



June 9, 2016

Dear Higher Achievement Supporter:

Thank you for reviewing our FY 2015 audited financial statements. This memo serves as further context for Higher Achievement's strong financial position during this exciting time of growth.

**Key Notes for FY 2015 (September 1, 2014 – August 31, 2015)**

- We served 1,201 scholars<sup>1</sup> across four cities (DC, Baltimore, Richmond, and Pittsburgh) in our rigorous model, equivalent to 100 extra days of school per year.
- We were awarded a \$12 million Investing in Innovation (i3) Award in January 2015. This represents the most significant investment that the U.S. Department of Education has made in an expanded learning program, and it was awarded to Higher Achievement primarily due to our strong randomized controlled trial study results.
  - This grant extends over five years, and will end on December 31, 2019.
  - This investment will allow us to double the number of students we serve, align our curricula and training to more rigorous academic standards, and disseminate best practices.
- Our all-inclusive cost per scholar was approximately \$5,200, which is an 8% increase from FY 2014. This cost will continue to increase from 2016-2018, but then we anticipate a significant reduction in cost, after one-time infrastructure and evaluation costs are completed and our new Centers scale up.
- Our Charity Navigator rating dropped from 4 stars to 3 stars, as a result of two developments:
  1. We did not post our final 990 by Charity Navigator's deadline.
  2. Charity Navigator now calculates its ratio scores across three years of financial information. That means our new rating compares our recently rebuilt National office and administrative capacity to our leaner operations in 2012 when all available resources were focused on program.
    - As Higher Achievement has gained financial strength and stability, and is preparing for growth, we have added back the administrative infrastructure<sup>2</sup> that allow us to provide the necessary internal capacity to support all of our programmatic functions, so the change in relative expenditures on program is indicative of a positive change for our organization and for the scholars we serve.
    - With this FY2015 audit and 990, our proportional expenditures on program have increased, and proportional expenditures on G&A have decreased.
      - FY14: Program 72%; General & Admin 20%; Development 8%
      - FY15: Program 76%; General & Admin 16%; Development 8%

---

<sup>1</sup> Maximum number of student served, during Summer Academy 2015. Students served during Afterschool Academy was closer to 850.

<sup>2</sup> Financial management, IT systems, Human Resources, Communications, etc.

**Summarized Statement of Activities:**

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue	\$8,237,100	\$837,900	\$9,075,114	\$6,901,200	\$378,500	\$7,279,700
Expenses	\$7,879,600	-	\$7,879,600	\$6,131,800	-	\$6,131,800
Change in Net Assets	\$357,500	\$837,900	\$1,195,000	\$769,400	\$378,500	\$1,147,900
Net Assets – End of Year	\$3,944,000	\$2,317,400	\$6,261,400	\$3,586,500	\$1,479,500	\$5,066,000
Total Unrestricted Net Assets	\$3,944,000 (\$1,461,000 of which is in a board-designated reserve)			\$3,586,000 (\$1,104,000 of which was in a board-designated reserve)		

Higher Achievement’s financial position is healthy. The board and staff leadership are keenly focused on sustainability during this period of growth, and have instituted several important practices to ensure ongoing financial health:

1. Budgeting to continue building reserve funds, to prepare for any future funding challenges or exciting opportunities. While our unrestricted net assets exceed three months of operating expenses (an industry best practice), the organization aims to reach \$2.5 million by 2018 in the board-designated reserve.
2. Each new Achievement Center that is launched with support from the i3 grant must secure at least \$75,000 in non-i3 dollars through school-based funding, corporate sponsors, or other private funding.
3. Five-year revenue and expense projections and scenario planning, to ensure that we avoid a fiscal cliff in 2020, after the end of i3.

Please contact me with any questions, and thank you for your interest in our mission.

Sincerely,



Lynsey Wood Jeffries  
 Chief Executive Officer  
 202.375.7716  
[ljeffries@higherachievement.org](mailto:ljeffries@higherachievement.org)

By leveraging the power of communities, Higher Achievement’s proven model provides a rigorous year-round learning environment, caring role models, and a culture of high expectations, resulting in college-bound scholars with the character, confidence, and skills to succeed.  
[www.higherachievement.org](http://www.higherachievement.org)

