THE HILL CENTER, INC.

D/B/A HILL LEARNING CENTER

Financial Statements

Year Ended June 30, 2024

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TJT
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Hill Center, Inc.
D/B/A Hill Learning Center
Durham, North Carolina

Opinion

We have audited the accompanying financial statements of The Hill Center, Inc. D/B/A Hill Learning Center (a non-profit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Hill Center, Inc. D/B/A Hill Learning Center as of June 30, 2024, and the changes in its net assets and its cash flows for the year 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Hill Center, Inc. D/B/A Hill Learning Center 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 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 Hill Center, Inc. D/B/A Hill Learning Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 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, 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 Hill Center, Inc. D/B/A Hill Learning Center'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 Hill Center, Inc. D/B/A Hill Learning Center'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.

Thomas, Judge & Tucker, P.A.

Raleigh, North Carolina
September 26, 2024

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2024

	Without Donor Restriction	With Donor Restriction	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 6,900,772	$ 2,106,189	$ 9,006,961
Tuition Receivable, Net	60,456		60,456
Other Accounts Receivable	63,675		63,675
Prepaid Expenses	129,209		129,209
Pledges Receivable - Current	7,008	384,480	391,488
Investments	3,554,512	12,862,850	16,417,362
Total Current Assets	10,715,632	15,353,519	26,069,151
Property and Equipment:			
Land	201,331		201,331
Land Improvements	50,000		50,000
Building and Improvements	9,577,240		9,577,240
Equipment	624,718		624,718
Furniture and Fixtures	380,291		380,291
	10,833,580		10,833,580
Less Accumulated Depreciation	4,619,361		4,619,361
Net Property and Equipment	6,214,219		6,214,219
Other Assets:			
Pledges Receivable - Long Term Portion, Net		93,148	93,148
Total Assets	$ 16,929,851	$ 15,446,667	$ 32,376,518

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2024
(Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts Payable	$ 342,832	$	$ 342,832
Accrued Salaries and Other Expenses	76,188		76,188
Revenue Bonds Payable - Current Portion	244,473		244,473
Deferred Revenue - Tuition and Fees	1,705,843		1,705,843
Deferred Revenue - Workshops	67,323		67,323
Total Current Liabilities	2,436,659		2,436,659
Noncurrent Liabilities:			
Revenue Bonds Payable, Net	1,901,526		1,901,526
Total Liabilities	4,338,185		4,338,185
Net Assets:			
Without Donor Restrictions:			
Undesignated	4,968,934		4,968,934
Designated by the Board	3,554,512		3,554,512
Investment in Plant, Net of Debt	4,068,220		4,068,220
With Donor Restrictions:			
Perpetual in Nature		7,763,139	7,763,139
Purpose and Time Restrictions		7,683,528	7,683,528
Total Net Assets	12,591,666	15,446,667	28,038,333
Total Liabilities and Net Assets	$ 16,929,851	$ 15,446,667	$ 32,376,518

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Student Programs:			
Tuition and Fees	$ 4,772,203	$	$ 4,772,203
Less: Financial Aid	522,537		522,537
Tuition and Fees, Net	4,249,666		4,249,666
Tutoring Revenue	755,355		755,355
Total Student Programs Revenue	5,005,021		5,005,021
Professional Development Revenues	959,571		959,571
Contributions	371,673	718,947	1,090,620
Investment Gains	778,433	1,745,621	2,524,054
Other Income	34,315		34,315
Total Revenue and Support	7,149,013	2,464,568	9,613,581
Net Assets Released from Restrictions	1,398,214	(1,398,214)	
Total Revenue and Net Assets Released from Restrictions	8,547,227	1,066,354	9,613,581
Program Expenses:			
Student Programs	4,908,565		4,908,565
Professional Development	1,286,016		1,286,016
Supporting Services:			
Administration	1,033,343		1,033,343
Fundraising	368,777		368,777
Total Expenses	7,596,701		7,596,701
Change in Net Assets	950,526	1,066,354	2,016,880
Net Assets, Beginning of Year	11,641,140	14,380,313	26,021,453
Net Assets, End of Year	$ 12,591,666	$ 15,446,667	$ 28,038,333

