

# Foundation for Appalachian Ohio and Subsidiary

*Audited Consolidated Financial Statements*

As of and for the Years Ended  
December 31, 2020 and 2019



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FOUNDATION FOR  
APPALACHIAN OHIO  
Give. Grow. Create.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2020 AND 2019**

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**FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY  
LIST OF TRUSTEES  
DECEMBER 31, 2020**

Ronald Strickmaker, Chairperson

Nancy K. Lahmers, Secretary

TJ Conger, Treasurer

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Jeffery D. Chaddock

Terry P. Fleming

Christopher P Mooney

Donnie Moore

Alan Stockmeister

Raja Sundararajan

Kristi Tanner

Ken Taylor

David Wilhelm

Sarah Wills

Nancy Lusk Zimpher

Marianne Campbell, Emeritus Trustee

Ron Cremeans, Emeritus Trustee

Robert “Mick” McLaughlin, Emeritus Trustee

Cara Dingus Brook, President and CEO, ex officio

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Foundation for Appalachian Ohio and Subsidiary (collectively, the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, the related consolidated statements of activities and 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").

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit for the year ended December 31, 2020 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. We conducted our audit for the year ended December 31, 2019 in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. And audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020 and 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021, on our consideration of the Organization'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 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 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 Organization's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Dublin, Ohio  
September 27, 2021

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2020 AND 2019

	<u>ASSETS</u>	
	2020	2019
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 6,035,666	\$ 9,169,335
Current portion of pledges and grants receivable	388,485	350,513
Current portion of note receivable	231,302	227,860
Prepaid expenses	52,346	46,446
Total current assets	<u>6,707,799</u>	<u>9,794,154</u>
<b>OTHER ASSETS:</b>		
Investments in marketable securities	43,302,735	33,600,059
Pledges receivable, net of current portion and allowance	376,597	295,700
Note receivable, net of current portion	1,249,020	1,502,992
Total other assets	<u>44,928,352</u>	<u>35,398,751</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Property and equipment	1,249,825	1,245,998
Less accumulated depreciation	(357,511)	(323,094)
Property and equipment, net	<u>892,314</u>	<u>922,904</u>
Total assets	<u>\$ 52,528,465</u>	<u>\$ 46,115,809</u>

LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Agency funds	\$ 5,859,421	\$ 4,822,252
Accounts payable	24,520	45,373
Grants payable	118,098	61,954
Accrued benefits	40,263	27,440
Total current liabilities	<u>6,042,302</u>	<u>4,957,019</u>
<b>NET ASSETS:</b>		
Without donor restrictions	12,307,907	13,731,343
With donor restrictions	34,178,256	27,427,447
Total net assets	<u>46,486,163</u>	<u>41,158,790</u>
Total liabilities and net assets	<u>\$ 52,528,465</u>	<u>\$ 46,115,809</u>

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, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE, GAINS, AND SUPPORT:</b>			
Contributions	\$ 1,598,498	\$ 6,946,899	\$ 8,545,397
Interest and dividends	150,574	559,641	710,215
Realized and unrealized gains on marketable securities	721,173	1,496,848	2,218,021
Other revenue and support	169,412	17,753	187,165
Net assets released from restrictions	2,270,332	(2,270,332)	-
	<hr/>	<hr/>	<hr/>
Total revenue, gains, and support	4,909,989	6,750,809	11,660,798
<b>EXPENSES:</b>			
Program services	5,500,691	-	5,500,691
Management and general	389,531	-	389,531
Fundraising	443,203	-	443,203
	<hr/>	<hr/>	<hr/>
Total expenses	6,333,425	-	6,333,425
	<hr/>	<hr/>	<hr/>
Change in net assets	(1,423,436)	6,750,809	5,327,373
<b>NET ASSETS, beginning of year</b>	<hr/>	<hr/>	<hr/>
	13,731,343	27,427,447	41,158,790
<b>NET ASSETS, end of year</b>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	\$ 12,307,907	\$ 34,178,256	\$ 46,486,163

