Appalachia Service Project, Inc.

Financial Report

December 31, 2025

BROWNEDWARDS
certified public accountants

Appalachia Service Project, Inc.

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Roster of Officials
December 31, 2025

Board of Directors

John Pearce, Board Chair
Mike LaRock, Board Vice Chair
Melisa Winburn, President and CEO
Ken Landers, Board Secretary

Chuck Ellis
Hattie Koher
Beth Moore
Meg Robertson
Brad Withrow
Emily Miller
Jenn Morrison
Erik Andrews
Brian Erickson
Michael Hodge
Doug Anderson
Alida Ward
Angela Struebing
Bill Culbertson
Leigh J. McIntyre
Roger Mills, Jr.

Management

Melisa Winburn, President and CEO
Greg DeGennaro, CFO

BROWNEDWARDS
certified public accountants

Independent Auditor's Report

To the Board of Directors
Appalachia Service Project, Inc.
Johnson City, Tennessee

Opinion

We have audited the accompanying financial statements of Appalachia Service Project, Inc. ("ASP") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ASP as of December 31, 2025 and 2024, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 ASP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

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 ASP's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 and *Government 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, intentional 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks 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 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 ASP'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 ASP’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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Information

Management is responsible for the other information included with the financial statements. The other information comprises the Roster of Officials, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2026, on our consideration of ASP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ASP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ASP's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
July 9, 2026

Financial Statements

Appalachia Service Project, Inc .

Statements of Financial Position

December 31, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents		
Undesignated	$ 14,688,843	$ 8,601,295
Board designated - operating reserve	1,230,000	1,230,000
Board designated - endowment (Note 6)	14,603	13,603
Unrestricted cash	15,933,446	9,844,898
Board designated endowment fund (Notes 5, 6, and 11)	1,442,647	1,263,129
Grants receivable	3,640,447	486,799
Current prepaid expenses	175,720	231,471
Inventories (Note 7)	5,675,091	1,046,748
Total current assets	26,867,351	12,873,045
NONCURRENT ASSETS		
Restricted cash (Note 10)	400,369	2,235,342
Property and equipment, net (Note 8)	6,462,194	2,144,939
Operating lease right-of-use asset (Note 14)	40,469	52,818
Finance lease right-of-use asset (Note 14)	51,289	63,357
Total noncurrent assets	6,954,321	4,496,456
Total assets	**$ 33,821,672**	**$ 17,369,501**
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 1,221,046	$ 499,540
Lines of credit (Note 9)	150,000	150,000
Current portion of operating lease liability (Note 14)	15,144	15,144
Current portion of finance lease liability (Note 14)	22,349	22,349
Deferred revenue (Note 15)	6,225,255	1,617,980
Total current liabilities	7,633,794	2,305,013
LONG-TERM LIABILITIES		
Long-term operating lease liability, net of current portion (Note 14)	29,133	40,733
Long-term finance lease liability, net of current portion (Note 14)	4,994	23,016
Total long-term liabilities	34,127	63,749
Total liabilities	7,667,921	2,368,762
NET ASSETS		
Without donor restrictions (Note 10)	8,698,793	6,752,350
With donor restrictions by purpose (Note 10)	17,454,958	8,248,389
Total net assets	26,153,751	15,000,739
Total liabilities and net assets	**$ 33,821,672**	**$ 17,369,501**

Appalachia Service Project, Inc .

