

CAPITAL PARTNERS FOR EDUCATION
(a Nonprofit Corporation)

FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Capital Partners for Education
Washington, D.C.

We have audited the accompanying financial statements of Capital Partners for Education (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital Partners for Education as of June 30, 2018 and 2017, 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.

Lanigan, Ryan, Malcolm & Doyle P.C.

Gaithersburg, Maryland
May 13, 2019

CAPITAL PARTNERS FOR EDUCATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 122,210	\$ 219,455
Promises to give	475,000	214,930
Accounts receivable, other	5,950	535
Prepaid expenses	<u>16,992</u>	<u>13,384</u>
Total current assets	<u>620,152</u>	<u>448,304</u>
PROPERTY AND EQUIPMENT		
Equipment and software	50,491	105,231
Accumulated depreciation and amortization	<u>(32,052)</u>	<u>(75,356)</u>
	<u>18,439</u>	<u>29,875</u>
OTHER ASSETS		
Deposit	5,217	5,842
Promises to give, noncurrent	1,554,554	120,000
Investments	<u>2,270,328</u>	<u>2,419,906</u>
	<u>3,830,099</u>	<u>2,545,748</u>
Total assets	<u>\$ 4,468,690</u>	<u>\$ 3,023,927</u>
 LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 56,259	\$ 25,861
Accrued liabilities	<u>16,434</u>	<u>14,138</u>
Total current liabilities	<u>72,693</u>	<u>39,999</u>
NET ASSETS		
Unrestricted	3,419,641	2,108,573
Temporarily restricted	<u>976,356</u>	<u>875,355</u>
Total net assets	<u>4,395,997</u>	<u>2,983,928</u>
Total liabilities and net assets	<u>\$ 4,468,690</u>	<u>\$ 3,023,927</u>

The Notes to Financial Statements are an integral part of these statements.

CAPITAL PARTNERS FOR EDUCATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING REVENUES:						
Contributions:						
Individuals	\$ 1,964,211	\$ 187,500	\$ 2,151,711	\$ 939,000	\$ -	\$ 939,000
Foundations	892,449	362,500	1,254,949	702,975	645,000	1,347,975
Donated services	89,927	-	89,927	98,226	-	98,226
Corporations	48,282	-	48,282	182,016	-	182,016
Net assets released from restrictions	448,999	(448,999)	-	424,895	(424,895)	-
Total operating revenues	<u>3,443,868</u>	<u>101,001</u>	<u>3,544,869</u>	<u>2,347,112</u>	<u>220,105</u>	<u>2,567,217</u>
OPERATING EXPENSES:						
Program services	1,705,671	-	1,705,671	1,563,348	-	1,563,348
Management and general	300,040	-	300,040	286,519	-	286,519
Fundraising	307,616	-	307,616	224,850	-	224,850
Total operating expenses	<u>2,313,327</u>	<u>-</u>	<u>2,313,327</u>	<u>2,074,717</u>	<u>-</u>	<u>2,074,717</u>
Change in net assets from operations	1,130,541	101,001	1,231,542	272,395	220,105	492,500
Interest and dividend income	38,111	-	38,111	35,382	-	35,382
Net unrealized gain on investments	142,416	-	142,416	157,600	-	157,600
Increase in net assets	1,311,068	101,001	1,412,069	465,377	220,105	685,482
Net assets, beginning of year	2,108,573	875,355	2,983,928	1,643,196	655,250	2,298,446
Net assets, end of year	<u>\$ 3,419,641</u>	<u>\$ 976,356</u>	<u>\$ 4,395,997</u>	<u>\$ 2,108,573</u>	<u>\$ 875,355</u>	<u>\$ 2,983,928</u>

The Notes to Financial Statements are an integral part of these statements.

