District of Columbia College Access Program, Inc.

Financial Statements
As of and For the Years Ended June 30, 2023 and 2022
and Report Thereon

District of Columbia College Access Program, Inc.
Table of Contents
For the Years Ended June 30, 2023 and 2022

Report of Independent Auditors

To the Board of Directors of the District of Columbia College Access Program

Opinion

We have audited the accompanying financial statements of District of Columbia College Access Program ("DC-CAP"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DC-CAP as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of DC-CAP 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, DC-CAP changed the manner in which it accounts for leases in fiscal year 2023. 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 DC-CAP's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 US GAAS 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 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 US GAAS, 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 DC-CAP's internal control. Accordingly, no such opinion is expressed.
- 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 DC-CAP'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.

PricewaterhouseCoopers LLP

Washington, District of Columbia
January 24, 2024

District of Columbia College Access Program, Inc.
Statements of Financial Position
For the Years Ended June 30, 2023 and 2022

	2023	2022
Assets:		
Cash and cash equivalents	$ 12,412,609	$ 8,564,517
Accounts receivable	174,049	76,631
Short-term pledges receivable	75,000	2,100,000
Short-term investments	-	99,346
Prepaid expenses and other assets	183,572	155,662
Total current assets	12,845,230	10,996,156
Fixed assets, net of accumulated depreciation and amortization	27,555	10,356
Right of use asset	2,024,047	-
Long-term pledges receivable, net	534,212	484,016
Long-term investments	57,992,019	65,156,123
Total assets	$ 73,423,063	$ 76,646,651
Liabilities:		
Accounts payable and accrued liabilities	$ 237,934	$ 786,064
Lease liability - current	469,355	-
Total current liabilities	707,289	786,064
Lease liability - long-term	1,819,967	-
Total liabilities	2,527,256	786,064
Net assets:		
Without donor restrictions	52,090,646	55,244,851
With donor restrictions	18,805,161	20,615,736
Total net assets	70,895,807	75,860,587
Total liabilities and net assets	$ 73,423,063	$ 76,646,651

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

District of Columbia College Access Program, Inc.
Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support:						
Contributions and grants	$ 354,389	$ 1,680,570	$ 2,034,959	$ 163,295	$ 1,464,870	$ 1,628,165
Special events revenue and contributions	-	-	-	-	-	-
Contributed services	305,069	-	305,069	186,093	-	186,093
Net assets released from restriction	4,582,494	(4,582,494)	-	4,176,086	(4,176,086)	-
Total revenues, gains and other support	5,241,952	(2,901,924)	2,340,028	4,525,474	(2,711,216)	1,814,258
Operating expenses:						
Salaries and benefits	3,636,748	-	3,636,748	4,413,774	-	4,413,774
Office and administrative	1,929,851	-	1,929,851	1,754,716	-	1,754,716
Scholarship awards	6,288,637	-	6,288,637	6,455,538	-	6,455,538
Events and meetings	128,840	-	128,840	76,558	-	76,558
Rent and storage expense	475,899	-	475,899	493,284	-	493,284
Depreciation and amortization	13,801	-	13,801	90,145	-	90,145
Total expenses	12,473,776	-	12,473,776	13,284,015	-	13,284,015
Operating Change in net assets	(7,231,824)	(2,901,924)	(10,133,748)	(8,758,541)	(2,711,216)	(11,469,757)
Investments return, net	4,077,619	1,091,349	5,168,968	(14,855,890)	(3,047,855)	(17,903,745)
Change in net assets	(3,154,205)	(1,810,575)	(4,964,780)	(23,614,431)	(5,759,071)	(29,373,502)
Net assets, beginning of year	55,244,851	20,615,736	75,860,587	78,859,282	26,374,807	105,234,089
Net assets, end of year	$ 52,090,646	$ 18,805,161	$ 70,895,807	$ 55,244,851	$ 20,615,736	$ 75,860,587

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

District of Columbia College Access Program, Inc.

