FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

CPAs / ADVISORS

blue

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

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DECEMBER 31, 2019 AND 2018

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Foundation for Appalachian Kentucky, Inc. and affiliate
Hazard, Kentucky

We have audited the accompanying consolidated financial statements of the Foundation for Appalachian Kentucky, Inc. and affiliate (collectively referred to as the "Organization") which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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. An 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Adjustments

As discussed in Note 2 to the financial statements, certain errors resulting in understatement of amounts previously reported for grants receivable, accounts payable and accrued expenses, custodial funds, revenues and expenses as of and for the year ended December 31, 2018, were discovered during the current year. Accordingly, these amounts have been restated in the 2018 financial statements now presented, and an adjustment has been made to net assets as of January 1, 2018 to correct the errors. Our opinion is not modified with respect to this matter.

Blue & Co., LLC

Seymour, Indiana

March 30, 2021

FOUNDATION FOR APPALACHIAN KENTUCKY, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018 As Restated
Cash	$ 612,881	$ 230,257
Investments	8,032,751	5,190,412
Grants receivable	348,163	339,026
Interest in charitable lead annuity trust	2,807,828	2,984,131
Beneficial interest in charitable remainder trust	179,732	117,812
Notes receivable	150,000	-0-
Property and equipment, net	336,975	351,990
Other assets	5,746	12,924
	$ 12,474,076	$ 9,226,552

LIABILITIES AND NET ASSETS

	2019	2018 As Restated
Liabilities		
Accounts payable and accrued expenses	$ 138,138	$ 130,581
Custodial funds	371,085	238,349
Total liabilities	509,223	368,930
Net assets		
Without donor restrictions		
Operating	434,073	357,650
Board designated endowment	10,000	10,000
Board designated operating reserve	-0-	35,881
	444,073	403,531
With donor restrictions		
Restricted for specified purpose	7,200,244	5,293,628
Restricted in perpetuity - endowment	3,232,388	2,809,901
Restricted subject to the Organization's spending policy	1,088,148	350,562
	11,520,780	8,454,091
Total net assets	11,964,853	8,857,622
	$ 12,474,076	$ 9,226,552

See accompanying notes to financial statements.

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019			2018 As Restated
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenues				
Contributions and grants	$ 374,039	$ 5,240,068	$ 5,614,107	$ 2,412,052
Investment return, net	5,237	1,024,359	1,029,596	(318,999)
Administrative fees	144,563	-0-	144,563	49,405
Other revenue	8,100	-0-	8,100	1,082
Change in value of split-interest agreements	-0-	135,617	135,617	78,921
Net assets released from restrictions	3,333,355	(3,333,355)	-0-	-0-
Total support and revenues	3,865,294	3,066,689	6,931,983	2,222,461
Expenses				
Program services	3,399,013	-0-	3,399,013	2,047,004
General and administrative	260,085	-0-	260,085	252,919
Fundraising	165,654	-0-	165,654	205,812
Total expenses	3,824,752	-0-	3,824,752	2,505,735
Change in net assets	40,542	3,066,689	3,107,231	(283,274)
Net assets, beginning of year	403,531	8,454,091	8,857,622	9,140,896
Net assets, end of year	$ 444,073	$ 11,520,780	$ 11,964,853	$ 8,857,622

See accompanying notes to financial statements.

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018 (AS RESTATED)

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions and grants	$ 327,612	$ 2,084,440	$ 2,412,052
Investment return, net	(2,611)	(316,388)	(318,999)
Administrative fees	49,405	-0-	49,405
Other revenue	8	1,074	1,082
Change in value of split-interest agreements	-0-	78,921	78,921
Net assets released from restrictions	1,926,000	(1,926,000)	-0-
Total support and revenues	2,300,414	(77,953)	2,222,461
Expenses			
Program services	2,047,004	-0-	2,047,004
General and administrative	252,919	-0-	252,919
Fundraising	205,812	-0-	205,812
Total expenses	2,505,735	-0-	2,505,735
Change in net assets	$ (205,321)	$ (77,953)	$ (283,274)
Net assets, beginning of year			
As previously reported	$ 608,852	$ 8,689,086	$ 9,297,938
Prior period adjustment related to:			
Properly record custodial funds	-0-	(157,042)	(157,042)
Net assets, beginning of year, as restated	608,852	8,532,044	9,140,896
Change in net assets	(205,321)	(77,953)	(283,274)
Net assets, end of year	$ 403,531	$ 8,454,091	$ 8,857,622

See accompanying notes to financial statements.

