APPALACHIAN CITIZENS LAW CENTER, INC.

WHITESBURG, KY

FINANCIAL STATEMENT AUDIT

JANUARY 1, 2025 THROUGH DECEMBER 31, 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

APPALACHIAN CITIZENS LAW CENTER, INC.
WHITESBURG, KY

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INDEPENDENT AUDITOR'S REPORT

Appalachian Citizens Law Center, Inc.
Whitesburg, Kentucky

To the Board of Directors:

Opinion

We have audited the accompanying financial statements of Appalachian Citizens Law Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, statement of functional expenses, and cash flows for the year 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 Appalachian Citizens Law Center, Inc. as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Appalachian Citizens Law Center, 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 we have obtained 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 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 Appalachian Citizens Law Center, Inc.'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

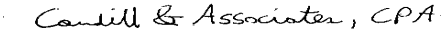
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, 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 Appalachian Citizens Law Center, Inc.'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 Appalachian Citizens Law Center, Inc.'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
September 30, 2026

APPALACHIAN CITIZENS LAW CENTER, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2025

Assets	
Current Assets	
Cash and equivalents	$ 259,544
Prepaid Expenses	-
Total Current Assets	259,544
Fixed Assets:	
Land	30,000
Buildings and improvements	375,263
Equipment, furniture and fixtures	30,557
Less: Accumulated depreciation	(88,349)
Total Fixed Assets	347,471
Other Assets	
Investments	1,687,972
Total Other Assets	1,687,972
Total Assets	2,294,987
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	-
Payroll liabilities	183,715
Total Current Liabilities	183,715
Total Liabilities	183,715
Net Assets	
With Donor Restrictions	-
Without Donor Restrictions	2,111,272
Total Net Assets	2,111,272
Total Liabilities and Net Assets	$ 2,294,987

See accompanying notes to the audited financial statements

APPALACHIAN CITIZENS LAW CENTER, INC.
STATMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

	Without Restrictions	With Restrictions	Total
Operating Activities			
Grants and contributions	$ -	$ 803,108	$ 803,108
Investment Income	-	112,823	112,823
Donations	-	176,624	176,624
Realized and unrealized gains/(losses)	-	74,672	74,672
Program service fees	-	261,635	261,635
Total Revenue and Support before Releases	-	1,428,862	1,428,862
Net Assets Released from Restrictions	1,428,862	(1,428,862)	-
Total Revenue and Support	1,428,862	-	1,428,862
Expenses:			
Program services	1,337,251	-	1,337,251
Management and General	230,241		230,241
Fundraising	3,049	-	3,049
Total Expenses	1,570,541	-	1,570,541
Changes in Net Assets from Operating Activities	(141,679)	-	(141,679)
Nonoperating Activities			
Rental income	14,675	-	14,675
Interest Income	5,944	-	5,944
Change in Net Assets from Nonoperating Activites	20,619	-	20,619
Change in Net Assets	(121,060)	-	(121,060)
Increase (decrease) in net assets	(121,060)	-	(121,060)
Net assets, beginning of year	2,232,332	-	2,232,332
Net assets, end of year	$ 2,111,272	$ -	$ 2,111,272

See accompanying notes to the audited financial statements

APPALACHIAN CITIZENS LAW CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2025

	Program Services	Management and General	Fundraising	Total Expenses
Personnel	$ 786,613	$ 138,814	-	$ 925,427
Payroll Taxes	51,025	9,004	-	60,029
Fringe benefits	339,605	59,930	-	399,535
Insurance	12,516	2,209	-	14,725
Utilities	8,301	1,465	-	9,766
Telephone	7,371	1,301	-	8,672
Travel	14,776	2,608	-	17,384
Medical Evidence	20,888	-	-	20,888
Office	7,088	1,251	-	8,339
Court Fees	374	-	-	374
Fundraising	-	-	3,049	3,049
Postage	2,744	484	-	3,228
Facility/Operating	25,683	4,532	-	30,215
Dues/Subscriptions	8,145	1,437	-	9,582
Supplies	417	75	-	492
Printing	-	-	-	-
Legal and Professional	15,938	2,813	-	18,751
Software and Website	24,467	4,318	-	28,785
Advertising	250	-	-	250
Depreciation	11,050	-	-	11,050
Total	$ 1,337,251	$ 230,241	$ 3,049	$ 1,570,541

See accompanying notes to the audited financial statements

APPALACHIAN CITIZENS LAW CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2025

