

WMMT-FM RADIO STATION
WHITESBURG, KENTUCKY
REGULAR AUDIT
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019



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

WMMT-FM RADIO STATION
WHITESBURG, KENTUCKY

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INDEPENDENT AUDITOR'S REPORT

WMMT-FM Radio Station
Whitesburg, Kentucky

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of WMMT-FM Radio Station (a public radio station owned and operated by WMMT-FM Radio Station) ("WMMT-FM"), which comprise the statements of financial position as of September 30, 2020 and 2019 the related statements of activities, statement of functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WMMT-FM Radio Station as of September 30, 2020 and 2019 and the changes in its net assets, statement of functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Caudill & Associates, CPA

Caudill & Associates, CPA, PLLC

April 9, 2021

WMMT-FM RADIO STATION
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

Assets:

	<u>2020</u>	<u>2019</u>
<u>Current Assets:</u>		
Cash	\$ 200	\$ 170
Cash in Bank	19,487	180,820
Accounts Receivable	-	-
Grants Receivable	46,426	112,806
Prepaid Expenses	3,587	1,585
Total Current Assets	<u>69,700</u>	<u>295,381</u>
<u>Other Assets:</u>		
Net Property, Plant & Equipment	451,507	446,746
Less accumulated depreciation	(442,790)	(446,746)
Total Other Assets	<u>8,717</u>	<u>-</u>
Total assets	<u><u>\$ 78,417</u></u>	<u><u>\$ 295,381</u></u>

Liabilities and Net Assets:

<u>Current Liabilities:</u>		
Accounts Payable	0	1,718
Accrued Expenses	8,944	8,769
Total Current Liabilities	<u>8,944</u>	<u>10,487</u>
Advances from Appalshop, Inc.	-	-
Total Liabilities	<u>8,944</u>	<u>10,487</u>
<u>Net Assets:</u>		
With Donor Restrictions	50,000	69,797
Without Donor Restrictions	19,473	215,097
Total Net Assets	<u>69,473</u>	<u>284,894</u>
Total Liabilities and Net Assets	<u><u>\$ 78,417</u></u>	<u><u>\$ 295,381</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

WMMT-FM RADIO STATION
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020		2020		Total
	Without Donor Restrictions	With Donor Restrictions			
Revenues, Reclassifications and Other Support					
Nonprofit organizations	\$ 44,233	\$ 50,000	\$ 94,233	\$ 94,233	
Corporation for Public Broadcasting	240,657	-	240,657	240,657	
Individual membership contributions	22,654	-	22,654	22,654	
Business income	2,000	-	2,000	2,000	
Space rental income	4,502	-	4,502	4,502	
Performance income	1,715	-	1,715	1,715	
Sale of Assets	-	-	-	-	
Other Income	380	-	380	380	
Total Unrestricted Revenue	<u>316,141</u>	<u>50,000</u>	<u>366,141</u>	<u>366,141</u>	
Expenses:					
Salaries and wages	133,298	-	133,298	133,298	
General and Administrative	52,943	-	52,943	52,943	
Medical Insurance	15,274	-	15,274	15,274	
Fringe Benefits	7,318	-	7,318	7,318	
Depreciation	792	-	792	792	
Professional Fees	19,282	-	19,282	19,282	
Travel	2,360	-	2,360	2,360	
Honorariums	-	-	-	-	
Contract Service	35,403	-	35,403	35,403	
Utilities	6,262	-	6,262	6,262	
Membership Fees	2,119	-	2,119	2,119	
License and Fees	1,434	-	1,434	1,434	
Fundraising	778	-	778	778	
Rent	5,818	-	5,818	5,818	
Dues, subscriptions & publications	2,478	-	2,478	2,478	
Production consumables	2,129	-	2,129	2,129	
Refreshments	-	-	-	-	
Equipment	-	-	-	-	
Registration Fees	-	-	-	-	
Performance Fees	3,100	-	3,100	3,100	
Consultant Fees	-	-	-	-	
Shipping	949	-	949	949	
Printing	939	-	939	939	
Advertising	-	-	-	-	
Office Supplies	83	-	83	83	
Miscellaneous	2,339	-	2,339	2,339	
Total Expenses	<u>295,098</u>	<u>-</u>	<u>295,098</u>	<u>-</u>	
Increase (Decrease) in Net Assets	21,043	50,000	71,043	71,043	
Net Assets, beginning of year	<u>215,097</u>	<u>69,797</u>	<u>284,894</u>	<u>284,894</u>	
Net Assets Released from Restrictions	69,797	(69,797)	0	0	
Transfers from other Appalshop, Inc Funds	(286,464)	-	(286,464)	(286,464)	
Net Assets, end of year	<u>\$ 19,473</u>	<u>\$ 50,000</u>	<u>\$ 69,473</u>	<u>\$ 69,473</u>	

