

**The Blue Ridge Energy Members Foundation**  
**Financial Statements**  
**December 31, 2019 and 2018**

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**Financial Statements**

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## **Independent Auditor's Report**

The Board of Directors  
The Blue Ridge Energy Members Foundation  
Lenoir, North Carolina

We have audited the accompanying statements of financial position of The Blue Ridge Energy Members Foundation (the "Foundation"), a nonprofit organization, as of December 31, 2019 and 2018, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 The Blue Ridge Energy Members Foundation as of December 31, 2019 and 2018, 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  
April 16, 2020

## Statements of Financial Position

### The Blue Ridge Energy Members Foundation

	December 31,	
	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	<u>\$ 79,749</u>	<u>\$ 189,158</u>
Total current assets	<u>\$ 79,749</u>	<u>\$ 189,158</u>
<b>Net Assets</b>		
Net Assets		
Without donor restrictions (Note B)	<u>\$ 79,749</u>	<u>\$ 189,158</u>
Total net assets	<u>\$ 79,749</u>	<u>\$ 189,158</u>

See Independent Auditor's Report and Notes to Financial Statements

## Statements of Activities

### The Blue Ridge Energy Members Foundation

	Year Ended December 31,	
	2019	2018
<b>Revenue and Support</b>		
Round up contributions	\$ 175,150	\$ 187,822
Related party contributions	50,000	50,000
Capital credit retirement contributions	38,633	39,466
General public contributions	32,481	21,922
Value of contributed services	24,500	24,164
	<hr/>	<hr/>
Total Revenue and Support	320,764	323,374
<b>Expenses</b>		
Program Services		
Community Assistance	405,673	292,266
Supporting Services		
Administrative and general	24,500	24,164
	<hr/>	<hr/>
Total Expenses	430,173	316,430
	<hr/>	<hr/>
Change in Net Assets Without Donor Restrictions	(109,409)	6,944
	<hr/>	<hr/>
Net Assets Without Donor Restrictions - Beginning of Year	189,158	182,214
	<hr/>	<hr/>
Net Assets Without Donor Restrictions - End of Year	\$ 79,749	\$ 189,158
	<hr/>	<hr/>

See Independent Auditor's Report and Notes to Financial Statements

## Statements of Cash Flows

### The Blue Ridge Energy Members Foundation

	Year Ended December 31,	
	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets Without Donor Restrictions	<u>\$ (109,409)</u>	<u>\$ 6,944</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(109,409)	6,944
Cash and Cash Equivalents - Beginning of Year	<u>189,158</u>	<u>182,214</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 79,749</u></u>	<u><u>\$ 189,158</u></u>

See Independent Auditor's Report and Notes to Financial Statements

## Notes to Financial Statements

### The Blue Ridge Energy Members Foundation

#### December 31, 2019 and 2018

##### Note A - Nature of Organization

The Blue Ridge Energy Members Foundation (the “Foundation”) was organized as a nonprofit organization without capital stock under the laws of the state of North Carolina. The Foundation was organized to accumulate and disburse funds for charitable purposes 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 accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). The financial statement presentation follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. The Foundation is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

*Net assets with donor restrictions* - Net assets subject to permanent donor-imposed stipulations. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when a stipulated purpose which the resource was restricted has been fulfilled, or both. The Foundation has no net assets with donor restrictions.

###### Cash and Cash Equivalents

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

###### Liquidity and Availability

As of December 31, 2019 and 2018, financial assets available for general expenditure without donor or other restrictions consisted of \$79,749 and \$189,158, respectively. General expenses include all payments made by the Foundation including community assistance. The Foundation’s funds are maintained in a checking account and are available as needed and are available for use within one year of the state of financial position date.

## Notes to Financial Statements

### The Blue Ridge Energy Members Foundation

#### December 31, 2019 and 2018

##### Note B - Summary of Significant Accounting Policies - Continued

###### Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the financial statements and accompanying notes. 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. Blue Ridge EMC, an affiliate of the Foundation, provided various services, including rent, professional and other minor services, that met these criteria to the Foundation. The total amount received during the years ended December 31, 2019 and 2018 was \$24,500, and \$24,164, respectively. These amounts were recorded as contribution revenue and charged to the related expense account.

###### Subsequent Events

Subsequent events have been evaluated through April 16, 2020, which is the date the financial statements were available to be issued.

###### Functional Allocation of Expenses

Costs are allocated between fundraising, management, and general, or the appropriate program based on evaluations of related benefits. Management and general expenses included those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation. There were no such expenses incurred for the years ended December 31, 2019 and 2018.

###### Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Foundation's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs and other activities considered to be of a more unusual or nonrecurring nature. As of December 31, 2019 and 2018, there were no non-operating activities.



