

Foundation for Appalachian Ohio and Subsidiary

Consolidated Financial Statements

As of and for the Years Ended
December 31, 2025 and 2024





AUDITED CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2025 AND 2024

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**FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY
LIST OF TRUSTEES
DECEMBER 31, 2025**

Ronald Strickmaker, Chair

Kristi Tanner, Vice Chair

TJ Conger, Treasurer

Teri Geiger, Secretary

Jeffery D. Chaddock

Tera N. Coleman

Megan Kvamme

Christopher P. Mooney

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Ken Taylor

Sarah Wills

Jo Ellen Diehl Yeary

Nancy Lusk Zimpher

Ron Cremeans, Emeritus Trustee

Thomas W. Johnson, Emeritus Trustee

Robert “Mick” McLaughlin, Emeritus Trustee

Cara Dingus Brook, President & CEO, ex officio

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, 2025 and 2024, 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, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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 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.

Rea & Associates, Inc.

Rea & Associates, Inc.
Dublin, Ohio
July 6, 2026

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2025 AND 2024

	<u>ASSETS</u>	
	2025	2024
CURRENT ASSETS:		
Cash and cash equivalents	\$ 9,790,629	\$ 12,089,901
Current portion of pledges receivable	421,185	605,684
Current portion of note receivable	180,972	268,090
Grants receivable	222,500	405,000
Prepaid expenses	35,297	30,306
Total current assets	10,650,583	13,398,981
OTHER ASSETS:		
Investments in marketable securities	147,958,142	112,716,364
Pledges receivable, net of current portion and allowance	437,732	985,324
Note receivable, net of current portion	-	180,972
Total other assets	148,395,874	113,882,660
PROPERTY AND EQUIPMENT:		
Property and equipment	1,554,721	1,211,676
Less accumulated depreciation	(458,327)	(428,388)
Property and equipment, net	1,096,394	783,288
Total assets	\$ 160,142,851	\$ 128,064,929

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Agency funds	\$ 10,768,482	\$ 8,343,805
Accounts payable	110,632	47,589
Grants payable	129,465	400,232
Other liabilities	252,497	-
Accrued benefits	53,687	66,551
Total current liabilities	11,314,763	8,858,177
NET ASSETS:		
Without donor restrictions	54,929,536	39,193,824
With donor restrictions	93,898,552	80,012,928
Total net assets	148,828,088	119,206,752
Total liabilities and net assets	\$ 160,142,851	\$ 128,064,929

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, 2025

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS, AND SUPPORT:			
Contributions	\$ 12,637,101	\$ 10,663,725	\$ 23,300,826
Interest and dividends	1,888,789	4,311,814	6,200,603
Realized and unrealized gains on marketable securities	3,465,268	6,580,999	10,046,267
Other revenue and support	131,088	18,071	149,159
Net assets released from restrictions	7,688,985	(7,688,985)	-
Total revenue, gains, and support	25,811,231	13,885,624	39,696,855
EXPENSES:			
Program services	8,298,432	-	8,298,432
Management and general	988,857	-	988,857
Fundraising	788,230	-	788,230
Total expenses	10,075,519	-	10,075,519
Change in net assets	15,735,712	13,885,624	29,621,336
NET ASSETS, beginning of year	39,193,824	80,012,928	119,206,752
NET ASSETS, end of year	\$ 54,929,536	\$ 93,898,552	\$ 148,828,088

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, 2024

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE, GAINS, AND SUPPORT:			
Contributions	\$ 6,085,713	\$ 14,369,862	\$ 20,455,575
Interest and dividends	1,073,796	1,917,882	2,991,678
Realized and unrealized gains on marketable securities	1,846,552	5,713,781	7,560,333
Other revenue and support	117,228	11,736	128,964
Net assets released from restrictions	6,323,460	(6,323,460)	-
Total revenue, gains, and support	15,446,749	15,689,801	31,136,550
EXPENSES:			
Program services	8,313,220	-	8,313,220
Management and general	959,748	-	959,748
Fundraising	758,091	-	758,091
Total expenses	10,031,059	-	10,031,059
Change in net assets	5,415,690	15,689,801	21,105,491
NET ASSETS, beginning of year	33,778,134	64,323,127	98,101,261
NET ASSETS, end of year	\$ 39,193,824	\$ 80,012,928	\$ 119,206,752

