

HIGHFIELDS, INC.

REPORT ON FINANCIAL STATEMENTS
(with supplementary information)

YEARS ENDED APRIL 30, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Highfields, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Highfields, Inc. (a nonprofit organization), which comprise the statements of financial position as of April 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Highfields, Inc. as of April 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, as identified in the table of contents, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2021 on our consideration of Highfields, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Highfields, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Highfields, Inc.'s internal control over financial reporting and compliance.

Maney Costerian PC

July 14, 2021

HIGHFIELDS, INC.
STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2021 AND 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,274,084	\$ 1,578,737
Accounts receivable	427,978	497,805
Promises to give	36,856	28,977
Investments	512,419	336,741
Prepaid expenses and other current assets	57,971	49,677
Total current assets	2,309,308	2,491,937
Investments, long-term	530,054	530,054
Promises to give, long-term, net of discount	85,728	99,423
Assets held at community foundations	27,833	21,385
Property and equipment, net of accumulated depreciation	2,694,734	2,637,006
TOTAL ASSETS	\$ 5,647,657	\$ 5,779,805
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 37,857	\$ 64,137
Bank line of credit	-	145,370
Current portion of long-term debt	40,603	1,275,068
Current portion of capital lease obligations	-	8,917
Accrued liabilities	490,468	451,166
Special event deposits	37,284	6,000
Total current liabilities	606,212	1,950,658
Long-term debt, net of current portion	2,763,997	1,567,231
TOTAL LIABILITIES	3,370,209	3,517,889
NET ASSETS		
Without donor restrictions		
Undesignated	1,085,358	1,246,136
Designated	410,539	342,453
Total without donor restrictions	1,495,897	1,588,589
With donor restrictions	781,551	673,327
TOTAL NET ASSETS	2,277,448	2,261,916
TOTAL LIABILITIES AND NET ASSETS	\$ 5,647,657	\$ 5,779,805

See notes to financial statements.

HIGHFIELDS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED APRIL 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Program services revenue	\$ 6,758,921	\$ -	\$ 6,758,921	\$ 8,041,722	\$ -	\$ 8,041,722
Contributions and grants	458,666	34,974	493,640	327,789	100,842	428,631
Investment return, net	92,420	200,540	292,960	(35,004)	(9,360)	(44,364)
Miscellaneous income	27,950	-	27,950	19,006	-	19,006
PPP loan forgiveness	1,261,164	-	1,261,164	-	-	-
Gain (loss) on disposal of property and equipment	(91,450)	-	(91,450)	12,570	-	12,570
Net assets released from restrictions	127,290	(127,290)	-	179,034	(179,034)	-
TOTAL REVENUE AND SUPPORT	8,634,961	108,224	8,743,185	8,545,117	(87,552)	8,457,565
EXPENSES						
Program expenses						
Residential services	1,942,052	-	1,942,052	1,999,752	-	1,999,752
Community services	3,871,817	-	3,871,817	3,593,493	-	3,593,493
Learning opportunities						
Ingham Academy/Evening Reporting	503,121	-	503,121	803,184	-	803,184
21st Century	871,531	-	871,531	1,051,498	-	1,051,498
Breakthrough	13,697	-	13,697	35,716	-	35,716
Fundraising	164,998	-	164,998	174,446	-	174,446
Management and general	1,360,437	-	1,360,437	1,205,457	-	1,205,457
TOTAL EXPENSES	8,727,653	-	8,727,653	8,863,546	-	8,863,546
CHANGE IN NET ASSETS	(92,692)	108,224	15,532	(318,429)	(87,552)	(405,981)
NET ASSETS, beginning of year	1,588,589	673,327	2,261,916	1,907,018	760,879	2,667,897
NET ASSETS, end of year	\$ 1,495,897	\$ 781,551	\$ 2,277,448	\$ 1,588,589	\$ 673,327	\$ 2,261,916

See notes to financial statements.

HIGHFIELDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2021

	Program Services			
	Residential Services	Ingham Academy/ Evening Reporting	Breakthrough	21st Century
Salaries	\$ 1,282,477	\$ 360,514	\$ 197	\$ 631,478
Employee benefits	97,840	64,633	-	10,856
Payroll taxes	115,515	38,449	18	50,118
 Total salaries and related expenses	 1,495,832	 463,596	 215	 692,452
Professional fees	24,799	26	-	38,966
Supplies	84,799	1,483	1,954	85,296
Telephone and internet	13,829	649	-	11,913
Postage and shipping	-	-	-	23
Occupancy	128,714	-	5,683	-
Special events	-	-	-	-
Local transportation	16,837	27,996	10	35,119
Conferences, conventions, and major travel	5,487	285	20	3,777
Subscriptions and reference publications	-	-	-	-
Specific assistance	20,737	7,786	-	-
Membership dues	-	-	-	-
Equipment	11,457	1,300	-	3,985
Miscellaneous	-	-	-	-
Depreciation	139,561	-	5,815	-
Interest	-	-	-	-
 Total functional expenses	 <u>\$ 1,942,052</u>	 <u>\$ 503,121</u>	 <u>\$ 13,697</u>	 <u>\$ 871,531</u>

See notes to financial statements.

Program Services		Support Services			
Community Services	Total	Fundraising	Management and General	Total	2021
\$ 2,825,974	\$ 5,100,640	\$ 104,976	\$ 590,023	\$ 694,999	\$ 5,795,639
413,854	587,183	14,819	72,773	87,592	674,775
215,260	419,360	8,050	56,784	64,834	484,194
3,455,088	6,107,183	127,845	719,580	847,425	6,954,608
30,248	94,039	728	248,633	249,361	343,400
23,106	196,638	9,770	19,682	29,452	226,090
47,146	73,537	840	24,143	24,983	98,520
-	23	-	-	-	23
75,018	209,415	-	82,575	82,575	291,990
-	-	25,655	-	25,655	25,655
105,747	185,709	101	9,933	10,034	195,743
6,768	16,337	23	5,111	5,134	21,471
65	65	36	-	36	101
85,925	114,448	-	-	-	114,448
-	-	-	19,828	19,828	19,828
506	17,248	-	2,409	2,409	19,657
18,042	18,042	-	41,152	41,152	59,194
24,158	169,534	-	87,225	87,225	256,759
-	-	-	100,166	100,166	100,166
<u>\$ 3,871,817</u>	<u>\$ 7,202,218</u>	<u>\$ 164,998</u>	<u>\$ 1,360,437</u>	<u>\$ 1,525,435</u>	<u>\$ 8,727,653</u>

See notes to financial statements.

HIGHFIELDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2020

	Program Services			
	Residential Services	Ingham Academy/ Evening Reporting	Breakthrough	21st Century
Salaries	\$ 1,292,220	\$ 583,272	\$ 13,004	\$ 683,734
Employee benefits	87,347	75,723	-	9,407
Payroll taxes	115,593	49,270	1,145	53,381
 Total salaries and related expenses	 1,495,160	 708,265	 14,149	 746,522
Professional fees	22,537	451	70	46,615
Supplies	129,994	14,613	5,939	107,926
Telephone and internet	2,988	455	-	6,032
Postage and shipping	-	-	-	188
Occupancy	135,531	-	9,713	-
Special events	-	-	-	-
Outside printing	451	-	-	-
Local transportation	43,745	44,729	54	134,042
Conferences, conventions, and major travel	11,065	6,968	-	10,172
Specific assistance	24,893	8,382	-	-
Membership dues	150	-	-	-
Equipment	739	19,321	-	-
Miscellaneous	1,617	-	-	1
Depreciation	127,202	-	5,300	-
Interest	3,680	-	491	-
 Total functional expenses	 <u>\$ 1,999,752</u>	 <u>\$ 803,184</u>	 <u>\$ 35,716</u>	 <u>\$ 1,051,498</u>

See notes to financial statements.

