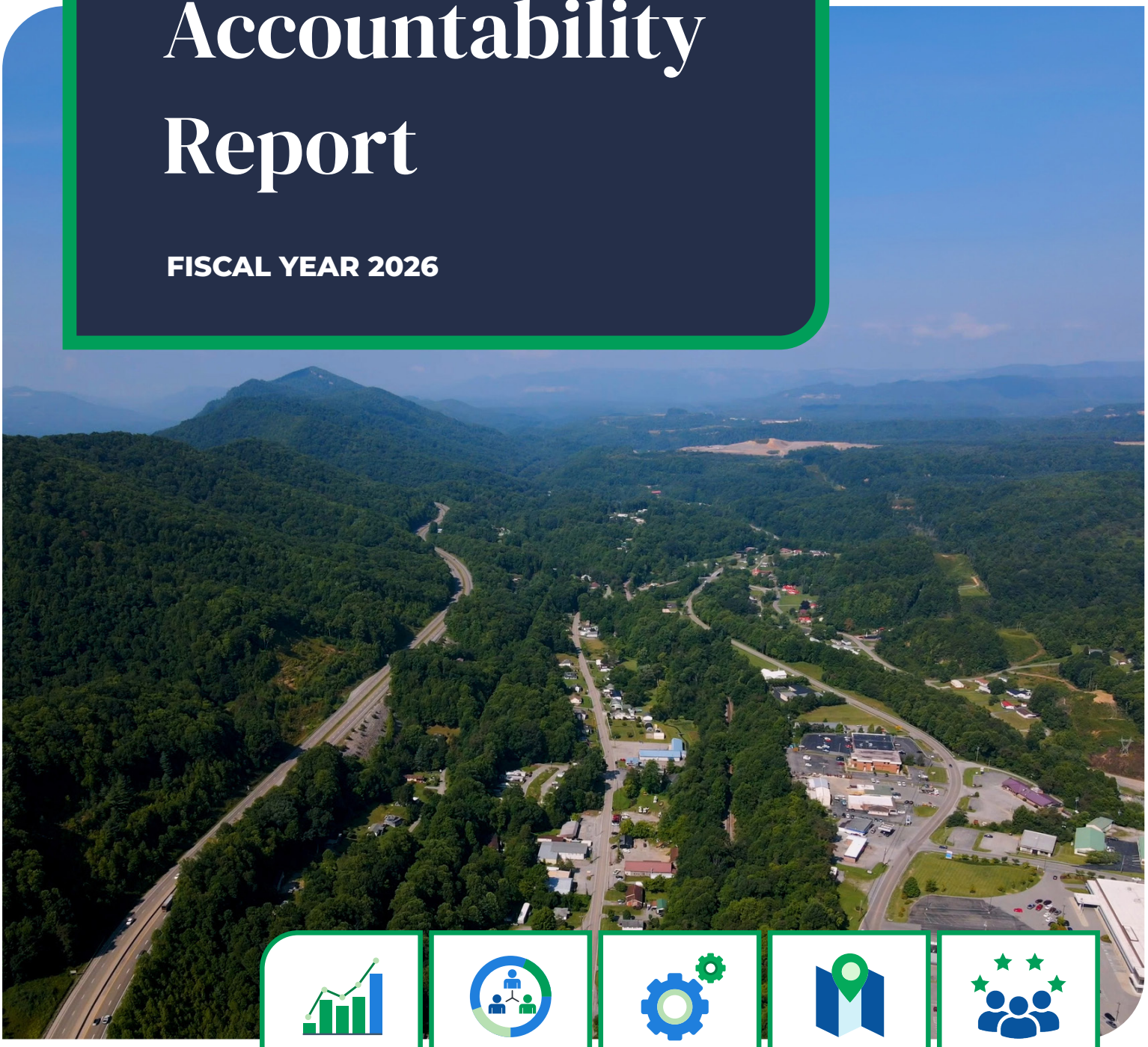
APPALACHIAN REGIONAL COMMISSION

Performance & Accountability Report

FISCAL YEAR 2026



- BUILDING APPALACHIAN BUSINESSES
- BUILDING APPALACHIA'S WORKFORCE ECOSYSTEM
- BUILDING APPALACHIA'S INFRASTRUCTURE
- BUILDING REGIONAL CULTURE AND TOURISM
- BUILDING COMMUNITY LEADERS AND CAPACITY

APPALACHIAN REGIONAL COMMISSION

September 30, 2026

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Gayle C. Manchin

States' Co-Chair
Governor Tate Reeves

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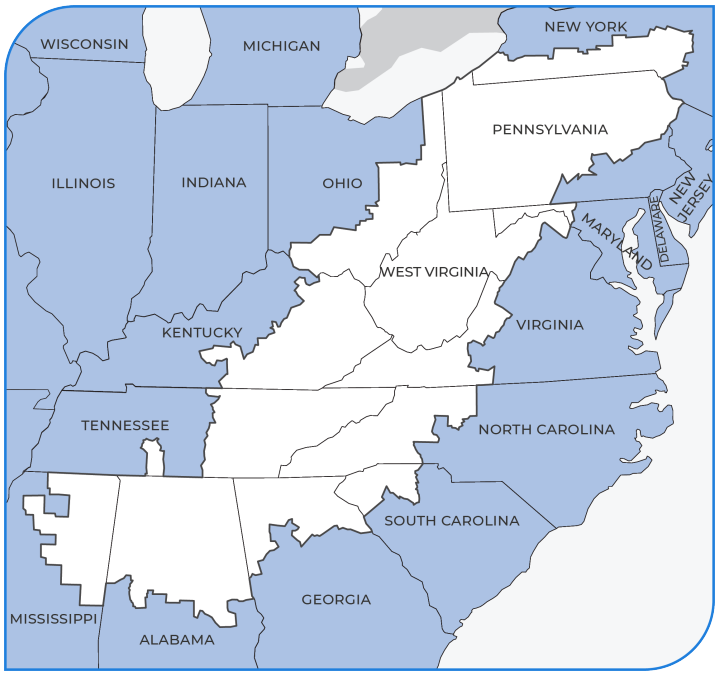
APPALACHIAN REGION

The Appalachian Region includes all of West Virginia and parts of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia. The region is home to more than 26 million people and covers 423 counties and almost 206,000 square miles.



Contents

Message from the Co-Chairs	2
PART I: MANAGEMENT'S DISCUSSION & ANALYSIS	
Fiscal Year 2026 Program Highlights	3
ARC Structure and Programs	8
Summary of Achievements in Fiscal Year 2026	19
Financial Management	21
Management Assurances	21
Summary of Financial Status	22
PART II: FISCAL YEAR 2026 PERFORMANCE REPORT	
Introduction	24
Overview of ARC	24
Strategic Investment Goals and Objectives	26
Performance Measurement Methodology	27
Strategic Investment Goal 1: Building Appalachian Businesses	31
Strategic Investment Goal 2: Building Appalachia's Workforce Ecosystem	34
Strategic Investment Goal 3: Building Appalachia's Infrastructure	37
Strategic Investment Goal 4: Building Regional Culture and Tourism	40
Strategic Investment Goal 5: Building Community Leaders and Capacity	42
Performance Targets for Leveraging, Matching and Distressed Counties/Areas	44
Summary of Achievements in Fiscal Year 2026	47
Measuring Progress Toward the ARC Vision	49
Progress Toward ARC Strategic Plan Performance Goals, Fiscal Years 2022–2026	50
PART III: FISCAL YEAR 2026 FINANCIAL REPORT	
Message from the Executive Director	51
Report of Independent Audit	52
Required Supplementary Stewardship Information	87
PART IV: OTHER INFORMATION	
ARC Performance Targets	89
Improper Payments	90
Inspector General's Summary of Management & Performance Challenges	91
ARC Response to Inspector General's Summary	94
Summary of Financial Statement Audit & Management Assurances	97

Norton, Virginia

Message from Federal Co-Chair Gayle C. Manchin and 2026 States' Co-Chair Governor Tate Reeves





We are pleased to present the *Appalachian Regional Commission Performance and Accountability Report* for Fiscal Year (FY) 2026. Together, with its local, state and federal partners, ARC remained laser-focused on accelerating job creation, modernizing and strengthening infrastructure, and attracting new sources of private investment to drive economic development throughout the 423-county, 13-state region.

Furthermore, ARC's FY 2026 investments continued to deliver strong returns on taxpayer dollars. The Commission obligated $227.2 million for 415 projects in FY 2026, which leveraged an additional $591.6 million in private investment and attracted an additional $260.7 million in other project funding, representing investment ratios of 3-to-1 and 1-to-1, respectively. Every FY 2026 project is tailored to meet Appalachia's unique economic needs and advance the Commission's five strategic goals to help:

1) Strengthen Appalachia's economy through investments in entrepreneurship and business development.
2) Expand and strengthen systems that help Appalachians obtain a job, stay on the job, and advance along a financially sustaining career pathway.
3) Ensure access to reliable, affordable, and resilient infrastructure and utilities to improve residents' quality of life, grow existing businesses and attract new industries to the region.
4) Strengthen Appalachia's economic development potential by investing in revenue-generating tourism assets & outdoor recreation industry growth.
5) Invest in economic development skill-building, training, technical assistance and resources that help Appalachian leaders, organizations, and communities strengthen the regional economy now and into the future.

We are proud to report that ARC's FY 2026-funded projects are expected to create or retain an estimated 4,979 jobs, provide new skills training to 45,899 students and workers, and deliver new or measurably improved infrastructure to 73,528 businesses and households.

ARC's core Area Development Program helped accelerate Appalachia's economic progress throughout FY 2026. Through its flexible, bottom-up approach to economic development, the Area Development Program empowers Appalachia's local communities to work with their state governments on projects that address their unique challenges and economic opportunities. Furthermore, ARC expanded support for new grantees and obligated 75% of its FY 2026 funding to economically distressed communities, delivering support where it's needed most.

ARC also advanced its specialized initiatives to address region-wide priorities. The Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative continued to help Appalachian coal communities strengthen existing industries, diversify their economies, and expand job opportunities for residents. We recognize the essential role coal has played in our nation's economic security and remain committed to helping these communities chart a strong, prosperous economic future.

Likewise, the INSPIRE Initiative continued addressing workforce gaps and economic challenges associated with substance use disorder across Appalachia. INSPIRE fills an important and unique role in the federal grant landscape by helping communities strengthen their workforce and build a stronger recovery-to-workforce pipeline. ARC's partnership with the White House Office of National Drug Control Policy further strengthens this work and reinforces our commitment to supporting individuals and communities affected by substance use disorder.

Through these efforts, we are working alongside communities to meet the region's evolving needs, build on its strengths, and ensure that ARC's investments continue to deliver meaningful results for the people and communities we serve.

This report includes information on the Commission's programming actions and financial management during FY 2026. We are pleased to report that ARC's independent auditor, Allmond & Company LLC, has pronounced an unmodified opinion that the financial statements in this document fairly present the Commission's fiscal status.

ARC has provided a complete and accurate report of its performance and stewardship of the public funds entrusted to it. This report is based on data that is reliable and comprehensive. Congress and the American people can also be assured that the financial controls in place at the Commission meet the purposes of the Federal Managers' Financial Integrity Act of 1982.

The achievements reported here contribute significantly toward ARC's vision of helping the Appalachian Region attain socioeconomic parity with the nation.

Sincerely,

Gayle C. Manchin
Federal Co-Chair
Appalachian Regional Commission

Tate Reeves
Governor of Mississippi
2026 States' Co-Chair

November 16, 2026

PART I: MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR 2026 PROGRAM HIGHLIGHTS

In fiscal year (FY) 2026, the Appalachian Regional Commission (ARC, the Commission) continued investing in Appalachia's economic future by providing grants, publishing research, sponsoring learning experiences, and partnering with governments at all levels—local, state and federal—to help Appalachia's communities seize their opportunities, address economic disparity, and advance prosperity.

All of ARC's FY 2026 investments focused on advancing the five goals of its 2022–2026 strategic plan: building Appalachian businesses, building Appalachia's workforce ecosystem, building Appalachia's infrastructure, building regional culture and tourism, and building community leaders and capacity.

The following sections highlight key activities and initiatives that strengthened economic development and advanced the Commission's strategic goals in FY 2026.

AREA DEVELOPMENT PROGRAM

ARC's Area Development program relies on a flexible "bottom up" approach to economic development, empowering Appalachian communities to work with their state governments to design impactful investment opportunities. The Area Development program makes investments in two general areas: critical infrastructure and business and workforce development. Critical infrastructure investments mainly include water and wastewater systems, transportation networks, broadband, and other projects anchoring regional economic development. Business and workforce investments primarily focus on entrepreneurship, worker training and education, food systems, leadership, and other human capital development. In FY 2026, ARC obligated $153.9 million to fund Area Development investments across all 13 Appalachian states, leading to $490.2 million in additional leveraged private investment.

Developing the Region's Workforce

A ready and productive workforce is the backbone of economic development. ARC's FY 2026 Area Development investments supported educational opportunities and institutions, especially by connecting skill training with local and regional business needs. Investments also supported workers overcoming challenges like substance use disorder to maintain employment. The goal is to create a seamless system enabling Appalachians to succeed in existing industries, empower displaced workers to transition into new opportunities and equip all workers with the skills needed for jobs in emerging, high-growth sectors. ARC's Area Development program obligated $23.5 million across 48 projects to strengthen Appalachia's workforce in FY 2026.

Investing in Infrastructure

To compete in the global economy, Appalachia must continue to develop and improve the infrastructure necessary for economic development. Telecommunications infrastructure is particularly important for reducing Appalachia's isolation and connecting its businesses and communities to information and markets around the world. In FY 2026, ARC's Area Development program obligated $117.2 million for 114 projects aimed at bolstering Appalachia's physical infrastructure. These investments include creating and extending local water and sewer systems, expanding access to reliable and affordable broadband, building and maintaining access roads, and constructing or rehabilitating community infrastructure. Together, they provide a foundation for economic development throughout Appalachia's communities. ARC's FY 2026 Area Development infrastructure grant investments were matched by $172.2 million in other public investments and leveraged $487.8 million in non-project private investment.

Expanding Business & Industry Opportunities

Appalachia's economic future depends on building and strengthening a broad range of economic sectors. As Appalachia diversifies its economy, ARC continues to invest in entrepreneurial ecosystems that support locally owned businesses and help existing businesses grow and prosper. To succeed, these ventures need access to capital and vital technical assistance. ARC's investments enable communities and nonprofit organizations to develop innovative programs that respond to a changing economy. In FY 2026, ARC's Area Development funding supported a wide variety of economic sectors and industries to strengthen local businesses and growth while taking advantage of opportunities in emerging industries. These emerging industries include advanced manufacturing, aviation and aerospace, healthcare and outdoor recreation.

Advanced Manufacturing

Appalachian employers increasingly need workers trained in advanced manufacturing techniques in industries ranging from automotive manufacturing to petrochemicals. Consistent with the Trump Administration's mission to make America a manufacturing superpower, ARC supported training and apprenticeship projects that prepare Appalachians for careers in additive and 3D manufacturing, robotics, semiconductor manufacturing, defense supply chains, automation, machine learning, industrial maintenance, and other in-demand fields. In addition to workforce development training programs, ARC funds supported the equipment and infrastructure needed for state-of-the-art learning labs where students gain hands-on experience and deepen their understanding of specialized manufacturing techniques. In FY 2026, ARC obligated $12.4 million for 15 area development and special initiative projects that strengthen Appalachia's manufacturing workforce and infrastructure.

Aviation & Aerospace

Appalachia has a burgeoning aerospace and aviation industry. ARC continued to support workforce development and training projects throughout the region that are helping to meet the demand for avionics specialists, Federal Aviation Administration-certified aviation maintenance technicians, and other skilled workers. In FY 2026, ARC obligated $5.1 million in area development and special initiative projects for infrastructure and workforce development that expand airport capacity and aviation training programs in response to communities' workforce and economic needs.

Healthcare

As part of its focus on job creation and entrepreneurship, ARC supports the creation and growth of healthcare businesses. These investments diversify local economies while expanding residents' access to care. ARC also funds education and training programs that respond to the region's demand for healthcare professionals, as well as

infrastructure that extends services to communities with healthcare shortages. In FY 2026, ARC obligated $10.7 million for 11 area development and special initiative projects that support growth in the healthcare industry. In addition, the J-1 Visa Program approved 74 visa waiver requests, helping place physicians in Appalachian communities experiencing shortages of healthcare workers.

Outdoor Recreation

In FY 2026, ARC obligated $12.9 million for 22 area development and special initiative projects that help the region's entrepreneurs, artisans and small-scale manufacturers meet demand for the products, services and experiences associated with the growing outdoor recreation industry. Appalachia's forests, parks, bodies of water and mountains anchor the region's outdoor recreation industry and attract thousands of visitors to hike, bike, climb, paddle and explore. Connecting remote communities with trails that guide visitors into small towns boosts local tourism, increases tax revenues and supports the hospitality industry and related businesses. Investment in this industry supports manufacturers of outdoor gear and equipment, as well as providers of tours, experiences and lodging. It also builds amenities that attract private investment and stimulate broader economic activity.

SPECIAL INITIATIVES

In addition to its Area Development Program, ARC administers competitive initiatives that address shared economic challenges and emerging opportunities across Appalachia. These initiatives support coal communities, multi-state collaboration, recovery-to-work opportunities, community resource-building, leadership development, and other priorities requiring targeted regional investment.

POWER Initiative

ARC's regionally competitive Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative helps attract industry and expand job opportunities in Appalachian communities and regions affected by job losses in coal mining, coal power plant operations and coal-related supply chain industries. Consistent with United States policy recognizing coal's essential role in national and economic security, POWER creates opportunities to expand coal technology, including technologies that utilize coal and coal byproducts such as building materials, battery materials, carbon fiber, synthetic graphite, and printing materials.

In FY 2026, ARC obligated more than $63.8 million to 60 POWER projects across 10 Appalachian states. Additionally, ARC made available another $65 million for POWER and accepted 200 applications through its eleventh notice of solicitation for applications (NOSA) for projects to help the region's coal communities grow their economies. The POWER funds awarded through the eleventh NOSA will be announced in winter of 2027.

Since its creation 11 years ago, ARC's collective POWER investments are projected to have created or retained nearly 55,000 jobs in coal communities, leveraged more than $1.9 billion in additional private investment into Appalachia's economy, and prepared over 190,000 workers and students for new opportunities in advanced manufacturing, entrepreneurship, tourism, agriculture and other growing industries.

ARISE

Through the Appalachian Regional Initiative for Stronger Economies (ARISE), ARC supports multi-state, collaborative projects designed to transform the regional economy. In addition to requiring collaboration across state lines, ARISE projects must align with at least one of ARC's five strategic investment priorities and the economic development

priorities of each state served by the project. ARISE projects support the economic vitality of Appalachia by strengthening businesses and industries while cultivating new opportunities for growth across a wide range of economic sectors.

In FY 2026, ARC made available at least $70 million for ARISE and accepted 142 pre-applications through its third notice of solicitation for applications (NOSA), the first step in the application process. By the end of FY 2026, ARC obligated nearly $500,000 for one ARISE project and was reviewing 35 additional full applications for projects that expand support to Appalachian businesses and industries, train workers for jobs in emerging sectors, strengthen or build infrastructure, and leverage economic opportunities in the region's 13 states. Since the initiative launched in 2022, ARC has invested $189.2 million in ARISE projects. These projects are projected to create or retain more than 22,300 jobs, leverage more than $274.6 million in additional private investment into Appalachia's economy and prepare over 16,700 workers and students for new opportunities across multiple economic sectors.

INSPIRE Initiative

As the nation's substance use disorder (SUD) crisis continues to disproportionately affect Appalachia's workforce, ARC's Investments Supporting Partnerships in Recovery Ecosystems (INSPIRE) Initiative addresses workforce gaps and economic challenges that have resulted from Appalachia's SUD crisis. INSPIRE projects provide community support to help individuals who are in SUD recovery enter or re-enter the workforce—and maintain their recovery.

In FY 2026, ARC obligated $4.6 million to 16 INSPIRE projects that create or expand support services, workforce training and employment opportunities that help individuals with SUD achieve lasting recovery and successfully enter the workforce. Since April 2021, ARC has invested $69.2 million in 214 INSPIRE projects that have impacted 380 counties across all 13 Appalachian states. These investments have secured an additional $51.7 million in matching project funds and are projected to improve over 4,100 businesses and help prepare nearly 20,000 individuals for new job opportunities.

READY Appalachia

In FY 2026, ARC provided funding and training to help Appalachian communities, organizations and individuals obtain the skills, knowledge and resources necessary to strengthen their local economies. Offered through ARC's *READY Appalachia* initiative, these training and funding opportunities emphasized serving Appalachia's most economically distressed counties. *READY Appalachia* advances ARC's larger investment priority to support economic development and planning efforts, provide training and technical assistance and offer educational programming that empowers Appalachians to be active participants in strengthening their local economies.

In FY 2026, ARC obligated more than $1.24 million to 50 Appalachian nonprofit organizations for economic development projects tailored to meet the unique needs of their workforces and communities. ARC also selected 60 local government entities to participate in *READY Local Governments*, a training program designed to educate local government workers on ways they can better identify, secure, manage and implement federally funded economic development projects. These participants will be trained in FY 2027.

ARC also released its *READY Nonprofits* and *READY Community Foundations* self-paced curricula, which remain on ARC's website for continued public use.

Appalachian Regional Energy Hub Initiative

In 2022, Congress' reauthorization of the Appalachian Regional Commission included a provision establishing the Appalachian Regional Energy Hub Initiative, for which the Commission was directed to provide $5 million a year for five years. Pursuant to that direction, in FY 2026, ARC began discussions with Oak Ridge National Laboratory and other partners including the University of Tennessee, Ohio State University and the National Energy Technology Laboratory to establish a $4.5 million, 30-month research effort directly addressing the initiative's ethane storage hub mandate alongside the broader regional natural gas and natural liquids hub. The project is expected to begin in FY 2027 and will assess the economic impact and suitability of an ethane storage hub in the region, while also evaluating the wider market for value-added products. Deliverables will include a technical report and an interactive, GIS-enabled decision support platform developed through stakeholder engagement across the 423-county Appalachian region.

Academies and Institutes

ARC hosts several academies and institutes for students and adults in science, technology, engineering and mathematics (STEM) education; entrepreneurship development; applied research; and community leadership. Through these experiential learning opportunities, participants build networks, hone skills and cultivate an enduring commitment to Appalachia's economic future.

Programming includes the **Appalachian STEM Academy**, a two-week, hands-on summer learning program delivered through Oak Ridge Associated Universities. In FY 2026, 112 middle school through high school students and six high school teachers participated in the program. Additionally, two alumni of the high school program returned to serve as near-peer mentors and role models for program participants.

In FY 2026, 20 students completed the **Appalachian Entrepreneurship Academy**, an experiential summer learning program to build high school students' entrepreneurship skills.

ARC also supports the **Appalachian Collegiate Research Initiative**, an applied research program where participating colleges and universities offer a for-credit seminar during the fall semester to help students develop and execute field-based research projects that address the unique economic development needs of their communities and align with ARC's investment priorities. In FY 2026, 13 colleges and universities from seven Appalachian states participated in the program.

Finally, the **Appalachian Leadership Institute** aims to equip the region's public, private and nonprofit leaders to use economic development as a tool to drive positive change. In FY 2026, 40 fellows graduated from the Appalachian Leadership Institute. Prior to graduating, the fellows traveled to six communities around the region for skill-building seminars, which incorporated case study analysis, peer-to-peer learning and field visits to see ARC-funded projects in action.