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, 2025

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES:				
Grants	\$ 5,900,887	\$ -	\$ -	\$ 5,900,887
Salaries and benefits	943,119	641,227	406,852	1,991,198
Other direct program expenses	1,104,835	-	-	1,104,835
Professional fees	116,559	241,017	201,775	559,351
Advertising and communications	33,621	-	-	33,621
Travel and meetings	31,598	3,123	53,459	88,180
Supplies and office expense	152,203	91,709	116,052	359,964
Depreciation	15,610	11,781	10,092	37,483
Total functional expenses	<u>\$ 8,298,432</u>	<u>\$ 988,857</u>	<u>\$ 788,230</u>	<u>\$ 10,075,519</u>

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, 2024

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
FUNCTIONAL EXPENSES:				
Grants	\$ 6,613,105	\$ -	\$ -	\$ 6,613,105
Salaries and benefits	910,485	683,241	366,491	1,960,217
Other direct program expenses	405,748	-	-	405,748
Professional fees	81,880	169,308	141,742	392,930
Advertising and communications	65,054	-	-	65,054
Travel and meetings	76,219	7,752	129,287	213,258
Supplies and office expense	143,642	86,552	109,525	339,719
Depreciation	17,087	12,895	11,046	41,028
Total functional expenses	<u>\$ 8,313,220</u>	<u>\$ 959,748</u>	<u>\$ 758,091</u>	<u>\$ 10,031,059</u>

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

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 29,621,336	\$ 21,105,491
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	37,483	41,028
Realized and unrealized (gains) losses on investments	(10,046,267)	(7,560,333)
Contributions restricted for endowment	(7,234,610)	(6,213,063)
Contributions of marketable securities	(1,873,423)	(1,769,141)
Donated property, net of liabilities assumed	(78,082)	-
(Increase) decrease in operating assets:		
Pledges receivable	732,091	(42,122)
Grants receivable	182,500	735,388
Prepaid expenses	(4,991)	(1,118)
Increase (decrease) in operating liabilities:		
Agency funds	2,424,677	1,247,756
Accounts payable	63,043	(23,992)
Grants payable	(270,767)	162,321
Other liabilities	(4,421)	-
Accrued benefits	(12,864)	28,402
Total adjustments	(16,085,631)	(13,394,874)
Net cash provided by operating activities	13,535,705	7,710,617
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for the purchase of investments	(82,180,309)	(43,105,530)
Proceeds from the sale of investments	58,858,221	31,408,826
Payments for the purchase of property and equipment	(15,589)	(5,893)
Proceeds from receipt on notes receivable	268,090	264,101
Net cash used in investing activities	(23,069,587)	(11,438,496)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for endowment	7,234,610	6,213,063
Net cash provided by financing activities	7,234,610	6,213,063
Net increase (decrease) in cash and cash equivalents	(2,299,272)	2,485,184
CASH AND CASH EQUIVALENTS, beginning of year	12,089,901	9,604,717
CASH AND CASH EQUIVALENTS, end of year	\$ 9,790,629	\$ 12,089,901

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

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 of 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.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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	15-40 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 \$2,228 and \$9,268 as of December 31, 2025 and 2024, 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.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2025, 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 \$33,621 and \$65,054 for the years ended December 31, 2025 and 2024, 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.

Subsequent Events

Subsequent events have been evaluated through July 6, 2026, 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:

	2025	2024
Land and building	\$ 1,342,437	\$ 1,007,437
Office furniture and equipment	156,780	147,305
Computer hardware and software	55,504	56,934
Property and equipment, at cost	1,554,721	1,211,676
Less: accumulated depreciation	(458,327)	(428,388)
Property and equipment, net	<u>\$ 1,096,394</u>	<u>\$ 783,288</u>

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS

Net assets consisted of the following as of December 31:

	2025	2024
Without donor restrictions:		
General	\$ 54,929,536	\$ 39,193,824
With donor restrictions:		
Scholarships	15,510,769	13,510,769
Field of interest	28,558,803	22,608,235
Other grant making	49,828,980	43,893,924
Total net assets with donor restrictions	93,898,552	80,012,928
Total net assets	<u>\$ 148,828,088</u>	<u>\$ 119,206,752</u>

NOTE 5: PLEDGES RECEIVABLE

Pledges receivable consists of the following as of December 31:

	2025	2024
Pledges and grants	\$ 878,776	\$ 1,656,870
Unamortized discount	(17,631)	(56,594)
	861,145	1,600,276
Less: allowance for uncollectible pledges	(2,228)	(9,268)
	<u>\$ 858,917</u>	<u>\$ 1,591,008</u>
Amounts due in:		
Less than one year	\$ 421,185	\$ 605,684
One to five years	457,591	1,051,186
More than five years	-	-
	<u>\$ 878,776</u>	<u>\$ 1,656,870</u>

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 \$180,972 and \$449,062 as of December 31, 2025 and 2024, respectively.

