

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

**Financial Statements
June 30, 2025 and 2024**

District of Columbia College Access Program, Inc.

Index

June 30, 2025 and 2024

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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 "Organization"), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, of functional expenses 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 the Organization as of June 30, 2025 and 2024, 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 the Organization 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 the Organization'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 Organization'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 Organization'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
December 22, 2025

District of Columbia College Access Program, Inc.
Statements of Financial Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets:		
Cash and cash equivalents	\$ 16,610,707	\$ 12,147,473
Accounts receivable	348,780	317,606
Short-term pledges receivable	2,100,000	920,000
Short-term investments	-	114,216
Prepaid expenses and other assets	224,554	270,166
Total current assets	<u>19,284,041</u>	<u>13,769,461</u>
Fixed assets, net of accumulated depreciation and amortization	146,588	62,041
Right of use asset	1,253,783	1,644,994
Long-term pledges receivable, net	7,728,369	1,809,913
Long-term investments	58,933,979	56,389,160
Total assets	<u>\$ 87,346,760</u>	<u>\$ 73,675,569</u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 340,579	\$ 579,862
Lease liability - current	493,116	481,088
Total current liabilities	<u>833,695</u>	<u>1,060,950</u>
Lease liability - long-term	955,635	1,399,894
Total liabilities	<u>1,789,330</u>	<u>2,460,844</u>
Net assets:		
Without donor restrictions	56,979,249	50,953,614
With donor restrictions	28,578,181	20,261,111
Total net assets	<u>85,557,430</u>	<u>71,214,725</u>
Total liabilities and net assets	<u>\$ 87,346,760</u>	<u>\$ 73,675,569</u>

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

District of Columbia College Access Program, Inc.
Statements of Activities
Years Ended June 30, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support:						
Contributions and grants	\$ 11,833,058	\$ 10,076,666	\$ 21,909,724	\$ 1,106,041	\$ 2,637,178	\$ 3,743,219
Contributed services	540,970	-	540,970	791,570	-	791,570
Net assets released from restriction	3,019,301	(3,019,301)	-	3,304,559	(3,304,559)	-
Total revenues, gains and other support	15,393,329	7,057,365	22,450,694	5,202,170	(667,381)	4,534,789
Operating expenses:						
Salaries and benefits	3,695,393	-	3,695,393	4,410,711	-	4,410,711
Office and administrative	2,663,975	-	2,663,975	2,819,725	-	2,819,725
Scholarship awards	7,222,579	-	7,222,579	6,793,801	-	6,793,801
Events and meetings	114,745	-	114,745	99,076	-	99,076
Rent and storage expense	514,496	-	514,496	519,189	-	519,189
Depreciation and amortization	31,733	-	31,733	10,334	-	10,334
Total expenses	14,242,921	-	14,242,921	14,652,836	-	14,652,836
Operating Change in net assets	1,150,408	7,057,365	8,207,773	(9,450,666)	(667,381)	(10,118,047)
Investments return, net	4,875,227	1,259,705	6,134,932	8,313,634	2,123,331	10,436,965
Change in net assets	6,025,635	8,317,070	14,342,705	(1,137,032)	1,455,950	318,918
Net assets, beginning of year	50,953,614	20,261,111	71,214,725	52,090,646	18,805,161	70,895,807
Net assets, end of year	\$ 56,979,249	\$ 28,578,181	\$ 85,557,430	\$ 50,953,614	\$ 20,261,111	\$ 71,214,725

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

District of Columbia College Access Program, Inc.
Statements of Functional Expense
Years Ended June 30, 2025 and 2024

