SCHALL & ASHENFARB Certified Public Accountants, LLC

IRA L. SCHALL, CPA
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supporting brooklyn's older adults
HEIGHTS AND HILLS

Audited Financial Statements

June 30, 2022

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in 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 ("GAAS"). 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 Organization and to meet our other ethical responsibilities in accordance with the 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditors' Responsibility 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these 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 Organization'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 Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 11, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Schall & Ashenfarb

Schall & Ashenfarb
Certified Public Accountants, LLC

November 15, 2022

HEIGHTS AND HILLS, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2022
(With comparative totals at June 30, 2021)

	6/30/22	6/30/21
Assets		
Cash and cash equivalents	$172,040	$343,954
Grants receivable	933,703	370,627
Prepaid expenses and other	24,004	12,201
Investments - board designated (Note 2)	1,235,990	1,371,837
Property and equipment (net of accumulated depreciation) (Note 3)	168,367	258,267
Security deposit	69,999	69,999
Total assets	$2,604,103	$2,426,885
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	$44,327	$10,985
Government grant advances	6,150	0
Deferred rent	19,500	24,270
Total liabilities	69,977	35,255
Net assets:		
Without donor restrictions	2,448,629	2,325,992
With donor restrictions (Note 4)	85,497	65,638
Total net assets	2,534,126	2,391,630
Total liabilities and net assets	$2,604,103	$2,426,885

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

HEIGHTS AND HILLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	Without Donor Restrictions					
	Operations	Board Designated	Total	With Donor Restrictions	Total 6/30/22	Total 6/30/21
Revenue and support:						
Government grants	$4,231,691		$4,231,691		$4,231,691	$3,741,523
Employee Retention Tax Credit (Note 5)	126,693		126,693		126,693	0
Paycheck Protection Program loan forgiveness	0		0		0	535,620
Contributions	119,561		119,561	$5,000	124,561	166,310
Foundation and corporate grants	55,500		55,500	83,746	139,246	177,801
Special events (net of $14,528 of direct event expenses)	118,947		118,947		118,947	139,203
Rent and other income	7,265		7,265		7,265	6,538
Net assets released from restrictions (Note 4)	68,887		68,887	(68,887)	0	0
Total revenue and support	4,728,544	0	4,728,544	19,859	4,748,403	4,766,995
Expenses:						
Program services	3,693,357		3,693,357		3,693,357	3,788,337
Management and general	568,916		568,916		568,916	537,651
Fundraising	207,803		207,803		207,803	236,762
Total expenses	4,470,076	0	4,470,076	0	4,470,076	4,562,750
Change in net assets from operating activities	258,468	0	258,468	19,859	278,327	204,245
Non-operating activities:						
Realized and unrealized gain on investments (Note 2)		(170,728)	(170,728)		(170,728)	115,063
Interest and dividend income	16	34,881	34,897		34,897	43,453
Total non-operating activities	16	(135,847)	(135,831)	0	(135,831)	158,516
Change in net assets	258,484	(135,847)	122,637	19,859	142,496	362,761
Net assets - beginning of year	954,155	1,371,837	2,325,992	65,638	2,391,630	2,028,869
Net assets - end of year	$1,212,639	$1,235,990	$2,448,629	$85,497	$2,534,126	$2,391,630

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

HEIGHTS AND HILLS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	Program Services	Management and General	Fundraising	Total 6/30/22	Total 6/30/21
Salaries	$2,131,645	$305,552	$103,374	$2,540,571	$2,557,811
Payroll taxes and employee benefits	607,723	87,109	29,473	724,305	763,686
Occupancy	376,278	53,937	18,248	448,463	427,034
Catered meals	70,926			70,926	59,350
Telephone	15,867	2,275	769	18,911	23,575
Postage	2,463	1,128	4,098	7,689	9,556
Office supplies and printing	33,233	3,484	13,297	50,014	45,649
Equipment and service contracts	6,034	866	6,401	13,301	9,971
Program supplies	107,448			107,448	127,400
Travel and conferences	644	4,462		5,106	11,037
Dues		4,438	2,200	6,638	7,957
Insurance	19,295	8,338	936	28,569	26,018
Professional	229,222	82,899	14,581	326,702	349,613
Special events			9,542	9,542	20,313
Depreciation	81,150	11,632	3,935	96,717	89,916
Other	11,429	2,796	949	15,174	33,864
Total expenses	$3,693,357	$568,916	$207,803	$4,470,076	$4,562,750