Program Services		Support Services			
Community Services	Total	Fundraising	Management and General	Total	2020
\$ 2,497,812	\$ 5,070,042	\$ 95,116	\$ 547,184	\$ 642,300	\$ 5,712,342
369,037	541,514	10,429	76,008	86,437	627,951
204,612	424,001	7,157	39,617	46,774	470,775
3,071,461	6,035,557	112,702	662,809	775,511	6,811,068
34,700	104,373	124	152,592	152,716	257,089
24,009	282,481	9,738	21,928	31,666	314,147
42,577	52,052	560	33,521	34,081	86,133
-	188	-	-	-	188
74,282	219,526	-	48,114	48,114	267,640
-	-	42,213	33	42,246	42,246
-	451	-	-	-	451
222,846	445,416	2,558	14,134	16,692	462,108
29,401	57,606	6,306	18,949	25,255	82,861
58,197	91,472	-	-	-	91,472
-	150	-	21,157	21,157	21,307
609	20,669	-	5,711	5,711	26,380
6,971	8,589	-	55,200	55,200	63,789
24,833	157,335	-	79,501	79,501	236,836
3,607	7,778	245	91,808	92,053	99,831
<u>\$ 3,593,493</u>	<u>\$ 7,483,643</u>	<u>\$ 174,446</u>	<u>\$ 1,205,457</u>	<u>\$ 1,379,903</u>	<u>\$ 8,863,546</u>

See notes to financial statements.

HIGHFIELDS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows to (from) operating activities		
Change in net assets	\$ 15,532	\$ (405,981)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	256,759	236,836
Change in unrealized (gain) loss on investments	(201,084)	101,800
Realized (gain) loss on investments	(62,948)	(36,207)
Change in assets held at community foundations	(6,448)	-
(Gain) loss on sale of property and equipment	91,450	(12,570)
Changes in operating assets and liabilities which provided (used) cash		
Receivables	75,643	31,121
Prepaid expenses and other	(8,294)	7,815
Accounts payable	(26,280)	(53,137)
Accrued liabilities	39,302	13,208
Special event deposits	31,284	(19,482)
Net cash provided (used) by operating activities	<u>204,916</u>	<u>(136,597)</u>
Cash flows from investing activities		
Purchase of property and equipment	(405,937)	(338,773)
Proceeds from disposition of property and equipment	-	49,570
Sale of investments - net	88,354	44,232
Net cash provided (used) by investing activities	<u>(317,583)</u>	<u>(244,971)</u>
Cash flows from financing activities		
Bank line of credit	(145,370)	(180,000)
Payments on debt	(37,699)	(1,125,105)
Proceeds from refinancing	-	1,608,132
Proceeds from PPP Loans	1,261,164	1,261,164
Forgiveness of PPP Loan	(1,261,164)	-
Payments on capital lease obligations	(8,917)	(13,917)
Net cash provided (used) by financing activities	<u>(191,986)</u>	<u>1,550,274</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(304,653)	1,168,706
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,578,737</u>	<u>410,031</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,274,084</u>	<u>\$ 1,578,737</u>

See notes to financial statements.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements are presented on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred.

Cash and Cash Equivalents - The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash and cash equivalents. Amounts recorded as money market funds on deposit for investment purposes are not considered cash equivalents.

Accounts Receivable - Accounts receivable represent consideration from third-parties, of which the Organization has an unconditional right to receive. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Currently, no allowance for doubtful accounts is considered necessary based on past experience. Changes to the valuation allowance have not been material to the financial statements. Beginning and ending balances for accounts receivable is reported as follows for the year ended April 30:

	2021	2020
Accounts receivable, beginning of year	\$ 497,805	\$ 531,880
Accounts receivable, end of year	\$ 427,978	\$ 497,805

Investments - Mutual funds maintained by the Organization are stated at fair value as determined by quoted market prices. The cash value of a life insurance policy to which the Organization is the beneficiary is recorded at its net cash surrender value. Net investment return or loss is included in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expense.

Property and Equipment - Property and equipment acquired by purchase greater than \$1,000, are capitalized and stated at cost. Property and equipment acquired by donation are valued at the estimated fair market value at the time of donation. Depreciation has been charged to operations using the straight-line method over the estimated useful lives of the assets (which range from 3 to 40 years). Costs of maintenance and repairs are charged to expense when incurred.

Promises to Give - Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Contributions with donor-imposed time or purpose restrictions are reported as restricted support. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Management has determined an allowance for doubtful accounts is not deemed necessary based on past experience.

