PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.

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AUDIT REPORT
DECEMBER 31, 2022 AND 2021

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.

DECEMBER 31, 2022

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HISLE & COMPANY

DeWitt T. Hisle, CPA/ABV/CFF
Kent D. Hisle, CPA, CITP
Diana L. Hughes, CPA, CVA
James E. Addleton, CPA

CERTIFIED PUBLIC ACCOUNTANTS

277 EAST HIGH STREET
LEXINGTON, KENTUCKY 40507
(859) 259-3403
Fax (859) 252-1339
www.hisle-cpa.com

Linda C. Hoskins, CPA

Of Counsel
James M. Roller, CPA/ABV/CFF, CVA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Prichard Committee for Academic Excellence, Inc.
Lexington, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Prichard Committee for Academic Excellence, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Prichard Committee for Academic Excellence, Inc. as of December 31, 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 audit 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 Prichard Committee for Academic Excellence, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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*, is presented for purposes of additional analysis and is 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 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 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 June 1, 2023, on our consideration of Prichard Committee for Academic Excellence, 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 the Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, Inc.'s internal control over financial reporting and compliance.

Hisle & Company
HISLE & COMPANY
Lexington, Kentucky

June 1, 2023

This report contains 30 pages.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	$ 329,367	$ 297,925
Accounts recievable	500	1,500
Grants receivable	191,632	47,573
Prepaid expenses	17,956	15,249
Total current assets	539,455	362,247
Property and equipment, net	1,169	2,046
Other assets:		
Operating lease right-of-use assets	197,660	-
Investments	3,946,250	4,644,967
Total other assets	4,143,910	4,644,967
Total assets	$ 4,684,534	$ 5,009,260
Liabilities		
Current liabilities:		
Accounts payable	$ 157,433	$ 161,340
Payroll taxes and related liabilities	19,646	20,258
Deferred compensation plan	45,000	30,000
Operating lease liability - current portion	53,048	-
Accrued compensated absences	10,892	13,727
Total current liabilities	286,019	225,325
Long term liabilities:		
Operating lease liability - long-term portion	144,612	-
Total long-term liabilities	144,612	-
Net assets		
Without donor restrictions	1,321,675	2,088,288
With donor restrictions	2,932,228	2,695,647
Total net assets	4,253,903	4,783,935
Total liabilities and net assets	$ 4,684,534	$ 5,009,260

The accompanying notes are an integral part of these financial statements.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grants and contracts	$ -	$ 1,384,310	$ 1,384,310
Contributions	241,296	-	241,296
Interest and dividends	55,582	-	55,582
Miscellaneous	118,564	-	118,564
Gain/loss on disposal of assets	-	-	-
Unrealized and realized gains on investments	(516,420)	-	(516,420)
Total support and revenue before assets released from restrictions	(100,978)	1,384,310	1,283,332
Assets released from restrictions:			
Satisfaction of time restrictions	51,250	(51,250)	-
Satisfaction of program restrictions	1,096,479	(1,096,479)	-
Total support and revenue	1,046,751	236,581	1,283,332
Expenses			
Program	1,410,996	-	1,410,996
Management and general	277,349	-	277,349
Fundraising	125,019	-	125,019
Total expenses	1,813,364	-	1,813,364
Change in net assets	(766,613)	236,581	(530,032)
Net assets at beginning of year	2,088,288	2,695,647	4,783,935
Net assets at end of year	$ 1,321,675	$ 2,932,228	$ 4,253,903

The accompanying notes are an integral part of these financial statements.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Grants	$ -	1,272,324	$ 1,272,324
Contributions	256,787	-	256,787
Interest and dividends	85,201	-	85,201
Miscellaneous	118,075		
Gain/(loss) on disposal of asset	(1,134)	-	(1,134)
Unrealized and realized gains on investments	571,823	-	571,823
Total support and revenue before assets released from restrictions	1,030,752	1,272,324	2,303,076
Assets released from restrictions:			
Satisfaction of time restrictions	18,816	(18,816)	-
Satisfaction of program restrictions	1,894,663	(1,894,663)	-
Total support and revenue	2,944,231	(641,155)	2,303,076
Expenses			
Program	1,860,415		1,860,415
Management and general	324,772	-	324,772
Fundraising	151,064	-	151,064
Total expenses	2,336,251	-	2,336,251
Change in net assets	607,980	(641,155)	(33,175)
Net assets at beginning of year	1,480,308	3,336,802	4,817,110
Net assets at end of year	$ 2,088,288	$ 2,695,647	$ 4,783,935