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase/(Decrease) in net assets	$	(121,060)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		11,050
Prepaid Expenses		-
Increase (decrease) in:		
Accounts payable		-
Payroll liabilities		75,758
Net cash provided/(used) by operating activities		(34,252)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Fixed asset purchases		-
Change in investments		112,506
Net cash provided/(used) by investing activities		112,506
CASH FLOWS FROM FINANCING ACTIVITIES:		
		-
Net cash provided/(used) by financing activities		-
NET INCREASE/(DECREASE) IN CASH		78,254
CASH, BEGINNING OF YEAR		181,290
CASH, END OF YEAR	$	259,544

See accompanying notes to the audited financial statements

APPALACHIAN CITIZENS LAW CENTER, INC.
Whitesburg, Kentucky

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Appalachian Citizens Law Center, Inc. (ACLC) was organized in 2001 as a non-profit law firm that fights for justice in the coal fields by representing coal miners and their families on issues of black lung and mine safety, and by working with various grassroots organization to protect the land and people from misuse and degradation caused by extractive industries.

ACLC represents low-income individuals and non-profit groups. Although clients are not charged for representation, ACLC applies for attorney fees under fee-shifting statutes when such fees are available.

ACLC operations are primarily supported by donor contributions, grants and attorney fees.

B. BASIS OF ACCOUNTING

This summary of significant accounting policies of Appalachian Citizens Law Center (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. FINANCIAL STATEMENT PRESENTATION

Basis of Accounting

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. The financial statements 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 Organizations" (the "Guide"). ASC 958-205 was effective January 1, 2018.

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purposes 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 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. ACCOUNTING ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reporting of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates.

E. INVESTMENTS

In March 2013, ACLC's Board of Directors resolved that $832,000 of the funds invested with the Charles Schwab brokerage firm be reserved for long term growth and stability. That amount represents prior funds received from the Bingham Trust designated to long-term growth and stability for a now expired five-year period, along with ACLC's matching contributions. The remainder of monies invested with Charles Schwab represents ACLC surplus cash from operations, as well as interest, dividends and capital gains reinvested. ACLC may withdraw funds up to the $832,000 reserved by ACLC's board as needed for operations.

Cash and short-term investments held in the money market fund are recorded at cost; equity securities, mutual funds, and bond funds are recorded at their fair market value.

The net change in the fair value at December 31 is recorded as an unrealized gain or loss in the statement of financial position. It increases or decreases net assets without restrictions. Any mutual fund, equity security, or bond fund that declines more than 25% in value over a six-month period, is considered impaired. The basis of the asset is reduced to its new value and the loss is deducted from operating income on the statement of activities.

F. PROPERTY, PLANT & EQUIPMENT

Fixed assets acquired for the general use of the Organization in providing service are recorded at cost. Depreciation of fixed assets of the Organization is calculated utilizing the straight-line method of five to forty years. All assets reported in the financial statements are at cost less accumulated depreciation. Fixed asset purchases or construction are capitalized with a cost of $2,500 or more and with a useful life of more than one year. Certain grantor agencies, through the terms of various grant agreements, maintain a legal interest in property and equipment acquired with grant funding and could take possession of such property and equipment upon improper use of such property and equipment by, or dissolution of, ACLC. Depreciation expense for the fiscal year ended December 31, 2025, was $11,050.

G. INCOME TAXES

The Organization is exempt from U.S. Federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The Financial Accounting Standards Board (FASB) has issued ASC 740-10, *Income Taxes* (formerly FIN 48, *Accounting for Uncertainty in Income Taxes*), which requires entities to disclose known or anticipated positions of income tax uncertainty. The Organization is not aware of any uncertain income tax positions as of September 30, 2026. The Organization could be subject to examination by the Internal Revenue Service or other applicable tax jurisdictions. There are currently no audits for any tax periods in progress.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. REVENUES

Revenue Recognition – ACLC considers program fees earned when received. Attorney fees are received primarily for representation in black lung claims. The Black Lung Benefits Act prohibits attorneys from charging claimants for legal representation. The Act provides that an attorney who represents a claimant may apply for fee from the party opposing the claim if benefits are awarded. The application includes services rendered and the related expenses and is submitted to the appropriate adjudication officer who determines the appropriate fee. The opposing party has the right to object.

Contributions received are recorded as increases in net assets without donor restrictions and net assets with donor restrictions. Contributions that are restricted by the donor are reported as increases in donors without restrictions net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

Contributions, promises to give, and multi-year grants with the right to suspend or terminate future payments are also recorded as revenue when received.

I. ADVERTISING EXPENSE

Advertising costs are expensed as incurred. Advertising expense for the fiscal year ended December 31, 2025, totaled $250.