CAPITAL PARTNERS FOR EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 705,507	\$ 145,435	\$ 215,959	\$ 1,066,901
Tuition scholarships	326,028	-	-	326,028
Contract services	79,330	4,407	7,407	91,144
Donated services	59,515	16,469	13,943	89,927
Occupancy	58,978	6,737	13,325	79,040
Health insurance	50,147	13,877	11,748	75,772
Payroll taxes	49,139	13,598	11,512	74,249
Evaluation	59,186	3,288	3,288	65,762
Staff development	46,403	8,043	7,424	61,870
Technology	42,935	-	-	42,935
403(b) retirement plan	25,081	6,940	5,876	37,897
Other program expenses	35,707	-	-	35,707
Emergency funds	31,632	-	-	31,632
Enrichment activities	29,644	-	-	29,644
Accounting fees	-	29,500	-	29,500
Supplies	13,144	10,060	2,278	25,482
Bookkeeping fees	-	21,442	-	21,442
Insurance	11,761	3,255	2,755	17,771
Mentor programs	16,653	-	-	16,653
Professional development	10,590	1,694	1,836	14,120
Interns	10,800	1,350	1,350	13,500
Depreciation	8,577	1,372	1,487	11,436
Printing	6,499	-	1,625	8,124
Miscellaneous	117	6,415	13	6,545
Parking	4,750	-	1,188	5,938
Payroll services	3,358	929	787	5,074
Telephone/internet	3,820	239	716	4,775
Food	3,366	421	421	4,208
Postage	3,565	-	629	4,194
College prep program	2,841	-	-	2,841
MIS award	2,698	-	-	2,698
Membership fees	-	2,470	-	2,470
Professional services	2,113	-	235	2,348
Transportation	1,787	-	447	2,234
Credit card fees	-	2,099	-	2,099
Fundraiser expenditures	-	-	1,367	1,367
	<u>\$ 1,705,671</u>	<u>\$ 300,040</u>	<u>\$ 307,616</u>	<u>\$ 2,313,327</u>

The Notes to Financial Statements are an integral part of these statements.

CAPITAL PARTNERS FOR EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 560,265	\$ 159,961	\$ 143,733	\$ 863,959
Tuition scholarships	354,279	-	-	354,279
Contract services	138,744	7,708	13,208	159,660
Evaluation	97,559	5,420	5,420	108,399
Donated services	83,430	9,140	5,656	98,226
Occupancy	62,112	9,016	9,016	80,144
Payroll taxes	38,547	10,667	9,030	58,244
Health insurance	36,736	10,488	9,424	56,648
Technology	40,829	104	-	40,933
403(b) retirement plan	21,297	3,408	3,692	28,397
Accounting fees	-	26,210	-	26,210
Emergency funds	24,839	-	-	24,839
Supplies	11,976	7,866	2,813	22,655
Insurance	13,278	3,791	3,407	20,476
Bookkeeping fees	-	17,250	-	17,250
Depreciation	7,515	2,146	1,928	11,589
Printing	9,144	-	2,286	11,430
Mentor programs	8,850	-	-	8,850
Interns	7,059	883	883	8,825
Fundraiser expenditures	-	-	8,627	8,627
Staff development	4,984	1,423	1,279	7,686
Teacher development	7,000	-	-	7,000
Alumni program	6,470	-	-	6,470
Parking	3,734	1,066	958	5,758
Credit card fees	-	5,285	-	5,285
Transportation	3,396	-	849	4,245
Payroll services	2,753	786	706	4,245
Postage	3,459	-	611	4,070
Enrichment activities	4,058	-	-	4,058
Food	3,107	388	388	3,883
Professional development	1,914	547	491	2,952
Telephone/internet	2,315	145	434	2,894
Other program expenses	2,533	-	-	2,533
Membership fees	-	1,339	-	1,339
Miscellaneous	-	1,118	-	1,118
MIS award	946	-	-	946
Office move	-	364	-	364
Summer program	121	-	-	121
Professional services	99	-	11	110
	<u>\$ 1,563,348</u>	<u>\$ 286,519</u>	<u>\$ 224,850</u>	<u>\$ 2,074,717</u>

The Notes to Financial Statements are an integral part of these statements.

