

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Table of Contents

December 31, 2021 and 2020

	Page
Independent Auditor's Report	1-2
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Net Assets.....	4
Statements of Functional Expenses.....	5-6
Statements of Cash Flows.....	7
Notes to Financial Statements	8-15

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
High Country Charitable Foundation, Inc.
Banner Elk, North Carolina

Qualified Opinion

We have audited the accompanying financial statements of High Country Charitable Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of a gift of stock not recorded in the financial statements described in the Basis for Qualified Opinion section of our report, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of High Country Charitable Foundation, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As more fully described in Note 6 to the financial statement, the Organization has not recorded a gift of stock in the financial statements. In our opinion, accounting principles generally accepted in the United States of America require that gifts of stock be recorded at fair value on the date of receipt. The effects on the accompanying financial statements of the failure to record the stock acquired by gift have not been determined.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of High Country Charitable Foundation, 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 qualified audit opinion.

Prior Period Financial Statements

The 2020 financial statements were reviewed by other accountants, and their report thereon, dated October 25, 2021, stated they were not aware of any material modifications that should be made to those financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

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 High Country Charitable Foundation, Inc.'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 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 High Country Charitable Foundation, 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 High Country Charitable Foundation, 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.



Joseph P. Melvin Company, LLC
Wayne, Pennsylvania
September 13, 2022

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Statements of Financial Position

December 31, 2021 and 2020

Assets

	2021 (Audited)	2020 (Reviewed)
Current assets		
Cash and cash equivalents	\$ 366,321	\$ 218,673
Investments at fair value	3,648,035	640,308
Prepaid expenses	-	1,500
Total current assets	<u>4,014,356</u>	<u>860,481</u>
Total assets	<u>\$ 4,014,356</u>	<u>\$ 860,481</u>

Liabilities and net assets

Current liabilities		
Accounts payable	\$ 24,282	\$ 5,013
Net assets		
Without donor restrictions	<u>3,990,074</u>	<u>855,468</u>
Total net assets	<u>3,990,074</u>	<u>855,468</u>
Total liabilities and net assets	<u>\$ 4,014,356</u>	<u>\$ 860,481</u>

Accompanying notes are an integral part of these financial statements

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Statements of Activities and Net Assets

For the Years Ended December 31, 2021 and 2020

	<u>2021</u> <u>(Audited)</u>	<u>2020</u> <u>(Reviewed)</u>
	<u>Without Donor Restrictions</u>	
Public support and revenues		
Direct public support	\$ 557,934	\$ 725,169
Fundraising event revenues	263,500	156,750
Other public support	<u>2,736,339</u>	<u>43</u>
Total public support	3,557,773	881,962
Investment income		
Dividend income	16,636	11,056
Net investment income	178,809	77,937
Nondividend distribution	378	-
Interest income	<u>1,056</u>	<u>744</u>
Total investment income	<u>196,879</u>	<u>89,737</u>
Total public support and revenues	3,754,652	971,699
Expenses		
Program services	423,595	549,905
Management and general	67,560	25,027
Fundraising	<u>128,891</u>	<u>23,223</u>
Total expenses	<u>620,046</u>	<u>598,155</u>
Change in net assets	3,134,606	373,544
Net assets without donor restrictions beginning of year	<u>855,468</u>	<u>481,924</u>
Net assets without donor restrictions at end of year	<u>\$ 3,990,074</u>	<u>\$ 855,468</u>

Accompanying notes are an integral part of these financial statements

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2021 (Audited)

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Charitable giving	\$ 423,595	\$ -	\$ -	\$ -	\$ 423,595
Administrative services	-	35,084	-	35,084	35,084
Brokers fees	-	16,066	-	16,066	16,066
Auction items	-	-	37,050	37,050	37,050
Entertainment	-	-	19,650	19,650	19,650
Flowers and decorations	-	-	10,556	10,556	10,556
Food	-	-	47,014	47,014	47,014
Other fundraising expenses	-	-	14,621	14,621	14,621
Interest expense	-	126	-	126	126
Miscellaneous	-	7,431	-	7,431	7,431
Foreign tax	-	5	-	5	5
Operations	-	8,848	-	8,848	8,848
Total	<u>\$ 423,595</u>	<u>\$ 67,560</u>	<u>\$ 128,891</u>	<u>\$ 196,451</u>	<u>\$ 620,046</u>

