The Washington Center

THE WASHINGTON CENTER FOR INTERNSHIPS AND ACADEMIC SEMINARS

SINGLE AUDIT FINANCIAL REPORT UNDER UNIFORM GUIDANCE

DECEMBER 31, 2019 AND 2018

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Independent Auditors' Report

To the Board of Directors
The Washington Center for Internships and Academic Seminars
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of The Washington Center for Internships and Academic Seminars (the Center) a nonprofit organization, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 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 auditors consider 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 the Center, as of December 31, 2019 and 2018, 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.

To the Board of Directors
The Washington Center for Internships and Academic Seminars

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2020 on our consideration of The Washington Center for Internships and Academic Seminars' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Washington Center for Internships and Academic Seminars' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Washington Center for Internships and Academic Seminars' internal control over financial reporting and compliance.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
July 30, 2020

Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
Assets		
Current Assets		
Cash and Cash Equivalents	**$ 2,733,304**	$ 2,624,685
Investments	**1,315,810**	2,298,878
Accounts Receivable (Net of Allowance for Doubtful Accounts of $966,207)	**970,774**	2,475,552
Promises to Give (Net of Allowance for Uncollectible Promises of $28,205)	**1,193,103**	349,457
Prepaid Expenses	**545,870**	314,364
Total Current Assets	**6,758,861**	8,062,936
Noncurrent Assets		
Security Deposits	**183,947**	205,773
Promises to Give - Long-Term Portion	**47,014**	47,014
Property and Equipment (Net of Accumulated Depreciation of $11,626,567)	**39,613,336**	40,001,894
Total Noncurrent Assets	**39,844,297**	40,254,681
Total Assets	**$ 46,603,158**	$ 48,317,617
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	**$ 1,689,717**	$ 1,707,975
Refundable Advances	**578,578**	428,120
Deferred Revenues - Internship Program and Housing Fees	**325,916**	306,485
Loans Payable - Current Portion	**943,065**	902,695
Total Current Liabilities	**3,537,276**	3,345,275
Long-Term Liabilities		
Interest Rate Swap Obligation	**271,037**	105,048
Loans Payable, Less Unamortized Loan Issuance Costs	**34,866,283**	35,695,459
Total Long-Term Liabilities	**35,137,320**	35,800,507
Total Liabilities	**38,674,596**	39,145,782
Net Assets		
Without Donor Restrictions	**4,829,854**	6,864,578
With Donor Restrictions	**3,098,708**	2,307,257
Total Net Assets	**7,928,562**	9,171,835
Total Liabilities and Net Assets	**$ 46,603,158**	$ 48,317,617

See accompanying Notes to Financial Statements.

THE WASHINGTON CENTER FOR INTERNSHIPS AND ACADEMIC SEMINARS

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Support						
Internship Program and Housing Fees	**$ 13,337,057**	**$ -**	**$ 13,337,057**	$ 14,569,036	$ -	$ 14,569,036
Less Financial Assistance	**(1,446,849)**	**-**	**(1,446,849)**	(1,610,054)	-	(1,610,054)
	11,890,208	**-**	**11,890,208**	12,958,982	-	12,958,982
Paid Placements and Grants	**7,339,523**	**-**	**7,339,523**	6,392,195	-	6,392,195
Contributions	**641,791**	**1,793,908**	**2,435,699**	839,609	380,455	1,220,064
Miscellaneous Revenue	**58,648**	**-**	**58,648**	32,284	-	32,284
	19,930,170	**1,793,908**	**21,724,078**	20,223,070	380,455	20,603,525
Net Assets Released from Restrictions	**1,002,457**	**(1,002,457)**	**-**	1,244,831	(1,244,831)	-
Total Operating Revenues and Support	**20,932,627**	**791,451**	**21,724,078**	21,467,901	(864,376)	20,603,525
Operating Expenses						
Program Services	**17,919,844**	**-**	**17,919,844**	17,109,481	-	17,109,481
Supporting Services						
General and Administrative	**4,155,458**	**-**	**4,155,458**	3,960,776	-	3,960,776
Fundraising	**763,137**	**-**	**763,137**	317,304	-	317,304
Total Supporting Services	**4,918,595**	**-**	**4,918,595**	4,278,080	-	4,278,080
Total Operating Expenses	**22,838,439**	**-**	**22,838,439**	21,387,561	-	21,387,561
Changes in Net Assets from Operations	**(1,905,812)**	**791,451**	**(1,114,361)**	80,340	(864,376)	(784,036)
Nonoperating (Losses) Gains						
Change in Fair Value of Interest Rate Swap Agreement	**(165,989)**	**-**	**(165,989)**	96,061	-	96,061
Investment Income	**37,077**	**-**	**37,077**	25,388	-	25,388
Total Nonoperating (Losses) Gains	**(128,912)**	**-**	**(128,912)**	121,449	-	121,449
Changes in Net Assets	**(2,034,724)**	**791,451**	**(1,243,273)**	201,789	(864,376)	(662,587)
Net Assets, Beginning of Year	**6,864,578**	**2,307,257**	**9,171,835**	6,662,789	3,171,633	9,834,422
Net Assets at End of Year	**$ 4,829,854**	**$ 3,098,708**	**$ 7,928,562**	$ 6,864,578	$ 2,307,257	$ 9,171,835

