

APPALACHIAN COMMUNITY FUND, INC.

Financial Statements

Year Ended June 30, 2018

With Independent Auditors' Report

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Independent Auditors' Report

To the Board of Directors
Appalachian Community Fund, Inc.

We have audited the accompanying consolidated financial statements of Appalachian Community Fund, Inc., which comprise of the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended, and the related notes to 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 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 audit. We conducted our audit 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 from 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 auditors' judgment, including the 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 consolidated financial statements 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 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 consolidated financial position of Appalachian Community Fund, Inc as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

MARRET & COMPANY, PLLC

Knoxville, Tennessee
November 8, 2018

APPALACHIAN COMMUNITY FUND, INC.

Statement of Financial Position

June 30, 2018

ASSETS

Current Assets

Cash and cash equivalents	\$ 85,639	
Funds held for others	4,429	
Accounts receivable	1,259	
Grant receivable	655,748	
Short-term loan fund	5,415	
Prepaid expense	<u>2,509</u>	
Total Current Assets		754,999

Property and Equipment

Office equipment	\$ 11,330	
Less: accumulated depreciation	<u>(11,330)</u>	
Property and equipment, net		-

Other Assets

Investments	923,377	
Other assets	<u>1,250</u>	
Total other assets		<u>924,627</u>

Total Assets \$ 1,679,626

LIABILITIES AND NET ASSETS

Current Liabilities

Line of credit	\$ 81,093	
Accounts payable and accrued expenses	40,789	
Grants payable	15,000	
Restricted program funds payable	2,525	
Funds held for others	<u>4,429</u>	
Total current liabilities		143,836

Net Assets

Unrestricted	\$ 533,367	
Temporarily restricted	380,882	
Permanently restricted	<u>621,541</u>	
Total net assets		<u>1,535,790</u>

Total Liabilities and Net Assets \$ 1,679,626

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

APPALACHIAN COMMUNITY FUND, INC.

Statement of Activities

For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support				
Contributions	\$ 116,208	\$ 18,265	\$ -	\$ 134,473
Grant revenue	676,274	50,000	-	726,274
Other program related income	11,832	-	-	11,832
In-kind contributions	11,032	-	-	11,032
Interest and dividend income	196	22,163	-	22,359
Gain (loss) on investments	-	51,470	-	51,470
Assets released from restrictions	<u>75,693</u>	<u>(75,693)</u>	-	-
Total Revenue and Other Support	<u>891,235</u>	<u>66,205</u>	-	<u>957,440</u>
Expenses				
Program	252,561	-	-	252,561
Management and General	64,023	-	-	64,023
Fundraising	<u>32,399</u>	-	-	<u>32,399</u>
Total expenses	<u>348,983</u>	-	-	<u>348,983</u>
Change in net assets	542,252	66,205	-	608,457
Net Assets, beginning of the year	<u>(8,885)</u>	<u>314,677</u>	<u>621,541</u>	<u>927,333</u>
Net Assets, end of year	<u>\$ 533,367</u>	<u>\$ 380,882</u>	<u>\$ 621,541</u>	<u>\$ 1,535,790</u>

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

APPALACHIAN COMMUNITY FUND, INC.

Statement of Cash Flows
For the Year Ended June 30, 2018

Cash Flows From Operating Activities	
Change in Net Assets	\$ 608,457
Adjustments to reconcile change in net assets to cash flows from operating activities	
Depreciation	934
Net realized and unrealized (gain) loss on investments	(51,470)
Changes in operating assets and liabilities:	
Accounts receivable	20,330
Foundation receivable	(655,748)
Prepaid expenses	2,607
Other assets	(174)
Accounts payable and accrued expenses	36,736
Grants payable	<u>(33,075)</u>
Net cash flows from operating activities	<u>(71,403)</u>
Cash Flows From Investing Activities	
Purchase of long-term investments	<u>(157,636)</u>
Net cash flows from investing activities	<u>(157,636)</u>
Cash Flows From Financing Activities	
Increase (decrease) in line of credit balance	<u>30,938</u>
Net cash flows from financing activities	<u>30,938</u>
Net change in cash	(198,101)
Cash and Cash Equivalents at the Beginning of the Year	<u>283,740</u>
Cash and Cash Equivalents at the End of the Year	<u>\$ 85,639</u>
Supplemental Disclosures of Cash Flow Information:	
Cash paid for interest	<u>\$ 4,129</u>
Cash paid for income taxes	<u>\$ -</u>