Statements of Activities

Years Ended December 31, 2025 and 2024

	2025	2024
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS REVENUES		
Donations	$ 4,794,642	$ 8,927,912
Grants	8,954,782	3,413,844
Volunteer work crews fees	3,689,008	3,413,487
In-kind donations	208,456	78,500
Merchandise sales	174,857	157,811
Investment return, net	815,447	306,328
Gain (loss) on sale of assets	(1,751)	7,400
Miscellaneous	41,844	79,879
Total revenues and gains without donor restrictions	18,677,285	16,385,161
NET ASSETS RELEASED FROM RESTRICTIONS		
Satisfaction of purpose restrictions	364,720	791,878
Total revenues, gains, and other support without donor restrictions	19,042,005	17,177,039
EXPENSES		
Program services	15,421,763	13,648,759
SUPPORTING SERVICES		
Office and administration	771,658	641,949
Fundraising	902,141	650,782
Total supporting services	1,673,799	1,292,731
Total expenses	17,095,562	14,941,490
Change in net assets without donor restrictions	1,946,443	2,235,549
BALANCE, NET ASSETS WITHOUT DONOR RESTRICTIONS		
Beginning	6,752,350	4,516,801
Ending	8,698,793	6,752,350
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	9,571,289	5,185,024
Net assets released from restrictions	(364,720)	(791,878)
Change in net assets with donor restrictions	9,206,569	4,393,146
BALANCE, NET ASSETS WITH DONOR RESTRICTIONS		
Beginning	8,248,389	3,855,243
Ending	17,454,958	8,248,389
Change in total net assets	11,153,012	6,628,695
BALANCE, TOTAL NET ASSETS		
Beginning	15,000,739	8,372,044
Ending	**$ 26,153,751**	**$ 15,000,739**

Appalachia Service Project, Inc .

Statements of Functional Expenses

Years Ended December 31, 2025 and 2024

	Program Services	Supporting Services		
	Home Repair and Building	Office and Administration	Fundraising	Total 2025
Salaries and related taxes	$ 3,286,243	$ 344,898	$ 336,369	$ 3,967,510
Employee benefits	720,206	101,745	82,787	904,738
Total salaries and related expenses	4,006,449	446,643	419,156	4,872,248
Staff expenses	325,353	7,058	60,463	392,874
Group expenses	668,163	-	-	668,163
Repair/rehabilitation/construction	7,623,369	-	-	7,623,369
Transportation/maintenance	473,102	6,506	16,436	496,044
Publications	51,744	-	206,977	258,721
Office expenses	855,468	129,218	102,265	1,086,951
Program expenses	547,751	34,014	85,928	667,693
Taxes, licenses, and fees	100,087	3,945	9,967	113,999
Warehouse	22,307	-	-	22,307
Professional fees	123,281	84,400	-	207,681
Total expenses before depreciation	14,797,074	711,784	901,192	16,410,050
Depreciation	624,689	59,874	949	685,512
Total expenses	**$ 15,421,763**	**$ 771,658**	**$ 902,141**	**$ 17,095,562**

Appalachia Service Project, Inc .

Statements of Functional Expenses

Years Ended December 31, 2025 and 2024

	Program Services	Supporting Services		
	Home Repair and Building	Office and Administration	Fundraising	Total 2024
Salaries and related taxes	$ 2,517,078	$ 311,291	$ 237,442	$ 3,065,811
Employee benefits	568,730	80,259	56,235	705,224
Total salaries and related expenses	3,085,808	391,550	293,677	3,771,035
Staff expenses	243,263	3,983	34,869	282,115
Group expenses	502,059	-	-	502,059
Repair/rehabilitation/construction	7,411,407	-	-	7,411,407
Transportation/maintenance	315,267	3,295	7,473	326,035
Publications	43,763	-	175,052	218,815
Office expenses	709,333	109,881	85,023	904,237
Program expenses	774,873	19,879	45,094	839,846
Taxes, licenses, and fees	155,397	3,714	8,424	167,535
Warehouse	17,304	-	-	17,304
Professional fees	146,327	97,551	-	243,878
Total expenses before depreciation	13,404,801	629,853	649,612	14,684,266
Depreciation	243,958	12,096	1,170	257,224
Total expenses	**$ 13,648,759**	**$ 641,949**	**$ 650,782**	**$ 14,941,490**

Appalachia Service Project, Inc .