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2024

	Program					
	Student Programs	Professional Development	Total Program Support	Administration	Fundraising	Total
Salaries	$ 3,382,532	$ 734,921	$ 4,117,453	$ 493,500	$ 145,022	$ 4,755,975
Retirement Plan Contributions	156,329	33,527	189,856	23,302	7,048	220,206
Other Employee Benefits	292,918	41,986	334,904	95,610	3,750	434,264
Payroll Taxes	248,387	51,432	299,819	30,176	9,364	339,359
Accounting and Legal Fees	1,254		1,254	26,723		27,977
Advertising	25,001		25,001	34,154		59,155
Consulting and Contracted Services	12,325	250,398	262,723	60,671	124,852	448,246
Instructional and Office Supplies	39,859	4,970	44,829	5,501	235	50,565
Technology and Equipment	19,719	10,170	29,889	37,085		66,974
Business Systems and Tools	51,053	18,986	70,039	39,311	16,718	126,068
Travel	19,332	5,417	24,749	4,395		29,144
Employee Professional Development	28,412	3,457	31,869	20,820		52,689
Events and Meals	18,013	4,538	22,551	23,622	5,475	51,648
Dues and Subscriptions	17,575	1,729	19,304	1,606		20,910
Facilities Expense	42,724	5,909	48,633	11,309	2,441	62,383
Utilities and Maintenance	254,577	51,388	305,965	36,233	21,224	363,422
Telephone	25,498	8,350	33,848	2,781	1,629	38,258
Depreciation	223,369	45,088	268,457	31,792	18,622	318,871
Interest Expense	45,588	11,944	57,532	6,813	3,991	68,336
Miscellaneous	4,100	1,806	5,906	47,939	8,406	62,251
Total Expenses	$ 4,908,565	$ 1,286,016	$ 6,194,581	$ 1,033,343	$ 368,777	$ 7,596,701

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF CASH FLOWS
Year Ended June 30, 2024

Cash Flows from Operating Activities:		
Change in Net Assets	$	2,016,880
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		318,871
Amortization of Bond Issuance Costs		6,286
Net Realized and Unrealized Gains on Investments		(2,160,742)
Contributions Restricted for Long-Term Purposes		(30,911)
Changes in Assets and Liabilities that Provided (Used) Cash:		
Tuition Receivable, Net		15,728
Other Accounts Receivable		54,664
Prepaid Expenses		(52,213)
Pledges Receivable		274,885
Accounts Payable		26,710
Accrued Salaries and Other Expenses		(2,090)
Deferred Revenue - Tuition and Fees		9,334
Deferred Revenue - Workshops		(15,607)
Net Cash Provided by Operating Activities		461,795
Cash Flows from Investing Activities:		
Purchases of Property and Equipment		(226,789)
Net Investment Activity, Purchases of Investments and Proceeds from Sales of Investments		542,765
Net Cash Provided by Investing Activities		315,976
Cash Flows from Financing Activities:		
Contributions Restricted for Long-Term Purposes		30,911
Payments on Bonds Payable		(237,461)
Net Cash Used in Financing Activities		(206,550)
Increase in Cash and Cash Equivalents		571,221
Cash and Cash Equivalents, Beginning of Year		8,435,740
Cash and Cash Equivalents, End of Year	$	9,006,961
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	$	62,582

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2024

1. Summary of Significant Accounting Policies

Operations

Founded in 1977, The Hill Center, Inc. D/B/A Hill Learning Center ("Hill" or "Organization") offers student and educator programs grounded in equitable, research-based, differentiated instruction for students with learning and attention challenges. Through a range of student and educator programs, and strategic partnerships with leaders in the field, Hill aspires to ensure students with learning and attention challenges receive the instruction and support they need, regardless of where they attend school or whether they have a formal diagnosis. Hill is accredited by the Southern Association of Independent Schools. Hill is also approved by the North Carolina Department of Public Instruction as an "alternative" school for children with learning disabilities, and Hill's Professional Development Training Program is accredited by the International Multisensory Structured Language Education Council. In September 2018, the Organization was rebranded as Hill Learning Center.

Hill's revenues are primarily derived from the following programs:

Student Programs: Hill Learning Center has a range of programs for K-12 students with learning differences or attention challenges. All programs are differentiated, research-based, and focused on helping students develop the academic, organizational, and self-advocacy skills they need to succeed in school, and in life. Students attending Hill have been diagnosed as having a Learning Disability and/or Attention Deficit Disorder. Hill Summer and Hill Tutoring programs serve any student needing additional support in reading, writing, math, or executive functioning.

Professional Development: Hill Learning Center offers a range of in-person, online, and blended professional development experiences for educators, with a particular focus on reading, writing, math, executive function, and meeting the needs of students with learning differences and/or attention challenges.

