APPALSHOP, INC.

WHITESBURG, KY

REGULAR AUDIT

FOR THE YEAR ENDED SEPTEMBER 30, 2025

Caudill & Associates, CPA PLLC
3070 Lake Crest Cir – Ste 400/267
Lexington, KY 40513

Member American Institute of Certified Public Accountants
Member American Institute of Certified Public Accountants – Not for Profit Section
Member American Institute of Certified Public Accountants – Government Audit Quality Center
Member American Institute of Certified Public Accountants – Forensic and Valuation Services Section

APPALSHOP, INC.
WHITESBURG, KY

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INDEPENDENT AUDITOR'S REPORT

Appalshop, Inc.
91 Madison Avenue
Whitesburg, KY 41858

To the Board of Directors:

Opinion

We have audited the accompanying financial statements of Appalshop, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2025 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Appalshop, Inc., as of September 30, 2025, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Appalshop, Inc and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Appalshop's ability to continue as a going concern for one year after the date that the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Appalshop's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Appalshop's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Caudill & Associates, CPA, PLLC
Lexington, Kentucky
August 13, 2026

APPALSHOP, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2025

	2025
ASSETS	
Cash	$ 567,148
Accounts receivable, net	418,521
Inventory	-
Prepaid expenses	67,592
Short-term investments	1,719,666
Long-term investments	5,383,504
Property and equipment, net	1,344,450
Right-of-use assets, net	28,201
Total assets	$ 9,529,082
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	$ 334,990
Payroll liabilities	189,913
Other accrued liabilities	5,954
Operating lease labilities	27,489
Total liabilities	558,346
NET ASSETS	
Without donor restrictions	2,351,877
With donor restrictions	6,618,859
Total net assets	8,970,736
Total liabilities and net assets	$ 9,529,082

See accompanying notes and independent auditor's report.

APPALSHOP, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Contributions	$ 812,538	$ 1,721,549	$ 2,534,087
Conditional grants	216,552	-	216,552
Contract income	124,299	-	124,299
Sales income	5,691	-	5,691
Rental income	4,081	-	4,081
In-kind contributions	-	-	-
Other income	26,160	-	26,160
Endowment spending draw	624,594	-	624,594
Net assets released from restriction	1,469,376	(1,469,376)	-
Total revenues and other support	3,283,291	252,173	3,535,464
Operating expenses			
Program expenses:			
Appalachian Media Institute (AMI)	124,591	-	124,591
Archives	602,375	-	602,375
Community Media Initiative (CMI)	284,492	-	284,492
Films	325,413	-	325,413
WMMT	288,725	-	288,725
Community engagement and other programs	271,907	-	271,907
Total program expenses	1,897,503	-	1,897,503
Management and general	1,377,208	-	1,377,208
Fundraising	212,772	-	212,772
Total expenses	3,487,483	-	3,487,483
Change in net assets from operations	(204,192)	252,173	47,981
Nonoperating activity			
Investment return, net	60,576	234,598	295,174
Endowment draw allocated for operations	-	(624,594)	(624,594)
Endowment and capital gifts	-	133,500	133,500
Other nonoperating activities	15,377	-	15,377
Total nonoperating activity	75,953	(256,496)	(180,543)
Total change in net assets	(128,239)	(4,323)	(132,562)
Net assets, beginning	2,480,116	6,623,182	9,103,298
Net assets, ending	$ 2,351,877	$ 6,618,859	$ 8,970,736

See accompanying notes and independent auditor's report.

APPALSHOP, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Program Services	Management and General	Fundraising	Total
Personnel expenses	$ 1,053,895	$ 570,418	$ 128,595	$ 1,752,908
Professional services	449,941	258,861	43,088	751,890
Office expenses	48,106	118,373	36,821	203,300
Grants and assistance awarded	222,003	(6,520)	-	215,483
Travel and education	49,276	50,725	489	100,490
Advertising and promotion	3,482	863	-	4,345
Insurance	-	83,791	351	84,142
Fundraising and entertainment	939	5,115	3,428	9,482
Production costs	36,084	4,450	-	40,534
Other operating expenses	4,760	56,075	-	60,835
Depreciation and amortization	19,187	74,405	-	93,592
Administrative overhead and occupancy costs	9,830	160,652	-	170,482
Total expenses	$ 1,897,503	$ 1,377,208	$ 212,772	$ 3,487,483

See accompanying notes and independent auditor's report.

