

**SAWNEE ELECTRIC MEMBERSHIP FOUNDATION, INC.
CUMMING, GEORGIA**

**FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2018 AND 2017 AND
INDEPENDENT AUDITOR'S REPORT**

SAWNEE ELECTRIC MEMBERSHIP FOUNDATION, INC.

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March 6, 2019

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Sawnee Electric Membership Foundation, Inc.

We have audited the accompanying financial statements of **Sawnee Electric Membership Foundation, Inc.** (the Foundation), which comprise the statements of financial position 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

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 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 Sawnee Electric Membership Foundation, Inc. as of December 31, 2018 and 2017 and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Foundation adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter. There was no impact on the total net assets as a result of the adoption of ASU 2016-14.

McNair, McLemore, Middlebrooks & Co., LLC
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

SAWNEE ELECTRIC MEMBERSHIP FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31

ASSETS

	<u>2018</u>	<u>2017</u>
Cash	\$ 467,615	\$ 466,615
Contributions Receivable	8,192	9,472
Total Assets	<u>\$ 475,807</u>	<u>\$ 476,087</u>

NET ASSETS

Net Assets Without Donor Restrictions	<u>\$ 475,807</u>	<u>\$ 476,087</u>
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See accompanying notes which are an integral part of these financial statements.

**SAWNEE ELECTRIC MEMBERSHIP FOUNDATION, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31**

	2018	2017
Change in Net Assets Without Donor Restrictions		
<i>Revenue and Support</i>		
Contributions	\$ 302,064	\$ 327,084
Contributed Services	10,103	10,104
	312,167	337,188
Expenses		
Program Services Expense		
Community Assistance	154,584	150,110
Scholarships	147,000	109,000
Supporting Services		
Administration and General	10,863	10,829
	312,447	269,939
Increase (Decrease) in Net Assets Without Donor Restrictions	(280)	67,249
Net Assets, Beginning	476,087	408,838
Net Assets, Ending	\$ 475,807	\$ 476,087

See accompanying notes which are an integral part of these financial statements.

**SAWNEE ELECTRIC MEMBERSHIP FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31**

	2018	2017
Cash Flows from Operating Activities		
Change in Net Assets	\$ (280)	\$ 67,249
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Change In		
Contributions Receivable	1,280	1,521
Net Increase In Cash	1,000	68,770
Cash, Beginning	466,615	397,845
Cash, Ending	\$ 467,615	\$ 466,615

See accompanying notes which are an integral part of these financial statements.

SAWNEE ELECTRIC MEMBERSHIP FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Organization

Sawnee Electric Membership Foundation, Inc. (the Foundation) is a nonprofit corporation organized under the laws of the state of Georgia.

Purpose

The purpose of the Foundation is to accumulate and disburse funds for charitable purposes in the service area of the Sawnee Electric Membership Corporation (SEMC), an electric membership corporation.

Accounting Policies

Accounting records are maintained in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Basis of Presentation

U.S. GAAP requires the Foundation to report its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for contributions and scholarships.
- Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. 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. The Foundation has no net assets with donor restrictions.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash or an unconditional promise to give is received.

Income Taxes

The Foundation operates under the Internal Revenue Code Section 501(c)(3) as a tax-exempt organization. Accordingly, no provision for income taxes has been made in the financial statements. The Foundation's federal information returns for calendar years 2015 and after are subject to examination by the Internal Revenue Service.

(1) Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions,” and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning December 15, 2018, with early adoption permitted. The Foundation has adjusted the presentation of these statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented. Implementation of the standard had no effect on the change in net assets for the year ended December 31, 2017.

Reclassifications

Certain amounts included in the accompanying financial statements for the year ended December 31, 2017 have been reclassified from their original presentation to conform to the presentation for the year ended December 31, 2018. The reclassification had no effect on previously reported net assets.

Subsequent Events

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 6, 2019, the date the financial statements were available to be issued.

(2) Contributions

The Foundation solicits donations from SEMC members through a “roundup” program. For SEMC members who elect to donate, the difference between their electric bill and the next whole dollar amount is donated to the Foundation.

