

HIGHER ACHIEVEMENT PROGRAM, INC.
(a nonprofit organization)

FINANCIAL STATEMENTS

Year Ended August 31, 2020
(with Summarized Comparative Information for the year ended August 31, 2019)

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INDEPENDENT AUDITORS' REPORT

The 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. (Higher Achievement) which comprise the statement of financial position as of August 31, 2020, 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, 2020, 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.

Emphasis of Matter - Contingencies

As noted in Note 17 to the financial statements, economic uncertainties have arisen as a result of the spread of the novel coronavirus which are likely to negatively impact Higher Achievement's operations. Our opinion is not modified with respect to this matter and no pandemic implications are accounted for in these financial statements.

Report on Summarized Comparative Information

We have previously audited Higher Achievement's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 31, 2021, 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
May 31, 2021

HIGHER ACHIEVEMENT PROGRAM, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2020 (with Comparative Information as of August 31, 2019)

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,272,456	\$ 1,420,373
Grants receivable, net of allowance for doubtful accounts	541,345	928,662
Contributions receivable, net	43,957	59,457
Prepaid expense	57,573	64,985
TOTAL CURRENT ASSETS	2,915,331	2,473,477
PROPERTY AND EQUIPMENT , at cost, net	2,422,214	2,509,986
OTHER ASSETS		
Investments	1,227,510	1,086,761
Security deposit	3,656	3,656
TOTAL OTHER ASSETS	1,231,166	1,090,417
TOTAL ASSETS	\$ 6,568,711	\$ 6,073,880

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 455,387	\$ 585,184
Deferred revenue	49,310	94,050
Deferred rent	-	2,666
Paycheck Protection Program loan	1,008,375	-
Note payable	23,472	24,249
TOTAL CURRENT LIABILITIES	1,536,544	706,149
LONG-TERM LIABILITIES		
Note payable, net of current portion	622,822	644,331
TOTAL LIABILITIES	2,159,366	1,350,480
NET ASSETS		
With donor restriction	440,080	844,256
Without donor restriction	2,357,331	2,267,210
Without donor restriction - board designated	1,611,934	1,611,934
TOTAL NET ASSETS	4,409,345	4,723,400
TOTAL LIABILITIES AND NET ASSETS	\$ 6,568,711	\$ 6,073,880

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

STATEMENT OF ACTIVITIES

Year Ended August 31, 2020 (with Summarized Comparative Information for the year ended August 31, 2019)

	2020			
	Without Donor Restriction	With Donor Restriction	Total	2019
REVENUE AND SUPPORT				
Grants and contributions, net of discount on long term pledges	\$ 1,952,170	\$ 1,545,250	\$ 3,497,420	\$ 2,884,182
Governmental grants	2,419,298	-	2,419,298	3,663,821
Individual and corporate contributions	1,270,474	-	1,270,474	1,980,092
In-kind donations	501,632	-	501,632	376,941
Investment and other	81,598	-	81,598	48,255
Net assets released from restrictions	1,949,426	(1,949,426)	-	-
TOTAL REVENUE AND SUPPORT	8,174,598	(404,176)	7,770,422	8,953,291
EXPENSES				
Program	5,423,305	-	5,423,305	7,116,219
General and administrative	1,508,178	-	1,508,178	1,541,078
Fundraising	1,152,994	-	1,152,994	1,388,516
TOTAL EXPENSES	8,084,477	-	8,084,477	10,045,813
CHANGE IN NET ASSETS	90,121	(404,176)	(314,055)	(1,092,522)
NET ASSETS, beginning of year	3,879,144	844,256	4,723,400	5,815,922
NET ASSETS, end of year	\$ 3,969,265	\$ 440,080	\$ 4,409,345	\$ 4,723,400

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2020 (with Summarized Comparative Information for the year ended August 31, 2019)

