

**HIGHER ACHIEVEMENT PROGRAM, INC.**  
(a nonprofit organization)

**REPORT ON AUDIT OF FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**Year Ended August 31, 2017**

## **TABLE OF CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 16
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Functional Expenses by Program	18

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Higher Achievement Program, Inc.  
Alexandria, Virginia

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

We have audited the accompanying financial statements of Higher Achievement Program, Inc. (Higher Achievement) which comprise the statement of financial position as of August 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 as of August 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As explained in Note 14 to the financial statements, unrestricted net asset balances and temporarily restricted net asset balances have been restated as of August 31, 2016 to appropriately reflect a temporarily restricted award that was previously designated as an unrestricted contribution. Our opinion is not modified with respect to this matter.

## ***Report on Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses by Program on page 18 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. This 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 June 6, 2018, on our consideration of Higher Achievement'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Higher Achievement's 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's internal control over financial reporting and compliance.

*Renner and Company, CPA, P.C.*

Alexandria, Virginia  
June 6, 2018

**HIGHER ACHIEVEMENT PROGRAM, INC.**

**STATEMENT OF FINANCIAL POSITION**

**August 31, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 2,407,694
Grants receivable, net of allowance	2,164,586
Contributions receivable, net of discount	518,950
Prepaid expense	71,778
Advances	<u>1,700</u>

**TOTAL CURRENT ASSETS** 5,164,708

**PROPERTY AND EQUIPMENT**, at cost, net of accumulated depreciation 2,728,555

**OTHER ASSETS**

Security deposit	<u>3,656</u>
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**TOTAL ASSETS** \$ 7,896,919

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 424,464
Deferred revenue	304,500
Refundable deposits	96,018
Deferred rent	5,206
Note payable	<u>22,432</u>

**TOTAL CURRENT LIABILITIES** 852,620

**LONG-TERM LIABILITIES**

Deferred rent, net of current portion	10,525
Note payable, net of current portion	<u>686,868</u>

**TOTAL LONG-TERM LIABILITIES** 697,393

**TOTAL LIABILITIES** 1,550,013

**NET ASSETS**

Unrestricted	2,514,473
Unrestricted - board designated	1,611,934
Temporarily restricted	<u>2,220,499</u>

**TOTAL NET ASSETS** 6,346,906

**TOTAL LIABILITIES AND NET ASSETS** \$ 7,896,919

See Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.****STATEMENT OF ACTIVITIES****For the Year Ended August 31, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Grants and contributions, net of discount on long term pledges	\$ 785,674	\$ 2,027,651	\$ 2,813,325
Governmental grants	3,699,936	-	3,699,936
Individual and corporate contributions	2,833,252	-	2,833,252
In-kind donations	706,363	-	706,363
Investment and other	18,157	-	18,157
Net assets released from restrictions	2,982,730	(2,982,730)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>11,026,112</b>	<b>(955,079)</b>	<b>10,071,033</b>
<b>EXPENSES</b>			
Program	7,614,521	-	7,614,521
Management and general	2,363,064	-	2,363,064
Fundraising	1,044,406	-	1,044,406
<b>TOTAL EXPENSES</b>	<b>11,021,991</b>	<b>-</b>	<b>11,021,991</b>
<b>CHANGE IN NET ASSETS</b>	<b>4,121</b>	<b>(955,079)</b>	<b>(950,958)</b>
<b>NET ASSETS, beginning of year, restated</b>	<b>4,122,286</b>	<b>3,175,578</b>	<b>7,297,864</b>
<b>NET ASSETS, end of year</b>	<b>\$ 4,126,407</b>	<b>\$ 2,220,499</b>	<b>\$ 6,346,906</b>

See Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.****STATEMENT OF FUNCTIONAL EXPENSES****For the Year Ended August 31, 2017**

