

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

**FINANCIAL STATEMENTS**

**Year Ended August 31, 2021**  
**(with Summarized Comparative Information for the year ended August 31, 2020)**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2021, 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 12 to the financial statements, net assets with donor restrictions and pledges receivable have been restated as of August 31, 2021 to account for proper beginning net assets with donor restrictions balances. We have not modified our opinion with respect to this matter.

### **Emphasis of Matter - Commitments and Contingencies**

As discussed in Note 18 to the financial statements, economic uncertainties have arisen as a result of the spread of the coronavirus which are likely to 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Higher Achievement and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Higher Achievement's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Higher Achievement's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Higher Achievement's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Report on Summarized Comparative Information

We have previously audited Higher Achievement's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 31, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Alexandria, Virginia  
June 30, 2022

**HIGHER ACHIEVEMENT PROGRAM, INC.****STATEMENT OF FINANCIAL POSITION****August 31, 2021 (with Comparative Information as of August 31, 2020)****ASSETS**

	2021	2020 Restated
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,733,649	\$ 2,272,456
Grants receivable, net of allowance for doubtful accounts	314,834	541,345
Contributions receivable, net	260,000	133,957
Other receivables - Employee Retention Credit	1,002,285	-
Prepaid expense	18,504	57,573
<b>TOTAL CURRENT ASSETS</b>	<u>4,329,272</u>	<u>3,005,331</u>
<b>PROPERTY AND EQUIPMENT</b> , at cost, net	<u>2,335,191</u>	<u>2,422,214</u>
<b>OTHER ASSETS</b>		
Contributions receivable, net of current	270,957	-
Investments	1,589,812	1,227,510
Security deposit	-	3,656
<b>TOTAL OTHER ASSETS</b>	<u>1,860,769</u>	<u>1,231,166</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,525,232</u></u>	<u><u>\$ 6,658,711</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 393,601	\$ 455,387
Deferred revenue	148,490	49,310
Paycheck Protection Program loan	834,908	1,008,375
Note payable	24,628	23,472
<b>TOTAL CURRENT LIABILITIES</b>	<u>1,401,627</u>	<u>1,536,544</u>
<b>LONG-TERM LIABILITIES</b>		
Note payable, net of current portion	<u>598,194</u>	<u>622,822</u>
<b>TOTAL LIABILITIES</b>	<u>1,999,821</u>	<u>2,159,366</u>
<b>NET ASSETS</b>		
With donor restriction	1,149,750	530,080
Without donor restriction	3,763,727	2,357,331
Without donor restriction - board designated	1,611,934	1,611,934
<b>TOTAL NET ASSETS</b>	<u>6,525,411</u>	<u>4,499,345</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 8,525,232</u></u>	<u><u>\$ 6,658,711</u></u>

See Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.****STATEMENT OF ACTIVITIES****Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)**

	2021			2020
	Without Donor Restriction	With Donor Restriction	Total	Restated
<b>REVENUE AND SUPPORT</b>				
Grants and contributions, net of discount on long term pledges	\$ 1,017,840	\$ 2,316,688	\$ 3,334,528	\$ 3,587,420
Individual and corporate contributions	1,173,912	-	1,173,912	1,270,474
Governmental grants	864,594	-	864,594	2,419,298
In-kind donations	394,339	-	394,339	501,632
Investment and other	2,278,396	-	2,278,396	81,598
Net assets released from restrictions	1,697,018	(1,697,018)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>7,426,099</b>	<b>619,670</b>	<b>8,045,769</b>	<b>7,860,422</b>
<b>EXPENSES</b>				
Program	3,436,474	-	3,436,474	5,423,305
General and administrative	1,250,271	-	1,250,271	1,508,178
Fundraising	1,332,958	-	1,332,958	1,152,994
<b>TOTAL EXPENSES</b>	<b>6,019,703</b>	<b>-</b>	<b>6,019,703</b>	<b>8,084,477</b>
<b>CHANGE IN NET ASSETS</b>	<b>1,406,396</b>	<b>619,670</b>	<b>2,026,066</b>	<b>(224,055)</b>
<b>NET ASSETS, beginning of year, restated</b>	<b>3,969,265</b>	<b>530,080</b>	<b>4,499,345</b>	<b>4,723,400</b>
<b>NET ASSETS, end of year</b>	<b>\$ 5,375,661</b>	<b>\$ 1,149,750</b>	<b>\$ 6,525,411</b>	<b>\$ 4,499,345</b>

See Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended August 31, 2021 (with Summarized Comparative Information for the year ended August 31, 2020)**