See accompanying Notes to Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

		Supporting Services		
	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	$ 5,951,694	$ 1,686,226	$ 328,367	$ 7,966,287
Professional Fees	1,214,511	811,644	325,590	2,351,745
Tuition Expense	2,114,571	-	-	2,114,571
Interest Expense	1,491,421	53,993	12,498	1,557,912
Occupancy	1,279,671	279,060	23,524	1,582,255
Depreciation Expense	1,171,148	99,473	26,526	1,297,147
Travel and Meetings	1,521,524	66,334	22,161	1,610,019
Student Housing	914,126	-	-	914,126
Office Expenses	207,887	146,716	24,471	379,074
Stipends	2,027,901	-	-	2,027,901
Miscellaneous	25,390	1,012,012	-	1,037,402
Total	$ 17,919,844	$ 4,155,458	$ 763,137	$ 22,838,439

See accompanying Notes to Financial Statements.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

		Supporting Services		
	Program Services	General and Administrative	Fundraising	Total
Salaries and Benefits	$ 5,889,590	$ 1,708,301	$ 131,946	$ 7,729,837
Professional Fees	1,769,204	905,104	161,836	2,836,144
Tuition Expense	2,070,273	-	-	2,070,273
Interest Expense	1,548,954	48,592	3,471	1,601,017
Occupancy	531,770	919,910	-	1,451,680
Depreciation Expense	1,193,911	96,277	6,877	1,297,065
Travel and Meetings	1,279,158	82,442	12,054	1,373,654
Student Housing	964,685	-	-	964,685
Office Expenses	147,438	120,126	1,120	268,684
Stipends	1,695,368	-	-	1,695,368
Miscellaneous	19,130	80,024	-	99,154
Total	$ 17,109,481	$ 3,960,776	$ 317,304	$ 21,387,561

See accompanying Notes to Financial Statements.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	**$ (1,243,273)**	$ (662,587)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	**1,297,147**	1,297,065
Loan Issuance Cost Amortization	**90,973**	77,795
Loss (Gain) on Interest Rate Swap Agreement	**165,988**	(96,061)
Net Realized and Unrealized Gains on Investments	**(12,097)**	(19,494)
(Increase) Decrease in Assets		
Accounts Receivable	**1,504,778**	1,458,657
Promises to Give	**(843,646)**	629,289
Prepaid Expenses	**(231,506)**	48,937
Security Deposits	**21,826**	83,200
Increase (Decrease) in Liabilities		
Accounts Payable and Accrued Expenses	**(18,257)**	(81,681)
Deferred Revenues - Internship Program and Housing Fees	**19,431**	(1,209,992)
Refundable Advance	**150,458**	428,120
Net Cash Provided by Operating Activities	**901,822**	1,953,248
Cash Flows from Investing Activities		
Purchases of Investments	**(2,062,724)**	(2,013,077)
Sales of Investments	**3,057,889**	2,645,511
Purchases of Property and Equipment	**(908,589)**	(1,051,941)
Net Cash Provided by (Used in) Investing Activities	**86,576**	(419,507)
Cash Flows from Financing Activities		
Payments on Loans Payable	**(879,779)**	(844,569)
Net Cash Used in Financing Activities	**(879,779)**	(844,569)
Net Change in Cash and Cash Equivalents	**108,619**	689,172
Cash and Cash Equivalents at Beginning of Year	**2,624,685**	1,935,513
Cash and Cash Equivalents at End of Year	**$ 2,733,304**	$ 2,624,685
Supplementary Disclosure of Cash Flow Information		
Cash Paid during the Year for Interest	**$ 1,469,877**	$ 1,513,967

See accompanying Notes to Financial Statements.

