

Hill House, Inc.

Financial Statements
and
Independent Auditors' Report

June 30, 2023

Hill House, Inc.
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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Hill House, Inc.

Opinion

We have audited the accompanying financial statements of Hill House, Inc. (a nonprofit 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 financial statements referred to above present fairly, in all material respects, the financial position of Hill House, Inc. 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. 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 Hill House, Inc. 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 Hill House, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hill House, Inc.'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 Hill House, Inc.'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 Hill House, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 23, 2023. 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 statements from which it has been derived.

Daniel Dennis & Company LLP

November 21, 2024

Hill House, Inc.
Statements of Financial Position
June 30, 2023
(With Comparative Totals as of June 30, 2022)

<i>Assets</i>		
	2023	2022
Current Assets:		
Cash and cash equivalents	\$ 1,026,588	\$ 1,627,218
Investments	630,417	-
Prepaid expenses	43,728	23,259
Total current assets	1,700,733	1,650,477
Fixed Assets:		
Land	120,500	120,500
Land improvements	30,150	30,150
Building and building improvements	5,399,631	5,372,546
Building equipment	187,912	187,912
Office furnishings and equipment	77,729	68,015
Total fixed assets	5,815,922	5,779,123
Less: accumulated depreciation	(3,017,982)	(2,844,297)
Net fixed assets	2,797,940	2,934,826
Total assets	\$ 4,498,673	\$ 4,585,303
<i>Liabilities and Net Assets</i>		
Current Liabilities:		
Accounts payable	\$ 34,763	\$ 8,056
Accrued expenses	55,763	44,930
Prepaid rent	-	13,705
Rent deposits	2,250	2,250
Membership deposits	32,565	38,361
Program and other deposits	635,983	550,017
Total current liabilities	761,324	657,319
Total liabilities	761,324	657,319
Net Assets:		
Board designated net assets without donor restrictions	381,192	367,998
Other net assets without donor restrictions	3,130,199	3,342,838
Total net assets without donor restrictions	3,511,391	3,710,836
Net assets with donor restrictions	225,958	217,148
Total net assets	3,737,349	3,927,984
Total liabilities and net assets	\$ 4,498,673	\$ 4,585,303

See accompanying notes to financial statements.

Hill House, Inc.
 Statements of Activities
 For the Year Ended June 30, 2023
 (With Comparative Totals for the Year Ended June 30, 2022)

	2023			2022
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>	<i>Total</i>
Revenues and Support:				
Program fees	\$ 1,349,663	\$ -	\$ 1,349,663	\$ 1,120,861
Membership dues	63,121	-	63,121	50,496
Contributions	153,363	-	153,363	242,297
Grant income	-	-	-	107,081
Rent	213,342	-	213,342	209,662
Special event fees	155,816	-	155,816	11,141
Interest and dividend income	<u>4,059</u>	<u>8,810</u>	<u>12,869</u>	<u>-</u>
Total revenues and support	<u>1,939,364</u>	<u>8,810</u>	<u>1,948,174</u>	<u>1,741,538</u>
Expenses:				
Program services	1,017,849	-	1,017,849	818,894
Property operations	583,579	-	583,579	577,827
Supporting services	<u>537,381</u>	<u>-</u>	<u>537,381</u>	<u>362,093</u>
Total expenses	<u>2,138,809</u>	<u>-</u>	<u>2,138,809</u>	<u>1,758,814</u>
Change in net assets	<u>(199,445)</u>	<u>8,810</u>	<u>(190,635)</u>	<u>(17,276)</u>
Net assets - beginning of year	<u>3,710,836</u>	<u>217,148</u>	<u>3,927,984</u>	<u>3,945,260</u>
Net assets - end of year	<u><u>\$ 3,511,391</u></u>	<u><u>\$ 225,958</u></u>	<u><u>\$ 3,737,349</u></u>	<u><u>\$ 3,927,984</u></u>

See accompanying notes to financial statements.