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	2025	2024
OPERATING ACTIVITIES		
Change in total net assets	$ 11,153,012	$ 6,628,695
Adjustments to reconcile change in total net assets to net cash provided by operating activities		
Depreciation	685,512	257,224
Contribution of property and equipment	(208,456)	(78,500)
Gain (loss) on sale of assets	1,751	(7,400)
Unrealized gains on investments	(141,403)	(90,607)
Change in right of use asset and lease liability	(5,205)	(8,750)
(Increase) decrease in:		
Grants receivable	(3,153,648)	380,045
Mortgages receivable	-	39,079
Prepaid expenses	55,751	(184,944)
Inventories	(4,628,343)	462,665
Increase (decrease) in:		
Accounts payable and accrued expenses	721,506	112,392
Deferred revenue	4,607,275	1,042,572
Net cash provided by operating activities	9,087,752	8,552,471
INVESTING ACTIVITIES		
Purchase of property and equipment	(4,796,062)	(387,008)
Proceeds from sale of equipment	-	11,000
Purchase of investments	14,231	30,408
Endowment dividends reinvested	(52,346)	35,317
Net cash used in investing activities	(4,834,177)	(310,283)
FINANCING ACTIVITIES		
Line of credit activity, net	-	60,900
Borrowings on note payable	-	(105,222)
Net cash used in financing activities	-	(44,322)
Net increase in cash	4,253,575	8,197,866
CASH		
Beginning	12,080,240	3,882,374
Ending	**$ 16,333,815**	**$ 12,080,240**
RECONCILIATION OF CASH TO STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents, unrestricted	$ 15,933,446	$ 9,844,898
Cash and cash equivalents, restricted	400,369	2,235,342
	$ 16,333,815	**$ 12,080,240**
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	**$ 958**	**$ 6,835**

Note 1 – Significant Accounting Policies

Nature of Activities

Appalachia Service Project, Inc. ("ASP") is a nonprofit organization organized for the purpose of alleviating sub-standard housing conditions in Appalachia by utilizing volunteers to repair, renovate and construct housing for the individuals affected by these conditions. ASP allows for the exchange of culture, hopes, talents, faith, and love between volunteers and Appalachian families. The purpose of the project is to extend a helping hand to fellow human beings in the spirit of love and acceptance. ASP's programs are supported primarily by grants, donations, and fees paid by volunteer work groups. ASP operates year-round centers in Johnson City, TN, and Jonesville, VA.

When ASP responds to a natural disaster, supporters often give generously and immediately so families can begin repairing and rebuilding their homes as quickly as possible.

Most of those gifts are received in the first year. However, repairing and rebuilding homes takes time, and the work often continues for several years. For accounting purposes, most disaster recovery donations are recorded as revenue in the year received, even though the funds are used over time as rebuilding progresses.

This can make one year look unusually strong and a later year appear to show a deficit. In reality, those later expenses or deficits are being covered by donations raised in prior years specifically for that disaster response.

We plan every recovery effort to spend all that has been given for the intended purpose. Over the full life of each project, income and expenses balance out. Accordingly, year-to-year changes reflect timing and not financial instability.

Basis of Accounting and Presentation

The accompanying financial statements are presented on the accrual basis of accounting.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities.* Under FASB ASC 958, ASP is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

ASP reports gifts of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 in the statements of activities as net assets released from restrictions. All net assets with donor restrictions that have their restrictions met in the same reporting period as the donation received are reported as net assets without donor restrictions.

ASP reports gifts of land, buildings, and equipment as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long these long-lived assets must be maintained, ASP reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Reclassifications

Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Cash and Cash Equivalents

ASP considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Funds kept in regular checking and savings accounts are secured by the Federal Deposit Insurance Corporation (FDIC). At times, these funds may be in excess of the FDIC insurance limit. ASP has not experienced any losses in such accounts. ASP also maintains funds in registered money market funds covered by fidelity bonds and held by custodian banks.

Inventories

Inventories of resale items and purchased building materials are valued at the lower of cost or net realizable value. Small tools and building materials, which are donated, are valued at flea market value.

Property and Equipment

Property and equipment are capitalized at cost for purchases and at fair market value for donated items. Depreciation is computed on a straight-line basis over the estimated service lives of the assets. ASP follows the practice of capitalizing, at cost, all expenses for fixed assets in excess of $400. Estimated useful lives are as follows:

Vehicles	3 years
Equipment	5-10 years
Office equipment	5 years
Buildings	30-39 years

Small tools and other materials are included in inventory and are not depreciated.

Compensated Absences

Personal days are accrued at a rate of 1.25 days for the first two years of employment, 1.67 days for years 3 through 7, and 2.08 days beginning in the 8th year, for each month worked, based on the employee's anniversary date. Employees are encouraged to use their personal time in the calendar year in which it is earned. A maximum of five days of personal time may be carried over into the first quarter of the following year. If the personal time earned is not taken by the end of the first quarter, it is forfeited. However, ASP is liable for the amount of accrued but unused personal time, up to the maximum allowed, for any employee who left ASP as of the end of the calendar year.