The accompanying notes are an integral part of these financial statements.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fund Raising	Total
Expenditures				
Salaries	$ 405,019	$ 139,225	$ 88,598	$ 632,842
Payroll taxes	27,530	9,464	6,022	43,016
Employee benefits	33,038	11,357	7,227	51,622
Total personnel	465,587	160,046	101,847	727,480
Consultants	812,531	-	-	812,531
Meeting expenses	2,795	27,232	-	30,027
Travel	26,889	-	2,988	29,879
Rent	32,400	6,480	4,320	43,200
Program and office supplies	3,039	19,134	-	22,173
Printing	5,918	505	794	7,217
Equipment rental	9,993	1,999	1,332	13,324
Investment fees	-	32,136	-	32,136
Accounting and legal fees	-	16,678	-	16,678
Telephone	6,964	1,393	929	9,286
Postage	1,700	238	1,462	3,400
Depreciation	658	132	88	878
Insurance	-	7,154	-	7,154
Miscellaneous	1,800	600	-	2,400
Memberships	3,156	-	-	3,156
Professional development	3,162	-	-	3,162
Bank charges	-	1,868	-	1,868
Books and reports	628	-	-	628
Recognition	-	1,754	-	1,754
Website	33,776	-	11,259	45,035
Total expenditures	$ 1,410,996	$ 277,349	$ 125,019	$ 1,813,364

The accompanying notes are an integral part of these financial statements.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED 2021

	Program Services	Management and General	Fund Raising	Total
Expenditures				
Salaries	$ 504,343	$ 173,368	$ 110,325	$ 788,036
Payroll taxes	35,070	12,055	7,672	54,797
Employee benefits	46,913	16,126	10,262	73,301
Total personnel	586,326	201,549	128,259	916,134
Consultants	1,139,855	-	-	1,139,855
Meeting expenses	6,925	20,197	-	27,122
Travel	13,654	-	1,517	15,171
Rent	37,200	7,440	4,960	49,600
Program and office supplies	2,716	29,852	-	32,568
Printing	10,441	891	1,401	12,733
Equipment rental	7,535	1,507	1,005	10,047
Investment fees	-	34,084	-	34,084
Accounting and legal fees	-	17,934	-	17,934
Telephone	10,352	2,070	1,380	13,802
Postage	1,796	251	1,545	3,592
Depreciation	1,219	244	163	1,626
Insurance	-	5,577	-	5,577
Miscellaneous	2,110	703	-	2,813
Memberships	4,117	-	-	4,117
Professional development	2,402	-	-	2,402
Bank charges	-	1,247	-	1,247
Books and reports	1,266	-	-	1,266
Recognition	-	1,226	-	1,226
Website	32,501	-	10,834	43,335
Advertising	-	-	-	-
Total expenditures	$ 1,860,415	$ 324,772	$ 151,064	$ 2,336,251

The accompanying notes are an integral part of these financial statements.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (530,032)	$ (33,175)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	877	1,625
Unrealized (gain)/loss on investments	527,245	(557,958)
Realized (gain)/loss	(10,825)	1,134
(Increase) decrease in operating assets:		
Accounts receivable	1,000	2,614
Grants and pledges receivable	(144,059)	6,821
Prepaid expenses	(2,707)	4,151
Increase (decrease) in operating liabilities:		
Accounts payable	(3,907)	(75,271)
Payroll taxes and related liabilities	(612)	178
Deferred compensation plan	15,000	15,000
Compensated absences	(2,835)	(7,471)
Net cash provided (used) by operating activities	(150,854)	(642,352)
Cash flows from investing activities		
Investments, net	182,296	132,129
Net cash provided (used) by investing activities	182,296	132,129
Cash flows from financing activities		
SBA loan	-	(118,000)
Net cash provided (used) by financing activities	-	(118,000)
Net increase(decrease) in cash	31,442	(628,223)
Cash and cash equivalents at beginning of year	297,925	926,148
Cash and cash equivalents at end of year	$ 329,367	$ 297,925