CAPITAL PARTNERS FOR EDUCATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Increase in net assets	\$ 1,412,069	\$ 685,482
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities		
Depreciation	11,436	11,589
Donated investments	(554,836)	(190,945)
Increase in fair value of the Organization's investment accounts	(182,447)	(192,457)
(Increase) decrease in assets		
Promises to give	(1,694,624)	(151,667)
Accounts receivable, other	(5,415)	-
Prepaid expenses	(3,608)	702
Deposit	625	-
Increase (decrease) in liabilities		
Accounts payable	30,398	3,858
Accrued liabilities	2,296	(54,198)
	(984,106)	112,364
Cash flows from investing activities		
Purchase of property and equipment	-	(6,946)
Purchase of investments	-	(390,000)
Proceeds from sale of investments	886,861	66,000
	886,861	(330,946)
Decrease in cash and cash equivalents	(97,245)	(218,582)
Cash and cash equivalents, beginning of year	219,455	438,037
Cash and cash equivalents, end of year	\$ 122,210	\$ 219,455

The Notes to Financial Statements are an integral part of these statements.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

Note 1. Organization and Operations

Capital Partners for Education (CPE) mentors low-income high school and college students in the academic middle from the Washington, D.C. area to provide the skills and experiences they need to successfully complete college and to excel in the workforce. CPE derives the majority of its revenue from contributions. The Organization has been granted an exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting - The Organization prepares its financial statements on the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Use of Estimates in Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Property and Equipment - Property and equipment is recorded at cost as of the date of acquisition. Donated property is capitalized at its fair market value on the date donated or placed in service. Property and equipment items are depreciated or amortized using the straight-line method over their estimated useful lives of three to seven years. The Organization capitalizes property and equipment with costs or fair market value in excess of \$1,000. Depreciation expense for the years ended June 30, 2018 and 2017 was \$11,436 and \$11,589, respectively.

Recognition of Grants and Contributions - Revenue from grants and contributions is recognized the earlier of when received or when an unconditional promise to give is made.

Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all highly liquid investments with maturity of three months or less as of the date of acquisition to be cash equivalents. On occasion, the Organization receives donations of marketable equity securities. Their policy is to liquidate these securities immediately and therefore consider them to be cash equivalents.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

Note 2. Summary of Significant Accounting Policies (continued)

Expense Allocation - The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Donated Services - Donated services are recognized by the Organization if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The estimated fair value of donated services received by the Organization is recorded as contributions.

Promises to Give and Allowance for Doubtful Accounts - Promises to give consist of contributions promised and not received as of the end of the year. Promises to give are recorded at their net realizable value if due within one year. Promises to give expected to be collected in future years are recorded at the present value of expected future cash flows discounted at an appropriate discount rate commensurate with the risks involved, which was 5% at June 30, 2018.

Management provides for probable uncollectible amounts through an increase in bad debt expense and an increase in the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a decrease in the allowance for doubtful accounts and a decrease in promises to give. Management considers all promises to give on the statements of financial position as of June 30, 2018 and 2017 to be fully collectible, therefore an allowance for doubtful accounts is not recorded.

Uncertain Tax Positions - For financial reporting purposes, the Organization recognizes tax positions claimed or expected to be claimed based upon whether it is more likely than not that the tax position will be sustained upon examination. Interest, if any, related to income tax liabilities is included in interest expense. Penalties, if any, related to income tax liabilities are included in operating expense. As of June 30, 2018 and 2017, the Organization had no uncertain tax positions that qualified for either recognition or disclosure in the financial statements.

Subsequent Events - The Organization has evaluated events and transactions for potential recognition or disclosure in the financial statements through May 13, 2019, the date on which the financial statements were available to be issued.

Note 3. Fair Value Measurements

The Organization measures fair value based on the price that the Organization would receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. Various inputs are used in determining the fair value of assets or liabilities. Inputs are classified into a three-tier hierarchy, summarized as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities
- Level 2 – Other significant observable inputs
- Level 3 – Significant unobservable inputs

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

Note 3. Fair Value Measurements (continued)

When Level 1 inputs are not available, the Organization measures fair value using valuation techniques that maximize the use of relevant observable inputs (Level 2) and minimizes the use of unobservable inputs (Level 3).