Full-time employees accrue sick leave at the rate of one day per month. Part-time employees earn sick leave on a prorated basis relative to the average number of hours worked per month. At the end of the calendar year, employees with unused sick leave days will be credited with 1/3 of remaining sick days as additional personal days in the first quarter of the new year. ASP does not provide for any payment of unused sick days.

ASP has $51,173 and $40,553 worth of compensated absences recorded at December 31, 2025 and 2024, respectively. These amounts are included with accounts payable and accrued expenses on the statements of financial position.

Allocation of Expenses

ASP's expenses are presented on a functional basis, showing basic program activities and support services. ASP allocates expenses to home repair and building, office and administration, and fundraising based on the organizational cost centers in which expenses are incurred. Expenses are allocated between support and program services based upon specific identification, or a defined allocation method. Such expenses include salaries and wages, which are allocated based on time and effort and occupancy expenses.

Leases

ASP recognizes right-of-use assets and related liabilities for long-term leases exceeding 12 months. Leases with terms of 12 months or less are expensed as incurred. The current right-of-use assets and liabilities from long-term leases are characterized as operating and finance based on the terms of the lease. The lease expense for operating leases and amortization of finance lease right-of-use assets are characterized as operating activities. See Note 14 for further details.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could vary from the estimates that were used.

Deferred Revenue

Income from prepaid summer program registration fees and prepaid summer volunteer fees are deferred and recognized in the period to which the fees relate. Also, grant funds received but not expended are deferred and recognized in the period the grant expenditures are made.

Income Tax Status

ASP is exempt from federal income tax under Section 501(c)(3) of the *Internal Revenue Code*.

Note 2 – Revenue Recognition

During the first quarter of 2019, ASP adopted ASU 2014-09, *"Revenue from Contracts with Customers"* (ASC Topic 606) and ASU 2018-08, *"Not-For-Profit Entities"* (ASC Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. Topic 958 clarifies whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance (for example, ASU 2014-09, Revenue from Contracts with Customers).

There have been no significant changes to the amount or timing of our revenue recognition as a result of our adoption of ASU 2014-09, *"Revenue from Contracts with Customers"* (Accounting Standards Codification Topic 606) and ASU 2018-08 (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Total revenues are primarily derived from donor contributions, program fees, and grant funding. Based on the guidance in ASU 2018-08 (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, these revenue sources were determined to be contributions (nonreciprocal transactions) within the scope of Topic

958. Volunteer work crew fees represent contributions from churches and individuals to purchase materials and supplies for volunteers and is treated as a contribution. As a result, the amount and timing of our revenues remain materially unchanged.

Note 3 – Contributed Services

A substantial number of unpaid volunteers make significant contributions of their time to work in ASP's programs. Although these services are necessary to the program, they are, for the most part, not provided by volunteers with specialized skills. In addition, they probably would not be purchased if they were not donated, a requirement of FASB ASC 958-605, *Revenue Recognition*, to be recognized in the financial statements. Accordingly, the value of this labor has not been recorded in the financial statements. Management estimates the value of these services to be $13,801,819 and $11,312,420 for 2025 and 2024, respectively.

Note 4 – Liquidity and Availability

Financial assets available for general expenditure, that is without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	2025	2024
Cash and cash equivalents	$ 14,688,843	$ 8,601,295
Board designated – operating reserve	1,230,000	1,230,000
Grants receivable	3,640,447	486,799
Financial assets	19,559,290	10,318,094
Less amounts restricted for disaster relief	14,017,816	6,013,047
Financial assets available to meet general expenditures	**$ 5,541,474**	**$ 4,305,047**

ASP also has endowment funds consisting of funds designated by the board as endowments.

ASP's board-designated endowment of $1,457,250 does have a spending policy detailed in Note 7. Although management does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of ASP's liquidity management plan, three lines of credit have also been acquired and are detailed in Note 9.

ASP Board of Directors has designated a cash reserve for the purpose of meeting ASP's cash flow needs. At the end of each calendar year, this Board designation requires a cash reserve of no less than $1,230,000, not including any cash balance in the Revolving Loan Fund, to be maintained in the General Fund. At December 31, 2025 and 2024, ASP was in compliance with the Board designated reserve.

