

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

Audited Financial Statements

For the Years Ended December 31, 2025 and 2024

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MILLER, MAYER, SULLIVAN & STEVENS LLP
CERTIFIED PUBLIC ACCOUNTANTS

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 the Prichard Committee for Academic Excellence, Inc. (a non-profit organization) (Prichard Committee), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Prichard Committee, as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Prichard Committee and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 audits were 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 31, 2026, 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 31, 2026

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 827,957	\$ 90,633
Accounts receivable	89,164	19,280
Grants receivable	2,909,750	1,758,363
Prepaid expenses	<u>25,782</u>	<u>22,819</u>
Total current assets	<u>3,852,653</u>	<u>1,891,095</u>
Other assets:		
Property and equipment (net)	10,272	222
Operating lease right-of-use assets	65,996	90,575
Investments	<u>5,323,786</u>	<u>4,993,593</u>
Total other assets	<u>5,400,054</u>	<u>5,084,390</u>
Total assets	<u><u>\$ 9,252,707</u></u>	<u><u>\$ 6,975,485</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 3,078,095	\$ 1,402,141
Payroll-related liabilities	64,645	51,736
Accrued compensated absences	49,489	40,565
Operating lease liability - current portion	<u>34,694</u>	<u>55,658</u>
Total current liabilities	<u>3,226,923</u>	<u>1,550,100</u>
Long-term liabilities:		
Operating lease liability - long-term portion	<u>31,302</u>	<u>34,917</u>
Total long-term liabilities	<u>31,302</u>	<u>34,917</u>
Net Assets		
Without donor restrictions	3,276,889	2,331,594
With donor restrictions	<u>2,717,593</u>	<u>3,058,874</u>
Total net assets	<u>5,994,482</u>	<u>5,390,468</u>
Total liabilities and net assets	<u><u>\$ 9,252,707</u></u>	<u><u>\$ 6,975,485</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, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Grants and contracts	\$	\$ 16,547,933	\$ 16,547,933
Contributions	346,220	125,000	471,220
Interest and dividends	117,791		117,791
Miscellaneous	49,803		49,803
Unrealized and realized gains on investments	<u>396,225</u>		<u>396,225</u>
Total support and revenue before assets released from restrictions	910,039	16,672,933	17,582,972
Assets released from restrictions:			
Satisfaction of time restrictions	494,572	(494,572)	
Satisfaction of program restrictions	<u>16,519,642</u>	<u>(16,519,642)</u>	
Total support and revenue	<u>17,924,253</u>	<u>(341,281)</u>	<u>17,582,972</u>
Expenses			
Program	16,264,970		16,264,970
Management and general	468,331		468,331
Fundraising	<u>245,657</u>		<u>245,657</u>
Total expenses	<u>16,978,958</u>		<u>16,978,958</u>
Change in net assets	945,295	(341,281)	604,014
Net assets, beginning of year	<u>2,331,594</u>	<u>3,058,874</u>	<u>5,390,468</u>
Net assets, end of year	<u><u>\$ 3,276,889</u></u>	<u><u>\$ 2,717,593</u></u>	<u><u>\$ 5,994,482</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, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue			
Grants and contracts	\$	\$ 7,517,550	\$ 7,517,550
Contributions	95,108	175,000	270,108
Interest and dividends	97,836		97,836
Miscellaneous	162,781		162,781
Unrealized and realized gains on investments	439,137		439,137
Total support and revenue before assets released from restrictions	794,862	7,692,550	8,487,412
Assets released from restrictions:			
Satisfaction of time restrictions	320,225	(320,225)	
Satisfaction of program restrictions	7,395,841	(7,395,841)	
Total support and revenue	<u>8,510,928</u>	<u>(23,516)</u>	<u>8,487,412</u>
Expenses			
Program	7,370,924		7,370,924
Management and general	680,112		680,112
Fundraising	329,324		329,324
Total expenses	<u>8,380,360</u>		<u>8,380,360</u>
Change in net assets	130,568	(23,516)	107,052
Net assets, beginning of year	<u>2,201,026</u>	<u>3,082,390</u>	<u>5,283,416</u>
Net assets, end of year	<u>\$ 2,331,594</u>	<u>\$ 3,058,874</u>	<u>\$ 5,390,468</u>