APPALSHOP, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED SEPTEMBER 30, 2025

	2025
OPERATING ACTIVITIES	
Change in net assets	$ (132,562)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used in) Operations	
Depreciation and amortization	93,592
Changes in assets and liabilities:	
Grants receivable	128,633
Inventory	21,735
Prepaid expense	22,953
Investment return	165,684
Accounts payable	238,416
Payroll liabilities	114,375
Other accrued liabilities	5,510
Operating lease liabilities	(15,890)
Other adjustments	-
Net cash provided by (used in) operating activities	642,446
INVESTING ACTIVITY	
Purchases of property and equipment	(97,938)
Purchases of right-of-use assets	-
Net cash provided by (used in) investing activities	(97,938)
FINANCING ACTIVITY	
Endowment and capital contributions	-
Lease liabilities	-
Loans payable	-
Net cash provided by (used in) financing activities	-
NET CHANGE IN CASH	544,508
CASH, beginning	22,640
CASH, ending	$ 567,148

See accompanying notes and independent auditor's report.

1. NATURE OF ACTIVITIES

Appalshop, Inc. ("Appalshop" or the "Organization"), is a multidisciplinary, arts and education center located in Letcher County, Kentucky, in the heart of Appalachia. Appalshop was founded in 1969 and operates as a nonprofit corporation under the laws of the Commonwealth of Kentucky.

Appalshop's mission is to enlist the power of education, media, theater, music, and other arts to:

Document, disseminate, and revitalize the lasting traditions and contemporary creativity of Appalachia;

Tell the stories the commercial cultural industries don't tell, challenging stereotypes with Appalachian voices and visions;

Support communities' efforts to achieve justice and equity and solve their own problems in their own ways;

Celebrate cultural diversity as a positive social value; and

Participate in regional, national, and global dialogue toward these ends.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in preparation of the financial statements.

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America and are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Entities" (the "Guide").

Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to Appalshop's ongoing activities. Nonoperating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or non-recurring nature.

Cash and Cash Equivalents

Appalshop's policy is to classify cash deposit accounts and money market accounts as cash and cash equivalents in the accompanying statements of financial position. Cash and cash equivalents which are held for investment and endowment purposes are included with short-term investments and endowment assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Accounts Receivable

Accounts receivable are stated in the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. Appalshop does not accrue finance charges on its past due accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

Inventory

Inventory consists primarily of original recordings and logo merchandise and is stated at the lower of cost (determined on a first-in, first-out or specific identification basis) or market value.

Investments

Investments are carried at their fair value based on quote prices (unadjusted) for identical assets in active markets that the entity can access as of the measurement date. Unrealized gains and losses are included in the accompanying statements of activities. The investments are subject to market risk. Appalshop's maximum exposure to accounting loss from its investments is represented by the amounts as presented on the accompanying statement of financial position.

Endowments

The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). UPMIFA is a model act approved by the Uniform Law Commission that serves as a guideline for states to use in enacting legislation. Effective March 25, 2010, the Commonwealth of Kentucky enacted a version of UPMIFA legislation.

Fair Value of Financial Instruments

The FASB ASC defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current accounting principles generally accepted in the United States of America, and expands the disclosure of the methods used and the effects of fair value measurements on earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Property and Equipment

Property and equipment are recorded at cost. Appalshop capitalizes long-lived assets with acquisition costs greater than $2,500. Assets are depreciated using the straight-line method over the estimated useful life of the respective assets from 5-50 years.

Leases

The Organization determines if an arrangement is a lease at inception by determining whether the agreement conveys the right to control the use of the identified asset for a period of time, whether the Appalshop has the right to obtain substantially all of the economic benefits from use of the identified asset, and the right to direct the use of the asset. Lease liabilities are recognized at the commencement date based upon the present value of the remaining future minimum lease payments over the lease term using the risk-free rate. The risk-free rate is defined as the daily treasury par yield curve rate for a period that approximates the lease term. The Organization's lease terms include options to renew or terminate the lease when it is reasonably certain that it will exercise the option.

The leased right-of-use assets are initially measured at the carrying amount of the lease liability and adjusted for any prepaid or accrued lease payments, remaining balance of lease incentives received, unamortized initial direct costs, or impairment charges relating to the right-of-use asset. Certain leases contain escalation clauses, which are factored into the right-of-use asset where appropriate. Lease expense for minimum lease payments are recognized on a straight-line basis over the lease term.

