

HIGHER ACHIEVEMENT PROGRAM, INC.

**FINANCIAL STATEMENTS
AND
UNIFORM GUIDANCE REPORTS**

YEARS ENDED AUGUST 31, 2016 AND 2015

**HIGHER ACHIEVEMENT PROGRAM, INC.
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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, 2016 and 2015, 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, 2016 and 2015, 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 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 basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 April 14, 2017, 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
April 14, 2017

**HIGHER ACHIEVEMENT PROGRAM, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015**

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,630,608	\$ 2,399,683
Investments	33,927	-
Grants and Contributions Receivable, Net, Current Portion	2,645,226	1,851,453
Prepaid Expenses	54,113	77,702
Total Current Assets	5,363,874	4,328,838
GRANTS AND CONTRIBUTIONS RECEIVABLE, NET OF CURRENT PORTION	1,020,907	881,104
FIXED ASSETS, NET	2,869,942	2,988,431
Total Assets	\$ 9,254,723	\$ 8,198,373
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 758,190	\$ 890,687
Deferred Revenue	398,300	269,250
Amount Held for Others	75,000	-
Line of Credit	47	25,101
Note Payable - Current Portion	21,542	20,605
Total Current Liabilities	1,253,079	1,205,643
NOTE PAYABLE, NET OF CURRENT PORTION	703,780	731,235
Total Liabilities	1,956,859	1,936,878
NET ASSETS		
Unrestricted Net Assets		
Unrestricted	2,735,355	2,839,643
Board Designated	1,611,934	1,104,402
Total Unrestricted Net Assets	4,347,289	3,944,045
Temporarily Restricted Net Assets	2,950,575	2,317,450
Total Net Assets	7,297,864	6,261,495
Total Liabilities and Net Assets	\$ 9,254,723	\$ 8,198,373

See accompanying Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT, REVENUE AND LOSSES						
Grants and Contributions, Net of						
Discount on Long Term Pledges	\$ 4,330,829	\$ 2,822,772	\$ 7,153,601	\$ 3,345,218	\$ 2,523,343	\$ 5,868,561
Government Grants	3,284,953	-	3,284,953	2,502,376	-	2,502,376
Individual Contributions	691,271	-	691,271	515,494	-	515,494
In-Kind Donations	105,524	-	105,524	142,836	-	142,836
Investment and Other Income (Loss)	(3,057)	-	(3,057)	45,847	-	45,847
Bad Debt Loss	(4,135)	(855,000)	(859,135)	-	-	-
NET ASSETS RELEASED FROM RESTRICTIONS	<u>1,334,647</u>	<u>(1,334,647)</u>	<u>-</u>	<u>1,685,413</u>	<u>(1,685,413)</u>	<u>-</u>
Total Support, Revenue and Losses	9,740,032	633,125	10,373,157	8,237,184	837,930	9,075,114
EXPENSES						
Program Services:						
Achievement Centers	3,371,377	-	3,371,377	2,835,694	-	2,835,694
Other Programs	3,192,552	-	3,192,552	3,029,508	-	3,029,508
Total Program Services	<u>6,563,929</u>	<u>-</u>	<u>6,563,929</u>	<u>5,865,202</u>	<u>-</u>	<u>5,865,202</u>
Supporting Services:						
General and Administrative	1,908,266	-	1,908,266	1,368,418	-	1,368,418
Development	864,593	-	864,593	646,032	-	646,032
Total Supporting Services	<u>2,772,859</u>	<u>-</u>	<u>2,772,859</u>	<u>2,014,450</u>	<u>-</u>	<u>2,014,450</u>
Total Expenses	<u>9,336,788</u>	<u>-</u>	<u>9,336,788</u>	<u>7,879,652</u>	<u>-</u>	<u>7,879,652</u>
CHANGE IN NET ASSETS	403,244	633,125	1,036,369	357,532	837,930	1,195,462
Net Assets - Beginning of Year	<u>3,944,045</u>	<u>2,317,450</u>	<u>6,261,495</u>	<u>3,586,513</u>	<u>1,479,520</u>	<u>5,066,033</u>
NET ASSETS - END OF YEAR	<u>\$ 4,347,289</u>	<u>\$ 2,950,575</u>	<u>\$ 7,297,864</u>	<u>\$ 3,944,045</u>	<u>\$ 2,317,450</u>	<u>\$ 6,261,495</u>