**HIGHER ACHIEVEMENT PROGRAM, INC.**

**FINANCIAL STATEMENTS  
AND  
OMB CIRCULAR A-133 REPORTS**

**YEARS ENDED AUGUST 31, 2015 AND 2014**

**HIGHER ACHIEVEMENT PROGRAM, INC.  
TABLE OF CONTENTS  
YEARS ENDED AUGUST 31, 2015 AND 2014**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENTS OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENTS OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENTS OF FUNCTIONAL EXPENSES</b>	<b>5-6</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>7</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>8</b>
<b>OMB CIRCULAR A-133 REPORTS</b>	
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>15</b>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>16</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133</b>	<b>18</b>
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>21</b>
<b>SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS</b>	<b>24</b>

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Higher Achievement Program, Inc.  
Washington, DC

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Higher Achievement Program, Inc. (the "Organization"), which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 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 Higher Achievement Program, Inc. as of August 31, 2015 and 2014, 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.

**Other Matters**

*Other Information – Schedule of Expenditures of Federal Awards*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 February 24, 2016, on our consideration of Higher Achievement Program, Inc.'s 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 to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 Higher Achievement Program, Inc.'s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
February 24, 2016

**HIGHER ACHIEVEMENT PROGRAM, INC.  
STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2015 AND 2014**

<b>ASSETS</b>	<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,399,683	\$ 2,795,533
Grants and Contributions Receivable, Net, Current Portion	1,851,453	1,054,855
Prepaid Expenses	<u>77,702</u>	<u>92,724</u>
Total Current Assets	4,328,838	3,943,112
<b>GRANTS AND CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION</b>	881,104	55,000
<b>FIXED ASSETS, NET</b>	<u>2,988,431</u>	<u>2,906,052</u>
Total Assets	<u><u>\$ 8,198,373</u></u>	<u><u>\$ 6,904,164</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 890,687	\$ 655,007
Deferred Revenue	269,250	407,945
Line of Credit	25,101	-
Note Payable - Current Portion	20,605	19,869
Tenant Deposits	<u>-</u>	<u>1,700</u>
Total Current Liabilities	1,205,643	1,084,521
<b>NOTE PAYABLE, NET OF CURRENT PORTION</b>	<u>731,235</u>	<u>753,610</u>
Total Liabilities	1,936,878	1,838,131
<b>NET ASSETS</b>		
Unrestricted Net Assets		
Unrestricted	2,482,111	2,482,111
Board Designated	<u>1,461,934</u>	<u>1,104,402</u>
Total Unrestricted Net Assets	3,944,045	3,586,513
Temporarily Restricted Net Assets	<u>2,317,450</u>	<u>1,479,520</u>
Total Net Assets	<u>6,261,495</u>	<u>5,066,033</u>
Total Liabilities and Net Assets	<u><u>\$ 8,198,373</u></u>	<u><u>\$ 6,904,164</u></u>

See accompanying Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED AUGUST 31, 2015 AND 2014**

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
<b>SUPPORT AND REVENUE</b>				
Grants and Contributions, Net of Discount on Long Term Pledges	\$ 3,345,218	\$ 2,523,343	\$ 5,868,561	\$ 1,609,237
Government Grants	2,502,376	-	2,502,376	-
Individual Contributions	515,494	-	515,494	-
In-Kind Donations	142,836	-	142,836	-
Investment and Other Income	45,847	-	45,847	-
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u>1,685,413</u>	<u>(1,685,413)</u>	<u>-</u>	<u>(1,230,716)</u>
Total Support and Revenue	8,237,184	837,930	9,075,114	378,521
<b>EXPENSES</b>				
Program Services:				
Achievement Centers	2,835,694	-	2,835,694	-
Other Programs	3,029,508	-	3,029,508	-
Total Program Services	<u>5,865,202</u>	<u>-</u>	<u>5,865,202</u>	<u>-</u>
Supporting Services:				
General and Administrative Development	1,368,418	-	1,368,418	-
	646,032	-	646,032	-
Total Supporting Services	<u>2,014,450</u>	<u>-</u>	<u>2,014,450</u>	<u>-</u>
Total Expenses	7,879,652	-	7,879,652	-
<b>CHANGE IN NET ASSETS</b>				
Net Assets - Beginning of Year	357,532	837,930	1,195,462	378,521
<b>NET ASSETS - END OF YEAR</b>	<u>3,586,513</u>	<u>1,479,520</u>	<u>5,066,033</u>	<u>1,100,999</u>
	<u>\$ 3,944,045</u>	<u>\$ 2,317,450</u>	<u>\$ 6,261,495</u>	<u>\$ 1,479,520</u>
			<u>\$ 3,586,513</u>	<u>\$ 5,066,033</u>
			<u>\$ 6,131,870</u>	<u>\$ 7,279,793</u>
			<u>2,345,832</u>	<u>2,141,397</u>
			<u>2,141,397</u>	<u>4,487,229</u>
			<u>1,206,406</u>	<u>1,206,406</u>
			<u>438,235</u>	<u>438,235</u>
			<u>1,644,641</u>	<u>1,644,641</u>
			<u>6,131,870</u>	<u>6,131,870</u>
			<u>769,402</u>	<u>1,147,923</u>
			<u>2,817,111</u>	<u>3,918,110</u>
			<u>\$ 3,586,513</u>	<u>\$ 5,066,033</u>

