
APPALACHIAN VOICES

Financial Statements and Independent Auditor's Report
For the Years Ended December 31, 2019 and 2018

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Certified Public Accountant

APPALACHIAN VOICES

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Independent Auditor's Report

To the Board of Directors of
Appalachian Voices

We have audited the accompanying financial statements of Appalachian Voices (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 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 audits 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 auditor's 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 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, I 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 financial statements referred to above present fairly, in all material respects, the financial position of Appalachian Voices as of December 31, 2019 and 2018, 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.

C. Randolph CPA, PLLC

West Jefferson, North Carolina
August 19, 2020

APPALACHIAN VOICES

Statements of Financial Position December 31, 2019 and 2018

| <u>Assets</u> | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 1,191,427 | \$ 2,223,408 |
| Investments | 742,844 | 21,480 |
| Accounts and sales tax receivable | 28,359 | 40,048 |
| Accrued interest receivable | 4,957 | - |
| Deposits | 14,817 | 13,167 |
| Prepaid expenses | 8,167 | 6,843 |
| Employee advances | 147 | 295 |
| Contributions receivable | <u>598,855</u> | <u>216,484</u> |
| Total current assets | <u>2,589,573</u> | <u>2,521,725</u> |
| Property and Equipment: | | |
| Equipment | 72,272 | 61,273 |
| Furniture and fixtures | 762 | 762 |
| Less accumulated depreciation | <u>(52,313)</u> | <u>(43,776)</u> |
| Net property and equipment | <u>20,721</u> | <u>18,259</u> |
| Other assets: | | |
| Intangible asset | <u>1,500</u> | <u>1,500</u> |
| Total assets | <u>\$ 2,611,794</u> | <u>\$ 2,541,484</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Accounts payable | \$ 29,527 | \$ 7,267 |
| Accrued expenses | <u>24,633</u> | <u>33,217</u> |
| Total current liabilities | <u>54,160</u> | <u>40,484</u> |
| Net assets: | | |
| Unrestricted: | | |
| Without donor restrictions | 1,566,962 | 2,028,151 |
| Invested in property and equipment | 20,721 | 18,259 |
| Funder designated funds | 270,000 | - |
| Board designated funds used for reserve | 100,000 | 100,000 |
| Restricted: | | |
| With donor restrictions | <u>599,951</u> | <u>354,590</u> |
| Total net assets | <u>2,557,634</u> | <u>2,501,000</u> |
| Total liabilities and net assets | <u>\$ 2,611,794</u> | <u>\$ 2,541,484</u> |

See accompanying notes to financial statements.

APPALACHIAN VOICES

Statements of Activities For the Years Ended December 31, 2019 and 2018

| | 2019 | | |
|--|--|---|---------------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
| Support and Revenue: | | | |
| Contributions | \$ 1,817,815 | \$ 666,129 | \$ 2,483,944 |
| Membership dues | 67,093 | - | 67,093 |
| Investment income | 31,604 | - | 31,604 |
| Voice advertisements | 11,661 | - | 11,661 |
| Fiscal sponsorships - net | 15,429 | - | 15,429 |
| Pass-throughs - net | 63,959 | - | 63,959 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | <u>420,768</u> | <u>(420,768)</u> | <u>-</u> |
| Total support and revenue | <u>2,428,329</u> | <u>245,361</u> | <u>2,673,690</u> |
| Expenses: | | | |
| Program expenses | 2,251,840 | - | 2,251,840 |
| Management and general expenses | 174,594 | - | 174,594 |
| Fundraising expenses | <u>190,622</u> | <u>-</u> | <u>190,622</u> |
| Total expenses | <u>2,617,056</u> | <u>-</u> | <u>2,617,056</u> |
| Changes in net assets | (188,727) | 245,361 | 56,634 |
| Net assets, beginning of year | <u>2,146,410</u> | <u>354,590</u> | <u>2,501,000</u> |
| Net assets, end of year | <u>\$ 1,957,683</u> | <u>\$ 599,951</u> | <u>\$ 2,557,634</u> |