Functional Allocation of Expenses - The costs of providing program and support services have been reported on a functional basis in the statement of activities. The statement of functional expenses present the natural classification of expenses that are allocated to program or supporting functions of the Organization. Allocated expenses primarily consist of payroll and related, professional fees, supplies, occupancy and related, transportation, depreciation, and various other expense classifications necessary to support the day-to-day operations of the Organization. Employee driven expenses are allocated based on salary and wage analysis. All other allocated expenses utilize management's estimated use of resources.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Program Services Revenue - Program services revenue recognized by the Organization is comprised of contracts committed from various funding agencies for use in the Organization's activities. All program services revenue is recognized at a point in time. All funding sources are providing revenue streams to the Organization for the benefit of the public. Contract revenue is recognized as revenue upon receipt and meeting all conditional requirements of the funding arrangement. Any funds received in advance for which conditions of the agreement have not been met are recognized as refundable advances and then subsequently recognized as revenue upon meeting the conditions of the agreement.

Revenue Recognition

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions of land, buildings, equipment, and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions. The Organization has designated, from net assets without donor restrictions, net assets to be used for the endowment (see Note 15).

Net Assets With Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished (see Note 13).

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax Status - The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, no tax provision is reflected in the financial statements.

Reclassification - Certain prior year numbers have been reclassified to be in conformity with the current year presentation.

NOTE 2 - NATURE OF THE ORGANIZATION, RISKS, AND UNCERTAINTIES

Highfields, Inc. (the "Organization") provides family counseling, youth counseling, and educational counseling to youths, families, and communities throughout mid-Michigan through the following programs:

Community Services:

- Health insurances
- Outreach Counseling
- Family Reunification Program
- Families Together Building Solutions
- Wraparound
- Family Preservation Services
- Case Management
- Home-Based Mental Health Services

Residential Services:

- Phoenix
- Stabilization
- Malcolm Williams School

Learning Opportunities:

- Ingham Academy/Evening Reporting
- 21st Century
- Breakthrough

The Organization's revenue and receivables are from a variety of purchasers, including the Michigan Department of Health and Human Services (MDHHS), Lifeways-CMH, CEI-CMH, Lenawee County Mental Health Authority, 12 County DHHS offices, and Ingham County Family Court. In addition, a significant portion of the Organization's pledges are receivable primarily from citizens residing in Michigan.

The Organization evaluates events and transactions that occur after year end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through July 14, 2021, which is the date the financial statements were available to be issued.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - NATURE OF THE ORGANIZATION, RISKS, AND UNCERTAINTIES (continued)

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

In the preparation of tax returns, tax positions are taken based on interpretation of federal, state, and local income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been identified, or recorded, as uncertain tax positions. Federal, state, and local tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to potentially negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTE 3 - LIQUIDITY AND AVAILABILITY

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purpose of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following reflects the Organization's financial assets as of April 30, which are deemed available for general expenditures within one year of the date of the statement of financial position.

	2021	2020
Cash and cash equivalents	\$ 1,274,084	\$ 1,578,737
Investments	1,070,306	888,180
Program receivables	427,978	497,805
Promises to give	122,584	128,400
 Total financial assets at year-end	 2,894,952	 3,093,122
 Less designated net assets	 410,539	 342,453
Less donor restricted net assets	781,551	673,327
 Financial assets available to meet cash needs for general expenditures within one year	 \$ 1,702,862	 \$ 2,077,342

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget, anticipates collecting a sufficient portion of its non-restricted resources as noted above, these funds remain available and may be spent at the discretion of the board. The Organization also maintains a line of credit available to meet short-term needs.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS/FAIR VALUE REPORTING

Investments consist of the following at April 30:

	2021	2020
Investments - current	\$ 512,419	\$ 336,741
Investments - long-term	530,054	530,054
	1,042,473	866,795
Beneficial interest in assets held at Community Foundations	27,833	21,385
	\$ 1,070,306	\$ 888,180

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at April 30, 2021 and 2020.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Beneficial Interest in Assets Held at Community Foundations: Valued by the Foundations as the Organization's portion of the total fair values of the underlying securities held by the Foundations.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS/FAIR VALUE REPORTING (continued)