J. EMPLOYEE HEALTH INSURANCE BENEFITS

Pursuant to provisions outlined in Rev. Rule 61-146 and 75-24, ACLC pays for the cost of health insurance for its employees, their spouses, and dependent family members.

ACLC modified its employee health insurance plan effective January 1, 2015, to comply with certain provisions of the Affordable Care Act (ACA). All employees have the option to select an ACA-compliance health insurance plan within ACLC's group plan from the small business marketplace. ACLC contributes 100% of the premium for any individual or family policy within ACLC's group plan.

Employees that opt-out of the ACLC group health plan will have their health insurance premium reimbursed, provided the employee is enrolled in other ACA-compliant group coverage. Employees that opt-out must annually provide proof of coverage and cost, and written requests for reimbursement monthly. Not all employees request reimbursement, accordingly reimbursed costs are recorded as an expense when paid.

H. OTHER EMPLOYEE BENEFITS

ACLC contributes 10% of gross earnings to 401k for each employee over 21 years of age who earned more than $600 in the prior year. In addition, the board of directors agreed to reimburse student loan payments for employees. The approves funding on a year-by-year basis.

NOTE 2—FUNCTIONAL EXPENSES

The costs of providing the Organization's programs and supporting services are reported on a functional basis. Expenses that can be identified with a specific program or supporting function are charged directly to that function. Expenses benefiting more than one function are allocated among program services, management and general, and fundraising using reasonable allocation methods consistently applied. Expenses by their functional classification for the fiscal year ended December 31, 2025, are as follows:

	2025
Program Services	1,337,251
Management and administrative	230,241
Fundraising, membership and grant solicitation	3,049
Total	1,570,541

NOTE 3—CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The Organization maintains its cash balances with a financial institution insured by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2025, the Organization's deposits exceeded federally insured limits by approximately $10,000. The Organization's cash balances do not ordinarily exceed federally insured limits.

NOTE 4 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2026, the date the financial statements were available to be issued.

NOTE 5 – RETIREMENT PLAN

The Organization employees are eligible to participate in a 401k plan. The Organization's contribution is equal to 10% of gross wages. The Organization contributed $86,116 to the plan for the fiscal year ended December 31, 2025.

NOTE 6 – INVESTMENTS

Investments are reported at fair value and consisted of the following at December 31, 2025:

	CALENDAR YEAR 2025		
	Cost	Fair Value	Level 1
Money market funds	$ 50,295		$ 50,295
Mutual funds		$ 1,632,669	$ 1,632,669
Bond funds		$ -	$ -
Equity funds		$ 5,008	$ 5,008
	$ 50,295	$ 1,637,677	$ 1,687,972
Dividends on mutual and bond funds			$ 26,642
Bank Sweep Interest			$ 29
Capital gains on mutual and bond funds			$ 86,153
			$ 112,823
Analysis of the gains and losses of investments as follows:			
Basis of investments, beginning of year			$ 1,800,477
Transfer to Operating Funds			$ (300,000)
Reinvested in account			$ 112,823
Change in Value of Investment			$ 74,672
Basis of investments, end of year			$ 1,687,972

The Organization measures fair value in accordance with U.S. GAAP, which establishes a hierarchy that prioritizes the inputs used in measuring fair value. Level 1 inputs are unadjusted quoted prices in active markets for identical assets. The Organization's investments are publicly traded and valued using quoted market prices and accordingly are classified as Level 1 investments.

The Board of Directors has designated $832,000 of investments for long-term growth and stability. These investments are included in net assets without donor restrictions. The Board may make these amounts available for operations if necessary.

NOTE 7 – PROPERTY AND EQUIPMENT

A summary of property and equipment at December 31, 2025, consists of the following:

	1/1/2025	Additions	Reductions	12/31/2025
Land	$ 30,000	$ -	$ -	$ 30,000
Building and improvement	375,263	-	-	375,263
Equipment furniture and fixtures	30,557	-	-	30,557
Subtotal	435,820	-	-	435,820
Less: accumulated depreciation	(77,299)	(11,050)	-	(88,349)
Total Net Fixed Assets	$ 358,521	$ (11,050)	$ -	$ 347,471

NOTE 8 – LIQUIDITY

As part of the Organization's liquidity management, it pools cash in excess of daily requirements in other demand deposit accounts such as savings or money market accounts.

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	2025
Cash and Cash Equivalents	$ 259,544
Receivables	$ -
Amount available for general expenditures within one year	$ 259,544