Note 5 – Investments

Endowment investments at December 31 included the following:

	2025			
	Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Mutual funds	**$ 1,301,244**	**$ 141,403**	**$ -**	**$ 1,442,647**

	2024			
	Cost	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
Mutual funds	**$ 1,172,522**	**$ 90,607**	**$ -**	**$ 1,263,129**

Note 6 – Endowment

ASP's endowment funds consist of cash and investments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

ASP's Board of Directors has segregated a portion of net assets without donor restrictions as a board designated endowment to be invested to provide income for an unspecified period. The board designated endowment is classified as net assets without donor restrictions.

Endowment assets consist of the following:

	2025	**2024**
Board designated endowment cash	$ 14,603	$ 13,603
Board designated endowment investments	1,442,647	1,263,129
	$ 1,457,250	**$ 1,276,732**

	Endowment Net Asset Composition by Type of Fund as of December 31, 2025		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board designated endowment funds	**$ 1,457,250**	**$ -**	**$ 1,457,250**

	Endowment Net Asset Composition by Type of Fund as of December 31, 2024		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board designated endowment funds	**$ 1,276,732**	**$ -**	**$ 1,276,732**

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,276,732	$ -	$ 1,276,732
Investment return			
Investment dividend income, net	23,884	-	23,884
Net appreciation (realized and unrealized)	155,634	-	155,634
Total investment return	179,518	-	179,518
Distributions	-	-	-
Contributions	1,000	-	1,000
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	**$ 1,457,250**	**$ -**	**$ 1,457,250**

	Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 1,250,441	$ -	$ 1,250,441
Investment return			
Investment dividend income, net	20,693	-	20,693
Net appreciation (realized and unrealized)	121,016	-	121,016
Total investment return	141,709	-	141,709
Distributions	(116,827)	-	(116,827)
Contributions	1,409	-	1,409
Appropriation of endowment assets for expenditure	-	-	-
Endowment net assets, end of year	**$ 1,276,732**	**$ -**	**$ 1,276,732**

Description of Amounts Classified as Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions

Net Assets Without Donor Restrictions	December 31, 2025	December 31, 2024
Board designated endowment funds	**$ 1,457,250**	**$ 1,276,732**

Return Objectives and Risk Parameters

ASP has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under these policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk. ASP expects its endowment funds, over time, to provide an average rate of return that is above the combined rate of inflation and spending rate of ASP. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, ASP relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). ASP targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

ASP has a policy of appropriating distributions only after the endowment exceeds $500,000. Once the endowment achieves this minimum threshold, the maximum annual distribution permitted is five percent of the average of the previous three years fair market value at December 31. In establishing this policy, ASP considered the long-term expected return on its endowment. This is consistent with ASP's objective to maintain the purchasing power of the endowment assets held.

Note 7 – Inventories

Inventories consist of the following:

	2025	2024
Resale items	$ 66,546	$ 47,503
Homes under construction	5,510,410	895,358
Small tools	98,135	103,887
	$ 5,675,091	**$ 1,046,748**

Note 8 – Property and Equipment

Property and equipment consists of the following:

	2025	2024
Land	$ 619,705	$ 619,705
Vehicles	2,592,891	2,231,783
Buildings	2,210,239	2,210,239
Building improvements	152,383	59,433
Office equipment	339,324	339,324
Equipment	1,681,397	321,016
Construction in progress	3,036,773	-
	10,632,712	5,781,500
Less accumulated deprecation	(4,170,518)	(3,636,561)
	$ 6,462,194	**$ 2,144,939**

Note 9 – Lines of Credit and Debt

ASP has the following lines of credit:

Bank of Tennessee, up to $150,000, variable interest at a minimum of 6.25% through January 2026. This line of credit is secured by certain property of ASP and had a balance of $150,000 at December 31, 2025 and 2024.

Bank of Tennessee, up to $2,000,000, interest fixed at 6.75% through January 2026. This line of credit is secured by certain property of ASP and had no balance at December 31, 2025 and 2024.

Bank of Tennessee, up to $500,000, variable interest at a minimum of 6.75% through July 2026. This line of credit is secured by certain property of ASP and had no balance at December 31, 2025 and 2024.

