

**Community Awareness of
Rappahannock Electric Charity, Inc.
Financial Statements
December 31, 2022 and 2021**

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Financial Statements

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Independent Auditor's Report

The Board of Directors
Community Awareness of
Rappahannock Electric Charity, Inc.
Fredericksburg, Virginia

Opinion

We have audited the accompanying financial statements of the Community Awareness of Rappahannock Electric Charity, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Community Awareness of Rappahannock Electric Charity, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards 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 Community Awareness of Rappahannock Electric Charity, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Awareness of Rappahannock Electric Charity, Inc.'s, ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and 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 conducted in accordance with generally accepted auditing standards will always detect a material misstatement 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 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 generally accepted auditing standards, 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 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 the 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 the Community Awareness of Rappahannock Electric Charity, Inc.'s internal control. 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Community Awareness of Rappahannock Electric Charity, Inc.'s, ability to continue as a going concern for a reasonable period of time.

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 audit.

Adams, Jenkins & Cheatham

Richmond, Virginia
April 6, 2023

Statements of Financial Position

Community Awareness of Rappahannock Electric Charity, Inc.

	December 31,	
	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 54,391	\$ 68,079
Due from related party	<u>82,012</u>	<u>54,942</u>
Total Assets	<u>\$ 136,403</u>	<u>\$ 123,021</u>
Net Assets		
Net Assets		
Without donor restrictions (Note B)	<u>\$ 136,403</u>	<u>\$ 123,021</u>
Total Net Assets	<u>\$ 136,403</u>	<u>\$ 123,021</u>

See Independent Auditor's Report and Notes to Financial Statements

Statements of Activities

Community Awareness of Rappahannock Electric Charity, Inc.

	Year Ended December 31,	
	2022	2021
Revenue and Support		
Contributions	\$ 201,096	\$ 187,965
Value of contributed services	30,755	28,957
	<hr/>	<hr/>
Total Revenue and Support	231,851	216,922
Expenses		
Program services		
Community assistance	187,714	165,454
Supporting services		
Administrative and general	30,755	28,957
Fees		24
	<hr/>	<hr/>
Total Expenses	218,469	194,435
	<hr/>	<hr/>
Change in Net Assets Without Donor Restrictions	13,382	22,487
Net Assets Without Donor Restrictions - Beginning of Year	123,021	100,534
	<hr/>	<hr/>
Net Assets Without Donor Restrictions - End of Year	<u>\$ 136,403</u>	<u>\$ 123,021</u>

See Independent Auditor's Report and Notes to Financial Statements

Statements of Cash Flows

Community Awareness of Rappahannock Electric Charity, Inc.

	Year Ended December 31,	
	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in Net Assets Without Donor Restrictions	\$ 13,382	\$ 22,487
Adjustment to reconcile change in net assets without donor restrictions to net cash provided (used) by operating activities:		
Increase:		
Due from related party	<u>(27,070)</u>	<u>(8,253)</u>
Net Cash Provided (Used) by Operating Activities	(13,688)	14,234
Cash and Cash Equivalents - Beginning of Year	<u>68,079</u>	<u>53,845</u>
Cash and Cash Equivalents - End of Year	<u>\$ 54,391</u>	<u>\$ 68,079</u>

See Independent Auditor's Report and Notes to Financial Statements

Notes to Financial Statements

Community Awareness of Rappahannock Electric Charity, Inc.

December 31, 2022 and 2021

Note A - Organization

Community Awareness of Rappahannock Electric Charity, Inc. (the “Organization”) is a nonprofit corporation organized to accumulate and disburse funds for charitable purposes to communities in Virginia. The Organization is primarily supported by contributions from Rappahannock Electric Cooperative (REC) members through their “The Power of Change” round up program. This program allows members to volunteer to have their electric bill rounded up to support local non-profit organizations within the REC service area. The organization then awards those funds to various nonprofit organizations applying for aid within the service area of REC through an application and board approval process.

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 Organization 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 not 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 the stipulated purpose which the resource was restricted has been fulfilled, or both. The Organization has no net assets with donor restrictions.

