

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

**Financial Statements**

**As of and For the Years Ended June 30, 2022 and 2021  
and Report Thereon**

**District of Columbia College Access Program, Inc.**  
**Table of Contents**  
**For the Years Ended June 30, 2022 and 2021**

---

	<b>Page(s)</b>
Report of Independent Auditors.....	1-2
Statement of Financial Position .....	3
Statements of Activities .....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6-23



## **Report of Independent Auditors**

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

### ***Opinion***

We have audited the accompanying financial statements of District of Columbia College Access Program (the "DC-CAP"), which comprise the statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, 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.

### ***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 the 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 the 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.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

Washington, DC  
December 20, 2022

**District of Columbia College Access Program, Inc.**  
**Statements of Financial Position**  
**For the Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 8,564,517	\$ 9,880,480
Accounts receivable	76,631	367,711
Short-term pledges receivable	2,100,000	2,325,000
Short-term investments	99,346	1,129,186
Prepaid expenses and other assets	155,662	124,397
Total current assets	<u>10,996,156</u>	<u>13,826,774</u>
Fixed assets, net of accumulated depreciation and amortization	10,356	100,501
Long-term pledges receivable, net	484,016	2,242,990
Long-term investments	65,156,123	89,789,605
Total assets	<u>\$ 76,646,651</u>	<u>\$ 105,959,870</u>
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 786,064	\$ 725,781
Total liabilities	<u>786,064</u>	<u>725,781</u>
<b>Net assets:</b>		
Without donor restrictions	55,244,851	78,859,282
With donor restrictions	20,615,736	26,374,807
Total net assets	<u>75,860,587</u>	<u>105,234,089</u>
Total liabilities and net assets	<u>\$ 76,646,651</u>	<u>\$ 105,959,870</u>

*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, 2022 and 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenue and Other Support</b>						
Contributions and grants	\$ 163,295	\$ 1,464,870	\$ 1,628,165	\$ 567,087	\$ 1,418,922	\$ 1,986,009
Special events revenue and contributions	-	-	-	-	-	-
Contributed services	186,093	-	186,093	186,093	-	186,093
Net assets released from restriction	4,176,086	(4,176,086)	-	4,381,352	(4,381,352)	-
Total revenues, gains and other support	4,525,474	(2,711,216)	1,814,258	5,134,532	(2,962,430)	2,172,102
<b>Operating Expenses:</b>						
Salaries and benefits	4,413,774	-	4,413,774	4,772,292	-	4,772,292
Office and administrative	1,754,716	-	1,754,716	1,311,925	-	1,311,925
Scholarship awards	6,455,538	-	6,455,538	6,531,290	-	6,531,290
Events and meetings	76,558	-	76,558	10,019	-	10,019
Rent and storage expense	493,284	-	493,284	485,489	-	485,489
Depreciation and amortization	90,145	-	90,145	95,684	-	95,684
Total expenses	13,284,015	-	13,284,015	13,206,699	-	13,206,699
Operating Change in net assets	(8,758,541)	(2,711,216)	(11,469,757)	(8,072,167)	(2,962,430)	(11,034,597)
Investments return, net	(14,855,890)	(3,047,855)	(17,903,745)	21,657,254	5,046,226	26,703,480
Change in net assets	(23,614,431)	(5,759,071)	(29,373,502)	13,585,087	2,083,796	15,668,883
Net assets, beginning of year	78,859,282	26,374,807	105,234,089	65,274,195	24,291,011	89,565,206
Net assets, end of year	\$ 55,244,851	\$ 20,615,736	\$ 75,860,587	\$ 78,859,282	\$ 26,374,807	\$ 105,234,089

*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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (29,373,502)	\$ 15,668,883
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net losses / (gains) on investments	19,267,830	(26,691,630)
Amortization of discount on pledges receivable	(41,027)	44,175
Depreciation and amortization	90,145	95,684
Changes in assets and liabilities:		
Decrease/ (Increase) in accounts receivable	291,080	(247,937)
Decrease in short-term and long-term pledges receivable	2,025,001	2,180,000
(Increase) / Decrease in prepaid expenses	(31,265)	9,556
Increase/ (Decrease) in accounts payable and accrued liabilities	60,283	(107,907)
Net cash used in operating activities	<u>(7,711,455)</u>	<u>(9,049,176)</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(27,440,881)	(36,899,194)
Proceeds from sales or maturities of investments	33,836,373	47,627,129
Net cash provided by investing activities	<u>6,395,492</u>	<u>10,727,935</u>
(Decrease) / increase in cash and cash equivalents	(1,315,963)	1,678,759
Cash and cash equivalents, beginning of year	<u>9,880,480</u>	<u>8,201,721</u>
Cash and cash equivalents, end of year	<u>\$ 8,564,517</u>	<u>\$ 9,880,480</u>