See accompanying notes to financial statements.

| 2018 | | |
|--|---|---------------------|
| Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total |
| \$ 1,671,051 | \$ 680,743 | \$ 2,351,794 |
| 65,310 | - | 65,310 |
| 11,660 | - | 11,660 |
| 13,590 | - | 13,590 |
| 2,589 | - | 2,589 |
| 106,300 | - | 106,300 |
| <u>624,636</u> | <u>(624,636)</u> | <u>-</u> |
| <u>2,495,136</u> | <u>56,107</u> | <u>2,551,243</u> |
| 2,005,576 | - | 2,005,576 |
| 159,743 | - | 159,743 |
| <u>179,193</u> | <u>-</u> | <u>179,193</u> |
| <u>2,344,512</u> | <u>-</u> | <u>2,344,512</u> |
| 150,624 | 56,107 | 206,731 |
| <u>1,995,786</u> | <u>298,483</u> | <u>2,294,269</u> |
| <u>\$ 2,146,410</u> | <u>\$ 354,590</u> | <u>\$ 2,501,000</u> |

APPALACHIAN VOICES

Statement of Functional Expenses For the Year Ended December 31, 2019

| Functional Expenses: | Eliminate Fossil Fuels <u>Externalities</u> | Building Awareness of <u>Regional Issues</u> | Shifting Investments to <u>Clean Energy</u> | Total Program <u>Expenses</u> | Management & General <u>Expenses</u> | Fundraising <u>Expenses</u> | Total <u>Expenses</u> |
|---|--|---|--|--|---|--|----------------------------------|
| Salaries and wages | \$ 454,363 | \$ 81,409 | \$ 777,332 | \$ 1,313,104 | \$ 107,162 | \$ 89,345 | \$ 1,509,611 |
| Payroll taxes, employee benefits, and insurance | 101,235 | 20,827 | 174,304 | 296,366 | 25,265 | 25,106 | 346,737 |
| Advertising | 299 | 10 | 32,628 | 32,937 | - | 2,326 | 35,263 |
| Bank charges | - | - | - | - | 6,267 | - | 6,267 |
| Conferences and meetings | 1,656 | 200 | 6,861 | 8,717 | 436 | 262 | 9,415 |
| Contract labor | 300 | 12,247 | 131,418 | 143,965 | - | 248 | 144,213 |
| Contributions | 1,233 | - | 167 | 1,400 | 90 | - | 1,490 |
| Depreciation | 2,486 | 550 | 4,276 | 7,312 | 571 | 654 | 8,537 |
| Dues and subscriptions | 1,054 | 115 | 2,948 | 4,117 | 61 | 4,372 | 8,550 |
| Equipment rental | 793 | 176 | 1,366 | 2,335 | 181 | 209 | 2,725 |
| Equipment purchases | 426 | - | 75 | 501 | 9 | - | 510 |
| Events | - | - | - | - | - | - | - |
| Insurance | 1,855 | 410 | 3,192 | 5,457 | 424 | 488 | 6,369 |
| Leadership development | 1,288 | 42 | 3,264 | 4,594 | 262 | 337 | 5,193 |
| Licenses and permits | 35 | - | 1,522 | 1,557 | 200 | 325 | 2,082 |
| Meals and entertainment | 4,959 | 2,456 | 11,594 | 19,009 | 2,073 | 1,473 | 22,555 |
| Office supplies | 9,824 | 4,598 | 17,289 | 31,711 | 4,297 | 2,009 | 38,017 |
| Promotion materials | 3,804 | 685 | 9,069 | 13,558 | 453 | 9,453 | 23,464 |
| Postage and delivery | 559 | 26,653 | 860 | 28,072 | 117 | 1,681 | 29,870 |
| Printing and reproductions | - | 45,179 | - | 45,179 | - | - | 45,179 |
| Professional fees | 16,910 | 540 | 4,847 | 22,297 | 8,644 | 30,546 | 61,487 |
| Rent | 29,302 | 9,129 | 59,403 | 97,834 | 8,826 | 9,456 | 116,116 |
| Repairs and maintenance | 1,834 | 560 | 3,644 | 6,038 | 532 | 572 | 7,142 |
| Travel | 26,133 | 6,023 | 51,689 | 83,845 | 2,448 | 4,635 | 90,928 |
| Telephone | 2,871 | 587 | 5,633 | 9,091 | 607 | 697 | 10,395 |
| Utilities | 2,542 | 764 | 5,043 | 8,349 | 738 | 776 | 9,863 |
| Website expense | 21,846 | 4,772 | 37,877 | 64,495 | 4,931 | 5,652 | 75,078 |
| Total functional expenses | \$ 687,607 | \$ 217,932 | \$ 1,346,301 | \$ 2,251,840 | \$ 174,594 | \$ 190,622 | \$ 2,617,056 |

