# HIGHER GROUND USA, INC.

## FINANCIAL STATEMENTS

## YEARS ENDED APRIL 30, 2023 AND 2022

**HIGHER GROUND USA, INC.**
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# INDEPENDENT AUDITORS' REPORT

Board of Directors
Higher Ground USA, Inc.
Ketchum, Idaho

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Higher Ground USA, Inc. (a nonprofit organization), which comprise the statements of financial position as of April 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years 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 Higher Ground USA, Inc. as of April 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Higher Ground USA, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, in 2023, the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Higher Ground USA, Inc.'s ability to continue as a going concern for one year after the date 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 GAAS 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 GAAS, 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 Higher Ground USA, 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 Higher Ground USA, 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.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Bellevue, Washington
June 3, 2024

# HIGHER GROUND USA, INC.
# STATEMENTS OF FINANCIAL POSITION
# APRIL 30, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and Cash Equivalents | $ 1,575,553 | $ 2,889,683 |
| Investment Securities | 2,568,505 | 675,469 |
| Pledges Receivable, Current | 558,488 | 154,000 |
| Grants Receivable | - | 417,179 |
| Prepaid Expenses and Other Assets | 125,244 | 82,957 |
| Total Current Assets | 4,827,790 | 4,219,288 |
| **PROPERTY AND EQUIPMENT** | | |
| Buildings and Building Improvements (Held for Lease) | 378,578 | 340,769 |
| Program Equipment | 254,723 | 298,454 |
| Furniture and Office Equipment | 90,386 | 76,511 |
| Vehicles | 325,496 | 247,701 |
| Accumulated Depreciation | (532,209) | (466,716) |
| Total | 516,974 | 496,719 |
| Construction in Progress | 70,000 | 70,000 |
| Property and Equipment, Net | 586,974 | 566,719 |
| **OTHER ASSETS** | | |
| Pledges Receivable, Long-Term | 100,000 | 75,000 |
| Operating Right-of-Use Asset | 225,989 | - |
| Total Other Assets | 325,989 | 75,000 |
| Total Assets | $ 5,740,753 | $ 4,861,007 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts Payable | $ 59,846 | $ 40,548 |
| Accrued Liabilities | 83,610 | 163,904 |
| Credit Cards Payable | 139,058 | 110,763 |
| Deferred Revenue | - | 162,892 |
| Security Deposits | 250 | 250 |
| Current Portion of Lease Liability - Operating | 48,644 | - |
| Total Current Liabilities | 331,408 | 478,357 |
| **NONCURRENT LIABILITIES** | | |
| Long-Term Lease Liability - Operating, Net Current Portion | 180,713 | - |
| Total Noncurrent Liabilities | 180,713 | - |
| Total Liabilities | | |
| Without Donor Restrictions | 5,000,888 | 4,070,919 |
| With Donor Restrictions | 227,744 | 311,731 |
| Total Net Assets | 5,228,632 | 4,382,650 |
| Total Liabilities and Net Assets | $ 5,740,753 | $ 4,861,007 |

*See accompanying Notes to Financial Statements.*

# HIGHER GROUND USA, INC.
# STATEMENT OF ACTIVITIES
# YEAR ENDED APRIL 30, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUE AND SUPPORT** | | | |
| Public Support: | | | |
| Donations and Grants | $ 1,241,820 | $ 2,546,723 | $ 3,788,543 |
| Contributed Nonfinanicial Assets | 1,246,607 | - | 1,246,607 |
| Special Fundraising Events, Net of $315,448 Expenses | 1,021,925 | - | 1,021,925 |
| Program Revenue | 74,910 | - | 74,910 |
| Rental Income | 6,750 | - | 6,750 |
| Investment Income, Net | 39,497 | - | 39,497 |
| Loss on Sale of Assets | (37,802) | - | (37,802) |
| Net Assets Released from Restrictions | 2,630,710 | (2,630,710) | - |
| Total Revenue and Support | 6,224,417 | (83,987) | 6,140,430 |
| **EXPENSES** | | | |
| Program | 4,640,328 | - | 4,640,328 |
| Fundraising | 372,613 | - | 372,613 |
| Administration | 281,507 | - | 281,507 |
| Total Expenses | 5,294,448 | - | 5,294,448 |
| **INCREASE (DECREASE) IN NET ASSETS** | 929,969 | (83,987) | 845,982 |
| Net Assets - Beginning of Year | 4,070,919 | 311,731 | 4,382,650 |
| **NET ASSETS - END OF YEAR** | $ 5,000,888 | $ 227,744 | $ 5,228,632 |