The following is a market value summary by the level of the inputs used, as of April 30, in evaluating the Organization's assets carried as fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

Description	Level 1	Level 2	Level 3	Total April 30, 2021
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
Mutual funds				
Large cap	\$ 327,392	\$ -	\$ -	\$ 327,392
Small cap	204,732	-	-	204,732
Intermediate taxable fixed income	320,474	-	-	320,474
Multi class	167,597	-	-	167,597
Cash alternatives	17,277	-	-	17,277
Total mutual funds	1,037,472	-	-	1,037,472
Beneficial interest in assets held at Community Foundations	-	27,833	-	27,833
Total	\$ 1,037,472	\$ 27,833	\$ -	1,065,305
Cash surrender value - life insurance policy				5,001
Total investments				\$ 1,070,306

Description	Level 1	Level 2	Level 3	Total April 30, 2020
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
Mutual funds				
Large cap	\$ 197,431	\$ -	\$ -	\$ 197,431
Small cap	202,663	-	-	202,663
Intermediate taxable fixed income	288,426	-	-	288,426
Multi class	159,238	-	-	159,238
Cash alternatives	14,345	-	-	14,345
Total mutual funds	862,103	-	-	862,103
Beneficial interest in assets held at Community Foundations	-	21,385	-	21,385
Total	\$ 862,103	\$ 21,385	\$ -	883,488
Cash surrender value - life insurance policy				4,692
Total investments				\$ 888,180

See Note 14 for a summary of changes in fair value of the beneficial interest.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - PROMISES TO GIVE

Unconditional promises to give consist of the following at April 30:

	<u>2021</u>	<u>2020</u>
Unconditional promises to give before unamortized discounts	\$ 138,326	\$ 160,512
Less unamortized discount	<u>(15,742)</u>	<u>(32,112)</u>
Net unconditional promises to give	<u>\$ 122,584</u>	<u>\$ 128,400</u>
Amounts due in:		
Less than one year	\$ 36,856	\$ 28,977
Two to five years	<u>85,728</u>	<u>99,423</u>
Total	<u>\$ 122,584</u>	<u>\$ 128,400</u>

Discount rate was 4% in 2021 and 2020.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 176,164	\$ 176,164
Land improvements	530,053	530,053
Buildings and improvements	5,018,803	4,928,527
Machinery and other equipment	639,334	585,533
Transportation equipment	153,468	127,970
Construction in progress	<u>-</u>	<u>36,079</u>
Total cost	6,517,822	6,384,326
Less accumulated depreciation	<u>(3,823,088)</u>	<u>(3,747,320)</u>
Net carrying amount	<u>\$ 2,694,734</u>	<u>\$ 2,637,006</u>

Depreciation expense for the years ended April 30, 2021 and 2020 was \$256,759 and \$236,836, respectively.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - BANK LINE OF CREDIT

The Organization entered into a revolving line of credit payable to a bank, collateralized by substantially all assets including the real estate of the Organization, and bearing interest at a variable rate based on prime. At April 30, 2021 and 2020, the Organization has available a line of credit of \$600,000. At April 30, 2021 and 2020, the balance of the line of credit was \$0 and \$145,370, respectively, with a variable interest rate of 1.0% above prime with a minimum rate of 5.75%, as of April 30, 2021 and 2020, respectively, with a maturity in February 2022. The line of credit was paid off on March 10, 2021.

NOTE 8 - LONG-TERM DEBT

Long-term debt at April 30 is as follows:

	2021	2020
Note payable to bank (PPP loan), collateralized by the real estate of the Organization, bearing interest at a fixed rate of 1.00%, payments of \$70,973 to begin in November 2020, contingent on forgiveness. In March 2021, the PPP loan was forgiven in full. Proceeds from the PPP loan were recognized as revenue as of April 30, 2021.	\$ -	\$ 1,261,164
Note payable to bank (PPP2 loan), collateralized by the real estate of the Organization, bearing interest at a fixed rate of 1.00%, payments of \$28,937 to begin in July 2022, contingent on forgiveness.	1,261,164	-
Note payable to bank, collateralized by the real estate of the Organization, bearing interest at a fixed rate of 5.75%, payments are due monthly, through October 5, 2024.	1,543,436	1,581,135
Less current portion	2,804,600 (40,603)	2,842,299 (1,275,068)
Long-term portion	\$ 2,763,997	\$ 1,567,231

