

*ISLE AU HAUT
ELECTRIC POWER COMPANY*

*COMPARATIVE FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEARS
ENDED DECEMBER 31, 2020 AND 2019*

James W. Wadman

Certified Public Accountant

Telephone 207-667-6500

Facsimile 207-667-3636

James W. Wadman, C.P.A.

Ronald C. Bean, C.P.A.

Kellie M. Bowden, C.P.A.

Wanese L. Lynch, C.P.A.

Amy E. Atherton, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Isle au Haut Electric Power Company
Isle au Haut, Maine 04645

Report on the Financial Statements

We have audited the accompanying financial statements of the Isle au Haut Electric Power Company (a cooperative), which comprise the comparative statement of assets, liabilities and equity as of December 31, 2020 and 2019 and the related comparative statement of financial operations for the years then ended, including 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 the basis of accounting the Corporation uses for income tax purposes; 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 opinions on these financial statements based on our audit. We conducted our audit 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 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 corporation'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 corporation'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 the Isle Au Haut Electric Power Company, as of December 31, 2020 and 2019, and the results of its operations for

the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,

James W. Wadman, C.P.A.

James W. Wadman, C.P.A.

September 24, 2021

ISLE AU HAUT ELECTRIC POWER COMPANY
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2020 AND 2019

<u>Assets</u>	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
<u>Current Assets:</u>			
Cash - On Hand and On Deposit	\$92,740	\$2,468	\$90,271
Accounts Receivable	\$28,251	\$16,533	\$11,718
Grants Receivable	\$8,827	\$0	\$8,827
Fuel Inventory	\$874	\$952	(\$78)
Heat Pump Inventory	\$18,427	\$0	\$18,427
Prepaid Expenses	\$1,985	\$4,101	(\$2,115)
Other Assets	\$0	\$907	(\$907)
<u>Total Current Assets</u>	<u>\$151,103</u>	<u>\$24,960</u>	<u>\$126,143</u>
<u>Fixed Assets:</u>			
Land, Buildings & Equipment	\$626,351	\$597,929	\$28,422
Less Accumulated Depreciation	(\$500,765)	(\$485,549)	(\$15,216)
<u>Net Fixed Assets</u>	<u>\$125,585</u>	<u>\$112,380</u>	<u>\$13,206</u>
<u>Other Assets:</u>			
Solar Array Project	\$320,111	\$244,196	\$75,916
Other Construction in Progress	\$8,888	\$47,581	(\$38,693)
<u>Total Other Assets</u>	<u>\$328,999</u>	<u>\$291,777</u>	<u>\$37,222</u>
<u>Total Assets</u>	<u>\$605,688</u>	<u>\$429,117</u>	<u>\$176,571</u>
<u>Liabilities Deferred Inflows & Net Assets</u>			
<u>Current Liabilities:</u>			
Accounts Payable	\$101,133	\$17,312	\$83,821
Promissory Notes Payable	\$22,000	\$0	\$22,000
<u>Total Current Liabilities</u>	<u>\$123,133</u>	<u>\$17,312</u>	<u>\$105,821</u>
<u>Other Liabilities:</u>			
Membership Payable	\$36,875	\$36,875	\$0
<u>Total Other Liabilities</u>	<u>\$36,875</u>	<u>\$36,875</u>	<u>\$0</u>
<u>Total Liabilities</u>	<u>\$160,008</u>	<u>\$54,187</u>	<u>\$105,821</u>
<u>Deferred Inflows:</u>			
Solar Assessments	\$76,550	\$0	\$76,550
<u>Total Deferred Inflows</u>	<u>\$76,550</u>	<u>\$0</u>	<u>\$76,550</u>
<u>Net Assets:</u>			
Other Equity	\$1,989	\$1,989	\$0
Unrestricted	\$367,141	\$372,941	(\$5,800)
<u>Total Net Assets</u>	<u>\$369,130</u>	<u>\$374,930</u>	<u>(\$5,800)</u>
<u>Total Liabilities & Net Assets</u>	<u>\$605,688</u>	<u>\$429,117</u>	<u>\$176,571</u>

See Accompanying Notes and Independent Accountant's Report.