Appalachian Regional Commission Projects Approved in Fiscal Year 2026
(in thousands of dollars)

	Number of Grants	ARC Funds	Other Federal Funds	State and Local Funds	Total Funds
Business Development	28	28,541.5	0	42,917.8	71,459.3
Capacity Building	60	2,856.0	0	990.4	3,846.4
Community Development	36	20,961.3	11,455.5	13,188.5	45,605.3
Critical Infrastructure	88	91,847.2	2,117.5	136,978.4	230,943.1
Education and Workforce Development	101	60,335.7	4,439.0	38,982.3	103,757.0
Health	7	6,354.5	0	3,431.6	9,786.1
State and Local Development District Planning and Administration	95	16,292.7	140.0	6,042.7	22,475.4
Totals	**415**	**$227,189.0**	**$18,152.0**	**$242,531.7**	**$487,872.7**

Notes: Totals may not add because of rounding. Table includes access road projects funded through the Highway Trust Fund.

APPALACHIAN REGIONAL COMMISSION STRUCTURE AND PROGRAMS

Congress established ARC to address the profound economic and social problems in the Appalachian Region that made it a "region apart" from the rest of the nation. The Commission was charged to:

- Provide a forum for consideration of regional problems and proposed solutions, establish special advisory councils and hold public conferences.
- Provide grants that leverage federal, state and private resources to build infrastructure for economic and human resource development.
- Generate a diversified regional economy, develop Appalachia's industry and build entrepreneurial communities.
- Serve as a focal point and coordinating unit for Appalachian programs.
- Make Appalachia's industrial and commercial resources more competitive in national and world markets.
- Improve the skills of Appalachia's workforce.
- Adapt new technologies for the use of Appalachia's businesses.
- Improve the access of the region's businesses to the technical and financial resources necessary for the development of business.
- Coordinate the economic development activities of, and the use of economic development resources by, federal agencies in Appalachia.

The challenges confronting Appalachia today are complex. In some areas of the region, basic needs persist in infrastructure, workforce training and healthcare. But because the nation and the region now compete in the global economy, the threshold for success is higher than it once was. Appalachia now needs high-technology jobs along with manual labor, college education and basic literacy and telecommunications arteries in addition to highways.

Federal agencies are typically national in focus and narrow in scope, but ARC was created to be regionally focused and broad in scope. No other government agency is charged with the role of addressing Appalachia's unique economic challenges and opportunities, being simultaneously an investor, a catalyst for economic development, a resource-provider, a trainer and a partner at the federal, state and local levels. These roles are essential to making federal investments work to alleviate severe regional disparities in the country.

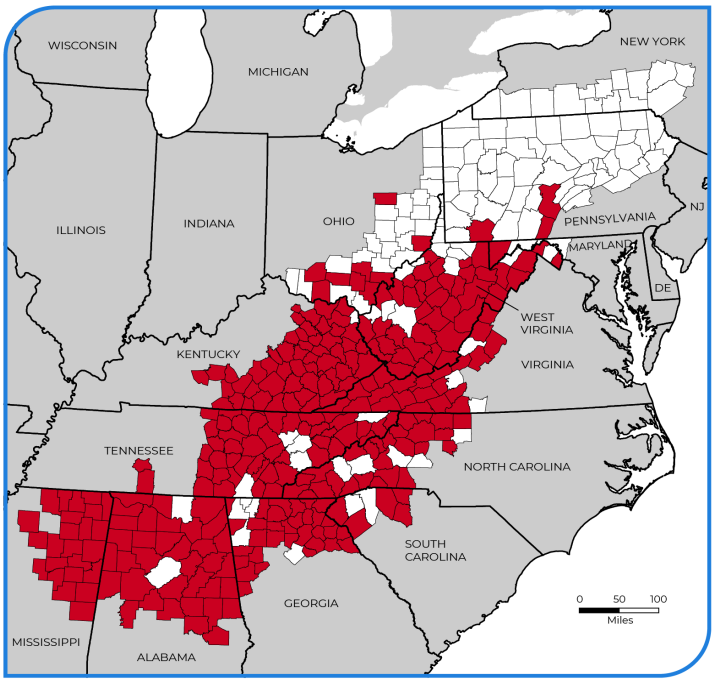
By law, the Commission directs at least half of its grant funds to projects that benefit economically distressed counties and areas in Appalachia. In part, ARC gauges its long-term progress toward helping the region achieve economic parity with the nation in terms of the gradual reduction in the number of such counties and areas over time. The maps below show Appalachia's high-poverty counties from the U.S. Census Bureau's 1960 census and the most current five-year period of the American Community Survey (2020-2024). The change is dramatic, as high-poverty counties have been reduced by more than 61% over the years. (Also see page 49 for a chart showing the number of Appalachian counties by economic quartile in FY 2026).

HIGH-POVERTY COUNTIES IN THE APPALACHIAN REGION

(Counties with poverty rates at least 1.5 times the U.S. average)

1960

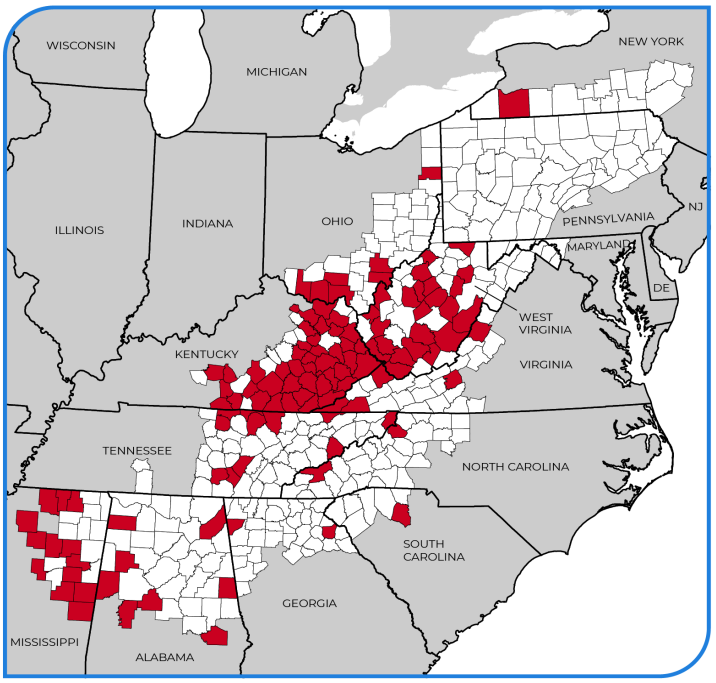
297 High-Poverty Counties



Data Source: U.S. Census Bureau, 1960 Census

2020-2024

115 High-Poverty Counties



Data Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates, 2020-2024

ARC is a federal-state-local partnership, with a governing board composed of a Federal Co-Chair and the governors of the 13 Appalachian states. Because of its partnership approach, ARC can identify and help fund innovative grassroots initiatives that might otherwise languish. In many cases, the Commission functions as a pre-development entity, providing modest initial funding that is unavailable from other sources. ARC funds attract capital from the private sector and from other public entities.

Through the years, ARC support has helped address the problem of historically low public and private investment in Appalachia. ARC has effectively used its funds to help communities qualify for, and make better use of, limited resources from other federal agencies. These federal funds, combined with state, local, and private money, provide a broad program of assistance to Appalachia. In addition, substantial private investment in business facilities and operations has accompanied ARC development projects.

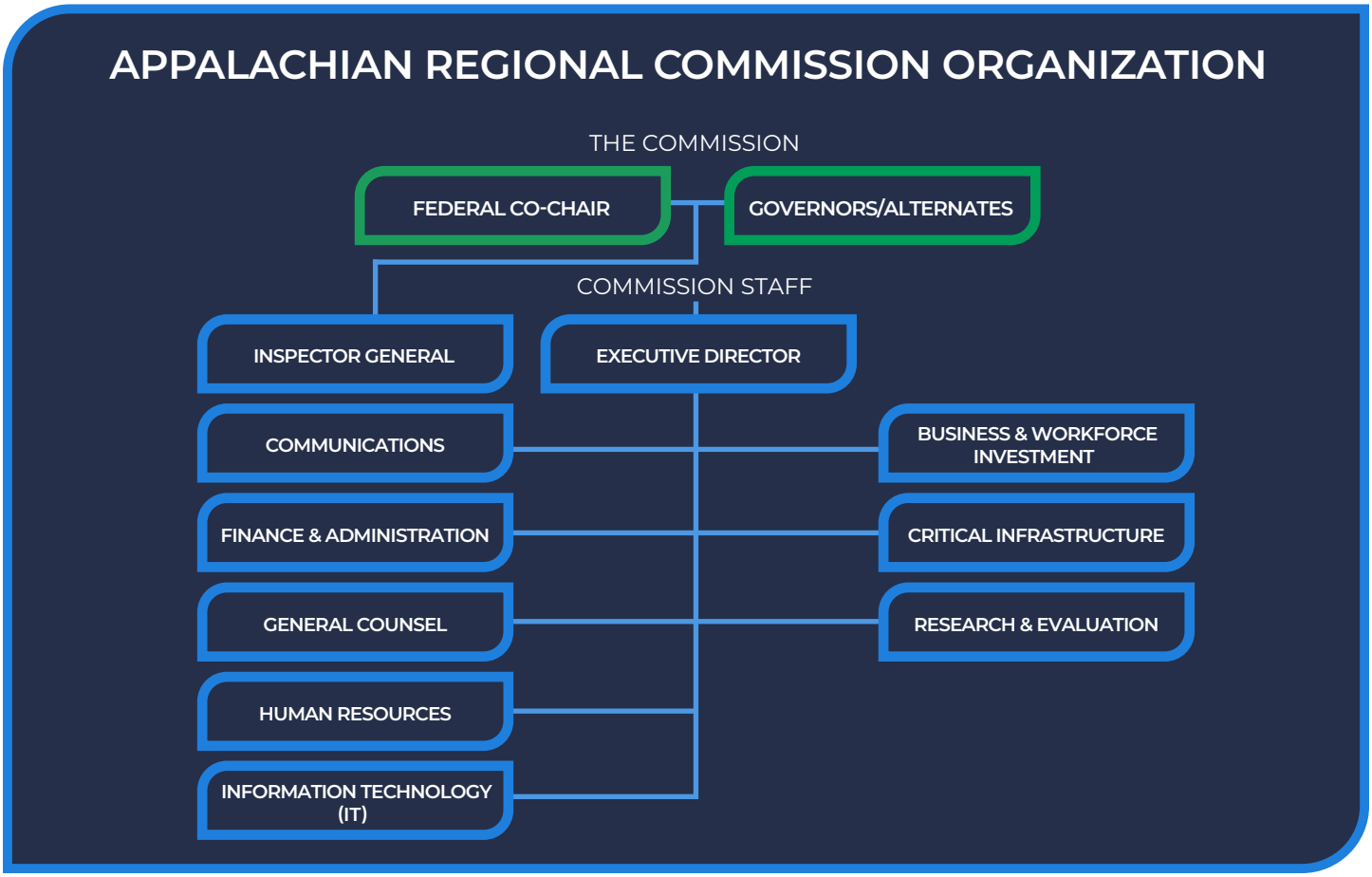
Three studies have found that ARC's coordinated investment strategy has paid off for Appalachia in ways that have not been evident in parts of the country without a regional development approach. A 1995 study funded by the National Science Foundation compared changes in Appalachian counties with their socioeconomic "twin" counties outside the region over 26 years, from 1965 to 1991. This analysis, which controlled for factors such as urbanization and industrial diversification, found that the economies of the Appalachian counties grew significantly faster than those of their non-Appalachian counterparts. A later report by Economic Development Research Group extended this analysis to 2000 and confirmed the earlier findings on the impact of ARC's investments. The study found that, on average, the gap between Appalachian counties and their non-Appalachian twin counties grew significantly in the 1990s. In 2015, ARC commissioned a report that analyzed 50 years of socioeconomic trends in Appalachia and summarized the economic impacts accruing to the region through ARC's non-highway investments. The report also includes results from a rigorous quasi-experimental research method indicating that counties that received ARC investments increased per capita income and added employment at a faster rate than similar counties that did not receive ARC investments.

Organization: The ARC Partnership Model

The Appalachian Regional Commission has 14 members: the governors of the 13 Appalachian states and a Federal Co-Chair, who is appointed by the President of the United States and confirmed by the Senate. Each year, one governor is elected by his or her peers to serve as the States' Co-Chair. The partnership nature of ARC is evident in its policymaking. The governors and the Federal Co-Chair share responsibility for determining all policies and for the control of funds.

On all Commission decisions, the Federal Co-Chair has one vote, and the 13 governors share one vote. Accordingly, all program strategies, allocations and other policies must be approved by both a majority of the governors and the Federal Co-Chair. All projects are approved by a governor and by the Federal Co-Chair. This consensus model ensures close collaboration between the federal and state partners in carrying out the mission of the Commission. It also gives ARC a nonfederal character that distinguishes it from typical federal executive agencies and departments.

State alternates appointed by the governors oversee state ARC business and serve as state-level points of contact for those seeking ARC assistance. An alternate Federal Co-Chair appointed by the President has authority to act as the Federal Co-Chair in his or her absence. By law, there is an Inspector General for the Commission. The Inspector General is under the general supervision of the Commission and has a dual and independent reporting relationship to both the Commission and Congress.



In FY 2026, ARC had 11 federal positions. However, in alignment with the President's priorities, it has been operating with 45% of the approved FTEs.

The Commission members appoint an Executive Director to serve as the chief executive, administrative and fiscal officer. The Executive Director and staff are not federal employees. The Commission has 79 nonfederal positions. Commission staff are charged with serving both the federal and the state members impartially in carrying out ARC programs and activities. They provide legal support, technical program management, planning and research, and financial/administrative management to support ARC's work.

Commission Activities

With the passage of the Appalachian Regional Development Act in 1965, Congress gave ARC broad program discretion to address economic challenges and opportunities impacting the region. Accordingly, ARC has emphasized a wide-ranging set of priorities in its grant activities. Projects in recent years have focused on strengthening business and industry growth, workforce development, entrepreneurship support, access to healthcare, broadband expansion, and tourism development. In addition, ARC has consistently maintained a focus on the construction of development highways and basic water and wastewater systems.

ARC Strategic Plan

FY 2026 was ARC's fifth year of operating under its 2022–2026 strategic plan, *Appalachia Envisioned: A New Era of Opportunity*. The plan outlines ARC's mission to innovate, partner and invest to build community capacity and strengthen economic growth in Appalachia, and identifies five strategic goals to help Appalachia reach socioeconomic parity with the rest of the nation:

1. Strengthen Appalachia's economy through investments in entrepreneurship and business development.
2. Expand and strengthen systems that help Appalachians obtain a job, stay on the job, and advance along a financially sustaining career pathway.
3. Ensure access to reliable, affordable, and resilient infrastructure and utilities to improve residents' quality of life, grow existing businesses and attract new industries to the region.
4. Strengthen Appalachia's economic development potential by investing in revenue-generating tourism assets and outdoor recreation industry growth.
5. Invest in economic development skill-building, training, technical assistance and resources that help Appalachian leaders, organizations, and communities strengthen the regional economy now and into the future.

As reported in Part II of this report, the Commission demonstrated progress in FY 2026 toward achieving the strategic plan's performance goals.

Appropriations for ARC Programs & Initiatives

In FY 2026, ARC received an appropriation of $200 million. For ARC's base Area Development Program, funds are largely allocated to the Appalachian states by formula to provide flexible assistance for individual community projects. ARC allocated by formula $106.18 million, 53% of the appropriation, to the states. Priorities for ARC's base Area Development Program funding are set forth in the Commission's strategic plan, and state and community leaders work together to package funding from public and private organizations to implement those priorities.

ARC's FY 2026 appropriation included $65 million for the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative, $10 million to continue high-speed broadband deployment in economically distressed counties in central Appalachia, $16 million for basic infrastructure improvements in Appalachia's distressed counties, $13 million for the Investments Supporting Partnerships in Recovery Ecosystems (INSPIRE) Initiative, and $5 million for the Appalachian Regional Energy Hub Initiative.

In addition to its annual appropriation in FY 2026, ARC received an appropriation of $200 million through the Infrastructure Investment Jobs Act (IIJA). ARC allocated by formula $100 million, 50% of the appropriation, to the states. The allocation of the IIJA appropriation also included $89.5 million for Appalachian Regional Initiative for Stronger Economies (ARISE), which funds large-scale economic development involving multiple states.

Base Area Development Program

ARC's base Area Development Program relies on a flexible bottom-up approach to economic development, empowering Appalachian communities to work with their state governments to design impactful investment projects that align with ARC's mission and investment priorities.

All base Area Development grants originate at the state level to ensure that ARC's grant-making advances each state's economic development strategies. Within the scope of ARC's strategic plan, the states have wide discretion in the use of these funds, which enables them to tailor the funding to address the unique economic needs of each community.

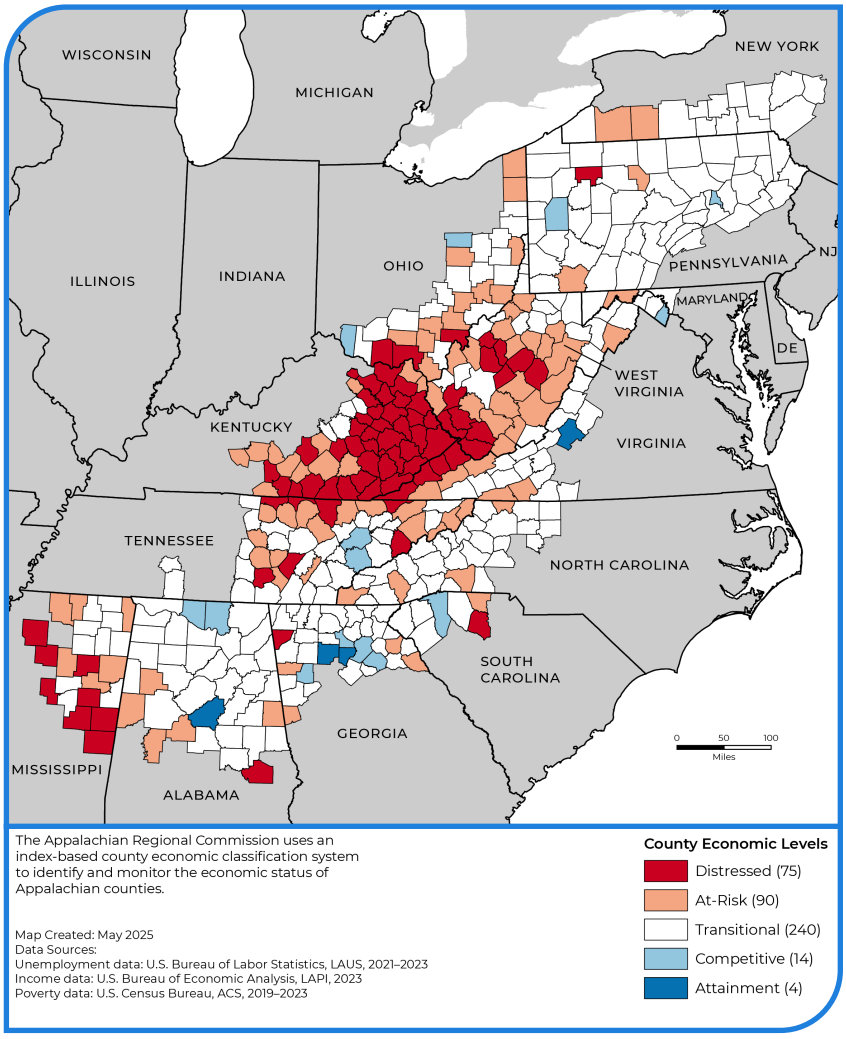
ARC's base Area Development program makes investments in two general areas: critical infrastructure and business and workforce development. Critical infrastructure investments mainly include water and wastewater systems, transportation networks, broadband, and other projects anchoring regional economic development. Business and workforce investments primarily focus on entrepreneurship and business development, worker training and education, tourism and outdoor recreation industry growth, and human capital development.

Special Focus on Distressed Counties and Areas

The Commission targets special resources to the most economically distressed counties and areas in Appalachia, using a very conservative measure of economic distress based on three economic indicators: three-year average unemployment rates, per-capita market income and poverty rates. ARC uses an index-based classification system to compare each county in the nation with national averages on the three economic indicators.

COUNTY ECONOMIC STATUS IN APPALACHIA, FISCAL YEAR 2026

(Effective October 1, 2025, through September 30, 2026)



Based on that comparison, each Appalachian county is classified within one of five economic status designations: distressed, at-risk, transitional, competitive, or attainment:

- Distressed counties are those that rank in the worst 10% of the nation's counties.
- At-risk counties rank between the worst 10% and the worst 25% of the nation's counties.
- Transitional counties rank between the worst 25% and the best 25% of the nation's counties.
- Competitive counties rank between the best 10% and the best 25% of the nation's counties.
- Attainment counties are those that rank in the best 10% of the nation's counties.

In FY 2026, 75 counties were designated distressed, 90 were designated at-risk, 240 were designated transitional, 14 were designated competitive and four were designated attainment. ARC policy stipulates that competitive counties may receive limited assistance, while attainment counties are generally not eligible for funding. See page 13 for a map of Appalachian counties classified by economic status.

Besides allocating funding to benefit distressed counties and areas, ARC has established other policies to reduce economic distress in Appalachia. ARC normally limits its maximum project funding contribution to 50% of costs, but it can increase its funding share to as much as 80% in distressed counties.

Business Development Revolving Loan Fund and Investment Capital Grants

Business development revolving loan funds (RLFs), pools of money used by grantees for the purpose of making loans to local businesses to create and retain jobs and venture capital investments, have been used by ARC since 1977 as an effective tool for economic development. Limited access to credit is one of the major problems in local business development in Appalachia and is a significant contributing factor to local economic distress. Since the first RLF grants were awarded, ARC-supported RLFs have disbursed over $809 million in 6,352 loans, resulting in 134,120 jobs created or retained and leveraging over $1.88 billion for the Appalachian Region.

Highway Program: The Appalachian Development Highway System

Congress created the Appalachian Development Highway System (ADHS) expressly to provide growth opportunities for the residents of Appalachia—the same benefits afforded the rest of the nation through the construction of the interstate highway system, which largely bypassed Appalachia because of the high cost of building roads through the region's mountainous terrain. The ADHS, a 3,090-mile system of modern highway corridors that replaces a network of worn, winding two-lane roads, was designed to generate economic development in previously isolated areas, supplement the interstate system, and provide access to areas within Appalachia as well as to markets in the rest of the nation and overseas.

In FY 2026, funding for the ADHS was included in the overall federal-aid highway funds apportioned to the states. These funds are apportioned to the states annually, with each state using the funding at its own discretion. The federal share of funding for ADHS corridors and access roads can normally range from 80% to 100%, as determined by the state highway agencies. Although funds used for the ADHS are derived from the federal-aid highway funds, ARC exercises policy and corridor alignment control over the system. In FY 2026, the Transportation Appropriation bill also included specifically dedicated ADHS funding of $20 million from the General Fund, the seventh consecutive year of dedicated funding. The Infrastructure Investment Jobs Act (IIJA), enacted in FY 2022, included an additional appropriation of $1.25

billion for ADHS projects over five years. In FY 2026, this amounted to a total of $246.25 million being apportioned to states for ADHS projects. FY 2026 was the last year of IIJA appropriations.

At the end of FY 2026, a total of 2,729.2 miles, or 88.3%, of the 3,090 miles authorized for the ADHS were complete; 119.4 miles were under construction or partially complete and open to traffic; 46.9 miles were in the final design or right-of-way acquisition phase; and 194.6 miles were in the location study phase.