1. ORGANIZATION

The Washington Center for Internships and Academic Seminars (the Center) was incorporated in Washington, D.C., in 1975. The Center was established to provide internship opportunities and academic seminars to college students from across the country and around the world. The Center is affiliated with more than 400 colleges and universities and places 1,250 to 1,600 interns annually. The Center also hosts thousands of students annually in its seminar and convention programs. Interns are placed in all sectors and most earn academic credit due to the rigorous coursework, professional development, and civic engagement that compliments the internship.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Center presents its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Center reports information regarding its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions - Resources that are available for general operations and resources designated by the Center's Board of Directors for approved expenditures.

Net Assets With Donor Restrictions - Resources that are subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor-restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to 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 from those estimates.

Cash and Cash Equivalents

The Center considers all highly liquid investments with maturities of three months or less, when purchased, to be cash equivalents.

For purposes of the statements of cash flows, the Center excludes from cash and cash equivalents certificates of deposit and money funds held for investment or restricted by purpose.

Investments

Equity securities are recorded at fair value based upon quoted market prices. Certificates of deposit and money market funds are carried at cost, which approximates fair value. Gains and losses are reported as nonoperating gains (losses) in the accompanying statements of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts.

Management periodically evaluates the adequacy of the allowance for doubtful accounts by considering the Center's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a debtor's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debt expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due based on management's determination. Accounts receivable are charged off based on management's case-by-case determination that they are uncollectible.

Promises to Give and Support Recognition

Contributions, including unconditional promises to give, are recognized at fair value as support in the period received. Promises to give that are expected to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. An allowance for uncollectible promises to give is provided based upon management's judgment of potentially uncollectible amounts. Bequests are recognized at the time an unassailable right to the gift has been established and proceeds are measurable.

Revenues and support are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Expirations of net assets with donor restrictions by fulfillments of the donor-stipulated purposes or by passage of the stipulated time periods are reported in the statements of activities as net assets released from restrictions.

Conditional contributions are not recorded as revenue until the related conditions have been satisfied. Assets received in a conditional contribution are reported as a refundable advance until the conditions have been substantially met or explicitly waived by the donor. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Refundable Advances

Refundable advances consist of drawdowns on contracts that were in excess of billings.

Tuition and Housing Fees

Tuition and housing fees revenue are recognized in the period the student takes residence and begins their internship. Tuition and Housing is invoiced in the months prior to the student's internship and payments received prior to the internship are recorded as deferred revenue until the student begins their internship.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Assets and major improvements purchased by the Center are stated at cost. The Center's policy is to capitalize purchases of property and equipment with useful lives of over one year and costing $5,000 or more. Noncash contributions of property and equipment are recorded as support at their estimated fair values at the dates of donation. In the absence of donor-imposed restrictions on the use of assets, contributions of long-lived property and equipment are recorded as unrestricted support. Contributions of assets restricted to purchase or construct long-lived assets are recorded as restricted support, and the restrictions are released when the purchases are made or construction is completed. Depreciation expense is computed using the straight-line method over the estimated useful lives of the property and equipment as follows:

Buildings	39 Years
Furniture and Equipment	5-10 Years
Software	2-13 Years

Costs of developing Campus Management software have been capitalized. Depreciation will be provided over the estimated time the software will be utilized and will commence when the software is operational.

Allocated Expenses

Expenses by function have been allocated by management among program services, general and administrative, and fundraising classifications on the basis of direct and indirect expense relationships. General and administrative expenses also include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

Income Taxes

The Center is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, except for income taxes on unrelated business income activities. During the years ended December 31, 2019 and 2018, the Center did not engage in any unrelated business income activities. As of December 31, 2019, the Center's federal and state annual information returns filed with the Internal Revenue Service and the District of Columbia remain open to examination generally for three years after they were filed.

