THE HILL CENTER, INC.

D/B/A HILL LEARNING CENTER

Financial Statements

Year Ended June 30, 2025

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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, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2025, 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, Judy & Tucker, P.A.

Raleigh, North Carolina
September 30, 2025

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2025

	Without Donor Restriction	With Donor Restriction	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 7,161,245	$ 2,242,076	$ 9,403,321
Tuition Receivable, Net	70,939		70,939
Other Accounts Receivable	34,242		34,242
Prepaid Expenses	80,555		80,555
Pledges Receivable - Current	7,160	471,353	478,513
Investments	3,860,491	13,948,238	17,808,729
Total Current Assets	11,214,632	16,661,667	27,876,299
Property and Equipment:			
Land	201,330		201,330
Land Improvements	50,000		50,000
Building and Improvements	9,747,527		9,747,527
Equipment	649,289		649,289
Furniture and Fixtures	381,621		381,621
	11,029,767		11,029,767
Less Accumulated Depreciation	4,928,100		4,928,100
Net Property and Equipment	6,101,667		6,101,667
Other Assets:			
Pledges Receivable - Long Term Portion, Net		339,660	339,660
Total Assets	$ 17,316,299	$ 17,001,327	$ 34,317,626

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2025
(Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts Payable	$ 290,208	$	$ 290,208
Accrued Salaries and Other Expenses	142,863		142,863
Revenue Bonds Payable - Current Portion	251,131		251,131
Deferred Revenue - Tuition and Fees	1,520,052		1,520,052
Deferred Revenue - Workshops	59,356		59,356
Total Current Liabilities	2,263,610		2,263,610
Noncurrent Liabilities:			
Revenue Bonds Payable, Net	1,657,227		1,657,227
Total Liabilities	3,920,837		3,920,837
Net Assets:			
Without Donor Restrictions:			
Undesignated	5,341,661		5,341,661
Designated by the Board	3,860,491		3,860,491
Investment in Plant, Net of Debt	4,193,310		4,193,310
With Donor Restrictions:			
Perpetual in Nature		7,780,112	7,780,112
Purpose and Time Restrictions		9,221,215	9,221,215
Total Net Assets	13,395,462	17,001,327	30,396,789
Total Liabilities and Net Assets	$ 17,316,299	$ 17,001,327	$ 34,317,626

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Student Programs:			
Tuition and Fees	$ 5,013,250	$	$ 5,013,250
Less: Financial Aid	575,255		575,255
Tuition and Fees, Net	4,437,995		4,437,995
Tutoring Revenue	824,858		824,858
Total Student Programs Revenue	5,262,853		5,262,853
Professional Learning Revenues	418,411		418,411
Contributions and Grants	668,940	1,377,050	2,045,990
Investment Gains	737,994	1,472,199	2,210,193
Other Income	34,860		34,860
Total Revenue and Support	7,123,058	2,849,249	9,972,307
Net Assets Released from Restrictions	1,294,588	(1,294,588)	
Total Revenue and Net Assets Released from Restrictions	8,417,646	1,554,661	9,972,307
Program Expenses:			
Student Programs	5,406,824		5,406,824
Professional Learning	907,340		907,340
Supporting Services:			
Administration	797,880		797,880
Fundraising	501,806		501,806
Total Expenses	7,613,850		7,613,850
Change in Net Assets	803,796	1,554,661	2,358,457
Net Assets, Beginning of Year	12,591,666	15,446,666	28,038,332
Net Assets, End of Year	$ 13,395,462	$ 17,001,327	$ 30,396,789