Developed by Hill as the Hill Reading Achievement Program ("HillRAP"), 95 Percent Group, LLC ("95 PG") acquired HillRAP on December 21, 2022, and renamed the program 95 RAP. 95 RAP is an individualized, small group reading intervention designed for struggling readers who have been intervention resistant (see Note 2).

Financial Statement Presentation and Use of Estimates

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"). Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

In reporting in accordance with GAAP, Hill is required to report information regarding its financial position and activities according to the following net asset classifications:

1. Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation and Use of Estimates (Continued)

Net Assets without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Hill. These net assets may be used at the discretion of Hill's management and the Board of Directors.

Net Assets with Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Hill or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed into service. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash Equivalents
For purposes of the statements of financial position and cash flows, Hill considers short-term, highly liquid investments that are readily convertible to known amounts of cash with an original maturity at date of purchase of three months or less to be cash equivalents. Hill had cash equivalents of $8,610,742 at June 30, 2024.

Tuition Receivable
Tuition receivable represents uncollateralized enrollee obligations for tuition and fees, due within 30 days of the invoice date. Hill carries its tuition receivable at cost less an allowance for doubtful accounts. The allowance for doubtful accounts represents the Organization's estimate for losses resulting from the inability of customers to pay amounts due to the Organization. This estimated allowance is based on historical experience of uncollected accounts, the level of past due accounts, the overall level of outstanding tuition receivable, information about specific customers with respect to their inability to make payments and expectations of future conditions that could impact the collectability of accounts receivable. Future changes in the Organization's customers' operating performance and cash flows, or in general economic conditions, could have an impact on their ability to fully pay these amounts, which could have a material impact on the Organization's operating results. The allowance for doubtful accounts was $16,000 at June 30, 2024.

New Accounting Pronouncement
Effective July 1, 2023, the Company adopted provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Update ("ASU") 2016-13, Financial Instruments – Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments* ("ASC 326"), on a modified retrospective basis, which did not result in a cumulative-effect adjustment to the opening balance of net assets to be recognized on the date of adoption. ASC 326 requires the measurement of all expected credit losses for financial assets held at the reporting date is based on historical experience, current conditions, and reasonable and supportable forecasts.

1. Summary of Significant Accounting Policies (Continued)

Deferred Revenue – Tuition and Fees
Tuition collected in advance is recognized over the related school period. Prepaid observation and registration fees for professional development workshops collected in advance are recognized when the activity is completed.

Pledges Receivable
Contributions are recognized when the donor makes a pledge to give to Hill that is, in substance, unconditional. An allowance for uncollectible pledges is recorded based on an analysis of collection histories. Donor-restricted contributions are reported as increases in donor-restricted net assets. When a restriction expires, with donor-restricted net assets are reclassified to without donor-restricted net assets. Hill uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on historical collection rates and management's analysis of specific promises made.

Investments
Investments consist primarily of assets invested in marketable equity funds and fixed income funds. The Organization accounts for investments in accordance with FASB Accounting Standard Codification ("ASC") 958-320, *Accounting for Certain Investments Held By Not-for-Profit Organizations*. This standard requires that investments in equity funds with readily determinable fair value and all investments in fixed income funds be measured at fair value in the statement of financial position. Fair value of marketable equity funds and fixed income funds is based on quoted market prices. The realized and unrealized gain or loss on investments is reflected as investment returns in the statement of activities.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investments held in trust by others consist of the Hill's share of certain trusts for which Hill has an irrevocable right to the income from the trusts but will never receive any portion of the trusts' corpus.

Impairment of Assets
GAAP requires that long-lived assets and certain identifiable tangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of an asset may not be recoverable. There was no impairment loss recognized during the year ended June 30, 2024.

1. Summary of Significant Accounting Policies (Continued)

Property and Equipment

It is the policy of Hill to capitalize all long-lived assets, including those purchased in bulk, costing more than $5,000. Property and equipment purchased are recorded at cost at the date of acquisition or at the approximate fair market value at date of donation in the case of gifts. Improvements or betterments of a permanent nature are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets retired or otherwise disposed of, and the related accumulated depreciation, are eliminated from the accounts in the year of disposal. Gains or losses resulting from property disposals are credited or charged to operations upon disposal. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land Improvements	10 years
Building and Improvements	5 to 50 years
Equipment, Furniture and Fixtures	3 to 10 years

Depreciation expense for the year ended June 30, 2024 was $318,871.