Both the interest expense and amounts paid for interest totaled \$100,166 for 2021 and \$99,831 for 2020.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT (continued)

Note maturities are summarized as follows:

Year Ending April 30,	Amount
2022	\$ 40,603
2023	390,109
2024	396,332
2025	1,744,803
2026	232,753
	\$ 2,804,600

The Organization's long-term debt was refinanced on June 28, 2019 and replaced with a loan of \$1,608,132 from the same bank. The new note includes all remaining principal on the long-term debt, a pay down on the bank line of credit and additional cash out. The terms are payments of \$11,382 per month for 59 months beginning August 5, 2019 with a balloon payment of the remaining balance in July 2024. The interest rate on the note is 5.75%. The loan is collateralized by the real estate of the Organization. On March 31, 2020, the Organization entered into a changes in terms agreement with the bank, deferring the April, May and June 2020 payments to the end of the note with a new maturity date of October 5, 2024.

During 2020, the Organization applied for and received funding from the Paycheck Protection Program established by the CARES Act. Eligible PPP qualifying proceeds of \$1,261,164 have been recognized as a revenue for the Organization as of April 30, 2021. As of April 30, 2021, the Organization has received forgiveness of the loan.

In 2021, the Organization also received a second Paycheck Protection Program loan from the Small Business Association due to COVID-19 in the amount of \$1,261,164. The terms of payment are \$28,949 per month for 44 months beginning July 2021, with a maturity date of February 23, 2026. The interest rate on the note is 1.00%. Loan forgiveness can be achieved if the Organization submits required documentation and have followed various guidelines related to COVID-19. The Organization anticipates the full loan balance will be forgiven.

NOTE 10 - OPERATING LEASE

The Organization leases office space in Hillsdale, originally expiring in July 2019, and includes monthly payments of \$725. The lease was renewed through July 2021 with monthly payments of \$750. The Organization has renewed the lease a second time, which expires in July 2023, and includes monthly payments of \$800. Lease expense for the office space in Hillsdale was \$9,750 and \$8,200 for the years ended April 30, 2021 and 2020, respectively.

Minimum future lease payments are as follows:

Year Ending April 30,	
2022	\$ 9,500
2023	9,600
2024	1,600
	\$ 20,700

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - RETIREMENT PLAN

The Organization sponsors a 401(k)-plan covering all employees who meet certain age and service requirements. The plan provides for employee elected deferred compensation, an optional profit-sharing contribution and an optional safe harbor matching provision. The Organization's contribution to the plan is discretionary. Contributions for the years ended April 30, 2021 and 2020 were \$0.

NOTE 12 - LETTER OF CREDIT

At April 30, 2021 and 2020, Highfields, Inc. has an outstanding letter of credit totaling \$230,575 and \$233,064, respectively, to satisfy requirements of the State of Michigan in conjunction with being self-insured for unemployment claims. As of April 30, 2021 and 2020, the Organization did not have an outstanding balance due on the letter of credit. The letter of credit matures in February 2022 and is collateralized by accounts receivable, investments, equipment, and other business assets.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at April 30 are restricted for the following:

	<u>2021</u>	<u>2020</u>
Purpose restrictions		
John H. Aldinger, Jr. Scholarship Fund	\$ 194,756	\$ 152,403
Carl and Rhea Bradford Trust	459,210	387,832
Time restrictions		
Benevon	122,584	128,400
Cash surrender value - life insurance policy	5,001	4,692
	<u>\$ 781,551</u>	<u>\$ 673,327</u>

Net assets released from restrictions totaled:

	<u>2021</u>	<u>2020</u>
Dart Foundation	\$ -	\$ 50,000
Granger Foundation	-	50,000
Benevon	40,790	47,888
John H. Aldinger, Jr. Scholarship Fund	24,000	16,095
Carl and Rhea Bradford Trust	62,500	15,051
	<u>\$ 127,290</u>	<u>\$ 179,034</u>

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Granger Foundation - Represents a promise to give made by the Granger Foundation to assist in funding a Trauma Informed Campus Design.