See accompanying Notes to Financial Statements.



**HIGHER ACHIEVEMENT PROGRAM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2015**

	Program Service		Supporting Service			Total Expenses
	Achievement Centers	Other Programs	Total Program Services	General and Administrative	Development	
Salaries and Wages	\$ 1,785,593	\$ 1,359,308	\$ 3,144,901	\$ 614,817	\$ 477,167	\$ 1,091,984
Fringe Benefits	313,017	206,469	519,486	126,975	88,727	215,702
Professional Fees	87,000	780,107	867,107	39,106	36,480	75,586
Occupancy	45,246	34,013	79,259	98,176	-	98,176
Scholar Transportation and Housing	343,976	-	343,976	-	-	-
Information Technology	-	114,200	114,200	28,017	-	28,017
Scholar Meals	84,467	50	84,517	-	-	-
Depreciation	-	45,799	45,799	109,161	-	109,161
Special Events	7,378	101,902	109,280	-	10,062	10,062
Printing and Copying	8,775	22,557	31,332	15,524	7,015	22,539
Accounting and Legal	-	-	-	125,265	-	125,265
Travel and Training	-	64,426	64,426	12,749	4,020	16,769
Telephone	-	36,649	36,649	31,549	-	31,549
Office Supplies and Equipment	2,232	15,243	17,475	13,895	-	13,895
Dues and Subscriptions	-	10,614	10,614	-	11,920	11,920
Meetings and Recognition	535	110,888	111,423	16,109	5,506	21,615
Center Educational Supplies	53,989	33,766	87,755	-	-	-
Elective Programs	22,912	-	22,912	-	-	-
Security and Maintenance	72,391	1,700	74,091	-	-	-
Insurance	-	-	-	51,094	-	51,094
Promotional Materials	8,183	10,833	19,016	208	5,135	5,343
Postage	-	3,272	3,272	4,236	-	4,236
Bank Service Charges	-	-	-	11,257	-	11,257
License and Fees	-	-	-	39,161	-	39,161
Interest Expense	-	-	-	31,119	-	31,119
Pittsburgh Program Allocation	-	48,645	48,645	-	-	-
Professional Development	-	29,067	29,067	-	-	-
<b>Total Expenses</b>	<b>\$ 2,835,694</b>	<b>\$ 3,029,508</b>	<b>\$ 5,865,202</b>	<b>\$ 1,368,418</b>	<b>\$ 646,032</b>	<b>\$ 2,014,450</b>
						<b>\$ 7,879,652</b>

See accompanying Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED AUGUST 31, 2014**

	Program Service		Supporting Service		Total Expenses
	Achievement Centers	Other Programs	General and Administrative	Development	
Salaries and Wages	\$ 1,549,427	\$ 838,981	\$ 544,856	\$ 307,752	\$ 852,608
Fringe Benefits	256,744	206,668	109,791	62,081	171,872
Professional Fees	2,640	424,458	-	47,275	47,275
Occupancy	37,276	57,128	123,013	-	123,013
Scholar Transportation and Housing	273,126	6,231	-	-	-
Information Technology	-	119,266	32,559	-	32,559
Scholar Meals	79,540	139	-	-	-
Depreciation	-	52,228	61,463	-	61,463
Special Events	-	32,423	-	8,533	8,533
Printing and Copying	8,311	27,993	9,065	724	9,789
Accounting and Legal	-	-	123,909	-	123,909
Travel and Training	610	33,449	14,943	2,554	17,497
Telephone	1,344	33,967	23,126	-	23,126
Office Supplies and Equipment	-	20,913	8,024	-	8,024
Dues and Subscriptions	-	11,376	-	5,985	5,985
Meetings and Recognition	2,309	41,609	-	2,631	2,631
Center Educational Supplies	54,875	-	-	-	-
Elective Programs	33,509	-	-	-	-
Security and Maintenance	40,973	1,500	-	-	-
Insurance	-	-	51,810	-	51,810
Promotional Materials	5,001	11,957	406	700	1,106
Postage	147	2,899	3,645	-	3,645
Bad Debt	-	34,200	31,481	-	31,481
Reduction in Pledges	-	96,348	-	-	-
Bank Service Charges	-	-	10,914	-	10,914
License and Fees	-	-	22,106	-	22,106
Interest Expense	-	-	35,295	-	35,295
Pittsburgh Program Allocation	-	48,622	-	-	-
Professional Development	-	39,042	-	-	-
<b>Total Expenses</b>	<b>\$ 2,345,832</b>	<b>\$ 2,141,397</b>	<b>\$ 1,206,406</b>	<b>\$ 438,235</b>	<b>\$ 1,644,641</b>
					<b>\$ 6,111,870</b>