	2021			2020	
	Program	General and Administrative	Fundraising	Total	Total
Payroll	\$ 2,191,340	\$ 641,595	\$ 1,004,045	\$ 3,836,980	\$ 4,423,078
Fringe benefits and payroll taxes	441,048	129,508	202,844	773,400	863,275
Consulting fees - In-kind	297,139	42,600	-	339,739	424,195
Licenses and fees	113,640	14,230	23,685	151,555	23,108
Professional fees	53,381	85,225	5,068	143,674	1,176,056
Information technology	73,925	43,272	12,264	129,461	127,802
Cleaning, utilities and security	80,203	10,693	16,040	106,936	67,589
Depreciation and amortization	-	87,023	-	87,023	87,772
Dues and subscriptions	19,086	19,678	25,957	64,721	93,928
Legal - In-kind	-	54,600	-	54,600	77,438
Insurance	40,552	5,407	8,110	54,069	84,721
Occupancy	38,224	5,097	7,645	50,966	114,451
Telephone	18,081	24,035	-	42,116	51,673
Interest	-	35,118	-	35,118	27,312
Audit fees	-	27,428	-	27,428	23,067
Payroll processing fees	15,361	2,048	3,072	20,481	27,584
Copying and printing	14,179	1,887	2,870	18,936	33,132
Special events	6,469	-	11,238	17,707	69,945
Bank service fees	11,798	1,573	2,359	15,730	9,781
Recognition	7,298	6,023	129	13,450	15,313
Center educational supplies	9,148	-	-	9,148	60,802
Postage	187	3,240	5,680	9,107	3,375
Job posting and background checks	877	4,260	-	5,137	9,746
Miscellaneous	15	4,948	-	4,963	438
Travel and training	1,244	849	1,950	4,043	34,003
Meetings	864	1,178	2	2,044	13,698
Promotional materials	1,796	-	-	1,796	711
Real estate taxes	-	573	-	573	24,877
Mentor Activities	254	-	-	254	-
Scholar transportation and housing	-	-	-	-	69,495
Elective programs	-	-	-	-	45,872
Security and maintenance	-	-	-	-	35,878
Scholar meals	-	-	-	-	10,985
Tuition reimbursement	-	-	-	-	6,200
Professional development	-	-	-	-	4,386
Field trips	-	-	-	-	2,119
Bad debt	-	-	-	-	(72,354)
Office supplies	365	(1,817)	-	(1,452)	13,026
<b>TOTAL EXPENSES</b>	<b>\$ 3,436,474</b>	<b>\$ 1,250,271</b>	<b>\$ 1,332,958</b>	<b>\$ 6,019,703</b>	<b>\$ 8,084,477</b>

See Notes to Financial Statements.



**HIGHER ACHIEVEMENT PROGRAM, INC.****STATEMENT OF CASH FLOWS****Year Ended August 31, 2021 (with Comparative Information for the year ended August 31, 2020)**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations		
Government grants, fees, contributions received	\$ 5,305,806	\$ 7,545,187
Interest income	41,784	41,867
	<u>5,347,590</u>	<u>7,587,054</u>
Cash disbursed by operations		
Payments to employees and suppliers	5,525,940	7,607,098
Interest paid	35,118	13,026
	<u>5,561,058</u>	<u>7,620,124</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u>(213,468)</u>	<u>(33,070)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	31,405	84,994
Purchase of investments	(168,180)	(185,930)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(136,775)</u>	<u>(100,936)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program Loan	834,908	1,008,375
Payment on note payable	(23,472)	(22,286)
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>811,436</u>	<u>986,089</u>
<b>NET INCREASE IN CASH</b>	461,193	852,083
<b>CASH AND CASH EQUIVALENTS AND CASH WITH DONOR RESTRICTION, beginning of year</b>	<u>2,272,456</u>	<u>1,420,373</u>
<b>CASH AND CASH EQUIVALENTS AND CASH WITH DONOR RESTRICTION, end of year</b>	<u>\$ 2,733,649</u>	<u>\$ 2,272,456</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Unrealized (gain) loss in fair value of investments	\$ (196,368)	\$ 3,493
Increase (decrease) in fair value of investments	196,368	(3,493)
Forgiveness of Paycheck Protection Program loan payable	1,008,375	-
Gain on extinguishment of debt	(1,008,375)	-
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.****STATEMENT OF CASH FLOWS****Year Ended August 31, 2021 (with Comparative Information for the year ended August 31, 2020)**