The accompanying notes are an integral part of these financial statements

WMMT-FM RADIO STATION

STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2019		2019	
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, Reclassifications and Other Support				
Donations				
Nonprofit organizations	\$ 230,305	\$ 69,797	\$ 300,102	
Corporation for Public Broadcasting	100,564	-	100,564	
Individual membership contributions	38,249	-	38,249	
Business income	38,586	-	38,586	
Space rental income	4,922	-	4,922	
Performance income	-	-	-	
Sale of Assets	-	-	-	
Other Income	800	-	800	
Total Unrestricted Revenue	<u>413,426</u>	<u>69,797</u>	<u>483,223</u>	
Expenses:				
Salaries and wages	279,190	-	279,190	
General and Administrative	98,756	-	98,756	
Medical Insurance	37,385	-	37,385	
Fringe Benefits	8,953	-	8,953	
Depreciation	1	-	1	
Professional Fees	9,093	-	9,093	
Travel	15,356	-	15,356	
Honorariums	22,803	-	22,803	
Contract Service	40,034	-	40,034	
Utilities	7,818	-	7,818	
Membership Fees	2,883	-	2,883	
License and Fees	1,469	-	1,469	
Fundraising	1,981	-	1,981	
Rent	3,920	-	3,920	
Dues, subscriptions & publications	4,235	-	4,235	
Production consumables	2,709	-	2,709	
Refreshments	1,622	-	1,622	
Equipment	7,106	-	7,106	
Registration Fees	-	-	-	
Performance Fees	12,875	-	12,875	
Consultant Fees	-	-	-	
Shipping	966	-	966	
Printing	1,379	-	1,379	
Advertising	1,878	-	1,878	
Office Supplies	632	-	632	
Miscellaneous	2,483	-	2,483	
Total Expenses	<u>565,527</u>	<u>-</u>	<u>565,527</u>	
Increase (Decrease) in Net Assets	(152,101)	69,797	(82,304)	
Net Assets, beginning of year	<u>140,042</u>	<u>117,375</u>	<u>257,417</u>	
Net Assets Released from Restrictions	<u>117,375</u>	<u>(117,375)</u>	<u>0</u>	
Transfers from other Appalshop, Inc Funds	<u>109,781</u>	<u>-</u>	<u>109,781</u>	
Net Assets, end of year	<u>\$ 215,097</u>	<u>\$ 69,797</u>	<u>\$ 284,894</u>	

The accompanying notes are an integral part of these financial statements

WMMT - FM RADIO STATION
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEARS ENDED SEPTEMBER 30, 2020 and 2019

	2020	Program Activities					Supporting Activities		
		Creating in		Traditional			Fundraising	Total Support	Total
		Place	Seedtime	Music	Radio	Total Program			
Salaries and wages			\$ -	\$ 8,861	\$ 112,719	\$ 121,580	\$ -	\$ -	\$ 121,580
Medical insurance					15,274	15,274			15,274
Contract & professional services	600	4,868		7,000	43,517	55,985			55,985
Travel		233		329	1,798	2,360			2,360
Depreciation					792	792			792
Payroll taxes				801	10,917	11,718			11,718
Facilities					11,602	11,602			11,602
Employee benefits					7,317	7,317			7,317
Telecommunications					478	478			478
Equipment									
Service and supplies	2,125	1,800			1,971	5,896			5,896
Other expenses	694	2,051		5,276	53,297	61,318	778	778	62,096
Total	\$ 3,419	\$ 8,952	\$ 22,267	\$ 259,682	\$ 294,320	\$ 778	\$ 778	\$ 778	\$ 295,098
	2019	Program Activities					Supporting Activities		
		Creating in		Traditional			Fundraising	Total Support	Total
		CMI	Seedtime	Music	Radio	Total Program			
Salaries and wages		\$ 104,803	\$ -	\$ 7,652	\$ 141,986	\$ 254,441	\$ -	\$ -	\$ 254,441
Medical insurance		6,814			30,572	37,386			37,386
Contract & professional services	60,577	20,165		27,069	76,826	184,637			184,637
Travel	6,852	1,070		164	8,149	16,235			16,235
Depreciation					1	1			1
Payroll taxes	7,745			583	10,888	19,216			19,216
Facilities			53		12,337	12,390			12,390
Employee benefits	4,808			275	9,404	14,487			14,487
Telecommunications	251					251			251
Equipment			250	140	5,866	6,256			6,256
Service and supplies	1,111	549			3,727	5,387			5,387
In kind expense									
Other expenses	2,748	1,471		(2,155)	10,794	12,858	1,982	1,982	14,840
Total	\$ 195,709	\$ 23,558	\$ 33,728	\$ 310,550	\$ 563,545	\$ 1,982	\$ 1,982	\$ 1,982	\$ 565,527

