

HIGHFIELDS, INC.

REPORT ON FINANCIAL STATEMENTS
(with supplementary information)

YEARS ENDED APRIL 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Highfields, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Highfields, Inc. (a nonprofit Organization), which comprise the statements of financial position as of April 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Highfields, Inc. as of April 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Highfields, Inc. and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Highfields, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 and *Government 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 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 and *Government 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 Highfields, Inc.'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 Highfields, Inc.'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.

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* 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 audit of the basic 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 supplementary information, as identified in the table of contents and the accompanying schedule of expenditures of federal awards 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 26, 2022 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 Costeiran PC

July 26, 2022

HIGHFIELDS, INC.
STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2022 AND 2021

| | 2022 | 2021 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 451,123 | \$ 1,274,084 |
| Accounts receivable | 528,741 | 427,978 |
| Promises to give | 67,979 | 36,856 |
| Investments | 321,791 | 512,419 |
| Prepaid expenses and other current assets | 38,068 | 57,971 |
| Total current assets | 1,407,702 | 2,309,308 |
| Investments, long-term | 530,054 | 530,054 |
| Promises to give, long-term, net of discount | 210,812 | 85,728 |
| Assets held at community foundations | 26,554 | 27,833 |
| Property and equipment, net of accumulated depreciation | 2,531,123 | 2,694,734 |
| TOTAL ASSETS | \$ 4,706,245 | \$ 5,647,657 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Current liabilities | | |
| Accounts payable | \$ 65,292 | \$ 37,857 |
| Current portion of long-term debt | 53,515 | 40,603 |
| Accrued liabilities | 422,393 | 490,468 |
| Deferred revenue | 83,789 | 37,284 |
| Total current liabilities | 624,989 | 606,212 |
| Long-term debt, net of current portion | 1,431,925 | 2,763,997 |
| TOTAL LIABILITIES | 2,056,914 | 3,370,209 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 1,492,920 | 623,617 |
| Designated | 352,940 | 872,280 |
| Total without donor restrictions | 1,845,860 | 1,495,897 |
| With donor restrictions | 803,471 | 781,551 |
| TOTAL NET ASSETS | 2,649,331 | 2,277,448 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,706,245 | \$ 5,647,657 |

See notes to financial statements.

HIGHFIELDS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED APRIL 30, 2022 AND 2021

| | 2022 | | | 2021 | | |
|---|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE AND SUPPORT | | | | | | |
| Program services revenue | \$ 7,685,083 | \$ - | \$ 7,685,083 | \$ 6,758,921 | \$ - | \$ 6,758,921 |
| Contributions and grants | 433,866 | 219,634 | 653,500 | 458,666 | 34,974 | 493,640 |
| Investment return, net | (49,834) | (82,103) | (131,937) | 92,420 | 200,540 | 292,960 |
| Miscellaneous income | 68,869 | - | 68,869 | 27,950 | - | 27,950 |
| PPP loan forgiveness | 1,261,164 | - | 1,261,164 | 1,261,164 | - | 1,261,164 |
| Gain (loss) on disposal of property and equipment | - | - | - | (91,450) | - | (91,450) |
| Net assets released from restrictions | 115,611 | (115,611) | - | 127,290 | (127,290) | - |
| TOTAL REVENUE AND SUPPORT | 9,514,759 | 21,920 | 9,536,679 | 8,634,961 | 108,224 | 8,743,185 |
| EXPENSES | | | | | | |
| Program expenses | | | | | | |
| Residential services | 2,072,768 | - | 2,072,768 | 1,942,052 | - | 1,942,052 |
| Community services | 3,662,886 | - | 3,662,886 | 3,871,817 | - | 3,871,817 |
| Learning opportunities | | | | | | |
| Ingham Academy/Evening Reporting | 725,898 | - | 725,898 | 503,121 | - | 503,121 |
| 21st Century/Breakthrough | 1,057,266 | - | 1,057,266 | 885,228 | - | 885,228 |
| Fundraising | 175,242 | - | 175,242 | 164,998 | - | 164,998 |
| Management and general | 1,470,736 | - | 1,470,736 | 1,360,437 | - | 1,360,437 |
| TOTAL EXPENSES | 9,164,796 | - | 9,164,796 | 8,727,653 | - | 8,727,653 |
| CHANGE IN NET ASSETS | 349,963 | 21,920 | 371,883 | (92,692) | 108,224 | 15,532 |
| NET ASSETS, beginning of year | 1,495,897 | 781,551 | 2,277,448 | 1,588,589 | 673,327 | 2,261,916 |
| NET ASSETS, end of year | \$ 1,845,860 | \$ 803,471 | \$ 2,649,331 | \$ 1,495,897 | \$ 781,551 | \$ 2,277,448 |