Local Development Districts

Local development districts (LDDs) are multi-county planning organizations that facilitate community-based, regionally driven economic development. Guided by local leaders, elected officials, business representatives and other community stakeholders, ARC relies on LDDs to lead and leverage local partnerships to strengthen the economy. Every county in the Appalachian Region is served by one of 74 LDDs. While LDDs have a wide array of responsibilities as determined by their individual boards of directors, they typically are involved in four key areas that support the development of Appalachia: providing area-wide planning and program development and coordination of federal and state funding sources; assisting local governments in providing services, especially in poorer, more isolated communities; promoting public-private partnerships and assisting in business development; and helping communities assess, plan and conduct a wide range of activities such as job training, business development, telecommunications planning and implementation, and municipal government support. The Commission has also supported the training and technical assistance activities of the Development District Association of Appalachia, an organization of the region's LDDs.

Research and Program Evaluation Activities

In FY 2026, ARC obligated $2.9 million for research, evaluation, and strategic planning activities. These investments support studies that provide information on economic conditions in Appalachia, including baseline data and trend analyses, economic impact analyses, program evaluations, strategic planning, and regional economic and transportation modeling. This research helps policymakers, administrators and staff target resources effectively while providing the public with high-quality information about the region. ARC also engages external consultants to evaluate whether Commission-funded projects have produced measurable improvements in economic outcomes. These evaluations help ARC verify grant results and determine the extent to which funded projects advance the Commission's strategic goals.

Reports and data products are posted on ARC's website at *www.arc.gov/research-and-data*.

Research completed or in progress in FY 2026 included the following:

- Analysis of coal production and employment trends in Appalachia
- A research project examining migration and population change throughout the region
- A research project examining the long-term economic effects of ARC's investments in Appalachia
- A research project examining water and wastewater access and infrastructure throughout Appalachia
- A research and planning project in support of ARC's next strategic plan
- Analysis of emerging issues and potential research topics relevant to Appalachia
- A data overview study examining state- and county-level socioeconomic data for the 13 Appalachian states
- An evaluation of ARC's health investments
- An evaluation of ARC's ARISE-funded investments

- An evaluation of ARC's tourism and outdoor recreation investments
- An evaluation of ARC's broadband investments
- A research project examining the economic development impact of ADHS Corridors
- A research project aimed at improving prioritization methods and metrics for rural Appalachian highways

Progress and Challenges

Progress and Accomplishments

Since its inception in 1965, ARC has invested in the efforts of its local, regional, and state partners to create economic opportunities and strengthen the regional economy. ARC has made over 35,000 targeted investments and invested more than $6.4 billion in the region since its establishment. These investments were matched by over $12.7 billion in other federal, state, and local funding sources.

The record of progress in Appalachia over multiple decades includes these accomplishments:

Decreased Poverty Rates

- Appalachia's poverty rate has decreased from nearly 31% in 1960 to 14.3% today (over the 2020-2024 period).
- The number of high-poverty counties (those with poverty rates one and a half times the national average) has decreased from 297 in 1960 to 115 today.

Employment and Income Growth

- In 2015, as part of a special study examining ARC's first 50 years of existence, researchers found that between 1970 and 2012, in counties that received ARC investments, employment increased at a 4.2% faster pace and per capita income increased at a 5.5% faster pace than in similar counties outside of Appalachia.

Improvements in Educational Attainment

- The percentage of adults in the region with a high school diploma has nearly tripled since 1960, and students in Appalachia now graduate from high school at nearly the same rate as the national average.
- Additionally, as of 2020-2024, the percentage of adults age 25 and over that hold an associate's degree is slightly higher in Appalachia (9.5%) than in the country as a whole (8.8%).

Expansion of Basic Water & Wastewater Infrastructure

- Appalachia has seen an increase in its population served by a community water system, rising from about 74% in 2000 to 79% in recent years.
- In 1970, 13% of housing units in Appalachia lacked complete plumbing facilities. By 2020-2024, this percentage had fallen to about 3%.

Highway Infrastructure Expansion

- As of FY 2026, 2,848.6 miles, or 92.2% of the ADHS is under construction or open to traffic. The ADHS is a vital supplement to the existing interstate system, reducing isolation and increasing economic connectivity across the region, as well as connecting Appalachia with markets elsewhere in the country and those overseas.

Continued Challenges

Appalachia's isolation and its difficulty in adapting to economic change over past decades are major factors contributing to the gap in living standards and economic achievement between the region and the rest of the nation. Despite progress in some areas, Appalachia still does not enjoy the same economic vitality and living conditions as the rest of the nation; it continues to face challenges related to poverty, educational attainment, employment, population health and broadband access.

Poverty

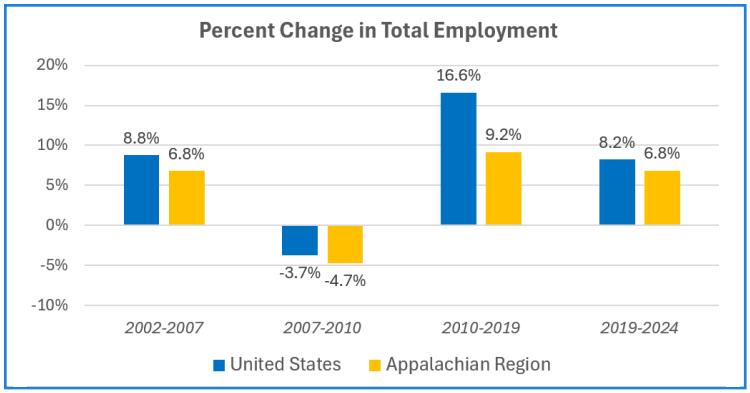
- Over the 2020-2024 period, median household income was 18% lower in Appalachia ($66,555) than in the U.S. overall ($80,734), and the poverty rate was higher in the region (14.3%) than in the country as a whole (12.5%).

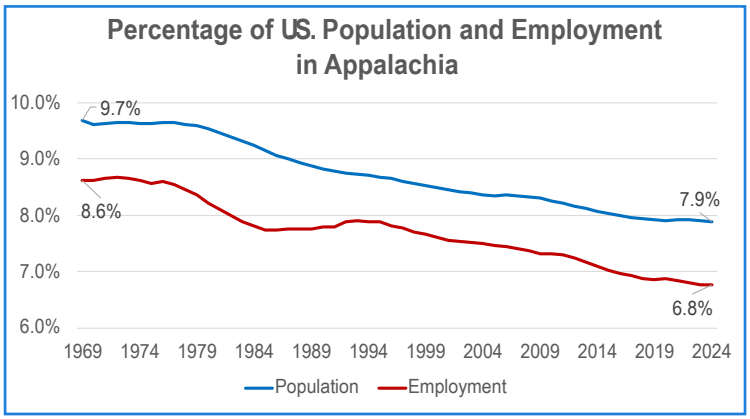
Postsecondary Educational Attainment

- While overall educational attainment rates in the region have improved over the past several decades, Appalachia continues to fall behind the nation on this measure. Over the 2020–2024 period, the share of adults 25 and over with a bachelor's degree or more was nearly eight percentage points lower in Appalachia (28.0%) than in the nation as a whole (35.7%), and in 239 Appalachian counties, fewer than one in five residents were graduates of a four-year college or university.
- Additionally, among adults with a bachelor's degree or higher, only 31.8% in Appalachia majored in science or engineering, compared with 36.1% nationally.

Job Growth and Labor Force

- For generations, employment growth in Appalachia has lagged growth in the rest of the United States—and when downturns occur, the region experiences these more acutely. Consider the relative changes in total employment over the past two decades, broken up into four distinct economic periods:
  - Heading into the Great Recession, from 2002 to 2007, employment growth in Appalachia (6.8%) trailed that in the U.S. as a whole (8.8%).
  - During the Great Recession, from 2007 to 2010, Appalachia saw a sharper decline in employment (-4.7%) than the country overall (-3.7%).
  - Between 2010 and 2019, employment in Appalachia grew 9.2% compared with 16.6% nationally.
  - During the most recent five-year period, 2019 to 2024, growth in Appalachia (6.8%) once again trailed that for the country overall (8.2%).



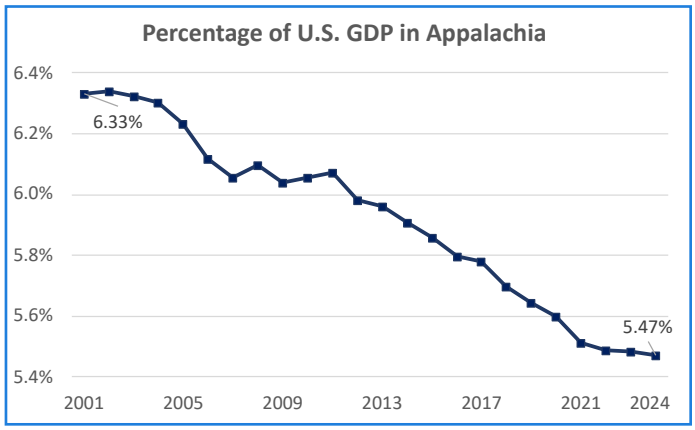


- Additionally, displaced workers in Appalachia are more likely to drop out of the labor force than workers elsewhere in the country, as evidenced by the region's lower labor force participation rate (74.9% among civilians ages 25-64 in the 2020-2024 period) compared to the national figure (79.1%).
- As seen in the figure to the right, which displays the percentage of the U.S. population and employment found in

Appalachia over time, there are fewer jobs available per person in Appalachia than elsewhere in the country—a disparity that has been present since at least 1969. The chart also shows the long-term declines across the region in both categories.

Gross Domestic Product

- Appalachia's share of the country's GDP has been declining over the years, dropping from 6.3% in 2004 to 5.5% in 2024. Between 2019 and 2024, the U.S. as a whole experienced GDP growth of 12.8%, compared to 9.3% in Appalachia. Growth was especially weak in the region's rural areas, where GDP rose just 5.6%.



Industry Decline

- The region has been disproportionately affected by the loss of relatively high-wage coal mining jobs. Nearly 70% of the coal mining jobs lost in the United States between 2011 and 2024 were in the Appalachian Region—a loss of over 32,000 jobs.
- Since the turn of the century, manufacturing employment has declined throughout the United States. However, the decline has been sharper in Appalachia than elsewhere: from 2000 to 2024, the region lost over 570,000 jobs in the industry, a 29% decrease, whereas the U.S. as a whole experienced a relatively smaller decline of 24% (a loss of nearly 4.3 million jobs).

Population Health

- In 2024, the all-cause mortality rate for people ages 15-64 was 31% higher in Appalachia than in the rest of the United States; in 2003, this gap was just 17%.
- The nation's substance use disorder crisis continues to disproportionately impact Appalachia. In 2024, the overdose-related mortality rate for the region's 25- to 54-year-old age group—those in their prime working years—was 45% higher than for the same age group in the country's non-Appalachian areas.

Broadband Access

- Appalachia lags behind the rest of the nation in access to affordable broadband telecommunications service during the 2020-2024 period. Specifically, 87.8% of Appalachian households had a broadband Internet subscription, compared to 91.0% of households nationwide. This leaves many Appalachians without access to modern telework and tele-education opportunities as well as telehealth services. The lack of broadband service also makes it difficult for local communities to attract new businesses that would help transition their local workforces to modern jobs in advanced manufacturing, health sciences and other industries.

Basic Community Infrastructure

- Despite great progress in closing the gap over the years, as of 2020-2024, a higher percentage of Appalachian housing units (3.2%) still lacked complete plumbing facilities compared to the U.S. as a whole (1.7%).
- Additionally, as of 2024, the percentage of the population served by large community water systems, which tend to have lower costs than smaller systems, was lower in Appalachia (73%) than the country overall (84%).

SUMMARY OF ACHIEVEMENTS

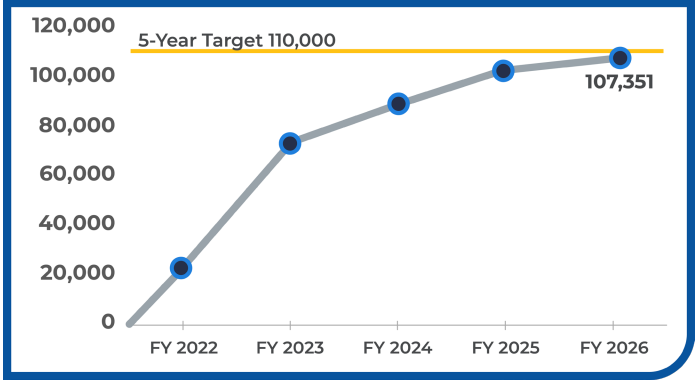
PERFORMANCE TARGETS AND INITIAL ESTIMATES FOR FISCAL YEAR 2026 PROJECTS

ANNUAL PERFORMANCE TARGETS	INITIAL ESTIMATES	EXPECTED RESULTS
Outcome Targets		
22,000 jobs created or retained	4,979 jobs created or retained	Met 23% of target
35,000 students and workers with improvements	45,899 students and workers with improvements	Exceed target by 31%
50,000 businesses and households with access to improved infrastructure	73,528 businesses and households with access to improved infrastructure	Exceed target by 47%
4,000 businesses created or strengthened	2,515 businesses created or strengthened	Met 63% of target
400 communities with enhanced capacity	732 communities with enhanced capacity	Exceed target by 83%
Leverage Target		
Achieve a 6:1 ratio of leveraged private investment to ARC funds ($6 per $1 ARC investment)	3:1 ratio* ($2.60 per $1 ARC investment)	Met 43% of target
Matching Target		
Achieve a 2:1 ratio of matching funds to ARC funds ($2 per $1 ARC investment)	1:1 ratio* ($1.15 per $1 ARC investment)	Meet 57% of target
Distressed Counties/Areas Target		
Direct 50% of ARC funds to benefit distressed counties or areas	75% of funds**	Exceed target by 25 percentage points

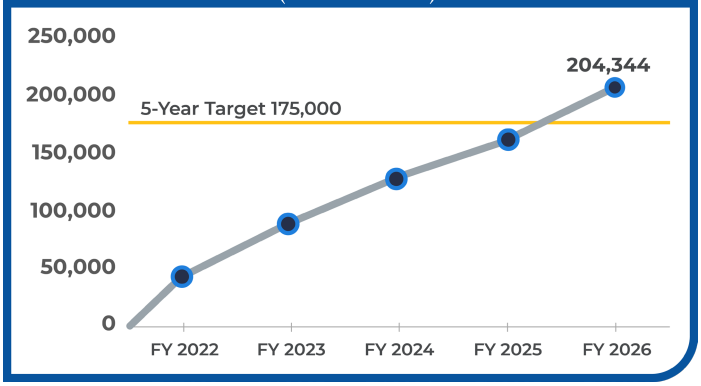
**Ratios are rounded to the nearest whole number.*
***Project funds are included if the project primarily or substantially benefits distressed counties or areas.*

Progress Toward ARC Strategic Plan Performance Goals, Fiscal Years 2022–2026

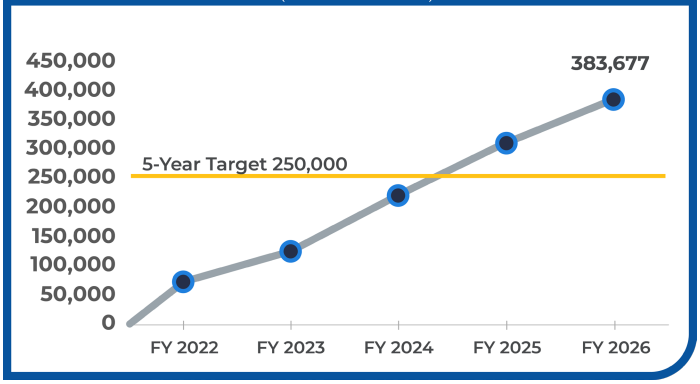
JOBS CREATED OR RETAINED (Cumulative)



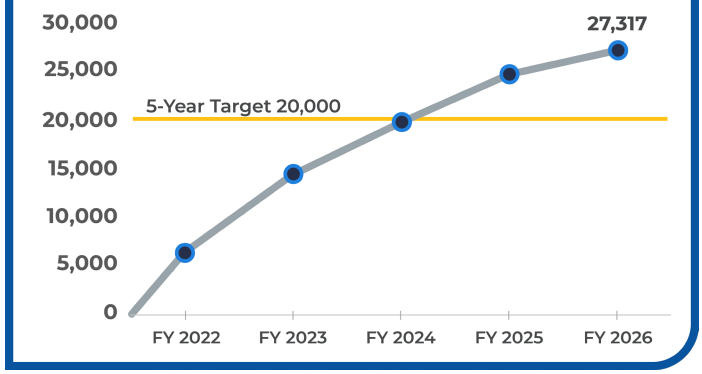
STUDENTS OR WORKERS WITH IMPROVEMENTS (Cumulative)



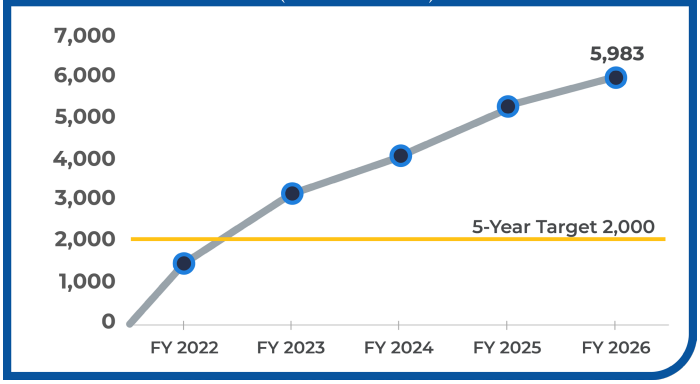
BUSINESSES AND HOUSEHOLDS SERVED WITH INFRASTRUCTURE (Cumulative)



BUSINESSES CREATED OR STRENGTHENED (Cumulative)



COMMUNITIES WITH ENHANCED CAPACITY (Cumulative)



FINANCIAL MANAGEMENT

Financial Management System

In FY 2026, the Appalachian Regional Commission continued to contract with General Services Administration (GSA) Pegasys Financial Services to perform the Commission's accounting and financial reporting. ARC supplements these financial services with Pathways, a grant management information system that provides real-time funding, grant-status, and performance-measurement information, as well as grant-related financial data, in an intranet environment available to staff and key state officials.

Management's Responsibility for Internal Control

ARC implemented a process for providing audited financial statements in FY 2002, following the guidance of the Accountability of Tax Dollars Act of 2002. ARC, strictly speaking, is not a federal agency as defined in Titles 5 and 31 of the U.S. Code. ARC keeps accurate and complete records of its doings and transactions pursuant to Section 107 of the Appalachian Regional Development Act of 1965, as amended, 40 USC 14308 (2021). Moreover, the Internal Revenue Service (IRS) has recognized ARC with a 501(c)(3) designation. Consistent with this, the Commission has elected to follow the Office of Management and Budget (OMB) guidance in its reporting because full disclosure of financial information is consistent with the governmental nature of ARC's mission and operations and its stewardship of public funds.

ARC maintains a plan of internal control development and testing, as required by the Federal Managers' Financial Integrity Act of 1982. ARC makes management controls an integral part of the entire cycle of planning, budgeting, management, accounting and financial auditing. ARC maintains an environment of accountability in which all employees help ensure that government resources are used efficiently and effectively to achieve intended program results with minimal potential for waste, fraud and mismanagement.

ARC's Office of Inspector General (OIG) conducts independent program reviews and audits. Weekly management team meetings provide an opportunity to address control issues. Finance staff conduct pre-payment examinations of approved payments, as well as oversight reviews of program account obligation and payment details. Finally, the annual financial audit of ARC provides independent assessments of the adequacy of internal controls. The internal control plan assigns responsibility within the Commission for follow-up action on any deficiencies.

ARC is pleased to report that it received an unmodified opinion from its independent auditor, Allmond & Company LLC, on the FY 2026 financial statements provided in this *Performance and Accountability Report*.

MANAGEMENT ASSURANCES

Overall Internal Control

The Appalachian Regional Commission's management is responsible for establishing and maintaining effective internal control and management systems that meet the objectives of the Federal Managers' Financial Integrity Act of 1982. The Commission conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's

Responsibility for Internal Control. Based on this evaluation, the Commission can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2026, was operating effectively.

Internal Control Over Financial Reporting

ARC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with OMB Circulars A-123, Management's Responsibility for Internal Control, and A-136, Financial Reporting Requirements. Based on the assessment, ARC can provide reasonable assurance that internal control over financial reporting as of September 30, 2026, was operating effectively.

Management Follow-Up to Inspector General Recommendations

During FY 2026, the OIG issued 41 reports and 60 recommendations. Sixty-eight final actions were completed during this period of performance, 54 of which are from recommendations made in previous reporting periods. The dollar value of recommendations with questioned costs where final action was completed in FY 2026 was $2,194,256. ARC recovered $57,136 in FY 2026 and has entered into settlement agreements with grantees for the recovery of an additional $79,885 in FY 2027.

Office of Inspector General reports are available at *www.arc.gov/office-of-inspector-general*.

SUMMARY OF FINANCIAL STATUS

Part III of this Performance and Accountability Report includes information about ARC's financial status. The FY 2026 unmodified opinion of ARC's independent auditor, Allmond & Company LLC, indicates that the financial statements included in that section fairly represent, in all material respects, the financial position of the Commission as of September 30, 2026. Thus, ARC's net costs, changes in net position and budgetary resources for the year ended in conformity with generally accepted accounting principles (GAAP) issued by the Financial Accounting Standards Board and OMB Circular A-136. The financial statements taken together include all aspects of ARC, including the Office of the Federal Co-Chair, Area Development Program and administrative/operational activities performed by ARC.

Assets on September 30, 2026, totaled $1,721 million versus $1,546 million in FY 2025. This amount corresponds to an 11.3% increase relative to FY 2025; the net increase in total assets is primarily due to new obligated balances not yet disbursed. Liabilities equaled $32.1 million in FY 2026 versus $29.2 million in FY 2025. This 9.9% increase is due primarily to regular year-over-year changes in accounts payable activity. The U.S. Treasury held 94.1% of ARC's total assets. In addition, 1.7%, or $29.14 million, represents Commission grant funds held by intermediary organizations in Appalachia for the operation of revolving loan funds promoting business development. The federal government retains a residual interest in the loan funds. The remaining amount is spread across other assets such as cash and advances to grantees, accounts receivable and property, plant and equipment.

ARC's net position increased from $1,517 million in FY 2025 to $1,689 million in FY 2026. The net cost of operations for FY 2026 totaled $229.7 million compared with $215.4 million in FY 2025. ARC receives most of its resources from congressional appropriations, which totaled $400 million in FY 2026. In addition, ARC receives a 50% share of the Commission's administrative budgeted expenses from the 13 member states. In FY 2026, this amount was set at $3.8 million. The Statement of Budgetary Resources reported net outlays of $237.1 million in FY 2026. ARC incurred obligations of $265.2 million in FY 2026 and has an unpaid obligated balance (net, end of year) of $872.2 million.

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with generally accepted accounting principles (GAAP) for federal entities and the formats prescribed by OMB, the statements, in addition to the financial reports, are used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are prepared for a component of the U.S. government, a sovereign entity. Notes are attached to the financial statements to describe and explain important disclosure information about line items in the statements and related financial policies and programs.

Statement of Assurance

I am pleased to certify with reasonable assurance that ARC's systems of internal control, taken as a whole, comply with Section 2 of the Federal Managers' Financial Integrity Act of 1982. ARC also is in substantial compliance with applicable federal accounting standards and the U.S. Standard General Ledger at the transaction level, and with federal financial system requirements. Accordingly, ARC fully complies with Section 4 of the Federal Managers' Financial Integrity Act of 1982, with no material non-conformances.

