

Blue Ridge Electric Members Foundation, Inc.
Financial Statements
December 31, 2017 and 2016

February 3, 2018

Adams, Jenkins & Cheatham
231 Wylderose Drive
Midlothian, VA 23113

This representation letter is provided in connection with your audit of the financial statements of Blue Ridge Electric Membership Foundation, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 3, 2018, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 1, 2016, including our responsibility for the preparation and fair presentation of the financial statements.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

Director | Grey Scheer
Director of Community Relations
Phone | 828-759-8994
Email | gscheer@blueridgeemc.com



1216 Blowing Rock Blvd. NE
PO Box 112
Lenoir, NC 28645
(828) 758-2383
(828) 758-2699
www.BlueRidgeEMC.com
gscheer@blueridgeemc.com

Phone
Fax
Web
Email

- 9) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP.
- 10) Material concentrations have been properly disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.
- 12) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 13) Blue Ridge Electric Members Foundation, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the organization's tax exempt status, and all activities subject to tax and unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.
- 14) We understand that you have assisted in the preparation of the financial statements in conformity with U.S. generally accepted accounting principles based on the information we provided.
- 15) We have read the audited financial statements and the related notes to the financial statements and believe that the numbers present fairly in all material respects, the financial position of the organization and results of its activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. We have also read the notes associated with the financial statements and confirm that we understand the nature of the notes and agree that the numbers are fairly presented.
- 16) We have assumed all management responsibilities for the tax services, financial statement preparation services, and any other nonattest services you provided; we oversaw those services by designating an individual from senior management, with suitable skill, knowledge, or experience to evaluate the adequacy and results of those services; and accept responsibility for them.


Information Provided

- 17) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the organization from whom you determined it necessary to obtain audit evidence.
- 18) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 19) There are no estimates that may be subject to a material change in the *near term* that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the organization vulnerable to the risk of near-term severe impact that have not been properly disclosed in the financial statements. We have also review the requirements of *FASB Accounting Standards Codification 740-10 (ASC 740-10)* and confirm

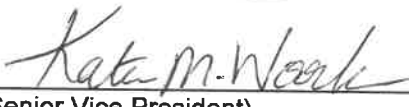


that we have identified no tax positions that would be required to be disclosed under the provisions of ASC 740-10.

- 20) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 21) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, analysts, regulators, or others.
- 22) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 23) We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 24) We have disclosed to you the identity of the Organization's related parties and all the related party relationships and transactions of which we are aware.
- 25) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 26) In regards to the preparation of the Organization's IRS Form 990 tax return and the preparation of the financial statements performed by you, we have:
 - a) Made all management decisions and performed all management functions.
 - b) Designated an individual with suitable skills, knowledge, or experience to oversee the services.
 - c) Evaluated the adequacy and results of the services performed.
 - d) Accepted responsibility for the results of the services.
- 27) We are responsible for compliance with laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct material effect on the determination of the financial statement amounts or other financial data significant to the audit objectives



(Chief Executive Officer)



(Senior Vice President)



Contents

Financial Statements

Independent Auditor’s Report.....	Page	1
Statements of Financial Position.....		2
Statements of Activities		3
Statements of Cash Flows		4
Notes to Financial Statements.....		5 - 6



Independent Auditor's Report

The Board of Directors
Blue Ridge Electric Members Foundation, Inc.
Lenoir, North Carolina

We have audited the accompanying statements of financial position of Blue Ridge Electric Members Foundation, Inc. (the "Foundation"), a nonprofit organization, as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blue Ridge Electric Members Foundation, Inc. as of December 31, 2017 and 2016, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Richmond, Virginia
February 3, 2018

Adams, Jenkins & Cheatham

Statements of Financial Position

Blue Ridge Electric Members Foundation, Inc.

	December 31,	
	<u>2017</u>	<u>2016</u>
Assets		
Current Assets		
Cash and cash equivalents	<u>\$ 182,214</u>	<u>\$ 191,187</u>
	<u>\$ 182,214</u>	<u>\$ 191,187</u>
Net Assets		
Net Assets		
Unrestricted	<u>\$ 182,214</u>	<u>\$ 191,187</u>
	<u>\$ 182,214</u>	<u>\$ 191,187</u>

See Independent Auditor's Report and Notes to Financial Statements

Statements of Activities

Blue Ridge Electric Members Foundation, Inc.

