

CAPITAL PARTNERS FOR EDUCATION

FINANCIAL STATEMENTS

June 30, 2021 and 2020

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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 statements of financial position as of June 30, 2021 and 2020, 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.

Auditor's 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 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, 2021 and 2020, 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.



Wegner CPAs, LLP
Alexandria, Virginia
December 6, 2021

CAPITAL PARTNERS FOR EDUCATION
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,041,572	\$ 921,463
Current portion of unconditional promises to give	242,823	1,107,960
Government grants receivable	306,944	-
Prepaid expenses	13,490	8,994
Total current assets	1,604,829	2,038,417
EQUIPMENT AND SOFTWARE		
Equipment and software	50,491	50,491
Accumulated depreciation and amortization	(49,762)	(48,485)
Equipment and software, net	729	2,006
OTHER ASSETS		
Unconditional promises to give less current portion, net	244,425	359,969
Investments	1,397,929	1,243,043
Deposits	-	10,875
Total other assets	1,642,354	1,613,887
Total assets	\$ 3,247,912	\$ 3,654,310
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 41,258	\$ 35,997
Accrued liabilities	116,090	33,532
Paycheck Protection Program loan	343,500	343,500
Total current liabilities	500,848	413,029
NET ASSETS		
Without donor restrictions	1,801,316	1,159,118
With donor restrictions	945,748	2,082,163
Total net assets	2,747,064	3,241,281
Total liabilities and net assets	\$ 3,247,912	\$ 3,654,310

See accompanying notes.

CAPITAL PARTNERS FOR EDUCATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUE						
Contributions						
Individuals	\$ 306,737	\$ 184,700	\$ 491,437	\$ 511,707	\$ 167,269	\$ 678,976
Foundations	389,759	320,000	709,759	429,387	287,000	716,387
Government	714,488	-	714,488	-	-	-
Donated services	50,000	-	50,000	-	-	-
Corporations	56,144	-	56,144	66,954	-	66,954
Special events	144,210	-	144,210	60,000	-	60,000
Total support and revenue	1,661,338	504,700	2,166,038	1,068,048	454,269	1,522,317
OPERATING EXPENSES						
Program services	2,215,094	-	2,215,094	2,144,277	-	2,144,277
Management and general	440,966	-	440,966	427,123	-	427,123
Fundraising	250,858	-	250,858	312,635	-	312,635
Total expenses	2,906,918	-	2,906,918	2,884,035	-	2,884,035
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of program restrictions	529,934	(529,934)	-	481,296	(481,296)	-
Expiration of time restrictions	1,111,181	(1,111,181)	-	848,965	(848,965)	-
Net assets released from restrictions	1,641,115	(1,641,115)	-	1,330,261	(1,330,261)	-
Change in net assets from operations	395,535	(1,136,415)	(740,880)	(485,726)	(875,992)	(1,361,718)
OTHER CHANGES						
Investment return, net	246,663	-	246,663	53,117	-	53,117
Change in net assets	642,198	(1,136,415)	(494,217)	(432,609)	(875,992)	(1,308,601)
Net assets at beginning of year	1,159,118	2,082,163	3,241,281	1,591,727	2,958,155	4,549,882
Net assets at end of year	<u>\$ 1,801,316</u>	<u>\$ 945,748</u>	<u>\$ 2,747,064</u>	<u>\$ 1,159,118</u>	<u>\$ 2,082,163</u>	<u>\$ 3,241,281</u>

See accompanying notes.

CAPITAL PARTNERS FOR EDUCATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,370,292	\$ 243,340	\$ 192,355	\$ 1,805,987
Tuition scholarships	100,366	-	-	100,366
Contract services	54,232	56,552	3,730	114,514
Occupancy	43,760	5,287	3,010	52,057
Health insurance	99,676	17,701	13,991	131,368
Accounting fees	-	69,762	-	69,762
Payroll taxes	111,885	19,869	15,705	147,459
Other operating expenses	227,270	1,593	906	229,769
403(b) retirement plan	30,341	5,388	4,260	39,989
Event fees	-	-	7,686	7,686
Technology	64,761	4,156	2,366	71,283
Transportation	592	72	40	704
Interns	12,500	-	-	12,500
Supplies	16,119	1,947	1,109	19,175
Professional development	8,006	967	550	9,523
Insurance	22,358	2,701	1,538	26,597
Telephone/internet	14,463	1,747	995	17,205
Enrichment activities	2,809	-	-	2,809
Staff development	6,497	785	446	7,728
Printing	53	5	5	63
Depreciation and amortization	1,074	130	73	1,277
Payroll services	9,896	1,196	680	11,772
Postage	1,434	173	98	1,705
Miscellaneous	10,572	1,277	893	12,742
Credit card fees	-	5,576	-	5,576
Membership fees	6,138	742	422	7,302
Total expenses	\$ 2,215,094	\$ 440,966	\$ 250,858	\$ 2,906,918

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	\$ 2,144,277	\$ 427,123	\$ 312,635	\$ 2,884,035

See accompanying notes.