Hill House, Inc.
Statements of Functional Expenses
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	<i>Program Services</i>	<i>Property Operations</i>	<i>Supporting Services</i>			<i>Total Expenses</i>	<i>2022 Total</i>
			<i>General and Administrative</i>	<i>Fundraising</i>	<i>Total</i>		
Salaries and wages	\$ 579,164	\$ 53,722	\$ 122,844	\$ 171,671	\$ 294,515	\$ 927,401	\$ 739,886
Payroll taxes and benefits	87,681	7,327	30,124	23,798	53,922	148,930	117,964
Contract labor	116,495	-	27	-	27	116,522	90,465
Professional fees	-	-	16,900	-	16,900	16,900	14,600
Outside services	1,610	-	16,384	-	16,384	17,994	18,336
Repairs and maintenance	-	105,613	-	-	-	105,613	134,015
Utilities	-	56,803	-	-	-	56,803	53,242
Supplies	73,843	11,598	2,582	10,820	13,402	98,843	67,283
Management fees	-	78,923	-	-	-	78,923	76,623
Security	-	27,677	-	-	-	27,677	27,577
Insurance	-	26,741	29,422	-	29,422	56,163	56,163
Printing	7,633	-	773	3,526	4,299	11,932	5,014
Postage and delivery	-	-	1,283	3,658	4,941	4,941	2,140
Facility rental	24,919	-	-	-	-	24,919	18,055
Equipment rental	1,405	-	5,194	1,332	6,526	7,931	5,865
Advertising	-	-	1,038	240	1,278	1,278	704
Telephone	-	41,240	12,154	-	12,154	53,394	32,028
Depreciation	-	173,685	-	-	-	173,685	169,072
Field trips	16,048	-	-	-	-	16,048	14,575
Receptions/food	-	-	-	44,077	44,077	44,077	-
Travel	2,121	-	6,660	-	6,660	8,781	4,972
Interest and bank fees	76,276	-	-	17,616	17,616	93,892	71,377
Dues and subscriptions	13,654	250	8,594	-	8,594	22,498	18,677
Licenses and permits	-	-	5,715	51	5,766	5,766	4,638
Education and seminars	1,100	-	388	-	388	1,488	1,495
Donations	15,900	-	-	-	-	15,900	12,015
Other expense	-	-	510	-	510	510	2,033
Total	\$ 1,017,849	\$ 583,579	\$ 260,592	\$ 276,789	\$ 537,381	\$ 2,138,809	\$ 1,758,814

See accompanying notes to financial statements.

Hill House, Inc.
Statements of Cash Flows
For the Year Ended June 30, 2023
(With Comparative Totals for the Year Ended June 30, 2022)

	2023	2022
<i>Operating Activities</i>		
Change in net assets	\$ (190,635)	\$ (17,276)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	173,685	169,072
Grant income from note forgiveness	-	(107,081)
Change in operating assets and liabilities:		
Prepaid expenses	(20,469)	(13,208)
Accounts payable	26,707	(5,319)
Accrued expenses	10,833	17,391
Prepaid rent	(13,705)	-
Deposits	<u>80,170</u>	<u>141,559</u>
Net cash provided by operating activities	<u>66,586</u>	<u>185,138</u>
<i>Investing Activities</i>		
Purchases of fixed assets	(36,799)	(23,304)
Purchases of investments, net	<u>(630,417)</u>	<u>-</u>
Net cash used in investing activities	<u>(667,216)</u>	<u>(23,304)</u>
<i>Financing Activities - None</i>		
Net change in cash and cash equivalents	(600,630)	161,834
Cash and cash equivalents - beginning of year	<u>1,627,218</u>	<u>1,465,384</u>
Cash and cash equivalents - end of year	<u>\$ 1,026,588</u>	<u>\$ 1,627,218</u>

See accompanying notes to financial statements.

Hill House, Inc.
Notes to Financial Statements
June 30, 2023

1. Description of Organization

Hill House, Inc., is a neighborhood community center serving the people of Boston's downtown neighborhoods by providing educational, library, recreational and social welfare facilities and programs. Hill House Inc.'s programs, funded primarily through program and special event fees, membership dues, and contributions, consist of educational classes for children and adults, sports and dance activities for youth, and a summer camp.

Program activities consist of the following:

Classes - Hill House Inc., offers a variety of classes to families in the City of Boston, including art, music, chess, dance, gymnastics, and playgroups. Classes are offered to children ranging from ages 1 through 12 years old.

Sports - Hill House Inc. offers a variety of sport programs to families in the City of Boston including soccer, basketball, baseball, karate and fencing. Programs are offered to children ranging from age 3 through 12 years old.

Summer Camp - Hill House Inc., offers a ten-week summer program to families in the City of Boston, which includes weekly themes, adventurous activities, field trips, action packed sports and games. Three different summer camp options include Day Camp (ages 5-10), Sports Camp (ages 7-10), and Kiddie Camp (ages 3-5).