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, 2025

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,990,672	\$ 291,509	\$ 199,339	\$ 2,481,520
Employee benefits	238,689	31,737	16,888	287,314
Payroll taxes	<u>147,486</u>	<u>25,332</u>	<u>21,158</u>	<u>193,976</u>
Total personnel	2,376,847	348,578	237,385	2,962,810
Consultants	12,824,615			12,824,615
Marketing	376,161			376,161
Meeting expenses	374,247			374,247
Travel	98,759	15,649	1,739	116,147
Professional development	74,077	8,505		82,582
Rent	30,975	7,195	4,130	42,300
Investment fees		38,204		38,204
Telephone	35,400			35,400
Accounting and legal fees	20,000	12,877		32,877
Program and office supplies	25,073			25,073
Software	7,635	5,098	566	13,299
Workers compensation	9,325	1,399	932	11,656
Miscellaneous	7,292	1,904		9,196
Equipment rental		9,048		9,048
Insurance		7,765		7,765
Printing	3,154	3,187	354	6,695
Bank charges		3,682		3,682
Memberships		2,180		2,180
Depreciation	1,410	282	188	1,880
Fees		1,250		1,250
Books and reports		984		984
Postage		<u>544</u>	<u>363</u>	<u>907</u>
Total expenditures	<u>\$ 16,264,970</u>	<u>\$ 468,331</u>	<u>\$ 245,657</u>	<u>\$ 16,978,958</u>

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, 2024

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,754,888	\$ 413,457	\$ 275,638	\$ 2,443,983
Payroll taxes	187,560	43,839	29,226	260,625
Employee benefits	<u>131,617</u>	<u>35,643</u>	<u>12,628</u>	<u>179,888</u>
Total personnel	2,074,065	492,939	317,492	2,884,496
Consultants	4,763,882			4,763,882
Meeting expenses	270,572	5,947		276,519
Travel	99,959	28,412	3,157	131,528
Marketing	47,249	5,575		52,824
Rent	32,775	6,555	4,370	43,700
Investment fees		35,628		35,628
Telephone	16,750	14,995	1,666	33,411
Accounting and legal fees	20,000	10,352		30,352
Software	17,383	4,559		21,942
Professional development	13,881	7,097		20,978
Deferred compensation		15,000		15,000
Equipment rental		12,927	113	13,040
Program and office supplies	6,993	5,228		12,221
Miscellaneous	2,618	6,254		8,872
Printing	1,329	6,608	734	8,671
Insurance		7,444		7,444
Memberships		4,601		4,601
Postage	720	2,260	1,507	4,487
Books and reports		3,591		3,591
Workers compensation	2,459	369	246	3,074
Bank charges		1,939		1,939
Fees		1,450		1,450
Depreciation	289	58	39	386
Website		<u>324</u>		<u>324</u>
Total expenditures	<u>\$ 7,370,924</u>	<u>\$ 680,112</u>	<u>\$ 329,324</u>	<u>\$ 8,380,360</u>

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

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 604,014	\$ 107,052
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation	1,880	386
Unrealized loss (gain) on investments	(395,707)	(437,515)
Change in:		
Accounts receivable	(69,884)	(13,794)
Grants receivable	(1,151,388)	(1,288,395)
Prepaid expenses	(2,962)	(4,963)
Accounts payable	1,675,954	1,080,631
Payroll-related liabilities	12,909	4,504
Deferred compensation plan		(60,000)
Accrued compensated absences	<u>8,924</u>	<u>4,179</u>
Net cash provided (used) by operating activities	<u>683,740</u>	<u>(607,915)</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(11,930)	
Investments, net	<u>65,514</u>	<u>(58,265)</u>
Net cash provided (used) by investing activities	<u>53,584</u>	<u>(58,265)</u>
Net increase (decrease) in cash and cash equivalents	737,324	(666,180)
Cash and cash equivalents, beginning of year	<u>90,633</u>	<u>756,813</u>
Cash and cash equivalents, end of year	<u><u>\$ 827,957</u></u>	<u><u>\$ 90,633</u></u>
 Supplemental Schedule of Non-cash Investing and Financing Activities		
Recognition of operating lease - right-of-use assets	<u>\$ 43,424</u>	<u>\$</u>
Recognition of operating lease - right-of-use liabilities	<u>\$ 43,424</u>	<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 Years Ended December 31, 2025 and 2024

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 Kentucky 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 Years Ended December 31, 2025 and 2024

- ◆ 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 between 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, 2025 and 2024 primarily consists of grants from federal programs and grants from private organizations.