See accompanying Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED AUGUST 31, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 1,195,462	\$ 1,147,923
Adjustments to Reconcile Change in Net Assets to Net Cash Flow (Used in) Provided by Operating Activities:		
Depreciation Expense	154,960	113,691
Net Realized and Unrealized Gain on Investments	-	2,182
Loss on Disposal of Equipment	-	7,619
Donated Securities	(1,753)	(14,234)
Donated Fixed Assets - Building Improvements	-	(168,597)
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	(1,622,702)	(225,774)
Prepaid Expenses	15,022	7,188
Accounts Payable and Accrued Expenses	235,680	382,415
Deferred Revenue	(138,695)	109,106
Tenant Deposits	(1,700)	(41,596)
Net Cash Flow (Used in) Provided by Operating Activities	(163,726)	1,319,923
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Securities	1,753	12,052
Purchases of Fixed Assets	(237,339)	(401,720)
Net Cash Flow Used in Investing Activities	(235,586)	(389,668)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net Proceeds from Line of Credit	25,101	-
Payments of Principal on Capital Lease	-	(4,515)
Payments of Principal on Note Payable	(21,639)	(21,846)
Net Cash Flow Provided by (Used in) Financing Activities	3,462	(26,361)
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(395,850)	903,894
Cash and Cash Equivalents - Beginning of Year	2,795,533	1,891,639
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,399,683	\$ 2,795,533
<b>SUPPLEMENTAL CASH FLOW DISCLOSURES</b>		
Interest Paid	\$ 31,119	\$ 35,295
<b>NON CASH INVESTING AND FINANCING ACTIVITIES</b>		
Donated Securities	\$ 1,753	\$ 14,234
Donated Fixed Assets - Building Improvements	\$ -	\$ 168,597

See accompanying Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Higher Achievement Program, Inc. ("Higher Achievement") is a 501(c)(3) nonprofit organization incorporated in 1985 under the laws of the District of Columbia. Higher Achievement is dedicated to challenging intellectually curious middle school students from low-income neighborhoods in Washington, DC, Alexandria, VA, Baltimore, MD, Pittsburgh, PA, and Richmond, VA to reach their highest potential for academic performance and community leadership. Higher Achievement's programs are supported primarily through grants and contributions.

**Program Descriptions**

Higher Achievement operates year-round Achievement Centers in four cities that offer over 650 hours annually of rigorous academic enrichment to children during the most critical time in a child's development: middle school. Centers operate year-round during critical "gap" periods when children are not in school: after school and in the summer. Children enroll in 5th or 6th grade and dedicate three or four years after school and summer to stay on track for college.

The organization opened two more Centers in fiscal year 2014, serving students in two additional disadvantaged neighborhoods in DC. Higher Achievement cultivates talent in middle school 'scholars' and connects them with the opportunity to attend college-preparatory high school programs. Ultimately, 95% of alumni graduate from high school – approximately twice the rate of their peers.

**Estimates**

The preparation 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash Equivalents**

Higher Achievement considers highly liquid investments with an original maturity of 90 days or less and money market funds to be cash equivalents.

**Grants Receivable**

The Organization provides an allowance for uncollectible accounts based on the reserve method using management's judgment and the Organization's approved policy. In 2014, the Organization used a policy based on determined percentages of outstanding receivables balances. Beginning in 2015, management revised this estimate and used an allowance that represents balances past due. When all collection efforts have been exhausted, the receivable is written off against the related reserve. An allowance was recorded in the amounts of \$20,000 and \$45,000, as of August 31, 2015 and 2014, respectively.