See accompanying Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2016**

	Program Service			Supporting Service			Total Expense
	Achievement Centers	Other Programs	Total Program Services	General and Administrative	Development	Total Supporting Services	
Salaries and Wages	\$ 2,273,112	\$ 1,775,325	\$ 4,048,437	\$ 900,338	\$ 568,611	\$ 1,468,949	\$ 5,517,386
Fringe Benefits	389,248	334,228	723,476	119,764	120,010	239,774	963,250
Professional Fees	-	528,112	528,112	262,588	104,605	367,193	895,305
Occupancy	40,264	54,473	94,737	2,948	-	2,948	97,685
Scholar Transportation and Housing	357,769	21,743	379,512	-	-	-	379,512
Information Technology	3,960	86,501	90,461	43,416	-	43,416	133,877
Scholar Meals	67,846	11,641	79,487	-	-	-	79,487
Depreciation	-	34,537	34,537	133,054	-	133,054	167,591
Special Events	3,536	39,914	43,450	-	13,499	13,499	56,949
Printing and Copying	8,191	27,848	36,039	7,071	1,592	8,663	44,702
Accounting and Legal	-	-	-	118,063	-	118,063	118,063
Travel and Training	252	56,915	57,167	21,245	2,404	23,649	80,816
Telephone	149	48,367	48,516	26,126	-	26,126	74,642
Office Supplies and Equipment	-	23,698	23,698	13,596	17	13,613	37,311
Dues and Subscriptions	-	28,755	28,755	2,341	-	2,341	31,096
Meetings and Recognition	2,342	33,366	35,708	8,372	30,072	38,444	74,152
Center Educational Supplies	62,314	19,928	82,242	-	-	-	82,242
Elective Programs	73,017	1,331	74,348	-	-	-	74,348
Security and Maintenance	87,858	-	87,858	302	-	302	88,160
Insurance	-	-	-	71,456	-	71,456	71,456
Promotional Materials	1,494	34,827	36,321	233	4,413	4,646	40,967
Postage	-	2,193	2,193	3,406	-	3,406	5,599
Cleaning Utilities and Security	-	-	-	57,565	-	57,565	57,565
Real Estate Taxes	-	-	-	13,286	-	13,286	13,286
Bank Service Charges	-	-	-	14,353	-	14,353	14,353
Job Posting and Background Checks	-	9,407	9,407	408	-	408	9,815
License and Fees	-	-	-	26,452	-	26,452	26,452
Miscellaneous	-	-	-	35,298	-	35,298	35,298
Interest Expense	-	-	-	26,509	-	26,509	26,509
Professional Development	25	19,443	19,468	76	19,370	19,446	38,914
Total Expenses	\$ 3,371,377	\$ 3,192,552	\$ 6,563,929	\$ 1,908,266	\$ 864,593	\$ 2,772,859	\$ 9,336,788

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	Total Supporting Services	
Salaries and Wages	\$ 1,785,593	\$ 1,359,308	\$ 3,144,901	\$ 614,817	\$ 477,167	\$ 1,091,984	\$ 4,236,885
Fringe Benefits	313,017	206,469	519,486	126,975	88,727	215,702	735,188
Professional Fees	87,000	780,107	867,107	39,106	36,480	75,586	942,693
Occupancy	45,246	34,013	79,259	98,176	-	98,176	177,435
Scholar Transportation and Housing	343,976	-	343,976	-	-	-	343,976
Information Technology	-	114,200	114,200	28,017	-	28,017	142,217
Scholar Meals	84,467	50	84,517	-	-	-	84,517
Depreciation	-	45,799	45,799	109,161	-	109,161	154,960
Special Events	7,378	101,902	109,280	-	10,062	10,062	119,342
Printing and Copying	8,775	22,557	31,332	15,524	7,015	22,539	53,871
Accounting and Legal	-	-	-	125,265	-	125,265	125,265
Travel and Training	-	64,426	64,426	12,749	4,020	16,769	81,195
Telephone	-	36,649	36,649	31,549	-	31,549	68,198
Office Supplies and Equipment	2,232	15,243	17,475	13,895	-	13,895	31,370
Dues and Subscriptions	-	10,614	10,614	-	11,920	11,920	22,534
Meetings and Recognition	535	110,888	111,423	16,109	5,506	21,615	133,038
Center Educational Supplies	53,989	33,766	87,755	-	-	-	87,755
Elective Programs	22,912	-	22,912	-	-	-	22,912
Security and Maintenance	72,391	1,700	74,091	-	-	-	74,091
Insurance	-	-	-	51,094	-	51,094	51,094
Promotional Materials	8,183	10,833	19,016	208	5,135	5,343	24,359
Postage	-	3,272	3,272	4,236	-	4,236	7,508
Bank Service Charges	-	-	-	11,257	-	11,257	11,257
License and Fees	-	-	-	39,161	-	39,161	39,161
Interest Expense	-	-	-	31,119	-	31,119	31,119
Pittsburgh Program Allocation	-	48,645	48,645	-	-	-	48,645
Professional Development	-	29,067	29,067	-	-	-	29,067
Total Expenses	\$ 2,835,694	\$ 3,029,508	\$ 5,865,202	\$ 1,368,418	\$ 646,032	\$ 2,014,450	\$ 7,879,652

