

HIGHFIELDS, INC.
REPORT ON FINANCIAL STATEMENTS
(with supplementary information)
YEARS ENDED APRIL 30, 2025 AND 2024



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2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

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, 2025 and 2024, 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, 2025 and 2024, 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 15, 2025 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.

Maner Costerian PC

July 15, 2025

HIGHFIELDS, INC.
STATEMENTS OF FINANCIAL POSITION
APRIL 30, 2025 AND 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	\$ 258,231	\$ 179,676
Accounts receivable	724,531	553,922
Promises to give	466,950	31,801
Investments	365,546	345,328
Prepaid expenses and other current assets	<u>130,146</u>	<u>31,084</u>
Total current assets	1,945,404	1,141,811
Investments, long-term	530,054	530,054
Promises to give, long-term, net of discount	141,015	104,664
Assets held at community foundations	29,898	28,563
Property and equipment, net of accumulated depreciation	<u>2,443,585</u>	<u>2,363,597</u>
TOTAL ASSETS	<u>\$ 5,089,956</u>	<u>\$ 4,168,689</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable	\$ 206,349	\$ 154,075
Current portion of long-term debt	44,600	1,379,867
Accrued liabilities	417,693	457,543
Line of credit	334,595	854,083
Refundable advances	<u>57,383</u>	<u>98,448</u>
Total current liabilities	1,060,620	2,944,016
Long-term debt, net of current portion	<u>2,132,370</u>	-
TOTAL LIABILITIES	<u>3,192,990</u>	<u>2,944,016</u>
NET ASSETS		
Without donor restrictions		
Undesignated	364,303	185,063
Designated	<u>370,534</u>	<u>359,135</u>
Total without donor restrictions	734,837	544,198
With donor restrictions	<u>1,162,129</u>	<u>680,475</u>
TOTAL NET ASSETS	<u>1,896,966</u>	<u>1,224,673</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,089,956</u>	<u>\$ 4,168,689</u>

See notes to financial statements.

HIGHFIELDS, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED APRIL 30, 2025 AND 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Program services revenue	\$ 7,159,959	\$ -	\$ 7,159,959	\$ 7,565,100	\$ -	\$ 7,565,100
Contributions and grants	1,161,595	530,011	1,691,606	572,328	29,608	601,936
Investment return (loss), net	27,898	43,156	71,054	25,719	48,005	73,724
Miscellaneous income	4,807	-	4,807	47,159	-	47,159
Gain on disposal of fixed assets	41,298	-	41,298	-	-	-
Net assets released from restrictions	91,513	(91,513)	-	155,963	(155,963)	-
TOTAL REVENUE AND SUPPORT	8,487,070	481,654	8,968,724	8,366,269	(78,350)	8,287,919
EXPENSES						
Program expenses						
Residential services	1,894,496	-	1,894,496	2,076,905	-	2,076,905
Community services	2,586,686	-	2,586,686	3,304,797	-	3,304,797
Learning opportunities						
Ingham Academy/Horizon	826,677	-	826,677	819,372	-	819,372
21st Century/Breakthrough	1,366,605	-	1,366,605	1,039,543	-	1,039,543
Fundraising	147,150	-	147,150	201,438	-	201,438
Management and general	1,474,817	-	1,474,817	1,552,789	-	1,552,789
TOTAL EXPENSES	8,296,431	-	8,296,431	8,994,844	-	8,994,844
CHANGE IN NET ASSETS	190,639	481,654	672,293	(628,575)	(78,350)	(706,925)
NET ASSETS, beginning of year	544,198	680,475	1,224,673	1,172,773	758,825	1,931,598
NET ASSETS, end of year	\$ 734,837	\$ 1,162,129	\$ 1,896,966	\$ 544,198	\$ 680,475	\$ 1,224,673

See notes to financial statements.

HIGHFIELDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2025

	Program Services		
	Ingham		
	Residential Services	Academy/ Horizon	21st Century/ Breakthrough
Salaries	\$ 1,197,049	\$ 625,347	\$ 796,781
Employee benefits	120,631	54,511	16,956
Payroll taxes	<u>106,092</u>	<u>58,988</u>	<u>66,760</u>
 Total salaries and related expenses	 1,423,772	 738,846	 880,497
Professional fees	42,626	1,200	61,695
Supplies	95,977	17,078	162,640
Telephone and internet	5,895	4,003	6,257
Occupancy	99,871	-	4,499
Insurance	28,768	-	1,271
Special events	-	-	-
Local transportation	23,060	44,841	182,214
Conferences, conventions, and major travel	7,314	2,531	9,883
Recreational events	13,722	3,808	22,621
Client/student expenses	10,601	14,370	5,554
Membership dues	-	-	-
Equipment	10,449	-	15,915
Miscellaneous	426	-	-
Depreciation	132,015	-	13,559
Interest	-	-	-
 Total functional expenses	 <u>\$ 1,894,496</u>	 <u>\$ 826,677</u>	 <u>\$ 1,366,605</u>

See notes to financial statements.

Program Services		Support Services			
Community Services	Total	Fundraising	Management and General	Total	2025
\$ 1,803,651	\$ 4,422,828	\$ 71,598	\$ 578,962	\$ 650,560	\$ 5,073,388
222,556	414,654	13,710	98,745	112,455	527,109
139,446	371,286	5,189	48,967	54,156	425,442
2,165,653	5,208,768	90,497	726,674	817,171	6,025,939
45,726	151,247	385	182,883	183,268	334,515
21,208	296,903	9,667	53,931	63,598	360,501
28,479	44,634	455	37,453	37,908	82,542
49,826	154,196	-	32,368	32,368	186,564
10,274	40,313	-	63,031	63,031	103,344
-	-	37,867	-	37,867	37,867
147,570	397,685	407	14,764	15,171	412,856
6,016	25,744	833	1,373	2,206	27,950
-	40,151	-	-	-	40,151
63,967	94,492	125	7,790	7,915	102,407
370	370	355	22,672	23,027	23,397
772	27,136	100	2,947	3,047	30,183
15,247	15,673	6,459	43,435	49,894	65,567
31,578	177,152	-	118,482	118,482	295,634
-	-	-	167,014	167,014	167,014
<u>\$ 2,586,686</u>	<u>\$ 6,674,464</u>	<u>\$ 147,150</u>	<u>\$ 1,474,817</u>	<u>\$ 1,621,967</u>	<u>\$ 8,296,431</u>

See notes to financial statements.

HIGHFIELDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED APRIL 30, 2024

	Program Services		
	Ingham		
	Residential Services	Academy/ Horizon	21st Century/ Breakthrough
Salaries	\$ 1,369,347	\$ 601,310	\$ 644,984
Employee benefits	96,421	63,581	16,174
Payroll taxes	<u>122,692</u>	<u>53,757</u>	<u>53,279</u>
 Total salaries and related expenses	 1,588,460	 718,648	 714,437
Professional fees	35,838	1,691	57,381
Supplies	110,183	19,842	53,607
Telephone and internet	6,870	3,998	4,804
Occupancy	112,651	-	11,458
Insurance	31,897	-	1,167
Special events	-	-	-
Local transportation	19,693	50,413	112,235
Conferences, conventions, and major travel	4,634	6,160	12,012
Recreational events	11,538	2,539	36,855
Client/student expenses	13,450	16,081	9,569
Membership dues	-	-	189
Equipment	9,600	-	12,843
Miscellaneous	540	-	57
Depreciation	131,551	-	12,929
Interest	<u>-</u>	<u>-</u>	<u>-</u>
 Total functional expenses	 <u>\$ 2,076,905</u>	 <u>\$ 819,372</u>	 <u>\$ 1,039,543</u>

See notes to financial statements.