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, 2019

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE, GAINS, AND SUPPORT:</b>			
Contributions	\$ 6,587,020	\$ 6,923,637	\$ 13,510,657
Interest and dividends	139,196	717,304	856,500
Realized and unrealized gains on marketable securities	873,354	2,966,829	3,840,183
Other revenue and support	193,065	2,461	195,526
Net assets released from restrictions	1,473,612	(1,473,612)	-
	<u>9,266,247</u>	<u>9,136,619</u>	<u>18,402,866</u>
<b>EXPENSES:</b>			
Program services	3,715,426	-	3,715,426
Management and general	366,288	-	366,288
Fundraising	621,730	-	621,730
	<u>4,703,444</u>	<u>-</u>	<u>4,703,444</u>
Change in net assets	4,562,803	9,136,619	13,699,422
NET ASSETS, beginning of year	9,168,540	18,290,828	27,459,368
NET ASSETS, end of year	<u>\$ 13,731,343</u>	<u>\$ 27,427,447</u>	<u>\$ 41,158,790</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, 2020

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
FUNCTIONAL EXPENSES:				
Grants	\$ 4,881,034	\$ -	\$ -	\$ 4,881,034
Salaries and benefits	411,205	292,831	348,178	1,052,214
Other direct program expenses	54,644	-	-	54,644
Professional fees	30,009	41,121	22,388	93,518
Advertising and communications	31,474	-	-	31,474
Travel and meetings	3,180	530	6,891	10,601
Supplies and office expense	72,984	42,852	55,298	171,134
Depreciation	16,161	12,197	10,448	38,806
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total functional expenses	<u>\$ 5,500,691</u>	<u>\$ 389,531</u>	<u>\$ 443,203</u>	<u>\$ 6,333,425</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, 2019

	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
FUNCTIONAL EXPENSES:				
Grants	\$ 3,103,191	\$ -	\$ -	\$ 3,103,191
Salaries and benefits	331,559	255,756	498,696	1,086,011
Other direct program expenses	125,322	-	-	125,322
Professional fees	19,706	34,878	18,041	72,625
Advertising and communications	33,459	-	-	33,459
Travel and meetings	21,903	2,891	39,537	64,331
Supplies and office expense	62,179	59,097	53,749	175,025
Depreciation	18,107	13,666	11,707	43,480
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total functional expenses	<u>\$ 3,715,426</u>	<u>\$ 366,288</u>	<u>\$ 621,730</u>	<u>\$ 4,703,444</u>

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

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 5,327,373	\$ 13,699,422
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	38,806	43,480
Realized and unrealized (gain) losses on investments	(2,218,021)	(3,840,183)
Loss on disposal of property and equipment	1,255	-
Contributions restricted for endowment	(5,782,918)	(5,456,891)
Contributions of property and equipment	-	(18,750)
Contributions of marketable securities	(714,322)	(2,044,633)
(Increase) decrease in operating assets:		
Pledges and grants receivable	(118,869)	(21,262)
Prepaid expenses	(5,900)	(71)
Increase (decrease) in operating liabilities:		
Agency funds	1,037,169	849,022
Accounts payable	(20,853)	18,026
Grants payable	56,144	(30,498)
Accrued benefits	12,823	14,428
Total adjustments	(7,714,686)	(10,487,332)
Net cash provided by (used in) operating activities	(2,387,313)	3,212,090
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for the purchase of investments	(18,277,325)	(14,454,178)
Proceeds from the sale of investments	11,506,992	11,798,534
Payments for the purchase of property and equipment	(9,471)	(4,869)
Proceeds from receipt on notes receivable	250,530	83,198
Net cash used in investing activities	(6,529,274)	(2,577,315)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for endowment	5,782,918	5,456,891
Net cash provided by financing activities	5,782,918	5,456,891
Net increase (decrease) in cash and cash equivalents	(3,133,669)	6,091,666
CASH AND CASH EQUIVALENTS, beginning of year	9,169,335	3,077,669
CASH AND CASH EQUIVALENTS, end of year	\$ 6,035,666	\$ 9,169,335

**SUMMARY OF NON-CASH TRANSACTIONS:**

During the year ended December 31, 2019, the Organization sold private company stock in the amount of \$1,814,050 in exchange for a note receivable for this amount.