See accompanying notes to financial statements.

APPALACHIAN VOICES

Statement of Functional Expenses For the Year Ended December 31, 2018

| Functional Expenses: | Eliminate Fossil Fuels Externalities | Building Awareness of Regional Issues | Shifting Investments to Clean Energy | Total Program Expenses | Management & General Expenses | Fundraising Expenses | Total Expenses |
|-----------------------------|---|--|---|---------------------------------------|--|---------------------------------|---------------------------|
| Salaries and wages | \$ 470,215 | \$ 95,117 | \$ 636,155 | \$ 1,201,487 | \$ 103,440 | \$ 112,506 | \$ 1,417,433 |
| Payroll taxes and insurance | 97,616 | 18,707 | 144,301 | 260,624 | 20,577 | 22,763 | 303,964 |
| Employee benefits | 8,409 | 2,127 | 11,491 | 22,027 | 1,635 | 8,390 | 32,052 |
| Advertising | 673 | 65 | 8,020 | 8,758 | - | 234 | 8,992 |
| Bank charges | - | - | - | - | 4,271 | 578 | 4,849 |
| Conferences and meetings | 4,079 | 389 | 6,317 | 10,785 | 434 | 487 | 11,706 |
| Contract labor | 6,343 | 9,569 | 60,704 | 76,616 | 100 | - | 76,716 |
| Contributions | 625 | 250 | 500 | 1,375 | - | - | 1,375 |
| Depreciation | 2,613 | 482 | 3,543 | 6,638 | 553 | 624 | 7,815 |
| Dues and subscriptions | 1,698 | 81 | 1,224 | 3,003 | 94 | 427 | 3,524 |
| Equipment rental | 1,218 | 146 | 1,071 | 2,435 | 167 | 189 | 2,791 |
| Insurance | 1,051 | 194 | 1,427 | 2,672 | 221 | 251 | 3,144 |
| Leadership development | 900 | - | 320 | 1,220 | - | - | 1,220 |
| Licenses and permits | 109 | 32 | 748 | 889 | 21 | 226 | 1,136 |
| Meals and entertainment | 6,850 | 1,575 | 8,641 | 17,066 | 3,144 | 1,198 | 21,408 |
| Office supplies | 13,183 | 4,429 | 13,507 | 31,119 | 2,378 | 1,986 | 35,483 |
| Promotion materials | 6,929 | 424 | 8,738 | 16,091 | 478 | 7,610 | 24,179 |
| Postage and delivery | 1,088 | 25,465 | 3,505 | 30,058 | 120 | 648 | 30,826 |
| Printing and reproductions | - | 40,760 | - | 40,760 | - | - | 40,760 |
| Professional fees | 15,583 | 1,649 | 26,552 | 43,784 | 6,252 | 1,920 | 51,956 |
| Rent | 32,971 | 8,416 | 52,455 | 93,842 | 9,098 | 9,519 | 112,459 |
| Repairs and maintenance | 2,280 | 533 | 3,483 | 6,296 | 571 | 625 | 7,492 |
| Travel | 37,734 | 7,642 | 41,816 | 87,192 | 2,936 | 4,974 | 95,102 |
| Telephone | 4,084 | 708 | 5,900 | 10,692 | 812 | 1,309 | 12,813 |
| Utilities | 3,497 | 650 | 4,806 | 8,953 | 752 | 838 | 10,543 |
| Website expense | 8,555 | 1,500 | 11,139 | 21,194 | 1,689 | 1,891 | 24,774 |
| | | | | - | | | |
| Total functional expenses | <u>\$ 728,303</u> | <u>\$ 220,910</u> | <u>\$ 1,056,363</u> | <u>\$ 2,005,576</u> | <u>\$ 159,743</u> | <u>\$ 179,193</u> | <u>\$ 2,344,512</u> |

