

CAPITAL PARTNERS FOR EDUCATION

FINANCIAL STATEMENTS

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S 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, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditor's 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adoption of New Accounting Guidance

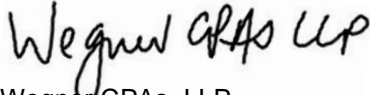
As discussed in Note 1 to the financial statements, Capital Partners for Education adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of and for the year ended June 30, 2020. Our opinion is not modified with respect to this matter.

Prior Period Financial Statements

The financial statements of Capital Partners for Education as of and for the year ended June 30, 2019, were audited by other auditors whose report dated January 8, 2020, expressed an unmodified opinion on those financial statements.

Restatement of Net Assets

As discussed in Note 15 to the financial statements, certain errors resulting in an understatement of previously reported net assets with donor restrictions were discovered during the current year. Accordingly, amounts reported for beginning net assets without donor restrictions and net assets with donor restrictions have been restated. Our opinion is not modified with respect to that matter.



Wegner CPAs, LLP
Alexandria, Virginia
December 8, 2020

CAPITAL PARTNERS FOR EDUCATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash	\$ 921,463	\$ 453,729
Current portion of unconditional promises to give	1,107,960	943,728
Prepaid expenses	8,994	20,308
Total current assets	2,038,417	1,417,765
EQUIPMENT AND SOFTWARE		
Equipment and software	50,491	50,491
Accumulated depreciation and amortization	(48,485)	(42,390)
Equipment and software, net	2,006	8,101
OTHER ASSETS		
Unconditional promises to give less current portion, net	359,969	1,224,443
Investments	1,243,043	1,978,138
Deposits	10,875	10,875
Total other assets	1,613,887	3,213,456
Total assets	\$ 3,654,310	\$ 4,639,322
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 35,997	\$ 40,934
Accrued liabilities	33,532	48,506
Paycheck Protection Program loan	343,500	-
Total current liabilities	413,029	89,440
NET ASSETS		
Without donor restrictions	1,159,118	1,591,727
With donor restrictions	2,082,163	2,958,155
Total net assets	3,241,281	4,549,882
Total liabilities and net assets	\$ 3,654,310	\$ 4,639,322

See accompanying notes.

CAPITAL PARTNERS FOR EDUCATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE						
Contributions						
Individuals	\$ 511,707	\$ 167,269	\$ 678,976	\$ 1,692,092	\$ 106,752	\$ 1,798,844
Foundations	429,387	287,000	716,387	280,218	274,133	554,351
Donated services	-	-	-	75,000	-	75,000
Corporations	66,954	-	66,954	113,025	-	113,025
Other	-	-	-	10,000	-	10,000
Special events	60,000	-	60,000	238,021	-	238,021
Total support and revenue	1,068,048	454,269	1,522,317	2,408,356	380,885	2,789,241
OPERATING EXPENSES						
Program services	2,144,277	-	2,144,277	2,014,578	-	2,014,578
Management and general	427,123	-	427,123	402,476	-	402,476
Fundraising	312,635	-	312,635	371,293	-	371,293
Total expenses	2,884,035	-	2,884,035	2,788,347	-	2,788,347
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of program restrictions	481,296	(481,296)	-	355,005	(355,005)	-
Expiration of time restrictions	848,965	(848,965)	-	73,635	(73,635)	-
Net assets released from restrictions	1,330,261	(1,330,261)	-	428,640	(428,640)	-
Change in net assets from operations	(485,726)	(875,992)	(1,361,718)	48,649	(47,755)	894
OTHER CHANGES						
Investment return, net	53,117	-	53,117	152,991	-	152,991
Change in net assets	(432,609)	(875,992)	(1,308,601)	201,640	(47,755)	153,885
Net assets at beginning of year	1,591,727	2,958,155	4,549,882	1,390,087	3,005,910	4,395,997
Net assets at end of year	<u>\$ 1,159,118</u>	<u>\$ 2,082,163</u>	<u>\$ 3,241,281</u>	<u>\$ 1,591,727</u>	<u>\$ 2,958,155</u>	<u>\$ 4,549,882</u>

See accompanying notes.