CAPITAL PARTNERS FOR EDUCATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (494,217)	\$ (1,308,601)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation and amortization	1,277	6,095
Change in discount on unconditional promises to give	(36,122)	(43,223)
Net realized and unrealized gain on investments	(307,055)	(29,455)
Forgiveness of Paycheck Protection Program loan	(343,500)	-
(Increase) decrease in assets		
Unconditional promises to give	1,016,803	743,465
Government grants receivable	(306,944)	-
Prepaid expenses	(4,496)	11,314
Deposits	10,875	-
Increase (decrease) in liabilities		
Accounts payable	5,261	(4,937)
Accrued liabilities	82,558	(14,974)
Net cash flows from operating activities	(375,560)	(640,316)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	272,115	1,222,182
Purchases of investments	(103,626)	(433,942)
Interest and dividends retained in investments	(16,320)	(23,690)
Net cash flows from investing activities	152,169	764,550
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	343,500	343,500
Net change in cash	120,109	467,734
Cash at beginning of year	921,463	453,729
Cash at end of year	\$ 1,041,572	\$ 921,463

See accompanying notes.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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 and Government Grants Receivable

Unconditional promises to give and government grants receivable 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 and government grants receivable 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.

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.

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.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Date of Management's Review

Management has evaluated subsequent events through December 6, 2021, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments consist of the following:

	<u>2021</u>	<u>2020</u>
Money market funds and cash equivalents	\$ 445,524	\$ 321,427
Equity mutual funds	688,689	591,778
Bond mutual funds	<u>263,716</u>	<u>329,838</u>
Investments	<u>\$ 1,397,929</u>	<u>\$ 1,243,043</u>

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 2 – INVESTMENTS (continued)

Equity mutual funds and bond mutual funds are valued at unadjusted quoted prices reported on the active markets on which the individual securities are traded, which are Level 1 fair value measurements.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are as follows:

	2021	2020
Receivable in less than one year	\$ 242,823	\$ 1,107,960
Receivable in one to five years	261,479	413,145
Total unconditional promises to give	504,302	1,521,105
Less discount to present value	(17,054)	(53,176)
Unconditional promises to give, net	\$ 487,248	\$ 1,467,929

Promises to give receivable in one to five years at June 30, 2021 and 2020 are discounted at 5%.

NOTE 4 – PAYCHECK PROTECTION PROGRAM LOAN

CPE received loans totaling \$687,000 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loans accrue interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by CPE during the covered period. Eligible expenses may include payroll costs, rent, and utilities. Any unforgiven portion is payable over five years. On April 26, 2021, the SBA preliminarily approved forgiveness of CPE's first draw loan of \$343,500 which is included with government grants on the statements of activities. CPE is in the process of applying for forgiveness of its second draw loan. CPE must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review CPE's good-faith certification concerning the necessity of its loan request, whether CPE calculated the loan amount correctly, whether CPE used loan proceeds for the allowable uses specified in the CARES Act, and whether CPE is entitled to loan forgiveness in the amount claimed on its application. If SBA determines CPE was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Future years' operations	\$ 845,748	\$ 1,861,929
Organization Sustainability	100,000	100,000
High School Programming	-	99,045
Teacher Professional Development Program	-	21,189
Net assets with donor restrictions	\$ 945,748	\$ 2,082,163

NOTE 6 – 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, 2021 and 2020, the CPE's uninsured cash balances total approximately \$704,000 and \$762,000, respectively.

Donor Concentration

As of June 30, 2021 and 2020, promises to give from four donors totaled approximately 85% and 80%, respectively, of total promises to give.

For the years ended June 30, 2021 and 2020, contributions from three and two donors, respectively, totaled approximately 40% and 30%, respectively, of total contributions.

NOTE 7 – DONATED SERVICES

During the year ended June 30, 2021, \$50,000 worth of donated services were recognized. Donated services during the year ended June 30, 2021 consisted of legal services and are included with management and general expenses on the statement of functional expenses. During the year ended June 30, 2020, CPE did not receive any donated services.

NOTE 8 – 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. CPE now leases temporary office space on a month-to-month basis but have moved to primarily virtual operations. Rent expense for the years ended June 30, 2021 and 2020 was \$52,057 and \$148,347, respectively.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 9 – SCHOLARSHIPS CONTINGENCY

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, 2021, 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:

2022	\$	56,436
2023		56,436
2024		<u>56,436</u>
	<u>\$</u>	<u>169,308</u>

NOTE 10 – 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 3% of salary, which is 100% vested. For the years ended June 30, 2021 and 2020, CPE contributed \$39,989 and \$73,513, respectively, to the 403(b) plan.

NOTE 11 – 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, 2021 and 2020, contribution revenue included \$100,000 and \$456,545, respectively, from founders or members of the Board of Directors. Unconditional promises to give on the statements of financial position as of June 30, 2021 and 2020 consisted of \$222,651 and \$809,121, respectively, due from founders or members of the Board of Directors.

NOTE 12 – 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 Note 4, 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.

CAPITAL PARTNERS FOR EDUCATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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:

	2021	2020
Financial assets at year-end:		
Cash	\$ 1,041,572	\$ 921,463
Unconditional promises to give	487,248	1,467,929
Investments	1,397,929	1,243,043
Total financial assets	2,926,749	3,632,435
Less those unavailable for general expenditures within one year due to:		
Restricted by donors purpose restrictions	(100,000)	(220,234)
Restricted by donors with time restrictions less amounts to be released next year	(507,925)	(648,969)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,318,824	\$ 2,763,232

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.