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANIZATION

Nature of Activities

Prichard Committee for Academic Excellence, Inc. (Prichard Committee) was formed in May 1983 as a non-stock, non-profit corporation under the laws of the Commonwealth of Kentucky. The purposes of Prichard Committee are "to provide a public voice advocating continually improved education for all Kentuckians. Prichard Committee listens to and informs the public, elected officials, and educators; performs research, study, and analysis about educational issues and recommends solutions for them; speaks out for progress toward better education, and engages citizens, parents, students, and educators locally and statewide in the process of improving education."

Programs

The Commonwealth Institute for Parent Leadership (CIPL) offers a variety of programs aimed at bringing together parents, teachers, community members, and school administrators for training, information, and experiences that help them work as partners to raise student achievement. The program was developed by the Prichard Committee in 1997 as a way to support informed, skilled parents as effective advocates who are passionate about improving Kentucky public schools. CIPL offers large-scale consulting, workshops and publications.

Making high-quality preschool available to every Kentucky child is the goal of Strong Start Kentucky: Quality Pre-K for Every Child. Strong Start Kentucky is a nonpartisan, citizen-led effort to ensure that every child has the opportunity to receive the highest-quality education possible. The program targets funding to increase access to pre-k programs for three and four year old children, enhancing the quality of all pre-k programs, support for public and community-based programs and expanding the coalition to create champions for preschool throughout the Commonwealth.

Closing the Achievement Gap – the Prichard Committee has been committed to excellence for all students since its inception in 1983. While the Commonwealth has increased achievement for all students, the gap has not yet been closed in achievement between different populations of students. The Prichard Committee is strengthening its focus on closing the achievement gap by developing recommendations, highlighting the data and developing an action plan to create a sense of urgency and follow through to close these gaps.

Quality in Postsecondary Education – while the Prichard Committee has focused its last 30 years of work on preschool – 12th grade education, its roots from the late 1970s are in research to increase the quality in postsecondary education. With increasing numbers of students now college and career ready, the Committee is going back to those roots and beginning a new body of work to increase quality and access in postsecondary.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Prichard Committee prepares its financial statements in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Prichard Committee are classified and reported as follows:

Net assets without donor restrictions – Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions or stipulations that may or will be met either by actions of Prichard Committee or the passage of time.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization reports investments at fair value rather than historical or amortized cost. Fair value is based on quoted market prices. Realized gains and losses on the sale of investments are computed using the previously reported market value of the investment sold.

Promises to Give

Promises to give are recorded as revenue when an unconditional promise to give is received or the condition has been fulfilled for a conditional promise to give. Promises to give are recorded at the present value of expected net proceeds ultimately payable to Prichard Committee. Promises to give are assessed for collection annually and are reflected in the statement of activities as contributions.

Property and Equipment

Property and equipment are stated at cost, if purchased, or market value on the date of gift, if donated. Assets with a cost or market value greater than $1,000 are capitalized. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of property and equipment are as follows:

Equipment	3 – 5 years
Furniture and fixtures	10 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions include gifts of cash, other assets or unconditional promises to give. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a purpose restriction is accomplished or a time restriction ends, net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with restrictions also consist of contributions that have been directed to the Endowment Fund by the donors. Contributions that are committed to the Endowment Fund will have the principal held in perpetuity so long as that is permitted by law and by the economic viability of Prichard Committee. All investment and interest income earned from the endowment fund is available to the activities of the Prichard Committee without restriction, unless the donor has explicitly stipulated how such income should be used.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The expenses that are allocated include the following:

Expense	Method of Allocation
Personnel	Job description
Consultants	Time and effort
Meeting expenses	Time and effort
Travel	Time and effort
Occupancy	Square footage
Professional services	Full time equivalent
Depreciation	Square footage
Other	Time and effort

Income Taxes

The Prichard Committee is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. The organization is classified as "other than a private foundation" by the Internal Revenue Service. Tax returns for 2020, 2021 and 2022 are still subject to examination by Federal and state taxing authorities.