	2025						
	Program Services			Total Program Services	Fundraising	General and Administrative	Total Expenses
	Student Success	GEAR UP	Ward 7&8				
Salaries and benefits	\$ 1,410,079	\$ 770,321	\$ 108,912	\$ 2,289,312	\$ 944,291	\$ 461,790	\$ 3,695,393
Office and administrative	269,582	569,581	13,676	852,839	147,914	1,663,222	2,663,975
Scholarship awards	5,275,079	-	1,947,500	7,222,579	-	-	7,222,579
Events and meetings	54,280	50,443	438	105,161	4,184	5,400	114,745
Rent and storage expense	196,332	107,272	15,178	318,782	131,453	64,261	514,496
Depreciation and amortization	12,109	6,616	936	19,661	8,107	3,965	31,733
Total expenses	\$ 7,217,461	\$ 1,504,233	\$ 2,086,640	\$ 10,808,334	\$ 1,235,949	\$ 2,198,638	\$ 14,242,921

	2024						
	Program Services			Total Program Services	Fundraising	General and Administrative	Total Expenses
	Student Success	GEAR UP	Ward 7 & 8				
Salaries and benefits	\$ 2,836,038	\$ 132,613	\$ 116,519	\$ 3,085,170	\$ 468,696	\$ 856,845	\$ 4,410,711
Office and administrative	436,695	45,034	12,474	494,203	103,532	2,221,990	2,819,725
Scholarship awards	6,086,301	-	707,500	6,793,801	-	-	6,793,801
Events and meetings	71,852	426	162	72,440	1,673	24,963	99,076
Rent and storage expense	368,770	17,098	15,032	400,900	57,130	61,159	519,189
Depreciation and amortization	7,326	342	301	7,969	1,142	1,223	10,334
Total expenses	\$ 9,806,982	\$ 195,513	\$ 851,988	\$ 10,854,483	\$ 632,173	\$ 3,166,180	\$ 14,652,836

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

District of Columbia College Access Program, Inc.
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 14,342,705	\$ 318,918
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net gains losses on investments	(4,187,686)	(9,601,313)
Amortization of discount on pledges receivable	481,544	224,299
Loss on write off of pledge receivable	30,000	-
Depreciation and amortization	31,733	10,334
Changes in assets and liabilities:		
Increase in accounts receivable	(31,174)	(143,557)
Increase in pledges receivable	(7,610,000)	(2,345,000)
Decrease / (Increase) in prepaid expenses	45,612	(86,594)
(Decrease) / Increase in accounts payable and accrued liabilities	(239,283)	341,928
Operating lease activity	(41,020)	(29,287)
Net cash used in operating activities	<u>2,822,431</u>	<u>(11,310,272)</u>
Cash flows from investing activities:		
Purchases of fixed assets	(116,280)	(44,820)
Purchases of investments	(57,164,172)	(23,060,631)
Proceeds from sales or maturities of investments	58,921,255	34,150,587
Net cash provided by investing activities	<u>1,640,803</u>	<u>11,045,136</u>
Increase / (Decrease) in cash and cash equivalents	4,463,234	(265,136)
Cash and cash equivalents, beginning of year	<u>12,147,473</u>	<u>12,412,609</u>
Cash and cash equivalents, end of year	<u>\$ 16,610,707</u>	<u>\$ 12,147,473</u>

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

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

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

DC CAP maintains one main initiative – **Student Success**, which provides scholars with increased financial support from DC CAP. In conjunction with this program, DC CAP provides comprehensive support for a pipeline of “scholars,” the majority of whom enroll at one of DC CAP’s “University Partner institutions.” This strategy was designed to pair federal, private, and institutional gift aid with high-impact, collaborative coaching from DC CAP and university staff. Student Success Coaches provide academic, financial aid, social, and logistical support within a cohort-based scholar community. This support leads to an increase in college persistence and graduation rates for District of Columbia students.