Program Services		Support Services			
Community Services	Total	Fundraising	Management and General	Total	2024
\$ 2,330,808	\$ 4,946,449	\$ 106,191	\$ 669,521	\$ 775,712	\$ 5,722,161
317,940	494,116	31,305	112,055	143,360	637,476
180,288	410,016	7,671	49,372	57,043	467,059
2,829,036	5,850,581	145,167	830,948	976,115	6,826,696
42,081	136,991	313	184,186	184,499	321,490
28,596	212,228	8,631	36,988	45,619	257,847
41,525	57,197	860	28,078	28,938	86,135
75,139	199,248	-	65,110	65,110	264,358
11,392	44,456		53,756	53,756	98,212
-	-	38,834	-	38,834	38,834
158,430	340,771	671	16,272	16,943	357,714
11,176	33,982	1,519	4,180	5,699	39,681
-	50,932	-		-	50,932
68,298	107,398	224	7,890	8,114	115,512
718	907	429	20,503	20,932	21,839
267	22,710	4,790	1,276	6,066	28,776
4,137	4,734	-	54,799	54,799	59,533
34,002	178,482	-	116,947	116,947	295,429
-	-	-	131,856	131,856	131,856
<u>\$ 3,304,797</u>	<u>\$ 7,240,617</u>	<u>\$ 201,438</u>	<u>\$ 1,552,789</u>	<u>\$ 1,754,227</u>	<u>\$ 8,994,844</u>

See notes to financial statements.

HIGHFIELDS, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED APRIL 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash flows to (from) operating activities		
Change in net assets	\$ 672,293	\$ (706,925)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	295,634	295,429
Change in unrealized (gain) loss on investments	8,461	(54,454)
Realized (gain) loss on investments	(85,728)	(32,570)
Change in assets held at community foundations	(1,335)	(2,504)
Changes in operating assets and liabilities which provided (used) cash		
Receivables	(642,109)	137,650
Prepaid expenses and other	(99,062)	28,497
Accounts payable	52,274	82,918
Accrued liabilities	(39,850)	32,866
Refundable advances	<u>(41,065)</u>	<u>(160,542)</u>
Net cash provided (used) by operating activities	<u>119,513</u>	<u>(379,635)</u>
Cash flows from investing activities		
Purchase of property and equipment	(375,622)	(277,684)
Sale of investments - net	<u>57,049</u>	<u>50,255</u>
Net cash used by investing activities	<u>(318,573)</u>	<u>(227,429)</u>
Cash flows from financing activities		
Proceeds from bank line of credit	-	802,012
Payments on bank line of credit	(519,488)	(97,929)
Payments on debt	(52,734)	(54,206)
Proceeds from refinancing	<u>849,837</u>	<u>-</u>
Net cash provided by financing activities	<u>277,615</u>	<u>649,877</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,555	42,813
CASH AND CASH EQUIVALENTS, beginning of year	179,676	136,863
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 258,231</u>	<u>\$ 179,676</u>

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 and Credit Losses

The Organization is exposed to credit losses primarily through contracted services. Accounts receivable represent the Organization's unconditional right to consideration in exchange for counseling and other services that the Organization has provided to the adolescent individuals based on contracted prices. Accounts receivable are recorded when invoices are issued and are presented on the statement of financial position at the amount management expects to collect. Management provides for probable uncollectible amounts through credit losses expense and an adjustment to the allowance for credit losses. The Organization's expected loss allowance methodology for accounts receivable is developed using historical collection experience, current and future economic and market conditions, and a review of the current status of accounts receivable. Due to the short-term nature of such receivables, the estimated accounts receivable that may not be collected is based on aging of the accounts receivable balances.

The Organization evaluates contract terms and conditions, economic and industry risk, patient credit worthiness, and may require prepayment to mitigate risk of loss. Specific allowance amounts are established to record the appropriate provision for patients that have a higher probability of default. The Organization monitors changes to the receivables balance on a timely basis, and balances are written off as they are determined to be uncollectable after all collection efforts have been exhausted. See Note 2 regarding concentrations of credit risk.

Currently, management has determined the value of an allowance for credit losses is immaterial and the recording of such balance is not considered necessary.

Beginning and ending balances for accounts receivable is reported as follows for the year ended April 30:

	<u>2025</u>	<u>2024</u>
Accounts receivable, beginning of year	<u>\$ 553,922</u>	<u>\$ 582,217</u>
Accounts receivable, end of year	<u>\$ 724,531</u>	<u>\$ 553,922</u>

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 net realizable 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.

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.

