

**PRICHARD COMMITTEE FOR ACADEMIC  
EXCELLENCE, INC.**

**Audited Financial Statements**

For the Year Ended December 31, 2023

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**INDEPENDENT AUDITOR'S REPORT**

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

***Opinion***

We have audited the accompanying financial statements of the Prichard Committee for Academic Excellence, Inc. (a non-profit organization) (Prichard Committee), which comprise the statement of financial position as of December 31, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Prichard Committee, as of December 31, 2023, 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 the Prichard Committee, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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 the Prichard Committee'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 the Prichard Committee'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 the Prichard Committee'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 August 20, 2024, on our consideration of the Prichard Committee'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'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 the Prichard Committee's internal control over financial reporting and compliance.

*Miller, Mayer, Sullivan, & Stevens, LLP*

Lexington, Kentucky  
August 20, 2024

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of December 31, 2023**

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**Assets**

**Current assets:**

Cash and cash equivalents	\$ 756,813
Accounts receivable	5,485
Grants receivable	469,967
Prepaid expenses	<u>17,855</u>
Total current assets	<u>1,250,120</u>

<b>Property and equipment (net)</b>	<u>608</u>
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**Other Assets:**

Operating lease right-of-use assets	144,576
Investments	<u>4,497,814</u>
Total other assets	<u>4,642,390</u>
Total assets	<u><u>\$ 5,893,118</u></u>

**Liabilities**

**Current liabilities:**

Accounts payable	\$ 321,509
Payroll-related liabilities	47,232
Accrued compensated absences	36,385
Deferred compensation plan	60,000
Operating lease liability - current portion	<u>54,001</u>
Total current liabilities	<u>519,127</u>

**Long-term liabilities:**

Operating lease liability - long-term portion	<u>90,575</u>
Total long-term liabilities	<u>90,575</u>

**Net Assets**

Without donor restrictions	2,201,026
With donor restrictions	<u>3,082,390</u>
Total net assets	<u>5,283,416</u>
Total liabilities and net assets	<u><u>\$ 5,893,118</u></u>

*The accompanying notes are an integral part of the financial statements.*

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and Revenue</b>			
Grants and contracts	\$	\$ 3,416,342	\$ 3,416,342
Contributions	354,039		354,039
Interest and dividends	53,022		53,022
Miscellaneous	20,254		20,254
Unrealized and realized gains on investments	532,366		532,366
Total support and revenue before assets released from restrictions	959,681	3,416,342	4,376,023
Assets released from restrictions:			
Satisfaction of time restrictions	389,523	(389,523)	
Satisfaction of program restrictions	2,876,657	(2,876,657)	
Total support and revenue	\$ 4,225,861	\$ 150,162	\$ 4,376,023
<b>Expenses</b>			
Program	\$ 2,818,433	\$	\$ 2,818,433
Management and general	404,208		404,208
Fundraising	123,869		123,869
Total expenses	\$ 3,346,510	\$	\$ 3,346,510
Change in net assets	879,351	150,162	1,029,513
Net assets, beginning of year	1,321,675	2,932,228	4,253,903
Net assets, end of year	\$ 2,201,026	\$ 3,082,390	\$ 5,283,416