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

# FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: NATURE OF ACTIVITIES

The Foundation for Appalachian Ohio (the “Foundation”) 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’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 and FAO Property Holdings Ltd, (collectively, the “Organization”) 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 Organization 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 Organization 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 with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Uninsured Risk – Cash Deposits

The Organization 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 Organization 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 Organization’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 \$42,600 and \$35,000 as of December 31, 2020 and 2019, 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 Organization allocates expenses using percentages based on estimated costs associated with each function. Management believes this is a reasonable approximation of actual costs.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

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

Accounting principles generally accepted in the United States of America requires management to evaluate tax positions taken by the organization and recognize a tax liability (or asset) if the organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service. The Organization'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, 2020, 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 Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Advertising and Communications

The Organization expenses communications and advertising costs as they are incurred. These expenses totaled \$31,474 and \$33,459 for the years ended December 31, 2020 and 2019, 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 Organization 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.

Risks and Uncertainties – Pandemic

On March 10, 2020, the World Health Organization recognized the outbreak of COVID-19 disease as a pandemic. Governments worldwide have taken actions to prevent the spread of the outbreak, including event cancellations and quarantines that have created widespread adverse impacts to the global economy as well as business interruptions. Given the dynamic nature of these circumstances and the duration of business disruption, the financial impact on the Organization cannot be reasonably estimated at this time.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 as follows:

	2020	2019
Investments	\$ 4,250,350	\$ 2,273,859
Investments – endowment and agency	39,052,385	31,326,200
	<u>\$ 43,302,735</u>	<u>\$ 33,600,059</u>

Recently Issued Accounting Pronouncements Not Yet Effective

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which may change the Organization's statement of financial position by requiring lessees to record all leases as a lease liability and corresponding right-of-use asset. This may affect compliance with any contractual agreements and loan covenants. This new standard is effective for the Organization for fiscal years beginning after December 15, 2021, with early adoption permitted. The provisions of this standard will be applied retrospectively. Management has not yet determined whether this new standard will have a material effect on its financial statements.

Subsequent Events

Subsequent events have been evaluated through September 27, 2021, 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:

	2020	2019
Land and building	\$ 1,007,436	\$ 1,010,318
Office furniture and equipment	154,244	159,842
Computer hardware and software	88,145	75,838
Property and equipment, at cost	1,249,825	1,245,998
Less: accumulated depreciation	(357,511)	(323,094)
Property and equipment, net	<u>\$ 892,314</u>	<u>\$ 922,904</u>

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS

Net assets consisted of the following as of December 31:

	2020	2019
Without donor restrictions:		
General	\$ 12,307,907	\$ 13,731,343
With donor restrictions:		
Scholarships	11,974,556	9,951,437
Field of interest	7,711,239	5,910,895
Other grant making	14,492,461	11,565,115
Total net assets with donor restrictions	34,178,256	27,427,447
Total net assets	\$ 46,486,163	\$ 41,158,790

NOTE 5: PLEDGES AND GRANTS RECEIVABLE

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

	2020	2019
Pledges and grants	\$ 831,882	\$ 706,013
Unamortized discount	(24,200)	(24,800)
	807,682	681,213
Less: allowance for uncollectible pledges	(42,600)	(35,000)
	\$ 765,082	\$ 646,213
Amounts due in:		
Less than one year	\$ 390,285	\$ 350,513
One to five years	441,097	355,400
More than five years	500	100
	\$ 831,882	\$ 706,013

NOTE 6: INVESTMENTS

Investments are recorded at fair value and are summarized as follows:

	2020		
	Cost	Fair Value	Unrealized Appreciation
Cash – restricted	\$ 1,344,686	\$ 1,344,686	\$ -
Stocks and ETFs	6,409,878	7,627,552	1,217,674
Mutual funds	28,312,052	31,285,704	2,973,652
Municipal and corporate bonds	3,037,224	3,044,793	7,569
Total	\$ 39,103,840	\$ 43,302,735	\$ 4,198,895

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 6: INVESTMENTS (CONTINUED)

	2019		
	Cost	Fair Value	Unrealized Appreciation
Cash – restricted	\$ 1,166,422	\$ 1,166,422	\$ -
Stocks and ETFs	6,824,262	7,329,383	505,121
Mutual funds	21,038,943	22,877,221	1,838,278
Municipal and corporate bonds	2,197,718	2,227,033	29,315
Total	\$ 31,227,345	\$ 33,600,059	\$ 2,372,714

The following schedule summarizes the investment return and its classification in the statement of activities for years ended December 31:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 150,574	\$ 559,641	\$ 710,215
Net realized and unrealized gain	721,173	1,496,848	2,218,021
	\$ 871,747	\$ 2,056,489	\$ 2,928,236