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

APPALACHIAN COMMUNITY FUND, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2018

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
Salaries and benefits	\$ 94,493	\$ 39,373	\$ 23,623	\$ 157,489
Grant expense	116,693	-	-	116,693
Occupancy	7,817	3,257	1,954	13,028
Travel	5,954	2,481	1,489	9,924
Information technology and software	5,824	2,427	1,456	9,707
Professional services	-	8,658	-	8,658
Consultant services	6,800	-	-	6,800
Office expense	3,542	1,476	886	5,904
Interest expense	3,303	826	-	4,129
Other expenses	1,974	662	397	3,033
Memberships	1,676	698	419	2,793
Telephone	1,130	471	283	1,884
Bank and credit card fees	1,130	471	282	1,883
Board governance	-	1,392	-	1,392
Insurance	756	315	189	1,260
Printing and publications	778	294	148	1,220
Postage	691	288	173	1,152
Marketing and donor development	-	-	1,100	1,100
Depreciation	-	934	-	934
	<u>\$ 252,561</u>	<u>\$ 64,023</u>	<u>\$ 32,399</u>	<u>\$ 348,983</u>

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

APPALACHIAN COMMUNITY FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 1 – NATURE OF ACTIVITIES

The Appalachian Community Fund, Inc. (Fund) is an activist-controlled foundation committed to supporting progressive social change in the central states of Appalachia, which include east Kentucky, east Tennessee, West Virginia, and southwest Virginia. The Fund exists to be a source of new money for social justice movements in the region, leverage money into the region (whether or not it comes through the Fund) for organizations addressing the root causes of social problems and provide technical assistance in fundraising and organization development to grass roots organizations in the region.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The accompanying financial statements are presented on the accrual basis of accounting. Using this method, revenues are recognized when earned and expenses are recognized when incurred. To ensure observance of limitations and restrictions placed on the use of resources available to the Fund, the accounts of the Fund are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes.

The accompanying financial statements, under the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (FASB) ASC 958-210, focus on the organization as a whole and report the change in net assets for the following:

Unrestricted net assets, which are not subject to donor-imposed restrictions.

Temporarily restricted net assets, which are subject to restrictions for support of particular operating activities, for use in a specific future period, or for acquisition of long-lived assets. Cash or other assets subject to donor-imposed restrictions are classified separately from cash or other assets that are unrestricted and available for current use.

Permanently restricted net assets, which are subject to the donor's stipulation that the principal be maintained intact, with only the income to be expended currently.

Contributions – Contributions received are recorded as with or without donor restrictions, depending upon the existence or nature of any donor restrictions. Net assets with donor restrictions consist primarily of funds established by donors with stipulations as to whom and when the funds will be distributed. Net assets with donor restrictions would consist of funds established by donors with the intent that only the income earned by the fund will be distributed. The Fund had net assets with donor restrictions at June 30, 2018.

Donor restricted support is reported as an increase in net assets with donor restrictions, depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the Statement of Activities as net assets released from restrictions.

Contributed services are recognized for those that improve or enhance property and equipment (as contributions and increases to the basis of property and equipment) or for those that require specialized skills (as contributions and expense).

Use of 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 the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

APPALACHIAN COMMUNITY FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Property and Equipment – The Fund’s policy is to capitalize all asset purchases of \$500 or more. Property and equipment are carried at cost. Donated property or equipment is recorded as a capital addition at fair value. Depreciation is computed using the straight-line method over three to five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in that period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Cash and Cash Equivalents – The Fund’s cash and cash equivalents include money market funds and certificates of deposit held at various financial institutions. For purposes of the statement of cash flows, the Fund considers certificates of deposit and highly liquid debt instruments to be cash equivalents, unless permanently restricted.

Investments – Investments in equity securities with readily determinable market values and all debt securities are carried at fair value with realized and unrealized gains and losses included in the statement of activities. Donated investments are recorded at the fair value on the date of the contribution and thereafter carried in accordance with the above provisions.

Purchases and sales of securities are recorded at the settlement date. Investment income is reported in the period earned as an increase in net assets without donor restrictions unless the use of the assets received is limited by donor-imposed restrictions.

Short-term investments as of June 30, 2018 consist of the HEAD Community Loan Fund. The HEAD Community Loan Fund is a short-term loan that is renewed annually and earns a fixed rate of return that is renegotiated each renewal. Management considers the carrying value of the investment to approximate the fair value due to the short-term maturity of the investment.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establishes a fair value hierarchy, which gives the highest priority to observable inputs such as quoted prices in active markets for identical assets or liabilities (Level 1), the next highest priority to inputs from observable data other than quoted prices (Level 2) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The Fund’s investments are classified within level 1 and level 3 of the fair value hierarchy as more fully described in Note 4.

