

District of Columbia College Access Program, Inc.

**Financial Statements
June 30, 2024 and 2023**

District of Columbia College Access Program, Inc.

Index

June 30, 2024 and 2023

	Page(s)
Report of Independent Auditors	1–2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statements of Functional Expense	5
Statements of Cash Flow	6
Notes to Financial Statements	7–21



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 ("DC CAP"), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 District of Columbia College Access Program as of June 30, 2024 and 2023, 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 the 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.

PricewaterhouseCoopers LLP

Washington, District Of Columbia
March 7, 2025

District of Columbia College Access Program, Inc.
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 12,147,473	\$ 12,412,609
Accounts receivable	317,606	174,049
Short-term pledges receivable	920,000	75,000
Short-term investments	114,216	-
Prepaid expenses and other assets	270,166	183,572
Total current assets	<u>13,769,461</u>	<u>12,845,230</u>
Fixed assets, net of accumulated depreciation and amortization	62,041	27,555
Right of use asset	1,644,994	2,024,047
Long-term pledges receivable, net	1,809,913	534,212
Long-term investments	56,389,160	57,992,019
Total assets	<u>\$ 73,675,569</u>	<u>\$ 73,423,063</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 579,862	\$ 237,934
Lease liability - current	481,088	469,355
Total current liabilities	<u>1,060,950</u>	<u>707,289</u>
Lease liability - long-term	1,399,894	1,819,967
Total liabilities	<u>2,460,844</u>	<u>2,527,256</u>
Net assets		
Without donor restrictions	50,953,614	52,090,646
With donor restrictions	20,261,111	18,805,161
Total net assets	<u>71,214,725</u>	<u>70,895,807</u>
Total liabilities and net assets	<u>\$ 73,675,569</u>	<u>\$ 73,423,063</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, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support						
Contributions and grants	\$ 1,106,041	\$ 2,637,178	\$ 3,743,219	\$ 354,389	\$ 1,680,570	\$ 2,034,959
Special events revenue and contributions	-	-	-	-	-	-
Contributed services	791,570	-	791,570	305,069	-	305,069
Net assets released from restriction	3,304,559	(3,304,559)	-	4,582,494	(4,582,494)	-
Total revenues, gains and other support	<u>5,202,170</u>	<u>(667,381)</u>	<u>4,534,789</u>	<u>5,241,952</u>	<u>(2,901,924)</u>	<u>2,340,028</u>
Operating expenses						
Salaries and benefits	4,410,711	-	4,410,711	3,636,748	-	3,636,748
Office and administrative	2,819,725	-	2,819,725	1,929,851	-	1,929,851
Scholarship awards	6,793,801	-	6,793,801	6,288,637	-	6,288,637
Events and meetings	99,076	-	99,076	128,840	-	128,840
Rent and storage expense	519,189	-	519,189	475,899	-	475,899
Depreciation and amortization	10,334	-	10,334	13,801	-	13,801
Total expenses	<u>14,652,836</u>	<u>-</u>	<u>14,652,836</u>	<u>12,473,776</u>	<u>-</u>	<u>12,473,776</u>
Operating change in net assets	(9,450,666)	(667,381)	(10,118,047)	(7,231,824)	(2,901,924)	(10,133,748)
Investments return, net	8,313,634	2,123,331	10,436,965	4,077,619	1,091,349	5,168,968
Change in net assets	(1,137,032)	1,455,950	318,918	(3,154,205)	(1,810,575)	(4,964,780)
Net assets, beginning of year	52,090,646	18,805,161	70,895,807	55,244,851	20,615,736	75,860,587
Net assets, end of year	<u>\$ 50,953,614</u>	<u>\$ 20,261,111</u>	<u>\$ 71,214,725</u>	<u>\$ 52,090,646</u>	<u>\$ 18,805,161</u>	<u>\$ 70,895,807</u>