ARC conducted its assessment of the effectiveness of internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of OMB Circular A-123. ARC has reasonable assurance that internal controls over financial reporting as of September 30, 2026, were operating effectively.



Gayle C. Manchin
ARC Federal Co-Chair

November 16, 2026

PART II: FISCAL YEAR 2026 PERFORMANCE REPORT

INTRODUCTION

The Government Performance and Results Act of 1993 (GPRA) requires all federal agencies to submit a report on actual program results to Congress at the end of each fiscal year. Part II of this report documents the progress of the Appalachian Regional Commission (ARC, the Commission) toward fulfilling its mission and goals. Part II of this report presents:

- An overview of the Appalachian Regional Commission
- Methodology used to monitor project outcomes in compliance with the GPRA
- ARC's strategic investment goals and action objectives
- Performance targets and initial estimates for FY 2026 and for each of the five prior fiscal years
- Results of project verification and program evaluation
- Progress toward the ARC vision
- Cumulative progress toward five-year performance targets

The five strategic investment goals from ARC's 2022–2026 strategic plan, *Appalachia Envisioned: A New Era of Opportunity*, were used to evaluate performance in FY 2026.

OVERVIEW OF ARC

ARC's Vision

Appalachia is a region of great opportunity that will achieve socioeconomic parity with the nation.

ARC's Mission

Innovate, partner and invest to build community capacity and strengthen economic growth in Appalachia.

Organizational Structure

The Appalachian Regional Commission (ARC) is a regional economic development entity that represents a partnership of federal, state and local governments. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a Federal Co-Chair, who is appointed by the President of the United States. Local participation is provided through multi-county local development districts (LDDs).

Each year, Congress appropriates funds for the Commission's programs, which ARC allocates among its member states. At the beginning of their terms in office, Appalachian governors submit development plans for the Appalachian counties in their states. The Commission votes to approve these plans. The governors also submit annual strategy statements developed from the plans and must select projects for ARC approval and funding based on these statements.

Project Funding

In FY 2026, ARC funded 415 projects throughout the 13-state Appalachian Region through its regular appropriations and additional funds from the Infrastructure Investment and Jobs Act (IIJA). All projects must address one of the five goals in

ARC's 2022–2026 strategic plan: building Appalachian businesses, building Appalachia's workforce ecosystem, building Appalachia's infrastructure, building regional culture and tourism, and building community leaders and capacity.

In addition to funding for ARC's base Area Development Program, in FY 2026 the Commission's appropriation included funding for:

- The Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative, which attracts industry and expands job opportunities in Appalachian communities and regions affected by job losses in coal mining, coal power plant operations and coal-related supply chain industries
- The Investments Supporting Partnerships in Recovery Ecosystems (INSPIRE) Initiative, which addresses workforce gaps and economic challenges due to the impact of substance use disorder (SUD) in Appalachia
- The Appalachian Regional Initiative for Stronger Economies (ARISE) to drive large-scale, regional economic transformation through multi-state collaborative projects across Appalachia
- The *READY Appalachia* initiative, which offers funding and training to help Appalachian communities, organizations and individuals obtain the skills, knowledge and resources necessary to strengthen their local economies
- Support of the automotive and aviation sectors in Southern and South Central Appalachia
- Efforts to support a broadband deployment program in Central Appalachia
- A program of basic infrastructure improvements in distressed counties in Appalachia
- A program addressing North Central/North Appalachian broadband

One of the key differences between ARC and typical federal executive agencies and departments is the flexibility given to the states in determining how their allocated funds will be invested. This flexibility exists within a framework: funds must be invested in counties designated as part of the Appalachian Region, projects must address one or more of the Commission's five strategic investment goals, and a specified amount of the funds allocated to each state can be used only on projects that benefit counties and areas the Commission has designated as economically distressed.

ARC holds itself and its local, state and regional partners accountable for setting and achieving performance outcomes associated with ARC-supported investments. ARC measures the effectiveness of investments by tracking progress on several performance targets. ARC's strategic plan sets out annual and five-year investment outcome targets (see page 89).

In FY 2026, ARC met or exceeded three of its five annual investment outcome targets. Initial estimates exceeded annual targets for students and workers with improvements, businesses and households with improved infrastructure, and communities with enhanced capacity, while estimates for jobs created or retained and businesses created or strengthened were below their annual targets. These annual results should be considered alongside cumulative performance under ARC's five-year investment strategy. ARC nearly achieved the five-year target for jobs created or retained and exceeded the five-year target for businesses created or strengthened. The difference between annual and cumulative performance reflects, in part, changes in the composition of the project portfolio from year to year.

FISCAL YEAR 2026 INVESTMENT TARGETS AND INITIAL ESTIMATES

ANNUAL OUTCOME TARGETS	INITIAL ESTIMATES
22,000 jobs created or retained	4,979 jobs created or retained
35,000 students and workers with improvements	45,899 students and workers with improvements
50,000 businesses and households with improved infrastructure	73,528 businesses and households with improved infrastructure
4,000 businesses created or strengthened	2,515 businesses created or strengthened
400 communities with enhanced capacity	732 communities with enhanced capacity

STRATEGIC INVESTMENT GOALS AND OBJECTIVES

1 Building Appalachian Businesses

Strengthen and diversify the region's economy through inclusive economic development strategies and investments in entrepreneurship and business development.

Objectives:

1. Provide financing, technical assistance and other support for entrepreneurship and small business development in the region.
2. Pursue economic and enterprise development strategies that grow existing industries, support economic diversification and advance economic prosperity at the regional level.

2 Building Appalachia's Workforce Ecosystem

Expand and strengthen community systems (education, healthcare, housing, childcare, and others) that help Appalachians obtain a job, stay on the job and advance along a financially sustaining career pathway.

Objectives:

1. Develop and support educational programs and institutions from early childhood through post-secondary that provide the building blocks for skills development and long-term employment success.
2. Invest in workforce development programs and strategies informed by industry talent needs and designed to allow workers to simultaneously earn, learn and advance along a career pathway.
3. Develop a network of employment supports to help Appalachians enter and remain in the workforce.
4. Expand access to high-quality healthcare as well as programs and services that support overall mental and physical health for workers and their families.

3 Building Appalachia's Infrastructure

Ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient and energy-efficient utilities and infrastructure to successfully live and work in the region.

Objectives:

1. Ensure the availability of quality, affordable basic infrastructure to meet the needs of the residents and businesses of Appalachia.
2. Ensure that all Appalachians have access to quality and affordable telecommunications and broadband services.
3. Support proactive efforts to adopt alternative energy strategies and bolster energy infrastructure.
4. Complete the Appalachian Development Highway System (ADHS) and invest in innovative intermodal transportation systems to connect businesses and residents within the region with global opportunities.
5. Support construction of business development sites and public facilities and the adaptive reuse of obsolete and/or unsafe properties to stimulate economic and community development.

4 Building Regional Culture and Tourism

Strengthen Appalachia's community and economic development potential by preserving and investing in the region's local cultural heritage and natural assets.

Objectives:

1. Invest in the development of vibrant Appalachian downtowns and provide support for Appalachian placemaking.
2. Invest in economic and community development initiatives that preserve and promote Appalachian communities' vibrant arts and cultural and heritage traditions.
3. Preserve and expand Appalachia's natural resources to increase outdoor recreation opportunities for residents and visitors and support sustainable economic growth.

5 Building Community Leaders and Capacity

Invest in the capacity of local leaders, organizations, and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

Objectives:

1. Develop, support and empower community leaders that are representative of local communities, inclusive in their approach and focused on long-term, innovative strategies and solutions.
2. Build capacity of community organizations and local development districts (LDDs) to effectively access and manage funding, administer programs and execute projects through implementation.
3. Invest in developing the capacity of communities to build ecosystems where government, nonprofits, businesses, and philanthropic partners coalesce around a shared vision for economic and community prosperity and collaborate to implement that vision.

PERFORMANCE MEASUREMENT METHODOLOGY

Overview of ARC's Performance Measurement System

ARC's performance measurement system was designed to accomplish two primary objectives: compliance with the Government Performance and Results Act (GPRA) in measuring the outcomes of ARC projects, and creation of a process that allows for both feedback from grantees and analysis of funded projects to improve programming.

ARC's performance measurement system has three components:

1. Project data collection and analysis
2. Verification of outcomes
3. Independent evaluations

These three components work together to allow GPRA reporting and compliance and to help ARC glean lessons from previously funded grants. By structuring the measurement system in this manner, ARC has made the GPRA a management tool and a valuable resource in determining program effectiveness.

Performance Estimates: Initial Estimates

Initial estimates presented in this report are gathered from project applications, as reported by grantees. Critical data from projects submitted to ARC for funding are entered into the Commission's grants management system to facilitate monitoring of projects. Throughout the fiscal year, ARC staff review performance measurement data to better understand emerging trends, improve data integrity and shape policy to improve the ARC program. At the close of each fiscal year, ARC staff review and summarize initial estimates for submission to the Office of Management and Budget (OMB) and Congress.

Project Performance Verification: Intermediate Results

The performance verification process, a critical part of ARC's GPRA compliance, is designed to confirm project outcomes after the projects have been completed. In FY 2026, project performance was verified through a grantee survey for projects that were closed in FY 2023 to capture more accurate data on performance measures, which can continue to accrue for up to three years after a project has been completed.



Program Evaluations: Final Results

Independent, external evaluation of ARC initiatives and sub-programs is a critical component of ARC's GPRA compliance. Evaluations confirm both the outcomes and the overall effectiveness of projects. Evaluations focus on the extent to which the projects have achieved, or contributed to the attainment of, their objectives. The findings of these project evaluations are summarized and made available to state and local organizations engaged in carrying out projects under the five general goals in ARC's strategic plan and are published on ARC's website. Summaries of recent evaluations are included in this report under each strategic investment goal area.

This report presents outcome targets and initial estimates for each of ARC's five strategic investment goals, as well as overall targets for leveraged private investment, matching project funds and funds directed to distressed counties or areas. In addition, performance verification results and program evaluation results are reported under the appropriate goal area.

Annual Performance Targets and Measures

Each fiscal year, ARC submits to the OMB annual performance targets for projects to be funded in coming years, as required in the budget submission process. In determining these targets, ARC develops likely investment scenarios for the 13 Appalachian states, anticipating how each state will direct ARC funds in addressing the five strategic investment goals. The scenarios are based on state development plans, strategy statements, historical trends and communication with the states. ARC uses these scenarios to project results; however, the states have flexibility in spending decisions, although all projects are reviewed and approved by the ARC Federal Co-Chair and must pursue one of ARC's five strategic investment goals. The states' spending flexibility is a critical element of the ARC federal-state partnership but it poses challenges in setting performance targets. Each state's priorities may shift from year to year, occasionally producing unanticipated results.

To address reporting requirements, ARC reports initial estimates of performance targets as stated in the strategic plan. Although the projects funded by ARC each year generate many more measures than those reported for GPRA compliance, the measures reported relate uniquely to ARC's five strategic investment goals (see table on page 26).

It is important to note that some outcome measures cut across goal areas. To simplify the reporting of these measures, initial estimates for each performance target are totaled and reported under the strategic investment goal that most closely aligns with the outcome measure. For example, one of ARC's outcome measures is jobs created or retained. ARC measures initial estimates for jobs created or retained by projects funded under all the strategic goals. For clarity, this outcome measure is discussed, and initial estimates from all strategic investment goal areas are reported, under Strategic Investment Goal One, "Building Appalachian Businesses."

Outcome Measures

Strategic Investment Goal One: **Building Appalachian Businesses.** The following outcome measures are presented in Goal One: *The number of jobs created and the number of jobs retained*.

- "Jobs created" refers to the number of direct hires, excluding construction jobs, that will result from an ARC project (measured during the project period and up to three years after the project end date).

- "Jobs retained" refers to the number of existing jobs that would be lost or relocated if the ARC project were not undertaken.

These two measures are combined and reported together as "jobs created or retained."

Strategic Investment Goal Two: **Building Appalachia's Workforce Ecosystem**. The following outcome measures are presented in Goal Two: *The number of students with improvements and the number of workers/trainees with improvements.*

- "Students with improvements" refers to the number of students who have a measurable improvement because of an ARC-funded project, i.e. obtain a job in the field for which they were trained; receive a diploma, certificate, or other career credential; successfully complete a course or unit of study and/or graduate to the next grade level necessary to continue their education (measured during the project period and up to three years beyond the project end date).

- "Workers/trainees with improvements" refers to the number of workers or trainees with a measurable improvement because of an ARC-funded project, i.e. develop skills that enable them to obtain employment or earn higher pay, a better position, or a certification (measured during the project period and up to three years beyond the project end date).

These two measures are combined and reported together as "students and workers with improvements."

Strategic Investment Goal Three: **Building Appalachia's Infrastructure.** The following outcome measures are presented in Goal Three: *The number of residential ("household") and non-residential ("business") customers with new or measurably improved infrastructure.*

- "Businesses improved" refers to the number of non-residential customers with connections to new infrastructure services — such as water, sewer, natural gas or broadband service — or non-residential customers with improvements in existing infrastructure services.

- "Households improved" refers to the number of residential customers with connections to new infrastructure services — such as water, sewer, natural gas or broadband service — or residential customers with improvements in existing infrastructure services.

These two measures are combined and reported together as "businesses and households with access to improved infrastructure."

Strategic Investment Goal Four: **Building Regional Culture and Tourism.** The following outcome measures are presented in Goal Four: *The number of businesses created and the number of businesses strengthened.*

- "Businesses created" refers to the number of new businesses created because of an ARC project. This measure is used for business development projects such as entrepreneurship training, value-added agriculture, access to capital and business incubation programs.

- "Businesses strengthened" refers to the number of businesses with a measurable improvement because of an ARC project. This measure is used for business development and improvement projects, such as business technical assistance, market expansion, tourism development and value-added agriculture.

These two measures are combined and recorded together as "businesses created or strengthened."

Strategic Investment Goal Five: **Building Community Leaders and Capacity.** The following outcome measure is presented in Goal Five: *The number of communities with enhanced capacity.*

- "Communities with enhanced capacity" refers to the number of communities that have improved ability to address critical community issues because of an ARC project. This measure is used for projects that address planning, civic participation, and community capacity.

This measure is reported as "communities with enhanced capacity."

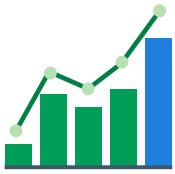
Leverage, Matching and Distressed Counties Measures

Leverage Measure: The ratio of leveraged private investment (LPI) to ARC investment for all area development grants. LPI refers to the dollar amount of private-sector financial commitments, outside of project costs, that result from an ARC project (measured during the project period and up to three years after the project end date).

Matching Measure: The ratio of non-ARC to ARC project investment for all area development grants. This measure helps illustrate the impact ARC's flexible grants can have in the Appalachian Region.

Distressed Counties/Areas Measure: The percentage of total ARC funds invested in projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

STRATEGIC INVESTMENT GOAL 1



Building Appalachian Businesses

Strengthen and diversify the region's economy through inclusive economic development strategies and investments in entrepreneurship and business development.

Collaborative and inclusive approaches to economic development in Appalachia are essential to supporting the region's businesses and industries and ensuring economic opportunity for its residents. ARC's stakeholders emphasized the importance of investment in economic growth strategies that capitalize on the region's unique assets and prioritize assistance for small businesses and entrepreneurs. Stakeholders further noted the importance of providing business support and capacity building assistance to help established businesses and industries expand their reach in national and international markets and help new businesses to establish themselves and grow.

Objectives

1.1 Provide financing, technical assistance and other support for entrepreneurship and small business development in the region.

1.2 Pursue economic and enterprise development strategies that grow existing industries, support economic diversification and advance economic prosperity at the regional level.

Performance Targets and Initial Estimates

Strategic Investment Goal 1 is aligned with the performance measure "jobs created or retained."

Outcome Measures

Because Strategic Investment Goal 1 is most closely aligned with the performance measure "jobs created or retained," initial estimates and verification results for jobs created or retained under all strategic investment goals are reported under this goal. Initial estimates and verification results for businesses created or strengthened are reported under Strategic Goal 4. The initial estimates for leveraged private investment under all strategic investment goals are reported on page 44.

Outcome Target and Initial Estimates

JOBS CREATED OR RETAINED IN FISCAL YEAR 2026	
ANNUAL OUTCOME TARGET	INITIAL ESTIMATE
FY 2026: 22,000 jobs created or retained	FY 2026: 4,979 jobs created or retained

FY 2026: **Expected to achieve 23% of target.** In FY 2026, ARC's initial estimate of 4,979 jobs created or retained represented 23% of the annual target of 22,000. The result reflects the composition of the FY 2026 project portfolio, which reflected greater emphasis on infrastructure, workforce development, and community capacity, for which ARC met or exceeded its targets. Because annual outcomes vary with the mix of projects funded in a given year, the FY 2026 result should be considered alongside ARC's cumulative performance, which achieved 98% of its five-year target of 110,000 jobs created or retained.

JOBS CREATED OR RETAINED IN FISCAL YEARS 2021–2025	
ANNUAL OUTCOME TARGETS	INITIAL ESTIMATES
FY 2021: 20,000 jobs created or retained	FY 2021: 20,624 jobs created or retained
FY 2022: 22,000 jobs created or retained	FY 2022: 22,597 jobs created or retained
FY 2023: 22,000 jobs created or retained	FY 2023: 50,189 jobs created or retained
FY 2024: 22,000 jobs created or retained	FY 2024: 16,073 jobs created or retained
FY 2025: 22,000 jobs created or retained	FY 2025: 13,584 jobs created or retained

Project Verification Sampling

In FY 2026, members of ARC's verification team surveyed 39 projects closed in FY 2023 that had targets for jobs created or retained to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Jobs Created or Retained	Actual Number of Jobs Created or Retained	Results Achieved
39	5,858	10,579	181%

As shown above, the projects surveyed achieved 181% of projected results for jobs created or retained.

Project Evaluation: Final Results

Impact of Business Development Projects

In October 2023, ARC released the report, *Evaluation of ARC Business Development Projects Closed in 2017–2021: Making Connections for Stronger Businesses and Resilient Communities*, prepared by a team of consulting firms: Working Partner, Wright Venture Services, Buzzworthy Biz and P/Strada. The evaluation reviewed 220 grants that closed between fiscal years 2017 and 2021, representing nearly $75 million of ARC investment. Methodology included analysis of data from ARC's grants management database, a survey of grantees and related focus groups and 10 in-depth case studies.

The evaluation found that ARC's business development grants closed during that timeframe led to improvements for nearly 11,000 businesses and facilitated the creation of over 14,500 jobs and 1,944 businesses. In addition,

ARC-funded business development projects leveraged over $923 million in private investment. These grants helped beneficiaries start or grow their businesses, access affordable loans or other capital, develop new marketing skills which in turn increased access to new markets, establish new networks, and strengthen their entrepreneurial mindset. Grantees described additional long-term impacts of their projects, such as increased awareness or enhanced reputation for their projects that extended their reach to new populations, new partnerships and community connections that brought new capacities to the projects, new ways to leverage technology to support rural entrepreneurs, stronger entrepreneur ecosystems and community improvements that increased community pride.

Impact of POWER Initiative

In September 2022, ARC issued the report *POWER Initiative Evaluation: The Value of POWER*, prepared by Chamberlin Dunn. This report summarizes findings and recommendations from the fourth phase of a formative evaluation of the POWER Initiative. POWER (Partnerships for Opportunities and Workforce and Economic Revitalization) is a grant initiative that targets federal resources to help communities affected by job losses in coal mining, coal power plant operations and coal-related supply chain industries. POWER grants are organized into four broad categories: workforce development, broadband and telecommunications, entrepreneurship and business cluster development.

The 2022 evaluation focused on medium- to long-term impacts of closed POWER grants. The evaluation found that most POWER grants with updated post-closeout performance measures were successful at meeting or exceeding their output and outcome targets. At the time of this evaluation, the POWER initiative had led to improvements for more than 160,000 individuals, over $1 billion in leveraged private investment, over $54 million in increased sales, nearly 21,000 jobs created or retained and over 1,500 businesses created. Grantees described other long-term impacts of their projects, such as project sustainability or expansion, new or enhanced regional ecosystems, increased organizational capacity and momentum for grantee organizations and changing mindsets.

STRATEGIC INVESTMENT GOAL 2



Building Appalachia's Workforce Ecosystem

Expand and strengthen community systems (education, healthcare, housing, childcare, and others) that help Appalachians obtain a job, stay on the job, and advance along a financially sustaining career pathway.

Developing and sustaining a strong workforce is a critical component of economic development, both in Appalachia and across the country. A strong workforce is one that has the soft and technical skills to meet local industry needs as well as access to fundamental supports to keep workers on the job, such as reliable transportation, appropriate healthcare, safe and affordable housing and quality childcare. Stakeholders noted that the Appalachian Region cannot achieve its vision for economic prosperity without investment in two key components: talent and skill development, and employment supports to keep people in the labor force and contributing to economic and community development.

Objectives

2.1 Develop and support educational programs and institutions from early childhood through post-secondary that provide the building blocks for skills development and long-term employment success.

2.2 Invest in workforce development programs and strategies informed by industry talent needs and designed to allow workers to simultaneously earn, learn and advance along a career pathway.

2.3 Develop a network of employment supports to help Appalachians enter and remain in the workforce.

2.4 Expand access to high quality healthcare as well as programs and services that support overall mental and physical health for workers and their families.

Performance Targets and Initial Estimates

Strategic Investment Goal 2 is aligned with the performance measure "students and workers with improvements."

Outcome Measures

Initial estimates and verification results for students and workers with improvements under all strategic investment goals are reported under Goal 2.

Outcome Target and Initial Estimates

STUDENTS AND WORKERS WITH IMPROVEMENTS IN FISCAL YEAR 2026	
ANNUAL OUTCOME TARGET	INITIAL ESTIMATE*
FY 2026: 35,000 students and workers with improvements	FY 2026: 45,899 students and workers with improvements
**Excludes projects that provided computers or computer equipment that will benefit large numbers of students.*	

FY 2026: **Expected to exceed target by 31%.** In FY 2026, ARC's initial estimate of 45,899 students and workers with improvements represented 131% of the annual target of 35,000. The result reflects the composition of the FY

2026 project portfolio, which placed substantial emphasis on workforce development and education activities with broad reach. Note the FY 2026 result is consistent with ARC's performance in recent years, when initial estimates generally exceeded the annual target.

STUDENTS, WORKERS AND LEADERS WITH IMPROVEMENTS IN FISCAL YEARS 2021–2025	
ANNUAL OUTCOME TARGETS	INITIAL ESTIMATES*
FY 2021: 22,000 students, workers and leaders with improvements	FY 2021: 25,102 students, workers and leaders with improvements
FY 2022: 35,000 students and workers with improvements	FY 2022: 41,555 students and workers with improvements
FY 2023: 35,000 students and workers with improvements	FY 2023: 46,990 students and workers with improvements
FY 2024: 35,000 students and workers with improvements	FY 2024: 39,631 students and workers with improvements
FY 2025: 35,000 students and workers with improvements	FY 2025: 37,096 students and workers with improvements
**Excludes projects that provided computers or computer equipment that will benefit large numbers of students.*	

Project Verification Sampling

In FY 2026, members of ARC's verification team surveyed 53 projects closed in FY 2023 that had targets for students and workers with improvements to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Students and Workers with Improvements	Actual Number of Students and Workers with Improvements	Results Achieved
53	11,246	24,022	214%

As shown above, the projects surveyed achieved 214% of projected results for students/trainees with improvements.