	Program	General and Administrative	Development	Total
Salaries and wages	\$ 4,016,940	\$ 932,332	\$ 641,963	\$ 5,591,235
Consultant fee	1,199,599	291,273	51,100	1,541,972
Fringe benefits	744,941	180,493	121,633	1,047,067
Scholar transportation and housing	397,745	-	-	397,745
Bad debt	318,050	5,000	-	323,050
Special events	57,550	357	173,213	231,120
Information technology	137,337	53,725	10,214	201,276
Depreciation & amortization	27,699	126,438	-	154,137
Center educational supplies	151,106	-	-	151,106
Legal	-	148,855	-	148,855
Occupancy	55,050	57,186	-	112,236
Elective programs	105,153	-	-	105,153
Cleaning, utilities & security	13,160	82,241	-	95,401
Security and maintenance	72,538	2,170	-	74,708
Travel and training	40,323	22,751	10,718	73,792
Scholar meals	72,828	-	-	72,828
Audit fees	-	63,482	-	63,482
Insurance	-	61,618	-	61,618
Meetings and recognition	20,779	33,230	6,221	60,230
Payroll processing fees	-	58,410	-	58,410
Office supplies	14,615	38,793	2,105	55,513
Copying and printing	19,329	23,296	9,654	52,279
Field trips	50,656	-	-	50,656
Telephone	12,232	36,115	148	48,495
Interest	-	35,044	-	35,044
Professional development	18,344	15,044	543	33,931
Promotional materials	24,400	1,036	5,127	30,563
Dues and subscriptions	19,137	5,926	4,288	29,351
Tuition reimbursement	-	27,617	-	27,617
Real estate taxes	-	21,278	-	21,278
Job posting & background checks	10,622	5,022	-	15,644
Bank service fees	11,458	3,864	-	15,322
Repairs & maintenance	-	14,347	-	14,347
License and fees	-	4,511	6,645	11,156
Postage	2,930	6,406	834	10,170
Vacation accrual	-	4,725	-	4,725
Miscellaneous	-	479	-	479
<b>TOTAL EXPENSES</b>	<b>\$ 7,614,521</b>	<b>\$ 2,363,064</b>	<b>\$ 1,044,406</b>	<b>\$ 11,021,991</b>

See Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.****STATEMENT OF CASH FLOWS****For the Year Ended August 31, 2017****CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from operations

Government grants, fees, contributions received

\$ 10,978,304

Interest income

844

Total cash received from operations

10,979,148

Cash disbursed by operations

Payments to employees and suppliers

11,172,126

Interest paid

35,044

Total cash paid by operations

11,207,170**NET CASH USED BY OPERATING ACTIVITIES**(228,022)**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of equipment

(12,750)**CASH FLOWS FROM FINANCING ACTIVITIES**

Payment on note payable

(16,022)

Line of credit charge waiver

(47)**NET CASH USED BY FINANCING ACTIVITIES**(16,069)**NET DECREASE IN CASH**

(256,841)

**CASH, beginning of year**2,664,535**CASH, end of year**\$ 2,407,694

See Notes to Financial Statements.



**HIGHER ACHIEVEMENT PROGRAM, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended August 31, 2017**

**RECONCILIATION OF CHANGE IN NET ASSETS TO  
NET CASH USED BY OPERATING ACTIVITIES**

<b>CHANGE IN NET ASSETS</b>	<u>\$ (950,958)</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Depreciation	154,137
Non-cash occupancy costs	<u>20,939</u>
<b>NET ADJUSTMENTS</b>	<u>175,076</u>
<b>CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS (USING) CASH AND CASH EQUIVALENTS</b>	
<b>ASSETS</b>	
Grants receivable, net of allowance	794,520
Contributions receivable, net of discount	188,077
Prepaid expense	(21,321)
Advances	<u>(1,700)</u>
	<u>959,576</u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	(338,934)
Deferred revenue	(93,800)
Refundable deposits	<u>21,018</u>
	<u>(411,716)</u>
<b>NET CHANGES IN ASSETS AND LIABILITIES</b>	<u>547,860</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (228,022)</u></u>

See Notes to Financial Statements.

## **HIGHER ACHIEVEMENT PROGRAM, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2017**

#### **1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE**

##### **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 to four years after school and summer to stay on track for college.

Higher Achievement 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 rates of their peers.

##### **Basis of Presentation**

Higher Achievement reports information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted net assets are available for 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 at August 31, 2017.

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 lapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent resources in which use is limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. As of August 31, 2017, there were no permanently restricted net assets.

## **HIGHER ACHIEVEMENT PROGRAM, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2017**

#### **1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (Continued)**

##### **Basis of Accounting**

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

##### **Cash and Cash Equivalents**

For purposes of the statement of cash flows, cash consists of checking accounts. Higher Achievement considers all highly liquid debt instruments with an initial maturity of 90 days or less and money market funds held with investment brokers to be cash equivalents.