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2025

	Program					
	Student Programs	Professional Learning	Total Program Support	Administration	Fundraising	Total
Salaries	$ 3,768,428	$ 459,085	$ 4,227,513	$ 353,710	$ 335,018	$ 4,916,241
Retirement Plan Contributions	161,690	25,600	187,290	18,188	12,764	218,242
Other Employee Benefits	314,400	30,506	344,906	98,914	9,571	453,391
Payroll Taxes	276,366	33,370	309,736	24,375	23,120	357,231
Accounting and Legal Fees	366	2,870	3,236	33,075		36,311
Advertising	22,525		22,525	36,917		59,442
Consulting and Contracted Services	54,473	193,927	248,400	10,909	32,071	291,380
Instructional and Office Supplies	24,625	4,641	29,266	6,810	81	36,157
Technology and Equipment	28,693		28,693	21,943		50,636
Business Systems and Tools	51,458	19,425	70,883	50,207	14,187	135,277
Travel	7,495	4,935	12,430	4,505	214	17,149
Employee Professional Development	32,587	5,986	38,573	7,870	165	46,608
Events and Meals	24,447	6,398	30,845	16,543	2,781	50,169
Dues and Subscriptions	16,966	1,158	18,124	1,628		19,752
Facilities Expense	43,506	5,886	49,392	9,569	3,114	62,075
Utilities and Maintenance	286,533	55,901	342,434	34,247	29,575	406,256
Telephone	25,941	6,599	32,540	2,632	2,273	37,445
Depreciation	220,237	42,967	263,204	26,324	22,733	312,261
Interest Expense	44,645	7,492	52,137	5,214	4,503	61,854
Miscellaneous	1,443	594	2,037	34,300	9,636	45,973
Total Expenses	$ 5,406,824	$ 907,340	$ 6,314,164	$ 797,880	$ 501,806	$ 7,613,850

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF CASH FLOWS
Year Ended June 30, 2025

Cash Flows from Operating Activities:		
Change in Net Assets	$	2,358,457
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		312,261
Amortization of Bond Issuance Costs		6,285
Net Realized and Unrealized Gains on Investments		(1,862,111)
Contributions Restricted for Long-Term Purposes		(16,973)
Changes in Assets and Liabilities that Provided (Used) Cash:		
Tuition Receivable, Net		(10,483)
Other Accounts Receivable		29,433
Prepaid Expenses		48,654
Pledges Receivable		(333,537)
Accounts Payable		(52,624)
Accrued Salaries and Other Expenses		66,675
Deferred Revenue - Tuition and Fees		(185,791)
Deferred Revenue - Workshops		(7,967)
Net Cash Provided by Operating Activities		352,279
Cash Flows from Investing Activities:		
Purchases of Property and Equipment		(199,710)
Net Investment Activity, Purchases of Investments and Proceeds from Sales of Investments		470,744
Net Cash Provided by Investing Activities		271,034
Cash Flows from Financing Activities:		
Contributions Restricted for Long-Term Purposes		16,973
Payments on Bonds Payable		(243,926)
Net Cash Used in Financing Activities		(226,953)
Increase in Cash and Cash Equivalents		396,360
Cash and Cash Equivalents, Beginning of Year		9,006,961
Cash and Cash Equivalents, End of Year	$	9,403,321
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	$	56,116

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2025

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. Hill supports students, educators, and families with research-based, culturally relevant programs designed to meet the needs of students with learning differences, attention challenges, gaps in foundational academic skills, and difficulties with executive function. 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 Learning 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 serves students in grades K-12 through school, summer, and tutoring programs at Hill and in local schools. Students receive individualized, research-based instruction in reading, writing, math, and executive function skills. Programs focus on helping students develop the academic, organizational, self-advocacy, and social-emotional 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 Learning: Hill Learning Center offers virtual and in-person educator professional learning opportunities for K-12 teachers and schools, providing an understanding of learning disabilities and ADHD and the instructional strategies and tools teachers need to deliver research-based instruction and intervention in reading, writing, math, and executive function skills.

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 $9,026,844 at June 30, 2025.

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 credit loss. The allowance for credit loss 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 credit loss was $16,000 at June 30, 2025. Tuition receivable as of July 1, 2024 was $76,456.

Deferred Revenue – Tuition and Fees
Tuition collected in advance is recognized over the related school period. Prepaid coaching and registration fees for professional learning workshops collected in advance are recognized when the activity is completed. Deferred revenue as of July 1, 2024 was $1,705,843.