CAPITAL PARTNERS FOR EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,286,122	\$ 263,006	\$ 210,512	\$ 1,759,640
Tuition scholarships	191,581	-	-	191,581
Contract services	7,309	122	122	7,553
Occupancy	118,677	14,835	14,835	148,347
Health insurance	83,561	17,088	13,677	114,326
Accounting fees	-	64,361	-	64,361
Payroll taxes	89,598	18,323	14,666	122,587
Other operating expenses	90,505	406	11,110	102,021
403(b) retirement plan	53,730	10,988	8,795	73,513
Event fees	-	-	15,826	15,826
Technology	50,922	6,366	6,366	63,654
Transportation	9,600	9,929	1,105	20,634
Interns	17,500	-	-	17,500
Supplies	24,684	1,895	2,060	28,639
Professional development	24,216	3,027	3,027	30,270
Food	10,763	297	437	11,497
Insurance	17,961	2,245	2,245	22,451
Telephone/internet	20,035	2,505	2,505	25,045
Enrichment activities	6,826	-	-	6,826
Staff development	12,749	1,594	1,594	15,937
Printing	2,813	352	352	3,517
Depreciation and amortization	4,875	610	610	6,095
Payroll services	7,070	1,446	1,157	9,673
Postage	2,823	353	353	3,529
Miscellaneous	5,332	666	666	6,664
Parking	1,299	2,968	74	4,341
Credit card fees	-	3,200	-	3,200
Professional services	854	182	182	1,218
Membership fees	2,872	359	359	3,590
Total expenses	<u>\$ 2,144,277</u>	<u>\$ 427,123</u>	<u>\$ 312,635</u>	<u>\$ 2,884,035</u>

See accompanying notes.

CAPITAL PARTNERS FOR EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 999,971	\$ 218,336	\$ 186,719	\$ 1,405,026
Tuition scholarships	219,344	-	-	219,344
Contract services	63,864	6,983	59,625	130,472
Occupancy	85,189	12,330	14,572	112,091
Health insurance	81,065	12,218	13,969	107,252
Accounting fees	-	106,374	-	106,374
Payroll taxes	67,841	14,813	12,667	95,321
Other operating expenses	84,325	739	872	85,936
Donated services	75,000	-	-	75,000
403(b) retirement plan	40,026	8,739	7,474	56,239
Mentor recruitment	50,118	-	-	50,118
Event fees	-	-	43,729	43,729
Technology	32,960	4,743	5,606	43,309
Transportation	27,063	-	6,557	33,620
Interns	32,500	-	-	32,500
Supplies	20,192	2,922	3,454	26,568
Professional development	19,907	2,881	3,405	26,193
Food	24,248	-	-	24,248
Insurance	16,602	2,403	2,840	21,845
Telephone/internet	11,828	1,712	2,023	15,563
Enrichment activities	13,540	-	-	13,540
Staff development	8,743	1,265	1,495	11,503
Printing	8,614	786	1,566	10,966
Depreciation and amortization	7,857	1,137	1,344	10,338
Payroll services	6,344	918	1,085	8,347
Postage	6,414	401	1,202	8,017
Miscellaneous	5,897	1,030	14	6,941
Parking	3,438	-	860	4,298
Credit card fees	-	1,678	-	1,678
Professional services	1,217	-	135	1,352
Membership fees	471	68	80	619
Total expenses	\$ 2,014,578	\$ 402,476	\$ 371,293	\$ 2,788,347

See accompanying notes.