Community Events - Hill House Inc. is continuously looking for ways to unite with neighbors, offering over twenty-five community events each year including holiday parties for kids, family bingo, movie nights, and the backyard dash.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America. Hill House, Inc., reports information regarding its net assets and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions, based on the existence or absence of donor imposed restrictions on contributions received.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

Hill House, Inc.
Notes to Financial Statements - *Continued*
June 30, 2023

2. ***Summary of Significant Accounting Policies - Continued***

Contributions – Continued

Contributions received without donor imposed restrictions, or with donor imposed restrictions that are satisfied in the same year as received, are recorded as revenues within the net assets without donor restrictions class. Contributions received with donor imposed specific purpose or time restrictions that are not satisfied within the same year are recorded as revenue within the net assets with donor restrictions class. When a restriction has been satisfied (payment has been made in accordance with the restriction or the time restriction has expired), the net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Goods and Services

Hill House, Inc., recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Hill House, Inc., receives services from a large number of volunteers who give a significant amount of their time to Hill House Inc.'s programs and fund-raising campaigns, which do not meet the criteria for financial statement recognition.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the year in which the promises are received. Amortization of the discounts is included in revenue. Hill House, Inc., evaluates its pledges receivable annually and establishes an allowance for doubtful accounts, based on a history of past write-offs, collections and current conditions. There were no pledges receivable as of June 30, 2023 and 2022, respectively.

Property, Equipment and Depreciation

Property and equipment are carried at cost if purchased, or fair value if contributed. Hill House, Inc., capitalizes any asset over \$1,000 that has an estimated useful life of more than one year. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Estimated useful lives are 10-40 years for building and improvements, 15 years for land improvements, 7 years for furnishings, and 3-7 years for equipment. Depreciation expense for the years ended June 30, 2023 and 2022, was \$173,685 and \$169,072, respectively.

Hill House, Inc.
Notes to Financial Statements - *Continued*
June 30, 2023

2. ***Summary of Significant Accounting Policies - Continued***

Property, Equipment and Depreciation – Continued

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are recorded within the net assets without donor restrictions class unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are recorded within the net assets with donor restrictions class. Absent donors' stipulations regarding how long those donated assets must be maintained, Hill House, Inc., reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The related net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions at that time.

Hill House, Inc., gives consideration to its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. As of June 30, 2023, Hill House, Inc., has not recognized any reduction in the carrying value of its real estate.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs using various allocation methods.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash deposits in checking and money market accounts. At June 30, 2023 and 2022, Hill House, Inc. held cash equivalents of \$85,741 and \$78,127, respectively. For the purposes of the statement of cash flows, Hill House, Inc., considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Summarized Prior Year Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional expense classification. 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 Hill House, Inc.'s financial statements for the year ended June 30, 2022, from which the summarized information was derived. Certain 2022 amounts have been reclassified to conform to the 2023 financial statement presentation.

Hill House, Inc.
Notes to Financial Statements - *Continued*
June 30, 2023

2. ***Summary of Significant Accounting Policies - Continued***

Fair Value Measurements

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments and Investment Income

Investments are recorded at fair value with unrealized gains and losses reported in the change in net assets for the year. Investments in marketable securities with readily determinable fair values are reported at their fair values in the consolidated statements of financial position. Realized gains and losses are included in the changes in net assets for the year. Realized gains and losses are accounted for on the specific identification method. Purchases and sales are recorded on a trade date basis.

Dividends, interest, gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless a donor or law temporarily or permanently restrict their use. Dividends, interest and restricted gains whose restrictions are met in the same reporting period are reported as unrestricted support.

Hill House, Inc.
Notes to Financial Statements - *Continued*
June 30, 2023

2. ***Summary of Significant Accounting Policies - Continued***

Income Taxes

Hill House, Inc., is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the fiscal years ended June 30, 2023 and 2022, would be subject to Federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

Hill House, Inc., evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are *more-likely-than-not* of being sustained by the applicable tax authority. Tax positions not deemed to meet the *more-likely-than-not* threshold, along with accrued interest and penalty thereon would be recorded as an expense in the current year financial statements. Hill House, Inc., has evaluated tax positions taken in its previously filed returns and those expected to be taken in its 2023 returns and believes they are *more-likely-than-not* to be sustained if examined by Federal or state tax authorities. Hill House, Inc.'s 2020 through 2022 tax years remain subject to examination by Federal and state taxing authorities.