1. Summary of Significant Accounting Policies (Continued)

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 Financial Accounting Standards Board ("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, 2025.

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, 2025 was $312,261.

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 $59,442 for the year ended June 30, 2025.

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, 2025, 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, 2025, 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 Learning
Hill entered into contracts with districts, schools and educators to provide a range of online, self-paced, and blended professional learning 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, under which Hill sold certain assets related to HillRAP. The purchased assets include: (i) Hill's rights, title, and interest in client arrangements, lists, and relationships as outlined in the APA; (ii) written and oral contracts, agreements, licenses, and understandings subject to the APA; (iii) personal property specified in the APA; (iv) trade names, trademarks, logos, domain names, websites, and other intangible assets; and (v) accounts receivable and prepaid items related to the purchased assets, excluding certain clients identified in the APA.

Additionally, Hill entered into a Perpetual License Agreement ("PLA") with 95 PG, granting Hill a perpetual license to HillRAP renamed 95 RAP and future enhanced versions of 95 RAP, along with related training content and instructional resources. The PLA outlines a split fee structure. Hill retains the ability to deliver 95 RAP subscription licenses, professional learning, coaching, and implementation services to certain clients identified in the APA.

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 learning, coaching, and implementation services to certain clients outlined in the RA. The RA was amended on January 29, 2024. Hill paid $124,879 to 95 PG during the year ended June 30, 2025, in accordance with the RA which has been recorded as an offset to professional learning revenue in the accompanying statement of activities.

3. North Carolina State Education Assistance Authority Programs ("NCSEAA")

Hill participates in the Opportunity Scholarship "Opportunity" and Education Student Accounts ("ESA+") Scholarship Programs which is administered by the North Carolina State Education Assistance Authority ("NCSEAA"). Families apply for the Opportunity and ESA+ scholarships and if awarded, they use these funds to pay for school tuition and fees. Hill has registered with NCSEAA to be a direct payment school and receives payments on behalf of Opportunity and ESA+ scholarship recipients. During the year ended June 30, 2025, Hill received $300,199 in Opportunity scholarships and $486,500 in ESA+ scholarships.

4. Extended Learning and Integrated Student Supports ("ELISS") Grant Program

In March 2024, Hill was notified that it was eligible to receive grants from the NC Department of Public Instructions ("NCDPI") as part of the 2023-2025 Extended Learning and Integrated Student Supports ("ELISS") Competitive Grant Program. During the year ended June 30, 2025, the ELISS grant funded the Literacy Intervention Tutoring (LIT) program, which provided intensive (Tier 3), individualized, evidence-based reading intervention to at-risk students in predominantly low-performing schools that serve above-average percentages of economically disadvantaged students and English learners. Hill received and recognized $306,548 of revenue from the ELISS grant during the year ended June 30, 2025, which has been recorded in contributions and grants in the accompanied statement of activities.

5. Availability and Liquidity

The following represents Hill's financial assets as of June 30, 2025:

Financial Assets at Year-End:	
Cash and Cash Equivalents	$ 9,403,321
Tuition Receivable, Net	70,939
Other Accounts Receivable	34,242
Pledges Receivable – Current	478,513
Investments	17,808,729
Total Financial Assets	27,795,744
Less Amounts not Available to Meet General Expenditures over the Next Twelve Months:	
Net Assets with Donor Restrictions	(8,881,555)
Board-Designated Funds	(3,860,491)
Perpetual Endowments	(7,780,112)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 7,273,586

5. Availability and Liquidity (Continued)

Hill's board-designated funds of $3,860,491 as of June 30, 2025 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.

6. 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, 2025 was $8,805,254. 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.

7. 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, 2025.