Grants Payable – The Fund finalizes grants to be paid during the fourth quarter of the fiscal year. Grant award notifications are then sent to the grantees. Grant checks are not released until the grantee submits a signed grant agreement and required reports if applicable (see Note 6).

Functional Allocation of Expenses – The Fund’s expenses are presented on a functional basis, showing basic program activities and support services. The Fund incurs costs and expenses related to its program services and supporting activities. Expenses that are directly related to, and can be assigned to, program services or a single supporting activity are charged directly to such function. Expenses that are related to more than one function are allocated between the appropriate functions. The most significant of The Fund’s joint costs are the costs associated with salaries, payroll taxes, employee benefits, and grants. The Fund allocates these joint costs primarily using proportional methods based on the programs and supporting services benefited.

APPALACHIAN COMMUNITY FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status – The Fund qualifies as a tax- exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no expense has been recognized for income taxes. In addition, the Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Fund adopted the authoritative guidance related to accounting for uncertainty in income taxes included in the ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Fund performed an evaluation of uncertain tax positions for the year ended June 30, 2018 and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. The Fund is generally not subject to US federal, state, or local examinations by tax authorities for tax years prior to 2014. It is the Fund's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of June 30, 2018, the Fund had no accruals for interest and/or penalties.

In-Kind Contributions – Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

NOTE 3 – ENDOWMENTS

In January 2015, the Fund received in cash its portion of the Funding Exchange (FEX) endowment that includes donor-restricted funds as part of the dissolution of FEX. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Fund has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Fund considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Fund, and (7) the Fund's investment policies.

At times, the goals may be in conflict, reflecting the ambiguities of our economy as well as the Fund's need to grow financially, while staying true to its purpose and vision. In recognition of these conflicts, the Fund seeks to find an appropriate balance between financial and business considerations as well as social and environmental.

APPALACHIAN COMMUNITY FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 3 – ENDOWMENTS, Continued

General Objective – The general objective for the Fund is to manage a reasonable growth of principle over time that will, at some future time, produce income to support the work of the Fund. The staff and board of the Fund will use a standard of care, skill, prudence, and due diligence under the circumstances then prevailing that a prudent person acting in a like capacity would use in the conduct of an enterprise of a like character and with like aims.

Investment Management – Professional investment management will be employed to manage the assets of the Fund. The Finance Committee will make recommendations to the Board as to the selection and termination of investment managers, the level of allocation, investment policy guidelines and the operational strategy of the endowment program. Specific investment goals, in harmony with stated general objectives, will be reviewed annually by the Board of Directors.

Social Responsibility – To keep the Fund’s investment policy related to the overall purpose of its character and the programs of the Fund.

Risk Strategy – The assets of the endowment will be diversified among different investment managers or funds in order to minimize the possibility of large losses. It is suggested that diversification in percentages at cost should fall within the following ranges:

Bonds	5 – 50%
Cash and Cash Equivalents	5 – 45%
Equities	30 – 70% (primarily mid to large cap growth stock funds and mutual funds)

When market conditions warrant, asset allocation levels may be exceeded at the discretion of the Finance Committee of the Board of Directors.

Spending Policy – The Fund shall make funds available for distribution from its permanent endowment each year using the following formulas and guidelines to determine the total amount granted. The amount available for spending shall be determined by a total return system designed to minimize the likelihood of taking from and reducing the inflation-adjusted value of the original invested sum of \$621,541. The amount available to be spent out of the endowment in any given fiscal year shall be calculated based on the market value of the endowment as of December 31st each year. The amount available may be removed from invested funds in the following January and placed into a liquid interest-bearing account until final grant decisions have been made in the months between January and June of each year. Any income earned in this liquid account shall be retained in the endowment fund. The Spending Policy shall be reviewed or updated and approved by the Finance Committee who shall report their recommendations to the Board of Directors on an annual basis. The calculation shall be made as follows:

- A. A three (3) year rolling average of the principle balance will be determined as of December 31st. If the endowment is still less than three years old, the rolling average shall be based on the number of quarters it has existed as the corporation’s endowment.
- B. The amount available to be spent will be four (4) to six (6) percent of the rolling average calculated in “A” above.

