Foundation for Appalachian Ohio and Subsidiary

Consolidated Financial Statements

As of and for the Years Ended
December 31, 2023 and 2022

Rea & associates

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FOUNDATION FOR APPALACHIAN OHIO

Give. Grow. Create.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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LIST OF TRUSTEES
DECEMBER 31, 2023

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Foundation for Appalachian Ohio and Subsidiary
Nelsonville, Ohio

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the Foundation for Appalachian Ohio and Subsidiary (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2023 and 2022, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit for the year ended December 31, 2023 in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We conducted our audit for the year ended December 31, 2022 in accordance with GAAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

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 GAAS and *Government 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referred to above is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024 on our consideration of the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
June 21, 2024

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,604,717	$ 17,833,620
Current portion of pledges receivable	729,963	496,693
Current portion of note receivable	264,101	260,171
Grants receivable	1,140,388	164,039
Prepaid expenses	29,188	22,794
Total current assets	11,768,357	18,777,317
OTHER ASSETS:		
Investments in marketable securities	91,690,186	59,647,234
Pledges receivable, net of current portion and allowance	818,923	1,120,299
Note receivable, net of current portion	449,062	713,163
Total other assets	92,958,171	61,480,696
PROPERTY AND EQUIPMENT:		
Property and equipment	1,224,901	1,209,131
Less accumulated depreciation	(406,478)	(376,628)
Property and equipment, net	818,423	832,503
Total assets	$ 105,544,951	$ 81,090,516

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES:		
Agency funds	$ 7,096,049	$ 6,295,351
Accounts payable	71,581	81,702
Grants payable	237,911	47,458
Accrued benefits	38,149	45,522
Total current liabilities	7,443,690	6,470,033
NET ASSETS:		
Without donor restrictions	33,778,134	14,540,621
With donor restrictions	64,323,127	60,079,862
Total net assets	98,101,261	74,620,483
Total liabilities and net assets	$ 105,544,951	$ 81,090,516

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2023

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS, AND SUPPORT:			
Contributions	$ 5,547,287	$ 21,296,590	$ 26,843,877
Interest and dividends	717,630	1,256,844	1,974,474
Realized and unrealized gains on marketable securities	1,886,299	5,307,025	7,193,324
Other revenue and support	71,259	51,817	123,076
Net assets released from restrictions	23,669,011	(23,669,011)	-
Total revenue, gains, and support	31,891,486	4,243,265	36,134,751
EXPENSES:			
Program services	11,014,373	-	11,014,373
Management and general	884,579	-	884,579
Fundraising	755,021	-	755,021
Total expenses	12,653,973	-	12,653,973
Change in net assets	19,237,513	4,243,265	23,480,778
NET ASSETS, beginning of year	14,540,621	60,079,862	74,620,483
NET ASSETS, end of year	$ 33,778,134	$ 64,323,127	$ 98,101,261

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS, AND SUPPORT:			
Contributions	$ 7,153,654	$ 17,219,988	$ 24,373,642
Interest and dividends	168,715	946,411	1,115,126
Realized and unrealized losses on marketable securities	(1,902,353)	(7,486,910)	(9,389,263)
Other revenue and support	88,432	40,080	128,512
Net assets released from restrictions	3,333,730	(3,333,730)	-
Total revenue, gains, and support	8,842,178	7,385,839	16,228,017
EXPENSES:			
Program services	7,889,344	-	7,889,344
Management and general	649,426	-	649,426
Fundraising	495,554	-	495,554
Total expenses	9,034,324	-	9,034,324
Change in net assets	(192,146)	7,385,839	7,193,693
NET ASSETS, beginning of year	14,732,767	52,694,023	67,426,790
NET ASSETS, end of year	$ 14,540,621	$ 60,079,862	$ 74,620,483