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, 2024 and 2023

	Program Services					Total Program Services	Fundraising	General and Administrative	Total Expenses
	Highschool	Retention/ Partnerships	STEM	Ward 7 & 8 Scholars	Gear Up				
Salaries and benefits	\$ 1,228,040	\$ 1,181,982	\$ 426,016	\$ 116,519	\$ 132,613	\$ 3,085,170	\$ 468,696	\$ 856,845	\$ 4,410,711
Office and administrative	169,753	180,024	86,918	12,474	45,034	494,203	103,532	2,221,990	2,819,725
Scholarship awards	1,475,338	4,479,738	131,225	707,500	-	6,793,801	-	-	6,793,801
Events and meetings	13,248	55,119	3,485	162	426	72,440	1,673	24,964	99,077
Rent and storage expense	161,170	152,588	55,012	15,032	17,098	400,900	57,130	61,159	519,189
Depreciation and amortization	3,172	3,053	1,101	301	342	7,969	1,142	1,222	10,333
Total expenses	<u>\$ 3,050,721</u>	<u>\$ 6,052,504</u>	<u>\$ 703,757</u>	<u>\$ 851,988</u>	<u>\$ 195,513</u>	<u>\$ 10,854,483</u>	<u>\$ 632,173</u>	<u>\$ 3,166,180</u>	<u>\$ 14,652,836</u>

	Program Services					Total Program Services	Fundraising	General and Administrative	Total Expenses
	Highschool	Retention/ Partnerships	STEM	Ward 7 & 8	Gear Up				
Salaries and benefits	\$ 1,078,822	\$ 697,736	\$ 432,091	\$ 1,039,226	\$ 3,247,875	\$ 284,239	\$ 104,634	\$ 3,636,748	
Office and administrative	193,359	180,163	145,391	134,325	653,238	346,360	930,250	1,929,848	
Scholarship awards	4,332,096	640,541	120,500	1,195,500	6,288,637	-	-	6,288,637	
Events and meetings	10,777	31,823	72,088	9,524	124,212	3,669	959	128,840	
Rent and storage expense	144,106	90,125	56,806	134,524	425,561	36,794	13,544	475,899	
Depreciation and amortization	4,096	2,643	1,640	3,945	12,324	1,079	398	13,801	
Total expenses	<u>\$ 5,763,256</u>	<u>\$ 1,643,031</u>	<u>\$ 828,516</u>	<u>\$ 2,517,044</u>	<u>\$ 10,751,847</u>	<u>\$ 672,141</u>	<u>\$ 1,049,785</u>	<u>\$ 12,473,773</u>	

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, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 318,918	\$ (4,964,780)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net gains on investments	(9,601,313)	(4,643,154)
Amortization of discount on pledges receivable	224,299	(195)
Depreciation and amortization	10,334	13,801
Changes in assets and liabilities		
(Increase) in accounts receivable	(143,557)	(97,418)
(Increase)/decrease in pledges receivable	(2,345,000)	1,974,999
Increase in prepaid expenses	(86,594)	(27,910)
Increase/(decrease) in accounts payable and accrued liabilities	341,928	(548,130)
Operating lease activity	(29,287)	265,275
Net cash used in operating activities	<u>(11,310,272)</u>	<u>(8,027,512)</u>
Cash flows from investing activities		
Purchases of fixed assets	(44,820)	(31,000)
Purchases of investments	(23,060,631)	(15,454,131)
Proceeds from sales or maturities of investments	34,150,587	27,360,735
Net cash provided by investing activities	<u>11,045,136</u>	<u>11,875,604</u>
(Decrease)/increase in cash and cash equivalents	(265,136)	3,848,092
Cash and cash equivalents, beginning of year	12,412,609	8,564,517
Cash and cash equivalents, end of year	<u>\$ 12,147,473</u>	<u>\$ 12,412,609</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, 2024 and 2023

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 two main 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 provides comprehensive financial aid counseling to a pipeline of “Scholars,” the majority of whom enroll at one of DC-CAP’s “partner institutions.” This strategy 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 lead to an increase in college persistence and graduation rates for District of Columbia students.