<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>	<u>2021</u>	<u>2020 Restated</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 2,026,066</u>	<u>\$ (224,055)</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Depreciation	87,023	87,772
Realized and unrealized (gains) on investments	(225,527)	(39,813)
Non-cash occupancy costs	-	(2,666)
Forgiveness of Paycheck Protection Program loan	<u>(1,008,375)</u>	<u>-</u>
<b>NET ADJUSTMENTS</b>	<u>(1,146,879)</u>	<u>45,293</u>
<b>CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH AND CASH EQUIVALENTS</b>		
<b>ASSETS</b>		
Grants receivable, net of allowance for doubtful accounts	226,511	387,317
Pledges receivable, net of discount	(397,000)	(74,500)
Other receivable, net allowance	(1,002,285)	-
Security deposits	3,656	-
Prepaid expense	<u>39,069</u>	<u>7,412</u>
	<u>(1,130,049)</u>	<u>320,229</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	(61,786)	(129,797)
Deferred revenue	<u>99,180</u>	<u>(44,740)</u>
	<u>37,394</u>	<u>(174,537)</u>
<b>NET CHANGES IN ASSETS AND LIABILITIES</b>	<u>(1,092,655)</u>	<u>145,692</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<u><u>\$ (213,468)</u></u>	<u><u>\$ (33,070)</u></u>

See Notes to Financial Statements.

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

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)**

#### **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, 2021 (with Comparative Information as of and for the year ended August 31, 2020)**

#### **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, 2020, from which the summarized information was derived.

##### **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. No allowance was recorded for the years ended August 31, 2021 and 2020, respectively.

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

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)**

#### **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, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

#### 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**

Donated services and goods are recorded at the estimated fair market value on the date of the receipt. Donated services are recognized in the financial statements at their fair value if the services require specialized skills and if they would typically need to be purchased if not donated. In-kind contributions for donated consulting and legal services were \$394,339 and \$501,632 for the years ended August 31, 2021 and 2020, respectively. In-kind contributions are reported in the statement of activities as both revenue and expense. If a donated asset is provided that does not allow Higher Achievement to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

##### **Revenue Recognition**

Higher Achievement recognizes all unconditional contributed support in the period in which the commitment is made. When a donor restriction expires (i.e., 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.

##### **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.

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

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

##### Income Taxes (Continued)

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.

##### 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, fringe benefits and payroll taxes, consulting fees - in-kind, licenses and fees, professional fees, information technology, cleaning, utilities and security, dues and subscriptions, insurance, occupancy, telephone, payroll processing fees, copying and printing, special events, bank service fees, recognition, postage, job posting and background checks, miscellaneous, travel and training, meetings and office supplies 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, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

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

##### Adoption of New Accounting Standard

Higher Achievement has adopted the financial statement presentation and disclosure standards contained in the Financial Accounting Standards Board Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* modifying ASC section 958. The change has been applied as of August 31, 2021, with no effect on beginning net assets without donor restrictions.

##### Liquidity and Availability of Assets

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, 2021.

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, 2022 are as follows:

Financial Assets	
Cash and cash equivalents	\$ 2,733,649
Grants receivable, net of allowance for doubtful accounts	314,834
Pledges receivable, net	530,957
Other receivables	1,002,285
Investments	1,589,812
Total Financial assets	<u>6,171,537</u>
Less amounts not available within one year	
Purpose restricted net assets	(1,149,750)
Board-designated net assets	<u>(1,611,934)</u>
Financial assets available within one year to meet cash needs for general expenditures within one year	<u>\$ 3,409,853</u>



## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

#### 2. CASH AND CASH EQUIVALENTS

Cash at August 31, 2021, and 2020 consisted of the following:

	2021	2020
Checking	\$ 2,723,423	\$ 2,210,846
Money market fund	10,226	61,610
	<u>\$ 2,733,649</u>	<u>\$ 2,272,456</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, 2021 and 2020 were \$2,223,280 and \$1,736,882, respectively. Cash and cash equivalents subject to donor restriction as of August 31, 2021 and 2020 totaled \$1,149,750 and \$530,080, respectively.