DC CAP’s flagship program, the DC CAP University Partnership Scholarship Program, was enacted through 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 low-income (Pell Grant recipient) 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 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 based on the institution and range from \$5,000 to \$7,500 annually per scholar

DC CAP also awards “named” scholarships based on donor giving and agreed upon student eligibility criteria. Additionally, DC CAP manages the **Ward 7&8 Scholars Program and the GEAR UP program**. **Ward 7&8** provides scholarship funding and Student Success coaching to increase retention and graduation rates among DC CAP Scholars from D.C.’s Ward 7&8 high schools. The program provides highly intensive support services through college, as well as annual scholarships for up to five years per scholar (\$12,000, per scholar, per year). GEAR UP is a federally funded college-readiness program powered by DC CAP that helps DC students prepare for postsecondary education starting as early as middle school. Through school-based coaches, campus experiences, mentoring, and hands-on support, GEAR UP builds the academic and personal skills students need to succeed in postsecondary education.

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

District of Columbia College Access Program, Inc.

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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.

Certain prior period amounts have been reclassified to conform to the current year presentation of our financial statements. These reclassifications had no effect on the reported changes of net assets.

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, 2025 and 2024, cash and cash equivalents of \$16,610,707 and \$12,147,473, respectively were invested in highly liquid money market funds and U.S. Treasury bills which were not insured. As of June 30, 2025 and 2024 there was \$1,875,152 and \$1,168,219, respectively in excess of the Federal Deposit Insurance Corporation (FDIC) maximum insured limit of \$250,000.

Leases

DC CAP records leases in accordance with *Leases (Topic 842)*. Under this standard, leases are recorded in the financial statements as a liability for lease payments and a right-of-use asset (ROU) representing the right to use the leased asset.

DC CAP elected certain practical expedients when implementing the standard. Specifically, DC CAP elected not to combine lease and related non lease components and to exclude an 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 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 uses the base, non-cancellable, 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.

New Accounting Standards

As of June 30, 2024, DC CAP implemented Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (CECL)*, which 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

District of Columbia College Access Program, Inc.

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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 adoption of this standard did not have a material effect on the financial statements.

Cash and Cash Equivalents

DC CAP considers all highly-liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents consisted of money market mutual funds as of the years ended June 30, 2025 and 2024.

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

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realized gains and losses and dividends and interest from investing may be included in either 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 \$66,613,988 and \$68,875,717 as of June 30, 2025 and 2024, respectively.

Of the unrestricted net assets, (\$9,634,739) and (\$17,922,102) are undesignated as of June 30, 2025 and June 30, 2024, respectively, leaving total unrestricted, undesignated net assets at \$56,979,249 and \$50,953,614 as of June 30, 2025 and June 30, 2024, 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 non-financial 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, 2025 and 2024, DC CAP received contributions of legal, administrative and accounting services which are classified as office and administrative expenses of approximately \$540,970 and \$791,570, respectively.

Functional Allocation of Expenses

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

District of Columbia College Access Program, Inc.
Notes to Financial Statements
June 30, 2025 and 2024

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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
U.S government obligations	\$ -	\$ 7,798,693
Fixed income investments	-	4,928,432
Equity securities	<u>58,933,979</u>	<u>43,776,250</u>
Total investments	<u>\$ 58,933,979</u>	<u>\$ 56,503,375</u>

Investment return consisted of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Dividends and interest	\$ 2,148,066	\$ 1,369,592
Net unrealized losses/ gains	(16,269,824)	4,006,331
Net realized gains	20,457,510	5,594,982
Investment fees	<u>(200,820)</u>	<u>(533,939)</u>
Total investment return	<u>\$ 6,134,932</u>	<u>\$ 10,436,965</u>

4. Pledges Receivable

Pledges receivable consisted of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Amounts due in:		
Less than one year	\$ 2,100,000	\$ 920,000
One to five years	<u>8,450,000</u>	<u>2,050,000</u>
	10,550,000	2,970,000
Less: Discount on pledges receivable	<u>(721,631)</u>	<u>(240,087)</u>
Pledges Receivable, net	<u>\$ 9,828,369</u>	<u>\$ 2,729,913</u>

For the promises to give, discount rates ranging from 1.85% to 4.37% were applied based on the date of the gift and the pledge period. The discount rates applied under ASC 820 for fiscal year 2025 were market rates commensurate with the term of the individual pledges.