*See accompanying Notes to Financial Statements.*

# HIGHER GROUND USA, INC.
# STATEMENT OF ACTIVITIES
# YEAR ENDED APRIL 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **REVENUE AND SUPPORT** | | | |
| Public Support: | | | |
| Donations and Grants | $ 1,318,495 | $ 1,646,496 | $ 2,964,991 |
| Contributed Nonfinancial Assets | 1,169,998 | - | 1,169,998 |
| Special Fundraising Events, Net of $234,696 Expenses | 1,015,624 | - | 1,015,624 |
| Federal Grants - Paycheck Protection Program | 47,660 | - | 47,660 |
| Rental Income | 13,200 | - | 13,200 |
| Investment Income, Net | 1,270 | - | 1,270 |
| Net Assets Released from Restrictions | 2,435,878 | (2,435,878) | - |
| Total Revenue and Support | 6,002,125 | (789,382) | 5,212,743 |
| **EXPENSES** | | | |
| Program | 4,189,234 | - | 4,189,234 |
| Fundraising | 352,563 | - | 352,563 |
| Administration | 244,159 | - | 244,159 |
| Total Expenses | 4,785,956 | - | 4,785,956 |
| **INCREASE (DECREASE) IN NET ASSETS** | 1,216,169 | (789,382) | 426,787 |
| Net Assets - Beginning of Year | 2,854,750 | 1,101,113 | 3,955,863 |
| **NET ASSETS - END OF YEAR** | $ 4,070,919 | $ 311,731 | $ 4,382,650 |

*See accompanying Notes to Financial Statements.*

**HIGHER GROUND USA, INC.**
**STATEMENTS OF CASH FLOWS YEARS**
**ENDED APRIL 30, 2023 AND 2022**

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 845,982 | $ 426,787 |
| Adjustments to Reconcile Change in Net Assets to | | |
| Net Cash Provided by Operating Activities: | | |
| Depreciation | 68,404 | 62,748 |
| Amortization of Right-of-Use Asset | 22,826 | - |
| Realized and Unrealized Gain on Operating Investments | (36,169) | (308) |
| Contributions for Purchases of PP&E | (150,000) | - |
| Loss on Sale of Property and Equipment | 37,802 | - |
| Non Cash Lease Expense | 5,542 | - |
| Changes in Operating Assets and Liabilities: | | |
| Pledges Receivable | (429,488) | 424,799 |
| Grants Receivable | 417,179 | (417,179) |
| Prepaid Expenses and Other Assets | (42,287) | (33,819) |
| Accounts Payable | 19,298 | 1,667 |
| Accrued and Other Liabilities | (51,999) | (3,353) |
| Deferred Revenue | (162,892) | 162,892 |
| Operating Lease Liability | (25,000) | - |
| Net Cash Provided by Operating Activities | 519,198 | 624,234 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of Operating Investments | (1,856,867) | - |
| Proceeds from Sales of Operating Investments | - | - |
| Purchases of Property and Equipment | (157,261) | (34,103) |
| Proceeds from Sales of Property and Equipment | 30,800 | - |
| Net Cash Used by Investing Activities | (1,983,328) | (34,103) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Contributions for Purchases of PP&E | $ 150,000 | $ - |
| Net Cash Provided (Used) by Financing Activities | 150,000 | - |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | (1,314,130) | 590,131 |
| Cash and Cash Equivalents - Beginning of Year | 2,889,683 | 2,299,552 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $ 1,575,553 | $ 2,889,683 |

