
APPALACHIAN VOICES

Financial Statements and Independent Auditor's Report
For the Years Ended December 31, 2020 and 2019

C. Randolph CPA, PLLC
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, 2020 and 2019, 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

C. Randolph CPA, PLLC

West Jefferson, North Carolina
October 13, 2021

APPALACHIAN VOICES

Statements of Financial Position December 31, 2020 and 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents	\$ 2,414,299	\$ 1,191,427
Investments	-	742,844
Accounts and sales tax receivable	596	28,359
Accrued interest receivable	-	4,957
Deposits	14,817	14,817
Prepaid expenses	1,956	8,167
Employee advances	4	147
Contributions receivable	<u>415,069</u>	<u>598,855</u>
Total current assets	<u>2,846,741</u>	<u>2,589,573</u>
Property and Equipment:		
Equipment	43,459	72,272
Furniture and fixtures	762	762
Less accumulated depreciation	<u>(27,712)</u>	<u>(52,313)</u>
Net property and equipment	<u>16,509</u>	<u>20,721</u>
Other assets:		
Intangible asset	<u>1,500</u>	<u>1,500</u>
Total assets	<u>\$ 2,864,750</u>	<u>\$ 2,611,794</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 21,633	\$ 29,527
Accrued expenses	<u>27,259</u>	<u>24,633</u>
Total current liabilities	<u>48,892</u>	<u>54,160</u>
Net assets:		
Unrestricted:		
Without donor restrictions	1,968,156	1,566,962
Invested in property and equipment	16,509	20,721
Funder designated funds	270,000	270,000
Board designated funds used for reserve	100,000	100,000
Restricted:		
With donor restrictions	<u>461,193</u>	<u>599,951</u>
Total net assets	<u>2,815,858</u>	<u>2,557,634</u>
Total liabilities and net assets	<u>\$ 2,864,750</u>	<u>\$ 2,611,794</u>

See accompanying notes to financial statements.

APPALACHIAN VOICES

**Statements of Activities
For the Years Ended December 31, 2020 and 2019**

	2020		
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Support and Revenue:			
Contributions	\$ 1,677,530	\$ 723,889	\$ 2,401,419
Membership dues	61,191	-	61,191
Paycheck Protection Program funds	413,010	-	413,010
Investment income	16,653	-	16,653
Voice advertisements	1,333	-	1,333
Fiscal sponsorships - net	10,487	-	10,487
Pass-throughs - net	(41,622)	-	(41,622)
Miscellaneous	(98)	-	(98)
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>862,647</u>	<u>(862,647)</u>	<u>-</u>
Total support and revenue	<u>3,001,131</u>	<u>(138,758)</u>	<u>2,862,373</u>
Expenses:			
Program expenses	2,149,537	-	2,149,537
Management and general expenses	234,393	-	234,393
Fundraising expenses	<u>220,219</u>	<u>-</u>	<u>220,219</u>
Total expenses	<u>2,604,149</u>	<u>-</u>	<u>2,604,149</u>
Changes in net assets	396,982	(138,758)	258,224
Net assets, beginning of year	<u>1,957,683</u>	<u>599,951</u>	<u>2,557,634</u>
Net assets, end of year	<u>\$ 2,354,665</u>	<u>\$ 461,193</u>	<u>\$ 2,815,858</u>

See accompanying notes to financial statements.

2019		
Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
\$ 1,817,815	\$ 666,129	\$ 2,483,944
67,093	-	67,093
-	-	-
31,604	-	31,604
11,661	-	11,661
15,429	-	15,429
63,959	-	63,959
-	-	-
<u>420,768</u>	<u>(420,768)</u>	<u>-</u>
<u>2,428,329</u>	<u>245,361</u>	<u>2,673,690</u>
2,251,840	-	2,251,840
174,594	-	174,594
<u>190,622</u>	<u>-</u>	<u>190,622</u>
<u>2,617,056</u>	<u>-</u>	<u>2,617,056</u>
(188,727)	245,361	56,634
<u>2,146,410</u>	<u>345,590</u>	<u>2,492,000</u>
<u>\$ 1,957,683</u>	<u>\$ 599,951</u>	<u>\$ 2,557,634</u>

APPALACHIAN VOICES

Statement of Functional Expenses For the Year Ended December 31, 2020

	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	\$ 462,734	\$ 72,018	\$ 829,306	\$ 1,364,058	\$ 166,948	\$ 155,913	\$ 1,686,918
Payroll taxes and insurance	34,675	5,564	62,887	103,125	12,629	11,819	127,573
Employee benefits	69,081	16,935	123,966	209,982	21,633	18,738	250,353
Advertising	88	-	17,436	17,524	95	-	17,619
Bank charges	-	-	-	-	1,335	-	1,335
Conferences and meetings	99	27	1,462	1,588	29	200	1,817
Contract labor	-	5,310	189,314	194,623	120	582	195,325
Contributions	150	250	350	750	-	-	750
Depreciation	2,320	622	4,108	7,050	380	592	8,022
Dues and subscriptions	1,495	103	3,073	4,670	652	1,021	6,344
Equipment rental	673	180	2,806	3,659	194	172	4,025
Insurance	1,528	409	2,704	4,641	446	390	5,477
Leadership development	-	-	1,910	1,910	476	426	2,812
Licenses and permits	16	-	1,343	1,359	-	200	1,559
Meals and entertainment	276	297	3,326	3,899	373	130	4,402
Office supplies	730	1,998	10,822	13,549	4,422	3,477	21,448
Promotion materials	834	1,093	2,934	4,861	203	11,012	16,076
Postage and delivery	767	5,152	1,173	7,092	187	1,655	8,933
Printing and reproductions	-	9,057	-	9,057	-	-	9,057
Professional fees	5,939	331	3,023	9,293	7,059	558	16,910
Rent	39,560	11,073	70,058	120,691	12,900	8,967	142,557
Repairs and maintenance	1,443	386	2,550	4,379	563	368	5,310
Travel	5,891	1,280	19,402	26,573	730	872	28,174
Telephone	3,117	776	6,004	9,897	843	739	11,478
Utilities	3,077	824	5,537	9,438	896	688	11,022
Website expense	5,589	1,199	9,082	15,870	1,283	1,701	18,854
	-	-	-	-	-	-	-
Total functional expenses	<u>\$ 640,079</u>	<u>\$ 134,883</u>	<u>\$ 1,374,575</u>	<u>\$ 2,149,537</u>	<u>\$ 234,393</u>	<u>\$ 220,219</u>	<u>\$ 2,604,149</u>