See notes to financial statements.

HIGHFIELDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2022

| | Program Services | | |
|---|-------------------------|--|-------------------------------|
| | Residential Services | Ingham Academy/ Evening Reporting | 21st Century/ Breakthrough |
| Salaries | \$ 1,408,819 | \$ 488,697 | \$ 623,926 |
| Employee benefits | 81,245 | 88,946 | 11,533 |
| Payroll taxes | 119,549 | 47,920 | 50,790 |
| | | | |
| Total salaries and related expenses | 1,609,613 | 625,563 | 686,249 |
| | | | |
| Professional fees | 25,537 | 11,039 | 41,806 |
| Supplies | 85,685 | 13,047 | 216,527 |
| Telephone and internet | 7,770 | 1,873 | 6,711 |
| Occupancy | 132,440 | - | 6,520 |
| Special events | - | - | - |
| Local transportation | 12,351 | 44,773 | 54,456 |
| Conferences, conventions, and major travel | 19,457 | 3,763 | 22,137 |
| Specific assistance | 25,594 | 10,944 | 1,421 |
| Membership dues | 200 | - | 719 |
| Equipment | 5,763 | 14,778 | 14,422 |
| Miscellaneous | - | 118 | 116 |
| Depreciation | 148,358 | - | 6,182 |
| Interest | - | - | - |
| | | | |
| Total functional expenses | <u>\$ 2,072,768</u> | <u>\$ 725,898</u> | <u>\$ 1,057,266</u> |

See notes to financial statements.

| Program Services | | Support Services | | | |
|---------------------|---------------------|-------------------|------------------------|---------------------|---------------------|
| Community Services | Total | Fundraising | Management and General | Total | 2022 |
| \$ 2,589,697 | \$ 5,111,139 | \$ 92,703 | \$ 589,400 | \$ 682,103 | \$ 5,793,242 |
| 388,689 | 570,413 | 25,395 | 100,769 | 126,164 | 696,577 |
| 198,792 | 417,051 | 6,960 | 20,551 | 27,511 | 444,562 |
| 3,177,178 | 6,098,603 | 125,058 | 710,720 | 835,778 | 6,934,381 |
| 41,566 | 119,948 | 124 | 245,667 | 245,791 | 365,739 |
| 27,596 | 342,855 | 5,193 | 17,947 | 23,140 | 365,995 |
| 47,388 | 63,742 | 678 | 25,050 | 25,728 | 89,470 |
| 84,346 | 223,306 | 7,419 | 124,168 | 131,587 | 354,893 |
| - | - | 27,804 | - | 27,804 | 27,804 |
| 160,865 | 272,445 | 513 | 9,947 | 10,460 | 282,905 |
| 11,591 | 56,948 | 784 | 12,882 | 13,666 | 70,614 |
| 79,261 | 117,220 | - | - | - | 117,220 |
| 200 | 1,119 | 345 | 35,159 | 35,504 | 36,623 |
| 3,086 | 38,049 | - | 4,748 | 4,748 | 42,797 |
| 3,922 | 4,156 | 7,324 | 102,015 | 109,339 | 113,495 |
| 25,887 | 180,427 | - | 92,724 | 92,724 | 273,151 |
| - | - | - | 89,709 | 89,709 | 89,709 |
| <u>\$ 3,662,886</u> | <u>\$ 7,518,818</u> | <u>\$ 175,242</u> | <u>\$ 1,470,736</u> | <u>\$ 1,645,978</u> | <u>\$ 9,164,796</u> |

See notes to financial statements.

