DC-CAP provides students with scholarship awards that bridge the gap between financial packages, the family contribution, and college tuition costs. DC-CAP makes multiple annual disbursements for scholarship awards throughout the academic year. Through FY 2019, DC-CAP provided students with "Last Dollar" awards, where each awardee had the opportunity to receive up to \$2,000 per year for up to 5 years. In FY 2020, beginning with the graduating class of 2019, DC-CAP provided students with "DC-CAP Scholarships", where each student may receive up to \$4,000 per year for up to 5 years. As of June 30, 2021, no future commitments have been made. Payment of future funds is contingent upon continued college enrollment, financial need, and satisfactory grades. Grants are recorded when contingencies are substantially fulfilled.

District of Columbia College Access Program, Inc.

Notes to Financial Statements

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Alpha Leadership Project (ALP)

ALP is a program for young men of color in D.C. public and public charter schools. ALP assists and empowers students through the educational process to improve academic achievement, increase their possibility of graduating from high school, and be socially and academically prepared to enroll and graduate from college. The core components of ALP are personal development, positive peer interactions and parent training.

STEM (Science, Technology, Engineering and Math) Initiative

The STEM Incentive and Scholarship Program (SISP) is designed to establish a culture of STEM achievement among D.C. high school students and aims to increase the number of graduates who are motivated and prepared to earn STEM and STEM-supported college degrees.

Ward 7&8 Scholars Program

The Ward 7&8 Scholars Program provides student support services and scholarship funding to help increase high school graduation rates in Wards 7&8 in Washington, D.C. The program provides highly intensive support services for students in grades 11 & 12, and annual scholarships, for up to five years, per student.

2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

DC-CAP follows Accounting Standards Codification Topic 958, *Not-for-Profit Entities* ASC 958. ASC 958 specifies that financial statements provided by not-for-profit organizations include a Statement of Financial Position, Statement of Activities, and Statement of Cash Flows. ASC 958 further provides that net assets be classified as without donor-imposed restrictions or with donor-imposed restrictions, based on the existence or absence of donor-imposed restrictions. The financial statements have been prepared on the accrual basis of accounting.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year's presentation. The reclassifications had no impact on the total net assets, total change in net assets, the statement of financial position, the statement of activities or the statement of cash flows.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially.

Risks and Uncertainties

DC-CAP holds various investments in securities. Investment securities are exposed to various risks, such as interest, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the Statements of Financial Position.

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

DC-CAP's cash and cash equivalents are comprised of amounts in accounts at three financial institutions. While the amounts at times exceed the amount guaranteed by federal agencies and bear some risk, DC-CAP has not experienced any losses on its funds. As of June 30, 2021 and 2020, cash and cash equivalents of \$9,880,480 and \$8,201,721, respectively were invested in highly-liquid money market funds and U.S. Treasury bills that were not insured. As of June 30, 2021, there was no cash in excess of the Federal Deposit Insurance Corporation (FDIC) maximum insured limit of \$250,000.

The outbreak of the COVID-19 pandemic caused domestic and global disruptions in operations for non-profit organizations. The long-term effect to DC-CAP of the COVID-19 pandemic depends on various factors, including, but not limited to, the effect on colleges and universities, the impact on fundraising for contributions, and the long-term effect on financial markets and the returns on and value of DC-CAP's investments, which cannot be fully quantified at this time. As of June 30, 2021 and through the date of these financial statements, DC-CAP evaluated its accounting estimates for any potential future impacts of the pandemic. While this evaluation did not result in a material effect to the DC-CAP's financial statements as of June 30, 2021, future evaluations could result in a material effect depending on the eventual impact of the pandemic on DC-CAP in future periods.

Accounting Standards

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. The standard removes the requirements to disclose transfers between Level 1 and Level 2 of the fair value hierarchy. The standard modifies other disclosure requirements regarding transfers into and out of Level 3 of the fair value hierarchy and investments in entities that calculate net asset value. The standard adds requirements for disclosures for information surrounding the unobservable inputs used to develop Level 3 fair value measurements. This standard is effective for fiscal years beginning after December 15, 2019. DC CAP has adopted this standard during the year ended June 30, 2021. The adoption of this standard did not materially impact the financial statements.

New Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. ASU 2016-02 is effective for annual periods beginning after December 15, 2021 including interim periods within those annual periods, with early adoption permitted. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. DC-CAP is evaluating the impact this standard will have on the financial statements and disclosures beginning in fiscal year 2023.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (NFP) (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, to increase the transparency about the measurement of contributed nonfinancial assets as well as the amount of those contributions used in an NFP's programs and other activities. The guidance requires NFP's to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from cash and other financial contributions, as well as disclosure of the type of asset, whether the asset was monetized or utilized in the reporting period, donor-imposed restrictions, valuation techniques and the principal market used to determine fair value. ASU 2020-07 is to be applied on a retrospective basis for annual periods

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

beginning after June 15, 2021. DC-CAP does not expect the new guidance to have a material impact on its consolidated financial statements.

Cash and Cash Equivalents

DC-CAP considers all highly-liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents consisted of money market mutual funds.

Pledges Receivable

DC-CAP accounts for contributions under Accounting Standards Codification Topic 958, *Not-for-Profit Entities* ASC 958. ASC 958 requires DC-CAP to record a receivable to reflect the promises of donors to make future contributions. Under accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ASC 820, contributions receivable are initially recorded at fair value and are discounted to their net present value using a market rate.

Investments

Investments are comprised of fixed income investments, equity securities and U.S. Government obligations and are recorded in the accompanying Statements of Financial Position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded as of the trade dates. Realized gains and losses are reflected in the Statements of Activities.

Net unrealized gains and losses are determined by comparison of cost to fair value at the beginning and end of the reporting period and are reflected in the Statements of Activities. Dividends and interest income are recorded on the accrual basis of accounting.

Long-term investments are those considered to mature greater than one year from the date of purchase and short-term investments are considered to mature within one year from the date of purchase.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. DC-CAP recognizes depreciation using the straight-line method over the estimated useful lives of the assets ranging from three to five years. Leasehold improvements are amortized over the lesser of the life of the asset or the remaining term of the lease.

Classification of Net Assets

Contributions without donor restrictions are recognized as revenue in the year pledged or received from the donor. Grant revenue determined to be exchange transactions is recorded as costs are incurred and/or performance obligations are met.

Contributions of cash and other assets are reported as with donor restrictions if they are received with donor-imposed stipulations that limit the use of the donated assets. 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 are reported in the Statements of Activities as net assets released from restrictions. Unrealized and realized gains and losses and dividends and interest from investing may be included in either of the net asset classifications depending on donor restrictions.

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2021 and 2020

Unconditional promises to give with payments due in future periods are reported as support with donor restrictions. Amounts due are recorded at the net realizable value of discounted cash flows.

- **Net Assets without donor restrictions** – Net Assets without donor restrictions result from revenues derived from unrestricted contributions, investment income, and other inflows of assets whose use by DC-CAP is not limited by donor-imposed restrictions.
- **Net Assets with donor restrictions** – Net Assets with donor restrictions include contributions and other inflows of assets whose use by DC-CAP is limited by donor-imposed stipulations that the resources must either be maintained permanently by DC-CAP or expire by passage of time or can be fulfilled and removed by actions of DC-CAP, such as usage for a specific purpose. The donors of the assets whose resources must be held in perpetuity permit DC-CAP to use all or part of the income earned on related investments for general or specific purposes.

The Board of Directors of DC-CAP has designated certain unrestricted net assets as intended for long-term investment support. Such unrestricted net assets totaled \$87,581,308 and \$71,474,802 as of June 30, 2021 and 2020, respectively.

Contributed Services

Contributed services are reported in the Statements of Activities at the fair value of the services received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or if the services require specialized skills and would typically need to be purchased if not provided by donation. For the years ended June 30, 2021 and 2020, DC-CAP received contributions of legal, administrative, and accounting services which are classified as office and administrative expenses of approximately \$186,093 and \$193,093 respectively.

Special Events

Historically, DC-CAP had one annual special event, the DC-CAP Gala. The Gala was not planned for in fiscal year 2021 nor is it planned for future years. In fiscal year 2020, the annual gala was planned but cancelled due to the Covid-19 pandemic. However, DC-CAP received special event revenue and incurred costs related to this event fiscal year 2020. Special event revenue is reported gross on the Statements of Activities.

The expenses related to special events are reported on the Statements of Activities and Statements of Functional Expenses as Events and Meetings, Rent and Storage, and Office and Administrative expenses. Expenses amounted to \$202,867 for the year ended June 30, 2020. There were no expenses related to special events for the year ended June 30, 2021.