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
Revenue		
General public contributions	\$ 244,241	\$ 257,624
Related party contributions	50,000	75,000
Value of contributed services	23,693	23,500
	<u>317,934</u>	<u>356,124</u>
Functional expenses		
Assistance provided	303,214	246,382
Administration services	23,693	23,500
Program Services Total	<u>326,907</u>	<u>269,882</u>
Increase (Decrease) in Unrestricted Net Assets	(8,973)	86,242
Unrestricted net assets - beginning of year	<u>191,187</u>	<u>104,945</u>
Unrestricted Net Assets - End of Year	<u>\$ 182,214</u>	<u>\$ 191,187</u>

See Independent Auditor's Report and Notes to Financial Statements

Statements of Cash Flows

Blue Ridge Electric Members Foundation, Inc.

	Year Ended December 31,	
	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in Net Assets	<u>\$ (8,973)</u>	<u>\$ 86,242</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,973)	86,242
Cash and cash equivalents - beginning of year	<u>191,187</u>	<u>104,945</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 182,214</u></u>	<u><u>\$ 191,187</u></u>

See Independent Auditor's Report and Notes to Financial Statements

Notes to Financial Statements

Blue Ridge Electric Members Foundation, Inc.

December 31, 2017 and 2016

Note A - Organization

Blue Ridge Electric Members Foundation, Inc. (the “Foundation”) was organized as a nonprofit corporation without capital stock under the laws of the state of North Carolina. The Foundation was organized to receive donations from the general public for assistance to families in need and financial support for nonprofit community organizations that meet educational, healthcare, economic and community development needs in the counties of Watauga, Caldwell, Wilkes, Alexander, Avery, Ashe and Alleghany, North Carolina. Assistance is provided in the form of payments to those in need to defray the cost of electric utility bills, fuel costs and the weatherization of homes. Recipients and the amount of assistance are determined by various social service agencies for the counties mentioned above. Financial support for community organization projects are reviewed and recommended by a committee comprised of Foundation advisory members and approved by the Foundation’s Board of Directors.

Note B - Summary of Significant Accounting Policies

Basis of Presentation

The financial statements and accounting records of the Foundation are maintained on the accrual basis of accounting. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributed Services

Contributions of services that create or enhance non-financial assets or those that require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair value in the period received. The Foundation received various services, including rent, professional and other minor services, that met these criteria. The total amount received during the years ended December 31, 2017 and 2016 was \$23,693 and \$23,500, respectively. These amounts were recorded as contribution revenue and charged to the related expense account.

Subsequent Events

Subsequent events have been evaluated through February 3, 2018, which is the date the financial statements were available to be issued.

Notes to Financial Statements

Blue Ridge Electric Members Foundation, Inc.

December 31, 2017 and 2016

Note C - Income Taxes

Blue Ridge Electric Members Foundation, Inc. was granted exemption from income taxes for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Tax years ending after December 31, 2014 remain subject to examination by the taxing authorities.

Note D - Related Parties

The directors of the Foundation are the same as the directors of Blue Ridge Electric Membership Corporation (“BREMC”), an organization exempt from taxation under Section 501(c)(12) of the IRC. BREMC provides the Foundation with operational support and office space at no charge. The total amounts received during the years ended December 31, 2017 and 2016 were \$23,693 and \$23,500, respectively.

The Foundation receives contributions from members and employees of BREMC. Total amounts received were approximately \$244,000 and \$258,000 as of December 31, 2017 and 2016, respectively.

The Foundation received \$50,000 and \$75,000 from the profits of Blue Ridge Energies, LLC and RidgeLink, LLC, wholly owned subsidiaries of BREMC, for the years ended December 31, 2017 and 2016, respectively.

Note E - Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. As of December 31, 2017 and 2016, the Foundation had not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Note F - Concentration of Credit Risk

The Foundation places its cash on deposit with financial institutions located in the United States of America, which are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC provides insurance coverage for up to \$250,000 of cash held by the Foundation, in each separate FDIC insured bank and savings institution. From time to time, the Foundation may have amounts on deposit in excess of the insured limits. As of December 31, 2017, the Foundation had no deposits that exceed the insured limits.