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

| | Program Services | | |
|---|-------------------------|--|-------------------------------|
| | Residential Services | Ingham Academy/ Evening Reporting | 21st Century/ Breakthrough |
| Salaries | \$ 1,282,477 | \$ 360,514 | \$ 631,675 |
| Employee benefits | 97,840 | 64,633 | 10,856 |
| Payroll taxes | 115,515 | 38,449 | 50,136 |
| | | | |
| Total salaries and related expenses | 1,495,832 | 463,596 | 692,667 |
| | | | |
| Professional fees | 24,799 | 26 | 38,966 |
| Supplies | 84,799 | 1,483 | 87,250 |
| 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 | 35,129 |
| Conferences, conventions, and major travel | 5,487 | 285 | 3,797 |
| 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>\$ 885,228</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.
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2022 AND 2021

| | 2022 | 2021 |
|---|-------------|--------------|
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| Cash flows to (from) operating activities | | |
| Change in net assets | \$ 371,883 | \$ 15,532 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities | | |
| Depreciation | 273,151 | 256,759 |
| Change in unrealized (gain) loss on investments | 235,287 | (201,084) |
| Realized (gain) loss on investments | (102,342) | (62,948) |
| Change in assets held at community foundations | 1,279 | (6,448) |
| (Gain) loss on sale of property and equipment | - | 91,450 |
| Changes in operating assets and liabilities which provided (used) cash | | |
| Receivables | (256,970) | 75,643 |
| Prepaid expenses and other | 19,903 | (8,294) |
| Accounts payable | 27,435 | (26,280) |
| Accrued liabilities | (68,075) | 39,302 |
| Deferred revenue | 46,505 | 31,284 |
| Net cash provided by operating activities | 548,056 | 204,916 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (109,540) | (405,937) |
| Sale of investments - net | 57,683 | 88,354 |
| Net cash used by investing activities | (51,857) | (317,583) |
| Cash flows from financing activities | | |
| Bank line of credit | - | (145,370) |
| Payments on debt | (57,996) | (37,699) |
| Proceeds from PPP Loan | - | 1,261,164 |
| Forgiveness of PPP Loans | (1,261,164) | (1,261,164) |
| Payments on capital lease obligations | - | (8,917) |
| Net cash used by financing activities | (1,319,160) | (191,986) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (822,961) | (304,653) |
| CASH AND CASH EQUIVALENTS, beginning of year | 1,274,084 | 1,578,737 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 451,123 | \$ 1,274,084 |

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:

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Accounts receivable, beginning of year | <u>\$ 427,978</u> | <u>\$ 497,805</u> |
| Accounts receivable, end of year | <u>\$ 528,741</u> | <u>\$ 427,978</u> |

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.

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.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Deferred Revenue

The Organization records deferred revenue when cash payments are received or due in advance of the Organization's performance, including amounts which are refundable. Beginning and ending balances for deferred revenue is reported as follows for the year ended April 30:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|------------------|------------------|
| Deferred revenue, beginning of year | <u>\$ 37,284</u> | <u>\$ 6,000</u> |
| Deferred revenue, end of year | <u>\$ 83,789</u> | <u>\$ 37,284</u> |

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.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

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 14).

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 12).

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.

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.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

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 promises to give 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 26, 2022, which is the date the financial statements were available to be issued.

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.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

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.

| | 2022 | 2021 |
|---|------------|--------------|
| Cash and cash equivalents | \$ 451,123 | \$ 1,274,084 |
| Investments | 878,399 | 1,070,306 |
| Program receivables | 528,741 | 427,978 |
| Promises to give | 278,791 | 122,584 |
| Total financial assets at year-end | 2,137,054 | 2,894,952 |
| Less designated net assets | 352,940 | 872,280 |
| Less donor restricted net assets | 803,471 | 781,551 |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 980,643 | \$ 1,241,121 |

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.