ISLE AU HAUT ELECTRIC POWER COMPANY
COMPARATIVE STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

<u>Revenue:</u>	<u>2020</u>	<u>% Sales</u>	<u>2019</u>	<u>% Sales</u>	<u>Increase/ (Decrease)</u>
Electricity Sales	\$104,842	100.00%	\$98,428	100.00%	\$6,413
<u>Total Revenue</u>	<u>\$104,842</u>	<u>100.00%</u>	<u>\$98,428</u>	<u>100.00%</u>	<u>\$6,413</u>
<u>Cost of Sales:</u>					
Purchased Power	\$28,043	26.75%	\$32,035	32.55%	(\$3,992)
Fuel & Supplies	\$121	0.12%	\$0	0.00%	\$121
<u>Cost of Sales</u>	<u>\$28,165</u>	<u>26.86%</u>	<u>\$32,035</u>	<u>32.55%</u>	<u>(\$3,870)</u>
<u>Gross Profit</u>	<u>\$76,677</u>	<u>73.14%</u>	<u>\$66,393</u>	<u>67.45%</u>	<u>\$10,284</u>
<u>Other Income:</u>					
Other Income	\$37,821	36.07%	\$789	0.80%	\$37,032
Contributions in Aid of Construction	\$14,233	13.58%	\$20,012	20.33%	(\$5,779)
Interest Income	\$234	0.22%	\$295	0.30%	(\$61)
	<u>\$52,288</u>	<u>49.87%</u>	<u>\$21,096</u>	<u>20.12%</u>	<u>\$31,192</u>
<u>Operating Expenses:</u>					
Repairs & Maintenance	\$5,576	5.32%	\$7,445	7.56%	(\$1,869)
Heat Pump Installation	\$16,398	15.64%	\$0	0.00%	\$16,398
Payroll	\$55,113	52.57%	\$41,985	42.66%	\$13,128
Payroll Taxes	\$4,998	4.77%	\$3,887	3.95%	\$1,111
Lic. & Fees	\$3,663	3.49%	\$4,077	4.14%	(\$414)
Electric Carrot Expense	\$1,895	1.81%	\$627	0.64%	\$1,268
Office Supplies & Expense	\$4,890	4.66%	\$4,503	4.58%	\$387
Professional Fees	\$12,184	11.62%	\$4,816	4.89%	\$7,368
Rent & Lease	\$1,706	1.63%	\$1,462	1.49%	\$244
Utilities & Telephone	\$2,989	2.85%	\$3,335	3.39%	(\$346)
Insurance	\$5,634	5.37%	\$5,000	5.08%	\$634
Depreciation & Amortization	\$15,216	14.51%	\$9,266	9.41%	\$5,950
Penalties and Interest	\$315	0.30%	\$148	0.15%	\$167
Bad Debts	\$1,838	1.75%	\$1,390	1.41%	\$448
Miscellaneous	\$2,350	2.24%	\$565	0.57%	\$1,785
<u>Total Operating Expenses</u>	<u>\$134,765</u>	<u>128.54%</u>	<u>\$88,507</u>	<u>89.92%</u>	<u>\$46,259</u>
<u>Net Income (Loss)</u>	<u>(\$5,800)</u>	<u>-5.53%</u>	<u>(\$1,017)</u>	<u>-1.03%</u>	<u>(\$4,783)</u>

See Accompanying Notes and Independent Accountant's Report.