#### 3. GRANTS RECEIVABLE

Grants receivable as of August 31, 2021 and 2020 consisted of the following:

	2021	2020
Government grants and other	\$ 51,306	\$ 99,823
Corporation and individual contributions	50,000	305,811
Foundation grants	213,528	135,711
	<u>\$ 314,834</u>	<u>\$ 541,345</u>

#### 4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of August 31, 2021 and 2020 consisted of the following:

	2021	2020 Restated
Corporation and individual contributions	\$ 547,000	\$ 150,000
Less: discounts on pledges	(16,043)	(16,043)
	<u>\$ 530,957</u>	<u>\$ 133,957</u>

Contributions receivable at August 31, 2021 and 2020 were due over the following periods:

	2021	2020
Due in less than one year	\$ 260,000	\$ 133,957
Due in one to five years	287,000	-
Total	<u>\$ 547,000</u>	<u>\$ 133,957</u>

**HIGHER ACHIEVEMENT PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)**

**5. PROPERTY AND EQUIPMENT**

Property and equipment as of August 31, 2021 and 2020 consisted of the following:

	2021		
	Cost	Depreciation Expense	Accumulated Depreciation
Land and building	\$ 2,561,054	\$ 53,288	\$ 707,889
Property improvements	633,137	21,398	161,351
Software	66,352	-	66,352
Computers and equipment	10,000	-	10,000
Furniture	87,478	9,226	79,394
Scholar library	2,442	-	2,442
Closing costs	27,931	3,111	25,775
	<u>\$ 3,388,394</u>	<u>\$ 87,023</u>	<u>\$ 1,053,203</u>
	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>

**HIGHER ACHIEVEMENT PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)**

**6. INVESTMENTS**

Investments at August 31, 2021 and 2020 consisted of the following:

	2021		
	Cost	Fair Value	Accumulated Unrealized gain/(loss)
Equity	\$ 10,120	\$ 10,055	\$ (65)
Mutual funds			
All-cap growth	25,000	28,274	3,274
Corporate bond	82,919	88,133	5,214
Foreign small growth	30,397	47,826	17,429
Large blend	211,936	287,639	75,703
Large growth	315,194	407,076	91,882
Large value	171,547	201,217	29,670
Medium value	46,463	48,774	2,311
Mid-cap growth	149,753	172,948	23,195
Mid-cap value	90,641	108,241	17,600
Short-term bond	100,000	100,480	480
Small blend	43,316	39,049	(4,267)
Ultra short bond	50,000	50,100	100
	<u>\$ 1,327,286</u>	<u>\$ 1,589,812</u>	<u>\$ 262,526</u>
	2020		
	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>

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

#### 6. INVESTMENTS (CONTINUED)

Investment income for the years ended August 31, 2021 and 2020 is comprised of the following:

	2021	2020
Realized and unrealized gain	\$ 225,527	\$ 39,814
Interest and dividends	41,784	41,867
Total investment income	<u>\$ 267,311</u>	<u>\$ 81,681</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.

Subsequent to the fiscal year end, the value of certain investments within Higher Achievement's portfolio declined as a result of market fluctuation; however Higher Achievement does not consider these investments to be other-than-temporarily impaired.

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

#### 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, 2021:

	Fair Value	Level 1
Equity	\$ 10,055	\$ 10,055
Mutual funds		
All-cap Growth	28,274	28,274
Corporate Bond	88,133	88,133
Foreign Small Growth	47,826	47,826
Large Blend	287,639	287,639
Large Growth	407,076	407,076
Large Value	201,217	201,217
Medium Value	48,774	48,774
Mid-Cap Growth	172,948	172,948
Mid-Cap Value	108,241	108,241
Short-Term Bond	100,480	100,480
Small Blend	39,049	39,049
Ultra Short Bond	50,100	50,100
	<u>\$ 1,589,812</u>	<u>\$ 1,589,812</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, 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>

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

#### 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, 2021, 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.

Subsequent to the fiscal year end, Higher Achievement further renegotiated the terms of the note payable to (1) extend the maturity date of the note to May 31, 2028, (2) change the interest rate provision to 3.75% per annum, and (3) change the payment terms to require monthly payments of \$3,212 with an estimated balloon payment of \$512,949 on May 31, 2028 accordingly.

Estimated future principal payments due on the note are as follows:

Year Ending August 31,	
2022	\$ 16,645
2023	15,767
2024	16,315
2025	17,008
2026	17,667
2027 and thereafter	<u>539,420</u>
	<u>\$ 622,822</u>

The interest expense related to the note payable was \$35,118 and \$27,312 for the years ended August 31, 2021 and 2020, respectively.

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

#### 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, 2021, 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, 2021 and 2020 because no borrowing was made during both years. Thus, there was no interest expense for the years ended August 31, 2021 and 2020.