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ (4,964,780)	$ (29,373,502)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net (gains) / losses on investments	(4,643,154)	19,267,830
Amortization of discount on pledges receivable	(195)	(41,027)
Depreciation and amortization	13,801	90,145
Changes in assets and liabilities:		
(Increase) / Decrease in accounts receivable	(97,418)	291,080
Decrease in short-term and long-term pledges receivable	1,974,999	2,025,001
Increase in prepaid expenses	(27,910)	(31,265)
Decrease/(Increase) in accounts payable and accrued liabilities	(548,130)	60,283
Operating lease activity	265,275	-
Net cash used in operating activities	(8,027,512)	(7,711,455)
Cash flows from investing activities:		
Purchases of fixed assets	(31,000)	-
Purchases of investments	(15,454,131)	(27,440,881)
Proceeds from sales or maturities of investments	27,360,735	33,836,373
Net cash provided by investing activities	11,875,604	6,395,492
Increase / (Decrease) in cash and cash equivalents	3,848,092	(1,315,963)
Cash and cash equivalents, beginning of year	8,564,517	9,880,480
Cash and cash equivalents, end of year	$ 12,412,609	$ 8,564,517

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

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

In 2019, DC-CAP launched two of its three newest initiatives – the **DC-CAP Scholarship Program** and the **DC-CAP University Partnership Scholarship Program**, both of which provide Scholars with increased financial support from DC-CAP. In conjunction with these two scholarship programs, DC-CAP shifted from its longtime model of providing school-based comprehensive counseling to the majority of students to a more streamlined focus of providing comprehensive financial aid counseling to a pipeline of "Scholars," the majority of whom would enroll at one of DC-CAP's "partner institutions." This strategic shift was designed to help leverage federal, private, and institutional gift aid for college-ready Scholars. Advisors assist students and their families with identifying scholarships and other funding sources to create a competitive financial aid package. Ultimately, these initiatives will lead to an increase in college persistence and graduation rates for District of Columbia students.

DC-CAP's third initiative, the **STEM Ready Program** (previously called the STEM Incentive and Scholarship Program or SISP) launched in 2016 and includes a scholarship component. The STEM Ready Program 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. There are three STEM Ready participating high schools. Scholarship amounts vary and are based on merit and program participation.

Through the DC-CAP University Partnership Scholarship Program, the organization has developed collaborative agreements with 14 high-performing, four-year institutions that are committed to increasing enrollment and graduation rates for D.C. 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 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 D.C. students can persist and earn their degrees. DC-CAP University Partnership Scholars are selected as graduating high school seniors and receive renewable support from DC-CAP for up to five years. Scholarship amounts vary.

Through the DC-CAP Scholarship Program, the organization selects graduating high school seniors as "DC-CAP Scholars" who receive renewable support from DC-CAP for up to five years. DC-CAP Scholars, who receive up to $4,000 per year, may attend any accredited four-year, postsecondary institution

DC-CAP continues to award "named" scholarships based on donor giving and agreed upon student eligibility criteria.

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

High school programming associated with the Alpha Leadership Program and the Ward 7&8 Scholarship Program ended on June 30, 2022. The **Alpha Leadership Project (ALP)** was a program for young men of color in DC public and public charter schools. ALP assisted and empowered 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 were personal development, positive peer interactions and parent training. DC-CAP will continue to award and disburse scholarships to eligible ALP participants based on program participation.

The **Ward 7&8 Scholars Program** provided student support services and scholarship funding to help increase high school graduation rates in Wards 7&8 in Washington, DC. The program provided highly intensive support services for students in grades 11 & 12, and annual scholarships for up to five years per student. DC-CAP will continue to award and disburse scholarships to eligible Ward 7&8 Scholars based on program participation.

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 Statements of Financial Position, Statements of Activities, and Statements 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 absence or existence of donor-imposed restrictions. The financial statements have been prepared on the accrual basis of accounting.