CAPITAL PARTNERS FOR EDUCATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,308,601)	\$ 153,885
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	6,095	10,338
Discount on unconditional promises to give	(43,223)	(106,752)
Net realized and unrealized gain on investments	(29,455)	(115,946)
(Increase) decrease in assets		
Unconditional promises to give	743,465	(31,865)
Accounts receivable	-	5,950
Prepaid expenses	11,314	(3,316)
Deposits	-	(5,658)
Increase (decrease) in liabilities		
Accounts payable	(4,937)	(15,325)
Accrued liabilities	(14,974)	32,072
Net cash flows from operating activities	(640,316)	(76,617)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,222,182	445,181
Purchases of investments	(433,942)	-
Interest and dividends retained in investments	(23,690)	(37,045)
Net cash flows from investing activities	764,550	408,136
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	343,500	-
Net change in cash	467,734	331,519
Cash at beginning of year	453,729	122,210
Cash at end of year	\$ 921,463	\$ 453,729

See accompanying notes.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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.

Promises to Give

Unconditional promises to give are recognized as support or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investments

CPE carries investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Equipment and Software

Equipment and software are carried at cost or, if donated, at the approximate fair value at the date of donation. All acquisitions of equipment and software and all expenditures for repairs, maintenance, and improvements that materially prolong the useful lives of assets are capitalized. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets.

Contributions

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. When a 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 reported in the statements of activities as net assets released from restrictions.

Donated Services

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, health insurance, payroll taxes, 403(b) retirement plan, and payroll services, which are allocated on the basis of estimates of time and effort. Contract services, occupancy, technology, professional development, insurance, telephone/internet, staff development, printing, depreciation and amortization, postage, miscellaneous, and membership fees are allocated on the basis of number of FTE in program services and supporting activities.

Income Tax Status

Capital Partners for Education is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Adoption of New Accounting Guidance

On June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. CPE adopted the requirements of the ASU as of July 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of July 1, 2019, or entered into after that date. As a result, most government grants accounted for as exchange transactions under previous guidance are now accounted for as conditional contributions.

Date of Management's Review

Management has evaluated subsequent events through December 8, 2020, the date which the financial statements were available to be issued.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 – INVESTMENTS

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
Money market funds and cash equivalents	\$ 321,427	\$ 355,087
Equity mutual funds	591,778	1,310,188
Bond mutual funds	<u>329,838</u>	<u>312,863</u>
Investments	<u>\$ 1,243,043</u>	<u>\$ 1,978,138</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	
	<u>2020</u>	<u>2019</u>
Equity mutual funds	\$ 591,778	\$ 1,310,188
Bond mutual funds	<u>329,838</u>	<u>312,863</u>
	<u>\$ 921,616</u>	<u>\$ 1,623,051</u>

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	<u>2020</u>	<u>2019</u>
Receivable in less than one year	\$ 1,107,960	\$ 943,728
Receivable in one to five years	<u>413,145</u>	<u>1,320,842</u>
Total unconditional promises to give	1,521,105	2,264,570
Less discount to present value	<u>(53,176)</u>	<u>(96,399)</u>
Unconditional promises to give, net	<u>\$ 1,467,929</u>	<u>\$ 2,168,171</u>

Promises to give receivable in one to five years at June 30, 2020 and 2019 are discounted at 5%.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 5 – PAYCHECK PROTECTION PROGRAM LOAN

On April 15, 2020, CPE received a \$343,500 loan under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loan accrues interest at 1% but payments are deferred until a determination of the amount of forgiveness is made. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by CPE during the covered period. Eligible expenses include payroll costs, rent, and utilities. Any unforgiven portion is payable over two years, maturing April 15, 2022. Management expects full forgiveness.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following periods or purposes:

	2020	2019
Most Improved Student Award	\$ -	\$ 2,356
Teacher Professional Development Program	21,189	38,500
Internship Stipends	-	92,000
High School Programming	99,045	-
Career Readiness Program	-	74,021
College Program	-	8,607
Organization Sustainability	100,000	100,000
Future year operations	1,861,929	2,642,671
Net assets with donor restrictions	\$ 2,082,163	\$ 2,958,155

NOTE 7 – CONCENTRATIONS

Credit Risk

CPE maintains its cash and cash equivalent balances in one financial institution located in Washington, D.C. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020 and 2019, the CPE's uninsured cash balances total approximately \$762,000 and \$259,000, respectively.