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5. Fixed Assets

Fixed assets consisted of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Computer hardware and software	\$ 686,837	\$ 570,557
Furniture and fixtures	48,296	48,296
	<u>735,133</u>	<u>618,853</u>
Less: Accumulated depreciation and amortization	<u>(588,545)</u>	<u>(556,812)</u>
Fixed asset, net	<u>\$ 146,588</u>	<u>\$ 62,041</u>

Depreciation expense was \$31,733 and \$10,334 for the years ended June 30, 2025 and 2024, 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, 2025, 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, 2025 and 2024:

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	<u>2025</u>	<u>2024</u>
Unappropriated earnings on endowment	\$ 7,762,261	\$ 7,928,433
Time Restrictions	10,867,768	1,850,000
Purpose restrictions:		
Scholarships	340,058	358,013
STEM program	290,100	400,000
Alpha leadership program	-	-
Partnerships	172,500	245,000
Development and database design	-	32,500
Ward 7&8 scholars	895,494	1,197,165
Total temporarily restricted net assets	<u>20,328,181</u>	<u>12,011,111</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>\$ 28,578,181</u>	<u>\$ 20,261,111</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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Appropriations on endowment	\$ 1,208,857	\$ 1,232,972
Time releases	766,426	490,807
Program releases:		
STEM incentive program	109,900	275,000
Alpha leadership program	-	-
Ward 7&8 scholars program	734,496	864,385
Partnerships	122,500	286,178
Database and development upgrade	32,500	-
Scholarships	44,622	155,217
Total net assets released from restriction	<u>\$ 3,019,301</u>	<u>\$ 3,304,559</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.

DC CAP had \$1,448,751 and \$1,880,982 of operating lease liabilities and \$1,253,783 and \$1,644,994 of operating lease right-of-use assets, and no financing leases on its statement of financial position as of June 30, 2025 and June 30, 2024, respectively.

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The following is a schedule, by years, of future minimum lease payments required under the operating lease as of June 30, 2025:

Fiscal year ending June 30,	
2026	\$ 493,116
2027	505,444
2028	516,609
	<hr/>
	1,515,169
Less: Imputed interest	(66,418)
	<hr/>
Lease liability	<u>\$ 1,448,751</u>

9. Related Party Transactions

A significant portion of the funds received or pledged during the years ended June 30, 2025 and 2024, came from individual members of the Board of Directors or organizations affiliated with Board Members. Related party revenue totaled \$21,128,542 and \$3,028,661 which is 97% and 66% of contribution revenue in fiscal years 2025 and 2024, respectively. Undiscounted related party pledge receivables totaled \$10,150,000 and \$2,555,000 which is 96% and 83% of gross pledges receivable at June 30, 2025 and 2024, respectively.

10. Long-Term Bonus Plan

On September 15, 2022 DC CAP executed a long-term bonus plan agreement with the CEO. Annual bonus is accrued in accordance with the individual's agreement. Accrued contributions related to this agreement for the year-ended June 30, 2025 and 2024 were \$60,000 and \$40,000 respectively.

11. 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:

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- 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, 2025 and 2024:

	2025		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Assets:			
Money market funds	\$ 14,485,554	\$ 14,485,554	\$ -
U.S. Government obligations	-	-	-
Fixed income investments	-	-	-
Mutual Funds	58,933,979	58,933,979	
Equity securities:			
Consumer discretionary	-	-	-
Financial	-	-	-
Health care	-	-	-
Industrials	-	-	-
Information technology	-	-	-
Total assets at fair value	<u>\$ 73,419,533</u>	<u>\$ 73,419,533</u>	<u>\$ -</u>

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	2024		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)
Assets			
Money market funds	\$ 10,729,253	\$ 10,729,253	\$ -
U.S. Government obligations	7,798,693	-	7,798,693
Fixed income investments	4,928,432	-	4,928,432
Mutual Funds	9,257,056	9,257,056	-
Equity securities			
Consumer discretionary	5,809,132	5,809,132	-
Financial	10,354,058	10,354,058	-
Health care	5,365,142	5,365,142	-
Industrials	3,929,356	3,929,356	-
Information technology	9,061,507	9,061,507	-
Total assets at fair value	<u>\$ 67,232,628</u>	<u>\$ 54,505,503</u>	<u>\$ 12,727,126</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, divided by the number 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.