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment income	\$ 139,196	\$ 717,304	\$ 856,500
Net realized and unrealized gain	873,354	2,966,829	3,840,183
	\$ 1,012,550	\$ 3,684,133	\$ 4,696,683

NOTE 7: LINE OF CREDIT

The Organization has a \$200,000 line of credit with a financial institution due on demand and that requires monthly interest payments at Prime (3.75% as of December 31, 2020). 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, 2020 and 2019.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8: AGENCY FUNDS

The Organization 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 Organization’s policy is to record funds received as an investment and an equal liability. There were 48 and 41 agency funds as of December 31, 2020 and 2019, respectively. Agency transactions are as follows for the years ended December 31:

	2020	2019
Beginning balance	\$ 4,822,252	\$ 3,973,230
Contributions	907,550	889,975
Investment income	88,720	87,354
Net realized and unrealized gains	567,873	692,056
Grants, scholarships and fees	(526,974)	(820,363)
Ending balance	\$ 5,859,421	\$ 4,822,252

NOTE 9: ENDOWMENTS

The Organization 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 Organization’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 Organization 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.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: ENDOWMENTS (CONTINUED)

FAO 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 FAO 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:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ -	\$ 30,026,639	\$ 30,026,639
Total endowment funds	<u>\$ 3,166,325</u>	<u>\$ 30,026,639</u>	<u>\$ 26,503,948</u>
Endowment assets, beginning of year	\$ 2,908,302	\$ 23,595,646	\$ 26,503,948
Contributions	81,315	5,662,872	5,744,187
Investment income	52,291	517,235	569,526
Net appreciation	288,205	1,270,941	1,559,146
Amounts appropriated for expenditures	(163,788)	(1,020,055)	(1,183,843)
Balance, December 31, 2020	<u>\$ 3,166,325</u>	<u>\$ 30,026,639</u>	<u>\$ 33,192,964</u>
	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ -	\$ 23,595,646	\$ 23,595,646
Total endowment funds	<u>\$ 2,908,302</u>	<u>\$ 23,595,646</u>	<u>\$ 26,503,948</u>
Endowment assets, beginning of year	\$ 2,031,043	\$ 16,109,868	\$ 18,140,911
Contributions	637,973	5,143,095	5,781,068
Investment income	44,642	668,702	713,344
Net appreciation	368,211	2,646,772	3,014,983
Amounts appropriated for expenditures	(173,567)	(972,791)	(1,146,358)
Balance, December 31, 2019	<u>\$ 2,908,302</u>	<u>\$ 23,595,646</u>	<u>\$ 26,503,948</u>

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 9: ENDOWMENTS (CONTINUED)

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 Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of December 31, 2020, funds with original gift values of \$3,993,000, fair values of \$2,816,915, and deficiencies of \$1,176,085 were reported in net assets with donor restrictions. These fund values increased by \$246,900 during the first quarter of 2021 and are expected to fully recover within the next year.

NOTE 10: RETIREMENT PLAN

The Organization 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 Organization can make a 100% matching contribution for each participating employee up to 3% of compensation. Contributions were made to the plan of \$13,717 and \$13,439 for the years ended December 31, 2020 and 2019, 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 Organization 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.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2020 and 2019.

*Stocks, bonds, 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 Organization are deemed to be actively traded.

The table below presents the fair value hierarchy of the Organization's assets as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Cash - restricted	\$ 1,344,686	\$ -	\$ -	\$ 1,344,686
Stocks and ETFs	7,627,552	-	-	7,627,552
Mutual funds	31,285,704	-	-	31,285,704
Municipal and corporate bonds	3,044,793	-	-	3,044,793
Total assets at fair value	<u>\$ 43,302,735</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,302,735</u>

The table below presents the fair value hierarchy of the Organization's assets as of December 31, 2019:

	Level 1	Level 2	Level 3	Total
Cash - restricted	\$ 1,166,422	\$ -	\$ -	\$ 1,166,422
Stocks and ETFs	7,329,383	-	-	7,329,383
Mutual funds	22,877,221	-	-	22,877,221
Municipal and corporate bonds	2,227,033	-	-	2,227,033
Total assets at fair value	<u>\$ 33,600,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,600,059</u>

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

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 Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of December 31, 2020 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 Organization that could be drawn upon if the Board approves the action.