Refundable Advances

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

	<u>2025</u>	<u>2024</u>
Refundable advances, beginning of year	<u>\$ 98,448</u>	<u>\$ 258,990</u>
Refundable advances, end of year	<u>\$ 57,383</u>	<u>\$ 98,448</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.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 13).

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 11).

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 presents 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)

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.

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

Residential Services:

- Phoenix
- Stabilization
- Malcolm Williams School

Learning Opportunities:

- Ingham Academy/Horizon
- 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, Lenawee County Mental Health Authority, 11 County DHHS offices, and Ingham and Livingston County Family Courts. In addition, a significant portion of the Organization's promises to give are receivable primarily from Foundations and citizens residing in Michigan.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

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

The Organization is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of temporary cash investments and accounts receivable. The Organization places its temporary cash investments with FDIC insured financial institutions. Although such investments and cash balances may exceed the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk.

In addition, the Organization recognizes an allowance for credit losses at the time a receivable is recorded based on management's estimate of expected credit losses, historical write-off experience, and current account knowledge, and adjusts this estimate over the life of the receivable as needed. The Organization evaluates the aggregation and risk characteristics of a receivable pool and develops loss rates that reflect historical collections, current forecasts of future economic conditions over the time horizon the Organization is exposed to credit risk, and payment terms or conditions that may materially affect future forecasts.

The Organization performs ongoing credit evaluations of its students' financial condition whenever deemed necessary. The Organization evaluates and maintains, if necessary, an allowance for credit losses based on the expected collectability of all accounts receivable, which takes into consideration an analysis of historical credit losses, specific student creditworthiness and current economic trends. Management believes that the Organization's concentration of credit risk is limited because of its large number of purchasers.

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 15, 2025, 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.

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.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - LIQUIDITY AND AVAILABILITY (continued)

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.

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 258,231	\$ 179,676
Investments	925,498	903,945
Accounts receivable	724,531	553,922
Promises to give	<u>607,965</u>	<u>136,465</u>
 Total financial assets at year-end	 2,516,225	 1,774,008
 Less designated net assets	 370,534	 359,135
Less donor restricted net assets	<u>1,162,129</u>	<u>680,475</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 983,562</u>	 <u>\$ 734,398</u>

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:

	<u>2025</u>	<u>2024</u>
Investments - current	\$ 365,546	\$ 345,328
Investments - long-term	<u>530,054</u>	<u>530,054</u>
 Beneficial interest in assets held at Community Foundations	 895,600	 875,382
	<u>29,898</u>	<u>28,563</u>
 <u>\$ 925,498</u>	 <u>\$ 903,945</u>	

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, 2025 and 2024.

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, 2025
Mutual funds				
Exchange traded funds	\$ 838,614	\$ -	\$ -	\$ 838,614
Cash alternatives	<u>50,656</u>	<u>-</u>	<u>-</u>	<u>50,656</u>
Total mutual funds	889,270	-	-	889,270
Beneficial interest in assets held at Community Foundations				
	<u>-</u>	<u>29,898</u>	<u>-</u>	<u>29,898</u>
Total	\$ 889,270	\$ 29,898	\$ -	919,168
Cash surrender value - life insurance policy				6,330
Total investments				\$ 925,498
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, 2024
Mutual funds				
Large cap	\$ 297,179	\$ -	\$ -	\$ 297,179
Small cap	162,204	-	-	162,204
Intermediate taxable fixed income	257,253	-	-	257,253
Multi class	141,017	-	-	141,017
Cash alternatives	<u>11,735</u>	<u>-</u>	<u>-</u>	<u>11,735</u>
Total mutual funds	869,388	-	-	869,388
Beneficial interest in assets held at Community Foundations				
	<u>-</u>	<u>28,563</u>	<u>-</u>	<u>28,563</u>
Total	<u>\$ 869,388</u>	<u>\$ 28,563</u>	<u>\$ -</u>	<u>897,951</u>
Cash surrender value - life insurance policy				5,994
Total investments				\$ 903,945