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES:				
Grants	$ 9,303,317	$ -	$ -	$ 9,303,317
Salaries and benefits	810,970	639,978	362,466	1,813,414
Other direct program expenses	402,377	-	-	402,377
Professional fees	54,497	112,686	94,339	261,522
Advertising and communications	155,730	-	-	155,730
Travel and meetings	87,151	8,612	147,442	243,205
Supplies and office expense	183,290	110,442	139,757	433,489
Depreciation	17,041	12,861	11,017	40,919
Total functional expenses	$ 11,014,373	$ 884,579	$ 755,021	$ 12,653,973

The accompanying notes are an intrgral part of these financial statements.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES:				
Grants	$ 6,276,498	$ -	$ -	$ 6,276,498
Salaries and benefits	695,214	489,690	312,162	1,497,066
Other direct program expenses	646,013	-	-	646,013
Professional fees	38,010	78,595	65,798	182,403
Advertising and communications	92,468	-	-	92,468
Travel and meetings	12,844	1,269	21,730	35,843
Supplies and office expense	111,416	67,132	84,951	263,499
Depreciation	16,881	12,740	10,913	40,534
Total functional expenses	$ 7,889,344	$ 649,426	$ 495,554	$ 9,034,324

The accompanying notes are an intrgral part of these financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 23,480,778	$ 7,193,693
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	40,919	40,534
Realized and unrealized (gain) losses on investments	(7,193,324)	9,389,263
Loss on disposal of property and equipment	514	1,872
Contributions restricted for endowment	(12,293,147)	(13,695,551)
Contributions of marketable securities	(2,288,466)	(420,594)
(Increase) decrease in operating assets:		
Pledges receivable	68,106	(1,066,904)
Grants receivable	(976,349)	99,760
Prepaid expenses	(6,394)	16,254
Increase (decrease) in operating liabilities:		
Agency funds	800,698	(891,680)
Accounts payable	(10,121)	24,465
Grants payable	190,453	(20,750)
Accrued benefits	(7,373)	19,366
Total adjustments	(21,674,484)	(6,503,965)
Net cash provided by operating activities	1,806,294	689,728
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for the purchase of investments	(58,877,951)	(32,763,123)
Proceeds from the sale of investments	36,316,789	27,545,836
Payments for the purchase of property and equipment	(27,353)	(13,066)
Proceeds from receipt on notes receivable	260,171	256,301
Net cash used in investing activities	(22,328,344)	(4,974,052)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	12,293,147	13,695,551
Net cash provided by financing activities	12,293,147	13,695,551
Net increase (decrease) in cash and cash equivalents	(8,228,903)	9,411,227
CASH AND CASH EQUIVALENTS, beginning of year	17,833,620	8,422,393
CASH AND CASH EQUIVALENTS, end of year	$ 9,604,717	$ 17,833,620

NOTE 1: NATURE OF ACTIVITIES

The Foundation for Appalachian Ohio is a non-profit organization established in 1998 as a 501(c)(3) regional community foundation serving to enrich quality of life in the 32 counties of Appalachian Ohio. The Foundation for Appalachian Ohio's mission is to create opportunities for Appalachian Ohio's citizens and communities by inspiring and supporting philanthropy.

NOTE 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 principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of the Foundation for Appalachian Ohio and FAO Property Holdings Ltd, (collectively, the "Foundation") its wholly owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Net Assets and Financial Statement Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Net Assets Without Donor Restriction – Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the "Board") and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. See Note 4 for more information on the composition of net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Foundation reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. If restrictions are met in the same year as the restricted contributions are received, the contribution is recorded as revenue and support without donor restriction. See Note 4 for more information on the composition of net assets with donor restrictions.

Estimates

The preparation or financial statements in conformity GAAP 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 purpose of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uninsured Risk – Cash Deposits
The Foundation maintains its cash and cash equivalent balances in financial institutions located in Ohio. Deposits in interest-bearing and non-interest-bearing accounts are collectively insured by the Federal Deposit Insurance Corporation ("FDIC") up to a coverage limit of $250,000 at each FDIC-insured depository institution. As a result, the Foundation may have balances that exceed the insured limit.