**HIGHER ACHIEVEMENT PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fixed Assets and Related Depreciation**

Buildings and related improvements, furniture, equipment, and software are stated at cost and are depreciated using the straight-line method over their estimated useful lives, with no salvage value. The estimated useful lives used for depreciating fixed assets range from three to five years for furniture, equipment, and software, to 30 years for buildings. Building improvements are depreciated over the shorter of the remaining life of the building or the life of the improvements. Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. All acquisitions greater than \$1,000 with expected lives great than one year are capitalized.

**Classification of Net Assets**

The net assets of Higher Achievement are classified as follows:

Unrestricted net assets are available for the general operations of Higher Achievement. A portion of the unrestricted net assets are board designated for an operating reserve fund. The total board designated net assets totaled \$1,461,934 and \$1,104,402 at August 31, 2015 and 2014, respectively.

Temporarily restricted net assets represent amounts restricted by donors for specific purposes or periods of time. When a donor-imposed restriction expires, that is, when the stipulated purpose is accomplished or a time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Revenue Recognition**

Higher Achievement recognizes revenue from unconditional grants and contributions when notification of the funding commitment is received from the donor. Higher Achievement reports contributions of cash and other assets as temporarily restricted net assets if they are received with donor stipulations that limit the use of the donated assets. When a donor-imposed restriction expires, that is, when the stipulated purpose is accomplished or a time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue from government grants is recognized on the basis of allowable direct and indirect costs incurred. Revenue from government grants earned but not collected by year-end is included in grants and contributions receivable in the accompanying statement of financial position. Conversely, revenue received in advance of incurring allowable direct and indirect costs is reported as deferred revenue in the accompanying statement of financial position.

**Functional Allocation of Expenses**

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

**HIGHER ACHIEVEMENT PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

Higher Achievement is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income from activities unrelated to its exempt purpose. For the years ended August 31, 2015 and 2014, no accrual for business income taxes was necessary.

Higher Achievement evaluated tax positions and determined that its positions are more likely than not to be sustained on examination. Higher Achievement's tax returns are subject to review and examination by federal, state and local authorities.

**Reclassification**

Certain amounts in the 2014 financial statements have been reclassified for comparative purposes to conform to the presentation in 2015. These reclassifications had no impact on previously reported net assets.

**Subsequent Events**

In preparing these financial statements, Higher Achievement has evaluated events and transactions for potential recognition or disclosure through February 24, 2016, the date the financial statements were available to be issued.

**NOTE 2 GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable were comprised of the following at August 31, 2015 and 2014:

	2015	2014
Foundation Grants	\$ 1,000,000	\$ 470,000
Individual Contributions	106,000	450,836
Government Grants and Other	1,700,453	239,019
Total Receivables Before Allowance	2,806,453	1,159,855
Discount and Allowance for Doubtful Accounts	(73,896)	(50,000)
Grants and Contributions Receivable, Net	<u>\$ 2,732,557</u>	<u>\$ 1,109,855</u>

A discount on long term pledges of \$53,896 and \$5,000 was recorded for August 31, 2015 and 2014, respectively. For the year ended August 31, 2014, the discount rate is based on the one year Treasury bill rate and a percent of the receivable balance. For the year ended August 31, 2015, the discount rate was based on an industry standard rate adjusted for risk of specific receivables, totaling 4%.

Grants and contributions receivable at August 31, 2015 and 2014, were due over the following periods:

	2015	2014
Due in Less Than One Year	\$ 1,871,453	\$ 1,104,855
Due in One to Five Years	935,000	55,000
Total	<u>\$ 2,806,453</u>	<u>\$ 1,159,855</u>

**HIGHER ACHIEVEMENT PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

**NOTE 3 FIXED ASSETS**

At August 31, 2015 and 2014, fixed assets were comprised of the following:

	2015	2014
Building and Improvements	\$ 2,500,342	\$ 2,389,749
Land	786,643	786,643
Furniture and Equipment	1,073,823	947,077
Total	4,360,808	4,123,469
Less: Accumulated Depreciation	(1,372,377)	(1,217,417)
Fixed Assets, Net	<u>\$ 2,988,431</u>	<u>\$ 2,906,052</u>

**NOTE 4 CAPITAL LEASE OBLIGATIONS**

During fiscal year 2009, Higher Achievement acquired a phone system financed by a capital lease with an unrelated third party financing company. The lease required monthly payments of principal and interest amounts to \$589 at an annual interest rate of \$11.49% per annum. The phone lease ended in April 2014 and was replaced with a new phone system that Higher Achievement purchased.