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. Promises to give are assessed for collection annually and are reflected in the statement of financial position as accounts receivable and 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 estimated useful lives of property and equipment are as follows:

Furniture and fixtures	5-10 years
Equipment	5 years

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2025 and 2024

Investments. Investments are reported at their fair values in the statements 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.

Leases. The Prichard Committee accounts for leases in accordance with FASB ASU 2016-02, Leases (Topic 842), which requires recognition of right-of-use (ROU) assets and lease liabilities for leases with terms greater than 12 months on the statements of financial position. Lease liabilities are measured at the present value of future lease payments, discounted using a risk-free borrowing rate. ROU assets are initially measured at the amount of the lease liability. Lease expense is recognized on a straight-line basis over the lease term. The Prichard Committee elected not to recognize ROU assets and lease liabilities that arise from short-term (less than 12 months) or immaterial leases for any class of underlying asset and expenses payments as incurred.

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.

Revenue Recognition. 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.

Revenue is primarily derived from cost-reimbursable federal and state contracts and grants, which are conditional upon certain performance requirements and the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Prichard Committee has incurred expenditures in compliance with specific contract or grant provisions.

Allocation of Expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Accordingly, these expenses are allocated on a reasonable basis that is consistently applied from period to period. 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

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2025 and 2024

Expense	Method of Allocation
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 2021.

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.

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 subsequent events through August 31, 2026, the date the financial statements were available to be issued, and concluded that two subsequent events, as described in Note 15, occurred after the statement of financial position date and required disclosure but no adjustment to the financial statements.

2. Accounts Receivable and Grants Receivable

As of December 31, 2025 and 2024, accounts receivable and grants receivable consist of the following:

	<u>2025</u>	<u>2024</u>
Accounts receivable - members & individuals	\$ 13,822	\$ 19,280
Accounts receivable - vendor reimbursement	75,342	
Total accounts receivable	<u>\$ 89,164</u>	<u>\$ 19,280</u>
Grants receivable - Full-Service Community Schools	\$ 2,807,900	\$ 1,645,863
Grants receivable - Preschool Development	62,500	62,500
Grants receivable - Promise Neighborhood	39,350	
Grants receivable - miscellaneous		50,000
Total grants receivable	<u>\$ 2,909,750</u>	<u>\$ 1,758,363</u>

At December 31, 2025 and 2024, the Prichard Committee considers all accounts and grants receivable due in less than one year fully collectible; accordingly, no allowance for uncollectible receivables or grants was recorded. There were no conditional promises to give as of December 31, 2025 and 2024.

PRICHARD COMMITTEE FOR ACADEMIC EXCELLENCE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2025 and 2024

3. Property and Equipment

Property and equipment as of December 31, 2025 and 2024 are summarized as follows:

	<u>2025</u>	<u>2024</u>
Equipment	11,013	8,314
Furniture and fixtures	14,062	4,831
Total property and equipment	25,075	13,145
Accumulated depreciation	(14,803)	(12,923)
Net property and equipment	<u>\$ 10,272</u>	<u>\$ 222</u>

4. Leases - 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 at lease commencement. In addition, the Prichard Committee leased office equipment under an operating lease that was set to expire in August 2026 with no renewal option, which was replaced with a new office equipment lease signed May 30, 2025, with no stated renewal option. The new lease payment is \$803 per month. The risk-free rate of 4% was utilized to determine the present value of the liability at lease commencement. These leases are being amortized, using the straight line method, over the remaining life of the lease terms. Total lease costs for the years ending December 31, 2025 and 2024, were \$51,348 and \$56,627, respectively.