#### 10. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions as of August 31, 2021 and 2020 consisted of the following:

	2021			
	Balance August 31, 2020	Support and Revenue	Net assets released from restriction	Balance August 31, 2021
Program support and other Time restricted	\$ 430,080 100,000	\$ 1,551,438 765,250	\$ 1,373,768 323,250	\$ 607,750 542,000
Total	<u>\$ 530,080</u>	<u>\$ 2,316,688</u>	<u>\$ 1,697,018</u>	<u>\$ 1,149,750</u>

  

	2020 Restated			
	Balance August 31, 2019	Support and Revenue	Net assets released from restriction	Balance August 31, 2020
Program support and other Time restricted	\$ 794,256 50,000	\$ 1,505,250 130,000	\$ 1,869,426 80,000	\$ 430,080 100,000
Total	<u>\$ 844,256</u>	<u>\$ 1,635,250</u>	<u>\$ 1,949,426</u>	<u>\$ 530,080</u>

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

#### 11. SPECIAL EVENTS

Higher Achievement held an annual fundraising event in December 2020 and November 2019. The event activity was as follows:

	2021	2020
Corporate and individual contributions	<u>\$ 534,329</u>	<u>\$ 550,875</u>

It is reflected as follows in the statement of activities:

Corporate and individual contributions	<u>\$ 534,329</u>	<u>\$ 550,875</u>
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#### 12. PRIOR PERIOD ADJUSTMENT

Net assets without donor restrictions and contributions receivable as of August 31, 2021 have been restated to account for unrecorded pledges and net assets with donor restrictions as follows:

	<u>As Originally Presented</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Contributions receivable August 31, 2020	<u>\$ 43,957</u>	<u>\$ 90,000</u>	<u>\$ 133,957</u>
Net assets with donor restrictions August 31, 2020	<u>\$ 440,080</u>	<u>\$ 90,000</u>	<u>\$ 530,080</u>



## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

#### 13. 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 July 1, 2021, Higher Achievement entered into a new lease agreement for the Baltimore office which expires in 2024.

As of August 31, 2021, future minimum lease payments under the this lease are as follows:

For the fiscal year ended:	
2022	\$ 30,175
2023	31,231
2024	<u>26,781</u>
	<u>\$ 88,187</u>

Total rent expense for the year ended August 31, 2021 and 2020 was \$50,966 and \$114,451, respectively.

Subsequent to the fiscal year end, Higher Achievement entered into a lease agreement for office space in Richmond, Virginia with an initial termination of December 31, 2026. The terms of the agreement require annual rental payments of \$34,535 for the first year, and includes a provision for annual 2% increase of base rent.

Future minimum lease payments under the this lease are as follows:

For the fiscal year ended:	
2022	\$ 23,023
2023	34,995
2024	35,695
2025	36,409
2026	37,137
2027	<u>12,460</u>
	<u>\$ 179,719</u>

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)

#### 14. GIFTS-IN-KIND - DONATED SERVICES

Gifts-in-kind consist of pro bono consulting and legal services. Due to the nature of these nonfinancial assets, the services were all utilized in the period they were received and there were no donor restrictions imposed on them. Inputs used to measure the initial recognition of donated services consist of invoices generated by the contributing consulting or law firm, which are based on current market rates for the services incurred within the area the firm operates. For the years ended August 31, 2021 and 2020, donated services consisted of the following:

	<u>2021</u>	<u>2020</u>
Professional fees (supporting service)		
Consulting and mentorship	\$ 339,739	\$ 424,195
Legal and business	54,600	77,438
	<u>          </u>	<u>          </u>
Total	<u>\$ 394,339</u>	<u>\$ 501,633</u>

#### 15. 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, 2021 and August 31, 2020, Higher Achievement incurred estimated expenses of \$101,401 and \$106,186, respectively, related to this plan.

#### 16. CONCENTRATIONS

Approximately 12% and 30% 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, 2021 and August 31, 2020, 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.

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

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2021 (with Comparative Information as of and for the year ended August 31, 2020)**

#### **17. PAYCHECK PROTECTION PROGRAM**

Higher Achievement received loan proceeds in the amount of \$834,908 under the Paycheck Protection Program (PPP) under a second loan. 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. Subsequent to the year end, Higher Achievement received forgiveness of the loan in full.

#### **18. COMMITMENTS - 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 2022 financial results will be impacted and the implications beyond 2022, while unclear, could also be adversely impacted. No pandemic implications are accounted for in these consolidated financial statements.

#### **19. SUBSEQUENT EVENTS**

In preparing these financial statements, Higher Achievement has evaluated events and transactions for potential recognition or disclosure through June 30, 2022, the date the financial statements were available to be issued.