12. Endowment Funds

DC CAP adheres to the Financial Accounting Standards Board's 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.

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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'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, 2025 and 2024, the endowment fund balance was \$83,757,489 and \$85,968,369 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 of 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, 2025 and June 30, 2024, there were no underwater endowment funds.

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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 to or greater than 7-8% 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 with 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 of Directors, 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 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 as of June 30, 2025 was as follows:

	2025		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 17,143,501	\$ 17,143,501
Board -designated endowment funds	66,613,987		66,613,987
Total endowment net assets	<u>\$ 66,613,987</u>	<u>\$ 17,143,501</u>	<u>\$ 83,757,488</u>

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For the year ended June 30, 2025, changes in endowment net assets were as follows:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 68,875,716	\$ 17,092,653	\$ 85,968,369
Investments return			
Investment income	1,720,977	427,089	2,148,066
Net depreciation (realized and unrealized)	3,355,070	832,616	4,187,686
Investment return	5,076,047	1,259,705	6,335,752
Appropriations for expenditures	(7,337,776)	(1,208,857)	(8,546,633)
Endowment net assets, end of year	\$ 66,613,987	\$ 17,143,501	\$ 83,757,488

DC CAP's endowment net assets composition by fund type as of June 30, 2024 was as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 17,092,653	\$ 17,092,653
Board-designated endowment funds	68,875,716	-	68,875,716
Total endowment net assets	\$ 68,875,716	\$ 17,092,653	\$ 85,968,369

For the year ended June 30, 2024, changes in endowment net assets were as follows:

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	2024		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ 67,512,301	\$ 16,202,294	\$ 83,714,595
Investments return			
Investment income	1,104,518	265,074	1,369,592
Net depreciation (realized and unrealized)	7,743,055	1,858,257	9,601,312
Investment return	8,847,573	2,123,331	10,970,904
Appropriations for expenditures	(7,484,158)	(1,232,972)	(8,717,130)
Endowment net assets, end of year	<u>\$ 68,875,716</u>	<u>\$ 17,092,653</u>	<u>\$ 85,968,369</u>

For the years ended June 30, 2025 and 2024, \$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.

13. 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 \$69,923 and \$47,795 for the year ended June 30, 2025 and 2024, respectively.

14. Liquidity and Availability

The following reflects DC CAP's short-term financial assets as of June 30, 2025, reduced by amounts not available for general use within one year of June 30, 2025 due to donor-imposed and board restrictions.

Financial assets:

Cash and cash equivalents	\$ 16,610,707
Accounts receivable	348,780
Short-term pledges receivable	2,100,000
Short-term investments	-
Total	<u>19,059,487</u>
Less: Donor restricted pledge receivables	(75,000)
Total	<u>\$ 18,984,487</u>

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The following reflects DC CAP's short-term financial assets as of June 30, 2024, reduced by amounts not available for general use within one year of June 30, 2024 due to donor-imposed and board restrictions.

Financial assets	
Cash and cash equivalents	\$ 12,147,473
Accounts receivable	317,606
Short-term pledges receivable	920,000
Short-term investments	<u>114,216</u>
Total	13,499,295
Less: Donor restricted pledge receivables	<u>(250,000)</u>
Total	<u>\$ 13,249,295</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 general operating gifts may be added to the to the endowment at the board's discretion. 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.

15. Subsequent Events

Management has evaluated subsequent events through December 22, 2025 which is the date the financial statements were available to be issued.