Project Evaluation: Final Results

Impact of Health Projects

In November 2025, ARC completed the report *Evaluation of ARC's Health Grants*, prepared by the Center for Rural Health and Research at East Tennessee State University. The evaluation focused on a cohort of 96 health grants that closed between fiscal years 2017 and 2021. Methodology included analysis of data from ARC's grants management database, a survey of grantees and site visits that incorporated interviews or focus groups and resulted in 10 in-depth case studies.

The evaluation found that ARC's health grants that closed during that timeframe led to improvements for over 300,000 patients, nearly 4,000 students, over 2,500 workers, over 300 organizations, and nearly 150 communities. In addition, ARC-funded health projects led to the creation of over 650 jobs and the retention of over 750 jobs. These grants advanced health and healthcare by improving health-related services; improving health-related infrastructure; strengthening the health-related workforce; advancing health through planning, education or other promotion strategies; and fostering or leveraging collaboration, often in combination with other goals. Most grantees who participated in the survey reported that their organization had continued project-related activities after grant closure.

Impact of INSPIRE Initiative

In July 2023, ARC issued the report *Evaluation of ARC's INSPIRE Initiative*, prepared by the East Tennessee State University (ETSU) Center for Rural Health Research, in collaboration with the ETSU Addiction Science Center. INSPIRE (Investments Supporting Partnerships in Recovery Ecosystems) is a grant initiative aimed at helping communities and states address the workforce impacts of the substance use disorder (SUD) crisis. The goal of the recovery ecosystem is to help individuals in SUD recovery access the support services and training they need to maintain recovery and successfully obtain sustainable employment. INSPIRE projects primarily focus on education and workforce development.

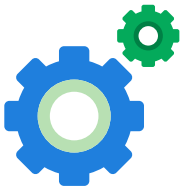
The evaluation focused on the first two cohorts of INSPIRE grants. These 50 grants were awarded in 2021 and represented close to $15 million in ARC investment. At the time of the evaluation, most of the grants were still open but were able to report preliminary impacts: INSPIRE projects had led to improvements for over 1,000 workers and almost 400 businesses. In addition, the evaluators found that grantees experienced early successes that expanded beyond performance measures, including establishing and expanding partner networks, securing community and organizational support and providing comprehensive services to individuals in recovery.

Impact of Education and Workforce Development Projects

In October 2022, ARC issued the report, *Evaluation of ARC's Education and Workforce Development Projects Closed in 2015–2019*, prepared by ICF International, Inc. The report evaluated 383 grants that closed between fiscal years 2015 and 2019, representing more than $62.5 million of ARC investment. Methodology included analysis of data from ARC's grants management database, grantee focus groups, 10 in-depth case studies and a survey of grantees.

The evaluation found that ARC's education and workforce grants that closed during that timeframe served around 440,000 students and 20,000 workers, leading to improvements for over 309,000 students and 16,000 workers. These grants helped beneficiaries earn credentials or certificates, enroll in or complete post-secondary coursework, increase college readiness, improve their academic skills, and have access to increased employment and job placement opportunities.

STRATEGIC INVESTMENT GOAL 3



Building Appalachia's Infrastructure

Ensure that the residents and businesses of Appalachia have access to reliable, affordable, resilient and energy-efficient utilities and infrastructure in order to successfully live and work in the region.

Businesses and residents alike require access to affordable, energy-efficient and reliable utilities as well as safe, connected and strategic transportation systems. However, residents and leaders within Appalachia cited aging, inadequate and unavailable infrastructure as a significant and crosscutting barrier to community prosperity that negatively impacts business talent attraction and retention, workforce development community and individual prosperity and access to healthcare and education. Difficult geography, traditionally underfunded infrastructure systems, natural disasters and declining revenue are just some of the barriers to building and sustaining Appalachia's infrastructure.

Objectives

3.1 Ensure the availability of quality, affordable basic infrastructure to meet the needs of the residents and businesses of Appalachia.

3.2 Ensure that all Appalachians have access to quality and affordable telecommunications and broadband services.

3.3 Support proactive efforts to adopt alternative energy strategies and bolster energy infrastructure.

3.4 Complete the Appalachian Development Highway System (ADHS) and construct local access roads to strengthen links between transportation networks and economic development.

3.5 Support construction of business development sites and public facilities and the adaptive reuse of obsolete and/or unsafe properties to stimulate economic and community development.

Performance Target and Initial Estimate

Strategic Investment Goal 3 is aligned with the performance measure "businesses and households with access to improved infrastructure."

Outcome Measure

Initial estimates and verification results for the number of businesses and households with access to improved infrastructure under all strategic investment goals are reported under Goal 3.

Outcome Target and Initial Estimates

BUSINESSES AND HOUSEHOLDS SERVED IN FISCAL YEAR 2026	
ANNUAL OUTCOME TARGET	INITIAL ESTIMATE
FY 2026: 50,000 businesses and households served	FY 2026: 73,528 businesses and households served

FY 2026: **Expected to exceed target by 47%.** In FY 2026, ARC's initial estimate of 73,528 businesses and households served exceeded the annual target of 50,000. The result reflects the composition of the FY 2026 project portfolio, particularly investments in water and wastewater systems, broadband, transportation, and other facilities with large service areas. Because annual outcomes vary with the mix and scale of projects funded in a given year, the FY 2026 result should be viewed as part of a broader pattern of performance, with ARC's initial estimates exceeding the annual target in each of the previous five fiscal years.

BUSINESSES AND HOUSEHOLDS SERVED IN FISCAL YEARS 2021–2025	
ANNUAL OUTCOME TARGETS	INITIAL ESTIMATES*
FY 2021: 22,000 businesses and households served	FY 2021: 69,825 businesses and households served
FY 2022: 50,000 businesses and households served	FY 2022: 71,953 businesses and households served
FY 2023: 50,000 businesses and households served	FY 2023: 52,199 businesses and households served
FY 2024: 50,000 businesses and households served	FY 2024: 95,813 businesses and households served
FY 2025: 50,000 businesses and households served	FY 2025: 101,073 businesses and households served
**Initial estimates do not include businesses and households served by ARC-funded water storage tank construction and improvement projects with large service areas.*	

Project Verification Sampling

In FY 2026, members of ARC's verification team surveyed 44 projects closed in FY 2023 that had targets for businesses and households served to compare estimated and actual results. Verification is for businesses and households served with infrastructure projects.

Number of Projects Surveyed	Projected Number of Businesses and Households Served	Actual Number of Businesses and Households Served	Results Achieved
44	31,198	35,049	112%

As shown above, the projects surveyed achieved 112% of projected results for businesses and households served with infrastructure.

Project Evaluation: Final Results

Impact of Broadband Projects

ARC will release a new evaluation report in early 2027 examining a cohort of broadband grants that closed between fiscal years 2019 and 2023. The evaluation was led by a team of consultants from Broadband Catalysts, Rural Innovation Strategies Inc., and CCG Consulting.

The 80 grants examined in the evaluation represent almost $16 million in ARC funding. The evaluation found that ARC-funded broadband projects had a catalytic effect, as grantees often leveraged the ARC funding to attract significant additional grant and private funding later on, setting a foundation for hundreds of millions of dollars in later investments in Appalachia.

The ARC-funded projects enhanced communities by completing 25 plans, constructing over 2.7 million linear feet of fiber, deploying 14 telecom sites and serving roughly 3,500 businesses. Overall, 187 communities experienced improvements as a result of ARC broadband grants.

Impact of Drinking Water and Wastewater Infrastructure Projects

In May 2020, ARC issued the report *Evaluation of the Appalachian Regional Commission's Drinking Water and Wastewater Infrastructure Projects: FY 2009–FY 2016*, prepared by the University of North Carolina Environmental Finance Center and Virginia Tech. ARC's water and wastewater infrastructure projects include new water and/or wastewater systems that serve residential, commercial or industrial properties, or some combination thereof, rehabilitation of existing water and/or wastewater systems and the construction or rehabilitation of water storage tanks. The report evaluated 379 drinking water and wastewater projects funded by ARC between FY 2009 and FY 2016, with more than $115 million in ARC investments. Water and wastewater projects funded by ARC during that time directly benefited more than 294,100 households and at least 17,410 businesses. These projects also led to the creation of 11,668 jobs and the retention of 22,179 jobs. The evaluation also found that communities value drinking water and wastewater projects, as evidenced by high demand, their key role in project completion and how they serve to attract and actively leverage additional public and private sector funding. Findings showed the grant portfolio successfully targeted the neediest locations, led to significant improvements in local economic conditions and met or surpassed locally determined performance goals.

Economic Analysis Study of the Appalachian Development Highway System (ADHS)

In July 2017, ARC published the report *Economic Analysis of Completing the Appalachian Development Highway System* led by Economic Development Research Group, which analyzed the effect of ADHS development on economic growth in Appalachia and quantified the future economic benefits and costs of completing the system. The study applied a mix of data and modeling efforts to measure passenger and freight traffic, the costs of corridor completion, time savings and other user benefits of the ADHS, and the broader economic development and trade impacts of the ADHS. The main purpose of the study was to estimate the economic benefits and costs of system and corridor completion to inform stakeholders as they work on funding and constructing the final segments of the ADHS. The study's key findings include the following:

- Increased economic activity associated with the ADHS system has helped create or support more than 168,000 jobs across the 13 Appalachian states, with nearly $7.3 billion of added worker income annually.
- ADHS investments made between 1965 and 2015 generated more than $19.6 billion per year of added business sales in Appalachia, representing over $9 billion of added gross regional product.
- The ADHS saves 231 million hours of travel time annually with 20% of car vehicle hours saved and 31% of freight truck vehicle hours saved associated with trips with at least one end located outside the Appalachian states.
- As of 2015, the value of transportation cost savings and productivity gains associated with the ADHS amounts to $10.7 billion annually. Informant interviews were conducted to complete case studies of major corridors and multimodal facilities located on or near corridors to show the connection with intermodal transportation.

STRATEGIC INVESTMENT GOAL 4



Building Regional Culture and Tourism

Strengthen Appalachia's community and economic development potential by preserving and investing in the region's cultural heritage and natural assets.

Appalachia is a region with unique downtown communities, a vibrant cultural and arts tradition, and diverse natural spaces. Stakeholders emphasized the importance of preserving and leveraging these regional assets to support quality of life for residents, community development, economic opportunity and tourism. ARC can support these objectives by investing in the revitalization of Appalachian downtowns, providing support for the maintenance and promotion of the region's arts and cultural heritage and assisting communities in preserving and harnessing natural resources and outdoor spaces for recreation and tourism purposes.

Objectives

4.1 Invest in the development of vibrant Appalachian downtowns and provide support for Appalachian placemaking.
4.2 Invest in economic and community development initiatives that preserve and promote Appalachian communities' vibrant arts, cultural and heritage traditions.
4.3 Preserve and expand Appalachia's natural resources to increase outdoor recreation opportunities for residents and visitors and to support sustainable economic growth.

Performance Targets and Initial Estimates

Strategic Investment Goal 4 is aligned with the performance measure "businesses created or strengthened."

Outcome Measures

Because Goal 4 is most closely aligned with the performance target "businesses created or strengthened," initial estimates and verification results for new or strengthened businesses for projects under all strategic investment goals are reported under this goal. Initial estimates and verification results for communities with enhanced capacity are reported under Goal 5.

Outcome Target and Initial Estimates

BUSINESSES CREATED OR STRENGTHENED IN FISCAL YEAR 2026	
ANNUAL OUTCOME TARGET	INITIAL ESTIMATE
FY 2026: 4,000 businesses created or strengthened	FY 2026: 2,515 businesses created or strengthened

FY 2026: **Expected to achieve 63% of target.** In FY 2026, ARC's initial estimate of 2,515 businesses created or strengthened represented 63% of the annual target of 4,000. The result reflects the composition of the FY 2026 project portfolio, which reflected greater emphasis on workforce training, infrastructure, and community capacity than on direct business development. Because annual outcomes vary with the mix of projects funded in a given

year, the FY 2026 result should be considered alongside ARC's cumulative performance, which exceeded the five-year target for businesses created or strengthened.

BUSINESSES CREATED OR STRENGTHENED IN FISCAL YEARS 2021–2025	
ANNUAL OUTCOME TARGET	INITIAL ESTIMATE
FY 2021: 2,500 businesses created or strengthened	FY 2021: 3,709 businesses created or strengthened
FY 2022: 4,000 businesses created or strengthened	FY 2022: 6,338 businesses created or strengthened
FY 2023: 4,000 businesses created or strengthened	FY 2023: 8,139 businesses created or strengthened
FY 2024: 4,000 businesses created or strengthened	FY 2024: 5,416 businesses created or strengthened
FY 2025: 4,000 businesses created or strengthened	FY 2025: 5,265 businesses created or strengthened

Project Verification Sampling

In FY 2026, members of ARC's verification team surveyed 37 projects closed in FY 2023 that had targets for businesses created or strengthened to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Businesses Created or Strengthened	Actual Number of Businesses Created or Strengthened	Results Achieved
37	2,265	3,033	134%

As shown above, the projects surveyed achieved 134% of projected results for businesses created or strengthened.

Project Evaluation: Final Results

Impact of Tourism and Outdoor Recreation Projects

ARC will release a new evaluation report in early 2027 examining a cohort of tourism and outdoor recreation grants that closed between fiscal years 2018 and 2022. The evaluation was led by a team of consultants from SE Group, Virginia Tech's Center for Economic and Community Engagement (CECE) and the Center for Regional Economic Competitiveness (CREC). The 179 grants examined in the evaluation, including 61 construction-focused projects, represent $32.2 million in ARC funding that leveraged more than $85.8 million in total investment. The evaluation revealed broader community benefits extending beyond tourism, including enhanced local infrastructure, expanded tourism capacity and improved workforce and business readiness, particularly in economically distressed counties.

The ARC-funded projects strengthened regional economies by creating 1,170 jobs and retaining over 1,000 jobs, attracting over 587,000 new day visitors and serving more than 3,000 businesses across Appalachia. Every $1.00 of ARC investment helped leverage approximately $2.67 in additional funding from public and private sources, demonstrating ARC's continued role as a catalyst for regional collaboration and economic growth.

STRATEGIC INVESTMENT GOAL 5



Building Community Leaders and Capacity

Invest in the capacity of local leaders, organizations and communities to address local challenges by providing technical assistance and support to access resources, engage partners, identify strategies and tactics, and conduct effective planning and project execution.

Achieving economic development goals for the region is dependent upon local ability to prioritize challenges and implement the solutions most impactful to their communities. Stakeholders noted that many areas in the region, particularly in rural and/or economically distressed areas, lack the capacity at the leadership, organizational or community level to effectively drive the planning and implementation of strategies, projects and investments. Out-migration and a lack of focus and investment in leadership and community development have left many communities in the region without the capacity needed to capitalize on funding opportunities and steer investments to successful outcomes. ARC will use evaluations, performance metrics and other tools to guide investment strategies and will share outcomes among grantees, beneficiaries and communities in Appalachia. Stakeholders repeatedly noted that ARC's investment in capacity building and planning support, technical assistance and training, and leadership development and empowerment is equally important as any other funding or program to growing the region's economic and community prosperity.

Objectives

5.1 Develop, support and empower community leaders that are representative of local communities, inclusive in their approach and focused on long-term, innovative strategies and solutions.

5.2 Build capacity of community organizations and local development districts (LDDs) to effectively access and manage funding, administer programs and execute projects through implementation.

5.3 Invest in developing the capacity of communities to build ecosystems where government, nonprofits, businesses and philanthropic partners coalesce around a shared vision for economic and community prosperity and collaborate to implement that vision.

Performance Targets and Initial Estimates

Strategic Investment Goal 5 is aligned with the performance measure "communities with enhanced capacity."

Outcome Measures

Initial estimates and verification results for communities with enhanced capacity are reported under this goal.

Outcome Target and Initial Estimates

COMMUNITIES WITH ENHANCED CAPACITY IN FISCAL YEAR 2026	
ANNUAL OUTCOME TARGET	INITIAL ESTIMATE
FY 2026: 400 communities with enhanced capacity	FY 2026: 732 communities with enhanced capacity

FY 2026: **Expected to exceed target by 83%.** In FY 2026, ARC's initial estimate of 732 communities with enhanced capacity considerably exceeded the annual target of 400 communities. The result reflects the composition of the

FY 2026 project portfolio, including substantial investments in planning, technical assistance, leadership development, and organizational capacity building projects. Many of these investments serve multiple communities through regional partnerships, shared resources, and multistate networks, extending their reach beyond a single participating community. ARC has consistently exceeded this target, demonstrating the sustained emphasis on capacity building across its investment portfolio.

COMMUNITIES WITH ENHANCED CAPACITY IN FISCAL YEARS 2021–2025	
ANNUAL OUTCOME TARGET	INITIAL ESTIMATE
FY 2021: 250 communities with enhanced capacity	FY 2021: 493 communities with enhanced capacity
FY 2022: 400 communities with enhanced capacity	FY 2022: 1,467 communities with enhanced capacity
FY 2023: 400 communities with enhanced capacity	FY 2023: 1,700 communities with enhanced capacity
FY 2024: 400 communities with enhanced capacity	FY 2024: 906 communities with enhanced capacity
FY 2025: 400 communities with enhanced capacity	FY 2025: 1,292 communities with enhanced capacity

Project Verification Sampling

In FY 2026, members of ARC's verification team surveyed 12 projects closed in FY 2023 that had targets for communities with enhanced capacity to compare estimated and actual results.

Number of Projects Surveyed	Projected Number of Communities with Enhanced Capacity	Actual Number of Communities with Enhanced Capacity	Results Achieved
12	149	313	210%

As shown above, the projects surveyed achieved 210% of projected results for communities with enhanced capacity.

Project Evaluation: Final Results

Impact of ARISE Initiative

In November 2026, ARC issued the *ARISE Program Evaluation Year Three Final Report*, prepared by Chamberlin Dunn. This report summarizes findings and recommendations from the third phase of an ongoing formative evaluation of a new grant program, ARISE. Appalachian Regional Initiative for Stronger Economies is a multi-state initiative that aims to drive large-scale, regional economic transformation through collaborative projects. ARISE grants may focus on any of ARC's strategic investment priorities.

The 2026 evaluation continued to focus on project progress to date, early impacts and emerging themes related to implementation successes and challenges, with a particular focus on the experience of implementing multi-state projects. The evaluation found that ARISE grantees are demonstrating measurable progress toward initiative goals. By August 2026, ARISE projects had collectively served over 31,000 individuals, over 3,600 businesses and organizations, and more than 800 communities, with many reporting improvements in capacity, skills and outcomes. Early workforce outcomes include more than 1,400 jobs retained and more than 500 jobs created. Planning efforts have also

yielded tangible products, such as 150 reports/plans and 135 new programs. Of the 23 ARISE-funded projects that have closed, nearly all have met or exceeded targets in almost every reporting category.

ARISE's multi-state design has led to additional impacts for grantees and projects. Grantees reported that cross-state collaboration facilitated shared learning, broader access to expertise and resources, and stronger regional relationships.

Impact of Community Capacity Building Projects

In March 2019, ARC issued the report *Evaluation of the Appalachian Regional Commission's Leadership and Community Capacity Projects FY 2008–FY 2015*, prepared by the Westat Corporation. The evaluation encompassed 152 projects representing $14.4 million in investments, and included a wide range of project types, including leadership programs, community and organizational capacity-building projects, downtown revitalization efforts, network and partnership-building projects, strategic planning, and technical assistance. The purpose was to determine the extent to which this set of projects succeeded in attaining its economic development objectives. Through a mix of surveys, site visits and phone interviews, evaluation results suggested that most projects met or exceeded their goals. Projects met or exceeded expected outcomes for the following measures: number of communities improved (91% of grantees using this measure reported meeting or exceeding expected outcomes), number of organizations improved (89% of grantees using this measure reported meeting or exceeding expected outcomes), number of programs implemented (82% of grantees using this measure reported meeting or exceeding expected outcomes), and number of participants improved (78% of grantees using this measure reported meeting or exceeding expected outcomes). Additionally, the report highlights the sustainability of this set of projects, as survey findings indicate that many of the projects surveyed have continued to operate beyond the grant period, and for nearly half of projects for which a survey was completed, respondents reported expanding their efforts.

PERFORMANCE TARGETS FOR LEVERAGE, MATCHING AND DISTRESSED COUNTIES/AREAS

Leverage Target

The leverage performance target for ARC investments is a ratio of leveraged private investments (LPI) to ARC investments. LPI is the dollar amount of private sector financial commitments (non-project funds) that result from an ARC project, measured during the project period and up to three years after the project end date.

LEVERAGED PRIVATE INVESTMENT RATIO IN FISCAL YEAR 2026	
ANNUAL TARGET	INITIAL ESTIMATES*
FY 2026: 6:1 ratio of leveraged private investment to ARC investment	FY 2026: 3:1 ratio
**Ratios are rounded to the nearest whole number.*	

FY 2026: **Expected to meet 43% of target.** Every dollar of ARC funding is estimated to attract $2.60 of leveraged private investment (non-project funds). In FY 2026, ARC's initial estimate of $2.60 in leveraged private investment for every $1 of ARC funding represented approximately 43% of the 6:1 annual target. This measure is particularly sensitive to the annual project portfolio and whether funded projects generate substantial private-sector commitments outside project costs. ARC met or exceeded the target in several prior years, illustrating the considerable year-to-year variation in this measure as project types and investment priorities change.

LEVERAGED PRIVATE INVESTMENT RATIO IN FISCAL YEARS 2021–2025	
ANNUAL TARGET	INITIAL ESTIMATES*
FY 2021: 6:1 ratio of leveraged private investment to ARC investment	FY 2021: 6:1 ratio
FY 2022: 6:1 ratio of leveraged private investment to ARC investment	FY 2022: 7:1 ratio
FY 2023: 6:1 ratio of leveraged private investment to ARC investment	FY 2023: 10:1 ratio
FY 2024: 6:1 ratio of leveraged private investment to ARC investment	FY 2024: 14:1 ratio
FY 2025: 6:1 ratio of leveraged private investment to ARC investment	FY 2025: 4:1 ratio
**Ratios are rounded to the nearest whole number.*	

Matching Target

The matching performance target for ARC investments is a ratio of non-ARC project funds to ARC funds. The ratio illustrates the impact ARC's relatively small, flexible investments can have on the Appalachian Region. Matching funds include only non-ARC sources of project funds, including federal, state, local, nonprofit and private project funding.

MATCHING PROJECT FUNDS RATIO IN FISCAL YEAR 2026	
ANNUAL TARGET	RESULT*
FY 2026: 2:1 ratio of matching funds to ARC investment	FY 2026: 1:1 ratio
**Ratios are rounded to the nearest whole number.*	

FY 2026: **Met 57% of target.** Every dollar of ARC funding attracted $1.15 in matching project funds. ARC did not meet its FY 2026 matching-funds target, achieving a ratio of 1:1 compared with the 2:1 target. The result partly reflects ARC's increased concentration of funding in economically distressed counties and areas, where reduced match requirements help ensure that communities with limited fiscal capacity can participate in ARC programs.

MATCHING PROJECT FUNDS RATIO IN FISCAL YEARS 2021–2025	
ANNUAL TARGET	RESULTS*
FY 2021: 2:1 ratio of matching funds to ARC investment	FY 2021: 2:1 ratio
FY 2022: 2:1 ratio of matching funds to ARC investment	FY 2022: 2:1 ratio
FY 2023: 2:1 ratio of matching funds to ARC investment	FY 2023: 1:1 ratio
FY 2024: 2:1 ratio of matching funds to ARC investment	FY 2024: 2:1 ratio
FY 2025: 2:1 ratio of matching funds to ARC investment	FY 2025: 1:1 ratio
**Ratios are rounded to the nearest whole number.*	

Distressed Counties/Areas Target

The distressed counties/areas target for ARC investments is the percentage of total ARC funds directed to projects that benefit distressed counties or areas. Project funds are included if the project primarily or substantially benefits distressed counties or areas.