See accompanying notes to financial statements.

APPALACHIAN VOICES

Statements of Cash Flows For the Years Ended December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Cash Flows From Operating Activities: | | |
| Changes in net assets | \$ 56,634 | \$ 206,731 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities: | | |
| Depreciation expense | 8,537 | 7,815 |
| (Increase) decrease in accounts receivable | 11,689 | (7,902) |
| (Increase) decrease in contributions receivable | (382,370) | (139,177) |
| (Increase) decrease in prepaid expenses | (1,323) | 15,769 |
| (Increase) decrease in employee advances | 148 | (295) |
| (Increase) decrease in deposits | (1,650) | - |
| Increase (decrease) in accounts payable and accrued expenses | 13,675 | (13,761) |
| Increase (decrease) in funds payable | - | (2,589) |
| Total | <u>(351,294)</u> | <u>(140,140)</u> |
| Net cash provided (used) by operating activities | <u>(294,660)</u> | <u>66,591</u> |
| Cash Flows From Investing Activities: | | |
| Purchase of investments | (726,321) | (21,480) |
| Purchase of equipment | <u>(11,000)</u> | <u>(3,901)</u> |
| Net cash provided (used) by investing activities | <u>(737,321)</u> | <u>(25,381)</u> |
| Increase (decrease) in cash and cash equivalents | (1,031,981) | 41,210 |
| Beginning cash and cash equivalents | <u>2,223,408</u> | <u>2,182,198</u> |
| Ending cash and cash equivalents | <u>\$ 1,191,427</u> | <u>\$ 2,223,408</u> |

See accompanying notes to financial statements.

APPALACHIAN VOICES

Notes to Financial Statements For the Years Ended December 31, 2019 and 2018

1. General Information and Summary of Significant Accounting Policies

Organization - Appalachian Voices was organized in 1997 as a North Carolina nonprofit corporation. Its purpose is to solve the environmental problems having the greatest impact on the central and southern Appalachian Mountains. The organization's income is primarily from private and public grants and individual contributions.

Sources of Funding - The Organization receives support from contributions and revenues generated by grants and contributions.

Basis of Accounting - The Organization maintains its accounting records on the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation is incurred.

Basis of Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets With Donor Restrictions - These net assets result from grants that are received with donor stipulations that limit the use of the asset, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Contributions/Grants - Contributions and grants received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (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 in the statement of activities as net assets released from restrictions. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

New Accounting Pronouncement - In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and disclosures related to functional allocation of expenses, if applicable.

Reclassification – Certain prior year amounts have been reclassified to conform to the current year presentation.

Functional Allocation of Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Staff salaries, employee benefits, and indirect expenses are allocated based on estimated time and effort.

Investments - Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statement of activities.