Functional Allocations of Expenses

The statement of functional expenses reports certain categories of expenses that are attributable to one or more program or supporting functions of Hill. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. All other expenses are directly identified with either programs or in administration or fundraising.

These expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and Effort
Retirement Plan Contributions	Time and Effort
Other Employee Benefits	Time and Effort
Payroll Taxes	Time and Effort
Facilities Expense	Time and Effort
Utilities and Maintenance	Time and Effort
Telephone	Time and Effort
Depreciation	Time and Effort
Interest Expense	Time and Effort

Advertising

Advertising costs are expensed as incurred. Advertising expense was $59,155 for the year ended June 30, 2024.

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

Hill is exempt from income taxes as a not-for-profit organization under Internal Revenue Service ("IRS") code section 501(c)(3). During the year ended June 30, 2024, Hill reported no unrelated business taxable income which is defined by the IRS as gross income derived from any unrelated trade or business that is not substantially related to the organization's tax-exempt purpose. Accordingly, no provision for income taxes has been recorded.

Hill adopted the provisions of FASB ASC 740, *Accounting for Uncertainty in Income Taxes*. Under this provision, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not the position will be sustained. The implementation had no impact on Hill's financial statements. Hill does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. Hill is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax years in progress. At June 30, 2024, Hill had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Revenue Recognition

Hill accounts for revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*, in the related school period. At the inception of each contract with a customer, Hill determines the performance obligations under the contract and the contract's transaction price. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is defined as the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied.

The majority of Hill's contracts have a single performance obligation as the promise to transfer services is not separately identifiable from other promises in the contracts and is, therefore, not distinct. Hill's performance obligations are satisfied over time as work progresses based on the transfer of control of services to its customers.

Tuition and Fees

Hill entered into contracts with families to provide highly differentiated instruction to their students who have specific learning differences or attention deficit disorders and guide them to develop into confident, independent thinkers. Hill offers a half-day program to students in grades first through twelfth during the school year and a five-week program of daily instruction in reading, writing, and math in rising first through eighth grades during the summer. Revenues from these services are recognized over time as the year progresses and Hill satisfies the performance obligation.

Tutoring Revenue

Hill entered into contracts with families and schools to provide individual tutoring and small-group classes that are built upon research, individualized instruction, and successful teaching techniques. Revenues from these services are recognized over time as the tutoring services commence and invoices are submitted to families and schools at the agreed upon tutoring rate and Hill satisfies the performance obligation.

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)
Professional Development
Hill entered into contracts with districts, schools and educators to provide a range of online, self-paced, and blended professional development experiences, with a particular focus on reading, writing, math, executive function, and meeting the needs of students with learning differences and/or attention challenges. Revenues from these services are recognized over time as the services commence and invoices are submitted to the districts, schools, or educators at the agreed upon rate and Hill satisfies the performance obligation.

Contract Balances
Billed receivables (accounts receivable) are the result of revenue recognition, billings, and timing of payment receipts. Billed receivables represent unconditional rights to consideration under the terms of the contract and include amounts billed and currently due to Hill. Contract liabilities (deferred revenue) are recorded when Hill receives cash payments in advance of Hill satisfying performance obligations under the contractual agreements.

2. 95 RAP

Effective December 21, 2022, Hill entered into an Asset Purchase Agreement ("APA") with 95 PG where Hill sold to the 95 PG certain assets related to HillRAP. The purchased assets include (i) Hill's right, title and interest in and to client arrangements, lists and relationships outlined in the APA, (ii) written and oral contracts, agreements, licenses, arrangements, or understandings outlined in the APA and subject to the Transition Services Agreement ("TSA"), (iii) personal property set forth in the APA, (iv) trade names, trademarks, logos, domain names, websites, and other intangible assets outlined in the APA, and (v) accounts receivable and prepaid items related to the purchased assets, excluding certain clients outlined in the APA.

Effective December 21, 2022, pursuant to the APA, Hill entered into a TSA with the 95 PG through December 21, 2023, where, Hill will provide to 95 PG continued access to, and the use and benefit of, certain information technology services and other business and advisory services, which are outlined in the TSA. Hill recognized $164,653 of revenue during the year ended June 30, 2024, in accordance with the TSA which has been recorded in professional development revenue in the accompanying statement of activities.

Effective December 21, 2022, pursuant to the APA, Hill entered into a Perpetual License Agreement ("PLA") with the 95 PG where the 95PG granted Hill a perpetual license to HillRAP, renamed 95 RAP and future enhanced versions of 95 RAP and related training content and instructional resources for a split fee structure outlined in the PLA. Hill can continue to deliver 95 RAP subscription licenses, professional development, coaching, and implementation services to certain clients outlined in the APA.