Property and Equipment
Purchased equipment is recorded at cost less accumulated depreciation. Expenditures for replacements are capitalized and the replaced items are retired. Donated equipment is recorded at the fair market value of the equipment when donated. Expenditures for equipment of $1,000 or more are capitalized and depreciated. Maintenance and repairs are charged to operations. Depreciation is computed using principally the straight-line method over the useful lives of the assets:

Building and improvements	15-39 years
Office furniture and equipment	5-7 years
Computer hardware and software	5 years

Revenue and Support Recognition
The Foundation's specific revenue and support recognition policies are as follows:

Contributions
Contributions are recognized when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Unconditional promises to give due in the next year are reflected as current promises to give and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term promises to give and are recorded at the present value of their net realizable value, using the risk free interest rates applicable to the years in which the promises are received to discount the amounts. A provision for uncollectible receivables is estimated to be $4,268 and $45,100 as of December 31, 2023 and 2022, respectively.

Donated Materials
Donated property, marketable securities, and other non-cash donations are recorded as contributions at their fair market value at the date the promise to give has been received.

Allocation of Functional Expenses
The Foundation allocates expenses using percentages based on estimated costs associated with each function. Management believes this is a reasonable approximation of actual costs.

Income Taxes
The Foundation is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GAAP requires management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) if the Foundation has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. The Foundation's management has analyzed the tax positions taken by the Foundation and its wholly owned subsidiary, FAO Property Holdings, Ltd. and has concluded that as of December 31, 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Advertising and Communications
The Foundation expenses communications and advertising costs as they are incurred. These expenses totaled $155,730 and $92,648 for the years ended December 31, 2023 and 2022, respectively, including amounts in both fundraising and administrative expenses.

Pledges Receivable
Pledges to give are recognized as revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Pledges to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year.

Risks and Uncertainties – Market Risk
The Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment account balances and the amounts reported in the statements of financial position.

Investments
Unrealized gains and losses are included in the change in net assets. Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position.

Accounting Standards Adopted
In June 2016, the FASB issued ASU 2016-13, *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which (1) significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model and (2) provides for recording credit losses on available-for-sale debt securities through an allowance account. The update requires credit losses on most financial assets measured at amortized cost and certain other instruments to be measured using an expected credit loss model. The Foundation adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily reflected in new or enhanced disclosures.

Subsequent Events
Subsequent events have been evaluated through June 21, 2024, which is the date the financial statements were available to be issued. Management determined there were no subsequent events requiring disclosure through the evaluation date.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	2023	2022
Land and building	$ 1,007,437	$ 1,007,437
Office furniture and equipment	166,423	147,911
Computer hardware and software	51,041	53,783
Property and equipment, at cost	1,224,901	1,209,131
Less: accumulated depreciation	(406,478)	(376,628)
Property and equipment, net	$ 818,423	$ 832,503

NOTE 4: NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS

Net assets consisted of the following as of December 31:

	2023	2022
Without donor restrictions:		
General	$ 33,778,134	$ 14,540,621
With donor restrictions:		
Scholarships	11,490,566	9,198,636
Field of interest	19,798,268	26,014,298
Other grant making	33,034,293	24,866,928
Total net assets with donor restrictions	64,323,127	60,079,862
Total net assets	$ 98,101,261	$ 74,620,483

NOTE 5: PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable consists of the following as of December 31:

	2023	2022
Pledges and grants	$ 1,584,268	$ 1,720,612
Unamortized discount	(31,114)	(58,487)
	1,553,154	1,662,125
Less: allowance for uncollectible pledges	(4,268)	(45,133)
	$ 1,548,886	$ 1,616,992
Amounts due in:		
Less than one year	$ 729,964	$ 496,693
One to five years	854,304	1,218,719
More than five years	-	5,200
	$ 1,584,268	$ 1,720,612

NOTE 6: NOTE RECEIVABLE

On October 1, 2019, the Foundation entered into an agreement with a privately owned company to sell back previously donated shares of company stock for $1,814,050. The note requires monthly payments of $22,749 including interest at 1.50%. The note matures on September 1, 2026. The note balance was $713,163 and $973,334 as of December 31, 2023 and 2022, respectively.