Dart Foundation - Represents a match made by the Dart Foundation to be used for future matching of the annual Strengthening Families breakfast.

John H. Aldinger, Jr. Scholarship Fund - Represents the original gift by the donor and accumulated investment gains held in endowment for the funding of scholarships.

Carl and Rhea Bradford Trust - Represents the original gift by the donor and accumulated investment gains held in endowment for the funding of Elementary School Attendance Advocacy Programs or similar programs aimed directly at keeping children in school. These programs include Ingham County Family Center; after school learning centers; programs that increase student achievement academically and behaviorally; programs that include parental education to assist their children attend and advance their education; programs that ensure students are adequately equipped and prepared with supplies, lunch boxes, meal plans, etc.; and programs that reduce factors contributing to school truancy including partnerships with school districts or courts.

Benevon - Represents promises to give made for future operations.

NOTE 14 - ASSETS HELD AT COMMUNITY FOUNDATIONS

The Organization established endowments at the Capital Region Community Foundation (CRCF) and the Jackson Community Foundation (JCF) and named itself as the beneficiary. These amounts in addition to net earnings are presented on the statement of financial position as, "Assets Held at Community Foundations", in the amount of \$27,833 and \$21,385 as of April 30, 2021 and 2020, respectively. Although these amounts have been recorded as assets, the Organization has granted variance power to CRCF and JCF. Distributions from the endowment will be made annually to the Organization according to the spending guidelines established by the Board of Trustees of the CRCF and JCF. The CRCF and JCF have received contributions from other third-party donors which the Organization is precluded from recognizing. The fair market value of the entire endowments at CRCF and JCF as of April 30, 2021 and 2020, including the amounts above, are \$106,673 and \$81,851, respectively.

Changes in the Organization's beneficial interest for the years ended April 30 are as follows:

	<u>2021</u>	<u>2020</u>
Beneficial interest, beginning of year	\$ 21,385	\$ 24,587
Change in value of beneficial interest		
Investment income (loss)	7,341	(2,318)
Investment fees	<u>(893)</u>	<u>(884)</u>
	<u>6,448</u>	<u>(3,202)</u>
Beneficial interest, end of year	<u>\$ 27,833</u>	<u>\$ 21,385</u>

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - ENDOWMENTS

The Organization's endowment consists of donor-restricted funds established for funding scholarships and programs aimed directly at keeping children in school and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the Uniform Management of Institutional Funds Act (UMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. No such stipulations currently exist. In September 2009 Michigan adopted the Uniform Prudent Management of Institutional Funds Act. The Organization adopted a policy to continue to preserve capital.

As a result, the Organization classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with direction of applicable donor instruments.

Investment earnings from donor-restricted endowment funds are classified as unrestricted income absent explicit donor stipulations to the contrary. In the event that the fair value of the donor-restricted endowment funds fall below the level required to be maintained by perpetuity, the resulting deficiency is recorded as a reduction of unrestricted net assets.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programmatic activities. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity and funds designated by the board of directors. Under this policy, the endowment assets are invested in a manner that is intended to assume a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (interest and dividends) and capital appreciation (realized and unrealized). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 15 - ENDOWMENTS (continued)

Spending Policy

The Organization has established an annual maximum spending policy of the lesser of 5% of the fair market value of the fund at the close of the previous fiscal year or appreciated value by the fund during the preceding calendar year. In establishing this policy, the Organization considered the long-term expected return on its investments. Accordingly, the Organization expects the current spending policy to allow its net assets to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the investments and net assets, as well as to provide additional real growth through investment return.