PERCENTAGE OF FUNDS TO DISTRESSED COUNTIES/AREAS IN FISCAL YEAR 2026	
ANNUAL TARGET	RESULT*
FY 2026: Direct 50% of ARC funds to distressed counties or areas	FY 2026: 75% of funds
**Project funds are included if the project primarily or substantially benefits distressed counties or areas.*	

FY 2026: **Exceeded target by 25 percentage points.** In FY 2026, ARC directed 75% of project funding to projects that primarily or substantially benefit economically distressed counties or areas, exceeding the 50% annual target by 25 percentage points. This represents ARC's highest result in the period shown and continues a multi-year pattern of exceeding the target, reflecting the Commission's sustained focus on communities with the greatest economic need. The FY 2026 result also provides context for ARC's lower matching-funds ratio because projects benefiting distressed communities often qualify for higher ARC cost shares.

PERCENTAGE OF FUNDS TO DISTRESSED COUNTIES/AREAS IN FISCAL YEARS 2021–2025	
ANNUAL TARGETS	RESULTS*
FY 2021: Direct 50% of ARC funds to distressed counties or areas	FY 2021: 70% of funds
FY 2022: Direct 50% of ARC funds to distressed counties or areas	FY 2022: 74% of funds
FY 2023: Direct 50% of ARC funds to distressed counties or areas	FY 2023: 70% of funds
FY 2024: Direct 50% of ARC funds to distressed counties or areas	FY 2024: 73% of funds
FY 2025: Direct 50% of ARC funds to distressed counties or areas	FY 2025: 73% of funds
**Project funds are included if the project primarily or substantially benefits distressed counties or areas.*	

SUMMARY OF ACHIEVEMENTS

PERFORMANCE TARGETS AND INITIAL ESTIMATES FOR FISCAL YEAR 2026 PROJECTS

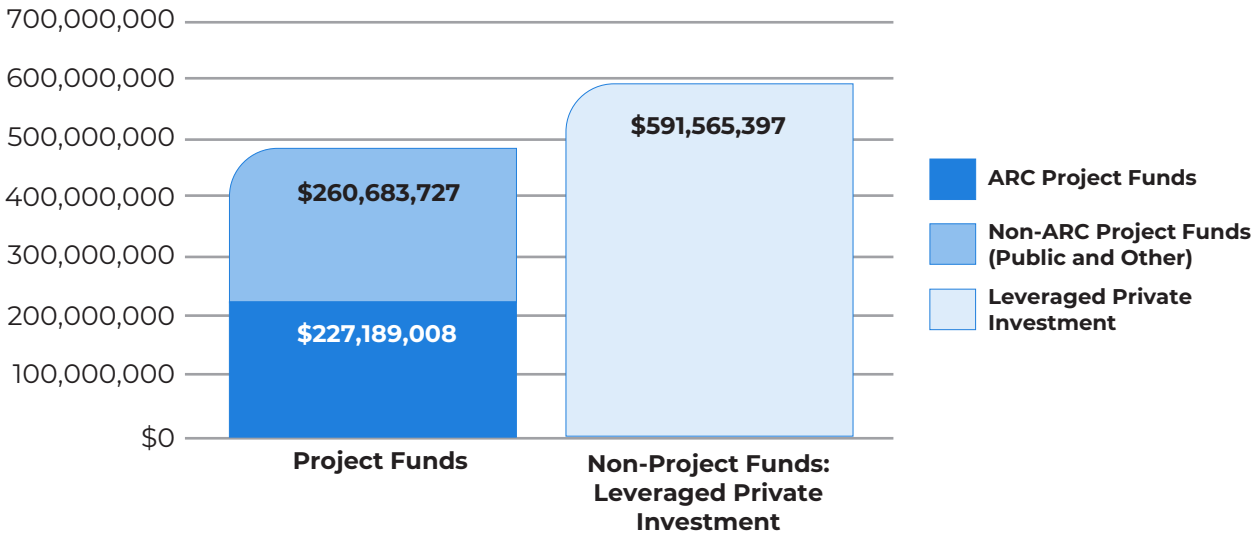
ANNUAL PERFORMANCE TARGETS	INITIAL ESTIMATES	EXPECTED RESULTS
Outcome Targets		
22,000 jobs created or retained	4,979 jobs created or retained	Met 23% of target
35,000 students and workers with improvements	45,899 students and workers with improvements	Exceed target by 31%
50,000 businesses and households with access to improved infrastructure	73,528 businesses and households with access to improved infrastructure	Exceed target by 47%
4,000 businesses created or strengthened	2,515 businesses created or strengthened	Met 63% of target
400 communities with enhanced capacity	732 communities with enhanced capacity	Exceed target by 83%
Leverage Target		
Achieve a 6:1 ratio of leveraged private investment to ARC funds ($6 per $1 ARC investment)	3:1 ratio* ($2.60 per $1 ARC investment)	Met 43% of target
Matching Target		
Achieve a 2:1 ratio of matching funds to ARC funds ($2 per $1 ARC investment)	1:1 ratio* ($1.15 per $1 ARC investment)	Met 57% of target
Distressed Counties/Areas Target		
Direct 50% of ARC funds to benefit distressed counties or areas	75% of funds**	Exceed target by 25 percentage points

**Ratios are rounded to the nearest whole number.*
***Project funds are included if the project primarily or substantially benefits distressed counties or areas.*

Investment Summary for FY 2026 Projects

LEVERAGE, MATCHING AND DISTRESSED COUNTIES/AREAS SUMMARY		
Leveraged private investment	$591,565,397	3:1 ratio of leveraged private investment to ARC investment
Non-ARC matching project funds	$260,683,727	1:1 ratio of non-ARC project investment to ARC project investment
ARC project funds targeted to distressed counties or areas	$170,733,509*	75% of total ARC project funds directed to projects that benefit distressed counties or areas
**Project funds are included if the project primarily or substantially benefits distressed counties or areas.*		

Funding and Leveraged Private Investment for All ARC Projects in Fiscal Year 2026



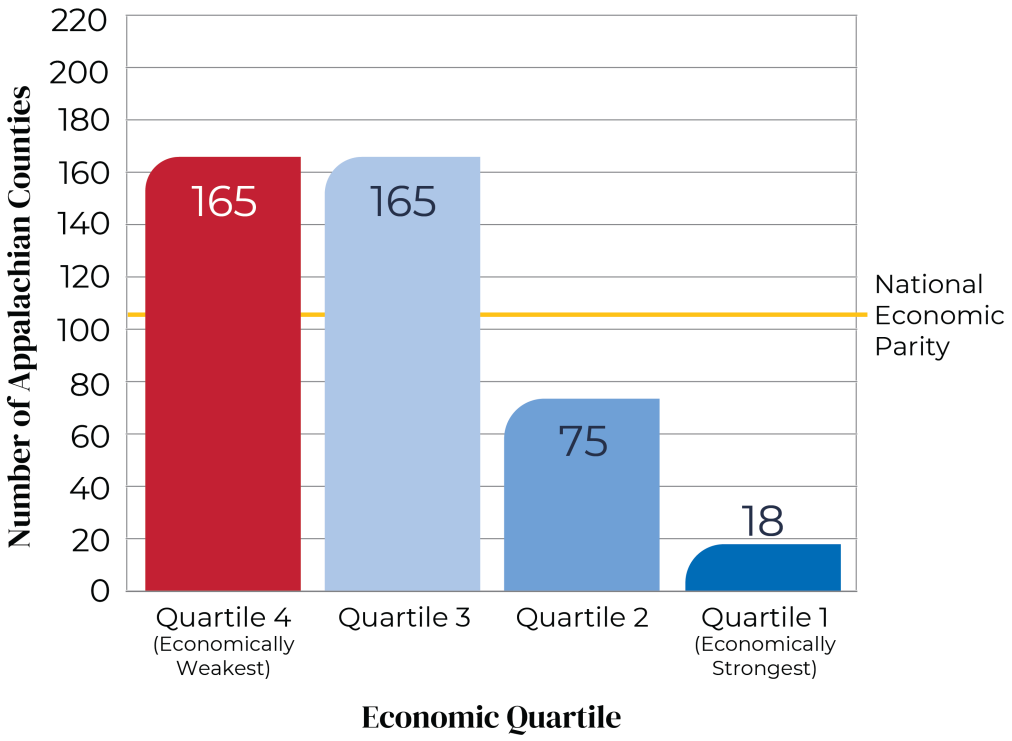
MEASURING PROGRESS TOWARD THE ARC VISION

ARC's overall vision is that Appalachia is a region of great opportunity that will achieve socioeconomic parity with the nation. One way to measure Appalachia's progress toward this vision is to compare the economic status of Appalachian counties with all counties nationwide.

In order to provide a unified measure of regional progress and economic change, ARC developed an index to track improvement over time. Drawing on the three variables ARC uses annually to determine the economic status of Appalachian counties, staff developed a national composite index of distress. The three variables (three-year annual unemployment, per-capita market income and poverty rates) are applied to each county in the nation and compared with national averages. The resulting values are summed, averaged and ranked to create four quartiles with an approximately equal number of counties in each group.

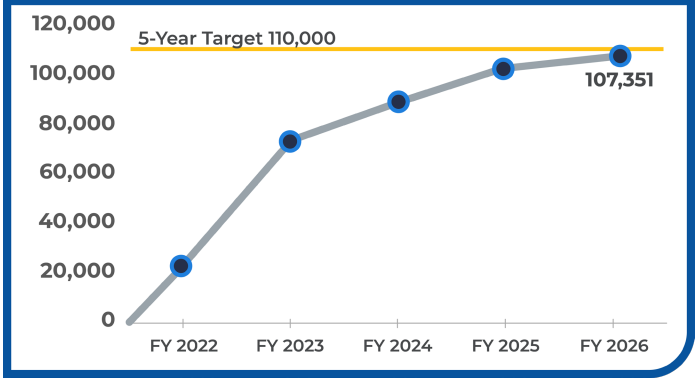
Using this index, ARC can compute annually the number of Appalachian counties in each quartile, as well as an overall regional index value. This can be directly compared with the national index value to measure progress. In addition, progress can be clearly measured by reductions in the number of Appalachian counties in the economically weakest quartile. As the figure below shows, Appalachia continues to have a disproportionately high number of counties with underperforming economies and a smaller share of counties with strong economies, compared with the nation.

Number of Appalachian Counties by Economic Quartile, Fiscal Year 2026

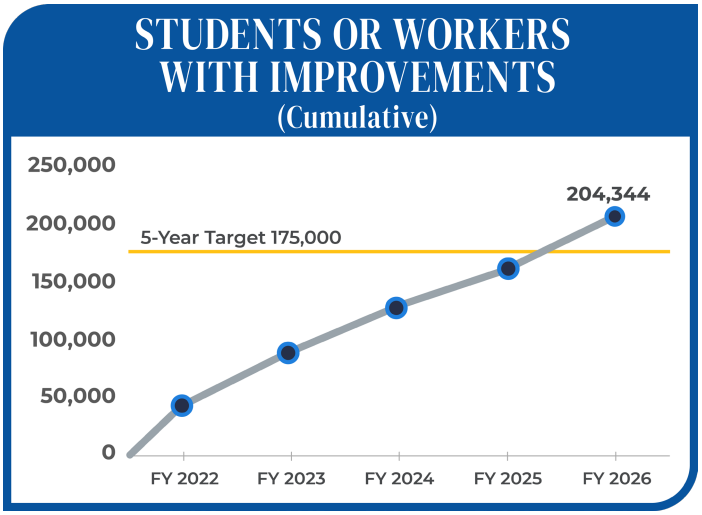


PROGRESS TOWARD ARC STRATEGIC PLAN PERFORMANCE GOALS, FISCAL YEARS 2022–2026

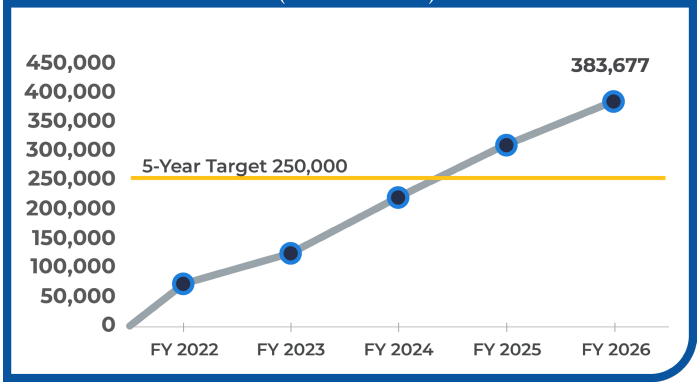
JOBS CREATED OR RETAINED (Cumulative)



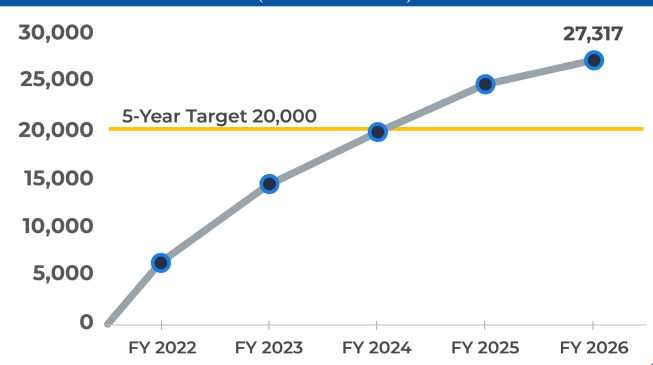
STUDENTS OR WORKERS WITH IMPROVEMENTS (Cumulative)



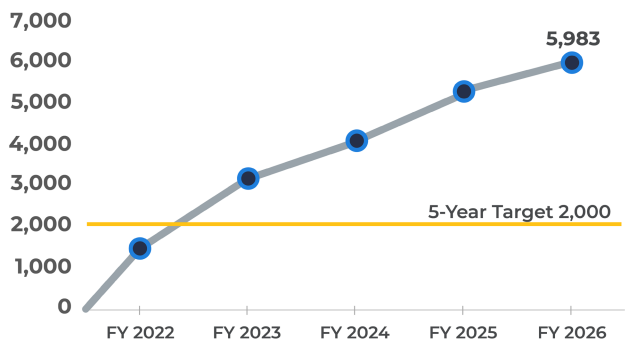
BUSINESSES AND HOUSEHOLDS SERVED WITH INFRASTRUCTURE (Cumulative)



BUSINESSES CREATED OR STRENGTHENED (Cumulative)



COMMUNITIES WITH ENHANCED CAPACITY (Cumulative)



PART III: FISCAL YEAR 2026 FINANCIAL REPORT

MESSAGE FROM THE EXECUTIVE DIRECTOR

The Executive Director of the Appalachian Regional Commission is appointed by the Federal Co-Chair and the governors of the 13 member states to be the chief executive officer of the organization, a responsibility that includes financial management. ARC recognizes its responsibility to demonstrate to the American public that it exercises proper stewardship of the public resources entrusted to it. The financial statements in this Performance and Accountability Report fairly present the financial position of ARC.

I am very pleased to report that Allmond & Company LLC, the independent auditor of ARC's financial statements for 2026, has rendered an unmodified opinion about the adequacy of the statements. The independent audit was performed in cooperation with the Office of Inspector General (OIG).

The Commission maintains written financial management guidelines and accounting internal control policies and procedures governing accounts, payments, procurement, administration and travel policy. The guidelines are provided to all staff and are reviewed regularly and are amended to reflect changes in policy or revised procedures resulting from tests of internal controls.

On behalf of the entire Commission, I pledge a continued commitment to promptly address all financial management issues that need further attention and to maintain the strengths the Commission has achieved.

Brandon McBride
Executive Director
Appalachian Regional Commission

November 16, 2026

REPORT OF INDEPENDENT AUDIT

Office of Inspector General

Appalachian Regional Commission

Fiscal Year 2026

Financial Statement Audit Opinion

Report Prepared by Allmond & Company, LLC

Report Number 27-08

November 16, 2026

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, Suite 718
Washington, D.C. 20009

Office of Inspector General

Appalachian Regional Commission

November 16, 2026

Brandon McBride
Executive Director, ARC

This memorandum transmits the results of the audit of the Commission's financial statements for the fiscal year ending September 30, 2026, and 2025. We contracted with the independent certified public accounting firm Allmond & Company, LLC to conduct this audit. Allmond & Company, LLC expressed an unmodified opinion that concluded the financial statements were presented fairly, in all material respects, in accordance with the applicable financial reporting standards.

My office has policies and procedures that are designed to provide assurance that work performed by non-Federal auditors complies with the auditing standards. In connection with this contract, we reviewed the final report of Allmond & Company, LLC and related documentation and made inquiries of its representatives.

Our oversight of Allmond & Company, LLC's audit did not disclose any instances where they did not comply, in all material respects, with the U.S. generally accepted government auditing standards; however, this review cannot be construed as an audit, and is not intended to enable us to express, and we do not express, any opinion on the Commission's financial statements. Allmond & Company, LLC is solely responsible for the audit report dated November 12, 2026, and the conclusions expressed in the report.

Thank you for the cooperation and courtesies extended to both Allmond & Company, LLC, and my staff during this audit.

Sincerely,

Clayton Fox
Inspector General

Attachment

ARC–2026 Financial Statement Audit
Contract: 47QRAA21D0026/ARC26P010

Appalachian Regional Commission (ARC)
Fiscal Year 2026 Financial Statement Audit

Final Independent Auditor's Report

Submitted for review and acceptance to:
Virginia King, Assistant Inspector General for Audit
Office of Inspector General
Appalachian Regional Commission
1666 Connecticut Ave, NW, Suite 700
Washington, DC 20009-1068

Submitted by:
Jason L. Allmond, CPA, CGFM, CISA, CISM
Managing Member
Allmond & Company, LLC
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Lanham, MD 20706
301-918-8200
mailto:jallmond@allmondcpa.com

Final Independent Auditor's Report
Prepared under contract to the Appalachian Regional Commission (ARC) Office of Inspector General to provide financial auditing services

APPALACHAIN REGIONAL COMMISSION
AUDIT REPORT
SEPTEMBER 30, 2026

Appalachian Regional Commission

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Certified Public Accountants
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Independent Auditor's Report

Federal Co-Chair and Executive Director
Appalachian Regional Commission:

Report on the Financial Statements

Opinion

In accordance with the Accountability of Tax Dollars Act of 2002, we have audited the Appalachian Regional Commission (ARC) financial statements. ARC's financial statements comprise the balance sheets as of September 30, 2026 and 2025; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

In our opinion, ARC's financial statements present fairly, in all material respects, ARC's financial position as of September 30, 2026 and 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-02 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 the ARC 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 U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the Required Supplementary Information (RSI) in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in ARC's Performance and Accountability Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) 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 of the financial statements conducted in accordance with GAAS, U.S. generally accepted government auditing standards (GAGAS), and OMB Bulletin No. 24-02 will always detect a material misstatement or material weakness 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, including omissions, are considered to be 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 GAAS, GAGAS, and OMB Bulletin No. 24-02, 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 that are 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 an audit 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 ARC's internal control over financial reporting. 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.
- Perform other procedures we consider necessary in the circumstances.

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 financial statement audit.

Required Supplementary Information (RSI)

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the information in the RSI be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required under standards issued by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the

methods used to prepare the RSI and (2) comparing the RSI for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

ARC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in ARC's Performance and Accountability Report. The other information comprises the *Management and Discussion Analysis* and *Performance* sections. Other information does not include the 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 the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audit of ARC's financial statements, we considered ARC's internal control over financial reporting, consistent with the auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies[1] or to express an opinion on the effectiveness of ARC's internal control over financial reporting. Given these limitations, during our 2026 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to ARC's internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

1 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 combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity'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 over financial reporting that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance.

Responsibilities of Management for Internal Control over Financial Reporting

ARC management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of ARC's financial statements as of and for the fiscal year ended September 30, 2026, in accordance with U.S. generally accepted government auditing standards, we considered ARC's internal control relevant to the financial statement 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 ARC's internal control over financial reporting. Accordingly, we do not express an opinion on ARC's internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of ARC's internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of ARC's internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audit of ARC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2026 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to ARC. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

ARC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to ARC.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to ARC that have a direct effect on the determination of material amounts and disclosures in ARC's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to ARC. We caution that noncompliance may occur and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Allmond & Company, LLC

Lanham, MD
November 12, 2026

Appalachian Regional Commission

FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2026 and 2025

Appalachian Regional Commission
BALANCE SHEETS
As Of September 30, 2026 and 2025
(in thousands)

		2026 (CY)	2025 (PY) (Reclassified)
Assets:			
Intragovernmental Assets:			
Fund Balance With Treasury	(Note 2)	$ 1,620,334	$ 1,457,437
Accounts Receivable, net		517	644
Advances and Prepayments	(Note 4)	232	303
Total Intragovernmental Assets		1,621,083	1,458,384
Other than Intragovernmental Assets:			
Cash and Other Monetary Assets	(Note 3)	2,175	2,214
Accounts Receivable, net		126	26
Property, Plant and Equipment, net	(Note 5)	10,812	12,047
Advances and Prepayments	(Note 4)	86,584	73,421
Total Other than Intragovernmental Assets		99,697	87,708
Total Assets		$ 1,720,780	1,546,092
Liabilities:	(Note 6)		
Intragovernmental Liabilities:			
Accounts Payable		$ 1	$ 1
Advances from Others and Deferred Revenue		694	344
Other Liabilities	(Note 7)	58	29
Total Intragovernmental Liabilities		753	374
Other than Intragovernmental Liabilities:			
Accounts Payable		16,141	13,326
Federal Employee Salary, Leave, and Benefits Payable		1,451	934
Advances from Others and Deferred Revenue		664	628
Other Liabilities	(Note 7)	13,085	13,910
Total Other than Intragovernmental Liabilities		31,341	28,798
Total Liabilities		$ 32,094	$ 29,172
Commitments and contingencies	(Note 16)		
Net Position:			
Unexpended Appropriations - Funds from Other Than Dedicated Collections		$ 1,705,182	$ 1,532,900
Cumulative Results of Operations - Funds from Other than Dedicated Collections (Consolidated Totals)		(16,496)	(15,980)
Total Net Position		$ 1,688,686	1,516,920
Total Liabilities and Net Position		$ 1,720,780	1,546,092

Appalachian Regional Commission
STATEMENTS OF NET COST
For The Fiscal Years Ended September 30, 2026 and 2025
(in thousands)

	2026 (CY)	2025 (PY)
Program Costs:		
Gross Costs	$ 234,731	$ 220,645
Less: Earned Revenue	5,035	$ 5,217
Net Program Costs	229,696	$ 215,428
Net Cost of Operations	$ 229,696	$ 215,428

The accompanying notes are an integral part of these statements.

Appalachian Regional Commission
STATEMENT OF CHANGES IN NET POSITION
For The Fiscal Years Ended September 30, 2026 and 2025
(in thousands)

		FY 2026 (CY)	
		Funds from Other than Dedicated Collections (Consolidated Totals)	Consolidated Total
Unexpended Appropriations:			
Beginning Balance		$ 1,532,900	$ 1,532,900
Appropriations received		400,000	400,000
Appropriations used		(227,718)	(227,718)
Net Change in Unexpended Appropriations		172,282	172,282
Total Unexpended Appropriations		$ 1,705,182	$ 1,705,182
Cumulative Results from Operations			
Beginning Balances		$ (15,980)	$ (15,980)
Corrections of errors (+/-)		1,354	1,354
Beginning balances, as adjusted		(14,626)	(14,626)
Appropriations used		227,718	227,718
Imputed Financing	(Note 11)	108	108
Net Cost of Operations		(229,696)	(229,696)
Net Change in Cumulative Results of Operations		(1,870)	(1,870)
Total Cumulative Results of Operations		(16,496)	(16,496)
Net Position		$ 1,688,686	$ 1,688,686

The accompanying notes are an integral part of these statements.