*The accompanying notes are an integral part of the financial statements.*

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2023**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,165,771	\$ 156,516	\$ 104,344	\$ 1,426,631
Payroll taxes	87,433	6,776	4,517	98,726
Employee benefits	<u>81,021</u>	<u>9,188</u>	<u>6,125</u>	<u>96,334</u>
Total personnel	1,334,225	172,480	114,986	1,621,691
Consultants	1,222,925			1,222,925
Travel	81,236	14,380	1,598	97,214
Meeting expenses	39,700	48,156		87,856
Program and office supplies	38,594	6,582		45,176
Rent	32,400	6,480	4,320	43,200
Miscellaneous	16,898	19,787		36,685
Investment fees		30,738		30,738
Professional development	21,078	5,016		26,094
Software	7,720	13,305		21,025
Accounting and legal fees		20,975		20,975
Telephone	7,300	10,328	1,148	18,776
Deferred compensation		15,000		15,000
Marketing	13,808	798		14,606
Equipment rental		12,479	248	12,727
Insurance		7,333		7,333
Printing	1,628	3,758	418	5,804
Books and reports		4,838		4,838
Memberships		3,487		3,487
Postage	500	1,643	1,095	3,238
Workers compensation		3,198		3,198
Bank charges		1,993		1,993
Fees		1,350		1,350
Depreciation	421	84	56	561
Website		<u>20</u>		<u>20</u>
Total expenditures	<u>\$ 2,818,433</u>	<u>\$ 404,208</u>	<u>\$ 123,869</u>	<u>\$ 3,346,510</u>

*The accompanying notes are an integral part of the financial statements.*

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2023**

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**Cash Flows from Operating Activities**

Change in net assets	\$ 1,029,513
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>	
Depreciation	561
Unrealized (gain)/loss on investments	(532,174)
Change in:	
Accounts receivable	(4,985)
Grants receivable	(278,335)
Prepaid expenses	99
Accounts payable	164,077
Payroll-related liabilities	27,586
Deferred compensation plan	15,000
Accrued compensated absences	<u>25,493</u>
Net cash provided (used) by operating activities	<u>446,835</u>

**Cash Flows from Investing Activities**

Investments, net	<u>(19,389)</u>
Net cash provided (used) by investing activities	<u>(19,389)</u>
Net increase (decrease) in cash and cash equivalents	427,446
Cash and cash equivalents, beginning of year	<u>329,367</u>
Cash and cash equivalents, end of year	<u><u>\$ 756,813</u></u>

*The accompanying notes are an integral part of the financial statements.*



**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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**1. Nature of Activities and Summary of Significant Accounting Policies**

**Nature of Activities.** The 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 mission of the Prichard Committee is to provide a public voice advocating continually improved education for all Kentuckians. The 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**

*Center for Best Practices and Innovation.* The Center for Best Practices and Innovation is a hub for research, knowledge and local learning that advances practice and policies to improve education outcomes and economic well-being of Kentuckians. This program encompasses the following initiatives:

- ◆ **Strong Start Kentucky Early Childhood.** Making high-quality early childhood available to every Kentucky child is the goal of Strong Start Kentucky. Strong Start Kentucky is a nonpartisan, citizen-led effort to ensure that every child has the opportunity to receive the highest-quality education possible. This initiative 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.
- ◆ **Supporting Equity & Excellence in KY Schools.** 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 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.
- ◆ **Meaningful Diploma.** The Prichard Committee is dedicated to transforming education in Kentucky by emphasizing meaningful and durable skills that will help students build a big, bold future for themselves and their communities. By intertwining the worlds of business and education, students are prepared to understand their choices in pathways from education to career. By highlighting impactful outcomes and sharing local success stories, we aim to demonstrate how education excellence leads to workforce readiness and economic growth.

*Kentucky Collaborative for Families and Schools.* The Collaborative for Families and Schools is a network of families, schools, and community partners supporting local innovation and collaboration to meet the unique needs of each and every Kentucky child to improve learning outcomes and student success. This program encompasses the following initiatives:

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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- ◆ Commonwealth Institute for Parent Leadership (CIPL). 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. This initiative 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.
- ◆ Kentucky Community Schools Initiative. Community schools are an evidence-based strategy to advance equity and reduce barriers to learning by providing the services needed to support student and family well-being. This initiative integrates the four pillars of community schools: integrated student supports; expanded and enriched learning time and opportunities; active family and community engagement; collaborative leadership and practices.
- ◆ Family Friendly Schools (FFS). This initiative is focused on family engagement, defined as a productive, equitable and inclusive partnership about families, educators and the community to promote children's learning and development from birth through college and career, and across home, school and community settings.