See Note 12 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>2025</u>	<u>2024</u>
Unconditional promises to give before unamortized discounts	\$ 623,707	\$ 152,207
Less unamortized discount	<u>(15,742)</u>	<u>(15,742)</u>
Net unconditional promises to give	<u><u>\$ 607,965</u></u>	<u><u>\$ 136,465</u></u>
Amounts due in:		
Less than one year	\$ 39,364	\$ 31,801
Two to five years	<u>568,601</u>	<u>104,664</u>
Total	<u><u>\$ 607,965</u></u>	<u><u>\$ 136,465</u></u>

Discount rate was 4% in 2025 and 2024.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at April 30:

	<u>2025</u>	<u>2024</u>
Land	\$ 176,164	\$ 176,164
Land improvements	591,163	554,263
Buildings and improvements	5,403,097	5,276,842
Machinery and other equipment	710,151	762,569
Transportation equipment	181,705	181,705
Construction in progress	<u>157,405</u>	<u>1,056</u>
Total cost	7,219,685	6,952,599
Less accumulated depreciation	<u>(4,776,100)</u>	<u>(4,589,002)</u>
Net carrying amount	<u><u>\$ 2,443,585</u></u>	<u><u>\$ 2,363,597</u></u>

Depreciation expense for the years ended April 30, 2025 and 2024 was \$295,633 and \$295,429, 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, 2025 and 2024, the Organization has available a line of credit of \$850,000. At April 30, 2025 and 2024, the balance of the line of credit was \$334,595 and \$854,083, with a variable interest rate of 1.0% above the index with a minimum rate of 4.5%, as of April 30, 2025 and 2024, respectively, with a maturity in August 2025.

NOTE 8 - LONG-TERM DEBT

Long-term debt at April 30 is as follows:

	<u>2025</u>	<u>2024</u>
Note payable to bank, collateralized by the real estate of the Organization, bearing interest at a fixed rate of 7.75%, payments are due monthly, through April 5, 2030.	<u>\$ 2,176,970</u>	<u>\$ 1,379,867</u>
	2,176,970	1,379,867
Less current portion	<u>(44,600)</u>	<u>(1,379,867)</u>
Long-term portion	<u>\$ 2,132,370</u>	<u>\$ -</u>

Both the interest expense and amounts paid for interest totaled \$167,015 for 2025 and \$131,856 for 2024.

Note maturities are summarized as follows:

<u>Year Ending</u>		<u>Amount</u>
<u>April 30,</u>		
2026		\$ 44,600
2027		50,751
2028		54,444
2029		59,321
2030		<u>1,967,854</u>
		<u>\$ 2,176,970</u>

The Organization's long-term debt was refinanced on March 31, 2025, and replaced with a loan of \$2,176,736 from the same bank. The new note includes all remaining principal of the long-term debt, a pay down on the bank line of credit and additional cash out. The terms are payments of \$18,042 per month for 59 months beginning May 5, 2025, with a balloon payment of the remaining balance in April 2030. The interest rate on the note is 7.75%. The loan is collateralized by the real estate of the Organization.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - 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, 2025 and 2024 were \$0 and \$2,590, respectively.

NOTE 10 - LETTER OF CREDIT

At April 30, 2025 and 2024, Highfields, Inc. has an outstanding letter of credit totaling \$233,508, to satisfy requirements of the State of Michigan in conjunction with being self-insured for unemployment claims. As of April 30, 2025 and 2024, the Organization did not have an outstanding balance due on the letter of credit. The letter of credit was renewed in March 2025 and now matures on demand. The letter of credit is collateralized by accounts receivable, investments, equipment, and other business assets.

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Purpose restrictions		
John H. Aldinger, Jr. Scholarship Fund	\$ 156,343	\$ 147,315
Carl and Rhea Bradford Trust	391,491	390,701
Time restrictions		
Promises to give	607,965	136,465
Cash surrender value - life insurance policy	6,330	5,994
	<u>\$ 1,162,129</u>	<u>\$ 680,475</u>

Net assets released from restrictions totaled:

	<u>2025</u>	<u>2024</u>
Promises to give		
John H. Aldinger, Jr. Scholarship Fund	\$ 58,513	\$ 138,963
	<u>33,000</u>	<u>17,000</u>
	<u>\$ 91,513</u>	<u>\$ 155,963</u>

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.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Carl and Rhea Bradford Trust

Represents the original gift by the donor and accumulated investment gains held in endowment for the funding of programs which 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 12 - 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 \$29,898 and \$28,563 as of April 30, 2025 and 2024, 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, 2025 and 2024, including the amounts above, are \$111,962 and \$105,984, respectively.

