

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

**FINANCIAL STATEMENTS**

**Year Ended August 31, 2022**  
**(with Summarized Comparative Information for the year ended August 31, 2021)**

## **TABLE OF CONTENTS**

	<b>Page</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6 - 7
Notes to Financial Statements	8 - 23

## **INDEPENDENT AUDITORS' REPORT**

To 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, 2022, 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, 2022, 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.

### **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 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 30, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, 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 14, 2023

**HIGHER ACHIEVEMENT PROGRAM, INC.**

**STATEMENT OF FINANCIAL POSITION**

**August 31, 2022 (with Comparative Information as of August 31, 2021)**

**ASSETS**

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,313,623	\$ 2,733,649
Grants receivable, net of allowance for doubtful accounts	1,584,902	314,834
Contributions receivable, net	361,000	260,000
Other receivables - Employee Retention Credit	-	1,002,285
Prepaid expense	30,836	18,504
<b>TOTAL CURRENT ASSETS</b>	<u>5,290,361</u>	<u>4,329,272</u>
<b>PROPERTY AND EQUIPMENT</b> , at cost, net	<u>2,250,431</u>	<u>2,335,191</u>
<b>OTHER ASSETS</b>		
Contributions receivable, net of current	266,957	270,957
Investments	1,399,989	1,589,812
Security deposit	2,878	-
<b>TOTAL OTHER ASSETS</b>	<u>1,669,824</u>	<u>1,860,769</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,210,616</u>	<u>\$ 8,525,232</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 375,989	\$ 393,601
Deferred revenue	103,606	148,490
Paycheck Protection Program loan	-	834,908
Note payable	18,082	24,628
<b>TOTAL CURRENT LIABILITIES</b>	<u>497,677</u>	<u>1,401,627</u>
<b>LONG-TERM LIABILITIES</b>		
Note payable, net of current portion	<u>590,410</u>	<u>598,194</u>
<b>TOTAL LIABILITIES</b>	<u>1,088,087</u>	<u>1,999,821</u>
<b>NET ASSETS</b>		
With donor restriction	2,086,500	1,149,750
Without donor restriction	4,424,095	3,763,727
Without donor restriction - board designated	1,611,934	1,611,934
<b>TOTAL NET ASSETS</b>	<u>8,122,529</u>	<u>6,525,411</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 9,210,616</u>	<u>\$ 8,525,232</u>

See Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.****STATEMENT OF ACTIVITIES****Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)**

	2022			
	Without Donor Restriction	With Donor Restriction	Total	2021
<b>REVENUE AND SUPPORT</b>				
Grants and contributions, net of discount on long term pledges	\$ 955,200	\$ 3,120,158	\$ 4,075,358	\$ 3,334,528
Individual and corporate contributions	1,273,437	-	1,273,437	1,173,912
Governmental grants	1,424,541	-	1,424,541	864,594
In-kind donations	495,265	-	495,265	394,339
Investment and other	644,298	-	644,298	2,278,396
Net assets released from restrictions	2,183,408	(2,183,408)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>6,976,149</b>	<b>936,750</b>	<b>7,912,899</b>	<b>8,045,769</b>
<b>EXPENSES</b>				
Program	3,717,630	-	3,717,630	3,436,474
General and administrative	1,507,083	-	1,507,083	1,250,271
Fundraising	1,091,068	-	1,091,068	1,332,958
<b>TOTAL EXPENSES</b>	<b>6,315,781</b>	<b>-</b>	<b>6,315,781</b>	<b>6,019,703</b>
<b>CHANGE IN NET ASSETS</b>	<b>660,368</b>	<b>936,750</b>	<b>1,597,118</b>	<b>2,026,066</b>
<b>NET ASSETS, beginning of year</b>	<b>5,375,661</b>	<b>1,149,750</b>	<b>6,525,411</b>	<b>4,499,345</b>
<b>NET ASSETS, end of year</b>	<b>\$ 6,036,029</b>	<b>\$ 2,086,500</b>	<b>\$ 8,122,529</b>	<b>\$ 6,525,411</b>

See Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended August 31, 2022 (with Summarized Comparative Information for the year ended August 31, 2021)**