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

HEIGHTS AND HILLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	6/30/22	6/30/21
Cash flows from operating activities:		
Change in net assets	$142,496	$362,761
Adjustment to reconcile change in net assets to net cash used for operations:		
Depreciation	96,717	89,916
Realized and unrealized gain on investments	170,728	(115,063)
Paycheck Protection Program loan forgiveness	0	(535,620)
Changes in assets and liabilities:		
Grants receivable	(563,076)	(142,994)
Prepaid expenses and other	(11,803)	3,684
Accounts payable and accrued expenses	33,342	(64,871)
Government grant advances	6,150	(23,854)
Deferred rent	(4,770)	4,055
Total adjustments	(272,712)	(784,747)
Net cash used for operating activities	(130,216)	(421,986)
Cash flows from investing activities:		
Purchases of investments (including reinvestment of investment income)	(34,881)	(126,602)
Sales of investments	0	124,409
Purchase of property and equipment	(6,817)	(104,985)
Net cash used for investing activities	(41,698)	(107,178)
Decrease in cash and cash equivalents	(171,914)	(529,164)
Cash and cash equivalents - beginning of year	343,954	873,118
Cash and cash equivalents - end of year	$172,040	$343,954
Supplemental information:		
Taxes paid	$0	$0
Interest paid	$0	$0

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

HEIGHTS AND HILLS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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.

e. Revenue Recognition
The Organization follows the requirements of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("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.

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, 2022 and 2021. 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 a 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 were 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 3,200 hours for the year.

l. Advertising
The cost of advertising is expensed as incurred.

m. 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, 2022 and June 30, 2021.

n. 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, 2021 from which the summarized information was derived.

o. Functional Allocation of Expense
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.

p. 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.

q. 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, 2019 and later are subject to examination by applicable taxing authorities.

r. New Accounting Pronouncement
FASB issued Accounting Standards Update ("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 this standard 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:

	6/30/22	6/30/21
Investments - beginning of year	$1,371,837	$1,254,581
Appropriation for spending	0	(41,000)
Investment return:		
Unrealized (loss)/gain on investments	(170,728)	92,615
Realized gain on investments	0	22,448
Interest and dividend income	34,881	43,193
Investments - end of year	$1,235,990	$1,371,837

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:

	6/30/22	6/30/21
Money funds	$237,996	$237,750
US Mutual funds – equities	461,041	543,510
US Mutual funds – government bonds	230,912	248,264
US Mutual funds – bonds	306,041	342,313
Total	$1,235,990	$1,371,837

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:

	6/30/22	6/30/21
Equipment and furniture *(3 to 5 years)*	$248,245	$308,526
Leasehold improvements *(life of lease)*	356,006	353,906
	604,251	662,432
Less: accumulated depreciation	(435,884)	(404,165)
Net property and equipment	$168,367	$258,267

Note 4 - Net Assets With Donor Restrictions

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

	June 30, 2022			
	7/1/21	Restricted Contributions	Released from Restrictions	6/30/22
Programs:				
Volunteer programs	$44,000	$50,000	($44,000)	$50,000
Senior Center	1,515	3,746	(0)	5,261
Client Technology Program	14,625	20,000	(20,344)	14,281
Shopping Squad	1,955	10,000	(1,000)	10,955
Other programs	3,543	5,000	(3,543)	5,000
Total	$65,638	$88,746	($68,887)	$85,497

	June 30, 2021			
	7/1/20	Restricted Contributions	Released from Restrictions	6/30/21
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	0	7,000	(3,457)	3,543
Total	$40,015	$68,955	($43,332)	$65,638

Note 5 - Employee Retention Tax Credit

During the year ended June 30, 2022, the Organization claimed the Employee Retention Tax Credit ("ERTC") in the amount of $126,693. The ERTC was established by the Coronavirus Relief Act issued by Congress during 2020 and allows an employer to obtain fully refundable tax credits through their payroll tax filings for qualified wages paid after March 13, 2020 through September 30, 2021. To be eligible, an employer must incur payroll costs to retain employees and be adversely affected by the COVID-19 pandemic due to having operations suspended by a government order or demonstrating that they had a significant decline in gross receipts.

The Organization accounts for the ERTC as a conditional contribution in accordance with FASB ASC 958-605. The conditions for eligibility outlined above were met for the quarters claimed during the year ended June 30, 2021 and 2020, and the full amount was recognized as revenue during the year ended June 30, 2022, when the amended return was submitted.

Note 6 - 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 November 30, 2024. Total rent expense was $369,000 and $365,000, for the years ended June 30, 2022 and 2021, respectively.

Minimum future obligations are as follows:

Year ending:	June 30, 2023	$384,194
	June 30, 2024	177,162
	June 30, 2025	30,048
Total		$591,404

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 86% and 72% of the Organization's support was derived from DFTA for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 were $112,000 and $110,000, 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	$172,040	
Grants receivable	933,703	
Investments	1,235,990	
Total financial assets		$2,341,733
Less amounts not currently available for general expenditures:		
Board designated fund	(1,235,990)	
Donor restricted support	(85,497)	
Total amounts not currently available for general expenditures		(1,321,487)
Financial assets available to meet cash needs for general expenditures within one year		$1,020,246

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 15, 2022, 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.