ISLE AU HAUT ELECTRIC POWER COMPANY
COMPARATIVE STATEMENT OF UNRESTRICTED NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>	<u>Increase/ (Decrease)</u>
<u>Unrestricted Net Assets Balance January 1,</u>	\$372,941	\$373,959	(\$1,017)
Net Income(Loss) for Year	(\$5,800)	(\$1,017)	(\$4,783)
<u>Unrestricted Net Assets Balance December 31,</u>	<u>\$367,141</u>	<u>\$372,941</u>	<u>(\$5,800)</u>

See Accompanying Notes and Independent Accountant's Report.

ISLE AU HAUT ELECTRIC POWER COMPANY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Note 1 - Reporting Entity

The Isle Au Haut Electric Power Company is a privately owned cooperative corporation created for the purpose of acquiring and providing electric power and related services for the island of Isle Au Haut, Maine. The Company is managed by a board of directors. Previously, members owned a share of member equity with a \$5 par value that is now due back to the members and is reported as a liability on the balance sheet.

The Company is governed by a board of directors elected by its members at the Company's annual meeting. The directors outline annually the accomplishments and priorities of the company. Management of the Company is expected to follow the objective of the board of directors as well as maintain compliance with Maine Public Utilities Commission, State of Maine and Federal laws and regulations. The Company is a Maine corporation, incorporated in 1969.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Isle au Haut Electric Power Company is presented to assist in understanding of the Company's financial statements. The financial statements and notes to the financial statements are representations of management who is responsible for their integrity and objectivity.

Use of 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 affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Basis of Presentation

The financial statements are presented using the accrual basis of accounting. Revenues are recognized when they are earned. Expenditures are recognized when they are incurred.

Depreciation and Maintenance

Depreciation of capitalized plant is computed on the straight-line basis over the assets' estimated useful lives used for regulatory purposes. When depreciable plant is retired in the normal course of business, the capitalized costs and cost of removal less salvage (if applicable) is charged to the applicable accumulated depreciation provision. Costs of maintenance, repairs and like replacement of minor items of plant are expensed as incurred.

Income Taxes

The Company is exempt from Federal and State income taxes under Section 501(c)(12) of the Internal Revenue Code.

Note 3 - Capital Assets

Capital assets are carried at historical cost. Depreciation is recorded on the capital assets using estimated useful lives of 5 to 10 years for equipment, and 39 years for the buildings. No depreciation is taken on land.

Capital assets are comprised of the following categories:

Land and Buildings	\$177,573
Submarine Cable	\$115,191
Transmission Equipment	\$278,624
Vehicles	\$47,253
Software	\$4,875
Other Equipment	\$16,281
	<u>\$639,798</u>

Note 4 - Inventory

Inventory is determined by the first-in first-out method and represents the cost of generator fuel on hand at year end as well as the cost of heat pumps on hand at year end.

Note 5 - Cash and Cash Equivalents

The Company's cash assets are held in institutions insured by the federal government. Federal Deposit Insurance Corporation limitations on deposits are not exceeded at year end. The Company considers cash and cash equivalents to be cash and short term certificates of deposits with maturities of one year or less.

Note 6 - Short-Term Debt - Promissory Notes

During the year ended December 31, 2020, the company issued several promissory notes in the amount of \$5,500 each to assist with cash flow in relation to the Company's heat pump project. All notes were due and payable with interest at the rate of 0.35 percent at December 31, 2020 but had yet to be repaid. The balance of the promissory notes at December 31, 2020 was \$22,000.

The following is a summary of short-term debt transactions of the Company for the year ended December 31, 2020:

<u>Short-Term Debt payable at January 1:</u>	\$0
Short-Term Debt Proceeds	\$22,000
Short-Term Debt Retired	\$0
<u>Short-Term Debt payable at December 31:</u>	<u>\$22,000</u>

Note 7 - Contingencies and Commitments

The Company had significant engineering work performed by a consulting company, Solar Design Associates, over the time period of 2016 through 2018. The work performed as for the Solar Array project that has since been abandoned. The Company has not been invoiced for the work that was performed and the potential liability is undeterminable at this time.

Note 8 - Subsequent Events

Management has considered the reporting of subsequent events through September 24, 2021.