NOTE 3 – RECENTLY ADOPTED STANDARDS

ASU 2016-02 Topic 842: *Leases.* The FASB established Topic 842, Leases, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The standard established a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for the Organization as of January 1, 2022. The Organization elected the package of practical expedients, which permits them to not reassess under the new standard, the prior conclusions about lease identification, lease classification, and initial direct costs.

The Organization expects this standard to have a material effect on the financial statements, with the most significant effects related to the recognition of new ROU assets and lease liabilities on the balance sheet for the copier and building operating leases.

NOTE 4 - PROMISES TO GIVE

Included in "Grants and pledges receivable" are the following unconditional promises to give as of December 31, 2022 and 2021:

	2022	2021
	Grants	Grants
Due currently	$ 191,632	$ 47,573
Restricted for future periods	-	-
Unconditional promises to give before unamortized discount and allowance for uncollectible amounts	191,632	47,573
Net unconditional promises to give	$ 191,632	$ 47,573

An allowance for uncollectible accounts has not been established for the grants and pledges receivable, as they are considered fully collectible.

NOTE 5 - INVESTMENTS

Investments consist of the following at December 31, 2022 and 2021:

	2022		2021	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Money market funds	$ 20,630	$ 20,630	$ 152,310	$ 152,310
Exchange traded funds	1,341,037	2,922,383	1,997,432	3,899,388
Fixed income	956,895	965,633	-	-
Mutual funds	38,784	37,604	595,287	593,269
	$ 2,357,345	$ 3,946,250	$ 2,745,029	$ 4,644,967

NOTE 5 – INVESTMENTS (CONTINUED)

Money market funds are recorded at cost, which approximates fair value. Stocks, exchange traded funds and mutual funds are recorded at fair value based on quoted market prices.

The following schedule summarizes the investment return including interest earned on money market accounts and its classification in the statement of activities for the years ended December 31, 2022 and 2021:

	2022	2021
Dividend and interest income	$ 55,581	$ 85,201
Unrealized gain (loss) on investments	(527,245)	557,958
Realized gain (loss) on investments	10,825	13,865
	$ (460,839)	$ 657,024

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following assets at December 31, 2022 and 2021:

	2022	2021
Equipment	$ 8,314	$ 13,397
Furniture and fixtures	4,831	4,831
Subtotal	13,145	18,228
Less: accumulated depreciation	(11,976)	(16,182)
Net property and equipment	$ 1,169	$ 2,046

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022 and 2021:

	2022	2021
Subject to expenditure for specified purpose		
Alliance for Early Education	$ 81,398	$ 49,743
Kellogg Foundation - Childcare Strategies	-	17,061
Steele Reese Foundation	44,605	-
US Department of Education	153,632	-
	279,635	66,804
Subject to time restrictions:		
The Education Trust	35,000	
Metro United Way	-	11,250
	35,000	11,250
Endowment funds not subject to spending or appropriation	2,617,593	2,617,593
	$ 2,932,228	$ 2,695,647

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2022 and 2021:

	2022	2021
Satisfaction of purpose restrictions:		
Alliance for Early Education	$ 53,345	$ 85,257
Kellogg Foundation - Childcare Strategies	17,061	328,706
Lift a Life Foundation	-	30,000
Lumina/Rockefeller Foundation	-	35,000
Public Life Foundation	100,000	100,000
Steele Reese Foundation	31,395	-
National Geographic	-	11,376
Pathway to Tomorrow	-	4,000
James Graham Brown Foundation - Public Education	-	212,500
Teach for America	-	13,000
US Department of Education	894,678	1,074,824
	1,096,479	1,894,663
Satisfaction of time restrictions:		
Metro United Way	51,250	18,816
	51,250	18,816
	$ 1,147,729	$ 1,913,479

NOTE 8 - ENDOWMENT

The Endowment Fund is comprised of funds that were established as the result of donors' specifications that the funds be invested and that, generally, only the income thereon be expended. The Board of Directors also designated Robert F. Sexton memorial gifts to the endowment fund. The income earned on the principal may be used for general activities of Prichard Committee. Endowment assets with donor restrictions totaled $2,617,593 at December 31, 2022 and 2021.