Contributions Revenue and Revenue Recognition

Grant revenue results from grant funds received as exchange transactions and contributions. Grant funds received in exchange transactions are deemed to be earned and reported in revenues of the applicable grant when Appalshop has incurred expenses in compliance with the specific restrictions of the grant agreement. Expenses incurred for which grant funds have not been received are reported as grants receivable, while grant funds received but not yet earned are reported as unearned grant revenue. Restrictions are imposed by the other party to the exchange transaction and not by a donor. The associated net assets are without donor restrictions because the restrictions are imposed by the other party to the exchange transaction and not by a donor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Contributions Revenue and Revenue Recognition Continued

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings and equipment are reported as net assets without donor restrictions upon acquisition of the assets when placed in service.

Functional Expense Allocation

The costs of providing programs and other services have been summarized by function, based on estimates developed by management. Allocation methods include assessment of time, effort, and square footage.

Advertising Expense

Advertising costs are expensed as incurred and are generally charged to management and general expenses. Advertising costs totaled $4,344 for the fiscal year ended September 30, 2025.

Contributed Services

Appalshop receives a significant amount of contributed services of volunteers in connection with its various programs which do not meet the criteria for recognition. Accordingly, the value of these contributed services have not been reflected in the accompanying financial statements since it is not susceptible to objective measurement as required by the FASB.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES Continued

Contributed Materials

The FASB ASC requires recognition of in-kind contributions of tangible assets at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions of materials are offset by like amounts included in in-kind expenses.

Income Taxes

Appalshop is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

The FASB ASC prescribes a recognition threshold and measurement attribute for how an entity should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the entity has taken or expects to take on a tax return. The FASB ASC requires that the financial statements reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values.

Appalshop is subject to routine audits by taxing authorities; however, there are currently no audits for any tax periods in progress.

Concentrations

Financial instruments that expose Appalshop to concentrations of credit and market risk consist primarily of cash equivalents and investments. Cash equivalents are maintained at high-quality financial institutions and Appalshop has not experienced any losses on its cash equivalents.

Subsequent Events

Management has evaluated subsequent events through August 13th, 2026, the date the financial statements were available to be issued.

3. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Grants receivables consist of the following as of September 30:

	2025
Less then one year	$ 418,521
Allowance for credit losses	-
	$ 418,521

Accounts receivable include various government grants that were considered conditional totaling $27,389. The remaining receivables consist of various state and private grants and two employee advances receivable totaling $1,775.

At the beginning of the period, the allowance for credit losses (ACL) was $9,876. The fully reserved receivable was written off against the allowance during the year, resulting in an ending allowance balance of $0. The organization measures the ACL on its accounts receivable based on the expected losses over the term of the receivable.

4. INVESTMENTS

Investments including endowment funds as of September 30 consist of the following:

	2025	
	Market	Cost
Cash and cash equivalents	$ 1,689,768	$ 1,032,690
Stocks, options, & EFTs	3,267,210	2,016,016
Fixed income securities	982,809	650,461
Mutual funds	1,163,383	1,468,500
	$ 7,103,170	$ 5,167,667

Investment return consists of the following for the year ended September 30:

	2025
Dividends and interest income	$ 177,763
Net realized gains (losses)	189,550
Net unrealized gains (losses)	(50,220)
Investment fees	(22,252)
Other investment income	332
Total return on investment	295,174
Investment return designated for current operations	(624,594)
Investment return, net	$ (329,420)

4. INVESTMENTS Continued

Appalshop maintains several investment accounts to support the Organization in reaching its strategic goals, short- and long-term sustainability. These funds include:

Working capital to supplement cash flow as needed;

Facilities reserve to make periodic investments in the upkeep of fixed assets;

Artistic reserve to allow investment in artistic programmatic opportunities;

Glen Ihring Scholarship Fund to support a participant in the AMI Summer Documentary Internship program; and

Quasi-endowment to support the long-term sustainability of the organization.

Endowment Investments

The endowment fund consists of five funds held in Appalshop, Inc. Trust (the "Trust") established in 1990, updated and amended in 2013. The endowment funds support current operations and the William Randolf Hearst Fund for Educational Projects.

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 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.

From time to time, due to unfavorable market fluctuations, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. The Organization has a policy that does not permit spending from underwater endowment funds, unless otherwise permitted by donor intent or relevant laws and regulations. There were no deficiencies of this nature at September 30, 2025.