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 changes could materially affect the amounts reported in the Statements of Financial Position.

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, 2023 and 2022, cash and cash equivalents of $12,412,609 and $8,564,517, respectively were invested in highly liquid money market funds and U.S. Treasury bills which were not insured. As of June 30, 2023 and 2022 there was $35,627 and $218,299, respectively in excess of the Federal Deposit Insurance Corporation (FDIC) maximum insured limit of $250,000.

Accounting Standards Adopted

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Under this standard, lessees are now obligated to include in their financial statements a liability for lease payments and a right-of-use asset (ROU) representing their right to use the leased asset, whether it's an operating or finance lease. It also mandates the disclosure of information about leasing arrangements.

In 2018, FASB issued ASU 2018-11, Targeted Improvements, which introduced an optional transition method. This method allows entities to adopt ASC 842 prospectively at the start of the adoption period without restating prior periods. DC-CAP chose this transition method when adopting the standard on July 1, 2022. Under this approach, comparative prior periods remain unaltered.

As of July 1, 2022, DC-CAP recognized an operating lease ROU asset of $2,398,085 and an operating lease liability of $2,681,199.

DC-CAP elected certain practical expedients when implementing the standard. These expedients allow DC-CAP to avoid reassessing whether expired or existing contracts constitute leases, the classification of such leases, and the initial direct costs of existing leases as of the effective date. DC-CAP also elected not to combine lease and related non-lease components and to exclude a ROU asset or liability for short-term leases, defined as those with a term of twelve months or less.

Lease assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. When the interest rate implicit in the DC-CAP's leases is not readily determinable, DC-CAP utilizes the risk free rate. DC-CAP's lease terms include periods under options to extend or terminate the lease when it is reasonably certain that DC-CAP will exercise that option. DC-CAP generally use the base, non-cancelable, lease term when determining the lease right-of-use assets and liabilities. Lease right-of-use assets also include any prepaid lease payments and lease incentives.

Accounting Standards not Yet Adopted

Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, applies to all financial instruments carried at amortized cost (including loans held for investment (HFI) and held-to-maturity (HTM) debt securities, as well as trade receivables, reinsurance recoverables, and receivables that relate to repurchase agreements and securities lending agreements), a lessor's net investments in leases, and off-balance-sheet credit exposures not accounted for as insurance or as derivatives, including loan commitments, standby letters of credit, and financial guarantees.

The CECL guidance in ASC 326-20 should be applied to financial instruments that are in scope (other than certain debt securities) using a modified retrospective approach. A not-for-profit entity will be required to recognize the cumulative effect of initially applying the impairment standard as an adjustment to opening net assets in the period of initial application. The cumulative effect adjustment will represent the difference between today's model and the CECL impairment model. CECL is effective for all not-for-profit entities for fiscal years beginning after December 15, 2022. DC-CAP is evaluating the impact this standard will have on the financial statements and disclosures beginning in fiscal year 2024.

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 activities have occurred.

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 any of the net asset classifications depending on donor restrictions.

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 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 $67,512,301 and $68,122,479 as of June 30, 2023 and 2022, 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, 2023 and 2022, DC-CAP received contributions of legal, administrative and accounting services which are classified as office and administrative expenses of approximately $305,069 and $186,093 for June 30, 2023 and 2022, respectively.