##### **Grants Receivable**

Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts and a discount on long-term grants receivable. Higher Achievement provides for losses on grants receivable using the allowance method. The allowance is based on the reserve method using management's judgment and Higher Achievement's approved policy. In 2014, Higher Achievement 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. A balance is considered past due 30 days after the invoice date. When all collection efforts have been exhausted, the receivable is written off against the related reserve. An allowance was recorded in the amount of \$80,000 as of August 31, 2017.

##### **Contributions Receivable**

Contributions receivable are recognized as support in the period the contribution is made. Conditional contributions receivable are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions receivable are carried at the original amount promised less any estimates made for doubtful contributions based on a review of all outstanding promises on a monthly basis. Management determines the allowance for doubtful contributions by regularly evaluating individual contributions and considering the prior history of the donor and proven collectibility of past donations. Contributions receivable are written off when deemed uncollectible. Recoveries of contributions receivable previously written off are recorded when received. Contributions due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 4%.

## **HIGHER ACHIEVEMENT PROGRAM, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2017**

#### **1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (Continued)**

##### **Property and Equipment**

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 \$5,000 with expected useful lives greater than one year are capitalized.

##### **Fair Value Measurements**

Higher Achievement applies accounting principles generally accepted in the United States (U.S. GAAP) for fair value measurements of financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

##### **Restricted and Unrestricted Revenue**

Grants received are recorded as unrestricted, or temporarily restricted, depending on the existence and/or nature of any donor restrictions.

All donor-restricted revenue is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

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 contribution receivable in the accompanying statement of financial position.

Deferred revenue represents revenue collected in advance for future services.

##### **In-kind Contributions**

In-kind contributions of professional volunteer services have been recorded based on estimated fair value. In-kind items donated for various special events are recorded based on estimated fair value.

## **HIGHER ACHIEVEMENT PROGRAM, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2017**

#### **1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (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 derived from unrelated business activities. Higher Achievement had no taxable unrelated business income for the year ended August 31, 2017.

In accounting for uncertainty in income taxes, accounting standards require an entity to recognize the financial statement impact of a tax position when it is more-likely-than-not than the position will not be sustained upon examination. Management evaluated Higher Achievement's tax position and concluded there are no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the guidance.

##### **Allocated Expenses**

Direct costs associated with specific programs are recorded as program expenses. Administrative staff and staff working on multiple programs use time sheets to capture actual hours devoted to project areas.

Higher Achievement's policy is to allocate allocable general operating expenses and management expenses to certain programs based on the direct costs of Higher Achievement's functions. Allocated management and general expenses not reimbursed by grant programs are borne by Higher Achievement.

##### **Estimates**

Management uses estimates and assumptions in preparing the financial statements in accordance with U.S. GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

The significant estimates affecting the financial statements include the estimated fair value of the in-kind professional volunteer services.

Higher Achievement participates in a number of federally assisted programs which are subject to financial and compliance audits by the federal agencies or their representatives. As such, there is a possibility that questioned costs might result from such an audit. Management does not anticipate any significant adjustments as a result of such an audit for the current year costs.

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2017

#### 2. CASH

Cash at August 31, 2017 consisted of the following:

Checking	\$ 1,512,918
Money market fund	<u>894,776</u>
	<u>\$ 2,407,694</u>

As of August 31, 2017, bank balances not insured by the Federal Deposit Insurance Corporation or the Securities Investors Protection Corporation was \$2,048,346.

#### 3. GRANTS RECEIVABLE

Grants receivable as of August 31, 2017 consisted of the following:

Government grants and other	\$ 1,354,194
Corporation and individual contributions	633,500
Foundation grants	<u>256,892</u>
	2,244,586
Less: allowance for doubtful accounts	<u>(80,000)</u>
	<u>\$ 2,164,586</u>

#### 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of August 31, 2017 consisted of the following:

Government grants and other	\$ 6,095
Corporation and individual contributions	376,678
Foundation grants	<u>152,220</u>
	534,993
Less: discounts on multi-year pledges	<u>(16,043)</u>
	<u>\$ 518,950</u>

Contributions receivable at August 31, 2017 were due over the following periods:

Due in less than one year	\$ 393,493
Due in one to five years	<u>125,457</u>
Total	<u>\$ 518,950</u>