See accompanying Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,036,369	\$ 1,195,462
Adjustments to Reconcile Change in Net Assets to Net Cash		
Flow Provided by (Used In) Operating Activities:		
Depreciation Expense	167,591	154,960
Bad debts	859,135	-
Net Realized and Unrealized Loss on Investments	4,092	-
Proceeds from Sale of Donated Securities	169,631	-
Donated Securities	(207,650)	(1,753)
Changes in Assets and Liabilities:		
Grants and Contributions Receivable	(1,792,711)	(1,622,702)
Prepaid Expenses	23,589	15,022
Accounts Payable and Accrued Expenses	(132,497)	235,680
Deferred Revenue	129,050	(138,695)
Amount Held for Others	75,000	-
Tenant Deposits	-	(1,700)
Net Cash Flow Provided by (Used In) Operating Activities	331,599	(163,726)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Securities	-	1,753
Purchases of Fixed Assets	(49,102)	(237,339)
Net Cash Flow Used in Investing Activities	(49,102)	(235,586)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Proceeds from Line of Credit	-	25,101
Payments on Line of Credit	(25,054)	-
Payments of Principal on Note Payable	(26,518)	(21,639)
Net Cash Flow (Used in) Provided By Financing Activities	(51,572)	3,462
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	230,925	(395,850)
Cash and Cash Equivalents - Beginning of Year	2,399,683	2,795,533
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,630,608	\$ 2,399,683
SUPPLEMENTAL CASH FLOW DISCLOSURES		
Interest Paid	\$ 26,509	\$ 31,119
NON CASH INVESTING AND FINANCING ACTIVITIES		
Donated Securities	\$ 207,650	\$ 1,753

See accompanying Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

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 \$20,000, as of August 31, 2016 and 2015, respectively.

HIGHER ACHIEVEMENT PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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 \$1,611,934 and \$1,461,934 at August 31, 2016 and 2015, 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, 2016 AND 2015**

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, 2016 and 2015, 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.

Subsequent Events

In preparing these financial statements, Higher Achievement has evaluated events and transactions for potential recognition or disclosure through April 14, 2017, 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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Foundation Grants	\$ 1,910,000	\$ 1,000,000
Corporate and Individual Contributions	723,070	106,000
Government Grants and Other	1,069,106	1,700,453
Total Receivables Before Discount and Allowance	<u>3,702,176</u>	<u>2,806,453</u>
Discount and Allowance for Doubtful Accounts	<u>(36,043)</u>	<u>(73,896)</u>
Grants and Contributions Receivable, Net	<u>\$ 3,666,133</u>	<u>\$ 2,732,557</u>

A discount on long term pledges of \$16,043 and \$53,896 was recorded for August 31, 2016 and 2015, respectively. For the years ended August 31, 2016 and 2015, the discount rate was 1.09% and 4%, respectively.