Functional Allocation of Expenses

The costs of providing program and supportive services has 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 support 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, 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, 2023 and 2022:

	2023	2022
U.S government obligations	$ 7,565,664	$ 7,148,959
Fixed income investments	4,832,222	4,870,320
Equity securities	45,594,133	53,236,190
Total investments	$ 57,992,019	$ 65,255,469

Investment return consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022
Dividends and interest	$ 1,101,172	$ 2,891,839
Net unrealized losses/ gains	7,198,789	(22,751,553)
Net realized gains	(2,555,635)	3,483,723
Investment fees	(575,357)	(1,527,754)
Total investment return	$ 5,168,968	$ (17,903,745)

4. Pledges Receivable

Pledges receivable consisted of the following at June 30, 2023 and 2022:

	2023	2022
Amounts due in:		
Less than one year	$ 75,000	$ 2,100,000
One to five years	550,000	500,000
	625,000	2,600,000
Less: Discount on pledges receivable	(15,788)	(15,984)
Pledges Receivable, net	$ 609,212	$ 2,584,016

For the promises to give, discount rates ranging from 1.85% to 3.99% were applied based on the date of the gift and the pledge period. The discount rates applied under ASC 820 for fiscal year 2023 and 2022 were market rates commensurate with the term of the individual pledges.

5. Fixed Assets

Fixed assets consisted of the following at June 30, 2023 and 2022:

	2023	2022
Computer hardware and software	$ 525,737	$ 494,737
Furniture and fixtures	48,296	48,296
	574,033	543,033
Less: Accumulated depreciation and amortization	(546,478)	(532,677)
Fixed asset, net	$ 27,555	$ 10,356

Depreciation expense was $13,801 and $90,145 for the years ended June 30, 2023 and 2022, respectively.

6. Net Assets with Donor Restrictions

Net Assets with donor restrictions are 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, 2023, 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 challenge grant of $6,250,000 during the fiscal year ended June 30, 2008. The purpose of the challenge grant was 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.

DC-CAP's net assets with donor restrictions are restricted for the following purposes of periods as of June 30, 2023 and 2022:

	2023	2022
Unappropriated earnings on endowment	$ 7,952,293	$ 7,728,019
Purpose restrictions:		
Scholarships	474,965	658,253
STEM program	625,000	875,500
Alpha leadership program	-	-
Partnerships	100,000	198,417
Development and database design	32,500	32,500
Ward 7&8 scholars	1,370,403	2,873,047
Total temporarily restricted net assets	10,555,161	12,365,736
Gates endowment grant	8,250,000	8,250,000
Total permanently restricted net assets	8,250,000	8,250,000
Total net assets with donor restrictions	$ 18,805,161	$ 20,615,736

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, 2023 and 2022:

	2023	2022
Appropriations on endowment	$ 867,075	$ 1,030,425
Program releases:		
STEM incentive program	375,500	277,000
Alpha leadership program	-	175,000
Ward 7&8 scholars program	2,517,044	1,823,388
Partnerships	380,375	369,023
Database and development upgrade	-	-
Scholarships	442,500	501,250
Total net assets released from restriction	$ 4,582,494	$ 4,176,086

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. There is currently no option to extend the lease nor is there a guaranteed residual value.

DC-CAP had $2,289,322 of operating lease liabilities and $2,024,047 of operating lease right-of-use assets, and no financing leases on its statement of financial position as of June 30, 2023.

The following is a schedule, by years, of future minimum lease payments required under the operating leases as of June 30, 2023:

Fiscal year ending June 30,	
2024	$ 469,355
2025	481,089
2026	493,116
2027	505,444
2028 and thereafter	516,609
	2,465,613
Less: Imputed interest	(176,291)
Lease liability	$ 2,289,322

The weighted average remaining lease term is 6 years and the weighted average discount rate is 2.90%. Cash paid for leases during the year ended June 30, 2023 was $418,957.