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2017

#### 5. PROPERTY AND EQUIPMENT

A summary of information relative to property and depreciation for the year ended August 31, 2017 is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Land and building	\$ 2,561,054	\$ 53,288	\$ 494,736
Property improvements	717,204	23,556	153,358
Software	605,087	20,904	596,650
Computers and equipment	255,155	40,782	226,469
Furniture	253,787	12,497	207,116
Scholar library	2,442	-	2,442
Closing costs	27,931	3,110	13,334
	<u>\$ 4,422,660</u>	<u>\$ 154,137</u>	<u>\$ 1,694,105</u>

#### 6. NOTE PAYABLE

Higher Achievement was awarded a capital grant from Freddie Mac in the amount of \$640,000 for the purchase of a new building in Washington DC. In May 2013, Higher Achievement also entered into a business loan agreement and executed a Promissory Note in the principal amount of \$800,000, with a maturity date of May 31, 2023.

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 be less than 4%. The note agreement includes restrictive covenants. As of August 31, 2017, management believes Higher Achievement was in compliance with the covenants. The outstanding balance on the note at August 31, 2017, is \$709,300. Estimated future principal payments due on the note as of August 31 are as follows:

Year Ending August 31,	
2018	\$ 22,432
2019	23,359
2020	24,249
2021	25,325
2022	26,372
Thereafter	<u>587,563</u>
	<u>\$ 709,300</u>

The interest expense related to this note payable was \$35,044 for the year ended August 31, 2017.

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2017

#### 7. LINE OF CREDIT

Higher Achievement has a \$600,000 line of credit secured by the property located at 1750 Columbia Road. Bank advances on the credit line are payable on demand. The interest rate is 0.500 percentage points over 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. For the year ended August 31, 2017, the interest rate was 4.75%. The maturity date is open ended. The unused line of credit at August 31, 2017 was \$600,000. The outstanding balance on this line of credit was \$0 at August 31, 2017. There was no borrowing on the line of credit during the fiscal year and thus the interest expense was \$0 for the year ended August 31, 2017.

#### 8. TEMPORARILY RESTRICTED NET ASSETS

As of August 31, 2017, temporarily restricted net assets were available for the following programs and time periods:

	Restated Balance 9/1/2016	Support and Revenue	Net assets released from restriction	Balance 8/31/2017
Capacity building, expansion, and program evaluation	\$ 233,480	\$ 259,680	\$ 113,472	\$ 379,688
Program support and other	529,249	1,627,527	1,421,105	735,671
Time restricted	2,412,849	140,444	1,448,153	1,105,140
Total	<u>\$ 3,175,578</u>	<u>\$ 2,027,651</u>	<u>\$ 2,982,730</u>	<u>\$ 2,220,499</u>

#### 9. SPECIAL EVENTS

Higher Achievement held an annual fundraising event in October 2016. The event activity was as follows:

Corporate and individual contributions	\$ 1,296,045
Foundation revenue	25,000
Less: Direct benefits to donors	<u>(128,074)</u>
Total	<u>\$ 1,192,971</u>

It is reflected as follows in the statement of activities:

Corporate and individual contributions	\$ 1,170,395
Foundation revenue	22,576
Total	<u>\$ 1,192,971</u>



## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2017

#### 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 base rent.

Higher Achievement entered into a lease agreement for office space in Richmond, Virginia which commenced on January 15, 2014 with an initial termination of January 30, 2017 that was extended to January 31, 2020. The lease extension requires annual rental payments of \$38,160 with an annual rental payment increase of \$3,212 in February 2019.

Higher Achievement entered into a lease agreement for office space in Pittsburgh, Pennsylvania which commenced on September 15, 2014 with an initial termination of August 31, 2017 and continued on a month to month basis thereafter. The lease extension requires annual rental payments of \$19,680, and includes a provision for annual 3% increase of base rent.

Total rent expense for the year ended August 31, 2017 was \$112,236.

Future minimum lease payments required under the leases as of August 31, 2017 are as follows:

For the fiscal year ended:

2018	\$ 49,682
2019	38,384
2020	<u>16,060</u>
	<u>\$ 104,126</u>

#### 11. IN-KIND DONATIONS

During the year ended August 31, 2017, Higher Achievement recognized the following in-kind support services:

Professional fees (supporting service)	
Consulting and mentorship	\$ 557,974
Legal and business	<u>148,389</u>
Total	<u>\$ 706,363</u>

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2017

#### 12. RETIREMENT PLAN

Higher Achievement has a 403(b) defined contribution plan that is available to all employees. Employees are eligible to participate in the plan immediately and employer contributions are made upon 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 year ended August 31, 2017, Higher Achievement incurred expenses of \$216,215 related to this plan.