NOTE 7: 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 78 and 76 agency funds as of December 31, 2025 and 2024, respectively.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: AGENCY FUNDS (CONTINUED)

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

	2025	2024
Beginning balance	\$ 8,343,805	\$ 7,096,049
Contributions	1,492,692	1,328,323
Investment income	455,907	171,955
Net realized and unrealized gains (losses)	867,660	570,478
Grants, scholarships and fees	(391,582)	(823,000)
Ending balance	<u>\$ 10,768,482</u>	<u>\$ 8,343,805</u>

NOTE 8: 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.
- 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.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: ENDOWMENTS (CONTINUED)

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:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 78,664,562	\$ 78,664,562
Board-designated endowment funds	41,528,169	-	41,528,169
Total endowment funds	<u>\$ 41,528,169</u>	<u>\$ 78,664,562</u>	<u>\$ 120,192,731</u>
Endowment assets, beginning of year	\$ 28,550,805	\$ 64,239,308	\$ 92,790,113
Contributions	10,079,773	7,234,610	17,314,383
Investment income	1,321,142	3,580,746	4,901,888
Net appreciation	2,967,151	6,350,467	9,317,618
Amounts appropriated for expenditures	(1,390,702)	(2,740,569)	(4,131,271)
Balance, December 31, 2025	<u>\$ 41,528,169</u>	<u>\$ 78,664,562</u>	<u>\$ 120,192,731</u>

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 64,239,308	\$ 64,239,308
Board-designated endowment funds	28,550,805	-	28,550,805
Total endowment funds	<u>\$ 28,550,805</u>	<u>\$ 64,239,308</u>	<u>\$ 92,790,113</u>
Endowment assets, beginning of year	\$ 21,684,762	\$ 53,478,066	\$ 75,162,828
Contributions	5,249,541	6,213,063	11,462,604
Investment income	814,637	1,343,366	2,158,003
Net appreciation	1,492,852	5,225,026	6,717,878
Amounts appropriated for expenditures	(690,987)	(2,020,213)	(2,711,200)
Balance, December 31, 2024	<u>\$ 28,550,805</u>	<u>\$ 64,239,308</u>	<u>\$ 92,790,113</u>

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, 2025, funds with original gift values of \$8,293,025, fair values of \$7,323,939, and deficiencies of \$969,086 were reported in net assets with donor restrictions.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: 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 \$35,046 and \$34,392 for the years ended December 31, 2025 and 2024, respectively.

NOTE 10: 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.

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, 2025 and 2024.

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.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: FAIR VALUE MEASUREMENTS (CONTINUED)

The table below presents the fair value hierarchy of the Foundation's assets as of December 31, 2025:

	Level 1	Level 2	Level 3	Total
Cash - restricted	\$ 12,540,798	\$ -	\$ -	\$ 12,540,798
Stocks and ETFs	51,017,988	-	-	51,017,988
Mutual funds	81,482,895	-	-	81,482,895
REITs	661,876	-	-	661,876
Municipal and corporate bonds	-	2,254,585	-	2,254,585
Total assets at fair value	<u>\$ 145,703,557</u>	<u>\$ 2,254,585</u>	<u>\$ -</u>	<u>\$ 147,958,142</u>

The table below presents the fair value hierarchy of the Foundation's assets as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Cash - restricted	\$ 8,878,562	\$ -	\$ -	\$ 8,878,562
Stocks and ETFs	38,639,787	-	-	38,639,787
Mutual funds	57,864,278	-	-	57,864,278
REITs	193,927	-	-	193,927
Municipal and corporate bonds	-	7,139,475	-	7,139,810
Total assets at fair value	<u>\$ 105,576,554</u>	<u>\$ 7,139,475</u>	<u>\$ -</u>	<u>\$ 112,716,364</u>

NOTE 11: 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 12: 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.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: LIQUIDITY AND AVAILABILITY OF FUNDS (CONTINUED)

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

Financial Assets:	2025	2024
Cash and cash equivalents	\$ 9,790,629	\$ 12,089,901
Pledges and other receivables	824,657	1,278,774
Investments, at fair value	147,958,142	112,716,364
Financial Assets, at year-end	158,573,428	126,085,039
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restriction by donor with purpose restrictions	(93,898,552)	(80,012,928)
Agency funds	(10,768,482)	(8,343,805)
Board designations:		
Endowment funds	(41,528,169)	(28,550,805)
	(146,195,203)	(116,907,538)
Financial assets available to meet cash needs for general expenditures within one year	\$ 12,378,225	\$ 9,177,501

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 13: 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. 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. The second installment of \$10 million was received in February 2025.