APPALACHIAN COMMUNITY FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 3 – ENDOWMENTS, Continued

The objective of the spending policy is to provide for sufficient growth after grant making to preserve the inflation-adjusted value of the endowment’s portfolio. The corporation’s investment manager should assume that these withdrawals will be made annually or as possible to meet grant making needs.

Changes in Endowment net assets and net asset composition by type of fund as of June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment</u>
Endowment Net Assets, Beginning	\$ -	\$ 89,664	\$ 621,541	\$ 711,205
Changes in Endowment Net Assets:				
Investment Income	-	24,003	-	24,003
Realized Gains (Losses)	-	523	-	523
Net Appreciation (Depreciation)	-	50,947	-	50,947
Fiduciary Fees	-	(1,840)	-	(1,840)
	<u>-</u>	<u>73,633</u>	<u>-</u>	<u>73,633</u>
Endowment Net Assets, Ending	<u>\$ -</u>	<u>\$ 163,297</u>	<u>\$ 621,541</u>	<u>\$ 784,838</u>

NOTE 4 - INVESTMENTS

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consists of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Fund uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Fund measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs include quoted prices for similar assets in active markets, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 Fair Value Measurement: The fair value of the endowment’s mutual funds and fixed income securities are based on quoted net asset values of the shares held by the Fund at year-end.

Level 2 Fair Value Measurement: Level 2 inputs include quoted prices for similar assets in active markets or significant other observable inputs.

Level 3 Fair Value Measurement: The Fund holds a short-term loan through HEAD that is automatically renewed each year in March. The note pays 2% APR each annum to the Fund and is not reinvested in the loan amount. The note is not actively traded, and significant observable inputs are not available. Thus, the fair value of the short-term loan is equal to the value stated on the Promissory Note.

APPALACHIAN COMMUNITY FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 4 – INVESTMENTS, Continued

The Fund's investments reported at fair value in the accompanying statement of financial position as of June 30, 2018:

	<u>Fair Value Measurement Using:</u>			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Mutual Funds				
Donor Restricted Endowment	\$ 744,052	\$ 744,052	\$ -	\$ -
Hearthstone	130,895	130,895		
FOCIS	<u>48,430</u>	<u>48,430</u>	<u>-</u>	<u>-</u>
Total Mutual Funds	923,377	923,377	-	-
Short-term Loan Fund:				
HEAD Loan	<u>5,415</u>	<u>-</u>	<u>-</u>	<u>5,415.00</u>
 Total Investments	 <u>\$ 928,792</u>	 <u>\$ 923,377</u>	 <u>\$ -</u>	 <u>\$ 5,415</u>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are as follows:

	<u>HEAD</u>
	<u>Loan Fund</u>
Balance as of June 30, 2017 and 2018	<u>\$ 5,415</u>

NOTE 5 – LINE OF CREDIT

The organization has a line of credit which is secured by cash and investments held in an account at the same financial institution. The maximum amount of credit that may be extended is based on the eligible securities linked to the Line of Credit amount. The loanable value is calculated daily based on the market value of each security. The calculated available credit at June 30, 2018 was \$329,223.

The outstanding balance at June 30, 2018 was \$81,093 with an interest rate of 5.50% and which may be due on demand without cause at any time. The secured account consists of the pledged endowment investment account which had a balance at June 30, 2018 of \$744,244 of which \$621,541 is permanently restricted.

APPALACHIAN COMMUNITY FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 6 – GRANTS PAYABLE

The Fund distributes grants and program funds from restricted and unrestricted funds as follows:

Grants Payable

Various Unrestricted Grants	\$ 15,000
Total Grants Payable	<u>\$ 15,000</u>

Restricted Program Funds Payable

Fiscal Sponsorship Payables	\$ 25
FOCIS	<u>2,500</u>
Total Restricted Program Funds Payable	<u>\$ 2,525</u>

NOTE 7 – TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

The temporarily restricted net assets balance consists of the following amounts:

	<u>Cash</u>	<u>Receivables</u>	<u>Investments</u>	<u>Liabilities</u>	<u>Total</u>
Restricted Program Funds					
Hearthstone	\$ 382	\$ -	\$ 130,895	\$ -	\$ 131,277
FOCIS	35,444	-	48,430	(2,500)	81,374
Power & Powerlessness	<u>4,959</u>	<u>-</u>	<u>-</u>	<u>(25)</u>	<u>4,934</u>
Total Restricted Program Funds	40,785	-	179,325	(2,525)	217,585
Temporarily Restricted Endowment (See Note 3)	<u>-</u>	<u>-</u>	<u>163,297</u>	<u>-</u>	<u>163,297</u>
Total Temporarily Restricted Net Assets	<u>\$ 40,785</u>	<u>\$ -</u>	<u>\$ 342,622</u>	<u>\$ (2,525)</u>	<u>\$ 380,882</u>