Appalachian Regional Commission
STATEMENT OF CHANGES IN NET POSITION
For The Fiscal Years Ended September 30, 2026 and 2025
(in thousands)

FY 2025 (PY)

	Funds from Other than Dedicated Collections (Consolidated Totals)	Consolidated Total
Unexpended Appropriations:		
Beginning Balance	$ 1,347,138	1,347,138
Appropriations received	400,000	400,000
Appropriations used	(214,238)	(214,238)
Net Change in Unexpended Appropriations	185,762	185,762
Total Unexpended Appropriations	$ 1,532,900	1,532,900
Cumulative Results from Operations		
Beginning Balances	$ (15,449)	(15,449)
Adjustments: (+/-)		
Corrections of errors (+/-)	550	550
Beginning balances, as adjusted	(14,899)	(14,899)
Appropriations used	214,238	214,238
Imputed Financing	109	109
Net Cost of Operations	(215,428)	(215,428)
Net Change in Cumulative Results of Operations	(1,081)	(1,081)
Total Cumulative Results of Operations	(15,980)	(15,980)
Net Position	$ 1,516,920	1,516,920

The accompanying notes are an integral part of these statements.

Appalachian Regional Commission
STATEMENTS OF BUDGETARY RESOURCES

For The Fiscal Years Ended September 30, 2026 and 2025
(in thousands)

		2026 (CY) Budgetary	2025 (PY) Budgetary
Budgetary resources:			
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	(Note 12)	$ 603,072	501,832
Appropriations (discretionary and mandatory)		400,000	400,000
Spending authority from offsetting collections (discretionary and mandatory)		5,384	5,396
Total budgetary resources		$ 1,008,456	907,228
Status of budgetary resources:			
New obligations and upward adjustments (total)	(Note 10)	$ 265,158	331,654
Unobligated balance, end of year:			
Apportioned, unexpired account		711,279	533,973
Unapportioned, unexpired accounts		32,019	41,601
Unexpired unobligated balance, end of year		743,298	575,574
Unobligated balance, end of year (total)		743,298	575,574
Total budgetary resources		$ 1,008,456	907,228
Outlays, net:			
Outlays, net (total) (discretionary and mandatory)		$ 237,103	214,678
Agency outlays, net (discretionary and mandatory)		$ 237,103	214,678

The accompanying notes are an integral part of these statements.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 1 – Significant Accounting Policies

Reporting Entity

The Appalachian Regional Commission (ARC) was established under the Appalachian Regional Development Act of 1965, as amended. ARC is a regional development agency designed to function as a federal, state, and local partnership. ARC, strictly speaking, is not a federal executive branch agency as defined in Titles 5 and 31 of the United States Code and by the Department of Justice.

Commission members are comprised of a federal member (Federal Co-Chair), who is appointed by the President of the United States, and the governors of each of the 13 states in the Appalachian Region. The state members elect a State Co-Chair from their members. ARC has an Executive Director and Program and Administrative Offices that implement the policies and procedures established by the Federal and State Co-Chairs. ARC personnel are comprised of both federal and non-federal employees.

ARC supports economic and social development in the Appalachian Region. The Appalachian Region is almost a 206,000 square mile region from Southern New York to Northern Mississippi. The ARC programs affect 423 counties located in 13 states including all of West Virginia and parts of Alabama, Georgia, Kentucky, Maryland, Mississippi, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia.

The reporting entity is a component of the U.S Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity. These financial statements should be read with the realization that they are for a component of the U.S. Government.

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. ARC did not have classified activities as of September 30, 2026.

Fund Accounting Structure

ARC's financial activities are accounted for by utilizing individual funds and fund accounts in reporting to the U.S. Treasury and the Office of Management and Budget (OMB). For financial statement purposes, these funds are classified as all other funds, which consist of area development program funds and funding for the Office of the Federal Co-Chair and the Office of Inspector General.

ARC has Miscellaneous Receipt Funds which are considered non-entity accounts since ARC management does not exercise control over how the monies in these accounts can be

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 1 – Significant Accounting Policies (continued)

used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of ARC where, by law, such monies may not be deposited into funds under ARC management control. The U.S. Department of the Treasury (U.S. Treasury) automatically transfers all cash balances in these receipt accounts to the General Fund of the U.S. Treasury at the end of the fiscal year. ARC's miscellaneous receipt funds consist of the following: General Fund Proprietary Receipts, Not Otherwise Classified – mainly Program Income.

Budgets and Budgetary Accounting

ARC receives an annual congressional appropriation from which it makes financial assistance awards and carries out activities, funds the administrative costs of the Office of the Federal Co-Chairman, the Inspector General, the non-federal programmatic costs, and half the cost of the non-federal administrative costs. Contributions from 13 states in the Appalachian Region cover 50% of the Commission Administrative Budget.

Funds appropriated to ARC are available without fiscal year limitation and remain available until expended. Because of the no-year status of the funds, unobligated amounts are not returned to the U.S. Treasury.

Basis of Accounting and Presentation

These financial statements present the financial position, net cost of operations, changes in net position, and budgetary resources of ARC in accordance with U.S. generally accepted accounting principles (GAAP) and form and content requirements of OMB Circular A-136 Financial Reporting Requirements. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body for the federal government. The financial statements have been prepared from the books and records of ARC and include the accounts of all funds under the control of the ARC reporting entity.

U.S. generally accepted accounting principles encompass both accrual and budgetary transactions. Under accrual accounting, revenues are recognized when earned, and expenses are recognized when incurred. Budgetary accounting facilitates compliance with legal constraints on, and controls over, the use of federal funds. These financial statements are prepared by ARC pursuant to OMB directives and used to monitor ARC's use of budgetary resources.

All dollar amounts included in the financial statements and footnotes have been rounded to the nearest thousands.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 1 – Significant Accounting Policies (continued)

Fund Balance with U.S. Treasury

ARC's cash receipts and disbursements are processed by the U.S. Treasury. Funds with U.S. Treasury represent obligated and unobligated no-year funds available to finance allowable current and future expenditures.

Cash in Commercial Institutions

ARC uses commercial bank accounts to accommodate collections and payments that cannot be processed by the U.S. Treasury. ARC maintains commercial bank accounts for the purpose of processing its non-federal employee payroll and flexible benefits.

Accounts Receivable

Accounts receivable, net represents monies owed to ARC, including collectibles from the ARC's Office of the States' Washington Representative; U.S. Department of Labor (DOL) and from U.S. Department of Agriculture (USDA) for expenses incurred on the Office's behalf. ARC has historically collected any receivables due and has had no need to establish allowance for uncollectible accounts.

Advances and Prepayments

Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover a part or all the recipients' anticipated expenses or as advance payments for the costs of goods and services the entity receives. Prepayments are payments made by a Federal entity to cover certain periodic expenses before those expenses are incurred.

ARC advances funds to federal agencies for work performed on its behalf under various reimbursable agreements. These intra-governmental advances are recorded as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded.

In addition, ARC has advances made to grantees. These primarily include revolving loan fund and equity fund payments to provide pools of funds to be made available to grantees to create and retain jobs. These advance payments are recorded by ARC as an asset, which is reduced if the revolving fund is terminated.

ARC also has prepayments made to cover certain periodic expenses before those expenses are incurred.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 1 – Significant Accounting Policies (continued)

Property, Plant, and Equipment (PP&E), Net

Property, Plant, and Equipment (PP&E) is reported at acquisition cost. Depreciation is computed using the straight-line method over the estimated useful life of the assets with zero salvage value and depreciation begins in the month it is placed in service. The capitalization threshold is $35,000. Maintenance and repairs are expensed as incurred unless expenditure materially increases the value or useful life of the existing assets which are then capitalized.

Liabilities

Liabilities represent probable amounts to be paid by ARC as a result of past transactions. Liabilities covered by budgetary or other resources are those for which Congress has appropriated funds or funding is otherwise available to pay amounts due.

Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future Congressional appropriations or other funding.

Accounts Payable

Accounts payable consists of amounts owed to grantees and amounts owed to federal and nonfederal entities for goods and services received by ARC.

Benefits Due and Payable

Unfunded Annual Leave
Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. Each year, the balance in the accrued leave account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

Retirement Benefits
ARC's federal and certain non-federal employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees' Retirement System (FERS). FERS was established by the enactment of Public Law 99-335. Pursuant to this law, FERS and the Social Security and the Thrift Savings Plan program automatically cover most employees hired after December 31, 1983. Employees hired before January 1, 1984, elected to participate in the FERS and Social Security or to remain in CSRS.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 1 – Significant Accounting Policies (continued)

Benefits Due and Payable (continued)

Retirement Benefits (continued)

All federal and certain non-federal employees are eligible to contribute to the Thrift Savings Plan (TSP). For those employees participating in the FERS, a TSP account is automatically established, and ARC makes a mandatory one percent contribution to this account. In addition, ARC makes matching contributions, ranging from one to four percent, for FERS eligible employees who contribute to their TSP accounts. Matching contributions are not made to the TSP accounts established by CSRS employees. FERS employees and certain CSRS reinstatement employees are eligible to participate in the Social Security program after retirement. In these instances, ARC remits the employer's share of the required contribution.

The Office of Personnel Management (OPM) actuaries determine pension cost factors by calculating the value of pension benefits expected to be paid in the future and communicate these factors to ARC. OPM also provides information regarding the full cost of health and life insurance benefits. Reporting amounts such as plan assets, accumulated plan benefits, and related unfunded liabilities, if any, is the responsibility of OPM.

ARC also has a Defined Benefit Pension Plan which was open to all employees not participating in CSRS and FERS. ARC uses an October 1 measurement date for its plan. The Defined Benefit Pension Plan was frozen in 2020.

In February 2000 ARC established a 401(k) retirement plan that mirrors FERS. The plan covers substantially all non-federal employees, without federal benefits. Employees who opted out of the Defined Benefit Pension Plan receive a discretionary contribution of 6% of salary and a matching contribution up to 6%. Those who remain participants in the Defined Benefit Pension Plan receive a discretionary contribution of 3% of salary and a matching contribution maximum of 3% (50% match of 6% contribution or under). All new employees hired after the freezing of the Defined Benefit Pension Plan are eligible to receive a discretionary contribution of 4% of base salary and a matching contribution up to 4%. All participants are fully vested.

Parent Child Reporting

ARC is a party to allocation transfers with federal agencies as both a transferring (parent) entity and receiving (child) entity. Allocation transfers are legal delegations by one entity of its authority to obligate budget authority and outlay funds to another entity. A separate fund account (allocation account) is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 1 – Significant Accounting Policies (continued)

Parent Child Reporting (continued)

Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived. ARC allocates funds, as the parent agency, to the U.S. Department of Transportation, Housing and Urban Development, the Rural Development Agency, and the Economic Development Agency. Additionally, ARC receives allocation transfers, as the child agency from the U.S. Department of Transportation to cover Appalachian Development Highway System administrative costs.

Net Position

Net position is the residual difference between assets and liabilities and is comprised of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent the amount of unobligated and unexpended budget authority. Unobligated balances are the amounts of appropriations or other authority remaining after deducting the cumulative obligations from the amount available for obligation. The cumulative results of operations are the net results of ARC's operations since inception.

Net Cost of Operations

Earned revenues from the collection of state contributions and other inter-agency agreements are deducted from the full cost of ARC's major programs to arrive at net program cost. Earned revenues are recognized by ARC to the extent reimbursements are payable from the public, as a result of costs incurred, or services performed on the public's behalf.

Budgetary Financing Sources

Budgetary financing sources other than earned revenues provide funding for ARC's net cost of operations and are reported on the Statement of Changes in Net Position. These financing sources include amounts received from Congressional appropriations to support its operations. A financing source is recognized for these appropriated funds received.

Permanent Indefinite Appropriations

The Commission's permanent indefinite appropriation includes the trust fund which has not been used since FY 2014. This trust fund was once established to receive, hold, and disburse monies collected to cover the administrative expenses of ARC.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 1 – Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax Exempt Status

As an instrumentality of the federal government, ARC is exempt from income taxes imposed by any governing body whether it is a federal, state, commonwealth, local, or foreign government and exempt from sales and use taxes of the District of Columbia.

Note 2 – Fund Balance with Treasury

ARC's Fund Balance with Treasury as of September 30, 2026, and 2025 consisted of the following:

	2026 (CY)	2025 (PY)
A. Fund Balances with Treasury		
General Funds	$ 1,619,921	$ 1,457,024
Trust Funds	413	413
Total Fund Balance with Treasury	**$ 1,620,334**	**$ 1,457,437**
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
(a) Available	$ 697,917	$ 520,548
(b) Unavailable	32,019	41,601
2) Obligated Balance not yet Disbursed	889,765	894,655
3) Temporary Sequestration	633	633
Total	**$ 1,620,334**	**$ 1,457,437**

A trust fund was once established to receive, hold, and disburse monies collected to cover the administrative expenses of ARC. This fund has not been used since FY 2014. The balance of $413 in the trust fund continues to be sequestered as of September 30, 2026.

Note 3 – Cash and Other Monetary Assets

The balance of ARC's commercial bank account as of September 30, 2026, and 2025, was $2,175 and $2,214, respectively.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 4 – Advance and Prepayments

Advances as of September 30, 2026, and 2025 consisted of the following:

	2026 (CY)	2025 (PY)
Intragovernmental		
EPA	$ 303	$ 316
Defense	(11)	9
OIG	(60)	(22)
Total Intragovernmental	232	303
Other than Intragovernmental		
Advances to Grantees to Finance Program Expenditures		
-Revolving Loan Fund	29,148	28,910
-Non Federal Grantees	51,829	38,904
Prepaid Pension Expense	5,607	5,607
Total Other than Intragovernmental	86,584	73,421
Total Advances and Prepayments	$ 86,816	$ 73,724

Intragovernmental: ARC advances funds to federal agencies for work performed on its behalf under various reimbursable agreements for construction projects. These intra-governmental advances are recorded as an asset, which is reduced when actual expenditures or the accruals of unreported expenditures are recorded.

Other than Intragovernmental: ARC also has advances made to grantees that are not federal entities. Most of these advances are disbursed to grantees operating revolving loan funds (RLF), the remaining amounts are to all other grantees.

- Revolving Loan Fund – ARC provides grants to revolving loan funds operating in its region for the purpose of saving and creating private-sector jobs. Because of the revolving nature of the funds, the grants have no fixed end date. Grant funds provided to revolving loan funds retain their federal identity and are subject to the Cash Management Improvement Act of 1990 (Public Law 101-453), for which the Appalachian Regional Commission has established a policy on excess cash. Accounting treatment of RLF transactions is that cash outlays are recorded as increases to SGL 1410 Advances and Prepayments and refunds of excess cash are recorded as decreases to SGL 1410 Advances and Prepayments.
- Non-Federal Grantees – ARC advances funds to non-federal grantees for work performed on its behalf under various grant agreements. These advances are recorded as an asset, which is reduced when actual expenditures or the accrual of unreported expenditures are recorded. Non-federal grants include funding capital for Loan and Investment Funds.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 5 – Property, Plant, and Equipment, Net (PP&E)

Property, Plant, and Equipment (PP&E) is reported at acquisition cost. The general components of capitalized property and equipment, net of accumulated depreciation as of September 30, 2026, and 2025 are as follows:

September 30, 2026	Right-to-Use Lease Assets	Total
Cost balance, beginning of the year	$ 14,521	$ 14,521
Cost balance, end of year	14,521	14,521
Accumulated Amortization	(3,709)	(3,709)
Net Book Value	$ 10,812	$ 10,812

September 30, 2025	Right-to-Use Lease Assets	Total
Cost balance, beginning of the year	$ 14,521	$ 14,521
Cost balance, end of year	14,521	14,521
Accumulated Amortization	(2,474)	(2,474)
Net Book Value	$ 12,047	$ 12,047

As of September 30, 2026, and 2025 accumulated amortization expense on lessee lease assets were $1,235 and $1,238 respectively.

Note 6 – Liabilities Not Covered by Budgetary Resources

The accrued liabilities of ARC are comprised of program expense accruals, payroll accruals and unfunded annual leave earned by employees. Program expense accruals represent expenses that were incurred prior to year-end but were not paid. Similarly, payroll accruals represent payroll expenses that were incurred prior to year-end but were not paid. The liabilities not covered by budgetary resources are unfunded leave and the lease liability as shown below.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 6 – Liabilities Not Covered by Budgetary Resources (continued)

Liabilities as of September 30, 2026, and 2025 consisted of the following:

	2026 (CY)	2025 (PY)
Other than Intragovernmental		
Unfunded Leave	$ 672	$ 607
Lease Liability	12,316	13,101
Total Liabilities not covered by budgetary resources	12,988	13,708
Total Liabilities covered by budgetary resources	18,336	14,655
Total Liabilities not requiring budgetary resources	770	809
Total Liabilities	$ 32,094	$ 29,172

Note 7 – Other Liabilities

As of September 30, 2026, and 2025, Other than Intragovernmental Other Liabilities consisted of Other Liabilities Without Related Budgetary Obligations and Lessee Lease Liability. Intragovernmental Other Liabilities consisted of Employer Contributions and Payroll Taxes Payable (without reciprocals) and Benefit Contributions Payable.

September 30, 2026	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	$ -	$ 50	$ 50
Benefit Contributions Payable	-	8	8
Total Intragovernmental	-	58	58
Other than Intragovernmental			
Other Liabilities Without Related Budgetary Obligations	-	769	769
Lessee Lease Liability	11,323	993	12,316
Total Other than Intragovernmental	11,323	1,762	13,085
Total Other Liabilities	$ 11,323	$ 1,820	$ 13,143

September 30, 2025	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	$ -	$ 21	$ 21
Benefit Contributions Payable	-	8	8
Total Intragovernmental	-	29	29
Other than Intragovernmental			
Other Liabilities Without Related Budgetary Obligations	-	809	809
Lessee Lease Liability	12,316	785	13,101
Total Other than Intragovernmental	12,316	1,594	13,910
Total Other Liabilities	$ 12,316	$1,623	$ 13,939

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 8 – Retirement Plans

Federal

ARC participates in the Federal Employees Retirement System (FERS) for federal and certain non-federal employees. The FERS plans are administered by the OPM. ARC's contributions to the FERS plans were $184 and $203, for FY 2026 and FY 2025 respectively.

Several employees also participate in the Federal Employees Health Benefit plan (FEHB) and the Federal Employees Group Life Insurance program (FEGLI), also administered by OPM. ARC pays a portion of the cost of current employees. Post-retirement benefits are paid by OPM. ARC's contributions to these plans were $75 and $2 for FY 2026 and $70 and $1 for FY2025 for FEHB and FEGLI, respectively.

ARC does not report in its financial statements FERS, FEHB or FEGLI assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees.

For FY 2026, ARC contributed $11 and $42 to the Federal Thrift Savings Basic and Matching Plans respectively, and for FY 2025, ARC contributed $12 and $46 respectively.

Non-Federal

Findley, Inc., a division of USI Insurance Services, is ARC's administrator for ARC's non-federal retirement plans. In FY 2025, a settlement of $19,736,033 was triggered by an annuity purchase for forty plan participants. The following table presents the net periodic benefit (income)/cost for the defined benefit pension plan by component for fiscal years 2026 and 2025:

Net Periodic Benefit (Income)/Cost

	2026	2025
Service Cost	$ 161	$ 167
Interest Cost	452	1,343
Expected Return on Assets	(1,132)	(2,491)
Amortization of Prior Service Cost	-	-
Amortization of Net (Gain)/Loss	-	-
Recognition of Settlement	-	(278)
Net Periodic Benefits Cost	**$ (519)**	**$ (1,259)**

The following tables present the accumulated contributions in excess of net periodic benefit cost and projected benefit obligations for fiscal years 2026 and 2025:

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Accumulated Contributions in Excess of Net Periodic Benefit Cost

	2026	2025
Accumulated Amount at Beginning of Period	$ 6,962	$ 5,607
Net Period Benefit Cost	519	1,259
Employer Contributions	-	96
Accumulated Amount at End of Period	**$ 7,481**	**$ 6,962**

Reconciliation of Projected Benefit Obligation

	2026	2025
PBO at the Beginning of Period	$ 8,700	$ 28,863
Service Cost	161	167
Interest Cost	452	1,343
Participant Contributions	-	-
Actuarial (Gain)/Loss	(17)	(932)
Change in Discount Rate (Gain)/Loss	(1,162)	(602)
Change in Mortality Assumption (Gain)/Loss	-	-
Benefits Paid	(21)	(403)
Settlements	-	(19,736)
PBO at End of Period	**$ 8,113**	**$ 8,700**

The following tables present funded status as well as plan assets for fiscal years 2026 and 2025:

Funded Status

	2026	2025
Projected Benefit Obligation	$ (8,113)	$ (8,700)
Fair Value of Assets	16,622	15,784
Funded Status	**$ 8,508**	**$ 7,084**

Plan Assets

	2026	2025
Fair Value of Assets at Beginning of Period	$ 15,784	$ 35,224
Actual Return on Assets	859	603
Employer Contributions	-	96
Participant Contributions	-	-
Benefits Paid	(21)	(403)
Settlements	-	(19,736)
Fair Value of Assets at End of Period	**$ 16,622**	**$ 15,784**

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

The accumulated benefit obligation was $7,864 and $8,292 as of September 30, 2026, and 2025, respectively.

Weighted average of economic assumptions used to determine benefit obligations as of September 30:

	2026	2025
Discount rate	6%	5%
Rate of compensation increase	3%	3%

Weighted average of economic assumptions used to determine net periodic benefit cost for the years ended September 30:

	2026	2025
Discount rate	5%	5%
Rate of compensation increase	3%	3%
Expected long-term return on plan assets	7%	7%

Plan Assets

Pension plan weighted-average asset allocations as of September 30, 2026, and 2025, are as follows:

Asset Category	2026	2025
Equity securities	33%	30%
Debt securities	20%	22%
Real Estate	5%	5%
Other	42%	43%
Total assets	100%	100%

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Fiscal Year	Amount
2027	$ 388
2028	392
2029	494
2030	500
2031	505
2032-2036	3,082

Paylocity Corporation processes payroll for ARC's non-federal employees. In FY 2026, ARC changed 401(k) administrators from John Hancock Financial to Empower Annuity Insurance Company of America.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

ARC contributed $697 and $701 to the 401(k) plan for the years ended September 30, 2026, and 2025, respectively. For Health Benefits Insurance, ARC contributed $796 and $823 for the year ended September 30, 2026, and 2025 respectively. For Group Life Insurance, ARC contributed $5 and $5 for the year ended September 30, 2026, and 2025 respectively.

Note 9– Leases

Lease Liability

ARC's headquarters lease commenced on April 30, 2013. The lease was amended in December 2022 and now extends through June 30, 2035. The initial lease payments were $119 per month with a 2% annual increase. The lease includes an abated lease payment for January through the life of the lease and February of each year through 2026. The lease was discounted using the Federal Funds rate applicable on October 1, 2023, of 5.33%. The lease also included an incentive of $2,820. This incentive was discounted at the interest rate stated in the lease, of 7.00%. The future minimum lease payments required are as follows:

Fiscal Year	Principal	Interest	Total
2027	$ 993	$ 657	$ 1,650
2028	1,081	602	1,683
2029	1,177	538	1,715
2030	1,279	470	1,749
2031	1,386	397	1,783
2032-2035	6,399	724	7,123
Total	**$ 12,315**	**$ 3,388**	**$ 15,703**

The total payments of principal and interest during the year ended September 30, 2026, were $785 and $706, respectively. The total payments of principal and interest during the year ended September 30, 2025, were $715 and $748, respectively. The remaining principal balance is included in "Other liabilities" as disclosed in Note 7.