*See accompanying Notes to Financial Statements.*

# HIGHER GROUND USA, INC.
# STATEMENT OF FUNCTIONAL EXPENSES
# YEAR ENDED APRIL 30, 2023

| | Program | Fundraising | Administration | Total |
|---|---|---|---|---|
| Salaries and Benefits | $ 1,674,781 | $ 269,107 | $ 231,324 | $ 2,175,212 |
| Staff Education | 18,584 | 291 | 1,367 | 20,242 |
| Information Services | 45,676 | 8,449 | 4,854 | 58,979 |
| Marketing and Development | 18,686 | 24,449 | 910 | 44,045 |
| Insurance | 104,782 | 18,593 | 17,277 | 140,652 |
| Office Expenses | 109,048 | 8,241 | 10,283 | 127,572 |
| Occupancy | 246,136 | 7,210 | 5,673 | 259,019 |
| Professional Services | 201,433 | 4,276 | 7,243 | 212,952 |
| Program Related Expenses | 2,131,450 | 10,525 | - | 2,141,975 |
| Repairs and Maintenance | 10,685 | - | - | 10,685 |
| Staff Travel | 18,187 | 16,000 | 524 | 34,711 |
| Depreciation | 60,880 | 5,472 | 2,052 | 68,404 |
| Total Functional Expenses | 4,640,328 | 372,613 | 281,507 | 5,294,448 |
| Special Events Expense | - | 315,448 | - | 315,448 |
| Total Expenses | $ 4,640,328 | $ 688,061 | $ 281,507 | $ 5,609,896 |
| Percent of Total Expenses | 82.7 % | 12.3 % | 5.0 % | 100.0 % |
| Percent of Total Expenses Less Special Event Expenses | 87.6 % | 7.0 % | 5.3 % | 100.0 % |

*See accompanying Notes to Financial Statements.*

## HIGHER GROUND USA, INC.
## STATEMENT OF FUNCTIONAL EXPENSES
## YEAR ENDED APRIL 30, 2022

| | Program | Fundraising | Administration | Total |
|---|---|---|---|---|
| Salaries and Benefits | $ 1,538,582 | $ 259,635 | $ 194,387 | $ 1,992,604 |
| Staff Education | 8,617 | 420 | 609 | 9,646 |
| Information Services | 65,064 | 10,095 | 4,997 | 80,156 |
| Marketing and Development | 29,215 | 13,321 | 999 | 43,535 |
| Insurance | 92,918 | 16,990 | 9,580 | 119,488 |
| Office Expense | 56,347 | 5,465 | 8,653 | 70,465 |
| Occupancy | 159,649 | 10,171 | 3,604 | 173,424 |
| Professional Services | 165,230 | 13,415 | 16,962 | 195,607 |
| Program Related Expenses | 1,980,257 | 4,719 | 1,189 | 1,986,165 |
| Repairs and Maintenance | 9,837 | - | 458 | 10,295 |
| Staff Travel | 27,672 | 13,312 | 839 | 41,823 |
| Depreciation | 55,846 | 5,020 | 1,882 | 62,748 |
| Total Functional Expenses | 4,189,234 | 352,563 | 244,159 | 4,785,956 |
| Special Events Expense | - | 327,567 | - | 327,567 |
| Total Expenses | $ 4,189,234 | $ 680,130 | $ 244,159 | $ 5,113,523 |
| Percent of Total Expenses | 81.9 % | 13.3 % | 4.8 % | 100.0 % |
| Percent of Total Expenses Less Special Event Expenses | 87.5 % | 7.4 % | 5.1 % | 100.0 % |

*See accompanying Notes to Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and Operations**

Higher Ground USA, Inc. (the Organization) is a nonprofit organization located in Ketchum, Idaho, for the purpose of enriching the lives of people with disabilities through sports and recreation. The Organization's mission is accomplished by providing the following two major programs: Higher Ground Veteran and First Responder Program is a nationally recognized veteran and first responder rehabilitation program that combines sports and coping therapies to restore and rehabilitate veterans and first responders. Higher Ground Adaptive Sports serves children, teens, and adults with disabilities who are interested in winter sports, including skiing, snowboarding, sled hockey, and Nordic skiing, and is partnered with the Sun Valley Company. The Higher Ground Adaptive Sports summer programs consist of day camps, cycling, golf, and other activities that serve individuals with physical and cognitive disabilities. These programs empower athletes with cognitive disabilities to be healthy, productive, and respected members of their communities.

The Organization receives the majority of its support in the form of donations from individuals. Higher Ground USA, Inc. is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

**Basis of Presentation**

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for nonprofit organizations. Those principles require reporting amounts for an organization's total assets, liabilities, and net assets in a statement of financial position; reporting the change in an organization's net assets in a statement of activities; and reporting the change in its cash and cash equivalents in a statement of cash flows, as well as a statement of functional expenses.

Those principles also require classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions into two separate classes of net assets: those with donor restrictions, and those without donor restrictions.

**Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Organization treats as cash and cash equivalents demand deposits and all investments with original maturities of 90 days or less.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Investment Securities

Investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains or losses restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains or losses are recognized.

### Pledges Receivable

A pledge is a promise to make a contribution at a later date. Pledges that include the amount of the pledge, a defined payment schedule or due date, are signed by the donor and are unconditional in nature are reflected as receivables and revenue in these financial statements. If considered significant, pledges receivable are discounted to their estimated present value. Conditional promises received to make a contribution are not reflected in the financial statements until all conditions have been satisfied except for the passage of time.