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019						2018 As Restated
	Program Services			Supporting Services			
	Grantmaking	Appalachian Impact	Total	General and Administrative	Fundraising	Total	Total
Grants	$ 1,681,315	$ 312,800	$ 1,994,115	$ -0-	$ -0-	$ 1,994,115	$ 1,127,234
Administrative fees	129,686	2,266	131,952	-0-	-0-	131,952	47,781
Salaries and wages	233,688	3,554	237,242	122,702	64,500	424,444	395,346
Payroll taxes	16,087	272	16,359	8,447	4,440	29,246	31,486
Employee benefits	50,665	-0-	50,665	26,603	13,984	91,252	77,660
Marketing	-0-	36,250	36,250	-0-	30,505	66,755	47,856
Office supplies	3,666	-0-	3,666	3,778	3,666	11,110	14,023
Postage and printing	2,421	99	2,520	2,495	2,421	7,436	3,994
Telephone	3,010	-0-	3,010	3,102	3,010	9,122	7,949
Utilities	8,670	-0-	8,670	4,552	2,393	15,615	29,552
Repairs and maintenance	2,298	-0-	2,298	4,594	2,298	9,190	6,983
Professional fees	225,580	226,920	452,500	26,723	-0-	479,223	558,031
Technology support	6,437	-0-	6,437	6,631	6,437	19,505	6,218
Travel and entertainment	17,373	6,834	24,207	17,373	17,898	59,478	57,987
Special projects	413,956	-0-	413,956	-0-	-0-	413,956	37,001
Meetings and conferences	6,853	1,201	8,054	6,853	7,060	21,967	20,014
Insurance	-0-	-0-	-0-	18,975	-0-	18,975	14,328
Depreciation	5,698	-0-	5,698	5,872	5,698	17,268	10,933
Miscellaneous	1,344	70	1,414	1,385	1,344	4,143	11,359
Total expenses	$ 2,808,747	$ 590,266	$ 3,399,013	$ 260,085	$ 165,654	$ 3,824,752	$ 2,505,735

See accompanying notes to financial statements.

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018 (AS RESTATED)

	Program Services			Supporting Services		
	Grantmaking	Appalachian Impact	Total	General and Administrative	Fundraising	Total
Grants	$ 932,897	$ 194,337	$ 1,127,234	$ -0-	$ -0-	$ 1,127,234
Administrative fees	47,781	-0-	47,781	-0-	-0-	47,781
Salaries and wages	90,723	84,000	174,723	134,008	86,615	395,346
Payroll taxes	7,241	6,637	13,878	10,695	6,913	31,486
Employee benefits	19,716	9,999	29,715	29,122	18,823	77,660
Marketing	-0-	300	300	-0-	47,556	47,856
Office supplies	4,627	2	4,629	4,767	4,627	14,023
Postage and printing	1,318	-0-	1,318	1,358	1,318	3,994
Telephone	2,623	-0-	2,623	2,703	2,623	7,949
Rent and utilities	5,447	10,859	16,306	8,046	5,200	29,552
Repairs and maintenance	1,479	1,067	2,546	2,958	1,479	6,983
Professional fees	425,308	110,811	536,119	18,260	3,652	558,031
Technology support	2,052	-0-	2,052	2,114	2,052	6,218
Travel and entertainment	14,298	14,659	28,957	14,298	14,732	57,987
Special projects	37,001	-0-	37,001	-0-	-0-	37,001
Meetings and conferences	4,400	6,680	11,080	4,400	4,534	20,014
Insurance	-0-	-0-	-0-	14,328	-0-	14,328
Depreciation	3,608	-0-	3,608	3,717	3,608	10,933
Miscellaneous	2,082	5,052	7,134	2,145	2,080	11,359
Total expenses	$ 1,602,601	$ 444,403	$ 2,047,004	$ 252,919	$ 205,812	$ 2,505,735

See accompanying notes to financial statements.