DC-CAP’s third initiative, the **STEM Ready Program** (previously called the STEM Incentive and Scholarship Program or SISP) sunset in fiscal year 2024. The STEM Ready Program, which included a scholarships component, was designed to establish a culture of STEM achievement among D.C. high school students and aimed to increase the number of graduates motivated and prepared to earn STEM and STEM-supported college degrees.

Through the DC-CAP Scholarship Program, graduating high school seniors are selected as “DC-CAP Scholars”. They receive renewable support from DC-CAP for up to five years. DC-CAP Scholars, receive up to \$4,000 per year and may attend any accredited four-year, postsecondary institution.

Through the DC-CAP University Partnership Scholarship Program, the organization 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 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.

DC-CAP awards “named” scholarships based on donor giving and agreed upon student eligibility criteria.

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

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

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

2. Summary of Significant Accounting Policies

Basis of Financial Statement Presentation

DC-CAP follows Accounting Standards Codification Topic 958, *Not-for-Profit Entities* ASC 958. ASC 958 specifies that financial statements provided by not-for-profit organizations include 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, DCCAP has not experienced any losses on its funds. As of June 30, 2024 and 2023, cash and cash equivalents of \$12,147,473 and \$12,412,609, respectively, were invested in highly liquid money market funds and U.S. Treasury bills which were not insured. As of June 30, 2024 and 2023 there was \$1,168,219 and \$35,627, respectively, in excess of the Federal Deposit Insurance Corporation (FDIC) maximum insured limit of \$250,000.

Accounting Standards Adopted

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

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

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

DC-CAP elected certain practical expedients when implementing the standard. These expedients allow DC-CAP to avoid reassessing whether expired or existing contracts constitute leases, the classification of such leases, and the initial direct costs of existing leases as of the effective date. DC-CAP also elected not to combine lease and related non lease components and to exclude 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 the DC-CAP's leases is not readily determinable, DC-CAP utilizes the risk-free rate. DC-CAP's lease terms include periods under options to extend or terminate the lease when it is reasonably certain that DC-CAP will exercise that option. DC-CAP generally use the base, noncancelable, 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.

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)*, applies to all financial instruments carried at amortized cost (including loans held for investment (HFI) and held-to-maturity (HTM) debt securities, as well as trade receivables, reinsurance recoverables, and receivables that relate to repurchase agreements and securities lending agreements), a lessor's net investments in leases, and off-balance-sheet credit exposures not accounted for as insurance or as derivatives, including loan commitments, standby letters of credit, and financial guarantees.

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

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 year ended June 30, 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.

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

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

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

Fixed Assets

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

Classification of Net Assets

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

Contributions of cash and other assets are reported as with donor restrictions if they are received with donor-imposed stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the Statements of Activities as net assets released from restrictions. Unrealized and realized gains and losses and dividends and interest from investing may be included in any of the net asset classifications depending on donor restrictions.

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

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

The Board of Directors of DC-CAP has designated certain unrestricted net assets as intended for long-term investment support. Such unrestricted net assets totaled \$68,875,716 and \$67,512,301 as of June 30, 2024 and 2023, respectively.

Of the unrestricted net assets, (\$17,922,102) and (\$15,421,656) are undesignated as of June 30, 2024 and June 30, 2023, respectively, leaving total unrestricted, undesignated net assets at \$50,953,614 and \$52,090,646 as of June 30, 2024 and June 30, 2023, respectively.

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

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, 2024 and 2023, DC-CAP received contributions of legal, administrative and accounting services which are classified as office and administrative expenses of approximately \$791,570 and \$305,069, respectively.

Functional Allocation of Expenses

The costs of providing program and supportive services have been summarized on a functional basis in the Statement of Functional Expenses. DC-CAP incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. DC-CAP also conducts a number of activities which benefit both its programmatic objectives and the supporting services. These costs, which are not attributable to a specific program or supportive activity, are allocated by management on a consistent basis among program and support 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 benefit expenses, 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.