	2020				2019
	Program	General and Administrative	Fundraising	Total	Total
Payroll	\$ 3,096,939	\$ 594,332	\$ 731,807	\$ 4,423,078	\$ 5,324,471
Professional fees	665,349	378,797	131,910	1,176,056	1,305,227
Fringe benefits and payroll taxes	604,242	109,988	149,045	863,275	974,071
Consulting fees - In-kind	424,195	-	-	424,195	371,941
Information technology	67,451	28,785	31,566	127,802	189,676
Occupancy	91,542	10,434	12,475	114,451	98,933
Dues and subscriptions	63,687	25,966	4,275	93,928	41,035
Depreciation and amortization	-	87,772	-	87,772	98,499
Insurance	67,777	7,625	9,319	84,721	85,075
Legal - In-kind	-	77,438	-	77,438	5,000
Special events	7,827	-	62,118	69,945	205,019
Scholar transportation and housing	69,495	-	-	69,495	255,433
Cleaning, utilities and security	54,060	6,162	7,367	67,589	58,132
Center educational supplies	60,802	-	-	60,802	112,674
Telephone	15,554	36,025	94	51,673	55,565
Elective programs	45,872	-	-	45,872	97,613
Security and maintenance	35,878	-	-	35,878	76,226
Travel and training	21,819	8,911	3,273	34,003	143,019
Copying and printing	7,340	21,684	4,108	33,132	43,650
Payroll processing fees	22,067	2,483	3,034	27,584	32,550
Interest	-	27,312	-	27,312	32,843
Real estate taxes	-	24,877	-	24,877	16,607
Licenses and fees	22,200	878	30	23,108	15,573
Audit fees	-	23,067	-	23,067	17,592
Recognition	11,825	3,166	322	15,313	22,896
Meetings	7,672	4,930	1,096	13,698	37,338
Office supplies	1,035	11,693	298	13,026	70,138
Scholar meals	10,985	-	-	10,985	29,613
Bank service fees	7,300	2,481	-	9,781	15,303
Job posting and background checks	9,651	-	95	9,746	35,957
Tuition reimbursement	-	6,200	-	6,200	26,367
Professional development	189	4,197	-	4,386	9,884
Postage	76	2,537	762	3,375	7,443
Field trips	2,119	-	-	2,119	43,348
Promotional materials	711	-	-	711	41,454
Miscellaneous	-	438	-	438	957
Bad debt	(72,354)	-	-	(72,354)	11,417
Repairs and maintenance	-	-	-	-	37,274
TOTAL EXPENSES	\$ 5,423,305	\$ 1,508,178	\$ 1,152,994	\$ 8,084,477	\$ 10,045,813

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2020 (with Comparative Information for the year ended August 31, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Government grants, fees, contributions received	\$ 7,545,187	\$ 10,210,744
Interest income	41,867	41,443
	<u>7,587,054</u>	<u>10,252,187</u>
Cash disbursed by operations		
Payments to employees and suppliers	7,607,098	9,733,553
Interest paid	13,026	29,613
	<u>7,620,124</u>	<u>9,763,166</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(33,070)</u>	<u>489,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	84,994	98,137
Purchase of investments	(185,930)	(182,749)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(100,936)</u>	<u>(84,612)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	1,008,375	-
Payment on note payable	(22,286)	(20,372)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>986,089</u>	<u>(20,372)</u>
NET INCREASE IN CASH	852,083	384,037
CASH AND CASH EQUIVALENTS AND		
CASH WITH DONOR RESTRICTION, beginning of year	<u>1,420,373</u>	<u>1,036,336</u>
CASH AND CASH EQUIVALENTS AND		
CASH WITH DONOR RESTRICTION, end of year	<u><u>\$ 2,272,456</u></u>	<u><u>\$ 1,420,373</u></u>
NON-CASH INVESTING ACTIVITIES		
Unrealized loss in fair value of investments	\$ 3,493	\$ 64,037
Decrease in fair value of investments	(3,493)	(64,037)
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

STATEMENT OF CASH FLOWS

Year Ended August 31, 2020 (with Comparative Information for the year ended August 31, 2019)