The following provides a summary of the hierarchical levels used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the reporting entity has the ability to access at the measurement date. Level 1 assets and liabilities may include debt and equity securities that are traded in an active exchange, including over-the-counter markets, and that are highly liquid.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity, and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions Receivable - Unconditional promises to give are recognized as revenues or gains in the period received, net of an allowance for uncollectible promises and a discount to the present value of future cash flows, and presented as contributions receivable in the statement of financial position.

Property, Equipment, and Furniture - The Organization capitalizes all expenditures for property, equipment, and furniture in excess of \$200. The cost of property, equipment, and furniture is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method for financial reporting purposes and for income tax purposes.

Maintenance and repairs are charged to operations when incurred. Betterments and renewals are capitalized. When property, equipment, and furniture is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

The useful lives of property, equipment, and furniture for purposes of computing depreciation are:

| | |
|------------------|---------|
| Equipment | 5 years |
| Office furniture | 7 years |

Donated Materials and Services - It is the policy of Appalachian Voices to record the value of donated services, materials and facilities usage provided there is an objective basis with which to value such donations. The value of general volunteer services are not recorded, because there is not objective basis with which to value the volunteer time, although the operations of Appalachian Voices is supported by a considerable amount of volunteer time.

Fair Value Measurements - The Organization applies the provisions included in FASB ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements. 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. As of December 31, 2019 and 2018, there were no nonfinancial assets or liabilities measured at fair value in the financial statements on a nonrecurring basis.

Financial instruments consist of cash and cash equivalents, contributions receivable, current liabilities and debt obligations. The carrying amounts reported in the statement of financial position for cash and cash equivalents, contributions receivable and current liabilities approximate fair value due to the short-term nature of these financial statements.

Cash and Cash Equivalents - For purposes of financial statement presentation, Appalachian Voices considers all bank accounts, certificates of deposit, interest accrued on certificates of deposit, and petty cash funds to be cash and cash equivalents.

Concentration of Credit Risk - At December 31, 2019 and 2018, the Organization had deposits that exceeded the federal deposit insurance limit by \$16,952 and \$10,485, respectively.

Advertising - Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2019 and 2018 was \$35,263 and \$8,992, respectively.

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 and classified by the Internal Revenue Service as other than a private foundation.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2018, 2017 and 2016 are subject to examination by the IRS, generally for three years after they were filed.

2. Net Assets

The Appalachian Voices Board of Directors has designated portions of the net assets to be used for purposes other than general operations as follows:

| | <u>2019</u> | <u>2018</u> |
|---|-------------------------|--------------------------|
| Investment in property and equipment | \$20,721 | \$ 18,259 |
| Funder designated funds | 270,000 | - |
| Board designated funds used for reserve | <u>100,000</u> | <u>100,000</u> |
| | <u>\$390,721</u> | <u>\$ 118,259</u> |

3. Contributions Receivable

Unconditional promises to give consists of the following:

| | <u>2019</u> | <u>2018</u> |
|----------------------------------|-------------------|-------------------|
| Unrestricted | \$ 72,775 | \$ 28,984 |
| Shifting | 368,256 | 50,000 |
| Internalizing | <u>157,824</u> | <u>137,500</u> |
| Amount due in less than one year | <u>\$ 598,855</u> | <u>\$ 216,484</u> |

4. Investments

Investments consist of the following:

| | <u>2019</u> | <u>2018</u> |
|--------------------|------------------|------------------|
| | <u>Level 1</u> | <u>Level 1</u> |
| Treasury bills | \$742,844 | \$ - |
| BB& T Investments: | | |
| Investment cash | - | 16,564 |
| Domestic equities | <u>-</u> | <u>4,916</u> |
| | <u>\$742,844</u> | <u>\$ 21,480</u> |