The future minimum lease commitments under the operating leases for the year ended June 30, 2022 are as follows:

Fiscal year ending June 30,	
2023	$ 457,907
2024	469,355
2025	481,089
2026	493,116
2027	505,444
From 2028 and thereafter	516,611
	$ 2,923,522

9. Functional Expenses

Expenses by functional classification and natural classification for program services the year ended June 30, 2023 consisted of the following:

	Highschool	Retention/ Partnerships	STEM	Ward 7 & 8 Scholars	Total Program Services
Salaries and benefits	$ 1,078,822	$ 697,736	$ 432,091	$ 1,039,226	$ 3,247,875
Office and administrative	193,359	180,163	145,391	134,325	653,238
Scholarship awards	4,332,096	640,541	120,500	1,195,500	6,288,637
Events and meetings	10,777	31,823	72,088	9,524	124,212
Rent and storage expense	144,106	90,125	56,806	134,524	425,561
Depreciation and amortization	4,096	2,643	1,640	3,945	12,324
Total expenses	$ 5,763,256	$ 1,643,031	$ 828,516	$ 2,517,044	$ 10,751,847

Expenses by functional classification and natural classification for development and general and administrative services the year ended June 30, 2023 consisted of the following:

	Fundraising	General and Administrative	Total Expenses
Salaries and benefits	$ 284,239	$ 104,634	$ 3,636,748
Office and administrative	346,360	930,253	1,929,851
Scholarship awards	-	-	6,288,637
Events and meetings	3,669	959	128,840
Rent and storage expense	36,794	13,544	475,899
Depreciation and amortization	1,079	398	13,801
Total expenses	$ 672,141	$ 1,049,788	$ 12,473,776

Expenses by functional classification and natural classification for program services the year ended June 30, 2022 consisted of the following:

	Program Services							
	Alpha Leadership	Charter School	DCPS	Partnerships	Retention	STEM	Ward 7 & 8 Scholars	Total Program Services
Salaries and benefits	$ 728,282	$ 354,498	$ 519,530	$ 408,660	$ 726,619	$ 957,087	$ 216,481	$ 3,911,157
Office and administrative	83,431	42,380	90,204	46,754	134,130	168,433	85,316	650,648
Scholarship awards	91,500	-	3,602,697	811,827	384,664	74,500	1,490,350	6,455,538
Events and meetings	13,260	4,839	7,134	15,572	9,939	15,391	2,955	69,090
Rent and storage expense	80,283	39,079	60,613	45,049	80,100	106,956	23,864	435,944
Depreciation and amortization	14,874	7,240	10,611	8,346	14,840	19,547	4,421	79,879
Total expenses	$ 1,011,630	$ 448,036	$ 4,290,789	$ 1,336,208	$ 1,350,292	$ 1,341,914	$ 1,823,387	$ 11,602,256

Expenses by functional classification and natural classification for development and general and administrative services the year ended June 30, 2022 consisted of the following:

	Fundraising	General and Administrative	Total Expenses
Salaries and benefits	$ 319,218	$ 183,399	$ 4,413,774
Office and administrative	296,837	807,231	1,754,716
Scholarship awards	-	-	6,455,538
Events and meetings	4,964	2,504	76,558
Rent and storage expense	37,123	20,217	493,284
Depreciation and amortization	6,520	3,746	90,145
Total expenses	$ 664,662	$ 1,017,097	$ 13,284,015

10. Related Party Transactions

A significant portion of the funds received or pledged during the years ended June 30, 2023 and 2022, came from individual members of the Board of Directors or organizations affiliated with Board Members. Related party revenue totaled $1,958,659 and $1,404,807 which is 84% and 79% of contribution revenue in fiscal years 2023 and 2022, respectively. Undiscounted related party pledge receivables totaled $225,000 and $500,000, respectively which is 36% and 19% of gross pledges receivable at June 30, 2023 and 2022, 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 April 1, 2022 and April 1, 2023. Accrued contributions related to this agreement for the year ended June 30, 2023 and 2022 were $20,000 and $20,000, respectively.