### Net Assets

The Organization classifies net assets, revenues, gains, and other support based on the existence or absence of donor-imposed restrictions. Net assets are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions are available for use in general operations and are not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets with donor restrictions are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor, such as the accomplishment of a purpose restriction.

### Property and Equipment

Property and equipment are stated at cost. Maintenance and repairs that do not improve or extend the life of assets are currently expensed.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 39 years for buildings and improvements, to 5 to 7 years for furniture, equipment, and vehicles.

### Leases

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in the operating ROU assets and operating lease liabilities on the statement of financial position as of April 30, 2023.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for the lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected not to separate nonlease components from lease components and instead accounts for these as a single lease component.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgement.

The individual lease contracts do not provide information about discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

### Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or granter conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit barrier that is more than trivial that must be overcome before the revenue can be earned and recognized; and

- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised if the condition is not met.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Contribution Revenue (Continued)**

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received. Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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.

**Grant Revenue**

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

*Grant Awards That Are Contributions* – Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as a refundable advance liability.

*Grant Awards That Are Exchange Transactions* – Exchange transactions are those in which the resource provider or granter receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

**Contributed Nonfinancial Assets**

Contributed nonfinancial assets include donated professional services, donated equipment, and other in kind contributions which are recorded at the respective fair values of the goods or services received (Note 14). In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Advertising and Promotion

The Organization uses advertising and promotion in the form of brochures, newsletters, newspaper and magazine advertisement, and television programming to promote its mission to the community it serves and to reach potential donors. Some promotional exposure is contributed in-kind to the Organization. The costs of advertising and promotion are expensed as incurred. There were no advertising costs for the years ending April 30, 2023 or 2022.

### Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

### Income Taxes

The Organization has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization's Form 990, Return of Organization Exempt from Income Tax, is subject to examination by the IRS, generally for three years after it was filed.

### Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases*, Accounting Standards Codification (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating or finance leases. Under the standard, disclosures are required to meet the objective of enabling users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

### Subsequent Events

Management of the Organization evaluated subsequent events through June 3, 2024, the date the financial statements were available to be issued. There were no subsequent events that are required to be disclosed.

## NOTE 2 CASH AND CASH EQUIVALENTS

At April 30, the carrying amount of the Organization's cash and cash equivalents was comprised of the following:

| | 2023 | 2022 |
|---|---|---|
| Cash and Cash Equivalents Held at Wells Fargo | $ 600,850 | $ 931,771 |
| Cash Held in Money Market and Cash Funds at Charles Schwab | 2,236 | 1,077 |
| Cash and Cash Equivalents Held at Key Bank | 7,342 | 157,372 |
| Cash and Cash Equivalents Held at DL Evans Bank | 959,796 | 1,789,512 |
| Petty Cash and Other | 5,329 | 9,951 |
| Total | $ 1,575,553 | $ 2,889,683 |

Bank balances totaled $1,709,572 and $2,923,712 at April 30, 2023 and 2022, of which 19.7% and 26.1% was not covered by federal depository insurance.

## NOTE 3 LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The following table reflects Higher Ground USA, Inc.'s financial assets as of April 30, 2023 and 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of restrictions.

| | 2023 | 2022 |
|---|---|---|
| Financial Assets at Year-End: | | |
| Cash and Cash Equivalents | $ 1,575,553 | $ 2,889,683 |
| Investment Securities | 2,568,505 | 675,469 |
| Pledges Receivable, Current Portion | 558,488 | 154,000 |
| Grants Receivable | - | 417,179 |
| Total Financial Assets at Year-End | 4,702,546 | 4,136,331 |
| Less Amounts Not Available to be Used Within One Year: | | |
| Net Assets With Donor Restrictions | 227,744 | 311,731 |
| Financial Assets Available to Meet General Expenditures Over the Next 12 Months | $ 4,474,802 | $ 3,824,600 |

Higher Ground USA, Inc. does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for at least four months of operating expenses.

## NOTE 4 FAIR VALUE MEASUREMENTS

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

*Level 1* – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan can access at the measurement date.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- 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, or
- 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 that are unobservable inputs for the asset or liability.

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

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities (common and preferred stock). Equity funds, fixed income funds and exchange trade funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data. The fair value of alternative investments is based on the net asset value per share as a practical expedient. Real estate investment trusts are valued based on the value that the shares were offered for sale at year-end.

## NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

The methods described above may produce a fair value calculation that may not be indicative of net, realizable value or reflective of future fair value. Furthermore, while the Organization 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.

The balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy applied only to investment securities in the amounts of $2,568,505 and $675,469 as of April 30, 2023 and 2022, respectively, and were all Level 1. There were no assets or liabilities measured at fair value on a nonrecurring basis as of April 30, 2023 and 2022.

## NOTE 5 INVESTMENTS

Investment securities consist of government debt securities (in Fiscal year 2023) and Goldman Sachs Financial Square Prime Obligations Mutual Fund (in Fiscal year 2022) held at Wells Fargo Advisors. At April 30, 2023, these investment securities were reported at market value of $2,568,505, with a related historical cost of $2,534,572, and a net unrealized gain of $36,169. During the years ended April 30, 2023 and 2022, net unrealized gains totaled $36,169 and $308. At April 30, 2022, these investment securities were reported at market value of $675,465, with a related historical cost of $674,187, and a net unrealized gain of $308.

Investment assets at fair value as of April 30, 2023:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Mutual Funds (GS Financial Square Prime Obligations Fund) | $ - | $ - | $ - | $ - |
| Fixed Income Government Bonds | $ 2,559,322 | $ - | $ - | $ 2,559,322 |
| Total Financial Instruments - Measured at Fair Value | $ 2,559,322 | $ - | $ - | 2,559,322 |
| Money Market Funds Included for Reconciliation Purposes | | | | 11,419 |
| | | | | $ 2,570,741 |

## NOTE 5 INVESTMENTS (CONTINUED)

Investment assets at fair value as of April 30, 2022:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Mutual Funds (GS Financial Square Prime Obligations Fund) | $ 675,465 | $ - | $ - | $ 675,465 |
| Fixed Income Government Bonds | $ - | $ - | $ - | $ - |
| Total Financial Instruments - Measured at Fair Value | $ 675,465 | $ - | $ - | 675,465 |
| Money Market Funds Included for Reconciliation Purposes | | | | 1,081 |
| | | | | $ 676,546 |

## NOTE 6 PLEDGES AND GRANTS RECEIVABLE

The Organization has received unconditional promises to give and as of April 30, 2023 and 2022, pledges receivable totaled $658,488 and $229,000, respectively. Of these receivables at April 30, 2023 and 2022, $100,000 and $75,000 are deemed long-term pledges.

As of April 30, 2023, the Organization had grants receivable of $0. The Organization had grants receivable of $417,179 as of April 30, 2022 from the U.S. Department of Veterans Affairs.

## NOTE 7 PROPERTY HELD FOR LEASE/ GAIN ON SALE OF ASSETS

Higher Ground USA, Inc. owns office space in Ketchum, Idaho, with a historical cost of $340,769 and accumulated depreciation of $127,424. During Fiscal Years 2021 and 2022, Higher Ground USA, Inc. moved to a new facility to meet their operational needs while they rented its Ketchum office space on a month-to-month basis for $1,100 per month. Beginning December 2022, Higher Ground USA, Inc. ceased renting the Ketchum office space and moved back into the facility. Rental income totaled $6,750 for the year ended April 30, 2023.

## NOTE 8 CREDIT CARDS PAYABLE

The Organization has multiple credit cards through Wells Fargo and American Express with interest rates from 13.99% to 16.99% and a combined credit limit of $190,300 as of April 30, 2023. Balances are generally paid in full on a monthly basis and do not incur interest charges. Balances outstanding for credit cards payable at April 30, 2023 and 2022, totaled $139,058 and $110,763, respectively.

## NOTE 9 DEFERRED REVENUE

Deferred revenue represents advance payments received for events to be provided in future periods for the annual Hero's Journey fundraising event. As of April 30, 2023 and 2022, Higher Ground USA, Inc. had deferred revenues of $0 and $162,892, respectively.

## NOTE 10 NET ASSETS

Net assets were for general operations, designated by the board, invested in long-term assets, or restricted by donors for the following purposes at April 30:

| | 2023 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Scholarships | $ 52,138 | $ 77,744 | $ 129,882 |
| Invested in Property and Equipment | 586,974 | 150,000 | 736,974 |
| General Operations | 4,361,776 | - | 4,361,776 |
| Total | $ 5,000,888 | $ 227,744 | $ 5,228,632 |

| | 2022 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Higher Ground Veteran | $ - | $ 175,000 | $ 175,000 |
| Adaptive Sports | - | 54,000 | 54,000 |
| Scholarships | 52,138 | 82,731 | 134,869 |
| Invested in Property and Equipment | 566,719 | - | 566,719 |
| General Operations | 3,452,062 | - | 3,452,062 |
| Total | $ 4,070,919 | $ 311,731 | $ 4,382,650 |