The Organization has adopted the provisions of "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." This standard provides guidance on classifying the net assets associated with donor restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), passed by the state of Kentucky, and also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds.

Interpretation of relevant law

The Organization has interpreted the Kentucky UPMIFA 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.

NOTE 8 - ENDOWMENT (CONTINUED)

As a result of this interpretation, Prichard Committee for Academic Excellence, Inc. classifies as net assets with donor restrictions (a) the original 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 the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the endowment fund, not classified net assets with donor restrictions, is classified as net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund.
2) The purposes of the organization and the donor-restricted endowment fund.
3) General economic conditions.
4) The possible effect of inflation and deflation.
5) The expected total return from income and the appreciation of investments.
6) Other resources of the organization.
7) The investment policies of the organization.

Return objectives and risk parameters

The Prichard Committee has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding for operations supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The investment policy establishes an achievable return objective through diversification of asset classes. The long-term return objective is to return no less than an average annual rate of return of the Consumer Price Index plus 5%. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Prichard Committee relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Prichard Committee targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Spending policy and how the investment objectives relate to spending policy

The Organization has a policy of appropriating for distribution each year an amount not to exceed 5 percent of its endowment fund's average fair value over the current year and preceding year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain and/or grow its value from year to year. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return. Changes in endowment fund assets for the year ended December 31, 2022 and 2021 are as follows:

NOTE 8 - ENDOWMENT (CONTINUED)

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Endowment, January 1, 2022	$ 2,028,324	$ 2,617,594	$ 4,645,918
Investment return:			
Investment income	55,492	-	55,492
Investment expense	(32,136)	-	(32,136)
Net gain/(loss) on investments	(516,420)	-	(516,420)
Total investment gain	(493,064)	-	(493,064)
Expenditures under spending policy	(205,651)	-	(205,651)
Endowment, December 31, 2022	$ 1,329,609	$ 2,617,594	$ 3,947,203

	Net Assets Without Restrcitions	Net Assets With Restrictions	Total
Endowment, January 1, 2021	$ 1,602,495	$ 2,617,593	$ 4,220,088
Investment return:			
Investment income	85,027	-	85,027
Investment expense	(34,084)	-	(34,084)
Net gain/(loss) on investments	571,823	-	571,823
Total investment gain	622,766	-	622,766
Expenditures under spending policy	(196,937)	-	(196,937)
Endowment, December 31, 2021	$ 2,028,324	$ 2,617,593	$ 4,645,917

NOTE 9 - LEASES

Effective August 1, 2021, Prichard Committee entered into an operating lease for office space located at 2285 Executive Drive, Lexington, Kentucky. The monthly rental is $3,600 for the first 36 months, $3,700 for months 37-48, and $3,800 for months 49-62, where the lease expires on August 31, 2026 with no renewal option. The risk-free rate of 0.840% was utilized to determine the present value of the liability.

NOTE 9 – LEASES (CONTINUED)

The following summarizes the line items in the balance sheet which include amounts for the operating lease as of December 31, 2022:

Operating lease right-of-use asset	$	155,958
Current portion of operating lease liability		42,052
Long term portion of operating lease liability		113,906
Total operating lease liability	$	155,958

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

Year		Lease Payment
2023	$	43,200
2024		43,700
2025		44,900
2026		26,600
Total lease payments		158,400
Less: Interest		(2,442)
Present value of lease liability	$	155,958

Prichard Committee leases office equipment under an operating lease that expires August 2026. There is no renewal option. The risk-free rate of 0.820% was utilized to determine the preset value of the liability. The lease is summarized as follows:

Description	Expiration Date	Monthly/Quarterly Payment
Copier	August 2026	$ 2,826

The following summarizes the line items in the balance sheet which include amounts for the operating lease as of December 31, 2022:

Operating lease right-of-use asset	$	41,702
Current portion of operating lease liability		10,995
Long term portion of operating lease liability		30,707
Total operating lease liability	$	41,702

