



Audited Financial Statements

June 30, 2021

Independent Auditor's Report

To the Board of Directors of
Heights and Hills, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Heights and Hills, Inc. ("the Organization"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

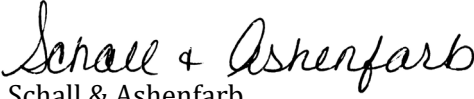
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heights and Hills, Inc. as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.


Schall & Ashenfarb
Certified Public Accountants, LLC

November 11, 2021

HEIGHTS AND HILLS, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2021
(With comparative totals at June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Assets		
Cash and cash equivalents	\$343,954	\$873,118
Grants receivable	370,627	227,633
Prepaid expenses and other	12,201	15,885
Investments - board designated (Note 2)	1,371,837	1,254,581
Property and equipment (net of accumulated depreciation) (Note 3)	258,267	243,198
Security deposit	<u>69,999</u>	<u>69,999</u>
Total assets	<u><u>\$2,426,885</u></u>	<u><u>\$2,684,414</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$10,985	\$75,856
Government grant advances	0	23,854
Paycheck Protection Program loan (Note 4)	0	535,620
Deferred rent	24,270	20,215
Total liabilities	<u>35,255</u>	<u>655,545</u>
Net assets:		
Without donor restrictions	2,325,992	1,988,854
With donor restrictions (Note 6)	<u>65,638</u>	<u>40,015</u>
Total net assets	<u><u>2,391,630</u></u>	<u><u>2,028,869</u></u>
Total liabilities and net assets	<u><u>\$2,426,885</u></u>	<u><u>\$2,684,414</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

HEIGHTS AND HILLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021
(With comparative totals for the year ended June 30, 2020)

	Without Donor Restrictions		With Donor Restrictions	Total 6/30/21	Total 6/30/20
	Operations	Board Designated			
Revenue and support:					
Government grants	\$3,741,523		\$3,741,523	\$3,741,523	\$3,440,105
Paycheck Protection Program loan forgiveness (Note 4)	535,620		535,620	535,620	0
Contributions	97,355		97,355	\$68,955	251,867
Foundation and corporate grants	177,801		177,801	177,801	143,972
Special events	139,203		139,203	139,203	25,978
Rent and other income	6,538		6,538	6,538	6,038
Net assets released from restrictions (Note 6)	43,332		43,332	(43,332)	0
Total revenue and support	<u>4,741,372</u>	<u>0</u>	<u>4,741,372</u>	<u>25,623</u>	<u>4,766,995</u>
Expenses:					
Program services	3,788,337		3,788,337	3,788,337	3,293,791
Management and general	537,651		537,651	537,651	451,426
Fundraising	236,762		236,762	236,762	206,840
Total expenses	<u>4,562,750</u>	<u>0</u>	<u>4,562,750</u>	<u>0</u>	<u>3,952,057</u>
Change in net assets from operating activities	<u>178,622</u>	<u>0</u>	<u>178,622</u>	<u>25,623</u>	<u>(84,097)</u>
Non-operating activities:					
Realized and unrealized gain on investments (Note 2)		115,063	115,063	115,063	68,529
Loss on disposal of fixed assets			0	0	(13,698)
Interest and dividend income	260	43,193	43,453	43,453	28,861
Total non-operating activities	<u>260</u>	<u>158,256</u>	<u>158,516</u>	<u>0</u>	<u>83,692</u>
Change in net assets	178,882	158,256	337,138	25,623	(405)
Appropriation of board designated funds	41,000	(41,000)	0	0	0
Net assets - beginning of year	<u>734,273</u>	<u>1,254,581</u>	<u>1,988,854</u>	<u>40,015</u>	<u>2,028,869</u>
Net assets - end of year	<u>\$954,155</u>	<u>\$1,371,837</u>	<u>\$2,325,992</u>	<u>\$65,638</u>	<u>\$2,028,869</u>

The attached notes and auditor's report are an integral part of these financial statements.