Federation of Appalachian Housing Enterprises, Inc. up to $150,000, interest at 5.25% at December 31, 2024. This line of credit was unsecured and unused at December 31, 2024, and was not renewed in 2025.

Note 10 – Net Assets

Net assets without donor restrictions consist of the following categories:

	2025	2024
Board designated – operating reserve	$ 1,230,000	$ 1,230,000
Board designated – endowment	14,603	13,603
Other net assets without donor restrictions	7,454,190	5,508,747
	$ 8,698,793	**$ 6,752,350**

Restricted cash and net assets with donor restrictions are available for the following purposes:

	2025	2024
Purchase of vehicles	$ 4,243	$ 4,243
Front porch fund	5,989	5,789
Capital campaign	3,426,910	2,225,310
	3,437,142	2,235,342
Disaster relief funds	14,017,816	6,013,047
	$ 17,454,958	**$ 8,248,389**

Note 11 – Fair Value of Financial Instruments

FASB ASC 820-10, *Fair Value Measurements*, 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 consist of quoted prices in active markets for identical investments and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs where there is little or no market activity. Level 3 inputs have the lowest priority.

The following are the major categories of investments measured at fair value on a recurring basis during the years ended December 31, 2025 and 2024, using quoted prices in active markets for identical assets (Level 1) and significant other observable inputs (Level 2). For these investments, for which there are no quoted market prices available, a reasonable estimate of fair value was based on quoted prices for similar investments in active markets. ASP had no Level 3 valuations at December 31, 2025 and 2024.

Description	Level 2: Significant Other Observable Inputs 2025	2024
Mutual funds	$ 1,442,647	$ 1,263,129

Note 12 – Pension Plan

ASP permits employees to contribute to a tax-deferred annuity program for the purchase of an annuity contract or the establishment of a custodial account as described by *Internal Revenue Code Section 403(b)*. ASP matches the employee's contribution up to a maximum of 6% of the employee's salary. Matching funds totaled $164,911 and $138,117 for 2025 and 2024, respectively.

Note 13 – Commitments and Contingencies

ASP endowment program invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect account balances and amounts reported in the financial statements.

Note 14 – Leases

Operating Leases

ASP leases equipment under long-term operating leases. The leases have varying terms and expiration dates, ranging from 5 to 7 years, are generally non-cancellable, and may include options to extend or terminate the lease. ASP exercises judgment to determine the term of those leases when such options are present and include such options in the calculation of the lease term when it is reasonably certain that it will exercise those options.

At commencement, right-of-use assets and liabilities are measured at the present value of future lease payments over the expected lease term. ASP uses its incremental borrowing rate based on information available at the time of the lease commencement to measure the present value of future payments.

Operating lease expense is recognized on a straight-line basis over the lease term. Operating lease expense for the years ended December 31, 2025 and 2024 was $12,349 and $12,348, respectively.

Other operating lease information is as follows:

	2025	2024
Lease obligations – operating leases	$ 44,277	$ 55,877
Right-of-use asset – operating leases	40,469	52,818
Weighted average remaining lease term in years	3.4	4.3
Weighted average discount rate	7.0%	7.0%

Future minimum lease payments required under operating leases that have an initial or remaining non-cancellable lease term in excess of one year are as follows:

Year Ending December 31,		
2026	$	15,144
2027		15,144
2028		11,336
2029		7,527
2030		878
	$	**50,029**

Finance Leases

ASP has another installment note accounted for as a finance lease for a piece of equipment. The installment note has monthly payments of $1,862, including interest and principal through 2027. The interest rate is 7%. The note is secured by equipment.

Other finance lease information is as follows:

	2025	2024
Lease obligations – finance leases	$ 27,343	$ 45,365
Right-of-use asset – finance leases	51,289	63,357
Weighted average remaining lease term in years	1.25	0.25
Weighted average discount rate	7%	7%

Future minimum lease payments required under operating leases that have an initial or remaining non-cancellable lease term in excess of one year are as follows:

Year Ending December 31,		
2026	$	22,349
2027		5,587
	$	**27,936**

Cash paid for finance lease liabilities totaled $22,349 and $16,762 at December 31, 2025 and 2024.