FOUNDATION FOR APPALACHIAN KENTUCKY, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018 As Restated
Operating activities		
Change in net assets	$ 3,107,231	$ (283,274)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	17,268	10,933
Reinvested interest and dividends received on investments	(128,784)	(108,047)
Realized and unrealized losses (gains) on investments	(958,382)	404,812
Contributions restricted to endowment fund	(422,487)	(225,482)
Change in value of split-interest agreements	(135,617)	(78,921)
Changes in assets and liabilities:		
Grants receivable	(9,137)	(237,605)
Other assets	7,178	(12,924)
Custodial funds	132,736	(10,716)
Accounts payable and accrued expenses	7,557	110,638
Net cash flows from operating activities	1,617,563	(430,586)
Investing activities		
Purchases of property and equipment	(2,253)	(26,609)
Purchases of investments	(3,549,465)	(3,803,933)
Proceeds from sale of investments	1,794,292	3,722,290
Net cash flows from investing activities	(1,757,426)	(108,252)
Financing activities		
Contributions restricted to endowment fund	422,487	225,482
Issuance of notes receivable	(150,000)	-0-
Payments received from charitable lead annuity trust	250,000	187,500
Net cash flows from financing activities	522,487	412,982
Net change in cash	382,624	(125,856)
Cash, beginning of year	230,257	356,113
Cash, end of year	$ 612,881	$ 230,257

See accompanying notes to financial statements.

1. NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Foundation for Appalachian Kentucky, Inc. (the "Foundation") is a not-for-profit entity that was created in 1998 and began full operations in 2008. The Foundation is located in Hazard, Kentucky. The mission of the Foundation is to support collaborative work in the community around a common vision that enhances the lives of all local citizens and to create a permanent endowment to serve as a catalyst and resource to respond to changing community priorities.

Philanthropic Capital Fund for Southeast Kentucky ("PhilCap") was founded in January 2017 as a supporting organization of the Foundation. The mission of PhilCap was to impact the Appalachian community by advancing opportunities in the Southeast Kentucky region that support economic diversification and building community capacity through place-based investing and grantmaking. In late 2018, this initiative was moved to the Foundation and the purpose of PhilCap is now to hold real estate that the Foundation occupies. Effective December 12, 2019, PhilCap changed its name to Appalachian Community Development Core, Inc. ("ACDC").

Consolidated Financial Statements

ACDC was founded to support the functions and purposes of the Foundation. The Foundation also has the authority to appoint a majority of the members of the Board of Directors of ACDC. Based on these factors, the Foundation and ACDC (collectively referred to as the "Organization") present consolidated financial statements with any inter-entity transactions and balances eliminated as part of the consolidated financial statements.

Management's Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported support, revenues and expenses. Actual results could vary from the estimates that were used.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis, and have been prepared with a focus on the entity as a whole. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Organization are classified and reported as follows:

Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use. The Organization maintains net assets without donor restrictions as follow:

Operating – used to fund current operations of the Organization

Board designated endowment – established with the expectation that the principal be maintained and the income used to support the general operations of the Organization as designated by the Board of Directors

Board designated operating reserve - funding to benefit future operations

Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term to support operations or specific purposes. The Organization maintains net assets with donor restrictions as follows:

Restricted for specified purpose – all contributions to the Organization with the intention of the donor to be held for a specific program or in a donor-restricted non-endowed fund

Restricted in perpetuity – endowment – all contributions to the Organization with the intention of the donor that the assets to be held in perpetuity and managed in accordance with the Organization's spending policy

Restricted subject to the Organization's spending policy – investment earnings on assets restricted in perpetuity – endowment and managed in accordance with the Organization's spending policy

Investments and Investment Return

The Organization carries its investments at fair value for financial reporting purposes. Changes in unrealized appreciation or depreciation of investments are reflected in the Consolidated Statements of Activities in the period in which such changes occur.

Interest and dividend income and net unrealized and realized gains and losses on investments are recognized as net assets with or without donor restrictions based upon the existence or absence of donor-imposed restrictions or the related fund classification in accordance with the Organization's spending policy.

Notes Receivable

Notes receivable are stated at unpaid principal balances, less an allowance for losses. The allowance is based on management's assessment of the current status of the individual receivable. There was no allowance for losses at December 31, 2019. Notes receivable are considered delinquent based on specific circumstances of the borrower and are written off when the balance is considered uncollectible. Notes receivable bear interest at rates ranging from 2% to 5%. Criteria for notes receivable include whether the organization has a financially sustainable development and operating plan. The Organization measures credit quality based on payment history and annual review of the borrower's financial information. The notes receivable are not considered impaired and no allowance for uncollectible notes has been recorded.

