

GRAHAM COUNTY ELECTRIC COOPERATIVE FOUNDATION, INC.

PIMA, ARIZONA

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

GRAHAM COUNTY ELECTRIC COOPERATIVE FOUNDATION, INC.

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FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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**GRAHAM COUNTY ELECTRIC COOPERATIVE FOUNDATION, INC.
PIMA, ARIZONA**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

certified public accountants

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8215 Nashville Avenue

LUBBOCK, TEXAS 79423-1954

Independent Auditor's Report

Board of Directors
Graham County Electric Cooperative Foundation, Inc.
Pima, Arizona

We have audited the accompanying financial statements of Graham County Electric Cooperative Foundation, Inc. (the Foundation), which comprise the statements of financial position as of September 30, 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

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Graham County Electric Cooperative Foundation, Inc. as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Bolinger, Segars, Gilbert & Moss L.L.P.

Certified Public Accountants

Lubbock, Texas

November 20, 2019

GRAHAM COUNTY ELECTRIC COOPERATIVE FOUNDATION, INC.

**STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018**

ASSETS

	September 30,	
	<u>2019</u>	<u>2018</u>
Current Assets		
Cash - Checking	\$ 78,755	\$ 108,080
Cash - Savings	5	5
Accounts Receivable	<u>2,284</u>	<u>1,340</u>
	\$ <u>81,044</u>	\$ <u>109,425</u>
Total Assets	\$ <u><u>81,044</u></u>	\$ <u><u>109,425</u></u>

LIABILITIES

Current Liabilities		
Accounts Payable	\$	\$ 9,906
Scholarships Payable	<u>3,250</u>	<u>2,500</u>
Total Liabilities	\$ <u>3,250</u>	\$ <u>12,406</u>

NET ASSETS

Net Assets Without Donor Restrictions		
Undesignated	\$ <u>77,794</u>	\$ <u>97,019</u>
Total Liabilities and Net Assets	\$ <u><u>81,044</u></u>	\$ <u><u>109,425</u></u>

See accompanying notes to financial statements.

GRAHAM COUNTY ELECTRIC COOPERATIVE FOUNDATION, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	September 30,	
	<u>2019</u>	<u>2018</u>
SUPPORT AND REVENUE		
Unclaimed Property	\$	\$ 107,008
Roundup Contributions	944	626
Scrap Materials	2,564	2,305
Interest Income	29	11
Miscellaneous	3,060	3,125
Total Support and Revenue	<u>\$ 6,597</u>	<u>\$ 113,075</u>
EXPENSES		
Program Services		
Utility Assistance Payments	\$ 1,830	\$ 2,205
Washington Youth Tour	18,680	9,906
Scholarships	3,250	2,500
Miscellaneous	2,046	1,550
Total Program Services	<u>\$ 25,806</u>	<u>\$ 16,161</u>
Management and General		
Miscellaneous	\$ 16	\$
Total Management and General	<u>\$ 16</u>	<u>\$ 0</u>
Total Expenses	<u>\$ 25,822</u>	<u>\$ 16,161</u>
CHANGE IN NET ASSETS	\$ (19,225)	\$ 96,914
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF YEAR	<u>97,019</u>	<u>105</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF YEAR	<u>\$ 77,794</u>	<u>\$ 97,019</u>

See accompanying notes to financial statements.

GRAHAM COUNTY ELECTRIC COOPERATIVE FOUNDATION, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	September 30,	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (19,225)	\$ 96,914
Adjustments to Reconcile Change in Net Assets to Net Cash		
From Operating Activities:		
Increase in Accounts Receivable	(944)	(1,340)
Increase (Decrease) in Accounts Payable and Scholarships Payable	<u>(9,156)</u>	<u>12,406</u>
Net Cash From Operating Activities	\$ <u>(29,325)</u>	\$ <u>107,980</u>
CHANGE IN CASH AND CASH EQUIVALENTS	\$ (29,325)	\$ 107,980
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>108,085</u>	<u>105</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ <u><u>78,760</u></u>	\$ <u><u>108,085</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Period for:		
Excise Taxes	\$ <u>0</u>	\$ <u>0</u>
Interest	\$ <u>0</u>	\$ <u>0</u>

See accompanying notes to financial statements.