4. INVESTMENTS Continued

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 5 percent of its endowment funds' average fair value over the prior twelve months, 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 September 30, 2025 were as follows:

	2025	
	Total With Donor Restrictions	Total Endowment Net Assets
Donor restricted endowment funds	$ 5,354,631	$ 5,354,631

Changes in endowment funds for the year ended September 30, 2025, were as follows:

	2025	
	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 5,744,627	$ 5,744,627
Investment return on endowments, net	234,597	234,597
Contributions	-	-
Amount appropriated for expenditure	(624,594)	(624,594)
Reclassifications and adjustments	-	-
Endowment net assets, end of year	$ 5,354,630	$ 5,354,630

5. FAIR VALUE MEASUREMENTS

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 September 30, 2025.

Cash and cash equivalents: Money market mutual funds 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.

Stocks, options, and exchange traded funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Fixed income securities: 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.

5. FAIR VALUE MEASUREMENTS Continued

Mutual 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.

The following table sets forth by level, within the hierarchy, the Organization's assets measured at fair value on a recurring basis as of September 30, 2025:

	2025			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents	$ 1,689,767	$ 1,689,767	$ -	$ -
Stocks, options, & EFTs	3,267,211	3,267,211	-	-
Fixed income securities	982,809	982,809	-	-
Mutual funds	1,163,383	-	1,163,383	-
	$ 7,103,170	$ 5,939,787	$ 1,163,383	$ -

Investments at fair value as noted above are included in the following categories in the statement of financial position.

	2025
Short-term investments	$ 1,719,666
Long-term investments	5,383,504
	$ 7,103,170

6. PROPERTY AND EQUIPMENT

A summary of property and equipment are summarized as follows as of September 30:

	2025
Land	$ 222,425
Building	1,480,383
Equipment	346,112
Vehicles	30,000
Construction in progress	117,461
	2,196,381
Less accumulated depreciation and amortization	(851,931)
	$ 1,344,450

Depreciation expenses for the year ended September 30, 2025, related to the above property and equipment was $93,592.

7. LEASES

Appalshop leases a copier under an operating lease. The right-of-use (ROU) assets had a balance of $28,201, and an operating lease liability balance of $27,489 as of September 30, 2025, as shown on the statement of financial position. The lease asset and liability were calculated using the five-year risk-free rate of 4%.

Operating lease expense totaled $3,109 for the year ended September 30, 2025.

Appalshop entered into a three-year operating lease of a storage facility for archives. The ROU asset had a balance of $35,605, and an operating lease liability balance of $36,065. The lease asset and liability were calculated using the U.S. Treasury 3-year part yield rate of 4.79%. For this audit period, those balances were respectfully $22,002.26 for the ROU asset balance, and an operating lease liability balance of $22,002.26.

Future minimum lease payments under the non-cancellable operating leases as of September 30, 2025, are as follows:

		2025
Operating lease expenses (included in management and general)	$	17,509
Years ending September 30,		
2026	$	17,509
2027		10,991
Total undiscounted cash flows		28,5000
Less: Present value discount		(1,011)
Total lease liabilities		27,489

8. NET ASSETS

Net assets consist of the following as of September 30:

	2025
Net assets without donor restrictions	$ 2,351,877
Net assets with donor restrictions	
Subject to expenditure for specific purposes	
Appalachian Median Institute (AMI)	268
Archives	91,464
Community Media Initiative (CMI)	33,337
Films	103,899
WMMT	168,747
Community engagement and other programs	99,386
General operations	767,127
	1,264,228
Subject to the Organization's spending policy	1,325,261
Subject to restriction in perpetuity	4,029,370
Total net assets with donor restrictions	6,618,859
Total Net Assets	$ 8,970,736

9. NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets in the total amount of $1,469,376 were released resulting from satisfaction of donor restrictions and by expiration for the year ended September 30, 2025.

	2025
AMI	$ 224,649
Archives	39,017
CMI	144,622
Films	162,156
WMMT	385,844
Community engagement and other programs	225,313
General operations	287,775
	1,469,376
Endowment draw allocated for operations	$ 624,594

10. RETIREMENT PLAN

Appalshop maintains a 403(b)-retirement plan for its full-time employees. The Organization's contribution is equal to 6% of the average hourly rate for each hour worked. Appalshop contributed $54,711 to the plan for the fiscal year ended September 30, 2025.

11. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position date are as follows:

	2025
Financial Assets	
Cash	$ 567,148
Accounts receivable, net	418,521
Short-term investments	1,719,666
Long-term investments	5,383,504
Total financial assets	8,088,839
Amount not available for general use	
Donor restricted funds	(6,618,859)
Financial assets available to meet general expenditures within one year	$ 1,469,980

12. 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.