

HIGHER ACHIEVEMENT PROGRAM, INC.
(a nonprofit organization)

FINANCIAL STATEMENTS

Year Ended August 31, 2023
with Summarized Comparative Information
for the year ended August 31, 2022

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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, 2023, 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, 2023, 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 11 to the financial statements, net assets with donor restrictions and contributions receivable have been restated as of August 31, 2022 to account for proper beginning net assets with donor restrictions balances. We have not modified our opinion with respect to this matter.

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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2023. 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
July 24, 2024

HIGHER ACHIEVEMENT PROGRAM, INC.**STATEMENT OF FINANCIAL POSITION****August 31, 2023 (with Comparative Information as of August 31, 2022)****ASSETS**

	2023	2022 Restated
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,382,902	\$ 3,313,623
Grants receivable, net of allowance for doubtful accounts	451,743	1,584,902
Contributions receivable, net	379,159	461,000
Prepaid expense	26,839	30,836
TOTAL CURRENT ASSETS	3,240,643	5,390,361
PROPERTY AND EQUIPMENT , at cost, net	2,176,477	2,250,431
OTHER ASSETS		
Right-of-use asset - operating	139,399	-
Contributions receivable, net of current	323,957	466,957
Investments	1,494,004	1,399,989
Security deposit	2,878	2,878
TOTAL OTHER ASSETS	1,960,238	1,869,824
TOTAL ASSETS	\$ 7,377,358	\$ 9,510,616
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	266,702	113,902
Accrued expenses	326,835	262,087
Deferred revenue	117,340	103,606
Operating lease liability	58,538	-
Note payable	18,720	18,082
TOTAL CURRENT LIABILITIES	788,135	497,677
LONG-TERM LIABILITIES		
Operating lease liability, net of current portion	82,438	-
Note payable, net of current portion	574,094	590,410
TOTAL LONG-TERM LIABILITIES	656,532	590,410
TOTAL LIABILITIES	1,444,667	1,088,087
NET ASSETS		
With donor restriction	1,008,992	2,386,500
Without donor restriction	3,286,765	4,424,095
Without donor restriction - board designated	1,636,934	1,611,934
TOTAL NET ASSETS	5,932,691	8,422,529
TOTAL LIABILITIES AND NET ASSETS	\$ 7,377,358	\$ 9,510,616

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

STATEMENT OF ACTIVITIES

Year Ended August 31, 2023 (with Summarized Comparative Information for the year ended August 31, 2022)

	2023			2022
	Without Donor Restriction	With Donor Restriction	Total	Restated Total
REVENUE AND SUPPORT				
Grants and contributions, net of discount on long term pledges	\$ 606,250	\$ 1,027,500	\$ 1,633,750	\$ 4,375,358
Individual and corporate contributions	1,241,763	-	1,241,763	1,273,437
Governmental grants	1,574,370	-	1,574,370	1,424,541
In-kind donations	279,175	-	279,175	495,265
Investment income (loss)	120,931	-	120,931	(192,760)
Other income	43,322	-	43,322	837,058
Contract revenue	105,000	-	105,000	-
Net assets released from restrictions	2,405,008	(2,405,008)	-	-
TOTAL REVENUE AND SUPPORT	6,375,819	(1,377,508)	4,998,311	8,212,899
EXPENSES				
Program	4,504,439	-	4,504,439	3,717,630
General and administrative	1,838,785	-	1,838,785	1,507,083
Fundraising	1,144,925	-	1,144,925	1,091,068
TOTAL EXPENSES	7,488,149	-	7,488,149	6,315,781
CHANGE IN NET ASSETS	(1,112,330)	(1,377,508)	(2,489,838)	1,897,118
NET ASSETS, beginning of year, restated	6,036,029	2,386,500	8,422,529	6,525,411
NET ASSETS, end of year	\$ 4,923,699	\$ 1,008,992	\$ 5,932,691	\$ 8,422,529

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended August 31, 2023 (with Summarized Comparative Information for the year ended August 31, 2022)