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

	<u>2025</u>	<u>2024</u>
Beneficial interest, beginning of year	<u>\$ 28,563</u>	<u>\$ 26,059</u>
Change in value of beneficial interest		
Investment income (loss)	2,271	3,427
Investment fees	<u>(936)</u>	<u>(923)</u>
	<u>1,335</u>	<u>2,504</u>
Beneficial interest, end of year	<u>\$ 29,898</u>	<u>\$ 28,563</u>

NOTE 13 - 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.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - ENDOWMENTS (continued)

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.

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 for the general endowment. 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.

HIGHFIELDS, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - ENDOWMENTS (continued)

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, 2023	\$ 350,521	\$ (22,713)	\$ 530,054
Investment return (loss), net	8,614	47,675	-
Amounts appropriated for expenditure	-	(17,000)	-
Endowment net assets, April 30, 2024	359,135	7,962	530,054
Investment return (loss), net	11,399	42,818	-
Amounts appropriated for expenditure	-	(33,000)	-
Endowment net assets, April 30, 2025	<u>\$ 370,534</u>	<u>\$ 17,780</u>	<u>\$ 530,054</u>
		2025	2024
Without donor restrictions			
Assets held at community foundations		\$ 29,898	\$ 28,563
General endowment		<u>340,636</u>	<u>330,572</u>
Total endowment net assets without donor restrictions	<u>370,534</u>	<u>359,135</u>	
With donor restrictions			
John H. Aldinger Jr. Scholarship Fund		156,343	147,315
Carl and Rhea Bradford Trust		<u>391,491</u>	<u>390,701</u>
Total endowment net assets with donor restrictions	<u>547,834</u>	<u>538,016</u>	
Total endowment net assets	<u>\$ 918,368</u>	<u>\$ 897,151</u>	

SUPPLEMENTARY INFORMATION

HIGHFIELDS, INC.
SCHEDULE OF PAID DAYS CARE
YEARS ENDED APRIL 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Residential care		
May	262	324
June	342	318
July	370	294
August	350	338
September	336	381
October	380	525
November	357	410
December	381	293
January	372	217
February	388	242
March	450	298
April	<u>429</u>	<u>277</u>
 Total	 <u>4,417</u>	 <u>3,917</u>

HIGHFIELDS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2025

Federal Agency/Pass-through Agency/Program Title	Assistance Listing 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	241970	\$ 2,913	\$ 2,913
School Breakfast Program	10.553	251970	<u>5,850</u>	<u>5,850</u>
Total School Breakfast Program			<u>8,763</u>	<u>8,763</u>
National School Lunch Program	10.555	241960	4,455	4,455
National School Lunch Program	10.555	241980	918	918
National School Lunch Program	10.555	251960	9,230	9,230
National School Lunch Program	10.555	251980	<u>2,056</u>	<u>2,056</u>
Total National School Lunch Program			<u>16,659</u>	<u>16,659</u>
Total Child Nutrition Cluster			<u>25,422</u>	<u>25,422</u>
Child and Adult Care Food Program	10.558	241920	3,628	3,628
Child and Adult Care Food Program	10.558	242010	204	204
Child and Adult Care Food Program	10.558	251920	12,820	12,820
Child and Adult Care Food Program	10.558	252010	<u>702</u>	<u>702</u>
Total Child and Adult Care Food Program			<u>17,354</u>	<u>17,354</u>
School Breakfast Expansion Program	10.579	221997	<u>6,936</u>	<u>6,889</u>
Total U.S. Department of Agriculture			<u>49,712</u>	<u>49,665</u>
U.S. Department of Education				
Passed through Michigan Department of Education				
Twenty-first Century Community Learning Centers	84.287	242110/L194301	600,000	146,204
Twenty-first Century Community Learning Centers	84.287	242110/N23012	750,000	310,754
Twenty-first Century Community Learning Centers	84.287	252110/N23012	750,000	511,123
Twenty-first Century Community Learning Centers	84.287	252110/024015	<u>750,000</u>	<u>489,909</u>
Total Twenty-first Century Community Learning Centers			<u>2,850,000</u>	<u>1,457,990</u>
Total expenditures of federal awards			<u>\$ 2,899,712</u>	<u>\$ 1,507,655</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, 2025

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, 2025. 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 Uniform Guidance for awards executed on or before September 30, 2024 and also has not elected to use the 15-percent de minimis indirect cost rate allowed under Uniform Guidance for awards executed on or after October 1, 2024.