Fair values of assets and liabilities measured on a recurring basis as of June 30, 2018 and 2017 are as follows:

	Fair Value Measurements as of Reporting Date Using:			
Fair Value	Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
June 30, 2018: Equity and debt investments	<u>\$ 1,755,228</u>	<u>\$ 1,755,228</u>	<u>\$ -</u>	<u>\$ -</u>
June 30, 2017: Equity and debt investments	<u>\$ 2,373,091</u>	<u>\$ 2,373,091</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4. Investments

Investments are carried at fair market value and consist of the following as of June 30,

	2018		2017	
	Cost	Fair Market Value	Cost	Fair Market Value
Vanguard 500 Index Fund	\$ 593,771	\$ 1,191,219	\$ 968,260	\$ 1,406,646
Vanguard ST Bond Index	585,340	564,009	971,126	966,445
Certificates of Deposit	21,032	20,937	32,070	32,414
Cash-MS Active Asset MT	<u>494,163</u>	<u>494,163</u>	<u>14,401</u>	<u>14,401</u>
	<u>\$ 1,694,306</u>	<u>\$ 2,270,328</u>	<u>\$ 1,985,857</u>	<u>\$ 2,419,906</u>

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

Note 4. Investments (continued)

Unrestricted investment income for the years ended June 30, 2018 and 2017 consists of the following:

	2018	2017
Investments:		
Interest and dividend income	\$ 38,111	\$ 35,382
Unrealized gain	<u>142,416</u>	<u>157,600</u>
	<u>\$ 180,527</u>	<u>\$ 192,982</u>

Note 5. Promises to Give

Promises to give as of June 30, 2018 and 2017 consist of the following:

	2018	2017
Gross unconditional promises to give	\$ 2,232,705	\$ 334,930
Less: unamortized discount	<u>(203,151)</u>	<u>-</u>
Net unconditional promises to give	<u>\$ 2,029,554</u>	<u>\$ 334,930</u>
Amounts due in:		
Less than one year	\$ 475,000	\$ 214,930
One to five years	<u>1,554,554</u>	<u>120,000</u>
	<u>\$ 2,029,554</u>	<u>\$ 334,930</u>

Note 6. Accrued Liabilities

Accrued liabilities as of June 30, 2018 and 2017 consist of the following:

	2018	2017
Vacation	\$ 15,266	\$ 11,596
Other expenses	<u>1,168</u>	<u>2,542</u>
	<u>\$ 16,434</u>	<u>\$ 14,138</u>

Note 7. Temporarily Restricted Net Assets

The Most Improved Student Award was established in May 2001. The Sunrise Foundation contributed \$3,000 during each of the years ended June 30, 2018 and 2017. During the years ended June 30, 2018 and 2017, \$2,698 and \$946 was expended for this program, respectively.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

Note 7. Temporarily Restricted Net Assets (continued)

The Teacher Professional Development Program was established in December 2001. The program awards grants to partnering schools that have students sponsored by CPE. The grants assist in professional development programs for teachers. The Sunrise Foundation contributed \$14,500 and \$10,000 during the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, \$0 and \$7,000 were expended for this program, respectively.

The Tuition Fund was established by several donors to be used for tuition scholarships. The Sunrise Foundation contributed \$50,000 and \$60,000 during the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, CPE awarded \$50,000 and \$60,000 of scholarships from this fund, respectively.

The Evaluation and Learning Program began during the year ended June 30, 2016. This program includes hiring a consultant to help design the framework and hiring an employee to lead the initiative. There were no contributions for the years ended June 30, 2018 and 2017. During the years ended June 30, 2018 and 2017, \$185,301 and \$139,699, was expended for the program, respectively.

Restricted funding for the Transformers Program began during the year ended June 30, 2016. This program aims to help CPE college students continue the progress they made in high school into their college years. Multiple donors contributed a total of \$60,000 and \$147,000 during the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, \$60,000 and \$147,000 was expended for the program, respectively.