RECONCILIATION OF CHANGE IN NET ASSETS TO

NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES

	2020	2019
CHANGE IN NET ASSETS	<u>\$ (314,055)</u>	<u>\$ (1,092,522)</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Depreciation	87,772	98,499
Realized and unrealized (gains) losses on investments	(39,813)	18,188
Non-cash occupancy costs	<u>(2,666)</u>	<u>(6,239)</u>
NET ADJUSTMENTS	<u>45,293</u>	<u>110,448</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS (USING) PROVIDING CASH AND CASH EQUIVALENTS		
ASSETS		
Grants receivable, net of allowance for doubtful accounts	387,317	641,352
Contributions receivable, net of discount	15,500	595,806
Prepaid expense	7,412	(15,523)
Advances	<u>-</u>	<u>1,200</u>
	<u>410,229</u>	<u>1,222,835</u>
LIABILITIES		
Accounts payable and accrued expenses	(129,797)	204,710
Deferred revenue	<u>(44,740)</u>	<u>43,550</u>
	<u>(174,537)</u>	<u>248,260</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>235,692</u>	<u>1,471,095</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (33,070)</u></u>	<u><u>\$ 489,021</u></u>

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

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. In Baltimore, DC Metro, and Richmond, Higher Achievement steps up to support middle school scholars in systemically under-resourced communities with the tools and encouragement 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 delivers academic enrichment through a holistic approach grounded in social justice principles. Higher Achievement's afterschool program for 5th-8th grade scholars combines small-group, high-impact tutoring with social-emotional skill building, culminating in placement in college preparatory high schools.

Classes of Assets

In accordance with U.S. GAAP, Higher Achievement's net assets are classified into two categories: without donor restriction and with donor restriction. Net assets without donor restriction are available for the general operations of Higher Achievement or are designated by the Board for future use or a particular purpose. Net assets with donor restriction are subject to donor-imposed stipulations as to their use for specific programs conducted by Higher Achievement or are held in perpetuity.

Net Assets Without Donor Restriction

Higher Achievement includes operating net assets which are available for the general operations of Higher Achievement as net assets without donor restriction, as well as Board-designated net assets set aside for future use or a particular purpose.

Net Assets With Donor Restriction

Higher Achievement reports gifts of cash and other restricted support if they are received with donor stipulations that limit the use of donated assets as net assets with donor restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Investment gains and losses earned on donor restricted funds held by Higher Achievement are recorded as an increase or decrease in net assets with donor restriction.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

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.

Summarized Comparative Information

The financial statements include certain summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). Accordingly, such information should be read in conjunction with Higher Achievement's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year financial statement presentation.

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. Higher Achievement utilizes an allowance method for amounts 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 \$0 and \$80,000 as of August 31, 2020 and August 31, 2019, respectively.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

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 collectability 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%.

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 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.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Donor Restricted Revenue

Grants received are recorded as net assets without donor restriction, or net assets with donor restriction, depending on the existence and/or nature of any donor restrictions.

All donor-restricted revenue is reported as an increase in net assets with donor restriction, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction 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.

Income Taxes

Higher Achievement is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for federal income taxes has been recorded except as may be determined for unrelated business income.

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 that 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.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

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. Allocated management and general expenses not reimbursed by grant programs are borne by Higher Achievement.

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs, such as payroll, professional fees, fringe benefits and payroll taxes, information technology, occupancy, dues and subscriptions, insurance, cleaning, utilities and security, telephone, travel and training, copying and printing, payroll processing fees, licenses and fees, recognition, meetings, office supplies, and postage have been allocated among the program and supporting services based on level of effort.

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, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION, AND PURPOSE (CONTINUED)

Liquidity

Higher Achievement maintains a liquid cash balance in checking and money market accounts in an amount necessary to meet its anticipated expenditures for the next 30 days. Cash in excess of this amount is invested in short-term investments.

Higher Achievement has secured a line of credit of up to \$600,000 to help manage cash flow. There was no borrowing during the year ended August 31, 2020.

Higher Achievement reconciles the balance of financial assets subject to donor restrictions monthly, based on restricted amounts used and received. Restricted cash and investments are separately identified and monitored as part of the Higher Achievement's monthly financial reporting process.