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, 2024 and 2023:

	2024	2023
U.S government obligations	\$ 7,798,694	\$ 7,565,664
Fixed income investments	4,928,432	4,832,222
Equity securities	<u>43,776,250</u>	<u>45,594,133</u>
Total investments	<u>\$ 56,503,376</u>	<u>\$ 57,992,019</u>

Investment return consisted of the following at June 30, 2024 and 2023:

	2024	2023
Dividends and interest	\$ 1,369,592	\$ 1,101,172
Net unrealized losses/ gains	4,006,331	7,198,789
Net realized gains	5,594,982	(2,555,635)
Investment fees	<u>(533,939)</u>	<u>(575,357)</u>
Total investment return	<u>\$ 10,436,965</u>	<u>\$ 5,168,968</u>

District of Columbia College Access Program, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

4. Pledges Receivable

Pledges receivable consisted of the following at June 30, 2024 and 2023:

	2024	2023
Amounts due in		
Less than one year	\$ 920,000	\$ 75,000
One to five years	2,050,000	550,000
	<u>2,970,000</u>	<u>625,000</u>
Less: Discount on pledges receivable	(240,087)	(15,788)
Pledges Receivable, net	<u>\$ 2,729,913</u>	<u>\$ 609,212</u>

For the promises to give, discount rates ranging from 1.85% to 4.48% were applied based on the date of the gift and the pledge period. The discount rates applied under ASC 820 for fiscal year 2024 were market rates commensurate with the term of the individual pledges.

5. Fixed Assets

Fixed assets consisted of the following at June 30, 2024 and 2023:

	2024	2023
Computer hardware and software	\$ 570,557	\$ 525,737
Furniture and fixtures	48,296	48,296
	<u>618,853</u>	<u>574,033</u>
Less: Accumulated depreciation and amortization	(556,811)	(546,478)
Fixed asset, net	<u>\$ 62,042</u>	<u>\$ 27,555</u>

Depreciation expense was \$10,334 and \$13,801 for the years ended June 30, 2024 and 2023, 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, 2024, 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
June 30, 2024 and 2023

DC-CAP's net assets with donor restrictions are restricted for the following purposes of periods as of June 30, 2024 and 2023:

	2024	2023
Unappropriated earnings on endowment	\$ 8,842,652	\$ 7,952,294
Time restrictions	1,634,194	-
Purpose restrictions		
Scholarships	358,013	474,965
STEM program	400,000	625,000
Alpha leadership program	-	-
Partnerships	245,000	100,000
Development and database design	32,500	32,500
Ward 7&8 scholars	498,751	1,370,403
Total temporarily restricted net assets	<u>12,011,110</u>	<u>10,555,162</u>
Gates endowment grant	<u>8,250,000</u>	<u>8,250,000</u>
Total permanently restricted net assets	<u>8,250,000</u>	<u>8,250,000</u>
Total net assets with donor restrictions	<u>\$ 20,261,110</u>	<u>\$ 18,805,162</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, 2024 and 2023:

	2024	2023
Appropriations on endowment	\$ 1,232,972	\$ 867,075
Time releases	490,806	-
Program releases		
STEM incentive program	275,000	375,500
Alpha leadership program	-	-
Ward 7&8 scholars program	864,385	2,517,044
Partnerships	286,178	380,375
Scholarships	155,217	442,500
Total net assets released from restriction	<u>\$ 3,304,558</u>	<u>\$ 4,582,494</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 \$1,880,982 of operating lease liabilities 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, 2024.

District of Columbia College Access Program, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

The following is a schedule, by years, of future minimum lease payments required under the operating lease as of June 30, 2024:

Fiscal year ending June 30,	
2025	\$ 481,089
2026	493,116
2027	505,444
2028	516,609
	<hr/>
	1,996,258
Less: Imputed interest	<hr/> (176,291)
Lease liability	<hr/> \$ 1,819,967 <hr/>

The weighted average remaining lease term is 5 years and the weighted average discount rate is 2.90%. Cash paid for leases during the year ended June 30, 2023 was \$470,329.

