THE HILL CENTER, INC.

D/B/A HILL LEARNING CENTER

Financial Statements

Year Ended June 30, 2026

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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, 2026, 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, 2026, 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 auditors' 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 29, 2026

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 7,421,993	$ 2,339,645	$ 9,761,638
Tuition Receivable, Net	73,291		73,291
Other Accounts Receivable	60,959		60,959
Prepaid Expenses	127,578		127,578
Pledges Receivable - Current Portion	482	345,732	346,214
Investments	4,326,666	15,698,985	20,025,651
Total Current Assets	12,010,969	18,384,362	30,395,331
Property and Equipment:			
Land	201,331		201,331
Land Improvements	50,000		50,000
Building and Improvements	9,808,731		9,808,731
Equipment	610,228		610,228
Furniture and Fixtures	381,134		381,134
Work in Progress	317,415		317,415
	11,368,839		11,368,839
Less Accumulated Depreciation	5,058,840		5,058,840
Net Property and Equipment	6,309,999		6,309,999
Other Assets:			
Pledges Receivable - Long-Term Portion, Net		118,283	118,283
Total Assets	$ 18,320,968	$ 18,502,645	$ 36,823,613

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF FINANCIAL POSITION
June 30, 2026
(Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts Payable	$ 442,914	$	$ 442,914
Accrued Salaries and Other Expenses	89,733		89,733
Revenue Bond Payable - Current Portion	257,971		257,971
Deferred Revenue - Tuition and Fees	1,733,267		1,733,267
Deferred Revenue - Workshops	69,350		69,350
Total Current Liabilities	2,593,235		2,593,235
Noncurrent Liabilities:			
Revenue Bond Payable, Long-Term Portion, Net	1,406,103		1,406,103
Total Liabilities	3,999,338		3,999,338
Net Assets:			
Without Donor Restrictions:			
Undesignated	5,349,039		5,349,039
Designated by the Board	4,326,666		4,326,666
Investment in Plant, Net of Debt	4,645,925		4,645,925
With Donor Restrictions:			
Perpetual in Nature		7,792,270	7,792,270
Purpose and Time Restrictions		10,710,375	10,710,375
Total Net Assets	14,321,630	18,502,645	32,824,275
Total Liabilities and Net Assets	$ 18,320,968	$ 18,502,645	$ 36,823,613

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF ACTIVITIES
Year Ended June 30, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:			
Student Programs:			
Tuition and Fees	$ 5,219,223	$	$ 5,219,223
Less: Financial Aid	564,520		564,520
Tuition and Fees, Net	4,654,703		4,654,703
Tutoring Revenue	943,951		943,951
Total Student Programs	5,598,654		5,598,654
Professional Learning Revenues	500,340		500,340
Contributions	312,652	520,997	833,649
Investment Gains	758,787	2,154,697	2,913,484
Other Income	17,645		17,645
Total Revenue and Support	7,188,078	2,675,694	9,863,772
Net Assets Released from Restrictions	1,174,376	(1,174,376)	
Total Revenue, Support and Net Assets Released from Restrictions	8,362,454	1,501,318	9,863,772
Program Expenses:			
Student Programs	5,445,535		5,445,535
Professional Learning	776,361		776,361
Supporting Services:			
Administration	758,178		758,178
Fundraising	456,212		456,212
Total Expenses	7,436,286		7,436,286
Change in Net Assets	926,168	1,501,318	2,427,486
Net Assets, Beginning of Year	13,395,462	17,001,327	30,396,789
Net Assets, End of Year	$ 14,321,630	$ 18,502,645	$ 32,824,275

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2026

	Program					
	Student Programs	Professional Learning	Total Program Support	Administration	Fundraising	Total
Salaries	$ 3,827,905	$ 487,216	$ 4,315,121	$ 327,734	$ 317,608	$ 4,960,463
Retirement Plan Contributions	168,185	25,785	193,970	14,673	14,254	222,897
Other Employee Benefits	340,292	42,114	382,406	80,876	13,796	477,078
Payroll Taxes	272,262	45,490	317,752	22,608	22,592	362,952
Accounting and Legal Fees				43,582		43,582
Advertising	26,473		26,473	42,951		69,424
Consulting and Contracted Services	500	25,686	26,186	1,995	14,629	42,810
Instructional and Office Supplies	31,181	2,151	33,332	4,326	80	37,738
Technology and Equipment	21,213		21,213	25,024		46,237
Business Systems and Tools	50,697	19,685	70,382	55,452	13,782	139,616
Travel	3,556	2,747	6,303	5,519	499	12,321
Employee Professional Development	14,201	3,225	17,426	2,658	89	20,173
Events and Meals	22,462	6,465	28,927	18,078	875	47,880
Dues and Subscriptions	17,420	2,388	19,808	2,058		21,866
Facilities Expense	38,204	4,630	42,834	9,500	2,243	54,577
Utilities and Maintenance	316,994	53,880	370,874	33,724	26,100	430,698
Telephone	22,828	6,957	29,785	2,251	1,742	33,778
Depreciation	208,937	35,514	244,451	22,228	17,203	283,882
Interest Expense	41,599	5,931	47,530	4,322	3,345	55,197
Miscellaneous	20,626	6,497	27,123	38,619	7,375	73,117
Total Expenses	$ 5,445,535	$ 776,361	$ 6,221,896	$ 758,178	$ 456,212	$ 7,436,286