**Basis of Accounting.** The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used.

**Cash and Cash Equivalents.** For purposes of the statements of cash flows, the Prichard Committee considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Grants Receivable.** Grants receivable consists of amounts earned, but not yet collected from the grantor. Grants receivable at December 31, 2023 primarily consists of grants from federal programs and grants from private organizations. The Prichard Committee considers these receivables to be fully collectible; accordingly, no allowance for credit losses is recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Promises to Give.** Contributions are recognized when the donor makes a promise to give to the Prichard Committee that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Promise to give are assessed for collection annually and are reflected in the statement of activities as contributions.

**Property and Equipment.** Property and equipment are capitalized at cost, if purchased, or market value on the date of gift, if donated. It is the Prichard Committee's policy to capitalize expenditures for these items in excess of \$2,000. Property and equipment are being depreciated over the estimated useful lives of the assets using a straight-line method.

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

Furniture and fixtures	3-5 years
Equipment	10 years

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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**Investments.** Investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Net Assets.** The Prichard Committee reports two classes of net asset categories according to externally (donor) imposed restrictions:

- a. Net assets without donor restrictions encompass the portion of net assets that are not restricted by donor-imposed stipulations.
- b. Net assets with donor restrictions are the net assets resulting from contributions and other revenue and support, whose use by the Prichard Committee is limited by donor-imposed stipulations.

**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 principle held in perpetuity so long as that is permitted by law and by the economic viability of the 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.

**Allocation of Expenses.** The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated and related allocation method include the following:

<u>Expense</u>	<u>Method of Allocation</u>
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 a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Prichard Committee is no longer subject to examination by taxing authorities for years before 2019.

**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.

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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**Date of Management's Review.** Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. Subsequent events which provide evidence about conditions that existed after the statement of financial position date, require disclosure in the accompanying notes. Management evaluated the activity of the Prichard Committee through August 20, 2024 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

**2. Promises to Give**

Included in "Grants receivable" are the following unconditional promises to give as of December 31, 2023.

Due currently	\$ 469,967
Unconditional promises to give before amortized discounts and allowance for uncollectible amounts	<u>469,967</u>
Net unconditional promises to give	<u><u>\$ 469,967</u></u>

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

**3. Property and Equipment**

Property and equipment as of December 31, 2023 are summarized as follows:

Equipment	\$ 8,314
Furniture and fixtures	<u>4,831</u>
Total property and equipment	13,145
Accumulated depreciation	<u>(12,537)</u>
Net property and equipment	<u><u>\$ 608</u></u>

**4. Lease - Right-of-Use Assets and Liabilities**

Effective August 1, 2021, the 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 in August 2026 with no renewal option. The risk-free rate of 0.840% was utilized to determine the present value of the liability. In addition, the Prichard Committee leases office equipment under an operating lease that expires in August 2026 with no renewal option. The lease payment is \$942 per month. The risk-free rate of 0.820% was utilized to determine the present value of the liability. These leases are being amortized, using the straight line method, over the remaining life of the lease terms.

Weighted Average Interest Rate	0.820%
Weighted Average Lease Term in Years	3.00

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

Future minimum lease payments on the operating leases over the remaining terms are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 55,004
2025	56,204
2026	<u>35,020</u>
Total undiscounted cash flows	146,228
Less: present value discount	<u>(1,652)</u>
Total operating lease - right-of-use liabilities	<u>\$ 144,576</u>

**5. Investments and Fair Value Measurements**

The 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.

The Prichard committee uses the following hierarchical disclosure framework:

**Level 1** - Measurement based upon quoted price 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 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 the Prichard Committee's assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

At December 31, 2023, the Prichard Committee's investments consist of cash equivalents, fixed income, and exchange traded funds. Fixed income and exchange traded funds 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, 2023:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash investments	\$ 39,425	\$	\$	\$ 39,425
Fixed income	1,176,494			1,176,494
Exchange traded funds	<u>3,281,895</u>			<u>3,281,895</u>
Total investments	<u>\$ 4,497,814</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,497,814</u>

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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**6. 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 principle may be used for general activities of the Prichard Committee. Endowment assets with donor restrictions totaled \$2,617,594 at December 31, 2023.