Estimates and Assumptions

The preparation of financial statements in conformity 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. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Hill House, Inc. recognizes revenue from program service fees ratably over the period the programs are ongoing. The timing of revenue recognition and cash collections results in deferred program deposits on the Statement of Financial Position. The activity in program deposits for the years ended June 30, 2023 and 2022, were as follows:

	2023	2022
Deferred program fees, beginning of year	\$ 550,017	\$ 419,897
Previously deferred revenue recognized	(550,017)	(419,897)
Cash received for program fees	1,435,629	1,250,981
Current revenue recognized	<u>(799,646)</u>	<u>(700,964)</u>
Deferred program fees, end of year	<u>\$ 635,983</u>	<u>\$ 550,017</u>

Hill House, Inc.
Notes to Financial Statements - *Continued*
June 30, 2023

2. ***Summary of Significant Accounting Policies - Continued***

Revenue Recognition – Continued

Hill House, Inc. recognizes revenue from membership dues ratably over the membership period as the benefits to members are consistent throughout the year. Payments for membership dues are due at the time of renewal or registration, which can be done at any point during the year. The timing of revenue recognition and cash collections results in deferred membership deposits on the Statement of Financial Position. The activity in membership deposits for the years ended June 30, 2023 and 2022, were as follows:

	2023	2022
Deferred membership dues, beginning of year	\$ 38,361	\$ 26,922
Previously deferred revenue recognized	(38,361)	(26,922)
Cash received for membership dues	57,325	61,935
Current revenue recognized	<u>(24,760)</u>	<u>(23,574)</u>
Deferred membership dues, end of year	<u>\$ 32,565</u>	<u>\$ 38,361</u>

Adoption of New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842), which supersedes existing guidance. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Leases* (Topic 842): *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases* (Topic 842): *Targeted Improvements*; ASU 2018-20, *Leases* (Topic 842): *Narrow-Scope Improvements for Lessors*; and ASU 2019-01, *Leases* (Topic 842): *Codification Improvements*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

Hill House, Inc. adopted the leasing standards effective July 1, 2022, using the modified retrospective approach with July 1, 2022, as the initial date of application. Hill House, Inc. elected to use all available practical expedients provided in the transition guidance. These allowed Hill House, Inc. to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. As of July 1, 2022, adoption of Topic 842 did not result in any change to beginning net assets or any material adjustments to the statements of financial position accounts.

Hill House, Inc.
Notes to Financial Statements - *Continued*
June 30, 2023

3. *Endowment Funds and Board Designated Net Assets*

Hill House, Inc., has one endowment with donor restrictions, and three board designated contingency reserves that serve as quasi-endowments. The investment objectives of the endowment funds are to provide a stable, but competitive rate of return. To achieve the investment objectives, the endowment funds are invested in money market accounts. Endowment funds with donor restrictions can be used for program activity in the event of an economical turndown (Note 4). Board contingency reserves are designated for ongoing maintenance of Hill House, Inc.'s real property and for operations, and can be used only with authorization from the board of directors.

The composition of and changes in endowment net assets for the years ended June 30, 2023 and 2022, were as follows:

	2023		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 367,998	\$ 213,269	\$ 581,267
Contributions	18,000	-	18,000
Interest income	5,589	8,810	14,399
Appropriated amounts	<u>(10,395)</u>	<u>-</u>	<u>(10,395)</u>
Endowment net assets, end of year	<u>\$ 381,192</u>	<u>\$ 222,079</u>	<u>\$ 603,271</u>
	2022		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Endowment net assets, beginning of year	\$ 360,448	\$ 213,359	\$ 573,807
Contributions	18,000	-	18,000
Interest income	9	85	94
Appropriated amounts	<u>(10,459)</u>	<u>(175)</u>	<u>(10,634)</u>
Endowment net assets, end of year	<u>\$ 367,998</u>	<u>\$ 213,269</u>	<u>\$ 581,267</u>

4. *Donor Restricted Net Assets*

Donor restricted net assets at June 30, 2023 and 2022, consisted of contributions received for the following specific purposes that have not been expended at year-end:

<i>Description</i>	2023	2022
Program Endowment Fund (Note 3)	\$ 222,079	\$ 213,359
Summer Camp Fund	2,500	2,500
Poorman's Landing	<u>1,379</u>	<u>1,379</u>
Total donor restricted	<u>\$ 225,958</u>	<u>\$ 217,238</u>

Hill House, Inc.
Notes to Financial Statements - *Continued*
June 30, 2023

5. *Leasing Activities*

Hill House, Inc. rents out a portion of its space at 74 Joy Street to four tenants, one of which is a related party renting on a tenant-at-will basis (Note 8). Hill House, Inc., has lease agreements with a second and third tenant through June 30, 2023. Subsequent to year-end, both tenants signed long-term lease agreements. Monthly lease payments for these two tenants are based on each tenant's square footage percentage applied to estimated building operating costs, which are adjusted at year-end for actual building costs incurred. Hill House, Inc. has a tenant-at-will agreement with the fourth tenant.

