

Blue Ridge Energy Members Foundation
Financial Statements
December 31, 2018 and 2017

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Financial Statements

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Independent Auditor's Report

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

We have audited the accompanying statements of financial position of Blue Ridge Energy Members Foundation (the "Foundation"), a nonprofit organization, as of December 31, 2018 and 2017, 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 Blue Ridge Energy Members Foundation as of December 31, 2018 and 2017, 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 22, 2019

Adams, Jenkins & Cheatham

Statements of Financial Position

Blue Ridge Energy Members Foundation

	December 31,	
	<u>2018</u>	<u>2017</u>
Assets		
Current Assets		
Cash and cash equivalents	<u>\$ 189,158</u>	<u>\$ 182,214</u>
Total current assets	<u>\$ 189,158</u>	<u>\$ 182,214</u>
Net Assets		
Net Assets		
Without donor restrictions (Note B)	<u>\$ 189,158</u>	<u>\$ 182,214</u>
Total net assets	<u>\$ 189,158</u>	<u>\$ 182,214</u>

See Independent Auditor's Report and Notes to Financial Statements

Statements of Activities

Blue Ridge Energy Members Foundation

	Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
Operating Activities		
General public contributions	\$ 249,210	\$ 244,241
Related party contributions	50,000	50,000
Value of contributed services	<u>24,164</u>	<u>23,693</u>
Total revenue and support	323,374	317,934
Functional Expenses		
Assistance provided	292,266	303,214
Administration services	<u>24,164</u>	<u>23,693</u>
Total expenses	<u>316,430</u>	<u>326,907</u>
Change in net assets from operating activities	6,944	(8,973)
Net assets without donor restrictions - beginning of year	<u>182,214</u>	<u>191,187</u>
Net assets without donor restrictions - End of Year	<u>\$ 189,158</u>	<u>\$ 182,214</u>

See Independent Auditor's Report and Notes to Financial Statements

Statements of Cash Flows

Blue Ridge Energy Members Foundation

	Year Ended December 31,	
	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	<u>\$ 6,944</u>	<u>\$ (8,973)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	6,944	(8,973)
Cash and cash equivalents - beginning of year	<u>182,214</u>	<u>191,187</u>
Cash and Cash Equivalents - End of Year	<u>\$ 189,158</u>	<u>\$ 182,214</u>

See Independent Auditor's Report and Notes to Financial Statements

Notes to Financial Statements

Blue Ridge Energy Members Foundation

December 31, 2018 and 2017

Note A - Organization

Blue Ridge Energy Members Foundation (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 of the Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and effective January 1, 2018.

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. The Foundation’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At December 31, 2018 and 2017, the Foundation had no net assets with donor-imposed restrictions.

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.

Notes to Financial Statements

Blue Ridge Energy Members Foundation

December 31, 2018 and 2017

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, 2018 and 2017 was \$24,164, and \$23,693, respectively. These amounts were recorded as contribution revenue and charged to the related expense account.

Subsequent Events

Subsequent events have been evaluated through February 22, 2019, 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, 2018 and 2017.

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, 2018 and 2017, there were no non-operating activities.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Note C - Income Taxes

Blue Ridge Energy Members Foundation was granted exemption from income taxes for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code (IRC).

Notes to Financial Statements

Blue Ridge Energy Members Foundation

December 31, 2018 and 2017

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, 2018 and 2017 were \$24,164 and \$23,693, respectively.

The Foundation receives contributions from members and employees of BREMC. Total amounts received were approximately \$249,000 and \$244,000 as of December 31, 2018 and 2017, 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, 2018 and 2017.

Note E - Contributions

Contributions received are recorded as donor restricted or nondonor restricted, depending on the existence and/or nature of any donor restrictions. As of December 31, 2018 and 2017, the Foundation had not received any contributions with donor-imposed restrictions.

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, 2018, the Foundation had no deposits that exceed the insured limits.

Note G - Liquidity

The Foundation’s financial assets available within one year of the balance sheet for general expenditures are as follows:

	December 31,	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	<u>\$189,158</u>	<u>\$182,214</u>