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
STATEMENT OF CASH FLOWS
Year Ended June 30, 2026

Cash Flows from Operating Activities:		
Change in Net Assets	$	2,427,486
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		283,882
Amortization of Bond Issuance Costs		6,285
Net Realized and Unrealized Gains on Investments		(2,607,949)
Contributions Restricted for Long-Term Purposes		(12,158)
Changes in Assets and Liabilities that Provided (Used) Cash:		
Tuition Receivable, Net		(2,352)
Other Accounts Receivable		(26,717)
Prepaid Expenses		(47,023)
Pledges Receivable		353,676
Accounts Payable		152,706
Accrued Salaries and Other Expenses		(53,130)
Deferred Revenue - Tuition and Fees		213,215
Deferred Revenue - Workshops		9,994
Net Cash Provided by Operating Activities		697,915
Cash Flows from Investing Activities:		
Purchases of Property and Equipment		(492,214)
Net Investment Activity, Purchases of Investments and Proceeds from Sales of Investments		391,028
Net Cash Used in Investing Activities		(101,186)
Cash Flows from Financing Activities:		
Contributions Restricted for Long-Term Purposes		12,158
Payments on Revenue Bond Payable		(250,570)
Net Cash Used in Financing Activities		(238,412)
Net Increase in Cash and Cash Equivalents		358,317
Cash and Cash Equivalents, Beginning of Year		9,403,321
Cash and Cash Equivalents, End of Year	$	9,761,638
Supplemental Disclosure of Cash Flow Information:		
Cash Paid During the Year for Interest	$	49,473

See Accompanying Notes

THE HILL CENTER, INC.
D/B/A HILL LEARNING CENTER
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2026

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 and recognized by the International Dyslexia Association. 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 School 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 Attention Deficit Hyperactivity Disorder ("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 $9,404,895 at June 30, 2026.

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 losses was $16,000 at June 30, 2026 and July 1, 2025. Tuition receivable as of July 1, 2025 was $86,939.

1. Summary of Significant Accounting Policies (Continued)

Deferred Revenue

Hill School tuition collected in advance is recognized as revenue over the related school period. Prepaid coaching and registration fees for professional learning workshops collected in advance are recognized as revenue when the related workshops are completed. Deferred revenue related to tuition, fees and workshops was $1,579,408 as of July 1, 2025 and was recognized as revenue for the year ended June 30, 2026.

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, the donor-restricted net assets are reclassified to net assets without donor restrictions. Hill uses the allowance method to determine uncollectible pledges. 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 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, 2026.

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 53 years
Equipment, Furniture and Fixtures	3 to 10 years

Work in progress represents costs incurred for computers and a new outdoor space that have not yet been placed in service. These costs are not depreciated until the related assets are completed and ready for their intended use, at which time the assets are placed in service and depreciated over their estimated useful lives.

Depreciation expense for the year ended June 30, 2026 was $283,882.

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. Expenses are directly identified with either of the two programs, or in administration, or fundraising.

These allocated expenses 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 $69,424 for the year ended June 30, 2026.

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, 2026, 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, 2026, 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 educational and professional learning services are provided to students and participants.

Tuition and Fees

Hill entered into contracts with families to provide research-based 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 academic 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 one-to-one 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 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 (tuition and 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, and amended on January 29, 2024, pursuant to the APA, Hill entered into a Reseller Agreement ("RA") with 95 PG, which further 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. Hill paid $119,733 to 95 PG during the year ended June 30, 2026, 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 are 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, 2026, Hill received $540,385 in Opportunity scholarships and $499,383 in ESA+ scholarships.

4. Availability and Liquidity

The following represents Hill's financial assets as of June 30, 2026:

Financial Assets at Year-End:	
Cash and Cash Equivalents	$ 9,761,638
Tuition Receivable, Net	73,291
Other Accounts Receivable	60,959
Pledges Receivable – Current Portion	346,214
Investments	20,025,651
Total Financial Assets	30,267,753
Less Amounts not Available to Meet General Expenditures over the Next Twelve Months:	
Net Assets with Donor Restrictions	(10,592,092)
Board-Designated Funds	(4,326,666)
Perpetual Endowments	(7,792,270)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 7,556,725

Hill's board-designated funds of $4,326,666 as of June 30, 2026 are 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, where 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.