The permanently restricted net assets balance consists of the following amounts:

	<u>Cash</u>	<u>Receivables</u>	<u>Investments</u>	<u>Liabilities</u>	<u>Total</u>
Restricted Endowment (See Note 3)	<u>\$ 40,786</u>	<u>\$ -</u>	<u>\$ 580,755</u>	<u>\$ -</u>	<u>\$ 621,541</u>
Total Permanently Restricted Net Assets	<u>\$ 40,786</u>	<u>\$ -</u>	<u>\$ 580,755</u>	<u>\$ -</u>	<u>\$ 621,541</u>

APPALACHIAN COMMUNITY FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 8 – IN-KIND CONTRIBUTIONS

In-kind contributions, included in unrestricted donor support, consist of the following:

Professional Services	\$ 10,000
Board In-Kind Fundraising	1,018
In-Kind Gifts	<u>14</u>
Total In-Kind Contributions	<u>\$ 11,032</u>

NOTE 9 – RETIREMENT PLAN

The Fund has designated SEP-IRA accounts for full-time employees who are over 21 with one year of service. The Board determines annual contributions. Expense of \$5,125 was included in Employee Benefits for this purpose in the year ended June 30, 2018.

NOTE 10 – RELATED PARTIES

The Board of Directors makes all decisions concerning grant making, program, and future directions. The Board consists of members who represent the region economically, racially, sexually, and culturally, and who are local activists. There were \$3,000 in grants awarded during the year ended June 30, 2018 to organizations with which board members or staff are associated. The Board has stated policy and practice that, when a request for funds is being considered, anyone who is an employee or board member of the prospective grantee will leave the board room and not participate in the final discussion and vote related to that grant. In addition, a member of the Fund's board of directors is a board member of the Funding Exchange, a national organization of which the Fund is a member and from which the Fund received endowment monies.

NOTE 11 – AGENCY FUNDS HELD FOR OTHERS

In March 2015, the Fund entered into a fiscal agent/partnership agreement with Knoxville Community Radio (KCR). Under the agreement, the Fund has established a bank account to deposit all contributions and fees received, and make disbursements, on behalf of KCR. KCR agrees not to use funds in a way which would jeopardize the Fund's tax-exempt status. The Fund is part of a 2-agency consortium that founded KCR and has elected to forego any agency fees.

NOTE 12 – OPERATING LEASES

The Fund has a one-year lease with a lease term from December 1, 2017 to November 30, 2018 at \$1,250 per month. Future minimum lease payments under the leases as of June 30, 2018 are:

November 30, 2018	<u>\$ 6,250</u>
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NOTES 13 – CONCENTRATION OF CREDIT RISK

During 2018, the Fund received approximately 71% of its revenue and support from one source. If a significant reduction of any of these levels of support were to occur, this could have a material impact upon the operations of the Fund.

APPALACHIAN COMMUNITY FUND, INC.

Notes to Financial Statements

June 30, 2018

NOTE 14 – FUNDING EXCHANGE

The Fund became a member of the Funding Exchange (FEX) in 1989. FEX is a national membership organization that channels donor advised funds via grants and endowment disbursements to its member foundations that support progressive social justice. The Fund uses the unrestricted grants from FEX to make grants to other nonprofit organizations focused on issues and causes that support their mission of social justice movements.

On March 1, 2013, the FEX board of directors unanimously voted to dissolve FEX due to structural challenges and declining revenue. In December 2014, the Fund received a disbursement of \$621,541 of donor restricted funds that were deposited into an investment (see note 3).

On May 25, 2018, the Fund received written notification from FEX that the New York State Attorney General's Charities Bureau approved the plan for the final dissolution of the Funding Exchange, Inc. On that same day FEX issued the Fund a grant in the amount of \$655,748 representing the Fund's share of the remaining assets to be used for the grantee's general operating purposes. A final disbursement in the amount of \$655,748 was received by the Fund on July 2, 2018 after the sale of the building.

NOTE 15 – SUBSEQUENT EVENYS

Management has evaluated subsequent events through November 8, 2018 the date the financial statements were available to be issued.