The accompanying notes are in integral part of these financial statements

WMMT-FM RADIO STATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
Cash Flows from Operating Activities:		
Increase/Decrease in net assets	\$ 71,043	\$ (82,304)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	792	1
Net gain on disposal of property and equipment	-	-
(Increase) Decrease in Assets:		
Accounts Receivable	-	-
Grants Receivable	66,380	(13,806)
Prepaid Expenses	(2,002)	1,074
Increase (decrease) in Liabilities:		
Accounts Payable	(1,718)	(4,163)
Accrued Expense	174	2,990
Net cash provided by/ (used in) operating activities	<u>134,669</u>	<u>(96,208)</u>
Cash Flows from Investing Activities		
Proceeds from sale of assets	-	-
Transfers from other Appalshop, Inc. Funds	(286,464)	109,781
Purchase of property, plant and equipment	<u>(9,508)</u>	<u>-</u>
Net cash provided by/ (used in) investing activities	<u>(295,972)</u>	<u>109,781</u>
Net increase/(decrease) in cash and cash equivalents	(161,303)	13,573
Cash at October 1	<u>180,990</u>	<u>167,417</u>
Cash at September 30	<u>\$ 19,687</u>	<u>\$ 180,990</u>

The accompanying notes to the financial statements are an integral part of this statement

WMMT-FM Radio Station
Whitesburg, Kentucky

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2020 and 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

The Organization is a public radio station owner and operated by Appalshop, Inc. The Organization is Appalshop, Inc's community public radio station, broadcasting around the clock, primarily with volunteer disc jockeys. The Organization has produced radio series that are distributed nationally and produces local programming including "Mountain Talk" that address local and regional issues. The Community Correspondents Corps project is training people inside and outside the Organization as local radio producers.

B. BASIS OF ACCOUNTING

This summary of significant accounting policies of WMMT-FM Radio Station (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
Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets with Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)
Change in Accounting Principles

The organization implemented FASB ASU No. 2016-14 in 2019, applying the changes retrospectively.

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. 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.

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 twenty 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 Appalshop, Inc. or dissolution of Appalshop, Inc. Depreciation expense for the fiscal years ended September 30, 2020 and 2019 was \$792 and \$1, respectively.

G. INCOME TAXES

The Corporation 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 April 9, 2021. 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.

H. REVENUES

Revenue Recognition – Grant revenue results from grant funds received in exchange transactions. Grant funds received in exchange transactions are deemed to be earned and reported in revenues of the applicable grant when the Organization 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 deferred grant revenue. The associated net assets are unrestricted because the restrictions are imposed by the other party to the exchange transaction and not by the donor.

Contributions received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted 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.

All other donor-restricted contributions are reported as increases in net assets without donor restrictions or net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. The Organization had \$50,000 in donor restricted revenues as of September 30, 2020 and \$69,797 in 2019.

I. ADVERTISING EXPENSE

Advertising cost are expensed as incurred. Advertising expense for the fiscal years ended September 30, 2020 and 2019, totaled \$0 and \$1,878, respectively.

J. CONTRIBUTION SERVICES

The Organization receives contributed services from 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 FASB ASC. The Organization has 60 community program volunteers that produce 54 shows on a weekly or bi-weekly basis. Volunteer hours total 120 hours per week or approximately 6,240 hours annually.

CONTRIBUTION MATERIAL

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.

