

Heights and Hills, Inc.

Audited Financial Statements

June 30, 2023

Heights and Hills, Inc.

Audited Financial Statements

June 30, 2023

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Independent Auditor's Report

Board of Directors
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, 2023, 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, 2023, 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 Auditor's 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement 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 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

The financial statements of the Organization as of and for the year ended June 30, 2022, were audited by other auditors whose report dated November 15, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects with the audited financial statement from which it was derived.

Sax CPAs LLP

New York, NY
November 14, 2023

Heights and Hills, Inc.

Statement of Financial Position

At June 30, 2023
(With comparative totals at June 30, 2022)

| | June 30, | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| ASSETS | | |
| Cash and cash equivalents | \$ 415,982 | \$ 172,040 |
| Grants and contributions receivable, net | 881,724 | 933,703 |
| Prepaid expenses and other assets | - | 24,004 |
| Investments - board designated | 1,339,786 | 1,235,990 |
| Property and equipment (net of accumulated depreciation) | 118,833 | 168,367 |
| Security deposit | 69,999 | 69,999 |
| Operating lease right-of-use asset | 350,642 | - |
| TOTAL ASSETS | \$ 3,176,966 | \$ 2,604,103 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 195,188 | \$ 44,327 |
| Government grant advance | - | 6,150 |
| Deferred rent | - | 19,500 |
| Operating lease liability | 359,587 | - |
| Total liabilities | 554,775 | 69,977 |
| NET ASSETS | | |
| Without donor restrictions | 2,302,643 | 2,448,629 |
| With donor restrictions | 319,548 | 85,497 |
| Total net assets | 2,622,191 | 2,534,126 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,176,966 | \$ 2,604,103 |

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, 2023
(With comparative totals for the year ended June 30, 2022)

| | Without Donor Restrictions | | | With Donor Restrictions | Total 6/30/23 | Total 6/30/22 |
|--|----------------------------|---------------------|---------------------|-------------------------|---------------------|---------------------|
| | Operations | Board Designated | Total | | | |
| REVENUES, GAINS, AND OTHER SUPPORT | | | | | | |
| Government grants | \$ 4,378,977 | \$ - | \$ 4,378,977 | \$ - | \$ 4,378,977 | \$ 4,231,691 |
| Employee Retention Tax Credit | - | - | - | - | - | 126,693 |
| Contributions | 135,730 | - | 135,730 | - | 135,730 | 124,561 |
| Foundation and corporate grants | 44,958 | - | 44,958 | 343,308 | 388,266 | 139,246 |
| Special events (net of \$19,539 and \$14,528 of direct event expenses, respectively) | 129,560 | - | 129,560 | - | 129,560 | 118,947 |
| Rent and other income | 155 | - | 155 | - | 155 | 7,265 |
| Net assets released from restrictions | 109,257 | - | 109,257 | (109,257) | - | - |
| Total revenue and support | 4,798,637 | - | 4,798,637 | 234,051 | 5,032,688 | 4,748,403 |
| EXPENSES | | | | | | |
| Program services | 4,227,699 | - | 4,227,699 | - | 4,227,699 | 3,693,357 |
| Management and general | 600,394 | - | 600,394 | - | 600,394 | 568,916 |
| Fundraising | 220,349 | - | 220,349 | - | 220,349 | 207,803 |
| Total expenses | 5,048,442 | - | 5,048,442 | - | 5,048,442 | 4,470,076 |
| Change in net assets from operating activities | (249,805) | - | (249,805) | 234,051 | (15,754) | 278,327 |
| Non-operating activities: | | | | | | |
| Realized and unrealized gain/(loss) on investments | - | 58,755 | 58,755 | - | 58,755 | (170,728) |
| Interest and dividend income | 23 | 45,041 | 45,064 | - | 45,064 | 34,897 |
| Total non-operating activities | 23 | 103,796 | 103,819 | - | 103,819 | (135,831) |
| Change in net assets | (249,782) | 103,796 | (145,986) | 234,051 | 88,065 | 142,496 |
| NET ASSETS, beginning of year | 1,212,639 | 1,235,990 | 2,448,629 | 85,497 | 2,534,126 | 2,391,630 |
| NET ASSETS, end of year | \$ 962,857 | \$ 1,339,786 | \$ 2,302,643 | \$ 319,548 | \$ 2,622,191 | \$ 2,534,126 |