HEIGHTS AND HILLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
(With comparative totals for the year ended June 30, 2020)

	Program Services	Management and General	Fundraising	Total 6/30/21	Total 6/30/20
Salaries	\$2,157,440	\$283,138	\$117,233	\$2,557,811	\$2,195,730
Payroll taxes and employee benefits	644,145	84,538	35,003	763,686	711,537
Occupancy	360,189	47,273	19,572	427,034	420,046
Catered meals	59,350			59,350	65,020
Telephone	19,885	2,609	1,081	23,575	20,721
Postage	5,761	75	3,720	9,556	4,419
Office supplies and printing	22,654	2,928	20,067	45,649	62,998
Equipment and service contracts	5,687	746	3,538	9,971	6,650
Program supplies	127,400			127,400	5,000
Travel and conferences	2,648	6,740	1,649	11,037	10,919
Dues	2,750	3,007	2,200	7,957	3,144
Insurance	17,025	8,068	925	26,018	23,306
Professional	269,537	75,806	4,270	349,613	313,917
Special events			20,313	20,313	7,535
Depreciation	75,842	9,953	4,121	89,916	80,798
Interest Expense				0	1,013
Other	18,024	12,770	3,070	33,864	19,304
Total expenses	\$3,788,337	\$537,651	\$236,762	\$4,562,750	\$3,952,057

The attached notes and auditor's report are an integral part of these financial statements.

HEIGHTS AND HILLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
(With comparative totals for the year ended June 30, 2020)

	<u>6/30/21</u>	<u>6/30/20</u>
Cash flows from operating activities:		
Change in net assets	\$362,761	(\$405)
Adjustment to reconcile change in net assets to net cash (used for)/provided by operations:		
Depreciation	89,916	80,798
Loss on disposal of fixed assets	0	13,698
Realized and unrealized gain on investments	(115,063)	(68,529)
Changes in assets and liabilities:		
Grants receivable	(142,994)	(70,958)
Prepaid expenses and other	3,684	(10,163)
Accounts payable and accrued expenses	(64,871)	67,030
Government grant advances	(23,854)	23,854
Paycheck Protection Program loan	(535,620)	535,620
Deferred rent	4,055	12,622
Total adjustments	<u>(784,747)</u>	<u>583,972</u>
Net cash (used for)/provided by operating activities	<u>(421,986)</u>	<u>583,567</u>
 Cash flows from investing activities:		
Purchases of investments (including reinvestment of investment income)	(126,602)	(249,393)
Sales of investments	124,409	221,154
Purchase of property and equipment	(104,985)	(33,194)
Net cash used for investing activities	<u>(107,178)</u>	<u>(61,433)</u>
 (Decrease)/increase in cash and cash equivalents	(529,164)	522,134
 Cash and cash equivalents - beginning of year	<u>873,118</u>	<u>350,984</u>
 Cash and cash equivalents - end of year	<u><u>\$343,954</u></u>	<u><u>\$873,118</u></u>
 Supplemental information:		
Taxes paid	<u>\$0</u>	<u>\$0</u>
Interest paid	<u>\$0</u>	<u>\$0</u>

The attached notes and auditor's report are an integral part of these financial statements.

HEIGHTS AND HILLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 - Organization and Summary of Significant Accounting Policies

a. Organization

Heights and Hills, Inc. (the "Organization"), a non-profit corporation in the state of New York, promotes successful aging in Brooklyn by providing direct services to older adults, their families and the community at large.

The Organization has been notified by the Internal Revenue Service that it is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has not been designated as a private foundation.

b. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which is the process of recording revenue and expenses when earned or incurred, rather than received or paid.

c. Basis of Presentation

As a not-for-profit organization, the Organization reports information regarding its financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use. The Organization maintains an investment account that is restricted by the Board of Directors. See Note 2 for details.
- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

d. Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing services. Non-operating activities are limited to gains or losses on investments, interest and dividends, and loss on disposal of fixed assets.

e. Revenue Recognition

The Organization follows the requirements of the Financial Accounting Standards Board's ("FASB") ASC 958-605 for recording contributions and government grants, which are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature.

Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Government grants are primarily conditional non-exchange transactions and fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received on government grants that exceed revenue recognized is reflected as government grant advances, which will be applied to future years or paid back to the grantor.