Donated Facilities and Administrative Support-Donated facilities from Appalshop, Inc., consist of office and studio space together with related occupancy costs and have not been estimated and recorded in revenues and expenses. The Organization is an integral part of many other Appalshop, Inc.'s programs and projects and management of Appalshop, Inc. does not allocate such expenses among the programs and projects.

Administrative support from Appalshop, Inc., consist of costs and expenses incurred on behalf of the station.

NOTE 2—ADVANCES FROM APPALSHOP, INC.

There are no advances from Appalshop, Inc. as of September 30, 2020 and 2019.

NOTE 3—FUNCTIONAL EXPENSES

Expenses by their functional classification for the fiscal years ended September 30, 2020 and 2019, are as follows:

	2020	2019
Broadcasting, programming and production	236,124	349,895
Management and administrative	52,943	88,167
Fundraising, membership and grant solicitation	<u>6,031</u>	<u>127,465</u>
Total	<u>295,098</u>	<u>565,527</u>

NOTE 4—CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Protection of the Organization deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment or by a single collateral pool established by the financial institution to secure the repayment of all public money deposited with the institution.

Deposits At year end, the carrying amount of the Organization deposits was \$19,487. The entire bank balance was covered by federal depository insurance.

NOTE 5 – ADMINISTRATIVE FEES

Charges are made to projects for administrative fees based on a percentage of expenditures. The Board of Directors of Appalshop, Inc. determines the percentage to be charged to each project. Administrative fees at September 30, 2020 and 2019, of \$52,943 and \$100,912, respectively, were charged to the Organization and included in expenses on the accompanying statement of activities.

NOTE 6 – In Kind Contributions

The Organization had in-kind contributions of \$0 and \$0 for the years ending September 30, 2020 and 2019, respectively.

NOTE 7 – SUBSEQUENT EVENTS

Consideration of subsequent events for inclusion and disclosure in these financial statements was made through the date of the report, which is the date that the financial statements were available to be issued, and would include all relevant material circumstances and events. No subsequent events were deemed necessary to disclose.

NOTE 8 – RETIREMENT PLAN

The Organization employees are eligible to participate in a 403(b) retirement plan that Appalshop, Inc. maintain for all of its employees. The Organization's contribution is equal to 6% of the average hourly salary for each hour worked. The Organization contributed \$7,318 and \$8,953 to the plan for the fiscal years ended September 30, 2020 and 2019, respectively.

NOTE 9 – Transfers from Other Appalshop, Inc's Funds

The transfers from other Appalshop, Inc.'s funds at September 30, 2020 and 2019, in the amount of (\$286,464) and \$109,781, respectively consist of direct transfers to the Organization unrestricted net assets from other projects, programs, and unrestricted net assets within Appalshop, Inc.

The Community Media Initiative and the All Access East Kentucky Reproductive Health projects were transferred out of the WMMT group financials in 2020, with an asset balance of \$393,564, resulting in (\$393,564) to the transfers from other Appalshop fund's balance.

Endowment funds from the Appalshop Trust were allocated to the Organization during the fiscal years ended September 30, 2020 and 2019, in the amount of \$107,100 and \$109,530, respectively. These funds were awarded to support original audio production work by the Organization's staff and are included in the accompanying statements of activities. The Appalshop Trust, established in 1990, is administered by three Trustees, elected by the Appalshop Inc.'s Board of Directors. The Trustees approve the distributions of allocations from the endowment funds.

These two transfers – (\$393,564) and \$107,100 – net to the (\$286,464) transfer balance for 2020.

NOTE 10 – CONTINGENCY

The Organization receives funding from Federal and Kentucky government agencies. The funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to be used for the intended purpose, the grantors may request a refund of monies advanced, to refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Organization's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs. Management is not currently aware of any significant grantors' concerns or programs to be discontinued.

NOTE 11 — LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2020 are:

Financial assets:

Cash and cash equivalents	\$ 19,687
Short Term Investments	0
Grants receivable, net	46,426
Total financial assets	66,113
Amount available for general expenditures within one year	<u><u>\$ 66,113</u></u>

NOTE 12 — NET ASSETS – WITH DONOR RESTRICTIONS

The organization had donor restricted net assets in the amount of \$50,000 and \$69,797 at September 30, 2020 and 2019, respectively.

Releases from Donor Restricted Net Assets for the years ended September 30, 2020 and September 30, 2019 are as follows:

Releases from restrictions:

Subject to expenditures for specified purpose:

Program Services - 2020	\$ 69,797
Program Services – 2019	117,375