NOTE 7: LINE OF CREDIT

The Foundation has a $200,000 line of credit with a financial institution due on demand and that requires monthly interest payments at a variable rate of WSJ Prime (8.50% as of December 31, 2023). This line of credit is collateralized by all property and assets. There was no balance outstanding on the line of credit as of December 31, 2023 and 2022.

NOTE 8: AGENCY FUNDS

The Foundation acts as a fiduciary agent for other organizations. A fiduciary agent is responsible for safeguarding assets, recording transactions, investment management and making appropriate distributions. The Foundation's policy is to record funds received as an investment and an equal liability. There were 63 and 61 agency funds as of December 31, 2023 and 2022, respectively.

Agency transactions are as follows for the years ended December 31:

	2023	2022
Beginning balance	$ 6,295,351	$ 7,187,031
Contributions	439,559	734,558
Investment income	158,723	135,571
Net realized and unrealized gains (losses)	702,024	(1,271,454)
Grants, scholarships and fees	(499,608)	(490,355)
Ending balance	$ 7,096,049	$ 6,295,351

NOTE 9: ENDOWMENTS

The Foundation has guidelines for the endowed investable assets (the Fund Portfolios) as well as any assets donors wish to be managed as endowment even though a formal restriction of principal protection has not been adopted. These guidelines apply to two investment "Pools" (Growth and Aggressive).

Investment Policy

- Objective is to provide for an optimal level of total return, in real terms after inflation, and long-term growth of capital, for an acceptable level of and exposure to risk, while maintaining the ability to support distributions.
- Provide returns sufficient to meet the Foundation's spending needs.
- Maintain capital preservation with an indefinite time horizon.
- The objective for each Pool shall be accomplished through a mix of equity, fixed income, real assets and cash. Equity investments will target growth within a long-term horizon and fixed income and cash investments will serve as a source of liquidity, income, and capital preservation.

NOTE 9: ENDOWMENTS (CONTINUED)

- Specific Pool objectives (Growth and Aggressive Pools) are as follows:
  - Growth Portfolio – The goal is to grow the purchasing power over time and to produce a modest stream of current income. Asset allocation between equities and fixed income will emphasize equities to produce capital appreciation. Total principal value can fluctuate noticeably due to the magnitude of the portfolio exposure to equities.
  - Aggressive Portfolio – The goal is to achieve capital appreciation over a relatively long time horizon. Asset allocation will be heavily skewed towards equities which may cause substantial short term fluctuation in total principal value.

Spending Policy

The Foundation has a spending policy in place to determine distributions (grants) that can be disbursed each year. It is the purpose of the spending policy to maintain the balance between making yearly distributions and future growth. The spending policy allows for an annual distribution rate between 3.5%-4.5% for the Growth Pool and 4.5%-5.5% for the Aggressive Pool.

The Foundation operates under the guidance of the Uniform Prudent Management of Institutional Funds ("UPMIFA"). This requires institutions to act in good faith and with the care of a prudent person when making a decision regarding payout and investment of funds.

The Board of Trustees reviews the spending policy annually and uses a twelve-quarter rolling average of each fund's market value.

The recommended distribution rate will be established by the Board of Trustees annually using a twelve-quarter rolling average of each fund's market value.