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, 2023 and 2022:

	2023		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Money market funds	$ 12,126,980	$ 12,126,980	$ -
U.S. Government obligations	7,565,664	-	7,565,664
Fixed income investments	4,832,222	-	4,832,222
Equity securities:			
Consumer discretionary	10,001,361	10,001,361	-
Financial	13,126,887	13,126,887	-
Health care	7,545,391	7,545,391	-
Industrials	3,460,138	3,460,138	-
Information technology	11,460,356	11,460,356	-
Total assets at fair value	$ 70,118,999	$ 57,721,113	$ 12,397,886

	2022		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Money market funds	$ 8,096,217	$ 8,096,217	$ -
U.S. Government obligations	7,148,959	-	7,148,959
Fixed income investments	4,870,320	-	4,870,320
Equity securities:			
Consumer discretionary	14,739,973	14,739,973	-
Financial	11,078,747	11,078,747	-
Health care	8,415,628	8,415,628	-
Industrials	3,081,070	3,081,070	-
Information technology	15,920,771	15,920,771	-
Total assets at fair value	$ 73,351,685	$ 61,332,406	$ 12,019,279

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, less its liabilities, 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 of use but provided for long-term investing under the management of the Board. As of June 30, 2023 and 2022, the endowment fund balance was $83,568,775 and $84,224,499, respectively.

<u>Interpretation of Relevant Law</u>

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, 2023, 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.

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, 2023 and 2022:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 16,202,294	$ 16,202,294
Board -designated endowment funds	67,512,301		67,512,301
Total endowment net assets	$ 67,512,301	$ 16,202,294	$ 83,714,595

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Donor-restricted endowment funds	$ -	$ 15,978,020	$ 15,978,020
Board -designated endowment funds	68,122,479		68,122,479
Total endowment net assets	$ 68,122,479	$ 15,978,020	$ 84,100,499

For the year ended June 30, 2023 changes in endowment net assets were as follows:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 68,122,479	$ 15,978,020	$ 84,100,499
Investments return			
Investment income	891,964	209,208	1,101,172
Net depreciation (realized and unrealized)	3,761,014	882,141	4,643,155
Investment return	4,652,978	1,091,349	5,744,327
Contributions	-	-	-
Appropriations for expenditures	(5,263,156)	(867,075)	(6,130,231)
Endowment net assets, end of year	$ 67,512,301	$ 16,202,294	$ 83,714,595

For the year ended June 30, 2022 changes in endowment net assets were as follows:

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Endowment net assets, beginning of year	$ 87,581,308	$ 20,056,300	$ 107,637,608
Investments return			
Investment income	2,353,618	538,221	2,891,839
Net depreciation (realized and unrealized)	(15,681,754)	(3,586,076)	(19,267,830)
Investment return	(13,328,136)	(3,047,855)	(16,375,991)
Contributions	124,000	-	124,000
Appropriations for expenditures	(6,254,693)	(1,030,425)	(7,285,118)
Endowment net assets, end of year	$ 68,122,479	$ 15,978,020	$ 84,100,499

For the years ended June 30, 2023 and 2022, $8,250,000 was classified as permanently restricted net assets (endowment only). 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 total expenses for retirement were $50,997 and $82,757 for the year ended June 30, 2023 and 2022, respectively.

15. Liquidity and Availability

The following reflects DC-CAP's short-term financial assets as of June 30, 2023, reduced by amounts not available for general use within one year of June 30, 2023 due to donor-imposed and board restrictions.

Financial assets:	
Cash and cash equivalents	$ 12,412,609
Accounts receivable	174,049
Short-term pledges receivable	75,000
Total	12,661,658
Less: Donor restricted pledge receivables	(50,000)
Total	$ 12,611,658

The following reflects DC-CAP's short-term financial assets as of June 30, 2022, reduced by amounts not available for general use within one year of June 30, 2022 due to donor-imposed and board restrictions.

Financial assets:	
Cash and cash equivalents	$ 8,564,517
Accounts receivable	76,631
Short-term pledges receivable	2,100,000
Short-term investments	99,346
Total	10,840,494
Less: Donor restricted pledge receivables	(2,100,000)
Total	$ 8,740,494

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:

- 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 January 24, 2024 which is the date the financial statements were available to be issued.