Grants are recorded as revenue in the period they become unconditional, which is when the conditions are substantially met. Contributions and grants that are due within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques. Pledges are reviewed for collectability. Based on knowledge of specific donors and factoring in historical experience, no allowance for doubtful accounts exists as of June 30, 2021 and 2020. Write-offs will be made directly to operations in the period the receivable is deemed to be uncollected.

f. Cash and Cash Equivalents

All liquid investments, with an initial maturity of three months or less are considered to be cash and cash equivalents except for cash held with an investment custodian for long-term purposes.

g. Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash and investment securities, which are placed with financial institutions that management deems to be creditworthy. The market value of investments is subject to fluctuation; however, management believes that the investment policy is prudent for the long-term welfare of the Organization. At times, balances may exceed federally insured limits. At year end, a significant portion of the funds was not insured; however, the Organization has not experienced any losses from these accounts due to bank failure.

h. Investments

Investments are recorded at fair value which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities.

i. Capitalization Policies

The Organization capitalizes furniture, equipment, vehicles, and leasehold improvements at cost if they exceed pre-determined amounts and benefit future periods. Equipment purchased with funds received from government grants where title remains with the grantor, or it is likely that the grantor will maintain ownership of the asset, are expensed in the period incurred.

Routine maintenance and repair costs are also charged to expense when incurred. All fixed assets and leasehold improvements are depreciated using the straight-line method over the estimated useful lives of the assets (generally 3 to 7 years) or the terms of the lease.

j. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line method. In the earlier years of the lease, as rent expense exceeds amounts paid, a deferred rent liability is created. In later years of the lease, as payments exceed the amount of expense recognized, deferred rent will be reduced until it is zero at the end of the lease.

k. In-kind Services

Donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind, are recognized at fair value.

A substantial amount of management, administrative and fundraising duties are performed voluntarily by the Board of Directors. Those services have not been recorded as they have not met the criteria outlined above. Volunteer hours for provision of direct services were approximately 1,500 hours for the year.

l. Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation. There were no donated assets during the years ended June 30, 2021 and June 30, 2020.

m. Summarized Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

n. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Payroll taxes and employee benefits
- Occupancy
- Telephone
- Equipment and service contracts
- Insurance
- Depreciation

All other expenses have been charged directly to the applicable program or supporting services.

o. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

p. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending June 30, 2018 and later are subject to examination by applicable taxing authorities.

q. New Accounting Pronouncements

FASB issued Accounting Standards Update (“ASU”) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022, year with early adoption permitted. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures.

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

The Organization is in the process of evaluating the impact these standards will have on future financial statements.

Note 2 - Board Designated Net Assets/Investments

Investments consist of a board designated fund. Changes in investments were as follows:

	<u>6/30/21</u>	<u>6/30/20</u>
Investments - beginning of year	\$1,254,581	\$1,157,813
Appropriation for spending	(41,000)	0
Investment return:		
Unrealized gain/(loss) on investments	92,615	(13,441)
Realized gain on investments	22,448	81,970
Interest and dividend income	<u>43,193</u>	<u>28,239</u>
Investments - end of year	<u>\$1,371,837</u>	<u>\$1,254,581</u>

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

All investments were measured using Level 1 inputs, which are the quoted prices in active markets for identical assets.

The following summarizes the composition of investments:

	<u>6/30/21</u>	<u>6/30/20</u>
Money funds	\$237,750	\$195,316
US Mutual funds – equities	543,510	420,327
US Mutual funds – government bonds	248,264	272,795
US Mutual funds – bonds	<u>342,313</u>	<u>366,143</u>
Total	<u>\$1,371,837</u>	<u>\$1,254,581</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on. This method produces a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

The investment portfolio maintains a moderate risk profile through long-term allocation among several asset classes in order to preserve the inflation-adjusted purchasing power of the portfolio.

The policy is to accumulate interest, dividends, and other market gains for future appropriation, in order to meet future programmatic needs and strategic goals. Appropriations are approved by the board of directors as deemed prudent and distributed for operating purposes.

All dividends received during the year have been reinvested in additional shares.

Note 3 - Property and Equipment

Property and equipment consist of:

	<u>6/30/21</u>	<u>6/30/20</u>
Equipment and furniture <i>(3 to 5 years)</i>	\$308,526	\$216,610
Leasehold improvements <i>(life of lease)</i>	<u>353,906</u>	<u>340,837</u>
	662,432	557,447
Less: accumulated depreciation	<u>(404,165)</u>	<u>(314,249)</u>
Net property and equipment	<u>\$258,267</u>	<u>\$243,198</u>

Note 4 - Paycheck Protection Program Loan

During the year ended June 30, 2020, the Organization obtained a loan from the Small Business Administration (“SBA”) in the amount of \$535,620 through the Paycheck Protection Program. Terms of the loan indicate that if certain conditions are met, which include maintaining average work forces during periods subsequent to receipt of the loan funds that are greater than pre-determined historical periods, that the loan, or a portion thereof, will be forgiven. The Organization accounts for the PPP loan in accordance with FASB ASC 958-605 as a conditional grant. The conditions for forgiveness on this loan were met during the year ended June 30, 2021 and the full amount has been recognized as revenue during the year then ended.