Uncertain Tax Positions

The Center follows the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC), which provides guidance on accounting for uncertainty in income taxes recognized in the Center's financial statements. The guidance prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. As of December 31, 2019, the Center had no uncertain tax positions that qualify for either recognition or disclosure in its financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uncertain Tax Positions (Continued)

The Center's policy is to recognize interest and penalties on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were recorded during the year ended December 31, 2019.

Reclassifications

Certain 2018 amounts have been reclassified for comparative purposes.

3. ADOPTION OF ACCOUNTING STANDARDS UPDATE 2018-08

During the year ended December 31, 2019, the Center adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The ASU provides additional guidance in (1) evaluating whether transactions should be accounted for as contributions (within the scope of ASC 958) or as exchange (reciprocal) transactions (subject to ASC 606); and (2) distinguishing between conditional and unconditional contributions. Management believes that the adoption of this ASU enhances the comparability of financial information among not-for-profit entities.

This change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions. The impact of adoption was not material to the financial statements.

4. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Center's cash flows have seasonal variations due to the timing of tuition and housing billings, grants, and contributions. The Center manages its liquidity to meet general expenditures, liabilities and other obligations as they become due. Excess cash flows not needed for day- to- day operations are invested in certificates of deposit, money market accounts and government debt securities.

As of December 31, 2019, the following financial assets and liquidity sources were available for general operating expenditures in the year ending December 31, 2020:

Financial Assets	
Cash and Cash Equivalents	**$ 2,733,304**
Accounts Receivable	**970,774**
Investments Available for Operating Purposes	**18,665**
Total Financial Assets Available within One Year	**3,722,743**
Other Liquidity Resources	
Reserves with Berkadia	**179,963**
Available Line of Credit	**2,000,000**
Total Financial Assets and Liquidity Resources Available within One Year	**$ 5,902,706**

4. LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

As of December 31, 2018, the following financial assets and liquidity sources were available for general operating expenditures in the year ended December 31, 2019:

Financial Assets	
Cash and Cash Equivalents	$ 2,624,685
Accounts Receivable	2,475,552
Investments Available for Operating Purposes	1,001,733
Total Financial Assets Available within One Year	6,101,970
Other Liquidity Resources	
Reserves with Berkadia	179,789
Available Line of Credit	2,000,000
Total Financial Assets and Liquidity Resources Available within One Year	$ 8,281,759

5. CONCENTRATION OF CREDIT RISK

The Center maintains its cash at federally insured financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per institution. At December 31, 2019 and 2018, the Center had approximately $2,625,000 and $2,486,000 in deposits over the federal deposit insurance limit, respectively.

6. INVESTMENTS

As of December 31, 2019, the Center's investments consisted of the following:

	Fair Value	Cost
Money Market	**$ 1,315,810**	**$ 1,315,810**
Total Investments	**$ 1,315,810**	**$ 1,315,810**

As of December 31, 2018, the Center's investments consisted of the following:

	Fair Value	Cost
Money Market	$ 13,487	$ 13,487
Certificates of Deposit	268,233	268,233
Government Debt Securities	2,017,158	2,003,333
Total Investments	$ 2,298,878	$ 2,285,053

Total investment return was $37,077 and $25,388 for the years ended December 31, 2019 and 2018, respectively. There were no investment fees associated with these investments.

7. FAIR VALUE MEASUREMENTS

The Center has categorized its financial instruments based on a three-level fair value hierarchy as follows:

Level 1 - values are based on quoted prices for identical assets in active markets.

Level 2 - values are based on quoted prices for similar assets in active or inactive markets.

7. FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 - values are based on unobservable inputs to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The fair value measurement objective is to determine an exit price from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the Center's judgment about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances, which might include the Center's own data.

As of December 31, 2019, the Center's assets and (liabilities) measured at fair value on a recurring basis consisted of the following:

	Fair Value	**Level 1 Inputs**	**Level 2 Inputs**	**Level 3 Inputs**
Money Market	**$ 1,315,810**	**$ 1,315,810**	**$ -**	**$ -**
Total Investments	**1,315,810**	**1,315,810**	**-**	**-**
Interest Rate Swap	**(271,037)**	**-**	**(271,037)**	**-**
Total Recurring Fair Value Measurements	**$ 1,044,773**	**$ 1,315,810**	**$ (271,037)**	**$ -**

As of December 31, 2018, the Center's assets and (liabilities) measured at fair value on a recurring basis consisted of the following:

	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Money Market	$ 13,487	$ 13,487	$ -	$ -
Certificates of Deposit	268,233	-	268,233	-
Government Debt Securities	2,017,158	-	2,017,158	-
Total Investments	2,298,878	13,487	2,285,391	-
Interest Rate Swap	(105,048)	-	(105,048)	-
Total Recurring Fair Value Measurements	$ 2,193,830	$ 13,487	$ 2,180,343	$ -

8. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Center in estimating the fair values of its financial instruments:

Cash and Cash Equivalents - The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

Investments - The fair values of investments in marketable equity and debt securities are based on quoted market prices.

8. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

Promises to Give - The carrying amounts of promises to give to be received in less than one year approximate their fair values because of the short maturities of those financial instruments. The fair values of promises to give to be received in more than one year are determined based on future cash flows of promises to give expected to be collected, discounted to present value at rates ranging from 1.58% to 1.62% at December 31, 2019, and 2.48% to 2.46% at December 31, 2018.

Interest Rate Swap Obligation - Fair value is estimated by the commercial bank issuing the swap agreement based on current market terms of swap agreements with similar durations and interest rates.

Loans Payable - The carrying amounts of loans payable approximate fair values because those financial instruments predominantly bear interest at variable rates that approximate current market rates for loans with similar maturities and credit quality.

The estimated fair values of the Center's financial instruments are as follows:

	Assets (Liabilities)	
	Carrying Amount	**Fair Value**
December 31, 2019		
Cash and Cash Equivalents	**$ 2,733,304**	**$ 2,733,304**
Investments	**1,315,810**	**1,315,810**
Promises to Give	**1,240,117**	**1,240,117**
Interest Rate Swap Obligation	**(271,037)**	**(271,037)**
Loans Payable	**(35,809,348)**	**(35,809,348)**

	Assets (Liabilities)	
	Carrying Amount	Fair Value
December 31, 2018		
Cash and Cash Equivalents	$ 2,624,685	$ 2,624,685
Investments	2,298,878	2,298,878
Promises to Give	396,471	396,471
Interest Rate Swap Obligation	(105,048)	(105,048)
Notes and Loans Payable	(36,598,154)	(36,598,154)

9. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2019 and 2018, consisted of the following:

	2019	2018
Grants and Contracts	**$ 1,401,673**	$ 1,978,943
Schools	**245,624**	440,420
Students	**187,716**	218,012
Other	**101,968**	32,908
Subtotal	**1,936,981**	2,670,283
Less Allowance for Doubtful Accounts	**(966,207)**	(194,731)
Net	**$ 970,774**	$ 2,475,552

10. PROMISES TO GIVE

Promises to give, net of allowance for uncollectible promises and discount to present value, at December 31, 2019 and 2018, are summarized as follows:

	Net Assets With Donor Restrictions
December 31, 2019	
Gross Promises to Give Expected to be	
Collected in Less than One Year	**$ 620,496**
One to Five Years	**670,991**
Total	**1,291,487**
Less Allowance for Uncollectible Promises	**(28,205)**
Discount to Present Value	**(23,165)**
Net Promises to Give	**$ 1,240,117**

	Net Assets With Donor Restrictions
December 31, 2018	
Gross Promises to Give Expected to be	
Collected in Less than One Year	$ 362,662
One to Five Years	50,000
Total	412,662
Less Allowance for Uncollectible Promises	(13,205)
Discount to Present Value	(2,986)
Net Promises to Give	$ 396,471

Unconditional promises to give due in more than one year are reflected at the net present value of estimated future cash flows using discount rates ranging from 1.58% to 1.62%.

Conditional promises to give of approximately $523,000 as of December 31, 2019, will be recognized as revenue when the conditions are met.

11. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	2019	2018
Land	**$ 11,416,217**	$ 11,416,217
Building	**34,360,279**	34,301,484
Furniture and Equipment	**3,100,800**	2,907,684
Software	**742,405**	667,232
Campus Management Software - Work in Progress	**1,620,202**	1,038,697
Total	**51,239,903**	50,331,314
Less Accumulated Depreciation	**(11,626,567)**	(10,329,420)
Net Property and Equipment	**$ 39,613,336**	$ 40,001,894

12. LOANS PAYABLE

Effective July 13, 2006, the District of Columbia (the District) issued $8,500,000 of Variable Rate Demand Revenue Bonds, Series 2006 (Series 2006 Bonds), the proceeds of which were loaned to the Center under a loan agreement with the District (2006 District Loan). Under the loan agreement, the Center makes payments to the bond trustee, for deposit in a bond fund, of any amounts of principal and interest that are due on the Series 2006 Bonds. The bond fund is then used by the trustee to make payments due on the Series 2006 Bonds. The proceeds of the 2006 District Loan were used by the Center as follows:

a. The acquisition, renovation, furnishing, and equipping of land and an existing building containing approximately 20,000 square feet located in Washington, D.C., for use as an office, classroom, and "student union" type facility, together with at-grade parking spaces and other property functionally related and subordinate thereto;

b. certain working capital expenditures;

c. capitalized interest;

d. any required deposit to a debt service reserve fund or other reserve fund;

e. certain eligible costs of issuing the 2006 District Loan; and

f. the cost of any 2006 District Loan issuance or other credit enhancement.

Payment of principal of and interest on the Series 2006 Bonds was secured by an irrevocable, direct-pay letter of credit in the amount of $8,597,809 issued by a commercial bank in favor of the Series 2006 Bonds trustee. The trustee was permitted to draw funds under the letter of credit in amounts sufficient to pay the Series 2006 Bonds principal and interest due at a given point in time and the purchase price of any Series 2006 Bonds rendered to the District by bondholders.

In July 2017, the District reissued the Series 2006 Bonds and proceeds of $7,035,000 were loaned to the Center to refinance the Bonds originally issued.

The interest rate for the Series 2017 Bonds and related 2017 District Loan was 68% of 1-Month LIBOR plus a spread of 1.97% per annum.

12. LOANS PAYABLE (CONTINUED)

The Center obtained two loans representing $32,000,000 and used the proceeds to pay off the 2009 District Loan in May 2016. The interest rate is 4% over a 30 year period. Principal and interest payable is $152,773 per month for 10 years, at which time the outstanding balance is either due or needs to be refinanced by June 1, 2026. These new loans are secured by the first Deed of Trust on the property known as "RAF" (1001 3rd Street, N.E., Washington, D.C.).

Long-term loans payable at December 31, 2019 and 2018, consisted of:

	2019	2018
Principal Amount	**$ 35,425,404**	$ 36,345,553
Less Unamortized Loan Issuance Costs	**559,121**	650,094
Long-Term Loan Payable, Net	**$ 34,866,283**	$ 35,695,459

The Center follows the authoritative GAAP guidance for the presentation of debt issuance cost and related amortization. Debt issuance costs are reported on the statements of financial position as a direct deduction from the face amount of debt.

The Center reflects amortization of debt issuance costs as interest expense.

The future maturities of long-term debt are as follows:

For the Years Ending December 31,	
2020	$ 943,065
2021	984,468
2022	1,026,947
2023	1,070,545
2024	1,116,976
Thereafter	31,226,469
Total	$ 36,368,470

Interest Expense

Interest cost incurred is as follows:

	2019	2018
District Loans Interest	**$ 90,974**	$ 90,832
Interest under Swap Obligation	**251,309**	276,023
Loan and Leases Payable Interest	**1,215,629**	1,234,162
Total Interest Cost Incurred	**$ 1,557,912**	$ 1,601,017

13. INTEREST RATE SWAP AGREEMENT

In September 2006, the Center entered into an interest rate swap agreement to reduce the impact of changes in the interest rate on its variable rate long-term debt (District of Columbia Loans). As of September 2006, the Center's interest rate swap agreement with a commercial bank had a notional principal amount of $8,500,000. This agreement effectively changed the Center's interest rate exposure on $8,320,000 of its variable rate debt to a fixed rate of 3.895%.

13. INTEREST RATE SWAP AGREEMENT (CONTINUED)

Subsequently, the Center amended the swap agreement to lower the interest rate and extend the term of the agreement. The amended agreement became effective as of September 1, 2010. As of September 2010, the Center's interest rate swap agreement with a commercial bank had a notional principal amount of $8,320,000. This agreement effectively changed the Center's interest rate exposure on $8,320,000 of its variable rate debt to a fixed rate of 3.65%. In August 2017, the Center amended its interest rate swap agreement. As of August 2017, the Center's interest rate swap agreement with a commercial bank had a notional principal amount of $7,035,000 and changed its fixed rate to 3.945%. The interest rate swap agreement matures in August 2025.