Grants and contributions receivable at August 31, 2016 and 2015, were due over the following periods:

	<u>2016</u>	<u>2015</u>
Due in Less Than One Year	\$ 2,645,226	\$ 1,871,453
Due in One to Five Years	1,056,950	935,000
Total	<u>\$ 3,702,176</u>	<u>\$ 2,806,453</u>

HIGHER ACHIEVEMENT PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

NOTE 3 FIXED ASSETS

At August 31, 2016 and 2015, fixed assets were comprised of the following:

	<u>2016</u>	<u>2015</u>
Building and Improvements	\$ 2,509,238	\$ 2,500,342
Land	786,643	786,643
Furniture and Equipment	<u>1,114,029</u>	<u>1,073,823</u>
Total	4,409,910	4,360,808
Less: Accumulated Depreciation	<u>(1,539,968)</u>	<u>(1,372,377)</u>
Fixed Assets, Net	<u><u>\$ 2,869,942</u></u>	<u><u>\$ 2,988,431</u></u>

NOTE 4 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 note agreement includes restrictive covenants. As of August 31, 2016, management believes Higher Achievement was in compliance with the covenants. The outstanding balance on the Note at August 31, 2016, is \$725,322. Estimated future principal payments due on the Note as of August 31 are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2017	\$ 21,542
2018	22,432
2019	23,359
2020	24,249
2021	25,325
Thereafter	<u>608,415</u>
Total	<u><u>\$ 725,322</u></u>

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, 2016, was 4.25%. At August 31, 2016, and 2015 the balance outstanding on the line of credit was \$47 and \$25,101.

**HIGHER ACHIEVEMENT PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2016 and 2015, temporarily restricted net assets were available for the following programs and time periods:

	<u>2016</u>	<u>2015</u>
Capacity Building, Expansion, and Program Evaluation	\$ 233,480	\$ 444,790
Program Support and Other	304,246	1,400,993
Time Restricted	<u>2,412,849</u>	<u>471,667</u>
Total	<u>\$ 2,950,575</u>	<u>\$ 2,317,450</u>

NOTE 6 SPECIAL EVENTS

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

	<u>2016</u>	<u>2015</u>
Foundation Revenue	\$ 179,605	\$ 88,660
Corporate and Individual Contributions	1,367,540	1,058,750
Less Direct Benefits to Donors	<u>(146,212)</u>	<u>(151,193)</u>
Total Event Income	<u>\$ 1,400,933</u>	<u>\$ 996,217</u>

It is reflected as follows in the statements of activities:

	<u>2016</u>	<u>2015</u>
Foundation Revenue	\$ 162,632	\$ 76,565
Corporate and Individual Contributions	<u>1,238,301</u>	<u>919,652</u>
Total Event Income	<u>\$ 1,400,933</u>	<u>\$ 996,217</u>

NOTE 7 IN-KIND DONATIONS

During the years ended August 31, 2016 and 2015, Higher Achievement recognized the following in-kind support services:

	<u>2016</u>	<u>2015</u>
Professional Fees (Supporting Service)	\$ 82,159	\$ 94,191
Program Equipment and Supplies (Program Service)	<u>23,365</u>	<u>48,645</u>
Total	<u>\$ 105,524</u>	<u>\$ 142,836</u>

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.

**HIGHER ACHIEVEMENT PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

NOTE 8 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, 2016 and 2015, Higher Achievement incurred expenses of \$141,606 and \$99,035, respectively, related to this plan.

NOTE 9 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.

Total rental expense for the years ended August 31, 2016 and 2015, amounted to \$97,686 and \$79,259, respectively.

Future minimum lease payments required under the leases as of August 31, 2016, are as follows for the years ending August 31:

<u>Year Ending August 31,</u>	<u>Amount</u>
2017	\$ 52,536
2018	11,522
Total	<u>\$ 64,058</u>

NOTE 10 CONCENTRATION

During the year ended August 31, 2016, the Organization had one grantor who accounted for approximately 12% of the total support and revenue received.