	2023			2022	
	Program	General and Administrative	Fundraising	Total	Total
Payroll	\$ 2,886,268	\$ 917,590	\$ 812,895	\$ 4,616,753	\$ 3,833,020
Fringe benefits and payroll taxes	561,628	185,568	164,302	911,498	605,761
Consulting fees	155,884	198,656	1,800	356,340	353,941
Information technology	121,769	15,719	19,164	156,652	131,541
In-kind consulting fees	156,616	-	-	156,616	381,393
Transportation	140,253	-	-	140,253	79,955
In-kind legal	-	122,559	-	122,559	113,872
Special events	27,837	72	81,948	109,857	45,170
Electronic equipment	30,670	57,311	17	87,998	96,825
Dues and subscriptions	34,635	28,269	21,139	84,043	97,943
Cleaning, utilities and security	-	74,024	-	74,024	55,662
Depreciation	-	73,954	-	73,954	84,760
Occupancy	36,074	14,009	17,079	67,162	52,751
Field trips	64,850	-	-	64,850	-
Insurance	45,793	5,911	7,207	58,911	63,252
Payroll processing fees	23,598	3,046	3,714	30,358	23,544
Training	21,891	6,563	94	28,548	10,124
Copying and printing	21,384	1,908	4,218	27,510	25,798
College trips	27,433	-	-	27,433	13,890
Telephone	2,077	24,080	-	26,157	25,937
Meeting and activity	9,476	14,274	2,277	26,027	6,655
Interest expense	-	22,862	-	22,862	23,029
Audit fees	-	22,440	-	22,440	21,338
Educational supplies	21,072	-	-	21,072	10,687
Scholar meals	20,526	-	-	20,526	16,271
Travel expense reimbursement	9,254	8,713	1,934	19,901	4,170
Recognition	11,147	6,646	2,091	19,884	14,737
Electives	18,647	-	-	18,647	-
Professional development	2,634	15,597	-	18,231	12,139
Bank service charges	13,712	1,770	2,158	17,640	20,802
Office supplies	10,573	2,474	157	13,204	3,440
Job posting	111	10,278	-	10,389	-
Incentives	9,066	-	-	9,066	7,024
Licenses and fees	4,710	608	741	6,059	4,669
Mentor activities	5,188	-	-	5,188	6,337
Postage	151	1,666	1,990	3,807	4,246
Clearance services	2,633	-	-	2,633	9,536
Miscellaneous	28	2,070	-	2,098	1,595
Translation services	1,950	-	-	1,950	-
Parent activities	1,562	-	-	1,562	-
Center security and maintenance	1,380	-	-	1,380	50,610
Promotional materials	1,090	-	-	1,090	2,836
Program meetings	559	-	-	559	521
Curriculum supplies	310	-	-	310	-
Advertising and communications	-	148	-	148	-
TOTAL EXPENSES	\$ 4,504,439	\$ 1,838,785	\$ 1,144,925	\$ 7,488,149	\$ 6,315,781

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.**STATEMENT OF CASH FLOWS****Year Ended August 31, 2023 (with Comparative Information for the year ended August 31, 2022)**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from operations		
Government grants, fees, contributions received	\$ 5,959,318	\$ 6,362,941
Interest income	107,799	127,949
	<u>6,067,117</u>	<u>6,490,890</u>
Cash disbursed by operations		
Payments to employees and suppliers	6,884,465	5,742,671
Interest paid	27,433	23,029
	<u>6,911,898</u>	<u>5,765,700</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(844,781)</u>	<u>725,190</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of investments	39,412	-
Purchase of investments	(109,674)	(130,886)
NET CASH USED BY INVESTING ACTIVITIES	<u>(70,262)</u>	<u>(130,886)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on note payable	(15,678)	(14,330)
NET CASH USED BY FINANCING ACTIVITIES	<u>(15,678)</u>	<u>(14,330)</u>
NET (DECREASE) INCREASE IN CASH	(930,721)	579,974
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,313,623</u>	<u>2,733,649</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,382,902</u>	<u>\$ 3,313,623</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Unrealized (gain) loss in fair value of investments	\$ (18,449)	\$ 320,709
Increase (decrease) in fair value of investments	18,449	(320,709)
Forgiveness of Paycheck Protection Program loan payable	-	834,908
Gain on extinguishment of debt	-	(834,908)
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.**STATEMENT OF CASH FLOWS****Year Ended August 31, 2023 (with Comparative Information for the year ended August 31, 2022)**