The tables below represent changes in endowment net assets for the years ended December 31:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 53,478,066	$ 52,478,066
Board-designated endowment funds	21,684,762	-	21,684,762
Total endowment funds	$ 21,684,762	$ 53,478,066	$ 75,162,828
Endowment assets, beginning of year	$ 2,982,241	$ 52,989,051	$ 55,971,292
Contributions	17,170,244	12,293,147	29,463,391
Investment income	484,542	1,048,568	1,533,110
Net appreciation	1,642,111	4,826,931	6,469,042
Amounts appropriated for expenditures	(594,376)	(17,679,631)	(18,274,007)
Balance, December 31, 2023	$ 21,684,762	$ 53,478,066	$ 75,162,828

NOTE 9: ENDOWMENTS (CONTINUED)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 52,989,051	$ 52,989,051
Board-designated endowment funds	2,982,241	-	2,982,241
Total endowment funds	$ 2,982,241	$ 52,989,051	$ 55,971,292
Endowment assets, beginning of year	$ 3,517,050	$ 46,555,388	$ 50,072,438
Contributions	115,082	13,695,551	13,810,633
Investment income	64,743	878,118	942,861
Net appreciation	(638,146)	(6,747,993)	(7,386,139)
Amounts appropriated for expenditures	(76,488)	(1,392,013)	(1,468,501)
Balance, December 31, 2022	$ 2,982,241	$ 52,989,051	$ 55,971,292

Underwater Endowed Funds

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Foundation has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2023, funds with original gift values of $6,978,109, fair values of $5,615,402, and deficiencies of $1,362,707 were reported in net assets with donor restrictions.

NOTE 10: RETIREMENT PLAN

The Foundation has a SIMPLE IRA Incentive Match Plan in place. The plan covers all eligible employees who receive at least $5,000 in compensation during any one preceding year and who are reasonably expected to receive $5,000 in compensation during the current year. Employees may make elective salary deferrals to the plan up to a maximum of $12,500. The Foundation can make a 100% matching contribution for each participating employee up to 3% of compensation. Contributions were made to the plan of $18,704 and $23,764 for the years ended December 31, 2023 and 2022, respectively.

NOTE 11: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles include 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 that the Foundation has the ability to access.

NOTE 11: FAIR VALUE MEASUREMENTS (CONTINUED)

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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2023 and 2022.

Stocks, bonds, REITs and exchange-traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their net asset values ("NAV") and to transact at that price. The above funds held by the Foundation are deemed to be actively traded.

The table below presents the fair value hierarchy of the Foundation's assets as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Cash - restricted	$ 4,902,990	$ -	$ -	$ 4,902,990
Stocks and ETFs	29,865,988	-	-	30,080,888
Mutual funds	46,918,646	-	-	46,703,746
REITs	205,087	-	-	205,087
Municipal and corporate bonds	-	9,797,475	-	9,797,475
Total assets at fair value	$ 81,892,711	$ 9,797,475	$ -	$ 91,690,186

The table below presents the fair value hierarchy of the Foundation's assets as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Cash - restricted	$ 2,357,763	$ -	$ -	$ 2,357,763
Stocks and ETFs	22,193,332	-	-	22,193,332
Mutual funds	34,657,003	-	-	34,657,003
REITs	179,667	-	-	179,667
Municipal and corporate bonds	-	259,469	-	259,469
Total assets at fair value	$ 59,387,765	$ 259,469	$ -	$ 59,647,234

NOTE 12: CERTIFICATION BY THE COUNCIL ON FOUNDATIONS

The Foundation is in compliance with National Standards for U.S. Community Foundations. The National Standards for U.S. Community Foundations Program requires community foundations to document their policies for donor services, investments, grant making and administration. The program is designed to provide quality assurance to donors, as well as to their legal and financial advisors. Rigorously reviewed by community foundation professionals from across the country, the Foundation's practices must adhere to the highest standards in order to receive approval.

NOTE 13: LIQUIDITY AND AVAILABILITY OF FUNDS

The following reflects the Foundation’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside by the Board for growth and sustainability of the Foundation that could be drawn upon if the Board approves the action.