The Prichard Committee has adopted the provisions of "Endowments for Not-for-Profit Organization: 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.

The Prichard Committee 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.

As a result of this interpretation, the Prichard Committee classifies as net assets with donor restrictions (a) the original gift 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 Prichard Committee in a manner consistent with the standard of prudence proscribed by UPMIFA. In accordance with UPMIFA, the Prichard Committee 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 purpose 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.

The Prichard Committee has adopted investment policies for endowment assets that attempt to provide a predicable 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 objective, 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 objective within prudent risk parameters.

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

The Prichard Committee has a policy of appropriating for distribution each year an amount not to exceed 5% 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 Prichard Committee, considered the long-term expected return on its endowment. Accordingly, over the long term, the Prichard Committee 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 Prichard Committee'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 the endowment fund assets for the year ended December 31, 2023 are as follows:

	<b>Net Assets Without Restrictions</b>	<b>Net Assets With Restrictions</b>	<b>Total</b>
Endowment, January 1, 2023	\$ 1,329,609	\$ 2,617,594	\$ 3,947,203
Investment return:			
Investment income	48,983		48,983
Investment expenses	(30,738)		(30,738)
Net gain/(loss)	<u>532,366</u>		<u>532,366</u>
Total investment gain	550,611		550,611
Expenditures under spending policy			
Endowment, December 31, 2023	<u>\$ 1,880,220</u>	<u>\$ 2,617,594</u>	<u>\$ 4,497,814</u>

## **7. Liquidity**

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:

1. Operating within a prudent range of financial soundness and stability;
2. Maintaining adequate liquid assets to fund near-term operating needs; and
3. 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 3 months of average operating expenses and the target maximum for operating cash is equal to twelve month of operating expenses.

The calculation of average annual operating expense, including 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 considered contributions restricted for programs which are ongoing, major and central to its annual operations to be available to met cash needs for general expenditures.

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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, 2023, the following financial assets could readily be made available within one year of the financial statement of activities date to meet general expenditures:

Financial Assets:

Cash and cash equivalents	\$ 756,813
Accounts receivable	5,485
Grants receivable	469,967
Investments	<u>4,497,814</u>

Total financial assets	<u>5,730,079</u>
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Less amounts not available to be used within one year:

Investments held in endowment adjusted for amount available under spending policy (\$214,866)	4,282,948
Accounts payable	321,509
Payroll-related liabilities	47,232
Accrued compensated absences	36,385
Deferred compensation plan	<u>60,000</u>

Financial assets not available to be used within one year	<u>4,748,074</u>
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Financial assets available to meet general expenditures within one year	<u><u>\$ 982,005</u></u>
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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.

**8. Retirement Plan**

The 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. The Prichard Committee contributed \$46,244 on behalf of employees for the year ended December 31, 2023.

**9. Deferred Compensation Plan**

The Prichard Committee adopted a deferred compensation plan in 2020. The 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 Prichard Committee, subject to approval of the Board). 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.



**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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**10. Net Assets with Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2023:

Subject to expenditure for specified purposes:	
Toyota	\$ 210,000
Knowledge Works	150,000
United Way of Greater Cincinnati	89,500
NAFSCE	9,792
Steele Reese Foundation	5,505
	<u>464,797</u>
Endowment funds not subject to spending or appropriation	<u>2,617,593</u>
Total net assets with donor restrictions	<u><u>\$ 3,082,390</u></u>

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, 2023:

Satisfaction of purpose restrictions:	
US Department of Education	\$ 2,622,469
United Way of Greater Cincinnati	110,500
National Women's Law Center	50,000
Toyota	40,000
Steele Reese Foundation	39,100
NAFSCE	11,708
KY Colonels	2,880
	<u>2,876,657</u>
Satisfaction of time restrictions:	
Alliance for Early Education	156,398
Lift a Life Foundation	100,000
The Education Trust	93,125
Metro United Way	40,000
	<u>389,523</u>
Total net assets released from donor restrictions	<u><u>\$ 3,266,180</u></u>

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Year Ended December 31, 2023**

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**11. Contingency**

The Prichard Committee participates in federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Prichard Committee has not complied with the rules and regulations governing these programs, refunds of any money received may be required and the collectibility of any related receivables at December 31, 2023 may be impaired. In the opinion of the Prichard Committee, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective programs.