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, 2023
(With comparative totals for the year ended June 30, 2022)

| | Program Services | Management and General | Fundraising | Total Expenses 6/30/23 | Total Expenses 6/30/22 |
|--|---------------------|------------------------------|-------------------|------------------------------|------------------------------|
| Salaries | \$ 2,408,103 | \$ 315,876 | \$ 107,451 | \$ 2,831,430 | \$ 2,540,571 |
| Payroll taxes and employee benefits | 651,462 | 85,454 | 29,069 | 765,985 | 724,305 |
| Occupancy | 385,626 | 50,583 | 17,206 | 453,415 | 448,463 |
| Catered meals | 91,357 | - | - | 91,357 | 70,926 |
| Telephone | 21,389 | 2,806 | 954 | 25,149 | 18,911 |
| Postage | 231 | 3,945 | 1,039 | 5,215 | 7,689 |
| Office supplies and printing | 37,047 | 7,100 | 12,371 | 56,518 | 50,014 |
| Equipment and service contracts | 6,629 | 871 | 3,162 | 10,662 | 13,301 |
| Program supplies | 116,555 | - | - | 116,555 | 107,448 |
| Travel and conferences | 6,956 | 5,704 | - | 12,660 | 5,106 |
| Dues | - | 6,497 | - | 6,497 | 6,638 |
| Insurance | 27,478 | 9,092 | 1,226 | 37,796 | 28,569 |
| Professional | 394,233 | 101,360 | 27,232 | 522,825 | 326,702 |
| Special events | - | - | 36,103 | 36,103 | 24,070 |
| Depreciation | 69,841 | 9,162 | 3,116 | 82,119 | 96,717 |
| Other | 10,792 | 1,944 | 959 | 13,695 | 15,174 |
| Total expenses | 4,227,699 | 600,394 | 239,888 | 5,067,981 | 4,484,604 |
| Less: direct special event expenses netted with revenue | - | - | (19,539) | (19,539) | (14,528) |
| Total expenses | \$ 4,227,699 | \$ 600,394 | \$ 220,349 | \$ 5,048,442 | \$ 4,470,076 |

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

Heights and Hills, Inc.

Statements of Cash Flows

For the Year ended June 30, 2023
(With comparative totals for the year Ended June 30, 2022)

| | June 30, | |
|---|-------------------|-------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 88,065 | \$ 142,496 |
| Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities: | | |
| Depreciation | 82,119 | 96,717 |
| Realized and unrealized (gain)/loss on investments | (58,755) | 170,728 |
| Changes in assets and liabilities: | | |
| Grants and contributions receivable | 51,979 | (563,076) |
| Prepaid expenses and other assets | 24,004 | (11,803) |
| Operating lease right-of-use asset | (350,642) | - |
| Accounts payable and accrued expenses | 150,861 | 33,342 |
| Government grant advance | (6,150) | 6,150 |
| Deferred rent | (19,500) | (4,770) |
| Operating lease liability | 359,587 | - |
| Total adjustments | 233,503 | (272,712) |
| Net cash provided by/(used for) operating activities | 321,568 | (130,216) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of investments (including reinvestment of investment income) | (45,041) | (34,881) |
| Purchase of property and equipment | (32,585) | (6,817) |
| Net cash used for investing activities | (77,626) | (41,698) |
| Net increase/(decrease) in cash and cash equivalents | 243,942 | (171,914) |
| CASH AND CASH EQUIVALENTS, <i>beginning of year</i> | 172,040 | 343,954 |
| CASH AND CASH EQUIVALENTS, <i>end of year</i> | \$ 415,982 | \$ 172,040 |
| SUPPLEMENTAL INFORMATION | | |
| Taxes paid | \$ - | \$ - |
| Interest paid | \$ - | \$ - |

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, 2023

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's main source of revenue is from government grants.

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. Recently Adopted Accounting Standards

Effective July 1, 2022, the Organization adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected transition relief that allows entities, in the period of adoption, to present the current period under the FASB's Accounting Standards Codification ("ASC") 842 and the comparative period under FASB ASC 840. It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use ("ROU") assets of \$710,687 and lease liabilities totaling \$727,307 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

Effective July 1, 2022, the Organization adopted FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. 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. Adoption of this standard did not have a material impact on the Organization's financial statements.

d. Basis of Presentation

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 3 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.

Heights and Hills, Inc.