GRAHAM COUNTY ELECTRIC COOPERATIVE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Graham County Electric Cooperative Foundation, Inc. (the Foundation) was formed to primarily fund the Washington Youth Tour, school scholarships, member assistance, and other approved programs.

Basis of Accounting

The Foundation uses the accrual method of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Financial Statement Presentation

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

Net assets with donor restrictions: Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. There are no net assets with donor restrictions at September 30, 2019 and 2018.

Net assets without donor restrictions: Net assets not subject to donor-imposed restrictions. Net assets without donor restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

All net assets of the Foundation are classified as without donor restrictions.

Functional Allocation of Expenses

The costs of providing programs and activities have been summarized on a functional basis in the statements of activities.

Income Tax Status

The Foundation is a non-profit organization exempt from federal income taxes under Internal Revenue Code 501(c)(3).

GRAHAM COUNTY ELECTRIC COOPERATIVE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

The Foundation has adopted the “uncertain tax positions” provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Foundation is its filing status as a tax exempt entity. The Foundation determined that it is more likely than not that its tax positions will be sustained upon examination by the Internal Revenue Service (IRS), or other state taxing authority.

The Foundation files income tax returns in the U.S. federal jurisdiction and Arizona. The Foundation is no longer subject to income tax examinations by federal or state taxing authorities for years before 2016.

The Foundation recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. There were no penalties or interest recognized during the years ended December 31, 2018 and 2017, the Foundation’s taxable year end.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash-checking, cash-money market, and cash-certificate of deposits are considered cash and cash equivalents. Certificates of deposit maturing within one year from the balance sheet date are considered cash and cash equivalents.

Scholarships Payable

Scholarships payable is recognized upon meeting all criteria as detailed in the Foundation’s scholarship application.

2. Contributions

The major source of contributions is from unclaimed capital credits of Graham County Electric Cooperative, Inc. (the Cooperative) as defined by the by-laws of the grantor. On March 23, 2018, Senate Bill 1412, which amended Arizona Revised Statutes related to unclaimed property, was passed. This enables Arizona Cooperatives to hold on to unclaimed capital credits instead of reporting or escheating to the Arizona Department of Revenue. The unclaimed capital credits can be used for any lawful purpose consistent with the Cooperative’s bylaws and is specified by the Cooperative’s Board of Directors. The Cooperative’s unclaimed capital credits are transferred to its Foundation to be used for scholarships for the local youth in its service territory.

Other contributions are received from local businesses, organizations, and members of the Cooperative.

3. Related Party Transactions

The Foundation operates under the supervision and management of the Cooperative. As such, the Cooperative pays for program services and is then reimbursed by the Foundation. All transactions between the companies are normal business transactions.

GRAHAM COUNTY ELECTRIC COOPERATIVE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

Amounts owed by related parties are as follows:

	September 30,	
	<u>2019</u>	<u>2018</u>
Accounts Receivable - Graham County Electric Cooperative, Inc.	\$ 2,284	\$ 1,340

Amounts owed to related parties are as follows:

	September 30,	
	<u>2019</u>	<u>2018</u>
Accounts Payable - Graham County Electric Cooperative, Inc.	\$ 3,250	\$ 12,406

Income received from related parties is as follows:

	September 30,	
	<u>2019</u>	<u>2018</u>
Contribution Income Received from Graham County Electric Cooperative's Unclaimed Patronage Capital	\$ 0	\$ 107,008

4. Liquidity and Availability of Financial Assets

The following reflects the Foundation’s financial assets as of September 30, 2019.

	<u>2019</u>
Cash and Cash Equivalents	\$ 78,760
Accounts Receivable	<u>2,284</u>
Financial Assets Available to Meet Cash Needs for Expenditures within One Year	<u>\$ 81,044</u>

Management prepares an annual operating budget with estimated revenues and expenses, submits the budget to the Board of Directors for approval, and monitors financial results and liquidity monthly. The Board of Directors along with management meets regularly to monitor and manage financial results. Management presents financial results showing comparisons of actual to budget to the Board of Directors at each board meeting. Management strives to maintain liquidity and availability of resources to ensure the Foundation’s mission is maintained.

GRAHAM COUNTY ELECTRIC COOPERATIVE FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

5. Subsequent Events

The Foundation's management has evaluated subsequent events through November 20, 2019, the date which the financial statements were available for issue.