The Foundation’s financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	2023	2022
Financial Assets:		
Cash and cash equivalents	$ 9,604,717	$ 17,833,620
Pledges and other receivables	2,134,452	920,903
Investments, at fair value	91,690,186	59,647,234
Financial Assets, at year-end	103,429,355	78,401,757
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restriction by donor with purpose restrictions	(64,323,127)	(60,079,862)
Agency funds	(7,096,049)	(6,295,351)
Board designations:		
Endowment funds	(21,684,762)	(2,982,241)
	(93,103,938)	(69,357,454)
Financial assets available to meet cash needs for general expenditures within one year	$ 10,325,417	$ 9,044,303

Liquidity Policy

As part of the Foundation’s liquidity management, it maintains a sufficient level of operating cash and short-term investments to be available as its general expenditures, liabilities, and other obligations come due. Additionally, the Foundation has the Board designated endowment fund, and while the Foundation does not intend to spend this fund for purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTE 14: STATE OF OHIO APPROPRIATIONS

Over the past several years, the Foundation has received State appropriation funds through the State of Ohio House bills passed by the General Assembly. The purpose of the funds are to support the Foundation's work with individual donors to build regional and grant making funds across five areas essential to quality of life – Arts and Culture; Community and Economic Development; Education; Environmental Stewardship; and Health and Human Services, in addition to fueling the Foundation's leadership in the region. All appropriations are to be used in the same manner.

The Ohio Amended Substitute House Bill No. 166 passed by the 133rd General Assembly, a $10 million budget appropriation - $5 million per year of the 2019-2021 Biennium. The first $5 million was received in December 2019. The second installment was reduced to $4,500,000 due to State budget cuts resulting from the COVID-19 shut-down. The Foundation received the majority of the second payment in January 2021 and the balance in April 2021.

The Ohio Amended Substitute House Bill No. 110 passed by the 134th General Assembly, a $20 million budget appropriation - $10 million per year of the 2021-2023 Biennium. The first $10 million was received in December 2021. The second installment of $10 million was received during the year ended December 31, 2022.

The Ohio Amended Substitute House Bill No. 33 passed by the 135th General Assembly, a $20 million budget appropriation - $10 million per year of the 2023-2025 Biennium. The first $10 million was received in February 2024.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Pass Through Entity Identifying Number	Assistance Listing Number	Total Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF EDUCATION:				
Passed through Ohio Department of Higher Education:				
COVID-19: Governor's Emergency Education Relief Fund	S425C210040	84.425C	$ 3,685,141	$ -
Total Governor's Emergency Education Relief Fund			3,685,141	-
Total U.S. Department of Education			3,685,141	-
TOTAL FEDERAL AWARDS			$ 3,685,141	$ -

NOTE A - BASIS OF PRESENTATION

The schedule of expenditures of federal awards (the "Schedule") includes the federal grant activities of Foundation for Appalachian Ohio and Subsidiary (collectively, the "Foundation") under programs of the federal government for the year ended December 31, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the schedule presents only a selected portion of the Foundation's operations, it is not intended to and does not present its financial position, changes in net assets, or cash flows.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Foundation has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Foundation for Appalachian Ohio and Subsidiary
Nelsonville, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the Foundation for Appalachian Ohio and Subsidiary (collectively, the "Foundation"), which comprise the consolidated statements of financial position as of December 31, 2023, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the "financial statements"), and have issued our report thereon dated June 21, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
June 21, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Foundation for Appalachian Ohio and Subsidiary
Nelsonville, Ohio

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Foundation for Appalachian Ohio and Subsidiary's (collectively, the "Foundation") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2023. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
June 21, 2024

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements		
	Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
	Internal control over financial reporting: Were there any material weakness identified?	No
	Were there any significant deficiency conditions identified?	None Reported
	Was there non-compliance material to the financial statements noted?	No

Federal Awards		
	Internal control over major federal programs: Were there any material weaknesses identified?	No
	Were there any significant deficiencies identified?	None Reported
	Type of auditor's report issued on compliance for major federal programs:	Unmodified
	Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
	Identification of major federal programs: Assistance Listing numbers:	COVID-19: Governor's Emergency Education Relief Fund – AL 84.425C
	Dollar threshold used to distinguish between type A and type B programs:	Type A: > $750,000 Type B: All others
	Auditee qualifies as low risk?	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

None were noted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None were noted.