**HIGHER ACHIEVEMENT PROGRAM, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
Department of Education				
Investing in Innovation (i3) Fund				
Accelerating Academic Achievement through Standards Aligned Expanded Learning	84.411B	N/A	\$ -	\$ 1,495,766
21st Century Community Learning Center Program:				
District of Columbia Public Schools - Office of Federal Grants Program	84.287C	62827C 5632-60565-	-	302,332
Virginia State Department of Education	84.287	5287C130047	-	160,722
Maryland State Department of Education:				
East Center	84.287	165505	-	155,842
Dr. Carter	84.287	165505	-	147,329
City springs	84.287	165505	-	78,668
Total CFDA 84.287			-	844,893
Total Department of Education			-	2,340,659
Corporation for National and Community Service				
AmeriCorps:				
District of Columbia - Serve DC	94.006	12AFHDC0010006	-	66,163
District of Columbia - Serve DC - VGF	94.006	GS-016-43394	-	2,880
Total CFDA 94.006			-	69,043
Volunteers in Service to America	94.013	07VSADC012	-	46,587
Total Corporation for National and Community Service			-	115,630
Total Expenditures of Federal Awards			\$ -	\$ 2,456,289

HIGHER ACHIEVEMENT PROGRAM, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2016

NOTE 1 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Higher Achievement under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Higher Achievement, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Higher Achievement.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Higher Achievement has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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, 2016, 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 April 14, 2017.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2016-002 to be a significant deficiency.

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*.

Higher Achievement's Response to Findings

Higher Achievement's response to the 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 the financial statements and, accordingly, we express no opinion on it.

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
April 14, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 items 2016-003, 2016-004, and 2016-005 that we consider to be a significant deficiencies.

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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Arlington, Virginia
April 14, 2017

**HIGHER ACHIEVEMENT PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified? x yes none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

Name of Federal Program or Cluster	Federal CFDA #
Department of Education: 21st Century Community Learning Center Program	84.287

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? x yes no

**HIGHER ACHIEVEMENT PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016**

Section II – Financial Statement Findings

2016 – 001 – Account Reconciliation and Audit Preparation

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Condition/Context: During our audit we experienced significant delays in obtaining schedules and records supporting various general ledger accounts. For several accounts the final reconciliation and closing took place during as well as after the scheduled audit fieldwork which resulted in an unusually high number of auditor-proposed and client-provided adjusting entries. The adjustments impacted receivables, payables, deferred revenue, classifications within net assets, contribution revenue, government grants, net assets released from donor restrictions, and various categories of expenses. The most significant adjustment related to a lack of inconsistent revenue recognition associated with amounts received for the fiscal year 2017 gala that were inconsistently recognized as revenue in fiscal year 2016. This adjustment increased deferred revenue and decreased revenue by \$313,200.

Criteria or specific requirement: Internal controls should be in place that are effective in providing reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Effect: The lack of effective controls in place over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected. In addition, untimely closing procedures can lead to implications on management's ability to make informed business decisions.

Cause: Contributing factors included the following: The organization had significant turnover within their finance department during the year under audit and the needed reconciliations, analysis and corrections to the account balances and transactions recorded in the general ledger were not completed before the audit fieldwork began. In addition, due to this turnover, the organization had to expend significant effort to locate documentation to support financial reporting activities performed by individuals who were no longer with the organization.

Recommendation: The organization should evaluate their financial reporting processes and controls, including the expertise of its internal staff, to ensure an appropriate allocation of responsibilities exists and results in the consistency in the application of accounting policies and timely reconciliation of all accounts and closing of the reporting period on a monthly and annual basis.

Views of responsible officials and planned corrective actions: Given the significant budget growth and increasing complexity (35% growth in two years), Higher Achievement leadership overhauled the finance department staffing to meet the changing needs of the organization and to elevate the financial reporting processes and controls. This occurred during fiscal year 2016 and was completed in March 2017. During this time there was a complete transition in the finance team and significant reliance on outsourcing of finance operations and on temporary staffing. This caused delays in the monthly and year end closing process and created a situation where a less than ideal volume of people were involved in recording and analyzing accounting transactions resulting with inconsistencies and other errors requiring significant time and effort to identify and correct. In addition, given the 100% finance team turnover, it was difficult to find all the paperwork at times. All of this has been rectified now and as of January 2017, the Finance department was again fully staffed with a CFO, Controller, Senior/Grants Accountant and Payroll & Accounts Payable Coordinator. A new finance manual is in place and all staff

HIGHER ACHIEVEMENT PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016

who have financial duties have been trained on the controls and processes. This includes new controls and processes which have been implemented at the affiliate level that we are continuously monitoring and improving.

The deferred revenue adjustment referenced above was a symptom of the outsourcing of finance operations for six months and the direct result of a lack of familiarity with the accounting treatment of these transactions in the past. As a result, a different but acceptable method of recognizing this revenue was taken at year end. The adjustment that was posted by the current finance team corrected this inconsistency, but after the audit was underway.