**NOTE 5 NOTE PAYABLE AND LINE OF CREDIT**

Higher Achievement was awarded a capital grant from Freddie Mac in the amount of \$640,000 for the purchase of a new building Washington DC. In May 2013, Higher Achievement entered into a business loan agreement and executed a Promissory Note in the principal amount of \$800,000, with maturity date May 31, 2023. The loan proceeds, together with the capital grant, were used to finance the purchase of this building which is to be used as office space for the organization with any excess space rented out to tenants. The note requires monthly payments of \$4,249 for 119 payments with a balloon payment of \$576,380 in 2023, and it is secured by the newly acquired building. Interest rate on the note is a variable 3.0% points over the Treasury Index, rounded to the nearest 0.125%. At no time will the interest rate on this note be less than 4%. The outstanding balance on the Note at August 31, 2015, is \$751,840. Estimated future principal payments due on the Note as of August 31 are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2016	\$ 20,605
2017	21,542
2018	22,432
2019	23,359
2020	24,249
Thereafter	639,653
Total	<u>\$ 751,840</u>

**HIGHER ACHIEVEMENT PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014**

**NOTE 5 NOTE PAYABLE AND LINE OF CREDIT (CONTINUED)**

In May 2015, Higher Achievement opened a line of credit for \$600,000 secured by the property outlined in the above note. Interest rate on this line of credit is equal to a rate of 0.500 percentage points over the U.S. Prime Rate, rounded up to the nearest 0.125 percent. Under no circumstances will the interest rate on this line of credit be less than 4.25% per annum. The Agreement shall be continued until the balance is paid in full and until both parties agree in writing to terminate the agreement. The interest rate at August 31, 2015, was 4.25%. At August 31, 2015, the balance outstanding on the line of credit was \$25,101.

**NOTE 6 TEMPORARILY RESTRICTED NET ASSETS**

At August 31, 2015 and 2014, temporarily restricted net assets were available for the following programs and time periods:

	2015	2014
Capacity Building, Expansion, and Program Evaluation	\$ 444,790	\$ 276,939
Program Support and Other	1,400,993	966,390
Time Restricted	471,667	236,191
Total	<u>\$ 2,317,450</u>	<u>\$ 1,479,520</u>

**NOTE 7 SPECIAL EVENTS**

Higher Achievement held an annual fundraising event in October 2014 and October 2013. The event activity was as follows:

	2015	2014
Foundation Revenue	\$ 88,660	\$ 185,769
Corporate and Individual Contributions	1,058,750	981,325
Less Direct Benefits to Donors	(151,193)	(141,622)
Total Event Income	<u>\$ 996,217</u>	<u>\$ 1,025,472</u>

It is reflected as follows in the statements of activities:

	2015	2014
Foundation Revenue	\$ 76,565	\$ 114,958
Corporate and Individual Contributions	919,652	910,514
Total Event Income	<u>\$ 996,217</u>	<u>\$ 1,025,472</u>



**HIGHER ACHIEVEMENT PROGRAM, INC.  
NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2015 AND 2014**

**NOTE 8 IN-KIND DONATIONS**

During the years ended August 31, 2015 and 2014, Higher Achievement recognized the following in-kind support services:

	2015	2014
Professional Fees (Supporting Service)	\$ 94,191	\$ 351,128
Program Equipment and Supplies (Program Service)	48,645	48,623
Total	\$ 142,836	\$ 399,751

Higher Achievement also received in-kind donations of \$168,597 for building improvements for the National Office in the year ended August 31, 2014. No other in-kind donations were received in the year ended August 31, 2015. Higher Achievement also receives in-kind services from various volunteers, including members of the Board of Directors, which are not permitted to be recognized in the accompanying financial statements under accounting principles generally accepted in the United States of America.

**NOTE 9 RETIREMENT PLAN**

Higher Achievement maintains a defined contribution retirement plan under section 403(b) of the Internal Revenue Code that is available to all employees. Employees are eligible to participate in the plan immediately and employer contributions are made upon the completion of two years of service. The plan requires an annual employer contribution of 5% of each eligible employee's earnings, as defined by the plan, and provides for a one time matching contribution of up to \$3,000. For the years ended August 31, 2015 and 2014, Higher Achievement incurred expenses of \$99,035 and \$80,161, respectively, related to this plan.