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, 2025:

Total federal expenses per the schedule of expenditures of federal awards	\$ 1,507,655
Add non-federal grant expenses contained in the audited financial statements	<u>5,652,304</u>
Total program services revenue per audited financial statements	<u><u>\$ 7,159,959</u></u>



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

**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, 2025, 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 15, 2025.

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. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a significant deficiency.

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*.

Highfields, Inc.'s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on Highfields, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Highfields, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Maner Costeniran PC

July 15, 2025



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

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 its major federal programs for the year ended April 30, 2025. 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, 2025.

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.

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July 15, 2025

HIGHFIELDS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2025

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?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
➤ Significant deficiency(ies) identified?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
➤ Significant deficiency(ies) identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> 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 No

Identification of major programs:

Assistance Listing 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:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

HIGHFIELDS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED APRIL 30, 2025

Section II - Financial Statement Findings

Finding 2025-001 Internal Controls/Cyber Attack

Criteria: The Organization has internal controls in place to prevent unauthorized access to banking information.

Condition: During the fiscal year, the Organization fell victim to an illegal wire transfer as a result of circumvented internal controls.

Cause: The Organization's internal controls were bypassed and login credentials for the bank accounts were provided to an individual impersonating a banking official.

Effect: An illegal wire transfer of \$98,000 was made from the Organization's account. Attempts made to reverse the wire transfer were unsuccessful. Subsequent to year-end, the Organization anticipates recouping the loss from insurance, less a \$10,000 deductible.

Recommendation: We recommend the Organization review its policies and procedures regarding internal controls over wire/ACH payments. We also recommend regular training on how to prevent the Organization from cyber attacks.

Views of Responsible Officials and Planned Corrective Actions: The Organization concurs with the facts of this finding and has put additional procedures in place to ensure internal controls over wire/ACH payments are operating as designed.

Section III - Federal Award Findings and Question Costs

None

HIGHFIELDS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
APRIL 30, 2025

There were no prior year findings.



CORRECTIVE ACTION PLAN

July 15, 2025

Highfields, Inc. respectfully submits the following corrective action plan for the year ended April 30, 2025.

Auditor: Maner Costerisan
2425 E Grand River Ave, Suite 1
Lansing, Michigan 48912

Audit Period: The finding from the April 30, 2025 schedule of findings and questioned costs is discussed below. The finding is number consistently with the number assigned in the schedule.

Finding - Financial Statements

Finding 2025-001 - Significant Deficiency

Recommendation: We recommend the Organization review its policies and procedures regarding internal controls over wire/ACH payments. We also recommend regular training on how to prevent the Organization from cyber attacks.

Action to be Taken: The Organization concurs with the facts of this finding and has put additional procedures in place to ensure internal controls over wire/ACH payments are operating as designed.

Sincerely yours,

Ed St. John
Finance Director

<i>Family Opportunities</i>	<i>Learning Opportunities</i>	<i>Youth Opportunities</i>
<i>Main Office</i> • 5123 Old Plank Rd. • Onondaga, MI 49264 • 517-628-2287 • 517-628-3421 (fax)		
<i>Lansing Office</i> • 4305 S. Cedar St. • Lansing, MI 48910 • 517-887-2762 • 517-887-2982 (fax)		
<i>Jackson Office</i> • 1206 Clinton Rd. • Jackson, MI 49202 • 517-783-4250 • 517-783-4164 (fax)		
<i>Hillsdale Office</i> • 51 S Howell St • Hillsdale, MI 49242 • 517-212-8168 • 517-212-8169 (fax)		
www.highfields.org		