Accompanying notes are an integral part of these financial statements

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Statement of Functional Expenses

For the Year Ended December 31, 2020 (Reviewed)

	<u>Program Services</u>	<u>Supporting Services</u>			<u>Total Expenses</u>
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Charitable giving	\$ 549,905	\$ -	\$ -	\$ -	\$ 549,905
Administrative services	-	7,013	-	7,013	7,013
Brokers fees	-	4,591	-	4,591	4,591
Auction items	-	-	14,535	14,535	14,535
Flowers and decorations	-	-	140	140	140
Food	-	-	8,047	8,047	8,047
Other fundraising expenses	-	-	501	501	501
Miscellaneous	-	2,578	-	2,578	2,578
Operations	-	9,585	-	9,585	9,585
Penalty	-	1,260	-	1,260	1,260
Total	<u>\$ 549,905</u>	<u>\$ 25,027</u>	<u>\$ 23,223</u>	<u>\$ 48,250</u>	<u>\$ 598,155</u>

Accompanying notes are an integral part of these financial statements

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021 (Audited)	2020 (Reviewed)
Cash flows from by operating activities		
Change in net assets	\$ 3,134,606	\$ 373,544
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Unrealized and realized gain on investments	(178,809)	(77,937)
Fair market value of receipt of donated property	(2,727,757)	-
(Increase) decrease in operating assets		
Prepaid expenses	1,500	(1,500)
Increase (decrease) in operating liabilities		
Accounts payable	19,269	(3,537)
Net cash provided by operating activities	<u>248,809</u>	<u>290,570</u>
Cash flows from investing activities		
Proceeds from sale of investments	470,714	1,214,519
Purchases of investments	(3,299,632)	(1,311,727)
Purchases of property	(193,901)	-
Proceeds from sale of property	2,921,658	-
Net cash used in investing activities	<u>(101,161)</u>	<u>(97,208)</u>
Net increase in cash and cash equivalents	147,648	193,362
Cash and cash equivalents - beginning of year	<u>218,673</u>	<u>25,311</u>
Cash and cash equivalents - end of year	<u>\$ 366,321</u>	<u>\$ 218,673</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u>\$ 126</u>	<u>\$ -</u>

Accompanying notes are an integral part of these financial statements

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021 and 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

High Country Charitable Foundation, Inc. (“the Organization”) is a not-for-profit organization, incorporated under the laws of the State of North Carolina. The Organization provides for needy Avery County, North Carolina residents and animals by supporting local public and other private foundations.

Basis of Accounting

The Organization’s policy is to prepare its financial statements on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

Net assets, support, revenue, and expenses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: include resources not subject to, or no longer subject to donor-imposed stipulations. The Board of Directors has designated, from net assets with donor restrictions, net assets for an operating reserve. The total amount of board designated net assets as of December 31, 2021 and 2020 was \$3,990,074 and \$855,468, respectively.

Net assets with donor restrictions: include resources whose use is limited by donor-imposed time and/or purpose restrictions. The Organization does not have and has not received any assets with donor restrictions in 2021 and 2020.

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021 and 2020

(1) CONTINUED

Basis of Presentation, Continued

Revenue and support are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. All expenses, including those funded by restricted contributions, are reported as decreases in *net assets without donor restrictions*. Gains and losses on investments are reported as increases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. At times throughout the year, the Organization's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code.

The tax years ended 2017, 2018 and 2019 are still open to audit for both federal and state purposes. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021 and 2020

(1) CONTINUED

Donated Services

A substantial number of unpaid volunteers have made significant contributions of their time in conjunction with the Organization's programs and services. The value of these contributions has not been reflected on in the accompanying financial statements as these services do not meet the criteria for recognition as contributions under U.S. generally accepted accounting principles.

Investments

Investments in marketable securities are reported at their fair values in the statement of financial position. Unrealized gains and losses, dividends and interest income are included in the statements of activities and net assets.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities and net assets. The statements of functional expenses present the natural classification detail of expenses by function. All expenses are considered direct.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified in order to be comparable with the current year presentation.