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

# District of Columbia College Access Program, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

---

### 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 SISIP) 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.

# District of Columbia College Access Program, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

---

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 will end 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, 2022 and 2021, cash and cash

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

## **Notes to Financial Statements**

**For the Years Ended June 30, 2022 and 2021**

---

equivalents of \$8,564,517 and \$9,880,480, respectively were invested in highly liquid money market funds and U.S. Treasury bills which were not insured. As of June 30, 2022 there was \$218,299 in excess of the Federal Deposit Insurance Corporation (FDIC) maximum insured limit of \$250,000. As of June 30, 2021, there was no cash in excess of the 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, 2022 and through the date of these financial statements, DC-CAP evaluated its accounting estimates for any potential future impacts of the pandemic.

### **Accounting Standards Adopted**

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 transfer between Level 1 and Level 2 of the fair value hierarchy. The standard modifies other disclosure requirements regarding transfer 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 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, 2020 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. The FASB granted a one year extension on adoption of this standard during the COVID-19 pandemic. DC-CAP will evaluate the impact this standard will have on the financial statements and disclosures beginning in fiscal year 2023.

### **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*

**District of Columbia College Access Program, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2022 and 2021**

---

*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

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

## **Notes to Financial Statements**

**For the Years Ended June 30, 2022 and 2021**

---

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 \$68,122,479 and \$87,581,309 as of June 30, 2022 and 2021, 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, 2022 and 2021, DC-CAP received contributions of legal, administrative and accounting services which are classified as office and administrative expenses of \$186,093 for both years.

### **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

**District of Columbia College Access Program, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2022 and 2021**

---

**3. Investments**

Investments, at fair value, consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
U.S. Government obligations	\$ 7,148,959	\$ 7,514,558
Fixed income investments	4,870,320	5,836,609
Equity securities	53,236,190	77,567,624
Total Investments	<u>\$ 65,255,469</u>	<u>\$ 90,918,791</u>

Investment return consisted of the following for the years ended June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 2,891,839	\$ 809,447
Net unrealized losses/ gains	(22,751,553)	11,369,775
Net realized gains	3,483,723	15,321,855
Investment fees	(1,527,754)	(797,597)
Total Investment Return	<u>\$ (17,903,745)</u>	<u>\$ 26,703,480</u>

**4. Pledges Receivable**

Pledges receivable consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
<b>Amounts due in:</b>		
Less than one year	\$ 2,100,000	\$ 2,325,000
One to five years	500,000	2,300,000
	<u>2,600,000</u>	<u>4,625,000</u>
Less: discount on pledges receivable	(15,984)	(57,010)
Pledges Receivable, net	<u>\$ 2,584,016</u>	<u>\$ 4,567,990</u>

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 2022 were market rates commensurate with the term of the individual pledges.

**District of Columbia College Access Program, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2022 and 2021**

---

**5. Fixed Assets**

Fixed assets consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</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>(532,677)</u>	<u>(442,532)</u>
Fixed assets, net	<u>\$ 10,356</u>	<u>\$ 100,501</u>

Depreciation expense was \$90,145 and \$95,684 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, 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.

**District of Columbia College Access Program, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2022 and 2021**

---

DC-CAP's net assets with donor restrictions are restricted for the following purposes of periods as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Time restrictions	\$ -	\$ -
Unappropriated earnings on endowment	7,728,019	11,806,299
Purpose restrictions		
Scholarships	658,253	214,502
STEM Program	875,500	1,000,000
Alpha Leadership Program	-	125,000
Partnerships	198,417	295,272
Development and database design	32,500	32,500
Ward 7&8 Scholars	2,873,047	4,651,235
Total temporarily restricted net assets	<u>12,365,736</u>	<u>18,124,808</u>
Gates endowment grant	8,250,000	8,250,000
Total permanently restricted net assets	<u>8,250,000</u>	<u>8,250,000</u>
Total net assets with donor restrictions	<u>\$ 20,615,736</u>	<u>\$ 26,374,808</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Expiration of time restrictions	\$ -	\$ 671,688
Appropriations on endowment	1,030,425	1,048,575
Program releases		
STEM Incentive Program	277,000	200,000
Alpha Leadership Program	175,000	125,000
Ward 7&8 Scholars Program	1,823,388	1,770,994
Scholarships	501,250	215,095
Partnerships	369,023	350,000
Total net assets released from restriction	<u>\$ 4,176,086</u>	<u>\$ 4,381,352</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.

**District of Columbia College Access Program, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2022 and 2021**

---

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.