5. Liquidity and Availability of Financial Assets

The Organization's primary sources of support are grants and contributions. Most of that support is required to be used in accordance with the purpose restrictions imposed by the donors. Donor-restricted support has historically funded approximately 14% of annual program and supporting activities, with the remainder funded by miscellaneous income without donor restrictions. The Organization's objective is to maintain liquid financial assets without donor restrictions sufficient to cover 12 months of program expenditures. As shown on the face of the statement of financial position, and summarized below, most of the Organization's financial assets are not subject to donor-imposed restrictions on use:

| | <u>2019</u> | <u>2018</u> |
|--|-------------|-------------|
| Financial assets available within one year and free of donor restrictions: | | |
| Cash and cash equivalents | \$ 147,280 | \$ 289,752 |

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|--------------------|
| Operating reserve cash and cash equivalents | \$ 98,781 | \$1,796,020 |
| Operating reserve investments | 747,802 | 21,480 |
| Contributions and pledges receivable | 72,775 | 28,984 |
| Financial assets subject to donor-imposed restrictions: | | |
| Cash and cash equivalents | 73,871 | 167,090 |
| Contributions and pledges receivable | <u>526,080</u> | <u>187,500</u> |
| Total financial assets | <u>\$2,566,589</u> | <u>\$2,490,826</u> |

6. Retirement Plan

The Organization has a simple IRA plan covering employees that meet certain criteria for eligibility. In addition to employee deferrals, the Organization will make a 3% contribution for employees. Employer contributions associated with the simple IRA plan for the year ended December 31, 2019 and 2018 totaled \$33,617 and \$32,052, respectively.

7. Lease Obligations

The Organization entered into a one-year lease with R.R.C. & Company, LLC on December 15, 2015 for space located in Norton, Virginia. The Organization renewed the lease on December 1, 2017. The lease requires monthly lease payments of \$825 for the period December 1, 2017-November 30, 2018. The Organization has the option to extend the term of the Lease for a seven-year period. The lease expires November 30, 2018. The lease was extended for a one-year period.

The Organization entered into a month-to-month lease with Statewide Organizing for Community eMpowerment on August 1, 2015 for space located in Knoxville, Tennessee. The lease requires monthly lease payments of \$400 for the term.

The Organization entered into a lease with Michael Vetro on April 15, 2016 for office space located in Boone, North Carolina. The lease requires monthly lease payments of \$4,278 plus one-third of the annual property tax bill for the term. The term of the lease is two years commencing September 15, 2016 and terminating September 14, 2018. The lease was renewed on January 24, 2018 commencing September 15, 2018 and terminating September 14, 2020.

The Organization entered into a three-year lease with Parker River, LLC on October 11, 2016 for space located in Charlottesville, Virginia. The lease requires monthly lease payments of \$3,446 for the period November 1, 2016 - October 31, 2017, \$3,498 for the period November 1, 2017 - October 31, 2018 and \$3,550 for the period November 1, 2018 - October 31, 2019. The Organization has the option to extend the term of the Lease for one three-year period. The lease expires October 31, 2019.

Future Payments Due:

| | <u>Boone, NC</u> | <u>Charlottesville, VA</u> | <u>Norton, VA</u> |
|-----------------------------|------------------|----------------------------|-------------------|
| 2020 | \$ 36,363 | \$ 42,080 | \$ 9,900 |
| 2020 | <u>36,363</u> | <u>42,600</u> | <u>-</u> |
| Total future lease payments | <u>\$ 72,726</u> | <u>\$ 84,680</u> | <u>\$ 9,900</u> |

8. Income Taxes

Uncertain Tax Positions

FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, clarifies the accounting for uncertainty in income tax positions. Based on an evaluation of uncertain tax positions, management is required to measure potential tax liabilities that could have a risk of greater than a 50% likelihood of being realized upon settlement. As of December 31, 2019, management has determined that the Organization has no such risk and therefore no liabilities have been recorded for uncertain tax positions.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions material to the financial statements.

9. Subsequent Events

Management has evaluated subsequent events through August 19, 2020, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require recognition or disclosure in these financial statements.