**12. Concentrations of Credit Risk**

Approximately 53% of the Prichard Committee's grants and contracts for the year ended December 31, 2023 came from one federal grant.

Financial instruments which potentially subject the Prichard Committee to concentrations of credit risk consist principally of cash held in a limited number of financial institutions. The Prichard Committee places its cash with high credit quality financial institutions that are FDIC insured. At times, the Prichard Committee has funds on deposit with banks in excess of the FDIC insurance.

## **SUPPLEMENTARY INFORMATION**

## **FEDERAL AWARDS DISCLOSURES**

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2023**

<u>Grant/Program Title</u>	<u>Assistance Listing Number</u>	<u>Contract/Award Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Education</b>			
<b>Direct Programs:</b>			
Kentucky's Full-Service Community Schools Program	84.215J	S215J220173	\$ 1,824,254
KY Statewide Family Engagement Center	84.310A	U310A180004-22	<u>798,215</u>
Total U.S. Department of Education			<u>2,622,469</u>
Total federal financial assistance			<u><u>\$ 2,622,469</u></u>

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended December 31, 2023**

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**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of the Prichard Committee and is presented on the accrual basis of accounting. 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 the Prichard Committee, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Prichard Committee.

**NOTE B - SUMMARY OF 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 C - INDIRECT COST RATE**

If allowed by the governmental funding agency, the Prichard Committee has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MILLER, MAYER, SULLIVAN & STEVENS LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**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 non-profit organization) (Prichard Committee), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 20, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Prichard Committee'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 the Prichard Committee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Prichard Committee'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 Prichard Committee'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 the Prichard Committee'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 Prichard Committee'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 Prichard Committee's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Miller, Mayer, Sullivan, & Stevens, LLP*

Miller, Mayer, Sullivan, & Stevens, LLP  
Lexington, Kentucky  
August 20, 2024



**MILLER, MAYER, SULLIVAN & STEVENS LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

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

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

**Report on Compliance for the Major Federal Program**

***Opinion on the Major Federal Program***

We have audited Prichard Committee for Academic Excellence, Inc.'s (Prichard Committee) 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 the Prichard Committee's major federal program for the year ended December 31, 2023. The Prichard Committee's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Prichard Committee complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2023.

***Basis for Opinion on the 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 the Prichard Committee 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 the major federal program. Our audit does not provide a legal determination of the Prichard Committee'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 the Prichard Committee's federal program.

***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 the Prichard Committee'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 the Prichard Committee's compliance with the requirements of the 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 the Prichard Committee'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 the Prichard Committee'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 the Prichard Committee'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.

*Miller, Mayer, Sullivan, & Stevens, LLP*

Lexington, Kentucky  
August 20, 2024

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**As of December 31, 2023**

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There were no findings in the December 31, 2022 audit.

**PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**As of December 31, 2023**

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**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Prichard Committee for Academic Excellence, Inc. were prepared in accordance with GAAP.
2. No material weaknesses or significant deficiencies in internal control were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Prichard Committee for Academic Excellence, Inc. were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control were identified during the audit of the major federal award program.
5. The auditor's report on compliance for the major federal award program for Prichard Committee for Academic Excellence, Inc. expresses an unmodified opinion.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was:
  - Kentucky's Full-Service Community Schools Program (Assistance Listing #84.215J)
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Prichard Committee for Academic Excellence, Inc. was determined to be a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None