CPE received restricted grants aimed at renewing, improving, and upgrading its technology. The aim of these funds is to invest in communications technology that helps effectively reach students, update their database infrastructure, and improve hardware to streamline staff time and resources. During the years ended June 30, 2018 and 2017, \$30,000 and \$15,000 was contributed, respectively. Expenses for the years ended June 30, 2018 and 2017 totaled \$30,000 and \$15,000, respectively.

The Internship Stipend Program began during the year ended June 30, 2018. This program aims to provide CPE students the freedom to pursue unpaid or low-paying opportunities over their summer breaks, in their fields of interest. CPE understands that unpaid internships are increasingly common but are an unreasonable option for most low-income students. Multiple donors contributed a total of \$128,000 and \$0 during the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, \$36,000 and \$0 was expended for the program, respectively.

Restricted funding for the Career Readiness Program began during the year ended June 30, 2018. This program was developed by CPE to provide opportunities for students to build work place skills as well as expose them to career opportunities through job shadowing. During the years ended June 30, 2018 and 2017, \$87,500 and \$0 was contributed, respectively. Expenses for both of the years ended June 30, 2018 and 2017 totaled \$0.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

Note 7. Temporarily Restricted Net Assets (continued)

The College Program began during the year ended June 30, 2018. This program provides students with academic and financial resources, individualized support, and mentorship, with an increased focus on college persistence and completion, as well as workforce and career development. Multiple donors contributed a total of \$77,000 and \$0 during the years ended June 30, 2018 and 2017, respectively. For both of the years ended June 30, 2018 and 2017, \$0 was expended for this program.

CPE received restricted grants to support its long-term organizational sustainability. These funds will be used to pay for staff who are committed to establishing and maintaining partnerships that will enhance CPE's long-term sustainability. One donor contributed \$100,000 and \$0 during the years ended June 30, 2018 and 2017, respectively. No amounts were expended for this program during the years ended June 30, 2018 and 2017.

CPE received long-term time restricted contributions of \$0 and \$410,000 during the years ended June 30, 2018 and 2017, respectively. During the years ended June 30, 2018 and 2017, certain time restrictions expired, and funds totaling \$85,000 and \$55,250, respectively, were released for operations.

Net assets are released from donor restrictions by incurring expenses that satisfy the restricted purpose or the lapse of the time restriction.

Temporarily Restricted Net Asset transactions for the year ended June 30, 2018:

	Beginning Balance	Contributions Received / Promised	Funds Spent or Restriction Satisfied	Ending Balance
Most Improved Student Award	\$ 2,054	\$ 3,000	\$ 2,698	\$ 2,356
Teacher Professional Development Program	23,000	14,500	-	37,500
Tuition Fund	-	50,000	50,000	-
Evaluation and Learning Program	185,301	-	185,301	-
Transformers Program	-	60,000	60,000	-
Technology	-	30,000	30,000	-
Internship Stipends	-	128,000	36,000	92,000
Career Readiness Program	-	87,500	-	87,500
College Program	-	77,000	-	77,000
Organization Sustainability	-	100,000	-	100,000
Time restricted - to expire during multiple years	<u>665,000</u>	<u>-</u>	<u>85,000</u>	<u>580,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 875,355</u>	<u>\$ 550,000</u>	<u>\$ 448,999</u>	<u>\$ 976,356</u>

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

Note 7. Temporarily Restricted Net Assets (continued)

Temporarily Restricted Net Asset transactions for the year ended June 30, 2017:

	Beginning Balance	Contributions Received / Promised	Funds Spent or Restriction Satisfied	Ending Balance
Most Improved Student Award	\$ -	\$ 3,000	\$ 946	\$ 2,054
Teacher Professional Development Program	20,000	10,000	7,000	23,000
Tuition Fund	-	60,000	60,000	-
Evaluation and Learning Program	325,000	-	139,699	185,301
Transformers Program	-	147,000	147,000	-
Technology	-	15,000	15,000	-
Time restricted - to expire during multiple years	<u>310,250</u>	<u>410,000</u>	<u>55,250</u>	<u>665,000</u>
Total Temporarily Restricted Net Assets	<u>\$ 655,250</u>	<u>\$ 645,000</u>	<u>\$ 424,895</u>	<u>\$ 875,355</u>

Note 8. Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of temporary cash investments and promises to give. The Organization maintains cash balances at certain financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of June 30, 2018 and 2017, the Organization's FDIC uninsured cash balances totaled \$244,163 and \$50,806, respectively.