See accompanying notes to financial statements.

APPALACHIAN VOICES

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

	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	\$ 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	<u>21,846</u>	<u>4,772</u>	<u>37,877</u>	<u>64,495</u>	<u>4,931</u>	<u>5,652</u>	<u>75,078</u>
Total functional expenses	<u>\$ 687,607</u>	<u>\$ 217,932</u>	<u>\$ 1,346,301</u>	<u>\$ 2,251,840</u>	<u>\$ 174,594</u>	<u>\$ 190,622</u>	<u>\$ 2,617,056</u>

See accompanying notes to financial statements.

APPALACHIAN VOICES

Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Changes in net assets	\$ 258,224	\$ 56,634
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	8,022	8,537
Loss on disposal of assets	97	-
(Increase) decrease in accounts receivable	27,762	11,689
(Increase) decrease in contributions receivable	183,785	(382,370)
(Increase) decrease in prepaid expenses	6,210	(1,323)
(Increase) decrease in employee advances	143	148
(Increase) decrease in deposits	-	(1,650)
Increase (decrease) in accounts payable and accrued expenses	<u>(5,268)</u>	<u>13,675</u>
Total	<u>220,751</u>	<u>(351,294)</u>
Net cash provided (used) by operating activities	<u>478,975</u>	<u>(294,660)</u>
Cash Flows From Investing Activities:		
(Increase) decrease in investments	747,802	(726,321)
Proceeds from disposal of assets	73	-
Purchase of equipment	<u>(3,978)</u>	<u>(11,000)</u>
Net cash provided (used) by investing activities	<u>743,897</u>	<u>(737,321)</u>
Increase (decrease) in cash and cash equivalents	1,222,872	(1,031,981)
Beginning cash and cash equivalents	<u>1,191,427</u>	<u>2,223,408</u>
Ending cash and cash equivalents	<u>\$ 2,414,299</u>	<u>\$ 1,191,427</u>

See accompanying notes to financial statements.

APPALACHIAN VOICES

Notes to Financial Statements For the Years Ended December 31, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019, the Organization had deposits that exceeded the federal deposit insurance limit by \$750,441 and \$16,952, respectively.

Advertising - Advertising costs are expensed when incurred. Advertising expense for the years ended December 31, 2020 and 2019 was \$17,619 and \$35,263, 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 2020, 2019 and 2018 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>2020</u>	<u>2019</u>
Investment in property and equipment	\$16,509	\$ 20,721
Funder designated funds	270,000	270,000
Board designated funds used for reserve	<u>100,000</u>	<u>100,000</u>
	<u>\$386,509</u>	<u>\$ 390,721</u>

3. Contributions Receivable

Unconditional promises to give consists of the following:

	<u>2020</u>	<u>2019</u>
Unrestricted	\$ 19,960	\$ 72,775
Shifting	362,609	368,256
Internalizing	<u>32,500</u>	<u>157,824</u>
Amount due in less than one year	<u>\$415,069</u>	<u>\$ 598,855</u>

4. Investments

Investments consist of the following:

	<u>2020</u>	<u>2019</u>
	<u>Level 1</u>	<u>Level 1</u>
Treasury bills	<u>\$ -</u>	<u>\$ 742,844</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>2020</u>	<u>2019</u>
Financial assets available within one year and free of donor restrictions:		
Cash and cash equivalents	\$ 541,385	\$ 147,280
Operating reserve cash and cash equivalents	1,807,430	998,781
Operating reserve investments	-	747,802
Contributions and pledges receivable	19,960	72,775
Financial assets subject to donor-imposed restrictions:		
Cash and cash equivalents	66,085	73,871
Contributions and pledges receivable	<u>395,108</u>	<u>526,080</u>
Total financial assets	<u>\$2,829,968</u>	<u>\$2,566,589</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, 2020 and 2019 totaled \$37,911 and \$33,617, respectively.

7. Lease Obligations

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, 2022.

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. For the option to extend, the lease requires monthly lease payments of \$6,777. The lease expires October 31, 2022.

Future Payments Due:

	<u>Boone, NC</u>	<u>Charlottesville, VA</u>
2021	\$ 57,470	\$ 44,721
2022	<u>41,105</u>	<u>45,480</u>
Total future lease payments	<u>\$ 98,575</u>	<u>\$ 90,201</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, 2020, 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 October 13, 2021, 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.