Property and Equipment

Property and equipment, including expenditures that substantially increase the useful lives of existing assets, are recorded at cost except for donations, which are recorded at fair value at the date of the donation. Costs of ordinary maintenance and repairs are expensed as incurred.

The property and equipment of the Organization are being depreciated over their estimated useful lives ranging from three to thirty-nine years using the straight-line method.

Support, Revenues and Expense Recognition

Contributions, which include unconditional promises to give (contributions receivable), are recognized as revenues in the period the contribution is received or the promise is made.

Support and revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in either net assets with or without donor restrictions in accordance with the classification of the fund or the existence of donor-imposed restrictions.

All other revenue is recorded when earned.

Income Taxes

Both the Foundation and ACDC are organized as not-for-profit corporations under Section 501(c)(3) of the United States Internal Revenue Code. As such, the Organization is generally exempt from income taxes. However, the Organization is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

Administrative Fees

Administrative fees are expensed from the funds to support the operations of the Organization and are considered program expenses. Administrative fees from all funds are reflected as revenue on the Consolidated Statements of Activities. The administrative fees from the custodial funds are not included as expenses on the Consolidated Statements of Activities because they are included in the change in custodial funds.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the Consolidated Statements of Activities and Consolidated Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report expenses that are attributed to more than one program or supporting function and require allocation on a reasonable basis that is consistently applied. These expenses include salaries and wages, payroll taxes, employee benefits, marketing, office supplies, various occupancy expenses, certain professional fees, meetings and conferences and depreciation, which are allocated on the basis of estimates of time, effort, and usage. While the methods of allocation are considered appropriate, other methods could produce different results.

Reclassifications

Certain prior year amounts have been reclassified herein to conform to the current method of presentation.

Going Concern Evaluation

Management evaluates whether there are conditions or events that raise substantial doubt about the Organization's ability to continue as a going concern for a period of one year from the date the consolidated financial statements were available to be issued.

Subsequent Events

The Organization has evaluated events or transactions occurring subsequent to the Consolidated Statement of Financial Position date for recognition and disclosure in the accompanying financial statements through the date the consolidated financial statements were available to be issued, which is March 30, 2021.

2. PRIOR PERIOD ADJUSTMENTS

The Organization has restated its consolidated financial statements to recognize contributions received and expenditures paid during the year ended December 31, 2019 that related to the year ended December 31, 2018. The prior period adjustment for these corrections resulted in an increase in the change in net assets for the year ended December 31, 2018 of $225,658. These corrections had no impact on net assets as of January 1, 2018.

The Organization also determined an additional fund to be classified as custodial funds that was previously included in the net assets of the Organization. The prior period adjustment for this correction resulted in an increase in the change in net assets for the year ended December 31, 2018 of $12,544. This correction decreased net assets as of January 1, 2018 by $157,042.

The detail of these changes reflected in the financial statements as of and for the year ended December 31, 2018 are as follows:

	As previously stated, December 31, 2018	Adjustment	As restated December 31, 2018
Consolidated Statement of Financial Position:			
Grants receivable	$ 27,668	$ 311,358	$ 339,026
Accounts payable and accrued expenses	44,881	85,700	130,581
Custodial funds	93,851	144,498	238,349
Net assets with donor restrictions, restricted for specified purpose	5,212,468	81,160	5,293,628
Consolidated Statement of Activities:			
Contributions and grants, with donor restrictions	$ 1,773,082	$ 311,358	$ 2,084,440
Investment return, net, with donor restrictions	(327,761)	11,373	(316,388)
Net assets released from restrictions	1,841,471	84,529	1,926,000
Program services expense	1,962,475	84,529	2,047,004
Changes in net assets with donor restrictions	(316,155)	238,202	(77,953)
Consolidated Statement of Functional Expenses:			
Program services, grantmaking expense (administrative fees)	48,952	(1,171)	47,781
Program services, grantmaking expense (professional fees)	339,608	85,700	425,308
Consolidated Statement of Cash Flows:			
Change in net assets	$ (521,476)	$ 238,202	$ (283,274)
Changes in assets and liabilities:			
Grants receivable	73,753	(311,358)	(237,605)
Custodial funds	1,828	(12,544)	(10,716)
Accounts payable and accrued expenses	24,938	85,700	110,638