The swap agreement was issued at market terms so that it had no value at inception. The carrying amount of the swaps has been adjusted to their estimated fair value at the end of the year, which, because of changes in interest rates, resulted in reporting a liability of $271,037 and $105,048 at December 31, 2019 and 2018, respectively, for the fair value of the future net payments forecasted under the swaps.

The market and credit risk associated with interest rate swaps are similar to those relating to other types of financial instruments. Market risk is the exposure created by potential fluctuations in interest rates and is directly related to this type of product. The Center has entered into this swap to offset the variable interest rates on the debt and, therefore, does not anticipate significant market risk arising from the swap. Credit risk is the exposure to nonperformance of another party to the agreement. The Center believes it has mitigated credit risk by contracting with a highly rated bank.

14. NET ASSETS WITH DONOR RESTRICTIONS

The following is an analysis of net assets with donor restrictions at December 31, 2019 and 2018:

	2019			
Net Assets With Donor Restrictions	**Balance, 12/31/2018**	**Contributions**	**Net Assets Released and Reclassifications**	**Balance, 12/31/2019**
Temporarily Restricted				
Net Promises to Give - Restricted for Time	**$ 143,654**	**$ 423,987**	**$ (150,066)**	**$ 417,575**
Programs (Primarily Scholarships)	**866,458**	**1,369,921**	**(852,391)**	**1,383,988**
Total Temporarily Restricted	**1,010,112**	**1,793,908**	**(1,002,457)**	**1,801,563**
Permanently Restricted for Scholarships	**1,297,145**	**-**	**-**	**1,297,145**
Total Net Assets With Donor Restrictions	**$ 2,307,257**	**$ 1,793,908**	**$ (1,002,457)**	**$ 3,098,708**

	2018			
Net Assets With Donor Restrictions	Balance, 12/31/2017	Contributions	Net Assets Released and Reclassifications	Balance, 12/31/2018
Temporarily Restricted				
Net Promises to Give - Restricted for Time	$ 281,787	$ -	$ (138,133)	$ 143,654
Programs (Primarily Scholarships)	1,592,701	380,455	(1,106,698)	866,458
Total Temporarily Restricted	1,874,488	380,455	(1,244,831)	1,010,112
Permanently Restricted for Scholarships	1,297,145	-	-	1,297,145
Total Net Assets With Donor Restrictions	$ 3,171,633	$ 380,455	$ (1,244,831)	$ 2,307,257

15. ENDOWMENT

The Center's endowment consists of contributions established as donor-restricted endowment funds. Net assets associated with this endowment fund are classified and reported based on the existence of donor-imposed restrictions.

Investment Policy

The primary investment objective of the Endowment Fund is to produce a rate of total return which will permit support for the General Operating Fund of the Center to the extent that is consistent with the following: prudent management of investments, preservation of principal, and potential for long-term asset growth. Under existing market conditions, we will seek investment grades that are reasonable, but with the overarching factor that principal preservation is a greater priority than targeted returns. We will adjust accordingly as the economy changes.

The income earned from these investments is primarily to fund perpetual scholarships as designated by the donor(s) when the original gift was made. Some endowment gifts were not directed and, in those cases, only, the Center will have discretion over how to utilize the interest generated by those portions of the investments.

Performance will be monitored on a quarterly basis. For all funds held by the Center - the goal is preservation. The funds available to the Center are not substantial enough to take any extraordinary risks and thus preservation of principal over generating returns will be followed until such time that the reserve funds grow where this philosophy must be altered.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as net assets with donor restrictions (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. In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The long- and short-term needs of the Center in carrying out its purpose;

(2) The Center's present and anticipated financial requirements;

(3) Expected total return on investments;

(4) Price level trends;

(5) General economic conditions.