NOTE 4 - INVESTMENTS/FAIR VALUE REPORTING

Investments consist of the following at April 30:

| | 2022 | 2021 |
|--|------------|--------------|
| Investments - current | \$ 321,791 | \$ 512,419 |
| Investments - long-term | 530,054 | 530,054 |
| | 851,845 | 1,042,473 |
| Beneficial interest in assets held at Community Foundations | 26,554 | 27,833 |
| | \$ 878,399 | \$ 1,070,306 |

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - INVESTMENTS/FAIR VALUE REPORTING (continued)

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, 2022 and 2021.

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 Quoted Prices in Active Markets for Identical Assets | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs | Total April 30, 2022 |
|--|---|---|--|-------------------------|
| Mutual funds | | | | |
| Large cap | \$ 250,274 | \$ - | \$ - | \$ 250,274 |
| Small cap | 154,334 | - | - | 154,334 |
| Intermediate taxable fixed income | 292,092 | - | - | 292,092 |
| Multi class | 134,100 | - | - | 134,100 |
| Cash alternatives | 15,726 | - | - | 15,726 |
| Total mutual funds | 846,526 | - | - | 846,526 |
| Beneficial interest in assets held at Community Foundations | - | 26,554 | - | 26,554 |
| Total | <u>\$ 846,526</u> | <u>\$ 26,554</u> | <u>\$ -</u> | 873,080 |
| Cash surrender value - life insurance policy | | | | 5,319 |
| Total investments | | | | <u>\$ 878,399</u> |
| | | | | |
| Description | Level 1 Quoted Prices in Active Markets for Identical Assets | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs | Total April 30, 2021 |
| 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 | <u>\$ 1,037,472</u> | <u>\$ 27,833</u> | <u>\$ -</u> | 1,065,305 |
| Cash surrender value - life insurance policy | | | | 5,001 |
| Total investments | | | | <u>\$ 1,070,306</u> |

See Note 13 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>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| Unconditional promises to give before unamortized discounts | \$ 294,533 | \$ 138,326 |
| Less unamortized discount | <u>(15,742)</u> | <u>(15,742)</u> |
| Net unconditional promises to give | <u>\$ 278,791</u> | <u>\$ 122,584</u> |
| Amounts due in: | | |
| Less than one year | \$ 67,979 | \$ 36,856 |
| Two to five years | <u>210,812</u> | <u>85,728</u> |
| Total | <u>\$ 278,791</u> | <u>\$ 122,584</u> |

Discount rate was 4% in 2022 and 2021.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------|---------------------|---------------------|
| Land | \$ 176,164 | \$ 176,164 |
| Land improvements | 532,553 | 530,053 |
| Buildings and improvements | 5,054,152 | 5,018,803 |
| Machinery and other equipment | 711,025 | 639,334 |
| Transportation equipment | <u>153,468</u> | <u>153,468</u> |
| Total cost | 6,627,362 | 6,517,822 |
| Less accumulated depreciation | <u>(4,096,239)</u> | <u>(3,823,088)</u> |
| Net carrying amount | <u>\$ 2,531,123</u> | <u>\$ 2,694,734</u> |

Depreciation expense for the years ended April 30, 2022 and 2021 was \$273,151 and \$256,759, respectively.

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, 2022 and 2021, the Organization has available a line of credit of \$600,000. At April 30, 2022 and 2021, the balance of the line of credit was \$0, with a variable interest rate of 1.0% above the index with a minimum rate of 4.5%, as of April 30, 2022 and 2021, respectively, with a maturity in March 2023.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT

Long-term debt at April 30 is as follows:

| | 2022 | 2021 |
|--|--------------|--------------|
| 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. The PPP loan was forgiven and recognized as revenue as of April 30, 2022. | \$ - | \$ 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. | 1,485,440 | 1,543,436 |
| | 1,485,440 | 2,804,600 |
| Less current portion | (53,515) | (40,603) |
| Long-term portion | \$ 1,431,925 | \$ 2,763,997 |

Both the interest expense and amounts paid for interest totaled \$89,709 for 2022 and \$100,166 for 2021.