**NOTE 10 LEASES**

Higher Achievement entered into a lease agreement for office space in Baltimore, Maryland which commenced on April 1, 2012 with an initial termination of April 30, 2015 that was extended to March 31, 2018. The lease extension requires annual rental payments of \$18,612, and includes a provision for annual 3% increase of the base rent.

In January 2014, Higher Achievement entered into an operating lease arrangement in Richmond, Virginia. The lease is for office space occupied by the staff of the Richmond office of Higher Achievement. The lease commenced on January 15, 2014, and terminates January 30, 2017. The lease requires annual rental payments of \$25,356 during the first year, subject to annual increases of 3% of the base rent.

In August 2014, Higher Achievement entered into an operating lease arrangement in Pittsburgh, Pennsylvania. The lease is for office space occupied by the staff of the Pittsburgh office of Higher Achievement. The lease commenced on September 15, 2014, and terminates August 31, 2017. The lease requires annual rental payments of \$13,680 during the first year, subject to annual increases of 3% of the base rent.

**HIGHER ACHIEVEMENT PROGRAM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AUGUST 31, 2015 AND 2014**

**NOTE 10 LEASES (CONTINUED)**

Total rental expense for the years ended August 31, 2015 and 2014, amounted to \$79,259 and \$128,811, respectively.

Future minimum lease payments required under the leases as of August 31, 2015, are as follows for the years ending August 31:

<u>Year Ending August 31,</u>	<u>Amount</u>
2016	\$ 59,580
2017	42,896
2018	11,522
Total	<u>\$ 113,998</u>

During the year ended August 31, 2013, Higher Achievement had two leases assigned to it by the former owner of a building purchased by Higher Achievement in Washington, DC in May 2013 (see also Note 5). The leases in effect in 2014 provide rental income to Higher Achievement in monthly installments of approximately \$6,000, with provisions for an annual 3% increase of base rent for one of the leases. Both of these leases terminated during fiscal year 2015. There is no estimated future minimum rental income as of August 31, 2015.

**NOTE 11 RELATED PARTY TRANSACTIONS**

During the year ended August 31, 2015, a Board member, through their foundation, made a \$1,000,000 pledge which was included in grants and contributions in the statements of activities. As of August 31, 2015, \$750,000 of this pledge was included in grants and contributions receivable in the statements of financial position. A Board member's company donated in-kind consulting services totaling \$256,325 to Higher Achievement during the year ended August 31, 2014, which were included in in-kind donations in the statements of activities.

**NOTE 12 CONCENTRATION**

During the year ended August 31, 2015, the Organization had one grantor who accounted for approximately 11% of the total support and revenue received.

**HIGHER ACHIEVEMENT PROGRAM, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2015**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number/Agreement Number	Federal Expenditures
Department of Education		
Accelerating Academic Achievement through Standards Aligned Expanded Learning	84.411B	\$ 1,082,520
Pass-Through Programs from:		
District of Columbia Public Schools Office of Federal Grants Program 21st Century Community Learning Center Program	84.287C	\$ 313,580
Virginia State Department of Education 21st Century Community Learning Center Program	84.287C	165,197
Maryland State Department of Education 21st Century Community Learning Center Program - East Center	84.287C	282,044
Total Department of Education		<u>1,843,341</u>
Corporation for National and Community Service ("CNCS")		
AmeriCorps State - District of Columbia - Serve DC	94.006	66,500
AmeriCorps National - VISTA	94.013	29,909
Total Corporation for National and Community Service		<u>96,409</u>
Department of Housing and Urban Development		
Office of Community Planning and Development Local Initiatives Support Corporation (LISC)	14.252	53,784
Total Federal Awards		<u><u>\$ 1,993,534</u></u>

**NOTE 1 BASIS OF ACCOUNTING**

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



CliftonLarsonAllen LLP  
CLAconnect.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Higher Achievement Program, Inc.  
Washington, DC

We have audited, in accordance with the 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, the financial statements of Higher Achievement Program, Inc., which comprise the statement of financial position as of August 31, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of financial statements, we considered Higher Achievement Program, Inc. internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Higher Achievement Program, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

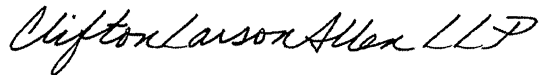
Board of Directors  
Higher Achievement Program, Inc.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Higher Achievement Program, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
February 24, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors  
Higher Achievement Program, Inc.  
Washington, DC

**Report on Compliance for Each Major Federal Program**

We have audited Higher Achievement Program, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Higher Achievement Program, Inc.'s major federal programs for the year ended August 31, 2015. Higher Achievement Program, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Higher Achievement Program, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Higher Achievement Program, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Higher Achievement Program, Inc.'s compliance.