The maturities of operating lease liabilities as of December 31, 2022 are as follows:

Year		Lease Payment
2023	$	11,304
2024		11,304
2025		11,304
2026		8,478
Total lease payments		42,390
Less: Interest		(688)
Present value of lease liability	$	41,702

NOTE 10 - RETIREMENT PLAN

Prichard Committee adopted a 403(b) plan in 1999. Employees are eligible to participate immediately upon hire. Employees may defer a portion of their own salary. The Prichard Committee matches 50% of employees' salary deferral up to 10% of the employee's salary. Prichard Committee contributed $28,256 and $28,586 on behalf of employees for the years ended December 31, 2022 and 2021, respectively.

NOTE 11 – DEFERRED COMPENSATION PLAN

Prichard Committee adopted a deferred compensation plan in 2020. Prichard Committee will contribute $15,000 each calendar year beginning 2020 through 2024 to the Deferred Compensation Escrow fund for Brigitte Blom, President and CEO, to pursue a PhD (or other suitable certifications beneficial to the Committee, subject to approval of the Committee). Brigitte Blom will vest 20% on December 19 of each year and may withdraw up to the 100% vested at the end of the five years. She may use a portion or all of the $15,000 funds each year for education purposes.

NOTE 12 - FAIR VALUE MEASUREMENT

Prichard Committee's financial instruments consist primarily of cash and cash equivalents, investments, accounts receivable and accounts payable. The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to the short-term nature of such instruments.

Prichard Committee uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on Prichard Committee's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

At December 31, 2022 and 2021, Prichard Committee's investments consist of cash equivalents, common stocks, exchange traded funds and mutual funds. Shares of common stocks, exchange traded funds and fixed income are valued at quoted market prices for identical assets. Below is a summary of the fair value hierarchy each investment falls:

	As of December 31, 2022			
Investment	Level 1	Level 2	Level 3	Total
Money market funds	$ 20,630	$ -	$ -	$ 20,630
Exchange traded funds	2,922,383			2,922,383
Fixed income	965,633			965,633
Mutual funds	37,604			37,604
	$ 3,946,250	$ -	$ -	$ 3,946,250

NOTE 12 - FAIR VALUE MEASUREMENT (CONTINUED)

As of December 31, 2021

Investment	Level 1	Level 2	Level 3	Total
Money market funds	$ 152,310	$ -	$ -	$ 152,310
Exchange traded funds	3,899,388			3,899,388
Mutual funds	593,269			593,269
	$ 4,644,967	$ -	$ -	$ 4,644,967

NOTE 13 - SUBSEQUENT EVENTS

Prichard Committee has evaluated and considered the need to recognize or disclose subsequent events through June 1, 2023, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the years ended December 31, 2022 and 2021, have not been evaluated by Prichard Committee.

Prichard Committee was awarded a grant from the United States Department of Education on January 1, 2023 for $47,254,772 that is to be used over a five year period.

NOTE 14 - CONCENTRATIONS OF CREDIT RISK

Prichard Committee for Academic Excellence, Inc.'s cash deposits are maintained at various financial institutions located in Central Kentucky. Cash balances maintained in deposits accounts are insured up to $250,000 at each financial institution. The sweep account is not covered by the Federal Deposit Insurance Corporation, however, the balance is collateralized by bank-owned government securities. The cash balances were fully insured as of December 31, 2022 and 2021.

NOTE 15 - LIQUIDITY AND AVAILABILITY

The Prichard Committee regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Prichard Committee manages its liquidity and reserves following three guiding principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets to fund near-term operating needs; and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Operating cash includes the funds the Prichard Committee uses for its regular, routine expenses such as salaries and benefits, occupancy, office, travel, professional services and program costs. Operating cash may be maintained in multiple checking accounts and may be invested in other cash-equivalent investments, such as savings accounts, money market accounts and other investments that are relatively easy to liquidate. The target minimum for operating cash is equal to three months of average operating expenses and the target maximum for operating cash is equal to twelve months of operating expenses.