2016 – 002 – Schedule of Expenditures of Federal Awards Presentation

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition/Context: Higher Achievement's Schedule of Expenditures of Federal Awards (SEFA) inaccurately presented the federal expenditures for each of the federal awards. The identified misstatements were corrected in the accompanying SEFA and had no impact on the financial statement amounts.

Criteria or specific requirement: Internal controls should be in place to provide reasonable assurance that the SEFA is prepared in accordance with the Uniform Guidance. The Uniform Guidance, at 2 CFR section 200.508(b), requires Higher Achievement to prepare appropriate financial statements, including a SEFA. The requirement to present a SEFA means that Higher Achievement should identify all of its federal programs (direct and indirect, major and nonmajor) and related awards expended.

Effect: The lack of effective controls over the financial reporting function increases the risk of misstatements, fraud, or errors occurring and not being detected and corrected.

Cause: A reconciliation to the related revenues from federal awards was not performed and would have identified the noted misstatements in the SEFA. Contributing factors likely include matters highlighted in the cause for finding 2016-001. In addition, revisions to the SEFA were provided for audit without supervisory review which may have identified these matters. Management identified time constraints as an additional factor contributing to these lapses in the performance of internal controls.

Recommendation: The organization should have effective internal controls in place to ensure that the SEFA includes all of its federal programs (direct and indirect, major and nonmajor) and related awards expended which reconciles to the related revenues and expenses recorded in the financial statements.

Views of responsible officials and planned corrective actions: As stated above the controls are in place and now that we have a fully functioning staff in the Finance department. All the responsibilities now rest with the Senior/Grant accountant and overseen by the Controller.

**HIGHER ACHIEVEMENT PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs

2016-003 – Period of Performance

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Period
Department of Education			
21st Century Community Learning Center Program:			
District of Columbia Public Schools - Office of			
Federal Grants Program	84.287C	62827C	10/1/15-9/30/16
Maryland State Department of Education:			
East Center	84.287	165505	9/1/15-8/30/16
Dr. Carter	84.287	165505	9/1/15-8/30/16
City springs	84.287	165505	9/1/15-8/30/16

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200.303 *Internal Controls* requires organizations to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 2 CFR Part 200.309 *Period of Performance* states only allowable costs incurred during the period of performance may be charged to the Federal award.

Condition: During our testing, we noted Higher Achievement did not have adequate internal controls designed to ensure expenses associated with accrued payroll were posted to the grant level. Payroll costs that were incurred prior to the beginning of the District of Columbia Public Schools and Maryland State Department of Education grants were improperly included as grant costs during the periods under audit. This had no impact on the financial statement level reporting.

Questioned costs: None above required reporting thresholds.

Context: Four out of eight transactions tested during the audit that were within the first months of the District of Columbia Public Schools and Maryland State Department of Education grants included payroll costs that were incurred prior to the start of the grant period.

Cause: Although payroll is accrued by Higher Achievement, the associated expense is not posted to the grant level.

Effect: The lack of effective internal controls over these compliance requirements provides an opportunity for noncompliance.

Repeat Finding: No

Recommendation: We recommend Higher Achievement design and implement controls to ensure payroll costs associated with federal grants are recognized in the period they are incurred.

**HIGHER ACHIEVEMENT PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016**

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

There are two options being explored. One is to change the payroll to semi-monthly and record the expenses in the correct month. This will lead to correct billing in the correct month. We have put this proposal to the Director of Human Capital who is reviewing it currently.

Second option is to accrue the payroll to the grant level in the months where the grants are starting.

In past this has never been done or tested in any of the prior audits.

Responsible official: Chief Financial Officer and Director of Human Capital.

Date of Completion: Under review

2016-004 – Cash Management

Federal Grantor/Pass through Grantor/ Program or Cluster Title		Pass-Through Entity Identifying Number	Award Period
Department of Education			
21st Century Community Learning Center Program:			
District of Columbia Public Schools - Office of Federal Grants Program			
84.287C		62827C 5632-60565-	10/1/15-9/30/16
84.287		5287C130047	7/1/15-9/30/16
Maryland State Department of Education:			
84.287		165505	9/1/15-8/30/16
84.287		165505	9/1/15-8/30/16
84.287		165505	9/1/15-8/30/16

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200.303 *Internal Controls* requires organizations to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Documentation of costs incurred that are submitted for reimbursement under Federal awards should be retained.