	2022			2021	
	Program	General and Administrative	Fundraising	Total	Total
Payroll	\$ 2,305,794	\$ 682,513	\$ 844,713	\$ 3,833,020	\$ 3,836,980
Fringe benefits and payroll taxes	361,894	108,936	134,931	605,761	773,400
Consulting fees - In-kind	161,277	220,116	-	381,393	339,739
Professional fees	232,761	116,817	4,363	353,941	143,674
Information technology	98,656	13,154	19,731	131,541	81,763
Legal - In-kind	-	113,872	-	113,872	54,600
Dues and subscriptions	54,692	22,252	20,999	97,943	64,721
Electronic Equipment	70,990	24,156	1,679	96,825	47,698
Depreciation and amortization	-	84,760	-	84,760	87,023
Scholar transportation and housing	79,955	-	-	79,955	-
Insurance	47,439	6,325	9,488	63,252	54,069
Cleaning, utilities and security	41,932	5,381	8,349	55,662	106,936
Occupancy	39,739	5,099	7,913	52,751	50,966
Security and maintenance	50,610	-	-	50,610	-
Special events	24,105	-	21,065	45,170	17,707
Telephone	12,003	13,934	-	25,937	42,116
Copying and printing	19,349	1,975	4,474	25,798	18,936
Payroll processing fees	17,658	2,354	3,532	23,544	20,481
Interest	-	23,029	-	23,029	35,118
Audit fees	-	21,338	-	21,338	27,428
Bank service fees	15,602	2,080	3,120	20,802	15,730
Scholar meals	16,271	-	-	16,271	-
Recognition	3,818	10,262	657	14,737	13,450
Field trips	13,890	-	-	13,890	-
Professional development	3,425	6,700	2,014	12,139	-
Center educational supplies	10,687	-	-	10,687	121
Travel and training	8,140	1,140	844	10,124	3,754
Job posting and background checks	2,011	7,525	-	9,536	5,137
Incentives	7,024	-	-	7,024	9,027
Meetings	2,688	3,949	18	6,655	2,044
Mentor Activities	6,337	-	-	6,337	254
Licenses and fees	3,502	467	700	4,669	151,555
Postage	99	2,417	1,730	4,246	9,107
Tuition reimbursement	3,422	-	748	4,170	289
Office supplies	1,207	2,233	-	3,440	(1,452)
Promotional materials	132	2,704	-	2,836	1,796
Miscellaneous	-	1,595	-	1,595	4,963
Program Meeting	521	-	-	521	-
Real estate taxes	-	-	-	-	573
<b>TOTAL EXPENSES</b>	<b>\$ 3,717,630</b>	<b>\$ 1,507,083</b>	<b>\$ 1,091,068</b>	<b>\$ 6,315,781</b>	<b>\$ 6,019,703</b>

See Notes to Financial Statements.

**HIGHER ACHIEVEMENT PROGRAM, INC.****STATEMENT OF CASH FLOWS****Year Ended August 31, 2022 (with Comparative Information for the year ended August 31, 2021)**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from operations		
Government grants, fees, contributions received	\$ 6,362,941	\$ 5,305,806
Interest income	127,949	41,784
	<u>6,490,890</u>	<u>5,347,590</u>
Cash disbursed by operations		
Payments to employees and suppliers	5,742,671	5,525,940
Interest paid	23,029	35,118
	<u>5,765,700</u>	<u>5,561,058</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>725,190</u>	<u>(213,468)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of investments	-	31,405
Purchase of investments	(130,886)	(168,180)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(130,886)</u>	<u>(136,775)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Paycheck Protection Program Loan	-	834,908
Payment on note payable	(14,330)	(23,472)
<b>NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES</b>	<u>(14,330)</u>	<u>811,436</u>
<b>NET INCREASE IN CASH</b>	579,974	461,193
<b>CASH AND CASH EQUIVALENTS AND CASH WITH DONOR RESTRICTION, beginning of year</b>	<u>2,733,649</u>	<u>2,272,456</u>
<b>CASH AND CASH EQUIVALENTS AND CASH WITH DONOR RESTRICTION, end of year</b>	<u>\$ 3,313,623</u>	<u>\$ 2,733,649</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Unrealized loss (gain) in fair value of investments	\$ 320,709	\$ (196,368)
(Decrease) increase in fair value of investments	(320,709)	196,368
Forgiveness of Paycheck Protection Program loan payable	834,908	1,008,375
Gain on extinguishment of debt	(834,908)	(1,008,375)
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.