Rent expense under leases for the years ended June 30, 2022 and 2021 was \$493,284 and \$485,489, respectively.

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

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

**9. Functional Expenses**

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

	<u>Program Services</u>						<u>Ward 7 &amp; 8 scholars</u>	<u>Total program services</u>
	<u>Alpha Leadership</u>	<u>Charter School</u>	<u>DCPS</u>	<u>Partnerships</u>	<u>Retention</u>	<u>STEM</u>		
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	<u>\$ 1,011,630</u>	<u>\$ 448,036</u>	<u>\$ 4,290,789</u>	<u>\$ 1,336,208</u>	<u>\$ 1,350,292</u>	<u>\$ 1,341,914</u>	<u>\$ 1,823,387</u>	<u>\$11,602,256</u>

**District of Columbia College Access Program, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2022 and 2021**

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

	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Expenses</u>
Salaries and benefits	\$ 319,218	\$ 183,397	\$ 4,413,772
Office and administrative	296,837	807,233	1,754,718
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	<u>\$ 664,662</u>	<u>\$ 1,017,097</u>	<u>\$ 13,284,015</u>

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

	<u>Program Services</u>							<u>Total program services</u>
	<u>Alpha Leadership</u>	<u>Charter School</u>	<u>DCPS</u>	<u>Partnerships</u>	<u>Retention</u>	<u>STEM</u>	<u>Ward 7 8 scholars</u>	
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>

# District of Columbia College Access Program, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

---

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

### 10. Related Party Transactions

A significant portion of the funds received or pledged during the years ended June 30, 2022 and 2021, came from individual members of the Board of Directors or organizations affiliated with Board Members. Related party revenue totaled \$1,404,807 and \$1,671,381 which is 79% and 76% of contribution revenue in fiscal years 2022 and 2021, respectively. Undiscounted related party receivables totaled \$500,000 and \$535,000 which is 19% and 11% of gross pledges receivable at June 30, 2022 and 2021, 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, 2021 and April 1, 2022. Accrued contributions related to this agreement for the year ended June 30, 2022 and 2021 were \$20,000 and \$70,000 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.

**District of Columbia College Access Program, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2022 and 2021**

---

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, 2022 and 2021:

	<b>2022</b>		
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>
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	<u>\$ 73,351,685</u>	<u>\$ 61,332,406</u>	<u>\$ 12,019,279</u>

# District of Columbia College Access Program, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

	<u>2021</u>		
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
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	<u>\$ 100,589,786</u>	<u>\$ 87,238,620</u>	<u>\$ 13,351,166</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, 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

**District of Columbia College Access Program, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2022 and 2021**

---

(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, 2022 and 2021, the endowment fund balance was \$84,224,499 and \$107,637,609 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, 2022, there were no underwater endowment funds.

# District of Columbia College Access Program, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

---

### 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, 2022 and 2021:

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 15,978,020	\$ 15,978,020
Board -designated endowment funds	68,122,479		68,122,479
Total endowment net assets	<u>\$ 68,122,479</u>	<u>\$ 15,978,020</u>	<u>\$ 84,100,499</u>

# District of Columbia College Access Program, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

	<b>2021</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 20,056,300	\$ 20,056,300
Board -designated endowment funds	87,581,308		87,581,308
Total endowment net assets	<u>\$ 87,581,309</u>	<u>\$ 20,056,300</u>	<u>\$ 107,637,608</u>

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

	<b>2022</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Endowment net assets, beginning of year</b>	\$ 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)	<u>(15,681,754)</u>	<u>(3,586,076)</u>	<u>(19,267,830)</u>
Investment return	(13,328,136)	(3,047,855)	(16,375,991)
Contributions	124,000	-	124,000
Appropriations for expenditures	<u>(6,254,693)</u>	<u>(1,030,425)</u>	<u>(7,285,118)</u>
<b>Endowment net assets, end of year</b>	<u>\$ 68,122,479</u>	<u>\$ 15,978,020</u>	<u>\$ 84,100,499</u>

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

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

# District of Columbia College Access Program, Inc.

## Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

---

For the years ended June 30, 2022 and 2021, \$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 CEO receives a separate 457b pension plan with an annual contribution of \$13,000. The total expenses for retirement were \$82,757 and \$83,447 for the year ended June 30, 2022 and 2021, respectively.

### 15. Liquidity and Availability

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	<u>99,346</u>
Total	10,840,494
Less: Donor restricted pledge receivables	<u>(2,100,000)</u>
Total	<u>\$ 8,740,494</u>

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 and board restrictions.

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>\$ 11,577,377</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.

**District of Columbia College Access Program, Inc.**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2022 and 2021**

---

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 December 20, 2022 which is the date the financial statements were available to be issued.