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2023</u>	<u>2022 Restated</u>
CHANGE IN NET ASSETS	<u>\$ (2,489,838)</u>	<u>\$ 1,897,118</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Depreciation	73,954	84,760
Realized and unrealized (gains) losses on investments	(23,753)	320,709
Forgiveness of Paycheck Protection Program loan	-	<u>(834,908)</u>
NET ADJUSTMENTS	<u>50,201</u>	<u>(429,439)</u>
CHANGES IN ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH AND CASH EQUIVALENTS		
ASSETS		
Grants receivable, net of allowance for doubtful accounts	1,133,159	(1,270,068)
Pledges receivable, net of discount	224,841	(397,000)
Other receivable, net allowance	-	1,002,285
Security deposits	-	(2,878)
Prepaid expense	3,997	(12,332)
Right-of-use asset	<u>(139,399)</u>	<u>-</u>
NET CHANGES IN ASSETS	<u>1,222,598</u>	<u>(679,993)</u>
LIABILITIES		
Accounts payable	152,800	(17,612)
Accrued expenses	64,748	-
Deferred revenue	13,734	(44,884)
Operating lease liability	<u>140,976</u>	<u>-</u>
NET CHANGES IN LIABILITIES	<u>372,258</u>	<u>(62,496)</u>
NET CHANGES IN ASSETS AND LIABILITIES	<u>1,594,856</u>	<u>(742,489)</u>
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (844,781)</u>	<u>\$ 725,190</u>

See Notes to Financial Statements.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

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 to 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 that are available for the general operations 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, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

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, 2022, 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, 2023 and 2022, 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, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

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 \$279,175 and \$495,265 for the years ended August 31, 2023 and 2022, 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, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

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, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

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

Estimates (Continued)

Higher Achievement participates in a number of federally assisted programs that 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.

Adoption of New Accounting Standard

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). This guidance is intended to increase transparency and comparability among lessees by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. ASU 2016-02 requires lessees to report a right-of-use asset along with a lease liability.

Higher Achievement adopted ASU 2016-02 as of September 1, 2022. As a result, the statement of financial position as of August 31, 2023 includes the right-of-use asset and operating lease liability, which are not reflected in the statement of financial position as of August 31, 2022. There was no effect on beginning net assets without donor restrictions.

Higher Achievement elected to apply all practical expedients available under the ASU, allowing it to 1) not reassess whether any expired or existing contracts previously assessed as not containing leases are, or contain, leases; 2) not reassess the lease classification for any expired or existing leases; and 3) not reassess initial direct costs for any existing leases.

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, 2023.

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 PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

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

Liquidity and Availability of Assets (Continued)

Higher Achievement's financial assets available within one year to meet cash needs for general expenditures through August 31, 2024 are as follows:

Financial assets:

Cash and cash equivalents	\$ 2,382,902
Grants receivable, net of allowance for doubtful accounts	451,743
Pledges receivable, net	703,116
Investments	<u>1,494,004</u>
Total financial assets	5,031,765
Add: unused line of credit availability	600,000
Less: amounts not available within one year	
Restricted net assets	(1,008,992)
Board-designated net assets	<u>(1,636,934)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,985,839</u></u>

2. CASH AND CASH EQUIVALENTS

Cash at August 31, 2023, and 2022 consisted of the following:

	2023	2022
Checking	\$ 2,360,649	\$ 3,308,613
Money market fund	<u>22,253</u>	<u>5,010</u>
	<u><u>\$ 2,382,902</u></u>	<u><u>\$ 3,313,623</u></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, 2023 and 2022 were \$454,551 and \$3,985,420, respectively.