Contributions may also consist of unclaimed patronage capital considered abandoned by current or former members of SEMC, in accordance with Georgia law (O.C.G.A. Section 44-12-236). The law specifies that these funds must be designated for any of the following purposes:

- Donated to an Internal Revenue Code Section 501(c)(3) organization serving in the SEMC’s service area;
- Used in support of education in SEMC’s service area; or
- Used for economic development purposes in SEMC’s service area.

Donations made by current members of SEMC through the roundup program have no donor restrictions. Contributions of unclaimed capital credits, made by current or former members of SEMC, contain no restrictions from the donors, although the Board of Directors of SEMC does designate the funds for the specific purposes allowed under the law before forwarding the funds to the Foundation. In conjunction, the Foundation board of directors adopts the designations made by the SEMC board of directors.

(3) Contributed Services

SEMC, an affiliate of the Foundation, provided administrative and accounting personnel to the Foundation without charge for use in its programs. The Foundation recognized revenues and related expenses of \$10,103 and \$10,104 for the years ended December 31, 2018 and 2017, respectively, for contributed services received from SEMC. Amounts recognized were based on the fair value of comparable services provided by third parties.

(4) Net Assets

The Foundation's board has designated funds be set aside to fund scholarship requests from students within SEMC's service territory. Activity related to the board designated amounts is as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Beginning Balance - Designated Net Assets	\$ 171,545	\$ 155,545
Board Designation of Contributions	100,000	125,000
Scholarships Awarded	(147,000)	(109,000)
Ending Balance - Designated Net Assets	124,545	171,545
Undesignated Net Assets Without Donor Restrictions	351,262	304,542
Net Assets Without Donor Restrictions	\$ 475,807	\$ 476,087

(5) Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and contributions receivable. The Foundation maintains its cash balances in financial institutions; cash balances throughout the year periodically exceed federally insured deposit limits of \$250,000. At December 31, 2018, the amount exceeding insured limits totaled \$223,228.

(6) Functional Expenses

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

	<u>Program Services</u>		<u>Supporting Services</u>	
	<u>Community Assistance</u>	<u>Scholarships</u>	<u>Administrative and General</u>	<u>Total</u>
2018				
Grants	\$ 154,584	\$ 147,000	\$ -	\$ 301,584
Accounting	<u>-</u>	<u>-</u>	<u>10,863</u>	<u>10,863</u>
Total Expenses by Function	<u>\$ 154,584</u>	<u>\$ 147,000</u>	<u>\$ 10,863</u>	<u>\$ 312,447</u>
2017				
Grants	\$ 150,110	\$ 109,000	\$ -	\$ 259,110
Accounting	<u>-</u>	<u>-</u>	<u>10,829</u>	<u>10,829</u>
Total Expenses by Function	<u>\$ 150,110</u>	<u>\$ 109,000</u>	<u>\$ 10,829</u>	<u>\$ 269,939</u>

There were no allocations of expenses to functional categories.

(7) Liquidity and Availability

As of December 31, 2018, financial assets available for general expenditure without donor or other restrictions consisted of the following:

Cash	\$ 467,615
Contributions Receivable	<u>8,192</u>
	<u>\$ 475,807</u>

General expenditures include all payments made by the Foundation, including scholarships and community assistance.

The Foundation's funds are maintained in a checking account and are available as needed. Receivables were collected and available soon after year-end. These assets are available for use within one year of the balance sheet date.



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March 6, 2019

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

The Board of Directors
Sawnee Electric Membership Foundation, Inc.

We have audited the financial statements of **Sawnee Electric Membership Foundation, Inc.** as of and for the years ended December 31, 2018 and 2017 and our report thereon dated March 6, 2019, which expressed an unmodified opinion on the financial statements, appears on page 1. Those audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information on pages 11 through 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

McNair, McLemore, Middlebrooks & Co., LLC
McNAIR, MCLEMORE, MIDDLEBROOKS & CO., LLC