NOTE 15 - LIQUIDITY AND AVAILABILITY (CONTINUED)

The calculation of average annual operating expenses includes all recurring, predictable expenses such as salaries and benefits, occupancy, office, travel, professional services and program costs. Depreciation, in-kind and other non-cash expenses are not included in the calculation.

The Prichard Committee receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

The Prichard Committee has established an endowment funded with donor restricted contributions preserving the fair value of the original gift as of the date of the gift. The funds are invested for long term appreciation. The current income as well as the appreciation is available for current operating needs based on the Prichard Committee's spending policy and at the discretion of the Board of Directors.

As of December 31, 2022, the following financial assets could readily be made available within one year of the statement of activities date to meet general expenditures:

Cash and cash equivalents	$ 329,367
Accounts receivable	500
Grants and pledges receivable	191,632
Investments	3,946,250
Total financial assets	4,467,749
Less amounts not available to be used within one year	
Investments held in endowment	(3,947,200)
adjusted for amounts available under spending policy	205,651
Financial assets not available to be used within one year	(3,741,549)
Financial assets available to meet general expenditures within one year	$ 726,200

In addition to financial assets available to meet general expenditures over the next 12 months, the Prichard Committee operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor Program Title Grantor/Name	Federal CFDA Number	Federal Expenditures	
U.S. Department of Education:			
KY Statewide Family Engagement Center	84.310A	$ 894,678	(A)
Total Department of Education		894,678	
Total Federal Financial Assistance		$ 894,678	

(A) Major program.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

Note 1- Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Prichard Committee for Academic Excellence, Inc. for the year ended December 31, 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2- Significant Accounting Policies

Expenditures reported on 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.

Note 3- Indirect Cost Rate

The Prichard Committee for Academic Excellence, Inc. has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

HISLE & COMPANY

DeWitt T. Hisle, CPA/ABV/CFF
Kent D. Hisle, CPA, CITP
Diana L. Hughes, CPA, CVA
James E. Addleton, CPA

CERTIFIED PUBLIC ACCOUNTANTS

277 EAST HIGH STREET
LEXINGTON, KENTUCKY 40507
(859) 259-3403
Fax (859) 252-1339
www.hisle-cpa.com

Linda C. Hoskins, CPA

Of Counsel
James M. Roller, CPA/ABV/CFF, CVA

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
Prichard Committee for Academic Excellence, Inc.
Lexington, Kentucky

We have audited, in accordance with the 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 Prichard Committee for Academic Excellence, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Prichard Committee for Academic Excellence, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Prichard Committee for Academic Excellence, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Prichard Committee for Academic Excellence, 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. 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Prichard Committee for Academic Excellence, 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 financial statements. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hisle & Company

HISLE & COMPANY
LEXINGTON, KY

June 1, 2023

HISLE & COMPANY

DeWitt T. Hisle, CPA/ABV/CFF
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Of Counsel
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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
Prichard Committee for Academic Excellence, Inc.
Lexington, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, Inc.'s major federal programs for the year ended December 31, 2022. Prichard Committee for Academic Excellence, 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, Prichard Committee for Academic Excellence, 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 December 31, 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 Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, 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 Prichard Committee for Academic Excellence, 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.

Hisle & Company
HISLE & COMPANY
LEXINGTON, KY

June 1, 2023

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2022

SUMMARY OF AUDITOR'S RESULTS

What type of report was issued for the financial statements?	Unmodified
Were there significant deficiencies in internal control disclosed? If so, was any significant deficiencies material (GAGAS)?	None reported N/A
Was any material noncompliance reported (GAGAS)?	No
Were there material weaknesses in internal control disclosed for major programs?	No
Were there any significant deficiencies in internal control disclosed That were not considered to be material weaknesses?	None reported
What type of report was issued on compliance for major programs?	Unmodified
Did the audit disclose findings as it related to major programs that Is required to be reported as described in the Uniform Guidance?	No
Major Programs	KY Statewide Family Engagement Center (CFDA 84.310A)
Dollar threshold of Type A and B programs	$750,000
Low risk auditee?	Yes

FINDINGS - FINANCIAL STATEMENT AUDIT

No findings at the financial statement level.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings at the major federal award programs level.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2022

There were no prior year findings or questioned costs.