Higher Achievement's financial assets available within one year to meet cash needs for general expenditures through August 31, 2021 are as follows:

Financial Assets	
Cash and cash equivalents	\$ 2,272,456
Grants receivable, net of allowance for doubtful accounts	541,345
Contributions receivable, net	43,957
Investments	1,227,510
Total Financial assets	4,085,268
Less amounts not available within one year	
Purpose restricted net assets	(440,080)
Board-designated net assets	(1,611,934)
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 2,033,254</u>

2. CASH AND CASH EQUIVALENTS

Cash at August 31, 2020, and 2019 consisted of the following:

	2020	2019
Checking	\$ 2,210,846	\$ 1,379,792
Money market fund	61,610	40,581
	<u>\$ 2,272,456</u>	<u>\$ 1,420,373</u>

Bank balances in a financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The amounts in excess of the limit of the FDIC coverage as of August 31, 2020 and 2019 were \$1,736,882 and \$862,709, respectively. Cash and cash equivalents subject to donor restriction as of August 31, 2020 and 2019 totaled \$470,080 and \$844,256, respectively.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

3. GRANTS RECEIVABLE

Grants receivable as of August 31, 2020 and 2019 consisted of the following:

	2020	2019
Government grants and other	\$ 99,823	\$ 906,981
Corporation and individual contributions	305,811	101,681
Foundation grants	135,711	-
	<u>541,345</u>	<u>1,008,662</u>
Less: allowance for doubtful accounts	-	(80,000)
	<u>\$ 541,345</u>	<u>\$ 928,662</u>

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of August 31, 2020 and 2019 consisted of the following:

	2020	2019
Corporation and individual contributions	\$ 60,000	\$ 75,500
Less: discounts on pledges	(16,043)	(16,043)
	<u>\$ 43,957</u>	<u>\$ 59,457</u>

Contributions receivable at August 31, 2020 and 2019 were due over the following periods:

	2020	2019
Due in less than one year	\$ 43,957	\$ 59,457
Due in one to five years	-	-
Total	<u>\$ 43,957</u>	<u>\$ 59,457</u>

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

5. PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2020 and 2019 consisted of the following:

	2020		
	Cost	Depreciation Expense	Accumulated Depreciation
Land and building	\$ 2,561,054	\$ 53,288	\$ 654,601
Property improvements	633,137	21,398	139,953
Software	66,352	-	66,352
Computers and equipment	10,000	750	10,000
Furniture	87,478	9,226	70,168
Scholar library	2,442	-	2,442
Closing costs	27,931	3,110	22,664
	<u>\$ 3,388,394</u>	<u>\$ 87,772</u>	<u>\$ 966,180</u>
	2019		
	Cost	Depreciation Expense	Accumulated Depreciation
Land and building	\$ 2,561,054	\$ 53,289	\$ 601,313
Property improvements	633,137	22,726	118,555
Software	66,352	301	66,352
Computers and equipment	10,000	9,847	9,250
Furniture	87,478	9,226	60,942
Scholar library	2,442	-	2,442
Closing costs	27,931	3,110	19,554
	<u>\$ 3,388,394</u>	<u>\$ 98,499</u>	<u>\$ 878,408</u>

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

6. INVESTMENTS

Investments at August 31, 2020 consisted of the following:

	Cost	Fair Value	Accumulated Unrealized gain/(loss)
Mutual funds			
Corporate bond	\$ 79,696	\$ 85,359	\$ 5,663
Foreign small growth	30,289	37,326	7,037
Large blend	175,754	190,743	14,989
Large growth	297,200	339,108	41,908
Large value	152,696	144,174	(8,522)
Medium value	44,508	41,182	(3,326)
Mid-cap growth	137,302	131,262	(6,040)
Mid-cap value	89,415	80,705	(8,710)
Short-term bond	100,000	100,240	240
Small blend	37,702	27,261	(10,441)
Ultra short bond	50,000	50,150	150
	<u>\$ 1,194,562</u>	<u>\$ 1,227,510</u>	<u>\$ 32,948</u>

Investments at August 31, 2019 consisted of the following:

	Cost	Fair Value	Accumulated Unrealized gain/(loss)
Equity	\$ 6,245	\$ 6,350	\$ 105
Mutual funds			
Corporate bond	82,794	81,263	(1,531)
Foreign small growth	262,499	277,983	15,484
Large blend	156,783	144,938	(11,845)
Large growth	131,760	123,009	(8,751)
Large value	100,000	101,199	1,199
Medium value	50,000	50,100	100
Mid-cap growth	42,001	43,753	1,752
Mid-cap value	52,103	56,354	4,251
Short-term bond	146,063	142,249	(3,814)
Small blend	30,129	31,259	1,130
Ultra short bond	34,929	28,304	(6,625)
	<u>\$ 1,095,306</u>	<u>\$ 1,086,761</u>	<u>\$ (8,545)</u>

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

6. INVESTMENTS (CONTINUED)

Investment income for the years ended August 31, 2020 and 2019 is comprised of the following:

	2020	2019
Realized and unrealized gain (loss)	\$ 39,814	\$ (18,188)
Interest and dividends	41,867	41,443
Total investment income	<u>\$ 81,681</u>	<u>\$ 23,255</u>

7. FAIR VALUE MEASUREMENTS

Higher Achievement records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The determination of the fair value level within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. Higher Achievement's assessment of the significance of the particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the assets and liabilities.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

7. FAIR VALUE MEASUREMENTS (CONTINUED)

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of August 31, 2020:

	Fair Value	Level 1
Mutual funds		
Corporate Bond	\$ 85,359	\$ 85,359
Foreign Small Growth	37,326	37,326
Large Blend	190,743	190,743
Large Growth	339,108	339,108
Large Value	144,174	144,174
Medium Value	41,182	41,182
Mid-Cap Growth	131,262	131,262
Mid-Cap Value	80,705	80,705
Short-Term Bond	100,240	100,240
Small Blend	27,261	27,261
Ultra Short Bond	50,150	50,150
	<u>\$ 1,227,510</u>	<u>\$ 1,227,510</u>

The following summarizes investments, measured at fair value on a recurring basis, aggregated by the level in the fair value hierarchy within which those measurements fall, as of August 31, 2019:

	Fair Value	Level 1
Equity	\$ 6,350	\$ 6,350
Mutual funds		
Corporate bond	81,263	81,263
Foreign small growth	277,983	277,983
Large blend	144,938	144,938
Large growth	123,009	123,009
Large value	101,199	101,199
Medium value	50,100	50,100
Mid-cap growth	43,753	43,753
Mid-cap value	56,354	56,354
Short-term bond	142,249	142,249
Small blend	31,259	31,259
Ultra short bond	28,304	28,304
	<u>\$ 1,086,761</u>	<u>\$ 1,086,761</u>

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

8. 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 required 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, 2020, management believes Higher Achievement was in compliance with the covenants.

On October 19, 2018, Higher Achievement renegotiated the terms of the note payable to reflect that, as of September 30, 2018, interest began accruing on the principal balance at a fixed rate of 4.75% per annum computed on a 365/360 basis. The modification requires monthly payments of \$4,507 for 55 months with a balloon payment of \$583,458 in 2023.

Estimated future principal payments due on the note as of August 31, 2020 are as follows:

Year Ending August 31,	
2021	\$ 23,472
2022	24,628
2023	<u>598,194</u>
	<u>\$ 646,294</u>

The interest expense related to the note payable was \$27,312 and \$32,843 for the years ended August 31, 2020 and 2019, respectively.

9. LINE OF CREDIT

Higher Achievement has a \$600,000 line of credit secured by the property located at 1750 Columbia Road, with an open-ended maturity date. 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, 2020, the interest rate was 4.75% and the unused line of credit was \$600,000. There was no outstanding balance on this line of credit as of August 31, 2020 and 2019 because no borrowing was made during both years. Thus, there was no interest expense for the years ended August 31, 2020 and 2019.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

10. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions as of August 31, 2020 and 2019 consisted of the following:

	2020		
	Balance August 31, 2019	Support and Revenue	Net assets released from restriction
Program support and other	\$ 794,256	\$ 1,455,250	\$ 1,869,426
Time restricted	50,000	90,000	80,000
Total	<u>\$ 844,256</u>	<u>\$ 1,545,250</u>	<u>\$ 1,949,426</u>
	2019		
	Balance August 31, 2018	Support and Revenue	Net assets released from restriction
Capacity building, expansion, and program evaluation	\$ 264,688	\$ 10,000	\$ 274,688
Program support and other	1,315,713	1,722,208	2,243,665
Time restricted	139,895	95,000	184,895
Total	<u>\$ 1,720,296</u>	<u>\$ 1,827,208</u>	<u>\$ 2,703,248</u>

11. SPECIAL EVENTS

Higher Achievement held an annual fundraising event in November 2019 and December 2018. The event activity was as follows:

	2020	2019
Corporate and individual contributions	\$ 550,875	\$ 622,312
Foundation revenue	-	49,000
Total	<u>\$ 550,875</u>	<u>\$ 671,312</u>

It is reflected as follows in the statement of activities:

Corporate and individual contributions	\$ 550,875	\$ 622,312
Foundation revenue	-	49,000
Total	<u>\$ 550,875</u>	<u>\$ 671,312</u>

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

12. 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, 2021. The lease extension requires annual rental payments of \$19,536, and includes a provision for annual 3% increase of base rent, if extension beyond March 31, 2021 is exercised. On March 31, 2021, Higher Achievement entered into a month-to-month agreement at this location.

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 a monthly rental payment increase to \$3,212 in February 2019. In FY 2019, Higher Achievement extended this lease agreement through January 31, 2021. The lease requires annual rental payments of \$39,312. On January 31, 2021, Higher Achievement vacated this location.

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 that was extended to April 30, 2020 and was renewed on a month-to-month basis thereafter. In the current year, the Pittsburgh office was closed and no lease was continued into the new year.

Total rent expense for the year ended August 31, 2020 and 2019 was \$114,451 and \$98,933, respectively. Future minimum lease payments required under the leases as of August 31, 2020 are \$44,156.

13. IN-KIND DONATIONS

During the years ended August 31, 2020 and 2019 Higher Achievement recognized the following in-kind support services:

	2020	2019
Professional fees (supporting service)		
Consulting and mentorship	\$ 501,194	\$ 371,941
Legal and business	438	5,000
Total	<u>\$ 501,632</u>	<u>\$ 376,941</u>

14. 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 years ended August 31, 2020 and August 31, 2019, Higher Achievement incurred estimated expenses of \$106,186 and \$127,834, respectively, related to this plan.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

15. CONCENTRATIONS

Approximately 30% and 37% 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, 2020 and August 31, 2019, respectively. Higher Achievement has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future apart from the termination of an existing grant period. 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.

16. PAYCHECK PROTECTION PROGRAM

Higher Achievement received loan proceeds in the amount of \$1,008,375 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and also as long as Higher Achievement maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. Higher Achievement intends to use the proceeds for the purposes consistent with the PPP and has applied for forgiveness of the loan in full.

17. CONTINGENCIES - NOVEL COVID-19 CORONAVIRUS

Citizens and economies of the United States and other countries have been significantly impacted by the coronavirus (COVID-19) pandemic. While it is premature to accurately predict how the coronavirus will ultimately affect Higher Achievement's operations, because the disease's severity and duration are uncertain, we expect 2021 financial results will be significantly impacted and the implications beyond 2021, while unclear, could also be adversely impacted. No pandemic implications are accounted for in these financial statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 (with Comparative Information as of and for the year ended August 31, 2019)

18. SUBSEQUENT EVENTS

In preparing these financial statements, Higher Achievement has evaluated events and transactions for potential recognition or disclosure through May 31, 2021, the date the financial statements were available to be issued.

Payroll Protection Program - Second Draw

Subsequent to year end, Higher Achievement received loan proceeds in the amount of \$834,907 under the second draw of the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and also as long as Higher Achievement maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% with a deferral of payments for the first six months. Higher Achievement intends to use the proceeds for the purposes consistent with the PPP.