3. INVESTMENTS

Investments consist of the following at December 31, 2019 and 2018:

	2019	2018
Cash and cash equivalents	$ 11,259	$ 201,324
Certificates of deposit	50,246	39,949
Money market mutual fund	2,364,500	-0-
Common stocks		
Consumer goods	581,475	433,193
Healthcare	532,897	384,640
Services	477,316	214,844
Industrial goods	386,663	407,590
Technology	542,008	611,817
Financial	497,677	393,795
Basic materials	54,292	128,830
Energy	213,413	208,581
Other	187,217	190,791
Equity exchange traded funds	93,874	127,369
Fixed income mutual funds		
Short term	230,130	155,727
Intermediate term	446,454	449,633
Other	13,898	20,230
Equity mutual funds	111,387	-0-
Corporate bonds		
AAA	98,706	87,308
AA+	52,964	48,807
AA	91,882	85,971
AA-	95,389	44,372
A+	61,949	59,287
A	173,472	183,893
A-	301,393	421,736
BBB+	112,173	151,068
BBB	-0-	42,374
Not rated	113,107	5,230
U.S. Treasury notes	137,010	92,053
	$ 8,032,751	$ 5,190,412

4. RISKS AND UNCERTAINTIES

The Organization holds investments (Note 3). Such investments are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

5. FAIR VALUE MEASUREMENTS

Effective January 1, 2019, the Organization adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU removed certain disclosure requirements in Topic 820. As such, the fair value measurement disclosure for 2018 have been restated for these changes.

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the 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.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset'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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

- *Money market mutual fund*: Generally transact subscription and redemption activity at a $1 stable net asset value (NAV); however, on a daily basis the funds are valued at their daily NAV calculated by dividing the total market value of all securities in the portfolio, less any liabilities, by the number of fund shares outstanding.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.

- *Mutual funds and exchange traded funds*: Valued at the daily closing price as reported by the fund. Mutual funds and exchange traded funds held by the Organization are open-end and closed-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Organization are deemed to be actively traded.

- *Certificates of deposit, corporate bonds and U.S. Treasury notes:* Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

- *Interest in charitable lead annuity trust*: Fair value determined by calculating the present value of the annual amount to be received until termination of the trust using a 2.52% discount rate.

- *Beneficial interest in charitable remainder trust*: Fair value is determined by calculating the net present value of future cash flows from the remainder of the trust using published life expectancy tables, 8% rate of return and 2.2% discount rate.

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of December 31, 2019 and 2018:

	2019			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Certificates of deposit	$ 50,246	$ -0-	$ 50,246	$ -0-
Money market mutual fund	2,364,500	2,364,500	-0-	-0-
Common stocks	3,472,958	3,472,958	-0-	-0-
Exchange traded funds	93,874	93,874	-0-	-0-
Mutual funds	801,869	801,869	-0-	-0-
Corporate bonds	1,101,035	-0-	1,101,035	-0-
U.S. Treasury notes	137,010	-0-	137,010	-0-
Interest in charitable lead annuity trust	2,807,828	-0-	-0-	2,807,828
Beneficial interest in charitable remainder trust	179,732	-0-	-0-	179,732

	2018			
	Fair Value	Level 1	Level 2	Level 3
Assets:				
Investments				
Certificates of deposit	$ 39,949	$ -0-	$ 39,949	$ -0-
Common stocks	2,974,081	2,974,081	-0-	-0-
Exchange traded funds	127,369	127,369	-0-	-0-
Mutual funds	625,590	625,590	-0-	-0-
Corporate bonds	1,130,046	-0-	1,130,046	-0-
U.S Treasury notes	92,053	-0-	92,053	-0-
Interest in charitable lead annuity trust	2,984,131	-0-	-0-	2,984,131
Beneficial interest in charitable remainder trust	117,812	-0-	-0-	117,812

The progression of interest in charitable lead annuity trust during the year ended December 31, 2019 and 2018 is as follows:

	2019	2018
Beginning balance	$ 2,984,131	$ 3,113,476
Trust payment received	(250,000)	(187,500)
Change in present value	73,697	58,155
	$ 2,807,828	$ 2,984,131

The progression of beneficial interest in charitable remainder trust during the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
Beginning balance	$ 117,812	$ 97,046
Change in present value	61,920	20,766
	$ 179,732	$ 117,812

6. GRANTS RECEIVABLE

Grants receivable consist of the following at December 31, 2019 and 2018:

	2019	2018 As Restated
Appalachian Regional Commission (ARC)	$ 85,833	$ 139,026
Marguerite Casey Foundation	150,000	-0-
William Kenan Charitable Trust	100,000	200,000
United States Department of Agriculture	12,330	-0-
	$ 348,163	$ 339,026

7. INTEREST IN CHARITABLE LEAD ANNUITY TRUST

During 2012, the Organization became the lead beneficiary of a charitable lead annuity trust under which $62,500 is received quarterly for twenty years for a specific donor-restricted non-endowed fund. Upon termination of the trust, the trust assets revert to the beneficiaries named by the donor. The Organization's interest under this trust was $2,807,828 and $2,984,131 at December 31, 2019 and 2018, respectively. In calculating the present value of the amount to be received until termination of the trust, a discount rate of 2.52% was used. The Organization is not the trustee of this trust, therefore, the fair value of the trust assets has not been recorded in the Consolidated Statements of Financial Position at December 31, 2019 and 2018.

8. INTEREST IN CHARITABLE REMAINDER TRUST

The Organization has been named beneficiary of a charitable remainder trust. The Organization is not the trustee of the trust, but upon the death of the Trust's lifetime beneficiaries, 25% of the remaining assets will revert to the Organization to donor-restricted funds specified by the donors. The estimated value of the expected residual benefit (which represents the fair value of the trust assets less the present value of the estimated future payments to beneficiaries based upon published life expectancy tables and a discount rate of 2.2%) of this trust was $179,732 and $117,812 at December 31, 2019 and 2018, respectively.

9. NOTES RECEIVABLE

In 2019, Program Related Investment (PRI) notes were issued to various unrelated organizations. The notes bear interest at rates ranging from 2% to 5%. Monthly interest-only payments are to be received with a balloon principal payment due at the maturity date for each note ($50,000 in July 2023 and $100,000 in July 2024). The receivable balance at December 31, 2019 is $150,000.

10. PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2019 and 2018 is as follows:

	2019	2018
Building	$ 300,329	$ 300,329
Equipment	38,897	41,873
Construction in progress	43,162	43,162
	382,388	385,364
Less accumulated depreciation	45,413	33,374
	$ 336,975	$ 351,990

11. CUSTODIAL FUNDS

Custodial funds represent funds placed on deposit with the Organization by other organizations based on their individual board resolutions. The Organization accounts for these transfers as a liability in accordance with applicable accounting standards. Income is added to these funds periodically in accordance with the Organization's investment allocation policies. Contributions by, investment interest credits for, and distributions to those organizations are reflected as adjustments to the liability account and are not reflected in the Consolidated Statements of Activities.

Following is a progression of custodial funds during 2019 and 2018:

	2019	2018 As Restated
Beginning balance	$ 238,349	$ 249,065
Contributions and other revenue	556,331	148,501
Investment return, net	20,056	(12,187)
Administrative fees	(8,019)	(1,625)
Other expenses	(432,743)	(141,152)
Grants	(2,889)	(4,253)
	$ 371,085	$ 238,349

12. NET ASSETS RESTRICTED FOR SPECIFIED PURPOSE

Net assets with donor restrictions are available for the following specified purposes at December 31, 2019 and 2018:

	2019	2018 As Restated
Appalachian Impact	$ 1,514,681	$ 401,351
Entrepreneur-in-Residence Incubator program	369,721	-0-
Various based on fund agreements	5,315,842	4,892,277
	$ 7,200,244	$ 5,293,628

13. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions in 2019 and 2018 by expiration on the following purposes:

	2019	2018 As Restated
Appalachian Impact	$ 590,266	$ 444,403
Entrepreneur-in-Residence Incubator program	130,279	-0-
Various based on fund agreements	2,612,810	1,481,597
	$ 3,333,355	$ 1,926,000

14. ENDOWMENT

The Organization maintains donor-restricted endowment funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as an endowment. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds. Donor-restricted endowment funds are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for granting purposes while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must use for a donor-specified purpose as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk. Actual returns in any given year may vary.