3. GRANTS RECEIVABLE

Grants receivable as of August 31, 2023 and 2022 consisted of the following:

	2023	2022
Government grants and other	\$ 219,007	\$ 321,283
Corporation and individual contributions	15,000	6,500
Foundation grants	<u>217,736</u>	<u>1,257,119</u>
	<u><u>\$ 451,743</u></u>	<u><u>\$ 1,584,902</u></u>

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of August 31, 2023 and 2022 consisted of the following:

	2023	2022 Restated
Corporation and individual contributions	\$ 719,159	\$ 944,000
Less: discounts on pledges	(16,043)	(16,043)
	<u>\$ 703,116</u>	<u>\$ 927,957</u>

Contributions receivable at August 31, 2023 and 2022 were due over the following periods:

	2023	2022
Due in less than one year	\$ 379,159	\$ 461,000
Due in one to five years	340,000	483,000
Total	<u>\$ 719,159</u>	<u>\$ 944,000</u>

5. PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2023 and 2022 consisted of the following:

	2023		
	Cost	Depreciation Expense	Accumulated Depreciation
Land and building	\$ 2,561,054	\$ 53,288	\$ 814,465
Property improvements	633,137	20,666	203,248
Software	66,352	-	66,352
Computers and equipment	10,000	-	10,000
Furniture	87,478	-	87,479
Scholar library	2,442	-	2,442
Closing costs	27,931	-	27,931
	<u>\$ 3,388,394</u>	<u>\$ 73,954</u>	<u>\$ 1,211,917</u>

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

5. PROPERTY AND EQUIPMENT (CONTINUED)

	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>

6. INVESTMENTS

Investments at August 31, 2023 and 2022 consisted of the following:

	2023		
	Cost	Fair Value	Accumulated Unrealized gain/(loss)
Asset-backed securities	\$ 59	\$ 58	\$ (1)
Mutual funds			
Foreign large value	46,218	45,245	(973)
Corporate bond	117,415	102,807	(14,608)
Foreign small growth	32,495	32,169	(326)
Large blend	182,681	180,111	(2,570)
Large growth	318,652	372,166	53,514
Large value	200,620	221,214	20,594
Medium value	223,257	201,164	(22,093)
Mid-cap growth	119,636	94,022	(25,614)
Mid-cap value	102,408	87,245	(15,163)
Short-term bond	101,464	93,306	(8,158)
Small value	53,430	34,469	(18,961)
Ultra short bond	30,358	30,028	(330)
	<u>\$ 1,528,693</u>	<u>\$ 1,494,004</u>	<u>\$ (34,689)</u>

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

6. INVESTMENTS (CONTINUED)

	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>

Investment income (loss) for the years ended August 31, 2023 and 2022 is comprised of the following:

	2023	2022
Realized and unrealized gain (loss)	23,753	\$ (320,709)
Interest and dividends	107,799	127,949
Less: investment expense	(10,621)	-
Total investment income (loss)	<u>\$ 120,931</u>	<u>\$ (192,760)</u>

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

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, 2023 and 2022:

	2023		
	Fair Value	Level 1	Level 2
Asset-backed securities	\$ 58	\$ -	\$ 58
Mutual funds			
Foreign large value	45,245	45,245	-
Corporate bond	102,807	102,807	-
Foreign small growth	32,169	32,169	-
Large blend	180,111	180,111	-
Large growth	372,166	372,166	-
Large value	221,214	221,214	-
Medium value	201,164	201,164	-
Mid-cap growth	94,022	94,022	-
Mid-cap value	87,245	87,245	-
Short-term bond	93,306	93,306	-
Small value	34,469	34,469	-
Ultra short bond	30,028	30,028	-
	<u>\$ 1,494,004</u>	<u>\$ 1,493,946</u>	<u>\$ 58</u>
	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, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

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, 2023, management believes Higher Achievement was in compliance with the covenants.

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

Year Ending August 31,	
2024	16,315
2025	17,008
2026	17,667
2027	18,350
2028	523,474
	<hr/>
	\$ 592,814
	<hr/>

The interest expense related to the note payable was \$22,862 and \$23,029 for the years ended August 31, 2023 and 2022, respectively.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

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, 2023, the interest rate was 9% and the unused line of credit was \$600,000. There was no outstanding balance on this line of credit as of August 31, 2023 and 2022 because no borrowing was made during both years. Thus, there was no interest expense for the years ended August 31, 2023 and 2022.

10. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions as of August 31, 2023 and 2022 consisted of the following:

	2023			
	Balance August 31, 2022	Support and Revenue	Net assets released from restriction	Balance August 31, 2023
Program support and other	\$ 1,360,500	\$ 877,500	\$ 1,674,667	\$ 563,333
Time restricted	1,026,000	150,000	730,341	445,659
Total	<u>\$ 2,386,500</u>	<u>\$ 1,027,500</u>	<u>\$ 2,405,008</u>	<u>\$ 1,008,992</u>

	2022 Restated			
	Balance August 31, 2021	Support and Revenue	Net assets released from restriction	Balance August 31, 2022
Program support and other	\$ 607,750	\$ 2,334,158	\$ 1,581,408	\$ 1,360,500
Time restricted	542,000	1,086,000	602,000	1,026,000
Total	<u>\$ 1,149,750</u>	<u>\$ 3,420,158</u>	<u>\$ 2,183,408</u>	<u>\$ 2,386,500</u>

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

11. PRIOR PERIOD ADJUSTMENT

Net assets with donor restrictions and contributions receivable as of August 31, 2022 have been restated to account for unrecorded pledges as follows:

	<u>As Originally Presented</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Contributions receivable, current August 31, 2022	<u>\$ 361,000</u>	<u>\$ 100,000</u>	<u>\$ 461,000</u>
Contributions receivable, net of current August 31, 2022	<u>\$ 266,957</u>	<u>\$ 200,000</u>	<u>\$ 466,957</u>
Net assets with donor restrictions August 31, 2022	<u>\$ 2,086,500</u>	<u>\$ 300,000</u>	<u>\$ 2,386,500</u>

12. SPECIAL EVENTS

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

	<u>2023</u>	<u>2022</u>
Corporate and individual contributions	<u>\$ 444,687</u>	<u>\$ 504,629</u>

It is reflected as follows in the statement of activities:

Corporate and individual contributions	<u>\$ 444,687</u>	<u>\$ 504,629</u>
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13. OPERATING LEASES

Higher Achievement entered into a 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, 2023, future minimum lease payments for the fiscal year ended August 31, 2024, total \$26,781.

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.

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

13. OPERATING LEASES (CONTINUED)

Future minimum lease payments under the lease are as follows:

For the fiscal year ended:

2024	\$	35,695
2025		36,409
2026		37,137
2027		12,460
		<u>12,460</u>
	\$	<u>121,701</u>

A reconciliation of the undiscounted cash payments to the operating lease liability for the year ended August 31, 2023 is as follows:

Undiscounted future cash flows	\$	148,482
Less: discount to present value		<u>(7,506)</u>
Operating lease liability	\$	<u>140,976</u>

Quantitative disclosures related to leases for the year ended August 31, 2023 are as follows:

Total lease cost:		
Operating lease cost	\$	<u>67,162</u>

Other information:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$	66,226
Weighted-average remaining lease term - operating leases		2.9 years
Weighted-average discount rate - operating leases		3.50%

HIGHER ACHIEVEMENT PROGRAM, INC.

NOTES TO FINANCIAL STATEMENTS

August 31, 2023 (with Comparative Information as of and for the year ended August 31, 2022)

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, 2023 and 2022, donated services consisted of the following:

	<u>2023</u>	<u>2022</u>
Professional fees (supporting service)		
Consulting and mentorship	\$ 156,616	\$ 381,393
Legal and business	122,559	113,872
	<u> </u>	<u> </u>
Total	<u>\$ 279,175</u>	<u>\$ 495,265</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, 2023 and August 31, 2022, Higher Achievement incurred estimated expenses of \$116,727 and \$127,883, respectively, related to this plan.

16. CONCENTRATIONS

Approximately 25% and 20% 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, 2023 and August 31, 2022, 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.

17. SUBSEQUENT EVENTS

In preparing these financial statements, Higher Achievement has evaluated events and transactions for potential recognition or disclosure through July 24, 2024, the date the financial statements were available to be issued.