As of June 30, 2018 promises to give from four donors totaled \$1,902,705 or 85% of total promises to give.

As of June 30, 2017 promises to give from three donors totaled \$310,000 or 93% of total promises to give.

Note 9. Income Taxes

The Organization is exempt from federal income taxes, except for taxes on any unrelated business income, under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income during the years ended June 30, 2018 and 2017.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

Note 10. Scholarships Contingency

In years prior to the year ended June 30, 2018, CPE awarded tuition scholarships to private high schools to students for up to four years. These awards are reviewed annually, and payment is contingent upon the student continuing at the designated school and meeting certain performance requirements throughout the year. This program was discontinued during the year ended June 30, 2018. As of June 30, 2018, scholarship commitments, contingent upon the factors described above, are as follows for the years ended June 30:

2019		\$ 194,800
2020		140,700
2021		<u>62,600</u>
		<u>\$ 398,100</u>

In years prior to the year ended June 30, 2018, CPE awarded college scholarships to participating charter and public school students. The scholarship is \$1,000 per year and is contingent upon the student continuing at the designated school, meeting certain performance requirements and attending college. This program was discontinued during the year ended June 30, 2018. As of June 30, 2018, the college scholarship commitments, contingent upon the factors described above for the students in the program, are as follows for the years ended June 30:

2019		\$ 54,000
2020		67,000
2021		42,000
2022		32,000
2023		<u>19,000</u>
		<u>\$ 214,000</u>

Note 11. Major Contributions

For the year ended June 30, 2018, contributions from three donors totaled \$2,103,470 or 60% of total contributions.

For the year ended June 30, 2017, contributions from four donors totaled \$1,300,000 or 51% of total contributions.

Note 12. Donated Services

During the years ended June 30, 2018 and 2017, \$89,927 and \$98,226 worth of donated services were recognized, respectively. Donated services during the year ended June 30, 2018 consisted of strategic planning support and legal services. The strategic planning consulting support allowed CPE to develop a three-year strategic growth plan to serve 650 students by 2021. Donated services during the year ended June 30, 2017 consisted primarily of information technology (IT) support and legal services. The IT support services improved the efficiency of administering the Organization's programs by assisting with the development of a new database to help track the Organization's admittance process and track the progress of its students.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017

Note 13. Operating Lease Commitments

The Organization entered into a lease for office space in Washington, DC that commenced on September 1, 2014 and expires on January 31, 2020. Annual base rent is subject to 3.5% escalation. Rent expense for the years ended June 30, 2018 and 2017 was \$70,401 and \$68,020, respectively.

Future minimum payments as of June 30, 2018 under the lease agreement are estimated to be as follows:

Year ending June 30,	
2019	\$ 124,839
2020	<u>79,587</u>
	<u>\$ 204,426</u>

Note 14. Retirement Plan

The Organization established a 403(b) employer contributory plan as of June 1, 2006. This plan covers all full-time employees. There is an employer match of up to 6% of salary, which is 100% vested. The Organization contributed \$37,897 and \$28,397 to the 403(b) plan for the years ended June 30, 2018 and 2017, respectively.

Note 15. Related Party Transactions

From time to time, the Organization is the recipient of contributions from donors who are also founders or members of the Board of Directors. For the years ended June 30, 2018 and 2017, contribution revenue included \$1,714,239 and \$350,920, respectively, from founders or members of the Board of Directors. "Promises to give" on the statements of financial position as of June 30, 2018 and 2017 consisted of contributions receivable totaling \$1,098,743 and \$0, respectively, due from founders or members of the Board of Directors.