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment decisions shall be made with the intent of maximizing the long-term total return of the portfolio through market value changes (realized and unrealized) and through earned income (dividends and interest).

The Organization has a policy of appropriating for distribution each year 4 to 6 percent of its endowment funds' average fair value over the prior 12 quarters, as voted upon annually by the Board of Directors. In establishing this policy, the Organization considered the long-term expected return on its endowments.

The endowment funds by net asset type at December 31, 2019 and 2018 were as follows:

	2019	
	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	$ 10,000	$ -0-
Donor Restricted Funds	-0-	4,320,536
	$ 10,000	$ 4,320,536

	2018	
	Without Donor Restrictions	With Donor Restrictions
Board Designated Funds	$ 10,000	$ -0-
Donor Restricted Funds	-0-	3,160,463
	$ 10,000	$ 3,160,463

Changes in endowment funds for the years ended December 31, 2019 and 2018 were as follows:

	2019	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	$ 10,000	$ 3,160,463
Contributions and other revenue	-0-	591,986
Investment return, net	-0-	823,077
Appropriation of endowment assets for expenditure	-0-	(254,990)
Endowment net assets, end of year	$ 10,000	$ 4,320,536

	2018	
	Without Donor Restrictions	With Donor Restrictions
Endowment net assets, beginning of year	$ 10,000	$ 3,187,107
Contributions and other revenue	-0-	296,731
Investment return, net	-0-	(190,246)
Appropriation of endowment assets for expenditure	-0-	(133,129)
Endowment net assets, end of year	$ 10,000	$ 3,160,463

15. LIQUIDITY AND AVAILABILITY

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its awarded grants, general expenditures, and other obligations become due. The Organization invests cash in excess of daily requirements in short-term investments.

Financial assets available for general expenditures that is not subject to donor or other contractual restrictions within one year of the Consolidated Statement of Financial Position date comprise of the following:

	2019	2018
Operating investments	$ 133,251	$ 59,296
Grants receivable	-0-	27,668
	$ 133,251	$ 86,964

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Organization approves grants and scholarships quarterly based on the spending rate approved quarterly grant and scholarship approval processes. This process includes evaluating a number of factors relative to the spending rate to be applied to the Organization's fund balances in accordance with its spending policy. Once the Organization's Board approves the spending rate, the related dollar amount of the funds becomes available for general expenditures.

While not subject to the Organization's spending policy, expenditures from donor-restricted non-endowed funds must be approved by the Board and, therefore, are not available for general expenditure until that time. Non-endowed funds are held in cash or liquid investments and are made available upon appropriation.

The Foundation also relies on the administrative fees it charges its funds annually ranging from 1% to 1.75% of the endowed and non-endowed fund balance and 5% to 10% of contributions to fiscal sponsorship funds to fund operational expenditures.

16. CONCENTRATIONS

The Organization maintains its cash in bank deposit accounts insured by the Federal Deposit Insurance Corporation at its current coverage levels. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to these accounts.

Marketable securities and money market funds are maintained with an investment firm. Such balances exceed the Securities Investor Protection Corporation insured limits of up to $500,000.

17. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Organization's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, increased demand for grants, delays, loss of, or reduction to contributions and funding, and investment portfolio declines. Management believes the Organization is taking appropriate actions to respond to the pandemic, however, the full impact is unknown and cannot be reasonably estimated at the date the consolidated financial statements were available to be issued.

In May 2020, the Organization received a low interest loan in the amount of $103,100 under the Paycheck Protection Program (PPP) administered by the Small Business Administration. The PPP loan is unsecured and bears interest at 1%. Funds advanced under the program are subject to forgiveness if certain criteria are met with the remaining balance repayable within five years of disbursement. The PPP loan may be forgivable to the extent that employers incur and spend the funds on qualified expenditures, which include payroll, employee health insurance, rent, utilities and interest costs during the covered period as defined in the PPP guidance. In addition, employers must maintain specified employment and wage levels during the pandemic and submit adequate documentation of such expenditures to qualify for loan forgiveness.