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021 and 2020

(2) CONCENTRATIONS

The Organization maintains cash balances in financial institutions. At times throughout the year, these balances may be in excess of federal insured limits.

(3) LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other financial commitments, while also striving to maximize the investment of its available funds. As part of the liquidity management, the Organization strives to operate within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations may be met. The Organization anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Further, the investment portfolio consists of various investment options, which are not subject to any constraints limiting the Organization's ability to respond quickly to changes in market conditions.

Financial assets available to meet cash needs for general expenditures within one year are as follows at December 31, 2021 and 2020:

	2021	2020
	(Audited)	(Reviewed)
Cash and cash equivalents	\$ 366,321	\$ 218,673
Investments available for current use	3,648,035	640,308
Less: restricted by donors with purpose restrictions	-	-
	<u>\$4,014,356</u>	<u>\$ 858,981</u>

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021 and 2020

(4) FAIR VALUE MEASUREMENTS

Accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes 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 as follows:

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

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 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 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.

Following is a description of the valuation methodologies used for assets measured at fair value.

Equities – Valued at the closing price reported on the active market on which the individual securities are traded.

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021 and 2020

(4) CONTINUED

Mutual funds and exchange-traded funds- Valued at the daily closing price as reported by the fund. The mutual funds and exchange-traded funds held by the Organization are open-end funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds and exchange-traded funds held by the Organization are deemed to be actively traded.

Corporate bonds and preferred stock – Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Alternative investments – Investments in alternative investments include fund of funds and private equity funds for which no active market exists. The Organization has estimated the investments' fair value by using the NAV provided by the funds' manager.

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 the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value as of December 31, 2021 and 2020.

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021 and 2020

(4) CONTINUED

December 31, 2021 (Audited)	Fair Value Measurement Using:			Total
	(Level 1)	(Level 2)	(Level 3)	
Equities	\$ 1,459,285	\$ -	\$ -	\$ 1,459,285
Exchange traded funds	579,599	-	-	579,599
Mutual funds	1,253,182	-	-	1,253,182
Corporate bonds	-	12,471	-	12,471
Preferred stock	-	73,237	-	73,237
(a) Interest in alternative investments (measured at NAV)				270,261
Total investments at fair value	<u>\$ 3,292,066</u>	<u>\$ 85,708</u>	<u>\$ -</u>	<u>\$ 3,648,035</u>
December 31, 2020 (Reviewed)	Fair Value Measurement Using:			
	(Level 1)	(Level 2)	(Level 3)	Total
Equities	\$ 402,582	\$ -	\$ -	\$ 402,582
Mutual funds	110,798	-	-	110,798
Corporate bonds	-	10,901	-	10,901
Preferred stock	-	63,572	-	63,572
(a) Interest in alternative investments (measured at NAV)				52,455
Total investments at fair value	<u>\$ 513,380</u>	<u>\$ 74,473</u>	<u>\$ -</u>	<u>\$ 640,308</u>

(a) In accordance with ASC 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

HIGH COUNTRY CHARITABLE FOUNDATION, INC.

Notes to Financial Statements

December 31, 2021 and 2020

(5) DONATION AND SALE OF PROPERTY

In March 2021, the Organization received a donation of a residential property. The Organization made \$193,901 of upgrades in preparation of selling this property. In August 2021, the Organization sold this property and received net proceeds in the amount of \$2,921,658. The Organization estimated that the fair market value of the property at the time it was received approximated the value of the sales proceeds less the cost of the upgrades.

(6) DONATION OF STOCK

In 2021, an individual transferred common shares of stock from a private company to the Organization. This gift was not recorded by the Organization in the financial statements. Generally accepted accounting principles require that this gift be recorded at fair value at the time of receipt. The effects of this departure from generally accepted accounting principles have not been determined.

(7) COVID-19 PANDEMIC

In March 2020, the World Health Organization characterized a novel strain of coronavirus (COVID-19) as a pandemic. It is anticipated that the impact of this pandemic will continue for some time. Impacts of the Organization have included the inability to hold certain fund raising events in 2020. These disruptions were not as significant to the Organization in 2021.

(8) SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 13, 2022, the date on which the financial statements were available to be issued.