15. ENDOWMENT (CONTINUED)

Endowment Net Assets Analysis

Endowment net asset composition by type of fund at December 31, 2019, is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose Restricted	Held in Perpetuity Restricted	Total
Donor-Restricted Endowment Funds	**$ -**	**$ -**	**$ 1,297,145**	**$ 1,297,145**

Changes in endowment net assets for the year ended December 31, 2019, are as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose Restricted	Held in Perpetuity Restricted	Total
Endowment Net Assets, Beginning of Year	**$ -**	**$ -**	**$ 1,297,145**	**$ 1,297,145**
Investment Return	**-**	**13,958**	**-**	**13,958**
Contributions	**-**	**-**	**-**	**-**
Appropriation of Endowment Assets for Expenditure	**-**	**(13,958)**	**-**	**(13,958)**
Endowment Net Assets, End of Year	**$ -**	**$ -**	**$ 1,297,145**	**$ 1,297,145**

Endowment net assets composition by type of fund as of December 31, 2018, is as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose Restricted	Held in Perpetuity Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ -	$ 1,297,145	$ 1,297,145

Changes in endowment net assets for the year ended December 31, 2018, are as follows:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose Restricted	Held in Perpetuity Restricted	Total
Endowment Net Assets, Beginning of Year	$ -	$ -	$ 1,297,145	$ 1,297,145
Investment Return	-	14,672	-	14,672
Contributions	-	-	-	-
Appropriation of Endowment Assets for Expenditure	-	(14,672)	-	(14,672)
Endowment Net Assets, End of Year	$ -	$ -	$ 1,297,145	$ 1,297,145

16. CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers consisted of the following:

	Point in Time	Over Time	Total
Internship Program and Housing Fees, Net of Financial Assistance	$ 11,890,208	$ -	$ 11,890,208

17. RETIREMENT PLAN

The Center adopted a Safe Harbor 401(k) plan. Under the Safe Harbor provisions, the Center will make a matching contribution equal to 100% of salary deferrals that do not exceed 3% of compensation, plus 50% of salary deferrals between 3% and 5% of compensation. These Safe Harbor matching contributions will be fully vested when made. Matching expense for the years ended December 31, 2019 and 2018, was $191,040 and $184,646, respectively.

18. OPERATING LEASES

The Center entered into various operating leases for housing for students.

The terms of the leases for student housing approximate one year in length and total rental expense was $586,164 and $720,631 for the years ended December 31, 2019 and 2018, respectively. These leases are negotiated annually and supplement, when required, the housing available at the Center's RAF. The terms and provisions of these leases vary but in all cases are based upon market rates and conditions.

19. CONTINGENCIES

Federal Funding

The Center receives program funding from the federal government that is subject to audit and adjustment by the awarding agencies. Although the Center does not expect any adjustments, any such adjustments could be material to the financial statements.

Intention to Give

The Center has been notified that a donor intends to bequeath approximately $500,000 to the Center through the donor's estate.

Bequests included in wills are intentions to give, yet the donor has the right to modify or change the will. Bequests are not recorded in the financial statements until they are legally enforceable.

20. SUBSEQUENT EVENTS

The spread of COVID-19 (coronavirus disease) has had a disruptive impact on the daily life and operations of individuals, businesses, and nonprofit organizations around the world. There is uncertainty about financial and economic impacts in all sectors of the economy. The financial markets have experienced significant volatility, and this may continue for an extended period of time. In light of these circumstances, management continues to assess how best to adapt to changed circumstances.

Subsequent to the year end, the Center applied for and received payment of a Small Business Administration (SBA) loan under the Paycheck Protection Program (PPP) in the amount of $2,300,000. PPP provides cash-flow assistance through 100% federally guaranteed loans to eligible recipients to maintain payroll during the COVID-19 public health emergency and cover certain other expenses. If the Center maintains its workforce and meets certain requirements, up to 100% of the loan may be forgiven by the SBA. No more than 40% of the forgiven amount may be for non-payroll costs. Loans under PPP have an interest rate of 1% and may negotiate to a five-year maturity date, if not forgiven.

20. SUBSEQUENT EVENTS (CONTINUED)

Like most, if not all, educational institutions, the COVID-19 pandemic has had a material impact on the Center. Since mid-March the Center has been without in-house students. The Center has responded rapidly and broadly. Remote learning courses and virtual internships have been developed for the fiscal year 2020 summer semester, which will be 100% virtual, remote. The number of students the Center will have for its fall semester is still uncertain. Some universities will be sending students, others will not and many don't know. The Center will continue to be flexible and creative in these uncertain times.

The Center has evaluated subsequent events through July 30, 2020, the date on which the financial statements were available to be issued.