Note maturities are summarized as follows:

| Year Ending April 30, | Amount |
|--------------------------|--------------|
| 2023 | \$ 53,515 |
| 2024 | 1,431,925 |
| | \$ 1,485,440 |

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.

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%. Eligible PPP qualifying proceeds of \$1,261,164 have been recognized as a revenue for the Organization as of April 30, 2022. As of April 30, 2022, the Organization has received forgiveness of the loan.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - 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 \$9,500 and \$9,000 for the years ended April 30, 2022 and 2021, respectively.

Minimum future lease payments are as follows:

| Year Ending April 30, | | |
|--------------------------|----|----------------------|
| 2023 | \$ | 9,600 |
| 2024 | | <u>1,600</u> |
| | \$ | <u><u>11,200</u></u> |

NOTE 10 - 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, 2022 and 2021 were \$20,840 and \$0, respectively.

NOTE 11 - LETTER OF CREDIT

At April 30, 2022 and 2021, Highfields, Inc. has an outstanding letter of credit totaling \$226,133 and \$230,575, respectively, to satisfy requirements of the State of Michigan in conjunction with being self-insured for unemployment claims. As of April 30, 2022 and 2021, the Organization did not have an outstanding balance due on the letter of credit. The letter of credit matures in March 2023 and is collateralized by accounts receivable, investments, equipment, and other business assets.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

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

| | 2022 | 2021 |
|--|--------------------------|--------------------------|
| Purpose restrictions | | |
| John H. Aldinger, Jr. Scholarship Fund | \$ 155,410 | \$ 194,756 |
| Carl and Rhea Bradford Trust | 363,930 | 459,210 |
| Time restrictions | | |
| Promises to give | 278,791 | 122,584 |
| Cash surrender value - life insurance policy | <u>5,340</u> | <u>5,001</u> |
| | <u><u>\$ 803,471</u></u> | <u><u>\$ 781,551</u></u> |

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets released from restrictions totaled:

| | 2022 | 2021 |
|--|------------|------------|
| Promises to give | \$ 63,427 | \$ 40,790 |
| John H. Aldinger, Jr. Scholarship Fund | 14,684 | 24,000 |
| Carl and Rhea Bradford Trust | 37,500 | 62,500 |
| | \$ 115,611 | \$ 127,290 |

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.

Promises to give

Represents promises to give made for future operations.

NOTE 13 - 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 \$26,554 and \$27,833 as of April 30, 2022 and 2021, 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, 2022 and 2021, including the amounts above, are \$102,490 and \$106,673, respectively.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - ASSETS HELD AT COMMUNITY FOUNDATIONS (continued)

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

| | 2022 | 2021 |
|--|-----------|-----------|
| Beneficial interest, beginning of year | \$ 27,833 | \$ 21,385 |
| Change in value of beneficial interest | | |
| Investment income (loss) | (272) | 7,341 |
| Investment fees | (1,007) | (893) |
| | (1,279) | 6,448 |
| Beneficial interest, end of year | \$ 26,554 | \$ 27,833 |

NOTE 14 - 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.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 14 - ENDOWMENTS (continued)

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.

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 | |
|---|-------------------------------|------------------------------------|--|
| | | Accumulated Investment Gains | Original Gift in Perpetuity by Donor |
| Endowment net assets, May 1, 2020 | \$ 342,453 | \$ 10,181 | \$ 530,054 |
| Investment return, net | 90,561 | 200,231 | - |
| Amounts appropriated for expenditure | (22,475) | (86,500) | - |
| Endowment net assets, April 30, 2021 | 410,539 | 123,912 | 530,054 |
| Investment return, net | (51,211) | (82,442) | - |
| Amounts appropriated for expenditure | (6,388) | (52,184) | - |
| Endowment net assets, April 30, 2022 | <u>\$ 352,940</u> | <u>\$ (10,714)</u> | <u>\$ 530,054</u> |
| | | <u>2022</u> | <u>2021</u> |
| Without donor restrictions | | | |
| Assets held at community foundations | | \$ 26,554 | \$ 27,833 |
| General endowment | | 326,386 | 382,706 |
| Total endowment net assets without donor restrictions | | 352,940 | 410,539 |
| With donor restrictions | | | |
| John H. Aldinger Jr. Scholarship Fund | | 155,410 | 194,756 |
| Carl and Rhea Bradford Trust | | 363,930 | 459,210 |
| Total endowment net assets with donor restrictions | | 519,340 | 653,966 |
| Total endowment net assets | | <u>\$ 872,280</u> | <u>\$ 1,064,505</u> |