Note 5 - Commitments

The Organization occupies office space and program space at 81 Willoughby Street under a non-cancelable lease which expires on October 31, 2023. The Organization also has a lease for space in Park Slope, New York for a senior center which expires on June 30, 2021. Total rent expense was \$365,000 and \$365,000, for the years ended June 30, 2021 and 2020, respectively.

Minimum future obligations are as follows:

Year ending:	June 30, 2022	\$302,989
	June 30, 2023	312,078
	June 30, 2024	<u>105,046</u>
Total		<u>\$720,113</u>

Note 6 - Net Assets With Donor Restrictions

The following summarized the nature of net assets with donor restrictions:

	June 30, 2021			
	<u>7/1/20</u>	Restricted Contributions	Released from Restrictions	<u>6/30/21</u>
Programs:				
Volunteer programs	\$0	\$44,000	\$0	\$44,000
Senior Center	5,015	0	(3,500)	1,515
Client Technology Program	20,000	16,000	(21,375)	14,625
COVID-19 Emergency Fund	7,000	0	(7,000)	0
Equipment	5,000	0	(5,000)	0
Shopping Squad	3,000	1,955	(3,000)	1,955
Other programs	<u>0</u>	<u>7,000</u>	<u>(3,457)</u>	<u>3,543</u>
Total	<u>\$40,015</u>	<u>\$68,955</u>	<u>(\$43,332)</u>	<u>\$65,638</u>

	June 30, 2020			
	<u>7/1/19</u>	Restricted Contributions	Released from Restrictions	<u>6/30/20</u>
Programs:				
Volunteer programs	\$20,000	\$0	(\$20,000)	\$0
Senior Center	4,105	1,410	(500)	5,015
Client Technology Program	0	20,000	0	20,000
COVID-19 Emergency Fund	0	10,000	(3,000)	7,000
Equipment	0	5,000	0	5,000
Shopping Squad	0	3,000	0	3,000
Time	<u>20,000</u>	<u>0</u>	<u>(20,000)</u>	<u>0</u>
Total	<u>\$44,105</u>	<u>\$39,410</u>	<u>(\$43,500)</u>	<u>\$40,015</u>

Note 7 - Significant Concentrations

The Organization derives its income primarily from reimbursements from the New York City Department for the Aging (DFTA) and from donations and grants. Approximately 72% and 85% of the Organization's support was derived from DFTA for the years ended June 30, 2021 and 2020, respectively.

Note 8 - Retirement Plan

All employees who are at least 21 years of age and have worked at least one year of service with the Organization are covered by a defined contribution pension plan. Employees are 100% vested upon completion of 3 years of service. Contributions are 6% of covered employees' salaries. Forfeitures are used to reduce administrative expenses. Total contributions to the plan for the years ended June 30, 2021 and 2020 were \$110,000 and \$108,000, respectively.

Note 9 - Availability and Liquidity

Financial assets available within one year of the date of the statement of financial position for general expenditures are as follows:

Cash and cash equivalents	\$343,954	
Grants receivable	370,627	
Investments	<u>1,371,837</u>	
Total financial assets		\$2,086,418
Less amounts not currently available for general expenditures:		
Board designated fund	(1,371,837)	
Donor restricted support	<u>(65,638)</u>	
Total amounts not currently available for general expenditures		<u>(1,437,475)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$648,943</u>

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on government grants and contributions to fund its operations and program activities. The Organization's board designated funds consist of investments and while these assets are not considered available for general expenditures by management, the board restricted fund can be made available if the need arises.

Note 10 - Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. As of the date of the financial statements, many of the travel restrictions and stay at home orders have been lifted, however, supply chains remain impacted. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact cannot be quantified.

Note 11 - Subsequent Events

Subsequent events have been evaluated through November 11, 2021, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.