**HIGHER ACHIEVEMENT PROGRAM, INC.****STATEMENT OF CASH FLOWS****Year Ended August 31, 2022 (with Comparative Information for the year ended August 31, 2021)****RECONCILIATION OF CHANGE IN NET ASSETS TO****NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	<u>2022</u>	<u>2021</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ 1,597,118</u>	<u>\$ 2,026,066</u>
<b>ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Depreciation	84,760	87,023
Realized and unrealized losses (gains) on investments	320,709	(225,527)
Forgiveness of Paycheck Protection Program loan	<u>(834,908)</u>	<u>(1,008,375)</u>
<b>NET ADJUSTMENTS</b>	<u>(429,439)</u>	<u>(1,146,879)</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	(1,270,068)	226,511
Pledges receivable, net of discount	(97,000)	(397,000)
Other receivable, net allowance	1,002,285	(1,002,285)
Security deposits	(2,878)	3,656
Prepaid expense	<u>(12,332)</u>	<u>39,069</u>
	<u>(379,993)</u>	<u>(1,130,049)</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	(17,612)	(61,786)
Deferred revenue	<u>(44,884)</u>	<u>99,180</u>
	<u>(62,496)</u>	<u>37,394</u>
<b>NET CHANGES IN ASSETS AND LIABILITIES</b>	<u>(442,489)</u>	<u>(1,092,655)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 725,190</u>	<u>\$ (213,468)</u>

See Notes to Financial Statements.

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

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)**

#### **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, 2022 (with Comparative Information as of and for the year ended August 31, 2021)

#### 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, 2021, 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, 2022 and 2021, respectively.

##### **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%.

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)

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

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

Buildings and related improvements, furniture, equipment and software are stated at cost and are depreciated using the straight-line method over their estimated useful lives, with no salvage value. The estimated useful lives used for depreciating fixed assets range from three to five years for furniture, equipment, and software, to 30 years for buildings. Building improvements are depreciated over the shorter of the remaining life of the building or the life of the improvements. Expenditures for major repairs and improvements are capitalized; conversely, expenditures for minor repairs and maintenance costs are expensed when incurred. All acquisitions greater than \$5,000 with expected useful lives greater than one year are capitalized.

##### **Deferred Revenue**

Deferred revenue represents revenue collected in advance for future services.

##### **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.

##### **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 \$495,265 and \$394,339 for the years ended August 31, 2022 and 2021, 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.

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.

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)

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

##### **Income Taxes**

Higher Achievement is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code 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.

##### **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, professional fees, information technology, dues and subscriptions, electronic equipment, insurance, cleaning, utilities and security, occupancy, special events, telephone, copying and printing, payroll processing fees, bank service fees, recognition, professional development, travel and training, job posting and background checks, meeting, licenses and fees, postage, office supplies, and promotional materials 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 PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)

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

##### Estimates (Continued)

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.

##### 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, 2022.

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, 2023 are as follows:

Financial Assets	
Cash and cash equivalents	\$ 3,313,623
Grants receivable, net of allowance for doubtful accounts	1,584,902
Pledges receivable, net	627,957
Investments	1,399,989
Total Financial assets	<u>6,926,471</u>
Less amounts not available within one year	
Purpose restricted net assets	(2,086,500)
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><u>\$ 3,228,037</u></u>

**HIGHER ACHIEVEMENT PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)**

**2. CASH AND CASH EQUIVALENTS**

Cash at August 31, 2022, and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Checking	\$ 3,308,613	\$ 2,723,423
Money market fund	5,010	10,226
	<u>\$ 3,313,623</u>	<u>\$ 2,733,649</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, 2022 and 2021 were \$3,985,420 and \$2,223,280, respectively. Cash and cash equivalents subject to donor restriction as of August 31, 2022 and 2021 totaled \$2,404,158 and \$1,149,750, respectively.