5. 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 Corporation 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, 2026 was $6,302,556. 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.

6. 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, 2026.

Pledges receivable at June 30, 2026 are as follows:

Receivable in Less Than One Year	$ 346,214
Receivable in More Than One Year	132,250
	478,464
Less Discounts to Present Value	(7,747)
Less Allowance for Doubtful Pledges	(6,220)
	$ 464,497

7. Investments

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2026:

	Without Donor Restrictions	With Donor Restrictions	Total
Investment Gains, Net of Fees of $40,534	$ 287,613	$ 17,922	$ 305,535
Realized and Unrealized Gains	471,174	2,136,775	2,607,949
	$ 758,787	$ 2,154,697	$ 2,913,484

The composition of investments at June 30, 2026 is as follows:

Equity Funds	$ 8,469,798
Fixed Income Funds	4,123,819
Investments in Trusts Held by Outside Agencies	7,432,034
	$ 20,025,651

8. 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.

8. 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 table sets forth the level within the fair value hierarchy. Hill Learning Center's investments at fair value as of June 30, 2026:

	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Total
Investments in Trusts:		
Equity Funds	$ 6,056,897	$ 6,056,897
Fixed Income Funds	1,253,495	1,253,495
U.S. Treasuries Funds	121,642	121,642
Total Assets in Fair Value Hierarchy	7,432,034	7,432,034
Investments Measured at Net Asset Value		12,593,617
Investments at Fair Value	$ 7,432,034	$ 20,025,651

9. 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 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.

9. Endowment Fund (Continued)

Endowment net assets as of June 30, 2026 consist of the following:

	With Donor Restrictions
Donor Restricted Endowment Funds:	
Accumulated Investment Gains	$ 7,906,715
Funds to be Kept in Perpetuity	7,792,270
Total	$ 15,698,985

Changes in the endowment net assets for the year ended June 30, 2026 are as follows:

	With Donor Restrictions
Endowment Fund Net Assets, June 30, 2025	$ 13,948,238
Contributions	12,158
Investment Returns	2,154,697
Appropriation of Endowment Assets for Expenditure	(416,108)
Endowment Fund Net Assets, June 30, 2026	$ 15,698,985

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, 2026, 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%.

10. Revenue Bond Payable

In March 2008, Hill issued a revenue bond 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 bond payable with a new lender. The revenue bond was 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 the revenue bond payable, net of bond issuance costs, at June 30, 2026 was $1,664,074.

Future maturities of the revenue bond payable is as follows:

Years Ending June 30	Amount
2027	$ 257,971
2028	264,996
2029	272,213
2030	279,627
2031	287,242
Thereafter	340,787
Less: Unamortized Bond Issuance Costs	(38,762)
	$ 1,664,074

The revenue bond agreement provides for certain restrictive covenants. At June 30, 2026, these covenants have been met. The revenue bond is secured by assets with a carrying value of $5,790,884 at June 30, 2026.

11. 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, 2026:

Operating Reserves	$ 1,624,806
Capital Reserves	1,954,453
Financial Aid	747,407
	$ 4,326,666

12. Net Assets with Donor Restrictions

Net assets with donor restrictions as of June 30, 2026 are available for the following purposes as follows:

Subject to Expenditure for Specified Purpose:	
Tutoring	$ 124,028
Student Financial Aid	1,631,631
Professional Learning	143,312
Research, Development and Technology	249,828
Student Programs	775
General Operating	42,605
Library & Outdoor Space	132,964
Other	14,502
	2,339,645
Subject to the Passage of Time:	
Pledges that May be Restricted by Donors, Which are Unavailable for Expenditure Until Due	464,015
Endowments:	
Subject to Appropriation and Expenditure when a Specified Event Occurs:	
Restricted by Donors for:	
Available for General Use	4,138,736
Student Financial Aid and Scholarships	2,549,636
Faculty Development	1,154,675
Student Programs	63,668
	7,906,715
Endowments:	
Subject to Endowment Spending Policy and Appropriation:	
Available for General Use	5,435,606
Student Financial Aid and Scholarships	1,754,146
Faculty Development	517,631
Student Programs	84,887
	7,792,270
Total Endowments	15,698,985
Total Net Assets with Donor Restrictions	$ 18,502,645

12. 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, 2026:

Satisfaction of Purpose Restrictions:	
Professional Learning	$ 41,070
General Operating	419,954
Tutoring	281,898
Student Financial Aid	351,213
Student Programs	7,147
Research, Development and Technology	61,841
Other	11,253
Total	$ 1,174,376

13. 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, 2026 was $222,897.

14. 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 29, 2026, which is the date the financial statements were available to be issued.

Subsequent to June 30, 2026, Hill was awarded a $1,000,000 grant from a private foundation. The grant is restricted to support initiatives aimed at strengthening Hill's commitment to expanding access and community outreach and covers a three-year period through the year ended June 30, 2029.