Activity of the right-of-use lease liabilities for the year ended December 31, 2025, is as follows:

	<u>Balance</u> <u>December 31, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2025</u>
Copier lease	\$ 19,576	\$ 43,424	\$ (23,530)	\$ 39,470
Office lease	70,999		(44,473)	26,526
	<u>\$ 90,575</u>	<u>\$ 43,424</u>	<u>\$ (68,003)</u>	<u>\$ 65,996</u>

Weighted Average Interest Rate 2.73%

Weighted Average Lease Term in Years 3.7

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

<u>Year</u>	<u>Amount</u>
2026	\$ 36,231
2027	9,631
2028	9,631
2029	9,631
2030	<u>4,815</u>
Total undiscounted cash flows	69,939
Less: present value discount	<u>(3,943)</u>
Total operating lease - right-of-use liabilities	<u><u>\$ 65,996</u></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, 2025 and 2024, the Prichard Committee's investments consist of cash and cash equivalents, fixed income, and exchange traded funds. Fixed income securities and exchange traded funds are valued using quoted market prices in active markets for identical assets. The investment portfolio is concentrated in exchange traded funds and is subject to market risk, including changes in market conditions that may affect the value of those investments.

Investments as of December 31, 2025 consist of the following:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 58,868	\$	\$	\$ 58,868
Fixed income	892,078			892,078
Exchange traded funds	<u>4,372,840</u>			<u>4,372,840</u>
Total investments	<u><u>\$ 5,323,786</u></u>	<u><u>\$</u></u>	<u><u>\$</u></u>	<u><u>\$ 5,323,786</u></u>

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Investments as of December 31, 2024 consist of the following:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 268,001	\$	\$	\$ 268,001
Fixed income	859,917			859,917
Exchange traded funds	<u>3,865,675</u>			<u>3,865,675</u>
Total investments	<u>\$ 4,993,593</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,993,593</u>

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 \$2,617,593 for the years ended December 31, 2025 and 2024.

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.

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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 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.

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 years ended December 31, 2025 and 2024 are as follows:

	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Endowment, January 1, 2025	\$ 2,376,000	\$ 2,617,593	\$ 4,993,593
Investment return:			
Investment income	105,819		105,819
Investment expenses	(38,204)		(38,204)
Net gain (loss)	<u>396,225</u>		<u>396,225</u>
Total investment gain	463,840		463,840
Stock contributions (at fair value)	<u>99,353</u>		<u>99,353</u>
Expenditures under spending policy	<u>(233,000)</u>		<u>(233,000)</u>
Endowment, December 31, 2025	<u><u>\$ 2,706,193</u></u>	<u><u>\$ 2,617,593</u></u>	<u><u>\$ 5,323,786</u></u>

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	Net Assets Without Restrictions	Net Assets With Restrictions	Total
Endowment, January 1, 2024	\$ 1,880,220	\$ 2,617,593	\$ 4,497,813
Investment return:			
Investment income	92,270		92,270
Investment expenses	(35,628)		(35,628)
Net gain (loss)	<u>439,138</u>		<u>439,138</u>
Total investment gain	495,780		495,780
Expenditures under spending policy			
Endowment, December 31, 2024	<u>\$ 2,376,000</u>	<u>\$ 2,617,593</u>	<u>\$ 4,993,593</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 months of operating expenses.

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 considered 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.

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As of December 31, 2025 and 2024, the following financial assets could readily be made available within one year of the financial statement of activities date to meet general expenditures:

	<u>2025</u>	<u>2024</u>
Financial Assets:		
Cash and cash equivalents	\$ 827,957	\$ 90,633
Accounts receivable	89,164	19,280
Grants receivable	2,909,750	1,758,363
Investments	<u>5,323,786</u>	<u>4,993,593</u>
Total financial assets	<u>9,150,657</u>	<u>6,861,869</u>
Less amounts not available to be used within one year:		
Investments held in endowment adjusted for amount available under spending policy (\$233,000 and \$219,218)	5,090,786	4,774,375
Accounts payable	3,078,095	1,402,141
Donor restricted net assets subject to purpose restrictions	100,000	196,709
Payroll-related liabilities	64,645	51,736
Accrued compensated absences	<u>49,489</u>	<u>40,565</u>
Financial assets not available to be used within one year	<u>8,383,015</u>	<u>6,465,526</u>
Financial assets available to meet general expenditures within one year	<u>\$ 767,642</u>	<u>\$ 396,343</u>

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 \$88,601 and \$83,483 on behalf of employees for the years ended December 31, 2025 and 2024, respectively.

9. Deferred Compensation Plan

The Prichard Committee adopted a deferred compensation plan in 2020 to 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 vested 20% on December 19 of each year and withdrew up to the 100% vested at the end of the five years. She used a portion or all of the \$15,000 funds each year for education purposes. The deferred compensation plan liability at December 31, 2025 and 2024 was \$0.