2. 95 RAP (Continued)

Effective on July 20, 2023, pursuant to the APA, Hill entered into a Reseller Agreement ("RA") with 95 PG which furthered outlined the commercial terms and split fee structure associated with the delivery of 95 RAP subscription licenses, professional development, coaching, and implementation services to certain clients outlined in the RA. The RA was amended on January 29, 2024. Hill paid $164,021 to 95 PG during the year ended June 30, 2024, in accordance with the RA which has been recorded as an offset to professional development revenue in the accompanying statement of activities.

3. Availability and Liquidity

The following represents Hill's financial assets as of June 30, 2024:

Financial Assets at Year-End:	
Cash and Cash Equivalents	$ 9,006,961
Tuition Receivable, Net	60,456
Other Accounts Receivable	63,675
Pledges Receivable – Current	391,488
Investments	16,417,362
Total Financial Assets	25,939,942
Less Amounts not Available to Meet General Expenditures over the Next Twelve Months:	
Net Assets with Donor Restrictions	(7,590,380)
Board-Designated Funds	(3,554,512)
Perpetual Endowments	(7,763,139)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 7,031,911

Hill's board-designated funds of $3,554,512 as of June 30, 2024 is subject to the Board's spending policy. Although the Organization does not intend to spend from this board-designated fund (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

Hill has a formal liquidity policy, whereas the total target minimum for the liquidity fund and Board-designated operating reserves is equal to three months of average recurring operating costs, of which there should be a minimum of two months of average recurring operating costs in the liquidity fund.

4. Concentration of Credit Risk

Hill occasionally maintains deposits in excess of federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporations up to $250,000. FASB ASC 825, *Financial Instruments*, identifies these items as a concentration of credit risk requiring disclosure, regardless of risk. The uninsured balance at June 30, 2024 was $8,393,887. The risk is managed by maintaining all deposits in high quality financial institutions.

The Organization's operations and revenues are concentrated in the North Carolina Triangle area. Adverse conditions in the Triangle area could affect Hill's financial condition and results of operations.

5. Pledges Receivable

Pledges receivable represent unconditional pledges from various organizations and individuals. Pledges are recorded after discounting to the present value of the future cash flows using a discount rate of 5% for the year ended June 30, 2024.

Pledges receivable at June 30, 2024 are as follows:

Receivable in Less Than One Year	$ 391,488
Receivable in More Than One year	103,000
	494,488
Less Discounts to Present Value	(4,950)
Less Allowance for Doubtful Pledges	(4,902)
	$ 484,636

6. Investments

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Investment Gains (Losses), Net of Fees of $42,366	$ 363,602	$ (290)	$ 363,312
Realized and Unrealized Gains	414,831	1,745,911	2,160,742
	$ 778,433	$ 1,745,621	$ 2,524,054

6. Investments (Continued)

The composition of investments at June 30, 2024 is as follows:

Equity Funds	$ 6,719,209
Fixed Income Funds	3,416,832
Investments in Trusts Held by Outside Agencies	6,281,321
	$ 16,417,362

7. Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Hill believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

7. Fair Value Measurements (Continued)

The following tables set forth the level within the fair value hierarchy, Hill Learning Center's investments at fair value as of June 30, 2024:

	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
Investments in Trusts:		
Equity Funds	$ 4,844,360	$ 4,844,360
Fixed Income Funds	1,386,544	1,386,544
U.S. Treasuries Funds	50,417	50,417
Total Assets in Fair Value Hierarchy	6,281,321	6,281,321
Investments Measured at Net Asset Value		10,136,041
Investments at Fair Value	$ 6,281,321	$ 16,417,362

8. Endowment Fund

Hill's endowment consists of twenty-three individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In accordance with the Uniform Prudent and Management of Institutional Funds Act ("UPMIFA"), Hill has exercised prudence and appropriate care, and its investment actions and decisions are based solely on the best interests of Hill Learning Center. Hill has managed its funds as a prudent investor would, in light of the purposes, scope, objectives and other relevant circumstances. UPMIFA requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of Hill's investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to Hill. In making and implementing investment decisions, Hill has a duty to diversify the investments unless, under special circumstances, the purposes of Hill Learning Center are better served without diversifying.