Functional Allocation of Expenses

The costs of providing program and supportive services have been summarized on a functional basis in the Statement of Functional Expenses. DC-CAP incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. DC-CAP also conducts a number of activities which benefit both its programmatic objectives and the supporting services. These costs, which are not attributable to a specific program or supportive activity, are allocated by management on a consistent basis among program and supporting services benefited based on either financial or nonfinancial data, such as level of direct cost or time and effort incurred by personnel. The expenses that are allocated include salaries and related employee benefit expenses, professional services, the pre-college conference,

District of Columbia College Access Program, Inc.

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travel, and meetings, rent and occupancy costs, IT services, computer supplies and equipment, office expenses and project supplies, equipment rental, dues and subscriptions, insurance, and depreciation. The expenses that are not allocated and remain in the general and administrative classification are accounting and audit fees, investment fees, certain professional service fees and contributed services.

Income Taxes

DC-CAP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the IRC), and the Internal Revenue Service has determined that DC-CAP is a publicly-supported organization as described in Section 509(a)(1) of the IRC.

3. Investments

Investments, at fair value, consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
U.S. Government obligations	\$ 7,514,558	\$ 6,816,409
Fixed income investments	5,836,609	6,492,454
Equity securities	<u>77,567,624</u>	<u>61,646,233</u>
Total Investments	<u>\$ 90,918,791</u>	<u>\$ 74,955,096</u>

Investment return consisted of the following for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 809,447	\$ 743,534
Net unrealized gains (losses)	11,369,775	(2,965,682)
Net realized gains	15,321,855	6,643,468
Investment fees	<u>(797,597)</u>	<u>(736,375)</u>
Total Investment Return	<u>\$ 26,703,480</u>	<u>\$ 3,684,945</u>

4. Pledges Receivable

Pledges receivable consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 2,325,000	\$ 6,380,000
One to five years	<u>2,300,000</u>	<u>425,000</u>
	4,625,000	6,805,000
Less: discount on pledges receivable	<u>(57,010)</u>	<u>(12,835)</u>
Pledges Receivable, net	<u>\$ 4,567,990</u>	<u>\$ 6,792,165</u>

District of Columbia College Access Program, Inc.
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For the promises to give, discount rates ranging from 1.00% to 3.75% were applied based on the date of the gift and the pledge period. The discount rates applied under ASC 820 for fiscal year 2021 were market rates commensurate with the term of the individual pledges.

5. Fixed Assets

Fixed assets consisted of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Computer hardware and software	\$ 494,737	\$ 494,737
Furniture and fixtures	48,296	48,296
	<u>543,033</u>	<u>543,033</u>
Less: accumulated depreciation and amortization	<u>(442,532)</u>	<u>(346,848)</u>
Fixed assets, net	<u>\$ 100,501</u>	<u>\$ 196,185</u>

Depreciation expense was \$95,684 and \$93,873 for the years ended June 30, 2021 and 2020, respectively.

6. Net Assets with Donor Restrictions

Net Assets with donor restrictions is comprised of temporarily restricted net assets and permanently restricted net assets.

The temporarily restricted net assets are contributions and other inflows of assets whose use by DC-CAP is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of DC-CAP, such as usage for a specific purpose. Certain purpose restricted net assets are also time restricted.

DC-CAP has permanently restricted net assets of \$8,250,000 as of June 30, 2021 and 2020, which consists of the Endowment Grant from the Gates Foundation. The Gates Foundation made an initial endowment grant during the fiscal year ended June 30, 2003 of \$2,000,000 and a subsequent \$6,250,000 challenge grant during the fiscal year ended June 30, 2008. The purpose of the challenge grant is to build DC-CAP's capacity to improve its performance programmatically and operationally, expand into the Charter School system, and to enlarge the high school and college retention services programs. The earnings on the endowment funds are not restricted and may be used for general purposes.