The following is a summary of endowment fund activity:

	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, May 1, 2019	\$ 411,772	\$ 581,065
Investment return, net	(24,201)	(9,684)
Amounts appropriated for expenditure	(45,118)	(31,146)
Endowment net assets, April 30, 2020	342,453	540,235
Investment return, net	90,561	200,231
Amounts appropriated for expenditure	(22,475)	(86,500)
Endowment net assets, April 30, 2021	\$ 410,539	\$ 653,966
Balance at April 30, 2021:		
John H. Aldinger Jr. Scholarship Fund	\$ -	\$ 194,756
Carl and Rhea Bradford Trust	-	459,210
Assets held at community foundations	27,833	-
General endowment	382,706	-
Total endowment	\$ 410,539	\$ 653,966
Balance at April 30, 2020:		
John H. Aldinger Jr. Scholarship Fund	\$ 12,216	\$ 152,403
Carl and Rhea Bradford Trust	5,838	387,832
Assets held at community foundations	21,385	-
General endowment	303,014	-
Total endowment	\$ 342,453	\$ 540,235

SUPPLEMENTARY INFORMATION

HIGHFIELDS, INC.
SCHEDULE OF PAID DAYS CARE
YEARS ENDED APRIL 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Residential care		
May	294	691
June	238	660
July	299	731
August	379	718
September	517	660
October	601	682
November	627	720
December	524	698
January	415	603
February	407	622
March	376	697
April	<u>339</u>	<u>536</u>
Total	<u><u>5,016</u></u>	<u><u>8,018</u></u>

HIGHFIELDS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2021

Federal Agency/Pass-through Agency/Program Title	Federal CFDA Number	Pass Through Grantor Number	Award Amount	Federal Expenditures
U.S. Department of Agriculture				
Passed through the Michigan Department of Education				
Child Nutrition Cluster				
Cash Assistance				
School Breakfast Program	10.553	201970	\$ 3,831	\$ 3,831
School Breakfast Program	10.553	211970	<u>7,431</u>	<u>7,431</u>
Total School Breakfast Program			<u>11,262</u>	<u>11,262</u>
National School Lunch Program	10.555	201960	5,982	5,982
National School Lunch Program	10.555	201980	1,165	1,165
National School Lunch Program	10.555	211960	11,862	11,862
National School Lunch Program	10.555	211980	<u>2,247</u>	<u>2,247</u>
Total National School Lunch Program			<u>21,256</u>	<u>21,256</u>
Total Child Nutrition Cluster			<u>\$ 32,518</u>	<u>32,518</u>
U.S. Department of Education				
Passed through Michigan Department of Education				
Twenty-first Century Community Learning Centers	84.287	202110/J17005	\$ 540,000	133,885
Twenty-first Century Community Learning Centers	84.287	202110/L194301	540,000	116,639
Twenty-first Century Community Learning Centers	84.287	212110/J17005	540,000	359,832
Twenty-first Century Community Learning Centers	84.287	212110/L194301	<u>540,000</u>	<u>369,596</u>
Total Twenty-first Century Community Learning Centers			<u>\$ 2,160,000</u>	<u>979,952</u>
Total expenditures of federal awards				<u>\$ 1,012,470</u>

The accompanying notes are an integral part of this schedule.

HIGHFIELDS, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Highfields, Inc. under programs of the federal government for the year ended April 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Highfields, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Highfields, Inc.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Highfields, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 - RECONCILIATION WITH AUDITED FINANCIAL STATEMENTS

The following summary reconciles total federal awards with the audited financial statements for the year ended April 30, 2021:

Total federal expenses per the schedule of expenditures of federal awards	\$ 1,012,470
Add non-federal grant expenses contained in the audited financial statements	<u>5,746,451</u>
Total program services revenue per audited financial statements	<u><u>\$ 6,758,921</u></u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Highfields, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Highfields, Inc., which comprise the statement of financial position as of April 30, 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, and have issued our report thereon dated July 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Highfields, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Highfields, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Highfields, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Highfields, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

July 14, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Highfields, Inc.

Report on Compliance for Each Major Federal Program

We have audited Highfields, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Highfields, Inc.'s major federal programs for the year ended April 30, 2021. Highfields, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Highfields, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Highfields, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Highfields, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Highfields, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended April 30, 2021.

Report on Internal Control over Compliance

Management of Highfields, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Highfields, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Highfields, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maney Costeiran PC

July 14, 2021

HIGHFIELDS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued based on financial statements prepared in accordance with generally accepted accounting principles:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported with Title 2 CFR Section 200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.287	Twenty-first Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**HIGHFIELDS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED APRIL 30, 2021**

There were no prior year findings.