Cash and Cash Equivalents

Unrestricted deposits in banks and short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash at the date of purchase, and they have a maturity date of no longer than three months.

Liquidity and Availability

As of December 31, 2022 and 2021, financial assets available within one year for general expenditures without donor or other restrictions consisted of \$136,403 and \$123,021, respectively. General expenses include all payments made by the Organization including community assistance. The Organization’s funds are maintained in a checking account and are available as needed and are available for use within one year of the statement of financial position date.

Notes to Financial Statements

Community Awareness of Rappahannock Electric Charity, Inc.

December 31, 2022 and 2021

Note B - Summary of Significant Accounting Policies - Continued

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 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. REC, an affiliate of the Organization, provided various services, including professional and other minor services, that met these criteria to the Organization. The total amount received during the years ended December 31, 2022 and 2021 were \$30,755 and \$28,957, respectively. These amounts were recorded as contribution revenue and charged to the related expense account.

Income Taxes

The Organization was granted exemption from income taxes for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). However, unrelated business income would be subject to income taxes under IRC Section 511 should the Organization enter into business activities for purposes other than which it was created.

Functional Allocation of Expenses

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

Measure of Operations

The statements of activities reports 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 Organization's ongoing activities.

Revenue and Expense Recognition

The Organization's primary source of 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. The Organization recognizes revenue as these restrictions are released or when assets without donor restrictions are received, which complies with the requirements of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). 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.

Notes to Financial Statements

Community Awareness of Rappahannock Electric Charity, Inc.

December 31, 2022 and 2021

Note B - Summary of Significant Accounting Policies - Continued

Revenue and Expense Recognition - Continued

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 Organization 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.

Subsequent Events

Subsequent events have been evaluated through April 6, 2023 which is the date the financial statements were available to be issued.

Note C - Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. All depository accounts of the Organization are in institutions insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC provides insurance coverage for up to \$250,000 of cash held by the Organization, in each separate FDIC insured bank and savings institution. At December 31, 2022 and 2021, the Organization had no deposits that exceeded the insured limits.

Note D - Related Parties

The directors of the Organization are different than the directors of Rappahannock Electric Cooperative (REC). REC employees perform the billing and collection functions of the Organization. As of December 31, 2022 and 2021, the value of donated services meeting the requirements for recognition in the financial statements were \$30,755 and \$28,957, respectively.

The Organization receives contributions from REC members, REC, and other related parties of REC. Total contributions received were \$201,096 and \$187,965 as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, there were outstanding contributions, collected or billed by REC but not yet remitted to the Organization, amounting to \$82,012 and \$54,942, respectively.

Notes to Financial Statements

Community Awareness of Rappahannock Electric Charity, Inc.

December 31, 2022 and 2021

Note E - Functional Expenses

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

	<u>Program Services</u> <u>Community Assistance</u>	<u>Supporting Services</u> <u>Administrative & General</u>	<u>Total</u>
<u>2022</u>			
Grants	\$ 187,714	\$	\$ 187,714
Accounting and Support		30,755	30,755
Total Expenses by Function	<u>\$ 187,714</u>	<u>\$ 30,755</u>	<u>\$ 218,469</u>
<u>2021</u>			
Grants	\$ 165,454	\$	\$ 165,454
Accounting and Support		28,957	28,957
Fees		24	24
Total Expenses by Function	<u>\$ 165,454</u>	<u>\$ 28,981</u>	<u>\$ 194,435</u>

There were no allocations of expenses to functional categories.

Note F - COVID-19

The Coronavirus public health emergency (COVID-19) continues to have direct and indirect impacts on the utility industry. The Organization to date has not seen significant disruption or significant operational restrictions, but the substantial uncertainty and the nature and degree of the pandemic and resulting effects over time could result in disruption or restriction on the Organization's ability to operate normally. REC's members are also affected by the outbreak, which could have negative effects on contributions. Overall, the future impact of the pandemic with respect to the Organization's territory is difficult to predict and could adversely impact its overall operations in the future.