**SAWNEE ELECTRIC MEMBERSHIP FOUNDATION, INC.
SCHEDULE OF COMMUNITY ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Act Together Ministries	\$ 3,500
Alliance Academy for Innovation	1,440
American Legion Post 307	2,500
Anna Crawford Children's Center	3,990
Anna Sutherland	500
Arockiarj Irudayasamy	500
Autrey Mill Nature Preserve and Heritage Center	4,340
Bethany Place, Inc.	4,500
Black's Mill Elementary School	1,569
Brian K. Olliff	500
Caleb T. Aman	500
Cherokee County Sheriff's Foundation	5,292
Children's Center for Hope and Healing	2,120
ConnectAbility	2,500
Country Club of the South Charity Guild	1,000
Cumming Elementary School	1,623
Cumming Home Ministries	1,000
Dawson County High School	1,500
Dawson County Humane Society, Inc.	5,000
Dawson County Wee Books Program, Inc.	2,000
De Sana Middle School	1,262
Dennis M. Fader	500
Don Wilkie	500
Douglas Hunt	500
Ellen B. Heard	500
Fill Ministries, Inc.	2,000
Forsyth County Family Heaven, Inc.	7,500
Forsyth County Lions Charities, Inc.	5,000
Free Home Elementary School	1,013
Friends of Disabled Adults and Children	5,000
Good Shepherd Clinic of Dawson County	1,650
Habitat for Humanity	5,900
Hall-Dawson CASA Program, Inc.	2,400
Holly J. Wedam	500
Indian Knoll Elementary School	1,292
Jesse's House	5,000
Johns Creek Community Arts Center	2,000
Johns Creek Public Safety Foundation, Inc.	7,800
Jurgen Dersch	500
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Balance - Carried Forward	\$ 96,691

**SAWNEE ELECTRIC MEMBERSHIP FOUNDATION, INC.
SCHEDULE OF COMMUNITY ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Balance - Brought Forward	\$	96,691
Kilough Elementary School		2,286
Lewis Jordan		500
Liberty Middle School		1,492
Lorri V. Holbrook		500
M.S. Milton		500
Mary S. Saul		500
Matt Elementary School		1,403
Matthew Purser and Chandler Williams		500
Mentor Me - North Georgia, Inc.		330
MUST Ministries, Inc.		5,000
North Forsyth Middle School		4,422
Northeast Georgia Council, BSA		1,000
Reaping Nature Educational Outreach		2,500
Sawnee Woman's Club, Inc.		700
Senior Services of North Fulton, Inc.		2,000
St. Vincent de Paul, Christ Redeem		2,000
The ALS Association of Georgia, Inc.		8,000
The Community Helping Place		1,500
The Fellowship of Christian Athletes		1,250
The Marcus E. and Sharon Gunter Foundation		1,200
The Place of Forsyth County		3,000
Thelma M. Harman		500
Variety - The Children's Charity of Georgia		6,500
West Forsyth High School		1,425
Whitlow Elementary School		8,385
William H. Huff, Jr.		500
		500
	\$	154,584

SAWNEE ELECTRIC MEMBERSHIP FOUNDATION, INC.
SCHEDULE OF SCHOLARSHIPS
FOR THE YEAR ENDED DECEMBER 31, 2018

Alexandra Kaye - University of Georgia	\$ 4,500
Alexis Matheson - University of North Georgia	4,500
Allison Mehler - University of Georgia	4,500
Alyssa Franklin - University of South Carolina	4,500
Apporva Dhanala - University of Georgia	4,500
Arjun Karanam - Stanford University	4,500
Bianca Bill - University of West Georgia	4,500
Brian Shoffeitt - Georgia Institute of Technology	4,500
Brooklyn Turner - University of Georgia	4,500
Charlee Warren - Kennesaw State University	4,500
Christine Carpenter - University of Georgia	4,500
Cullen Reed - University of North Georgia	4,500
Emmie Rose Scates - University of Georgia	4,500
Gwinnett Technical College Foundation	10,000
Katherine Archer - Georgia College and State University	4,500
Kathryn Madden - University of Georgia	4,500
Kerrington Witherspoon - Florida Institute of Technology	4,500
Kuang-Drew Li - Georgia Institute of Technology	4,500
Lanier Technical College Foundation	10,000
Madelyn Martin - University of North Georgia	4,500
Madison Ammon - University of North Georgia	4,500
Madison McKune - University of North Georgia	4,500
Nathan Hillman - Georgia Institute of Technology	4,500
Prerana Dewan - University of California	4,500
Ryan Caviness - University of Georgia	4,500
Srajita Nandy - Emory University	4,500
Tara Varadarajan - University of Georgia	4,500
Theodore Campbell, IV - Georgia Institute of Technology	4,500
University of North Georgia College Foundation	<u>10,000</u>
	<u>\$ 147,000</u>