SUPPLEMENTARY INFORMATION

HIGHFIELDS, INC.
SCHEDULE OF PAID DAYS CARE
YEARS ENDED APRIL 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|------------------|---------------------|---------------------|
| Residential care | | |
| May | 477 | 294 |
| June | 527 | 238 |
| July | 489 | 299 |
| August | 476 | 379 |
| September | 474 | 517 |
| October | 358 | 601 |
| November | 312 | 627 |
| December | 335 | 524 |
| January | 346 | 415 |
| February | 326 | 407 |
| March | 429 | 376 |
| April | <u>431</u> | <u>339</u> |
| Total | <u><u>4,980</u></u> | <u><u>5,016</u></u> |

HIGHFIELDS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2022

| Federal Agency/Pass-through Agency/Program Title | Federal ALN | 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 | 211970 | \$ 2,251 | \$ 2,251 |
| School Breakfast Program | 10.553 | 211971 | 3,334 | 3,334 |
| School Breakfast Program | 10.553 | 221971 | <u>6,090</u> | <u>6,090</u> |
| Total School Breakfast Program | | | <u>11,675</u> | <u>11,675</u> |
| National School Lunch Program | 10.555 | 211960 | 3,586 | 3,586 |
| National School Lunch Program | 10.555 | 211961 | 5,673 | 5,673 |
| National School Lunch Program | 10.555 | 211965 | 3,044 | 3,044 |
| National School Lunch Program | 10.555 | 211980 | 1,651 | 1,651 |
| National School Lunch Program | 10.555 | 221961 | 10,667 | 10,667 |
| National School Lunch Program | 10.555 | 221980 | <u>1,691</u> | <u>1,691</u> |
| Total National School Lunch Program | | | <u>26,312</u> | <u>26,312</u> |
| Total Child Nutrition Cluster | | | <u>\$ 37,987</u> | <u>37,987</u> |
| U.S. Department of Education | | | | |
| Passed through Michigan Department of Education | | | | |
| Twenty-first Century Community Learning Centers | 84.287 | 212110/J17005 | \$ 540,000 | 149,732 |
| Twenty-first Century Community Learning Centers | 84.287 | 212110/L194301 | 540,000 | 162,253 |
| Twenty-first Century Community Learning Centers | 84.287 | 222110/J17005 | 540,000 | 328,529 |
| Twenty-first Century Community Learning Centers | 84.287 | 212110/J17005 | <u>405,000</u> | <u>385,084</u> |
| Total Twenty-first Century Community Learning Centers | | | <u>\$ 2,025,000</u> | <u>1,025,598</u> |
| Total expenditures of federal awards | | | | <u>\$ 1,063,585</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, 2022

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, 2022. 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, 2022:

| | |
|--|----------------------------|
| Total federal expenses per the schedule of expenditures of federal awards | \$ 1,063,585 |
| Add non-federal grant expenses contained in the audited financial statements | <u>6,621,498</u> |
| Total program services revenue per audited financial statements | <u><u>\$ 7,685,083</u></u> |



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**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 of
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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 26, 2022.

Report on 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.

Report on 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 26, 2022



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**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 of
Highfields, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Highfields, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of as of Highfields, Inc.'s major federal programs for the year ended April 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Highfields, Inc. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Highfields, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Highfields, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Highfields, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Highfields, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Highfields, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Highfields, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Highfields, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 26, 2022

HIGHFIELDS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2022

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:

| ALN 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, 2022

There were no prior year findings.