District of Columbia College Access Program, Inc.
Notes to Financial Statements
June 30, 2021 and 2020

DC-CAP's net assets with donor restrictions are restricted for the following purposes of periods as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Time Restrictions	\$ -	\$ 658,852
Unappropriated earnings on endowment	11,806,299	7,809,408
Purpose Restrictions:		
Scholarships	214,502	216,500
STEM Program	1,000,000	200,000
Alpha Leadership Program	125,000	250,000
Partnerships	295,272	400,000
Development and Database Design	32,500	32,500
Ward 7&8 Scholars	4,651,235	6,473,751
Total temporarily restricted net assets	<u>18,124,808</u>	<u>16,041,011</u>
Gates Endowment Grant	<u>8,250,000</u>	<u>8,250,000</u>
Total permanently restricted net assets	<u>8,250,000</u>	<u>8,250,000</u>
Total net assets with donor restrictions	<u><u>\$ 26,374,807</u></u>	<u><u>\$ 24,291,011</u></u>

7. Net Assets Released From Donor Restrictions

Net assets were released from restriction by the expiration of time or expenditures satisfying the following purposes at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions	\$ 671,688	\$ 736,000
Appropriations on endowment	1,048,575	829,950
Program Releases:		
STEM Incentive program	200,000	475,000
Alpha Leadership program	125,000	125,500
Ward 7&8 Scholars Program	1,770,994	1,625,791
Scholarships	350,000	354,000
Partnerships	215,095	100,000
Total net assets released from restriction	<u><u>\$ 4,381,352</u></u>	<u><u>\$ 4,246,241</u></u>

8. Rent Commitments

DC-CAP has an operating lease for its current office located at 1425 K Street, N.W., Washington, D.C. On April 11, 2018 DC-CAP executed a ten year and two months operating lease agreement expiring June 29, 2028 for Suite 200. This lease effectively replaced all previous lease agreements. Under the terms of the lease, DC-CAP is obligated to pay escalation rentals for certain operating expenses and real estate taxes.

The lease agreement included a provision for DC-CAP to perform construction work on the premises in preparation for occupancy incurring costs up to an allowance limit of \$103,280.

District of Columbia College Access Program, Inc.
Notes to Financial Statements
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Rent expense under leases for the years ended June 30, 2021 and 2020 was \$485,489 and \$455,606, respectively.

The future minimum lease commitments under the operating leases are as follows:

Fiscal years ending June 30,	
2022	\$ 446,739
2023	457,907
2024	469,355
2025	481,089
2026	493,116
From 2027 and thereafter	1,022,055
	<u>\$ 3,370,261</u>

9. Functional Expenses

Expenses by functional classification and natural classification for program services the year ended June 30, 2021 consisted of the following:

	Program Services							Total program services
	Alpha Leadership	Charter School	DCPS	Partnerships	Retention	STEM	Ward 7 & 8 scholars	
Salaries and benefits	\$ 301,245	\$ 602,150	\$ 1,076,125	\$ 303,574	\$ 947,721	\$ 504,613	\$ 467,339	\$ 4,202,767
Office and administrative	43,342	56,693	128,029	33,250	196,955	58,588	111,307	628,164
Scholarship awards	136,000	-	4,155,141	576,095	487,304	41,750	1,135,000	6,531,290
Events and meetings	586	1,172	2,094	590	1,844	981	945	8,212
Rent and storage expense	30,300	60,600	110,974	30,540	95,365	50,756	47,010	425,545
Depreciation and amortization	6,038	12,075	21,577	6,086	19,003	10,114	9,367	84,260
Total expenses	<u>\$ 517,511</u>	<u>\$ 732,690</u>	<u>\$ 5,493,940</u>	<u>\$ 950,135</u>	<u>\$ 1,748,192</u>	<u>\$ 666,802</u>	<u>\$ 1,770,968</u>	<u>\$ 11,880,238</u>

Expenses by functional classification and natural classification for development and general and administrative services the year ended June 30, 2021 consisted of the following:

	<u>Fundraising</u>	<u>Total Development</u>	<u>General and Administrative</u>	<u>Total expenses</u>
Salaries and benefits	\$ 258,206	\$ 258,206	\$ 311,319	\$ 4,772,292
Office and administrative	124,426	124,426	559,335	1,311,925
Scholarship awards	-	-	-	6,531,290
Events and meetings	1,201	1,201	606	10,019
Rent and storage expense	28,588	28,588	31,356	485,489
Depreciation and amortization	5,177	5,177	6,247	95,684
Total expenses	<u>\$ 417,598</u>	<u>\$ 417,598</u>	<u>\$ 908,863</u>	<u>\$ 13,206,699</u>

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Expenses by functional classification and natural classification for program services the year ended June 30, 2020 consisted of the following:

	Program Services							Total program services
	Alpha Leadership	Charter School	DCPS	Partnerships	Retention	STEM	Ward 7 & 8 scholars	
Salaries and benefits	\$ 423,364	\$ 712,924	\$ 1,111,516	\$ 144,805	\$ 842,075	\$ 459,661	\$ 525,347	\$ 4,219,692
Office and administrative	46,012	63,157	107,510	12,723	132,744	68,764	92,920	523,830
Scholarship awards	110,000	-	3,313,577	200,000	-	-	940,000	4,563,577
Events and meetings	22,588	6,355	17,021	5,038	33,953	23,371	8,190	116,516
Rent and storage expense	39,577	66,646	105,998	13,537	78,720	42,971	49,111	396,560
Depreciation and amortization	8,238	13,873	21,629	2,818	16,386	8,944	10,223	82,111
Total expenses	<u>\$ 649,779</u>	<u>\$ 862,955</u>	<u>\$ 4,677,251</u>	<u>\$ 378,921</u>	<u>\$ 1,103,878</u>	<u>\$ 603,711</u>	<u>\$ 1,625,791</u>	<u>\$ 9,902,286</u>

Expenses by functional classification and natural classification for development and general and administrative services the year ended June 30, 2020 consisted of the following:

	Development			General and Administrative	Total expenses
	Gala	Fundraising	Total Development		
Salaries and benefits	\$ -	\$ 285,689	\$ 285,689	\$ 318,818	\$ 4,824,199
Office and administrative	196,777	138,860	335,637	594,410	1,453,877
Scholarship awards	-	-	-	-	4,563,577
Events and meetings	3,555	2,360	5,915	1,822	124,253
Rent and storage expense	2,534	26,707	29,241	29,804	455,605
Depreciation and amortization	-	5,559	5,559	6,204	93,874
Total expenses	<u>\$ 202,866</u>	<u>\$ 459,175</u>	<u>\$ 662,041</u>	<u>\$ 951,058</u>	<u>\$ 11,515,385</u>

10. Related Party Transactions

A significant portion of the funds received or pledged during the years ended June 30, 2021 and 2020, came from individual members of the Board of Directors or organizations affiliated with Board Members. Related party revenue totaled \$1,671,381 and \$1,018,784 which is 76% and 55% of contribution revenue in fiscal years 2021 and 2020, respectively. Undiscounted related party receivables totaled \$535,000 and \$910,000 which is 11% and 13% of gross pledges receivable at June 30, 2021 and 2020, respectively. The Organization receives administrative support from individuals employed by the Graham Holdings Company and records such support as contributed services revenue and expenses.

11. Long-term Bonus Plan

On September 1, 2020 and April 1, 2019 DC-CAP executed a long-term bonus plan agreement with select employees. Annual bonus is accrued in accordance with the individual's agreement. Contributions for the employees were made on September 1, 2020 and April 1, 2021. Accrued contributions related to this agreement for the year ended June 30, 2021 and 2020 were \$70,000 and \$70,000 respectively.

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12. Fair Value of Financial Instruments

Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures* ASC 820, defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement and, therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability.

As a basis for considering market participant assumptions in fair value measurements, ASC 820 established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable whereby the market participant assumptions are developed based on market data obtained from independent sources and, unobservable whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances.

Financial assets and liabilities recorded at fair value are categorized based on the inputs to the valuation techniques as follows:

- Level 1: Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Financial assets and liabilities whose values are based on quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; or pricing models for which all significant inputs are observable, either directly or indirectly for substantially the full term of the asset or liability.
- Level 3: Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

The following table summarizes the assets measured at fair value on a recurring basis as of June 30, 2021 and 2020:

	2021		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Money market funds	\$ 9,670,995	\$ 9,670,995	\$ -
U.S. Government obligations	7,514,558	-	7,514,558
Fixed income investments	5,836,608	-	5,836,608
Equity securities:			
Consumer discretionary	23,610,811	23,610,811	-
Financial	14,481,281	14,481,281	-
Health Care	11,647,273	11,647,273	-
Industrials	4,105,644	4,105,644	-
Information Technology	23,722,616	23,722,616	-
Total Assets at Fair Value	\$ 100,589,786	\$ 87,238,620	\$ 13,351,166

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	2020		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Money market funds	\$ 7,941,921	\$ 7,941,921	\$ -
U.S. Government obligations	6,816,409	-	6,816,409
Fixed income investments	6,492,454	-	6,492,454
Equity securities:			
Consumer discretionary	23,996,060	23,996,060	-
Financial	10,184,399	10,184,399	-
Health Care	5,120,954	5,120,954	-
Industrials	4,147,597	4,147,597	-
Information Technology	18,197,222	18,197,222	-
Total Assets at Fair Value	<u>\$ 82,897,016</u>	<u>\$ 69,588,153</u>	<u>\$ 13,308,863</u>

Summarized below are the techniques applied in determining the fair values of assets and liabilities.