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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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purposes:		
Toyota	\$ 100,000	\$ 196,709
Total subject to expenditure for specified purposes	<u>100,000</u>	<u>196,709</u>
Subject to time restrictions:		
Knowledge Works		150,000
United Way of Greater Cincinnati		89,500
NAFSCE		5,072
Total subject to time restrictions:		<u>244,572</u>
Endowment funds not subject to spending or appropriation	<u>2,617,593</u>	<u>2,617,593</u>
Total net assets with donor restrictions	<u>\$ 2,717,593</u>	<u>\$ 3,058,874</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, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Satisfaction of purpose restrictions:		
U.S. Department of Education	\$ 15,860,433	\$ 7,195,050
Commonwealth of Kentucky	562,500	187,500
Toyota	96,709	13,291
Total satisfaction of purpose restrictions	<u>16,519,642</u>	<u>7,395,841</u>
Satisfaction of time restrictions:		
Knowledge Works	150,000	
Public Life Foundation	100,000	100,000
United Way of Greater Cincinnati	89,500	
Alliance for Early Education	75,000	75,000
The Education Trust	30,000	60,000
Toyota	25,000	25,000
Gheens Foundation	10,000	
Education Northwest	10,000	
NAFSCE	5,072	4,720
Steele Reese Foundation		5,505
Lift a Life Foundation		50,000
Total satisfaction of time restrictions	<u>494,572</u>	<u>320,225</u>
Total net assets released from donor restrictions	<u>\$ 17,014,214</u>	<u>\$ 7,716,066</u>

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11. Federal Grant Noncompliance and Related Liability

The Prichard Committee participates in federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to these programs are subject to review and adjustment; therefore, to the extent that the Prichard Committee has not complied with applicable requirements, refunds of amounts received may be required and the collectibility of related receivables at December 31, 2025 may be affected. At December 31, 2025, the Prichard Committee recorded a liability of \$349,687 in accounts payable related to noncompliance with the Full-Service Community Schools (FSCS) award.

12. Grant Termination and Litigation

The Prichard Committee was notified on December 12, 2025, that the FSCS grant awarded by the U.S. Department of Education was discontinued effective December 31, 2025 and the Prichard Committee was directed to cease incurring costs and to comply with federal grant closeout requirements. The discontinuation resulted in the loss of future funding under the award totaling approximately \$21.8 million of anticipated grant revenues, including approximately \$3 million of funds awarded for 2025 that had not yet been expended as of the termination date. The Prichard Committee formally requested reconsideration, which was denied by the U.S. Department of Education on December 29, 2025.

13. Concentrations of Credit Risk

For the years ended December 31, 2025 and 2024, approximately 90% and 85%, respectively, of the Prichard Committee's total revenues came from one federal grant that was discontinued effective December 31, 2025. In addition, for the years ended December 31, 2025 and 2024, approximately 98% and 94%, respectively, of the Prichard Committee's grants receivable came from two grants awarded by one federal agency.

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.

14. Financial Statement Reclassifications

Certain amounts presented in the 2024 financial statements have been reclassified to conform to the current year's presentation. The reclassifications do not affect the change in net assets or total net assets.

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15. Subsequent Events

Subsequent to December 31, 2025, the Prichard Committee joined with several entities, whose FSCS grants were also terminated, as described in Note 12, to sue the U.S. Department of Education challenging the discontinuation of the FSCS grants. This legal matter is being handled pro bono by the Democracy Forward Foundation (DFF). The Prichard Committee does not expect to incur significant costs related to participation in the lawsuit. Should attorneys' fees and/or court costs be recoverable from the opposing party, the Prichard Committee has agreed to assign the fees recovered to DFF. As of August 31, 2026 (the date the financial statements were available to be issued), the matter is under submission to the U.S. District Court for the District of Columbia. While a favorable outcome could result in reinstatement of funding or future awards, the ultimate outcome of this matter cannot presently be determined, and no amounts related to potential recoveries have been recognized in the accompanying financial statements.

In addition, subsequent to December 31, 2025, the Prichard Committee executed an amendment to its office lease extending the lease term through December 31, 2026. Management is evaluating its long-term office space needs, including the potential extension of the lease for additional terms beyond December 31, 2026.