8. Endowment Fund (Continued)

Endowment net assets as of June 30, 2024 consist of the following:

	With Donor Restriction
Donor Restricted Endowment Funds:	
Accumulated Investment Gains	$ 5,099,911
Funds to be Kept in Perpetuity	7,763,139
Total	$ 12,863,050

Changes in the endowment net assets for the year ended June 30, 2024 are as follows:

	With Donor Restriction
Endowment Fund Net Assets, June 30, 2023	$ 11,485,778
Contributions	30,911
Investment Returns	1,745,621
Appropriation of Endowment Assets for Expenditure	(399,260)
Endowment Fund Net Assets, June 30, 2024	$ 12,863,050

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below what the donor requires Hill Learning Center to retain as funds in perpetuity. Deficiencies of this nature result from unfavorable market fluctuations and would be included in purpose restricted net assets. As of June 30, 2024, there were no deficiencies.

Hill has adopted investment and spending policies where the objective is to preserve and enhance the purchasing power of its investment portfolio over time and to provide a dependable source of income for current operations, as needed. Under this policy, the endowment assets are invested in an allocation of approximately 50 - 90% equity exposure, 0 – 40% diversifying strategies exposure, and 10 - 40% in fixed income exposure.

It is the long-term policy of Hill to annually withdraw and transfer to the operating budget 4.5% of a trailing three-year average of the endowment's market value. At the Board's discretion, for certain periods the spending rate may be set higher or lower than 4.5%, however, under no circumstances will the spending rate be higher than 6.5%, while the minimum spending rate is 0%.

9. Revenue Bonds Payable

In March 2008, Hill issued revenue bonds in the amount of $5,000,000 to finance the construction of a new building, improvements to the existing building, and purchase of equipment. In August 2017, Hill refinanced its revenue bonds payable with a new lender. The revenue bonds were refinanced for $3,700,000, with monthly payments of $25,003, at a fixed interest rate of 2.69%, secured by a deed of trust on the land and building; and maturing in August 2032. The balance of revenue bonds payable, net of bond issuance costs, at June 30, 2024 was $2,145,999.

Future maturities of the revenue bonds payable are as follows:

Years Ending June 30	Amount
2025	$ 244,473
2026	251,131
2027	257,971
2028	264,996
2029	272,213
Thereafter	906,548
Less: Unamortized Bond Issuance Costs	(51,333)
	$ 2,145,999

The revenue bonds agreement provides for certain restrictive covenants. At June 30, 2024, these covenants have been met. The revenue bond is secured by assets with a carrying value of $6,000,449 at June 30, 2024.

10. Designated Net Assets

Designated net assets are those funds that the Board of Directors has set aside for the following purposes as of June 30, 2024:

Operating Reserves	$ 1,346,146
Capital Reserves	1,558,264
Financial Aid	650,102
	$ 3,554,512

11. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes as follows:

Subject to Expenditure for Specified Purpose:	
Professional Development	$ 274,070
Student Financial Aid	1,469,916
Tutoring Revenue	79,606
Research, Development and Technology	197,490
Furthering Access	50,000
Student Programs	5,139
General Operating	8,575
Other	21,275
	2,105,989
Subject to the Passage of Time:	
Promises to Give that May be Restricted by Donors, Which are Unavailable for Expenditure Until Due	477,628
Endowments:	
Subject to Appropriation and Expenditure when a Specified Event Occurs:	
Restricted by Donors for:	
Available for General Use	2,493,722
Student Financial Aid and Scholarships	1,805,739
Faculty Development	768,890
Student Programs	31,560
	5,099,911
Endowments:	
Subject to Endowment Spending Policy and Appropriation:	
Available for General Use	5,435,606
Student Financial Aid and Scholarships	1,742,188
Faculty Development	517,231
Student Programs	68,114
	7,763,139
Total Endowments	12,863,050
	$ 15,446,667

11. Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2024:

Satisfaction of Purpose Restrictions:	
Professional Development	$ 455,646
General Operating	546,716
Tutoring Revenue	43,590
Student Financial Aid	257,480
Student Programs	403
Research, Development and Technology	14,749
Furthering Access	55,000
Other	24,630
Total	$ 1,398,214

12. Employee Retirement Plan

Hill participates in a multi-employer defined contribution retirement plan for all of its employees. Employees are eligible to defer and contribute a portion of their compensation to the plan. Hill matches the employees' contributions from 5% to 7.5% of gross salary, based on years of service. Total employer matching contributions expense for the year ended June 30, 2024 was $220,206.

13. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 26, 2024, which is the date the financial statements were available to be issued.