Money market funds – Money market funds are valued using the net asset value provided by the administrator of the fund. The net asset value is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the numbers of shares outstanding. The net asset value is a quoted price in an active market and classified within Level 1 of the hierarchy.

U.S. Government obligations and fixed income investments – These instruments, which are based on quoted prices for similar assets, are classified within Level 2 of the valuation hierarchy and include bonds that are not actively traded.

Equity securities – Equity securities are traded on a major exchange. Accordingly, such investments are disclosed in Level 1 of the hierarchy.

13. Endowment Funds

In August 2008, the Financial Accounting Standards Board issued FASB Staff Position (FSP) No. FAS 117-1, Endowments of Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosure for All Endowment Funds. This FSP provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of UPMIFA of 2006. Effective January 23, 2008, the District of Columbia enacted UPMIFA, the provisions of which apply to endowment funds existing on or established after that date.

A key component of the FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. The FSP also improves disclosures about an organization's endowed funds (both donor-restricted endowment funds and board-designated endowment funds). DC-CAP adopted the FSP effective July 1, 2008.

DC-CAP's endowment consists of board-designated funds and an endowment established by The Gates Foundation. The board-designated endowment fund consists of cash and stock gifts that are not restricted by the donors for purpose or use but provided for long-term investing under the management of the

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Board. As of June 30, 2021 and 2020, the endowment fund balance was \$107,637,609 and \$87,534,210 respectively.

Interpretation of Relevant Law

The Officers of the Board of Directors and management have interpreted the District of Columbia UPMIFA as requiring the preservation of the gift in accordance with the donor's stipulation. As a result of this interpretation, DC-CAP classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, DC-CAP considers the following factors in making a determination as to the spending rate for donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or UPMIFA requires DC-CAP to retain as a fund for perpetual duration. In accordance with GAAP deficiencies of this nature are reported as a reduction of unrestricted net assets. DC-CAP's management has continued to follow its existing spending rate policy, rather than reduce the endowment distribution, because it expects that the individual fund values will be restored with future market appreciation. As of June 30, 2021 and 2020, there were no underwater endowment funds.

Return Objectives and Risk Parameters

DC-CAP's investment approach for endowment assets seeks to provide ongoing support for DC-CAP operations while maintaining or increasing the purchasing power of endowment assets for future support.

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Management of the endowment assets is designed to ensure a total return (income plus capital change) necessary to preserve and enhance (in real dollar terms) the principal of the fund and at the same time, provide a dependable source of support for current operations and programs. Therefore, DC-CAP's goal for its endowment funds is to preserve and enhance purchasing power after accounting for investment returns, spending, and inflation (but excluding gifts). The return goal is to generate a real return (after inflation) equal or greater to 7% to 8% per year, on average. Actual returns in a given year may vary from this amount.

Strategies Employed for Achieving Objectives

Reasonable diversification is sought at all times. Experience has shown financial markets and inflation rates are cyclical and, therefore, control of volatility will be achieved through diversification of asset classes and selection of managers of diverse investment styles. The Board of Directors examines the correlation of the investment portfolio and has historically had positive returns.

Endowment Spending

DC-CAP's strategic plan, as approved and implemented by the Board, is to allow annual transfer of funds from the endowment for operational use. The amount is determined based on the anticipated needs of the organization and generally is reflective of between 7-15% annually. The endowment funds are applied to cumulative cash collected, designated as endowment by the board through the end of the prior year in order to determine the appropriation.