Pledges receivable at June 30, 2025 are as follows:

Receivable in Less Than One Year	$ 478,513
Receivable in More Than One year	383,232
	861,745
Less Discounts to Present Value	(25,695)
Less Allowance for Doubtful Pledges	(17,877)
	$ 818,173

8. Investments

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2025:

	Without Donor Restriction	With Donor Restriction	Total
Investment Gains, Net of Fees of $28,924	$ 338,885	$ 9,197	$ 348,082
Realized and Unrealized Gains	399,109	1,463,002	1,862,111
	$ 737,994	$ 1,472,199	$ 2,210,193

The composition of investments at June 30, 2025 is as follows:

Equity Funds	$ 7,640,715
Fixed Income Funds	3,552,163
Investments in Trusts Held by Outside Agencies	6,615,851
	$ 17,808,729

9. 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.

9. Fair Value Measurements (Continued)

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.

The following tables set forth the level within the fair value hierarchy, Hill Learning Center's investments at fair value as of June 30, 2025:

	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
Investments in Trusts:		
Equity Funds	$ 5,180,261	$ 5,180,261
Fixed Income Funds	1,220,691	1,220,691
U.S. Treasuries Funds	214,900	214,900
Total Assets in Fair Value Hierarchy	6,615,852	6,615,852
Investments Measured at Net Asset Value		11,192,877
Investments at Fair Value	$ 6,615,852	$ 17,808,729

10. 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.

10. Endowment Fund (Continued)

Endowment net assets as of June 30, 2025 consist of the following:

	With Donor Restriction
Donor Restricted Endowment Funds:	
Accumulated Investment Gains	$ 6,168,126
Funds to be Kept in Perpetuity	7,780,112
Total	$ 13,948,238

Changes in the endowment net assets for the year ended June 30, 2025 are as follows:

	With Donor Restriction
Endowment Fund Net Assets, June 30, 2024	$ 12,863,050
Contributions	16,973
Investment Returns	1,472,199
Appropriation of Endowment Assets for Expenditure	(403,984)
Endowment Fund Net Assets, June 30, 2025	$ 13,948,238

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, 2025, 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%.

11. 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, 2025 was $1,908,358.

Future maturities of the revenue bonds payable are as follows:

Years Ending June 30	Amount
2026	$ 251,131
2027	257,971
2028	264,996
2029	272,213
2030	279,627
Thereafter	627,468
Less: Unamortized Bond Issuance Costs	(45,048)
	$ 1,908,358

The revenue bonds agreement provides for certain restrictive covenants. At June 30, 2025, these covenants have been met. The revenue bond is secured by assets with a carrying value of $5,952,452 at June 30, 2025.

12. 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, 2025:

Operating Reserves	$ 1,468,464
Capital Reserves	1,691,442
Financial Aid	700,585
	$ 3,860,491

13. Net Assets with Donor Restrictions

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

Subject to Expenditure for Specified Purpose:		
Tutoring	$	223,147
Student Financial Aid		1,572,143
Professional Learning		165,583
Research, Development and Technology		250,648
Student Programs		5,422
General Operating		8,575
Other		16,558
		2,242,076
Subject to the Passage of Time:		
Promises to Give that May be Restricted by Donors, Which are Unavailable for Expenditure Until Due		811,013
Endowments:		
Subject to Appropriation and Expenditure when a Specified Event Occurs:		
Restricted by Donors for:		
Available for General Use		3,048,981
Student Financial Aid and Scholarships		2,132,653
Faculty Development		941,151
Student Programs		45,341
		6,168,126
Endowments:		
Subject to Endowment Spending Policy and Appropriation:		
Available for General Use		5,435,606
Student Financial Aid and Scholarships		1,749,288
Faculty Development		517,331
Student Programs		77,887
		7,780,112
Total Endowments		13,948,238
	$	17,001,327

13. 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, 2025:

Satisfaction of Purpose Restrictions:	
Professional Learning	$ 159,167
General Operating	454,313
Tutoring	112,310
Student Financial Aid	354,755
Research, Development and Technology	205,101
Other	8,943
Total	$ 1,294,588

14. 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, 2025 was $218,243.

15. 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 30, 2025, which is the date the financial statements were available to be issued.