Condition: During our testing, we noted Higher Achievement did not consistently have documentation of costs submitted for reimbursement or evidence of who reviewed and prepared the submission, although, overall federal award costs were supported by the general ledger transactions with immaterial variances for each pass through grantor.

Questioned costs: None

**HIGHER ACHIEVEMENT PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016**

Context: Higher achievement was unable to provide support detailing the costs claimed for reimbursement or documentation that the request was reviewed and approved by someone other than the preparer for four out of eight transactions tested during the audit. We were able to observe expenses equaling or exceeding the request for reimbursement either within the general ledger and other analysis subsequently created by Higher Achievement.

Cause: Contributing factors included the following: The organization had significant turnover within their finance department and certain program positions. Due to this turnover, the organization had to expend significant effort to locate documentation to support financial reporting activities performed by individuals who were no longer with the organization and in some instances this documentation was not be located.

Effect: The lack of effective internal controls over these compliance requirements provides an opportunity for noncompliance.

Repeat Finding: No

Recommendation: We recommend Higher Achievement ensure controls over requests for reimbursement of Federal awards are operating effectively and include documentation demonstrating the detail of costs claimed for reimbursement that includes sign-off by the individual reviewing and approving the reimbursement request. The reviewer should verify costs are accurately presented and allowable under the grant, were incurred during the grant period and prior to the request for reimbursement, and are properly classified within the general ledger.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. All the processes have been put in place and now that Higher Achievement has a full staff in the Finance department, all controls are being implemented.

As the staff responsible for performing these controls during the period under audit were no longer with Higher Achievement and documentation of the performance of these controls could not be located, we were not able to provide substantiation that they were performed.

Responsible official: Chief Financial Officer

Date of Completion: Completed

**HIGHER ACHIEVEMENT PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016**

2016-005 – Matching

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Award Period
Department of Education			
21st Century Community Learning Center Program:			
Maryland State Department of Education:			
East Center	84.287	165505	9/1/15-8/30/16
Dr. Carter	84.287	165505	9/1/15-8/30/16
City springs	84.287	165505	9/1/15-8/30/16

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria or specific requirement: 2 CFR Part 200.303 *Internal Controls* requires organizations to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. 2 CFR Part 200.306 *Cost Sharing or Matching* states shared costs or matching funds must be verifiable from the non-Federal entity's records, not included as contributions for any other Federal award, are necessary and reasonable for accomplishment of project or program objectives, are allowable, are not paid by the Federal government under another Federal award, are provided for in the approved budget.

Condition: During our testing, we noted controls were not in place to document how Higher Achievement had met the matching requirement under the Maryland State Department of Education grant or to verify that it had been met. Higher Achievement was subsequently able to demonstrate compliance with the matching requirement.

Questioned costs: None

Context: The matching requirement for the Maryland State Department of Education grant was not tracked to ensure it was met during the grant period.

Cause: Contributing factors included the following: The organization had significant turnover within their finance department and certain program positions.

Effect: The lack of effective internal controls over these compliance requirements provides an opportunity for noncompliance.

Repeat Finding: No

Recommendation: We recommend Higher Achievement ensure controls over matching requirements are implemented and operating effectively to ensure compliance with Uniform Guidance and Federal grant requirements, that shared costs or matching funds can be readily verified from Higher Achievement's records and documentation exists that demonstrates how the requirement was met, who reviewed and approved it, and any correspondence with the funder.

**HIGHER ACHIEVEMENT PROGRAM, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2016**

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding.

We have started to keep a separate log of the matching requirement. New spreadsheets that track the grants are also going to track the matching requirements. One of the reasons the match was not tracked as it was not required to be reported by the funder. As is confirmed by the auditors we were able to prove that there are enough expenses for the match.

Responsible official: Controller

Date of Completion: May 2017

Section IV – Prior Year Findings

2015-001: Procurement, Suspension and Debarment

During this year's testing of suspension and debarment, we determined that corrective action was implemented. No similar findings were noted during the current year audit.