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

Financial Assets:		
Cash and cash equivalents		\$ 6,035,666
Pledges and other receivables		619,787
Investments, at fair value		43,302,735
Financial Assets, at year-end		<u>49,958,188</u>
Less those unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions:		
Restriction by donor with purpose restrictions		34,178,256
Agency funds		5,859,421
Board designations:		
Endowment funds		3,166,325
		<u>43,204,002</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$ 6,754,186</u>

Liquidity Policy

As part of the Organization'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 Organization has the Board designated endowment fund, and while the Organization does not intend to spend this fund for purposes other than those identified, the amounts could be made available for current operations, if necessary.

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: OPERATING LEASES

The Organization rents the second story of their office building to a non-related party under a non-cancellable lease agreement. The lease requires the lessee to pay, as additional rent, its portion of utilities and maintenance expenses. Rental income was \$31,958 and \$35,815 for the years ended December 31, 2020 and 2019, respectively. The future lease payments expected to be received in subsequent years on long-term lease agreements are as follows:

<u>For the year ended December 31:</u>	<u>Amount</u>
2021	\$ 37,661
2022	37,661
2023	21,969
Total	<u>\$ 97,291</u>

NOTE 15: NOTE RECEIVABLE

On October 1, 2019, the Organization 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 \$1,480,322 and \$1,730,852 as of December 31, 2020 and 2019, respectively.

NOTE 16: STATE OF OHIO APPROPRIATION

The Organization received, through Ohio Amended Substitute House Bill No. 166 passed by the 133<sup>rd</sup> General Assembly, a \$10 million budget appropriation - \$5 million per year of the 2019-2020 Biennium. The purpose of the funds are to support the Organization’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 Organization’s leadership in the region. 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 Organization received the majority of the second payment in January 2021 and the balance in April 2021.

NOTE 17: GOVERNMENT ASSISTANCE

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed. The CARES Act had impact on several matters. The Payroll Protection Program (“PPP”), administered by the Small Business Administration (“SBA”), allows eligible organizations to apply for government assistance to help keep their workforce employed during the Coronavirus (“COVID-19”) crisis.

In April 2020, the Organization entered into a note payable agreement with a bank under the PPP of the CARES Act. The unsecured note had a principal amount of \$165,980 and was originally set to mature in April 2025. Management elected to apply Accounting Standard Codification (“ASC”) 958-605 to the funds earned as part of the PPP as it has high confidence that the Organization is an eligible recipient and met conditions for forgiveness of the loan. The Organization recognized \$165,980 of grant income as it incurred allowable expenses to qualify for loan forgiveness as specified in the PPP.

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

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

We have audited the consolidated financial statements of the Foundation for Appalachian Ohio and Subsidiary as of and for the years ended December 31, 2020 and 2019, and have issued our report thereon, which contains an unmodified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole.

The supplementary information 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 audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Rea & Associates, Inc.*

Rea & Associates, Inc.  
Dublin, Ohio  
September 27, 2021

FOUNDATION FOR APPALACHIAN OHIO AND SUBSIDIARY

CONSOLIDATED STATEMENT OF GRANT REVENUES AND MATCHING FUNDS  
GRANT # S-P-19-7-SB1 - OHIO DEVELOPMENT SERVICES AGENCY

FOR THE GRANT PERIOD BEGINNING JULY 1, 2019 AND ENDING JUNE 30, 2020

	<u>2019</u>	<u>2020</u>	<u>TOTAL</u>
GRANT AWARD AMOUNT	\$ 5,000,000	\$ -	\$ 5,000,000
MATCHING FUNDS:			
Matching funds obtained	<u>3,149,440</u>	<u>1,850,560</u>	<u>5,000,000</u> *
Match balance	<u>\$ 1,850,560</u>	<u>\$ (1,850,560)</u>	<u>\$ -</u>

\* Note that this total is the amount required for the maximum match. The Organization is noted to have received approximately \$5.4 million for the grant period.

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*

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 financial statements of the Foundation for Appalachian Ohio and Subsidiary (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, 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 (the "financial statements"), and have issued our report thereon dated September 27, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 of 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization'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  
September 27, 2021