Note 15 – Deferred Revenue

	2025	2024
Private foundation grant	$ 3,997,160	$ 1,250,000
State funding	1,954,938	-
Prepaid summer program registration and volunteer fees	273,157	367,980
	$ 6,225,255	**$ 1,617,980**

Note 16 – Subsequent Events

In accordance with FASB ASC 855, ASP evaluated subsequent events through July 9, 2026, the issue date of the financial statements.

Supplementary Information

Appalachia Service Project, Inc.

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2025

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Assistance Listing Number	Passed-Through Entity Identifying Number	Passed-Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Direct Award				
Rural Housing Preservation Grants	10.433	N/A	-	$ 75,536
Total U.S. Department of Agriculture				75,536
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-through City of Johnson City, Tennessee				
CDBG Entitlement Grants Cluster				
Community Development Block Grant	14.218	N/A	-	177,605
Total CDBG Entitlement Grants Cluster				177,605
Pass-through State of Tennessee				
HOME Investment Partnership Program	14.239	N/A	-	689,401
Direct Award				
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251	N/A	-	359,056
Direct Award				
Older Adults Home Modification Grant Program	14.921	N/A	-	96,945
Total U.S. Department of Housing and Urban Development				1,323,007
U.S. DEPARTMENT OF THE TREASURY				
Pass-through the Federation of Appalachian Housing Enterprises				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	0000018409-18	-	180,000
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	0000018409-18A	-	14,833
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	0000018409-18B	-	215,353
Total U.S. Department of the Treasury				410,186
APPALACHIAN REGIONAL COMMISSION				
Direct Award				
Appalachian Area Development - New Build Appalachia	23.002	TN-19918	-	7,103
Appalachian Area Development - Vocational Initiative for Thriving Appalachian Leadership	23.002	N/A	-	12,000
Appalachian Area Development - Transforming Homes and Rebuilding in Vulnerable Environments	23.002	MU-21742-24	-	1,967,015
Total Appalachian Regional Commission				1,986,118
Total Federal Awards				**$ 3,794,847**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the activity of all federally assisted programs of ASP and is presented on the accrual basis of accounting, as described in Note 1 to ASP's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

Note 2 – De Minimis Indirect Cost Rate

ASP did not elect to use the 15% de minimis indirect cost rate.

Note 3 – Federal Loans

At December 31, 2025, ASP had no outstanding loan balances requiring continuing disclosure.

Compliance Section

BROWNEDWARDS
certified public accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors and Senior Management
Appalachia Service Project, Inc.
Johnson City, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Appalachia Service Project, Inc., ("ASP"), which comprise the statements of financial position as of December 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 9, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ASP's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ASP's internal control. Accordingly, we do not express an opinion on the effectiveness of ASP's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the ASP's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. **The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ASP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ASP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
July 9, 2026

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors and Senior Management
Appalachia Service Project, Inc.
Johnson City, Tennessee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Appalachia Service Project, Inc.'s. ("ASP") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on ASP's major federal programs for the year ended December 31, 2025. ASP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, ASP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of ASP and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of ASP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to ASP's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on ASP's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about ASP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 ASP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of ASP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of ASP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. **Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.**

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Bristol, Tennessee
July 9, 2026

Appalachia Service Project, Inc.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2025

A – Summary of Auditor's Results

1. The auditor's report expresses an **unmodified opinion** on the financial statements.
2. **No significant deficiencies and no material weaknesses** relating to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Accounting Standards*.
3. **No instances of noncompliance** material to the financial statements were disclosed during the audit.
4. **No significant deficiencies and no material weaknesses** relating to the audit of the major federal award program were reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award program expresses an **unmodified opinion**.
6. The audit disclosed **no** audit findings related to the major programs.
7. The program tested as major was:

Name of Program	Assistance Listing Number
Appalachian Area Development	23.002

8. The threshold for distinguishing types A and B programs was **$1,000,000**.
9. Appalachia Service Project, Inc. **was** determined to be a **low-risk auditee**.

B – Findings – Financial Statement Audit

None.

C – Findings and Questioned Costs – Major Federal Award Programs Audit

None.

Appalachia Service Project, Inc.

Summary Schedule of Prior Audit Findings

Year Ended December 31, 2025

Findings – Financial Statement Audit

None.

Findings and Questioned Costs – Major Federal Award Program Audit

None.