Donor Concentration

As of June 30, 2020 and 2019, promises to give from four donors totaled approximately 80%, of total promises to give.

For the years ended June 30, 2020 and 2019, contributions from two and one donor, respectively, totaled approximately 30% of total contributions.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 8 – 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, 2020, private high school scholarship commitments, contingent upon the factors described above, total \$60,350 for the year ended June 30, 2021.

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, 2020, 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:

2021	\$ 69,552
2022	61,006
2023	47,250
2024	<u>23,000</u>
	<u><u>\$ 200,808</u></u>

NOTE 9 – DONATED SERVICES

During the year ended June 30, 2019, \$75,000 worth of donated services were recognized. Donated services during the year ended June 30, 2019 consisted of strategic planning support and legal services and are included with program services on the statement of functional expenses. The strategic planning consulting support allowed CPE to develop a three-year strategic growth plan to serve 650 students by 2021. During the year ended June 30, 2020, CPE did not receive any donated services.

NOTE 10 – OPERATING LEASE

CPE entered into a lease for office space in Washington, D.C. that commenced on September 1, 2014. The lease was amended during the year ended June 30, 2019 to include additional space and expired on July 31, 2020 at which time the lease was not renewed. Rent expense for the years ended June 30, 2020 and 2019 was \$148,347 and \$111,764, respectively.

NOTE 11 – RETIREMENT PLAN

CPE 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. For the years ended June 30, 2020 and 2019, CPE contributed \$73,513 and \$56,239, respectively, to the 403(b) plan.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 12 – RELATED PARTY TRANSACTIONS

CPE is regularly the recipient of contributions from donors who are also founders or members of the Board of Directors. For the years ended June 30, 2020 and 2019, contribution revenue included \$456,545 and \$483,228, respectively, from founders or members of the Board of Directors. Unconditional promises to give on the statements of financial position as of June 30, 2020 and 2019 consisted of \$809,121 and \$1,117,862, respectively, due from founders or members of the Board of Directors.

NOTE 13 – LIQUIDITY AND AVAILABILITY

The following table reflects CPE’s financial assets as of the date of the statements of financial position, reduced by amounts that are not available to meet cash needs for general expenditures within one year of the statements of financial position date because of donor-imposed restrictions:

	2020	2019
Financial assets at year-end:		
Cash	\$ 921,463	\$ 453,729
Unconditional promises to give	1,467,929	2,168,171
Investments	1,243,043	1,978,138
Total financial assets	3,632,435	4,600,038
Less those unavailable for general expenditures within one year due to:		
Restricted by donors purpose restrictions	(220,234)	(315,484)
Restricted by donors with time restrictions less amounts to be released next year	(648,969)	(1,593,943)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,763,232	\$ 2,690,611

As part of CPE’s liquidity management, it has a policy to structure its financial assets to be available for its general expenditures, liabilities, and other obligations as they come due.

NOTE 14 – RISKS AND UNCERTAINTIES

In March 2020, the United States economy began suffering adverse effects from the COVID-19 virus global crisis. In response to the crisis, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. As noted in footnote 5, CPE was approved for a loan under the Paycheck Protection Program (PPP), established by the CARES Act. Management is continuously monitoring the situation to appropriately address the impact on the business.

Investment securities, in general, are exposed to various risks, such as interest rates, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 15 – RESTATEMENT OF NET ASSETS

In previously issued financial statements, CPE did not restrict \$2,029,554 of net assets that have inherent time restrictions due to being in the form of long term promises to give. Accordingly, the amounts reported for net assets without donor restrictions and net assets with donor restrictions have been restated in the opening balances for the year ended June 30, 2018 now presented. Correcting this error decreased net assets without donor restrictions by \$2,029,554 and increased net assets with donor restrictions by \$2,029,554 in the statement of financial position at June 30, 2018. The restatement did not have any effect on the change in net assets for the year ended June 30, 2018.