#### 13. CONCENTRATIONS

Approximately 34% of Higher Achievement's revenue was derived from various grants and contracts awarded by agencies of the United States Department of Education and other governmental entities for the year ended August 31, 2017. Higher Achievement has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect Higher Achievement's ability to finance ongoing operations.

#### 14. PRIOR PERIOD ADJUSTMENT

Unrestricted net assets and temporarily restricted net assets as of August 31, 2016 have been restated to appropriately reflect a temporarily restricted award that was previously designated as an unrestricted contribution in accordance with accounting principles generally accepted in the United States.

Prior period adjustments as of August 31, 2016 are as follows:

	<u>As Originally Presented</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Unrestricted Net Assets August 31, 2016	<u>\$ 4,347,289</u>	<u>\$ (225,003)</u>	<u>\$ 4,122,286</u>
Temporarily Restricted Net Assets August 31, 2016	<u>\$ 2,950,575</u>	<u>\$ 225,003</u>	<u>\$ 3,175,578</u>

#### 15. SUBSEQUENT EVENTS

In preparing these financial statements, Higher Achievement has evaluated events and transactions for potential recognition or disclosure through June 6, 2018, the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

# HIGHER ACHIEVEMENT PROGRAM, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES BY PROGRAM For the Year Ended August 31, 2017

	Program Services			Support Services		Total
	Achievement Centers	Other Programs	Total Program	General and Administrative	Development	
Salaries and wages	\$ 2,429,216	\$ 1,587,724	\$ 4,016,940	\$ 932,332	\$ 641,963	\$ 5,591,235
Consultant fee	33,613	1,165,986	1,199,599	291,273	51,100	1,541,972
Fringe benefits	417,638	327,303	744,941	180,493	121,633	1,047,067
Scholar transportation and housing	381,533	16,212	397,745	-	-	397,745
Bad debt	-	318,050	318,050	5,000	-	323,050
Special events	11,684	45,866	57,550	357	173,213	231,120
Information technology	-	137,337	137,337	53,725	10,214	201,276
Depreciation and amortization	-	27,699	27,699	126,438	-	154,137
Center educational supplies	66,680	84,426	151,106	-	-	151,106
Legal	-	-	-	148,855	-	148,855
Occupancy	-	55,050	55,050	57,186	-	112,236
Elective programs	104,649	504	105,153	-	-	105,153
Cleaning, utilities and security	13,160	-	13,160	82,241	-	95,401
Security and maintenance	70,838	1,700	72,538	2,170	-	74,708
Travel and training	3,395	36,928	40,323	22,751	10,718	73,792
Scholar meals	72,828	-	72,828	-	-	72,828
Audit fees	-	-	-	63,482	-	63,482
Insurance	-	-	-	61,618	-	61,618
Meetings and recognition	2,609	18,170	20,779	33,230	6,221	60,230
Payroll processing fees	-	-	-	58,410	-	58,410
Office supplies	-	14,615	14,615	38,793	2,105	55,513
Copying and printing	6,635	12,694	19,329	23,296	9,654	52,279
Field trips	43,787	6,869	50,656	-	-	50,656
Telephone	2,345	9,887	12,232	36,115	148	48,495
Interest	-	-	-	35,044	-	35,044
Professional development	1,241	17,103	18,344	15,044	543	33,931
Promotional materials	1,981	22,419	24,400	1,036	5,127	30,563
Dues and subscriptions	-	19,137	19,137	5,926	4,288	29,351
Tuition reimbursement	-	-	-	27,617	-	27,617
Real estate taxes	-	-	-	21,278	-	21,278
Job posting and background checks	1,242	9,380	10,622	5,022	-	15,644
Bank service fees	-	11,458	11,458	3,864	-	15,322
Repairs and maintenance	-	-	-	14,347	-	14,347
License and fees	-	-	-	4,511	6,645	11,156
Postage	147	2,783	2,930	6,406	834	10,170
Vacation accrual	-	-	-	4,725	-	4,725
Miscellaneous	-	-	-	479	-	479
<b>TOTAL EXPENSES</b>	<b>\$ 3,665,221</b>	<b>\$ 3,949,300</b>	<b>\$ 7,614,521</b>	<b>\$ 2,363,064</b>	<b>\$ 1,044,406</b>	<b>\$ 11,021,991</b>

See Independent Auditors' Report.