Notes to Financial Statements

June 30, 2023

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

e. 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.

f. Revenue Recognition

The Organization follows the requirements of the FASB ASC 958-605 for recording contributions and government grants, which are recognized at the time they become 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, 2023, and 2022.

g. 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 money funds held with an investment custodian for long-term purposes.

Heights and Hills, Inc.

Notes to Financial Statements

June 30, 2023

Note 1 - Organization and Summary of Significant Accounting Policies - Continued

h. 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.

i. 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.

j. Capitalization Policies

The Organization capitalizes furniture, equipment, vehicles, and leasehold improvements at cost if they exceed \$5,000 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.

k. Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in ROU assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. The Organization elected the practical expedient to not separate lease and non-lease components for all leases.

Heights and Hills, Inc.

Notes to Financial Statements

June 30, 2023

Note 1 - Organization and Summary of Significant Accounting Policies – Continued

l. 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 3,479 hours for the year.

m. Advertising

The cost of advertising is expensed as incurred.

n. 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, 2023, and June 30, 2022.

o. 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, 2022, from which the summarized information was derived.

p. Functional Allocation of Expenses

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.

Heights and Hills, Inc.

Notes to Financial Statements

June 30, 2023

Note 1 - Organization and Summary of Significant Accounting Policies – Continued

q. 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.

r. 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, 2020, and later are subject to examination by applicable taxing authorities.

Note 2 - Grants and Contributions Receivable

Grants and contributions receivable as of June 30, 2023 are anticipated to be collected in the following periods:

| | | |
|--|------|--------------------------|
| Year ending June 30, | | |
| | 2024 | \$ 718,416 |
| | 2025 | 130,000 |
| | 2026 | 45,000 |
| | | <u>893,416</u> |
| Less: present value discount at 3.115% | | (11,692) |
| Total | | <u><u>\$ 881,724</u></u> |

All receivables as of June 30, 2022 were expected to be collected within one year.

Note 3 - Board Designated Net Assets/ Investments

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

| | <u>6/30/23</u> | <u>6/30/22</u> |
|---------------------------------------|----------------------------|----------------------------|
| Investments - beginning of year | \$ 1,235,990 | \$ 1,371,837 |
| Investment return: | | |
| Unrealized gain/(loss) on investments | 58,755 | (170,728) |
| Interest and dividend income | 45,041 | 34,881 |
| Investments - end of year | <u><u>\$ 1,339,786</u></u> | <u><u>\$ 1,235,990</u></u> |

Heights and Hills, Inc.

Notes to Financial Statements

June 30, 2023

Note 3 - Board Designated Net Assets/ Investments - Continued

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>6/30/23</u> | <u>6/30/22</u> |
|------------------------------------|---------------------|---------------------|
| Money funds | \$ 246,259 | \$ 237,996 |
| US Mutual funds - equities | 560,613 | 461,041 |
| US Mutual funds - government bonds | 227,562 | 230,912 |
| US Mutual funds - bonds | 305,352 | 306,041 |
| Total | <u>\$ 1,339,786</u> | <u>\$ 1,235,990</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.

Heights and Hills, Inc.

Notes to Financial Statements

June 30, 2023

Note 4 - Property and Equipment

Property and equipment consist of:

| | 6/30/23 | 6/30/22 |
|--|-------------------|-------------------|
| Equipment and furniture (3 to 5 years) | \$ 248,245 | \$ 248,245 |
| Leasehold improvements (life of lease) | 388,591 | 356,006 |
| | 636,836 | 604,251 |
| Less: accumulated depreciation | (518,003) | (435,884) |
| Total property and equipment, net | <u>\$ 118,833</u> | <u>\$ 168,367</u> |

Note 5 - Net Assets with Donor Restrictions

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

| | June 30, 2023 | | | |
|---------------------------|-------------------|-----------------------------|------------------------------|--------------------|
| | Balance 7/1/22 | Restricted Contributions | Release from Restrictions | Balance 6/30/23 |
| Program restricted: | | | | |
| Volunteer programs | \$ 50,000 | \$ 70,000 | \$ (50,000) | \$ 70,000 |
| Caregiver Outreach | - | 144,942 | (23,760) | 121,182 |
| Senior Center | 5,261 | - | (5,261) | - |
| Client Technology Program | 14,281 | - | (14,281) | - |
| Shopping Squad | 10,955 | - | (10,955) | - |
| Other programs | 5,000 | - | (5,000) | - |
| Total programs | 85,497 | 214,942 | (109,257) | 191,182 |
| Time Restricted | - | 128,366 | - | 128,366 |
| Total | <u>\$ 85,497</u> | <u>\$ 343,308</u> | <u>\$ (109,257)</u> | <u>\$ 319,548</u> |