## Notes to Financial Statements

### The Blue Ridge Energy Members Foundation

#### December 31, 2019 and 2018

##### Note B - Summary of Significant Accounting Policies - Continued

###### New Accounting Pronouncement

In May 2014, the FASB issued ASC Topic 606 *Revenue from Contracts with Customers* to supersede previous revenue recognition guidance under current U.S. GAAP. The guidance presents a single five-step model for comprehensive revenue recognition that requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Two options are available for implementation of the standard which are either the retrospective approach or cumulative effect adjustment approach. The guidance became effective for annual reporting periods beginning after December 15, 2019. The Foundation adopted the ASU beginning January 1, 2019, using the retrospective method. The adoption did not have a material impact on the financial statements, the method for recognizing revenue, and there has been no cumulative effect adjustment recognized.

###### Revenue and Expense Recognition

Revenue is reported as an increase in net assets without donor restrictions unless use of the related asset is limited by donor-imposed time or purpose restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets that are subject to the passage of time (that is, the stipulated time period has elapsed or the cash has been collected) are reported as net assets released from restrictions.

The Foundation has analyzed the provisions of the ASC 606, Revenue from Contracts with Customers, and has concluded that no changes are necessary to conform to the new standard.

##### Note C - Income Taxes

The Foundation was granted exemption from income taxes for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code (IRC), and will be taxed only to the extent it has taxable trade or business income unrelated to its exempt purpose.

##### 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, 2019 and 2018 were \$24,500 and \$24,164, respectively.

The Foundation receives contributions from members and employees of BREMC. Total amounts received were approximately \$246,000 and \$249,000 as of December 31, 2019 and 2018, respectively.

The Foundation received \$50,000 from the profits of Blue Ridge Energies, LLC and RidgeLink, LLC, wholly owned subsidiaries of BREMC, for the years ended December 31, 2019 and 2018.

## **Notes to Financial Statements**

### **The Blue Ridge Energy Members Foundation**

**December 31, 2019 and 2018**

#### **Note E - Contributions Revenue**

Contributions received are considered to be available for use unless specifically restricted by the donor. Amounts received that are designated for a future period or are restricted by the donor for specific purposes are reported as support that increases net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Contributions that are restricted for the purpose specified by the donor in the same year as the contribution is received are recognized as increases in net assets without donor restrictions.

Contributions are reported at fair value, which is net of estimated uncollectible amounts. The Foundation uses the allowance method to determine uncollectible, unconditional pledges receivable. The allowance is based on experience as well as management's analysis of specific pledges made, including such factors as prior collection history, type of contribution, and nature of fund-raising activity. Contributions, including multiyear pledges to be received after one year, are recorded at the present value of the estimated future cash flows. Subsequent changes in the discount resulting from the passage of time are accounted for as contributions in subsequent years.

#### **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, 2019, the Foundation had no deposits that exceed the insured limits.

## Notes to Financial Statements

### The Blue Ridge Energy Members Foundation

#### December 31, 2019 and 2018

##### Note G - Functional Expenses

Functional expenses were as follows for the years ended December 31:

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Community Assistance</u>	<u>Administrative and General</u>	<u>Total</u>
<u>2019</u>			
Grants	\$ 405,673	\$	\$ 405,673
Accounting and Support		23,500	23,500
Use of facilities		1,000	1,000
Total Expenses by Function	<u>\$ 405,673</u>	<u>\$ 24,500</u>	<u>\$ 430,173</u>
<u>2018</u>			
Grants	\$ 292,266	\$	\$ 292,266
Accounting and Support		23,164	23,164
Use of facilities		1,000	1,000
Total Expenses by Function	<u>\$ 292,266</u>	<u>\$ 24,164</u>	<u>\$ 316,430</u>

There were no allocations of expenses to functional categories.

# Blue Ridge Electric

## MEMBERSHIP CORPORATION

1216 BLOWING ROCK BLVD., NE  
PO BOX 112 • LENOIR, NC 28645

April 16, 2020

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 Energy Membership Foundation, which comprise the statements of financial position as of December 31, 2019 and 2018, 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 April 16, 2020, 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 May 1, 2019, 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.
- 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.

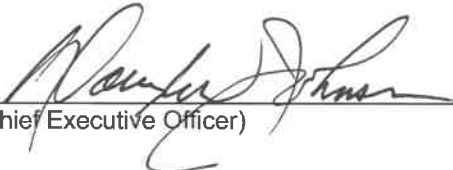
DBA BLUE RIDGE ENERGY AND BLUE RIDGE ENERGY, LLC


- 13) Blue Ridge Energy Members Foundation, 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.
- 17) Upon implementation of ASU 2014-09, revenue from contracts with customers has been appropriately accounted for and disclosed in accordance with FASB ASC 606, Revenue from Contracts with Customers. All contracts underlying revenue recognized in the financial statements have commercial substance and have been approved by appropriate parties. We have considered side agreements, implied promises, and unstated customary business practices in identifying performance obligations in the contracts. We have sufficient and appropriate documentation supporting all estimates and judgments underlying the amount and timing of revenue recognized in the financial statements.

#### **Information Provided**

- 18) 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.
- 19) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 20) 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.
- 21) 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.
- 22) 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.
- 23) 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.
- 24) 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.

- 25) 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.
- 26) 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.
- 27) 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.
- 28) 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)