**3. GRANTS RECEIVABLE**

Grants receivable as of August 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Government grants and other	\$ 321,283	\$ 51,306
Corporation and individual contributions	6,500	50,000
Foundation grants	1,257,119	213,528
	<u>\$ 1,584,902</u>	<u>\$ 314,834</u>

**4. CONTRIBUTIONS RECEIVABLE**

Contributions receivable as of August 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Corporation and individual contributions	\$ 644,000	\$ 547,000
Less: discounts on pledges	(16,043)	(16,043)
	<u>\$ 627,957</u>	<u>\$ 530,957</u>

Contributions receivable at August 31, 2022 and 2021 were due over the following periods:

	<u>2022</u>	<u>2021</u>
Due in less than one year	\$ 361,000	\$ 260,000
Due in one to five years	283,000	287,000
Total	<u>\$ 644,000</u>	<u>\$ 547,000</u>

**HIGHER ACHIEVEMENT PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)**

**5. PROPERTY AND EQUIPMENT**

Property and equipment as of August 31, 2022 and 2021 consisted of the following:

	2022		
	Cost	Depreciation Expense	Accumulated Depreciation
Land and building	\$ 2,561,054	\$ 53,288	\$ 761,177
Property improvements	633,137	21,231	182,582
Software	66,352	-	66,352
Computers and equipment	10,000	-	10,000
Furniture	87,478	8,085	87,479
Scholar library	2,442	-	2,442
Closing costs	27,931	2,156	27,931
	<u>\$ 3,388,394</u>	<u>\$ 84,760</u>	<u>\$ 1,137,963</u>
	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>



**HIGHER ACHIEVEMENT PROGRAM, INC.****NOTES TO FINANCIAL STATEMENTS****August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)****6. INVESTMENTS**

Investments at August 31, 2022 and 2021 consisted of the following:

	2022		
	Cost	Fair Value	Accumulated Unrealized gain/(loss)
Equity	\$ 11,388	\$ 13,292	\$ 1,904
Mutual funds			
All-cap growth	27,145	18,793	(8,352)
Corporate bond	86,317	73,712	(12,605)
Foreign small growth	32,495	32,471	(24)
Large blend	200,786	198,622	(2,164)
Large growth	188,262	219,734	31,472
Large value	433,278	422,239	(11,039)
Medium value	48,941	45,169	(3,772)
Mid-cap growth	119,636	97,063	(22,573)
Mid-cap value	102,408	100,696	(1,712)
Short-term bond	100,000	93,765	(6,235)
Small blend	53,360	35,282	(18,078)
Ultra short bond	50,000	49,151	(849)
	<u>\$ 1,454,016</u>	<u>\$ 1,399,989</u>	<u>\$ (54,027)</u>

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)

#### 6. INVESTMENTS (CONTINUED)

	2021		Accumulated Unrealized gain/(loss)
	Cost	Fair Value	
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>

Investment income for the years ended August 31, 2022 and 2021 is comprised of the following:

	2022	2021
Realized and unrealized gain	\$ (320,709)	\$ 225,527
Interest and dividends	127,949	41,784
Total investment (loss) income	<u>\$ (192,760)</u>	<u>\$ 267,311</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).

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)

#### 7. FAIR VALUE MEASUREMENTS (CONTINUED)

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.

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, 2022 and 2021:

	2022	
	Fair Value	Level 1
Equity	\$ 13,292	\$ 13,292
Mutual funds		
All-cap Growth	18,793	18,793
Corporate Bond	73,712	73,712
Foreign Small Growth	32,471	32,471
Large Blend	198,622	198,622
Large Growth	219,734	219,734
Large Value	422,239	422,239
Medium Value	45,169	45,169
Mid-Cap Growth	97,063	97,063
Mid-Cap Value	100,696	100,696
Short-Term Bond	93,765	93,765
Small Blend	35,282	35,282
Ultra Short Bond	49,151	49,151
	<u>\$ 1,399,989</u>	<u>\$ 1,399,989</u>

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)

#### 7. FAIR VALUE MEASUREMENTS (CONTINUED)

	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>

#### 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%.

On October 27, 2021, Higher Achievement further renegotiated the terms of the note payable to (1) extend the maturity date of note to May 31, 2028, (2) change the interest rate provision to 3.75% per annum computed on a 365/360 basis, and (3) change the payment terms to require 78 monthly payments of \$3,212 with an estimated balloon payment of \$512,949 on May 31, 2028, accordingly. The note agreement includes restrictive covenants. As of August 31, 2022, management believes Higher Achievement was in compliance with the covenants.