## NOTE 10 NET ASSETS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by donors as follows during the years ended April 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Higher Ground Veteran | $ 2,244,899 | $ 2,180,903 |
| Adaptive Sports | 372,324 | 240,323 |
| Scholarships | 13,487 | 14,652 |
| Total | $ 2,630,710 | $ 2,435,878 |

## NOTE 11 LEASES – ASC 842

Higher Ground USA, Inc. leases office facilities. Amounts reported on the statement of financial position as of April 30, 2023 are as follows:

| | |
|---|---|
| Operating Lease Right-of-Use Assets | $ 225,989 |
| Operating Lease Liability | $ 229,357 |

The following is a schedule of total future minimum lease payments and the present value of future lease payments for the operating lease:

| Year Ending April 30, | Amount |
|---|---|
| 2024 | $ 54,810 |
| 2025 | 56,454 |
| 2026 | 58,148 |
| 2027 | 59,892 |
| 2028 | 15,195 |
| Total Undiscounted Lease Payments | 244,499 |
| Less: Imputed Interest | (15,142) |
| Total Operating Lease Liability | 229,357 |
| Current Portion | 48,644 |
| Long-Term Operating Lease Liability | $ 180,713 |

Other information related to Higher Ground USA, Inc. lease as of April 30, 2023 is as follows:

| | |
|---|---|
| Cash Paid for Amounts Included in the Measurement of Lease Liabilities: | |
| Operating Cash Flows from Operating Lease | $ 25,000 |
| Right-of-Use Asset Obtained in Exchange for New Operating Lease Liability | $ 248,815 |
| Weighted-Average Remaining Lease Term | 4.3 Years |
| Weighted-Average Discount Rate | 3.04% |

## NOTE 12 LEASES – ASC 840

Higher Ground USA, Inc. has two leases which do not qualify for treatment under the new accounting standard due a capitalization policy of $5,000 for new leases.

Higher Ground USA, Inc. leases two copiers with monthly payments of $77 and $34, respectively. Rent expense for both leases for the year ended April 30, 2023, was $1,026.

The following is a schedule of total future minimum lease payments as of April 30, 2023:

| Year Ending April 30, | Amount |
|---|---|
| 2024 | $ 1,332 |
| 2025 | 1,332 |
| 2026 | 1,332 |
| 2027 | 485 |
| 2028 | 306 |
| Total | $ 4,787 |

## NOTE 13 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, which are allocated on the basis of time and effort, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of an internally developed allocation standard.

## NOTE 14 CONTRIBUTED NONFINANCIAL ASSETS

During the years ended April 30, 2023 and 2022, the Organization received, as noncash contributions, various goods and services used in its programs. These include ski passes, lift tickets, guided fishing trips, food, and other items valued at $1,246,607 and $1,169,998, respectively. The value of these goods and services are reflected as in-kind contributions and expenses in the statements of activities.

Each year, the Sun Valley Company donates $65,000 of goods and services to be charged to a credit account at the resort. The Organization provides food, drinks, and lift tickets for participants during the ski season with this donation. As of April 30, 2023 and 2022, the full value of the donation had been utilized.

Fair market value of contributed nonfinancial assets is measured based on the retail value of similar items.

## NOTE 15 CONCENTRATION OF CONTRIBUTIONS OR GRANTS

During the years ended April 30, 2023 and 2022, the Organization received 33% and 32% of its donations and grants from two major donors, respectively. These donations were received in the form of cash and pledges receivable of $1,268,847 in 2023 and $953,482 in 2022, restricted to the Higher Ground Veteran program.

During the years ended April 30, 2023 and 2022, the Organization received 70% and 68% of its in-kind contributions from one major donor in the form of noncash contributions comprised of ski passes, lift tickets, accommodations, and other items valued at $1,246,607 and $1,169,998, respectively, from Sun Valley Company.

## NOTE 16 EMPLOYEE BENEFIT PLAN

Higher Ground USA, Inc. sponsors a 403(b) plan for its employees. The plan covers all employees with at least two months of service. Participants can make salary contributions up to the lesser of 100% of their compensation or the IRS maximum limits and the Organization will match up to 3% of these contributions. The Organization's matching contributions charged to expense during the fiscal years ended April 30, 2023 and 2022, were $45,315 and $36,030.