| | June 30, 2022 | | | |
|---------------------------|-------------------|-----------------------------|------------------------------|--------------------|
| | Balance 7/1/21 | Restricted Contributions | Release from Restrictions | Balance 6/30/22 |
| Program restricted: | | | | |
| Volunteer programs | \$ 44,000 | \$ 50,000 | \$ (44,000) | \$ 50,000 |
| Senior Center | 1,515 | 3,746 | - | 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 | <u>\$ 65,638</u> | <u>\$ 88,746</u> | <u>\$ (68,887)</u> | <u>\$ 85,497</u> |

Heights and Hills, Inc.

Notes to Financial Statements

June 30, 2023

Note 6 - Operating Lease Right-of-Use Asset and Operating Lease Liability

The Organization evaluated current contracts to determine which met the criteria of a lease. The Organization leases two office spaces in Brooklyn, NY under non-cancelable leases which expire on April 30, 2024 and November 30, 2024, respectively. These have been determined to be operating leases. The terms under both leases do not include any extension options.

The ROU assets represent the Organization's right to use the underlying asset for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from this lease. The ROU assets and lease liabilities were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities and the weighted average lease term as of June 30, 2023 was 3.115% and 1 year, respectively.

For the year ended June 30, 2023, total operating lease cost was \$376,519. There were no short-term lease costs during the year ended June 30, 2023.

Cash paid for operating leases for the year ended June 30, 2023 was \$384,194. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2c.

The aggregate future minimum lease payments due under these operating leases as of June 30, 2023 are as follows:

| | | |
|---|------|------------------------|
| Year ending June 30, | | |
| | 2024 | \$ 334,730 |
| | 2025 | 30,048 |
| | | <hr/> 364,778 |
| Less: discount to present value at 3.115% | | (5,191) |
| Total | | <hr/> <hr/> \$ 359,587 |

Note 7 - 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 payroll tax filings were submitted.

Heights and Hills, Inc.

Notes to Financial Statements

June 30, 2023

Note 8 - Special Events

The Organization holds an annual spring fundraising event. Special event proceeds are summarized as follows:

| | 6/30/23 | 6/30/22 |
|--|------------|------------|
| Event income | \$ 149,099 | \$ 133,475 |
| Less: expenses with a direct benefit to donors | (19,539) | (14,528) |
| | 129,560 | 118,947 |
| Less: other event expenses | (10,343) | (6,976) |
| Total | \$ 119,217 | \$ 111,971 |

Note 9 - 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 83% and 86% of the Organization's support was derived from DFTA for the years ended June 30, 2023 and 2022, respectively. Additionally, approximately 73% and 82% of the Organizations grants and contributions receivable were derived from DFTA for the years ended June 30, 2023 and 2022, respectively.

Note 10 - 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, 2023 and 2022 were \$117,000 and \$112,000, respectively.

Note 11 - 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 | \$ 415,982 |
| Grants receivable, due within one year | 718,416 |
| Investments | 1,339,786 |
| Total financial assets | 2,474,184 |
| Less amounts not available for general expenditures: | |
| Board designated fund | (1,339,786) |
| Cash received for donor restricted program support | (135,000) |
| Total amounts not currently available for general expenditures | (1,474,786) |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 999,398 |

Heights and Hills, Inc.

Notes to Financial Statements

June 30, 2023

Note 11 - Availability and Liquidity - Continued

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.

In February 2019, the City of New York adopted the Health and Human Services Cost Policies and Procedures Manual to standardize cost allocation practices for HHS contracts and Indirect Cost Rate calculations. The Organization's administrative costs have been evaluated by the Mayor's Office of Contract Services to be in line with this manual and the Organization has been approved for additional funds through the initiative. The Department for the Aging is still calculating the amount owed to the Organization for the Fiscal Year ending June 30, 2023. Once this figure has been calculated the Organization will receive retroactive funds for this year's expenses which are projected to exceed the annual operating deficit.

Note 12 - Subsequent Events

Subsequent events have been evaluated through November 14, 2023, 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.