DC-CAP's endowment net assets composition by fund type was as follows as of June 30, 2021 and 2020:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 20,056,300	\$ 20,056,300
Board -designated endowment funds	87,581,309		87,581,309
Total endowment net assets	<u>\$ 87,581,309</u>	<u>\$ 20,056,300</u>	<u>\$ 107,637,609</u>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 16,059,408	\$ 16,059,408
Board -designated endowment funds	71,474,802		71,474,802
Total endowment net assets	<u>\$ 71,474,802</u>	<u>\$ 16,059,408</u>	<u>\$ 87,534,210</u>

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For the year ended June 30, 2021 changes in endowment net assets were as follows:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 71,474,802	\$ 16,059,408	\$ 87,534,210
Investments Return			
Investment Income	660,942	148,504	809,446
Net depreciation (realized and unrealized)	21,794,667	4,896,963	26,691,630
	<u>22,455,609</u>	<u>5,045,467</u>	<u>27,501,076</u>
Investment Return			
Contributions	-	-	-
Appropriations for Expenditures	(6,349,103)	(1,048,575)	(7,397,678)
Endowment net assets, end of year	<u>\$ 87,581,308</u>	<u>\$ 20,056,300</u>	<u>\$ 107,637,608</u>

For the year ended June 30, 2020 changes in endowment net assets were as follows:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 72,878,405	\$ 16,089,769	\$ 88,968,174
Investments Return			
Investment Income	609,066	134,467	743,533
Net depreciation (realized and unrealized)	3,012,664	665,122	3,677,786
	<u>3,621,730</u>	<u>799,589</u>	<u>4,421,319</u>
Investment Return			
Contributions	-	-	-
Appropriations for Expenditures	(5,025,333)	(829,950)	(5,855,283)
Endowment net assets, end of year	<u>\$ 71,474,802</u>	<u>\$ 16,059,408</u>	<u>\$ 87,534,210</u>

For the years ended June 30, 2021 and 2020, \$8,250,000 was classified as permanently restricted net assets. This represents the portion of perpetual endowment funds that are required to be retained permanently either by explicit donor stipulation or by UPMIFA.

14. Retirement Plans Contributions

DC-CAP has a 3% matching policy on the employee's retirement contributions. Employees are able to contribute to the plan immediately after hire and should be with the organization for a year to be eligible for the match. The pension plan is managed by Lincoln Financial. The CEO receives a separate 457b pension plan with an annual contribution of \$13,000. The total expenses for retirement were \$83,447 and \$84,731 for the year ended June 30, 2021 and 2020, respectively.

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15. Liquidity and Availability

The following reflects DC-CAP's short-term financial assets as of June 30, 2021, reduced by amounts not available for general use within one year of June 30, 2021 due to donor-imposed restrictions.

	<u>2021</u>
Financial Assets	
Cash and cash equivalents	\$ 9,880,480
Accounts Receivable	367,711
Short-Term Pledges Receivable	2,325,000
Short-Term Investments	<u>1,129,186</u>
Total	13,702,377
Less: Donor restricted pledge receivables	<u>(2,125,000)</u>
Total	<u><u>\$ 11,577,377</u></u>

The following reflects DC-CAP's short-term financial assets as of June 30, 2020, reduced by amounts not available for general use within one year of June 30, 2020 due to donor-imposed restrictions.

	<u>2020</u>
Financial Assets	
Cash and cash equivalents	\$ 8,201,721
Accounts Receivable	119,774
Short-Term Pledges Receivable	6,380,000
Short-Term Investments	<u>504,702</u>
Total	15,206,197
Less: Donor restricted pledge receivables	<u>(5,973,000)</u>
Total	<u><u>\$ 9,233,197</u></u>

As part of DC-CAP's liquidity management, the organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. DC-CAP received a gift to establish an endowment that will exist in perpetuity. Additionally, DC-CAP's board determined that any additional donor gifts whether restricted for time or purpose, or for general operating use will be added to the endowment. The income generated from donor restricted endowments may be donor-restricted or unrestricted as to use.

Investment income without donor restrictions, earnings appropriated from endowments with donor restrictions and board designated endowments (quasi-endowments), contributions without donor restrictions and contributions with donor restrictions for use in current activities and programs are considered to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during, and included in the budget for, a fiscal year.

DC-CAP manages its cash available to meet general expenditures following three guiding principles:

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- Operating within a prudent range of financial soundness and stability;
- Maintaining a sufficient level of asset liquidity; and
- Monitoring and maintaining reserves to provide reasonable assurance that scholarship and programmatic commitments and other obligations related to endowments with donor restrictions and quasi endowments will continue to be met.

DC-CAP's spending policy, as approved and implemented by the Board, is to allow transfer of 7-15% per year from endowment for operational use. This amount is adjusted over time to account for cost of living increases.

16. Subsequent Events

Management has evaluated subsequent events through December 21, 2021 which is the date the financial statements were available to be issued.