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)

#### 8. NOTE PAYABLE (CONTINUED)

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

Year Ending August 31,	
2023	\$ 15,767
2024	16,315
2025	17,008
2026	17,667
2027	18,350
2028 and thereafter	<u>523,385</u>
	<u>\$ 608,492</u>

The interest expense related to the note payable was \$23,029 and \$35,118 for the years ended August 31, 2022 and 2021, 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, 2022, the interest rate was 3.75% and the unused line of credit was \$600,000. There was no outstanding balance on this line of credit as of August 31, 2022 and 2021 because no borrowing was made during both years. Thus, there was no interest expense for the years ended August 31, 2022 and 2021.

#### 10. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions as of August 31, 2022 and 2021 consisted of the following:

	2022			
	Balance August 31, 2021	Support and Revenue	Net assets released from restriction	Balance August 31, 2022
Program support and other Time restricted	<u>\$ 607,750</u>	<u>\$ 2,334,158</u>	<u>\$ 1,581,408</u>	<u>\$ 1,360,500</u>
	<u>542,000</u>	<u>786,000</u>	<u>602,000</u>	<u>726,000</u>
Total	<u>\$ 1,149,750</u>	<u>\$ 3,120,158</u>	<u>\$ 2,183,408</u>	<u>\$ 2,086,500</u>

**HIGHER ACHIEVEMENT PROGRAM, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)**

**10. NET ASSETS WITH DONOR RESTRICTION (CONTINUED)**

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

**11. SPECIAL EVENTS**

Higher Achievement held an annual fundraising event in December 2022 and November 2021. The event activity was as follows:

	2022	2021
Corporate and individual contributions	<u>\$ 504,629</u>	<u>\$ 534,329</u>

It is reflected as follows in the statement of activities:

Corporate and individual contributions	<u>\$ 504,629</u>	<u>\$ 534,329</u>
--	-------------------	-------------------

**12. LEASES**

Higher Achievement entered into a new lease agreement for office space in Baltimore, Maryland, which commenced on July 1, 2021 with an initial termination of June 30, 2024. The annual rental payments of \$30,000 include a provision for an annual 3% increase of base rent.

As of August 31, 2022, future minimum lease payments under the this lease are as follows:

For the fiscal year ended:		
2023		\$ 31,231
2024		<u>26,781</u>
		<u>\$ 58,012</u>

## HIGHER ACHIEVEMENT PROGRAM, INC.

### NOTES TO FINANCIAL STATEMENTS

August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)

#### 12. LEASES (CONTINUED)

Higher Achievement entered into a lease agreement for office space in Richmond, Virginia, which commenced on January 1, 2022 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 an annual 2% increase of base rent.

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

For the fiscal year ended:

2023	\$	34,995
2024		35,695
2025		36,409
2026		37,137
2027		12,460
		<u>156,696</u>
	\$	<u>156,696</u>

Total rent expense for the year ended August 31, 2022 and 2021 was \$52,751 and \$50,966, respectively.

#### 13. 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, 2022 and 2021, donated services consisted of the following:

	<u>2022</u>	<u>2021</u>
Professional fees (supporting service)		
Consulting and mentorship	\$ 381,393	\$ 339,739
Legal and business	113,872	54,600
Total	<u>\$ 495,265</u>	<u>\$ 394,339</u>

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

### **NOTES TO FINANCIAL STATEMENTS**

**August 31, 2022 (with Comparative Information as of and for the year ended August 31, 2021)**

#### **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, 2022 and August 31, 2021, Higher Achievement incurred estimated expenses of \$127,883 and \$101,401, respectively, related to this plan.

#### **15. CONCENTRATIONS**

Approximately 20% and 12% 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, 2022 and August 31, 2021, 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. SUBSEQUENT EVENTS**

In preparing these financial statements, Higher Achievement has evaluated events and transactions for potential recognition or disclosure through June 14, 2023, the date the financial statements were available to be issued.