The following is a schedule, by years, of future minimum lease payments required under the operating lease for the year ended June 30, 2023 are as follows:

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

9. Related Party Transactions

A significant portion of the funds received or pledged during the years ended June 30, 2024 and 2023, came from individual members of the Board of Directors or organizations affiliated with Board Members. Related party revenue totaled \$3,028,661 and \$1,958,659 which is 66% and 84% of contribution revenue in fiscal years 2024 and 2023, respectively. Undiscounted related party pledge receivables totaled \$2,555,000 and \$225,000 which is 83% and 36% of gross pledges receivable at June 30, 2024 and 2023, respectively. The Organization receives administrative support from individuals employed by the Graham Holdings Company and records such support as contributed services revenue and expenses.

10. 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. Accrued contributions related to this agreement for the year ended June 30, 2024 and 2023 were \$40,000 and \$20,000, respectively.

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

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:

- 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 nonactive 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.

District of Columbia College Access Program, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

The following table summarizes the assets measured at fair value on a recurring basis as of June 30, 2024 and 2023:

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

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

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

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

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

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

DC-CAP's endowment consists of board-designated funds and an endowment established by The Gates Foundation. The board-designated endowment fund consists of cash and stock gifts that are not restricted by the donors for purpose of use but provided for long-term investing under the management of the Board. As of June 30, 2024 and 2023, the endowment fund balance was \$85,968,369 and \$83,568,775, 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

District of Columbia College Access Program, Inc.

Notes to Financial Statements

June 30, 2024 and 2023

- 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, 2024, there were no underwater endowment funds.

Return Objectives and Risk Parameters

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

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

District of Columbia College Access Program, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

DC-CAP's endowment net assets composition by fund type as of June 30, 2024 and 2023 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	<u>68,875,716</u>	<u>-</u>	<u>68,875,716</u>
Total endowment net assets	<u>\$ 68,875,716</u>	<u>\$ 17,092,653</u>	<u>\$ 85,968,369</u>

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

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
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 appreciation (realized and unrealized)	<u>7,743,055</u>	<u>1,858,257</u>	<u>9,601,312</u>
Investment return	8,847,573	2,123,331	10,970,904
Contributions	-	-	-
Appropriations for expenditures	<u>(7,484,158)</u>	<u>(1,232,972)</u>	<u>(8,717,130)</u>
Endowment net assets, end of year	<u>\$ 68,875,716</u>	<u>\$ 17,092,653</u>	<u>\$ 85,968,369</u>

District of Columbia College Access Program, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

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

	2023		Total
	Without Donor Restrictions	With Donor Restrictions	
Endowment net assets, beginning of year	\$ 68,122,479	\$ 15,978,020	\$ 84,100,499
Investments return			
Investment income	891,964	209,209	1,101,173
Net appreciation (realized and unrealized)	<u>3,761,014</u>	<u>882,140</u>	<u>4,643,154</u>
Investment return	4,652,978	1,091,349	5,744,327
Contributions	-	-	-
Appropriations for expenditures	<u>(5,263,156)</u>	<u>(867,075)</u>	<u>(6,130,231)</u>
Endowment net assets, end of year	<u>\$ 67,512,301</u>	<u>\$ 16,202,294</u>	<u>\$ 83,714,595</u>

For the years ended June 30, 2024 and 2023, \$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 \$47,795 and \$50,997 for the year ended June 30, 2024 and 2023, respectively.

14. Liquidity and Availability

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>

District of Columbia College Access Program, Inc.
Notes to Financial Statements
June 30, 2024 and 2023

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

Financial assets

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

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

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

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

- 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.

15. Subsequent Events

Management has evaluated subsequent events through March 7, 2025 which is the date the financial statements were available to be issued.