Other Leases
ARC had a lease for office space in Charleston, West Virginia, that commenced on July 1, 2022, and ended on June 30, 2023. The rent for the office in Charleston transitioned to a month-to-month basis after June 30, 2023.

Lease expenses for the years ended September 30, 2026, and 2025 totaled $1,537 and $1,825 respectively.

The right-to-use asset is included in Property, Plant, and Equipment, Net, in Note 5.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

ARC has a copier lease and the total copier lease expenses for FY2026 were $16k. For FY2025, total copier lease expenses were $15k. In FY2025, ARC had an auto lease which was cancelled in April 2025. For FY2025, the auto lease expenses were $3K.

Note 10 – Apportionment Categories of New Obligations and Upward Adjustments: Direct vs. Reimbursable Obligations

Apportionment is a plan, approved by the OMB, to spend resources provided by one of the annual appropriations acts, a supplemental appropriations act, a continuing resolution, or a permanent law (mandatory appropriations). OMB Circular A-11 defines apportionment categories as follows:

- Category A apportionments distribute budgetary resources by fiscal quarters.
- Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories.
- Exempt – Exempt from apportionment.

New Obligations and Upward Adjustments reported on the Statement of Budgetary Resources consist of the following:

	2026 (CY)	2025 (PY)
Direct Category B Obligations		
Cat B - Non-Highway Programs	$ 250,138	$ 315,541
Cat B - RD (12-46X0200.020)	3,398	11,989
Cat B - EDA (13-46X0200.020)	2,929	-
Cat B - FHWA Non-Highway Programs (69-46X0200.05)	750	294
Cat B - HUD (86-46X0200)	3,487	-
Total Direct Obligations	260,702	327,824
Reimbursable Category B Obligations		
Cat B - Non-Highway Programs	4,106	3,590
Cat B - WORC	350	240
Total Reimbursable Obligations	4,456	3,830
Total Obligations	**$ 265,158**	**$ 331,654**

Note 11 – Inter-Entity Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by ARC are recognized as imputed cost and are offset by imputed revenue. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements. The assets and liabilities associated with such benefits are the responsibility of the administering agency, OPM. For the fiscal year ended September 30, 2026, and 2025, inter-entity costs were as follows:

	2026	2025
Office of Personnel Management	$ 108	$ 109
Total Imputed Financing Sources	**$ 108**	**$ 109**

Note 12 – Net Adjustments To Unobligated Balance, Brought Forward, October 1

During the year ended September 30, 2026, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2025. These adjustments include, among other things, upward adjustments to undelivered and delivered orders that were obligated in prior fiscal years. The adjustments during the years ended September 30, 2026 and 2025:

	2026	2025
Unobligated Balance Brought Forward, October 1	$ 575,574	$ 440,341
Recoveries of Prior Year Unpaid Obligations	27,397	61,409
Recoveries of Prior Year Paid Obligations	101	82
Unobligated Balance From Prior Year Budget Authority, Net	**$ 603,072**	**$ 501,832**

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 13 – Undelivered Orders at the End of the Period

Undelivered orders represent the value of goods and services that were ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred.

September 30, 2026	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
Intragovernmental	$ 565	$ 223	$ 788
Other Than Intragovernmental	871,660	88,093	959,753
Total	$ 872,225	$ 88,316	$ 960,541

September 30, 2025	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
Intragovernmental	$ 513	$ 529	$ 1,042
Other Than Intragovernmental	880,246	74,695	954,941
Total	$ 880,759	$ 75,224	$ 955,983

Note 14 – Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget).

The Budget that will include FY 2026 actual budgetary execution information is scheduled for publication in February 2027, which will be available through OMB's website at http://www.whitehouse.gov/omb. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 14 – Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government (continued)

Balances (in millions) reported in the FY 2025 SBR and the related President's Budget reflected the following:

	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Statement of Budgetary Resources	$ 907	$ 332	$ 215
Difference 1 - Rounding (+/-)	(1)	-	-
Budget of the US Government	$ 906	$ 332	$ 215

The difference between the SBR and the *Budget of the United States Government* for budgetary resources, new obligations, and upward adjustments (total) and net outlays are primarily due to rounding.

Note 15 – Reconciliation of Net Operating Cost and Net Budgetary Outlays

The Commission has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 15 – Reconciliation of Net Operating Cost and Net Budgetary Outlays (continued)

FY 2026	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	**$ 2,999**	**$ 226,697**	**$ 229,696**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Lessee Lease Amortization	-	(1,235)	(1,235)
Increase/(Decrease) in Assets not affecting Budget Outlays:			
Accounts Receivable	(127)	100	(27)
Other Assets	(71)	13,124	13,053
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts Payable	-	(2,815)	(2,815)
Lessee Lease Liability	-	785	785
Federal Employee Salary, Leave, and Benefits Payable	-	(517)	(517)
Other Liabilities	(379)	5	(374)
Other Financing Sources		-	
Imputed Cost	(108)	-	(108)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(685)	9,447	8,762
Miscellaneous Items			
Other Temporary Timing Differences	-	(1,355)	(1,355)
Total Other Reconciling Items	**-**	**(1,355)**	**(1,355)**
Net Outlays (Calculated Total)	**$ 2,314**	**$ 234,789**	**$ 237,103**
Budgetary Agency Outlays, Net (SBR Line 4210)			**$ 237,103**

APPALACHIAN REGIONAL COMMISSION
Notes to the Financial Statements
September 30, 2026, and 2025

Note 15 – Reconciliation of Net Operating Cost and Net Budgetary Outlays (continued)

FY 2025

	Intragovernmental	Other than Intragovernmental	Total
Net Operating Cost (SNC)	**$ (256)**	**$ 215,684**	**$ 215,428**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Lessee Lease Amortization	-	(1,238)	(1,238)
Increase/(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable	(191)	1	(190)
Other assets	(13)	2,925	2,912
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	7	(2,345)	(2,338)
Lessee Lease Liability	-	716	716
Federal employee salary, leave, and benefits payable	-	568	568
Other Liabilities	(202)	(319)	(521)
Other Financing Sources		-	
Imputed Cost	(109)	-	(109)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(508)**	**308**	**(200)**
Miscellaneous Items			
Other Temporary Timing Differences	-	(550)	(550)
Total Other Reconciling Items	**-**	**(550)**	**(550)**
Net Outlays (Calculated Total)	**$ (764)**	**$ 215,442**	**$ 214,678**
Budgetary Agency Outlays, net (SBR Line 4210)			**$ 214,678**

Note 16 – Commitments and Contingencies

All ARC contingencies are related to the lease liability. Please refer to Notes 6, 7 and 9.

REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

Stewardship Investments

Stewardship investments are substantial investments that are made by the federal government for the benefit of the nation but are not physical assets owned by the federal government. Such investments are measured in terms of expenses incurred for non-federal physical property, human capital and research and development. ARC invests in non-federal physical property, human capital and research and development through its Area Development Program, which funds projects that support the goals and objectives set forth in the Commission's strategic plan.

ARC Investment in Non-Federal Physical Property

Non-federal physical property investments are expenses included in net cost of operations for the purchase, construction or major renovation of physical property owned by state and local governments. In FY 2026, ARC's investment in non-federal physical property included grants for water and wastewater system construction and improvements; broadband expansion; infrastructure improvements; and access road construction.

ARC Investment in Non-Federal Physical Property	
Fiscal Year 2022	$ 52,278,994
Fiscal Year 2023	$ 44,691,208
Fiscal Year 2024	$ 60,957,064
Fiscal Year 2025	$ 82,482,668
Fiscal Year 2026	$ 99,074,188

ARC Investment in Human Capital

Human capital investments are expenses included in net cost of operations for education and training programs that are intended to increase or maintain national economic productive capacity and that produce outputs and outcomes that provide evidence of maintaining or increasing national productive capacity. ARC's investments in human capital in FY 2026 included grants for education and job training programs in areas including workforce training, vocational education, dropout prevention, math and science, substance use disorder response and health.

ARC Investment in Human Capital	
Fiscal Year 2022	$ 33,686,031
Fiscal Year 2023	$ 45,363,058
Fiscal Year 2024	$ 53,444,169
Fiscal Year 2025	$ 61,672,933
Fiscal Year 2026	$ 60,869,277

ARC Investment in Research and Development

Research and development investments are expenses included in net cost of operations that support the search for new or refined knowledge and ideas, and for the application or use of such knowledge and ideas, with the expectation of maintaining or increasing national economic productive capacity or yielding other future benefits. In FY 2026, ARC invested in applied research through the following projects:

- Analysis of coal production and employment trends in Appalachia
- A research project examining migration and population change throughout the region
- A research project examining the long-term economic effects of ARC's investments in Appalachia
- A research project examining water and wastewater access and infrastructure throughout Appalachia
- A research and planning project in support of ARC's next strategic plan
- A data overview study examining state- and county-level socioeconomic data for the 13 Appalachian states
- An evaluation of ARC's health investments
- An evaluation of ARC's ARISE-funded investments
- An evaluation of ARC's tourism and outdoor recreation investments
- An evaluation of ARC's broadband investments

ARC Investment in Research and Development	
Fiscal Year 2022	$ 637,267
Fiscal Year 2023	$ 1,018,661
Fiscal Year 2024	$ 1,020,381
Fiscal Year 2025	$ 1,256,610
Fiscal Year 2026	$ 864,435

PART IV: OTHER INFORMATION

ARC PERFORMANCE TARGETS, 2022-2026

Grant Outcomes	Annual Performance Target	5-Year Performance Target	5-Year Expected Results
Jobs created or retained	22,000	110,000	107,351
Students and workers with improvements	35,000	175,000	204,344
Businesses and households with access to improved infrastructure	50,000	250,000	383,678
Businesses created or strengthened	4,000	20,000	27,317
Communities with enhanced capacity	400	2,000	6,013
Leverage			
Ratio of leveraged private investment to ARC dollars 6 to 1	6 to 1	6 to 1	8:1 ($8.03 per $1 ARC)
Matching			
Ratio of matching project funds to ARC dollars 2 to 1	2 to 1	2 to 1	1:1 ($1.36 per $1 ARC)
Distressed Counties/Areas			
Percentage of ARC funds directed to benefit economically distressed counties or areas	50%	50%	73%

IMPROPER PAYMENTS

Improper Payments Information Act of 2002, as Amended

The Improper Payments Information Act (IPIA), as amended, and OMB implementing guidance, OMB Circular A-123, Appendix C, Requirements for Effective Measurement and Remediation of Improper Payments, require agencies to review all programs and activities they administer to identify those susceptible to significant improper payments. OMB defines significant improper payments as gross annual improper payments (i.e., the total amount of overpayments plus underpayments) in a program exceeding (1) both 2.5% of program outlays and $10 million of all program or activity payments made during the fiscal year reported, or (2) $100 million, regardless of the improper payment percentage of total program outlays. ARC's top-down approach for assessing the risk of significant improper payments allows the reporting of results by its one mission-aligned program—Area Development.

In accordance with the IPIA, as amended, and OMB implementing guidance, ARC assessed its program and activities for susceptibility to significant improper payments. Based on the results of the risk assessment for the period ended September 30, 2026, the Commission concluded that the program was not susceptible to significant improper payments.

Office of Inspector General

Appalachian Regional Commission

Management and Performance Challenges Report

Appalachian Regional Commission

Office of Inspector General

Report Number 27-06

October 15, 2026

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, Suite 718
Washington, D.C. 20009

Office of Inspector General

Appalachian Regional Commission

October 15, 2026

Report Number 27-06

Commissioners:

This memorandum transmits the Inspector General's summary of the top management and performance challenges facing the Commission and briefly assesses management's progress in addressing these challenges.

I have identified two management and performance challenges: (1) updating grant management and information systems, and (2) risks associated with grantee internal controls. These challenges were identified based on work by the Office of Inspector General, discussions with Commission management, and knowledge of the Commission's programs and operations.

Updating Grant Management and Information Systems

The Commission is currently undertaking a critical technological evolution with the transition to its new grant management software, Pathways. This modernization initiative aims to streamline operations, but it brings forth significant data migration and access hurdles. Ensuring that historical records, active project data, and financial documents are accurately transferred from its previous grant management system into Pathways is paramount. Additionally, providing seamless, secure access to this centralized system for both internal Commission staff and diverse state partners remains a complex operational challenge that requires continuous adaptation and infrastructure alignment.

Training state and local partners to proficiently navigate the Pathways platform is essential to prevent bottlenecks in project delivery. However, managing user permissions, granting timely access to authorized personnel, and addressing varying levels of digital literacy among rural and regional partners demand a structured, comprehensive support framework. Without targeted training and responsive assisting resources, the learning curve associated with the new software could temporarily hinder grant execution and reporting timelines.

As operations centralize within the Pathways platform, safeguarding the integrity and confidentiality of the Commission's data is a top priority. Cybersecurity vulnerabilities present a persistent threat, particularly when sensitive financial records, stakeholder information, and federal grant details are accessed across decentralized state and local networks. Establishing robust security protocols, multi-factor authentication, and continuous threat monitoring within Pathways is critical to defend against potential breaches. Balancing rigorous security compliance with the practical accessibility needed by external partners requires a delicate and proactive risk management strategy.

Finally, bridging geographical and organizational divides to increase communication efficiency and align strategic goals is vital for the Commission's long-term success. Misalignment between federal priorities, state-level implementation plans, and local community needs can stall initiative momentum and dilute impact. Enhancing communication channels—through standardized digital workflows within Pathways, regular collaborative forums, and transparent feedback—will help unify stakeholders. By fostering a culture of shared vision and open dialogue, the Commission can ensure that all partners are working cohesively toward sustainable economic development across the Appalachian region.

Risks Associated with Grantee Internal Controls

Grantees often face significant financial and operational vulnerabilities stemming from inadequate internal control frameworks, which directly impact federal grant compliance. When recipients lack robust financial oversight and segregation of duties, the risk of improper payments, unallowable expenses, and administrative errors escalates substantially. Establishing a foundational understanding of these internal control risks is essential for safeguarding grant resources and maintaining proper stewardship of public funds.

A primary consequence of weak internal controls is the generation of questioned costs which require administrative resources to resolve. Decreasing questioned costs demands a proactive approach centered on rigorous monitoring, timely reconciliation, and early detection of discrepancies before formal audits occur. When financial irregularities or non-compliant expenditures are identified, the prompt implementation of a corrective action plan is vital to rectify the root cause. Grantees must treat these corrective measures not as mere administrative hurdles, but as critical opportunities to strengthen their financial management systems and prevent recurring audit findings.

To mitigate these risks permanently, grantees must implement proper, formally documented policies and procedures governing all financial and operational activities. Clear, written guidelines ensure consistency and accountability, providing staff with explicit instructions on procurement, time and effort reporting, asset management, and expense documentation. By embedding standardized procedures into daily operations, grantees can significantly diminish internal control risks, minimize questioned costs, and ensure sustainable compliance across the life of the grant.

The Commission continues to take proactive steps to inform and train new grantees on the importance of establishing adequate policies and procedures to ensure quality control of ARC grant funds. The continuance of these informative sessions will help provide the necessary tools for grantees to maintain the proper internal controls to certify funds are accounted for properly and reduce the need for corrective action.

I will continue to monitor the Commission's efforts to address these management challenges and will also ensure that our office works with you and management to identify and mitigate risks in furtherance of accomplishing the Commission's goals.



Clayton Fox
Inspector General
Appalachian Regional Commission

Appalachian Regional Commission

Date: November 10, 2026

To: Clayton Fox, ARC Inspector General
From: Brandon McBride, ARC Executive Director
Re: Report Number 27-06

Dear Mr. Fox:

This communication provides an update on the Appalachian Regional Commission's (ARC) management actions to address the two (2) identified top management and performance challenges facing the Commission as described in Report 27-06.

Updating Grant Management and Information Systems

Over the past year, ARC has remained cognizant of the challenges and opportunities associated with the transition from ARCNet to Pathways, the new grant management system. I am pleased to share some of the ways the Commission has managed this transition without negatively impacting grant procedures and Commission operations.

Throughout the pre-launch development and planning process for the Pathways system rollout, ARC understood the importance of providing resources and training for all users to ensure a successful implementation. As such, ARC staff undertook extensive training efforts and developed a library of guidance tools and resources for all user types prior to rollout. On an ongoing basis, ARC is continuing to update, create, and deliver training and resources that address the evolving needs of all Pathways users. For instance, ARC has facilitated multiple training sessions tailored to the roles and needs of applicants, grantees, ARC staff, State Program Managers, Local Development District (LDD) and Registered State Basic Agency (RSBA) staff. These trainings have been provided both virtually and in-person in communities throughout the region. To ensure continuity of ARC Pathways support between formal training sessions, the Commission provides virtual office hours on a regular basis. The office hours sessions have been well attended by various groups of Pathways users. Furthermore, ARC has created easy-to-follow user manuals for both internal and external stakeholders, along with corresponding demonstration videos. These video tutorials demonstrate how to perform key actions within the Pathways system to effectively manage the full lifecycle of ARC grants. As ARC's experience adapting the Pathways system to meet user needs continues to evolve, ARC maintains a system administration manual to document and report on best practices.

Beyond the Commission's work to train and create resources for Pathways users, ARC has undertaken efforts to systematize and enhance operating procedures across the organization. This involves ensuring Commission procedures are documented and communicated in a clear, consistent and logical manner.
One such example includes ARC's approach to responding to requests to enhance Pathways to address user needs. ARC's improved ticketing intake system allows staff to better track requests and respond more quickly. Ticket numbers throughout the past year have shown a growth of capability through our partner network, as the

initial surge on go-live and subsequent peaks associated with particular deadlines have given way to a steady, lower volume of requests.

Furthermore, the Pathways platform is much more secure than ARCnet. It is coded to modern standards and has separate disaster recovery, testing, and development environments. All logins to Pathways are secured by multi-factor authentication and password standards are more rigorous. In addition, the significant redesign of Pathways user roles and capabilities within the system provides an added layer of security. The user roles and capabilities are more granular than they were in ARCNet, which has required more user education—especially for those who were accustomed to the previous experience. At the same time, we have had the flexibility to tailor Pathways access to reflect workflows within different state components. For example, LDDs in various states have different levels of Pathways access based on differing responsibilities.

Beyond Pathways, ARC implemented several additional cybersecurity enhancements in fiscal year 2026. Through these actions, ARC has strengthened its cybersecurity monitoring and response coverage to its IT environment, including 24x7x365 capabilities and automated remediation of detected vulnerabilities. Additionally, ARC implemented enhanced email filtering to reduce the risk of Business Email Compromise. Finally, this year ARC will continue to strengthen our NIST-aligned cybersecurity program, constantly assessing our cybersecurity posture, and timely adopting security enhancements to effectively reduce organizational risk.

Risks Associated with Grantee Internal Controls

Grant compliance remains at the core of ARC's work—from delivering various forms of technical assistance for grantees to actively monitoring and verifying the establishment of adequate internal controls. Throughout FY 2026, ARC has continued enhancing its resources, trainings, and internal procedures to improve monitoring to mitigate risk.

In 2024, ARC published a comprehensive guide to grant compliance for award recipients and applicants, including information on financial management and internal controls, called the *ARC Grant Compliance Guide*. This Guide incorporates the requirements of the Uniform Guidance (2 CFR Part 200) as well as specific ARC award terms and conditions. This resource is featured on the Grantee Resources and Applicant Resources sections of our website, which compiles various grant resources for the public, is regularly referenced in emails from ARC, and is highlighted in trainings. To further address the development of required policies and procedures, ARC has published on our website a referenceable checklist of necessary grant policies and procedures. Additionally, ARC's grant managers frequently provide direct technical assistance related to compliance issues from grantees.

ARC continues to conduct grant compliance trainings for grantees and applicants throughout the year both in-person at various locations in the Appalachian region and through webinars, all free to the public. In fiscal year 2026, ARC conducted more than 20 trainings on compliance concepts. To address the challenge holistically, ARC has presented these for audiences with different roles in the grant lifecycle, including sessions for grantees and applicants, as well as technical assistance providers such as local development districts, ARC state staff, and basic agency staff that administer ARC construction projects. This multi-pronged, proactive approach is intended to address deficiencies with all relevant parties to help ensure applicants are ready to receive an ARC grant.

ARC has also enhanced its staffing and internal processes to support grantee preparedness. For instance, ARC recently appointed a Learning and Development Manager to formalize and enhance ARC's internal policies and procedures, including those addressing staff evaluation of grant reports, application review procedures and grants management system procedures. In addition, ARC established a dedicated Project Compliance division that has increasingly built capacity to monitor grantees for proper internal controls. This includes enhancing ARC's risk review process of applicants and applications to more effectively flag compliance deficiencies early

in the application process, ensuring that applicants take adequate, corrective and timely action to address observed deficiencies in prior audit reports, SAM.gov and/or past ARC awards. ARC continues to incorporate more screening questions in Pathways to alert applicants about grant requirements and prompt an affirmative answer to the development of proper internal controls. Finally, ARC is actively working to strengthen its registered state basic agency (RSBA) program, developing enhanced requirements for RSBAs and supporting their efforts to monitor grantee compliance issues and review grant supporting documentation.

In fiscal year 2026, ARC published a library of Build America, Buy America resources at arc.gov/baba that provide extensive information for grantees, including manuals, FAQs, forms and other supports. ARC commits to continuing its efforts this fiscal year through more targeted trainings, monitoring and resources designed to strengthen grantees' internal controls. This will include updates to the Grant Compliance Guide, enhanced risk review procedures, and tailored trainings for ARC staff and grantees to promote greater grantee adoption of proper internal controls.

The Commission appreciates the opportunity to share ongoing efforts to address the management and performance challenges shared in Report 27-06, and looks forward to continuing to work collaboratively in addressing these challenges, as well as others that may arise.



Brandon McBride
Executive Director
Appalachian Regional Commission

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

The following tables provide a summarized report of ARC's financial statement audit and its management assurances. For more details, see the auditor's report on pages 52–86 and ARC's management assurances on page 21-23..

Summary of Financial Statement Audit

Audit Opinion: Unmodified
Restatement: No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting—*Federal Managers' Financial Integrity Act of 1982*—FMFIA, Section 2

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Our FY 2026 financial statements and notes to the financial statements are free of material misclassifications.

Effectiveness of Internal Control over Operations—FMFIA 2

Statement of Assurance: Unmodified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Conformance with Financial Management System Requirements—FMFIA 4

Statement of Assurance: Systems conform with financial management system requirements

Non-Conformance	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Non-Conformance	0	0	0	0	0

Compliance with *Federal Management Improvement Act*

	Agency	Auditor
Overall Substantial Compliance		
1. System Requirements	No noncompliance noted	
2. Federal Accounting Standards	No noncompliance noted	
3. United States Standard General Ledger at Transaction Level	No noncompliance noted	

Grants Oversight and New Efficiency Act Requirements

In FY 2026, ARC had no federal grant or cooperative agreement awards and balances for which closeout had not occurred but for which the period of performance had elapsed by more than two years.

Category	2–3 Years	>3–5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	0	0	0
Number of Grants/Cooperative Agreements with Undisbursed Balances	0	0	0
Total Amount of Undisbursed Balances	0	0	0

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This report is available on ARC's website at www.arc.gov.

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