***Opinion on Each Major Federal Program***

In our opinion, Higher Achievement Program, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

Higher Achievement's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Higher Achievement's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of Higher Achievement Program, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Higher Achievement Program, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Higher Achievement Program, Inc.'s internal control over compliance.

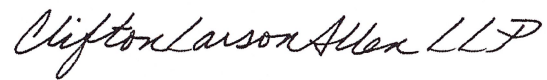
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001 that we consider to be a significant deficiency.

Higher Achievement's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Higher Achievement's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Directors  
Higher Achievement Program, Inc.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Arlington, Virginia  
February 24, 2016



**HIGHER ACHIEVEMENT PROGRAM, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2015**

**PART I: SUMMARY OF AUDIT RESULTS**

***Financial Statements***

We have audited the financial statements of Higher Achievement Program, Inc. as of and for the year ended August 31, 2015, and have issued an unmodified opinion thereon dated February 24, 2016. 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.

Internal control over financial reporting:

- |                                                                                         |    |
|-----------------------------------------------------------------------------------------|----|
| - Material weakness identified                                                          | No |
| - Significant deficiencies identified that are not considered to be material weaknesses | No |
| - Noncompliance material to financial statements noted                                  | No |

***Federal Awards***

We have issued an unmodified opinion dated February 24, 2016, based on our consideration of Higher Achievement Program, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended August 31, 2015.

Internal control over major programs:

- |                                                                                       |     |
|---------------------------------------------------------------------------------------|-----|
| - Material weakness identified                                                        | No  |
| - Significant deficiencies identified that are not considered to be material weakness | Yes |

Type of auditor's report issued on compliance for the major programs	Unmodified opinion
----------------------------------------------------------------------	--------------------

Audit findings that are required to be report in accordance with section 510(a) of OMB Circular A-133	Yes
-------------------------------------------------------------------------------------------------------	-----

The programs identified and tested as the major federal programs are:

<u>Major Program</u>	<u>Federal CFDA #</u>
Department of Education: Accelerating Academic Achievement through Standards Aligned Expanded Learning	84.411B

The threshold used to distinguish between Type A and Type B programs was \$300,000.

The Higher Achievement Program, Inc. was determined to be a low-risk auditee as defined in Section 530 of OMB Circular A-133.

**HIGHER ACHIEVEMENT PROGRAM, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2015**

**PART II: CURRENT YEAR FINDINGS - FINANCIAL STATEMENTS FINDINGS**

None

**PART III: CURRENT YEAR FINDINGS – MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2015-001: Procurement, Suspension and Debarment**

Federal Agency: Department of Education

Federal Program: Accelerating Academic Achievement through Standards Aligned Expanded Learning

CFDA Number: 84.411B

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Condition and Context: We noted Higher Achievement did not have adequate internal controls designed to ensure vendors were not suspended or debarred. Higher Achievement did not verify the suspension and debarment status for two vendor contracts that exceeded the \$25,000 threshold. A total of two vendor contracts were tested.

Criteria: Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Cause: Higher Achievement was not aware of the requirement and did not have written procedures related to suspension and debarment verification in place during the year ended August 31, 2015.

Effect: The auditor noted no instances of noncompliance with the provisions of procurement, suspension, and debarment; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

Question Cost: None

Recommendations: We recommend that Higher Achievement document the suspension and debarment status for all vendor contracts meeting the \$25,000 threshold and incorporate performance and documentation of this verification into their procurement policy.

**HIGHER ACHIEVEMENT PROGRAM, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED AUGUST 31, 2015**

Corrective Action Plan and Views of Management: Higher Achievement has begun requesting confirmation from all vendors over \$25,000 that neither the organization nor any of its staff members performing work on the grant, are presently suspended or debarred. In conformance with the certification required in standard form ED 80-0014, MDRC they will certify that by submission of this letter, that neither it nor its principals are presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from participation by any Federal department or agency.

Responsible Party: Director of Programs

Proposed Completion Date: January 31, 2016

HIGHER ACHIEVEMENT PROGRAM, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED AUGUST 31, 2015

---

**PART I: MAJOR FEDERAL AWARD PROGRAMS PRIOR YEAR AUDIT FINDINGS**

There were no findings in the prior year that were required to be reported in accordance with Section 510(a) of OMB Circular A-133.