The cost of assets held for lease at June 30, 2023 and 2022, totaled \$4,032,764. Accumulated depreciation on assets held for lease at June 30, 2023 and 2022, totaled \$1,985,470 and \$1,871,686, respectively. Rental income totaled \$213,342 and \$209,662 for the years ended June 30, 2023 and 2022, respectively.

Future minimum rental income from lease agreements is based on the tenants' applicable percentage of building operating expenses per year, and is estimated to increase by approximately two and one-half percent each year.

6. *Investments*

As of June 30, 2023, Hill House, Inc.'s investment account is maintained at one financial institution. The investments are subject to market fluctuations and due to the level of risk associated with investments it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could be material to the financial statements (see Note 7). Hill House, Inc. did not hold any investments at June 30, 2022.

<i>Investments</i>	<i>2023</i>
Money market mutual funds	\$ 23,125
Equity mutual funds	368,647
Bond mutual funds	<u>238,645</u>
Total	<u>\$ 630,417</u>

Hill House, Inc.
Notes to Financial Statements - *Continued*
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7. Fair Value Measurements

The following is a description of the valuation methodologies used for assets at fair value.

Money Market Mutual Funds

Carried at fair value based on the valuation of the financial institutions that hold the investments (Level 2 Inputs).

Equity and Bond Mutual Funds

Valued at the closing price reported on the active market on which the individual securities are traded (Level 1 Inputs).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Hill House, Inc. believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value of assets and (liabilities) are measured on a recurring basis and at June 30, 2023 were as follows:

	2023		
	<i>Level 1 Inputs</i>	<i>Level 2 Inputs</i>	<i>Total</i>
<i>Investments:</i>			
Money market mutual funds	\$ -	\$ 23,125	\$ 23,125
Equity mutual funds	368,647	-	368,647
Bond mutual funds	<u>238,645</u>	<u>-</u>	<u>238,645</u>
Total investments	<u>607,292</u>	<u>23,125</u>	<u>630,417</u>
Total fair value measurements	<u>\$ 607,292</u>	<u>\$ 23,125</u>	<u>\$ 630,417</u>

Realized and unrealized gains and losses from these investments are reported in the statements of activities as they occur. There have been no changes in valuation techniques and related inputs.

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8. Related Party Transactions

Beacon Hill Civic Association (BHCA), a tax-exempt, non-profit organization, is the sole member of Hill House, Inc., and approves the annual slate of Hill House, Inc.'s Board of Directors in accordance with Hill House, Inc.'s by-laws. BHCA occupies space at 74 Joy Street as a tenant-at-will. Rental income for both the years ended June 30, 2023 and 2022, totaled \$11,348.

9. Concentrations

Cash

Hill House, Inc.'s bank accounts are held at a financial institution that is FDIC insured up to the maximum amount of \$250,000. Balances on deposit in these accounts may exceed this insured limit throughout the fiscal year. Hill House, Inc., has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash.

Revenue

Hill House, Inc.'s main source of revenue is program fees from the programs it operates as described in Note 1. These program fees represented approximately 69% and 64% of revenue for the years ended June 30, 2023 and 2022, respectively.

10. Liquidity and Availability

The following reflects Hill House, Inc.'s financial assets available to meet general expenditures within the next twelve months as of June 30, 2023 and 2022:

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	\$ 1,026,588	\$ 1,627,218
Investments	<u>630,417</u>	<u>-</u>
Total financial assets	1,657,005	1,627,218
Less financial assets not available for general expenditures, due to:		
Donor-imposed purpose restrictions	(225,958)	(217,148)
Board designated endowment fund, primarily for program activity in the event of an economic turndown	<u>(381,192)</u>	<u>(367,998)</u>
Financial assets available to meet general expenditures within the next twelve months	<u>\$ 1,049,855</u>	<u>\$ 1,042,072</u>

Hill House, Inc., monitors liquidity required to meet its needs of general operating expenditures and other contractual commitments over the next twelve months.

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Notes to Financial Statements - *Continued*
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11. *Note Payable*

During fiscal year 2021, Hill House, Inc. obtained a note payable from a financial institution in the amounts of \$107,081 under the Small Business Administration's Paycheck Protection Program (PPP). The note is forgivable if Hill House, Inc. meets certain spending requirements such as using at least 60% of the funds for payroll and related costs and the remaining amount on qualified costs as part of the PPP requirements. During fiscal year 2022, the note was forgiven in full and \$107,081 has been included in grant income in the *Statement of Activities*.

12. *Subsequent Events*

Subsequent to year-end as more fully described in Note 5, Hill House, Inc. entered into an agreement to extend the lease with one of its tenants through June 30, 2044.

Hill House, Inc. has evaluated events through November 21, 2024, which is the date the financial statements were available to be issued.