



ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Energy Cooperative Association of Pennsylvania
Philadelphia, Pennsylvania

Opinion

We have audited the financial statements of Energy Cooperative Association of Pennsylvania, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Energy Cooperative Association of Pennsylvania 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 (GAAS). 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 Energy Cooperative Association of Pennsylvania 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 Energy Cooperative Association of Pennsylvania'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 GAAS 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 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 GAAS, 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 Energy Cooperative Association of Pennsylvania'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 Energy Cooperative Association of Pennsylvania'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.



Wegner CPAs, LLP
Madison, Wisconsin
June 2, 2023

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
BALANCE SHEETS
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 631,021	\$ 565,131
Restricted cash escrow	446,118	287,185
Accounts receivable, net	465,940	302,805
Prepaid expenses	143,349	48,773
Total current assets	<u>1,686,428</u>	<u>1,203,894</u>
Property and equipment, net	5,654	10,577
OTHER ASSETS		
Deposits	-	8,500
Intangibles, net	75,435	1,394
Total other assets	<u>75,435</u>	<u>9,894</u>
Total assets	<u><u>\$ 1,767,517</u></u>	<u><u>\$ 1,224,365</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 226,380	\$ 222,848
Accrued expenses	777,284	398,622
Total liabilities	<u>1,003,664</u>	<u>621,470</u>
MEMBERS' EQUITY		
Patronage capital	743,519	582,561
Reserve capital accounts	20,334	20,334
Total members' equity	<u>763,853</u>	<u>602,895</u>
Total liabilities and members' equity	<u><u>\$ 1,767,517</u></u>	<u><u>\$ 1,224,365</u></u>

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
STATEMENTS OF OPERATIONS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUE		
Electricity sales	\$ 3,871,893	\$ 2,548,774
Natural gas sales	722,066	420,299
Heating oil commissions	108,348	110,087
	<u>4,702,307</u>	<u>3,079,160</u>
OPERATING EXPENSES		
Electricity purchases	3,240,116	1,931,391
Natural gas purchases	492,492	337,411
General and administrative expenses	811,965	1,009,823
	<u>4,544,573</u>	<u>3,278,625</u>
Net income (loss) from operations	157,734	(199,465)
OTHER INCOME (EXPENSES)		
Interest income	193	411
Contributions	50	-
Miscellaneous income	2,981	3,696
	<u>3,224</u>	<u>4,107</u>
Net income (loss)	160,958	(195,358)
Patronage capital, beginning of year - as restated	<u>582,561</u>	<u>777,919</u>
Patronage capital, end of year	<u>\$ 743,519</u>	<u>\$ 582,561</u>

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 160,958	\$ (195,358)
Adjustments to reconcile net income (loss) to net cash flows from operating activities		
Depreciation	4,922	7,183
Amortization	4,159	10,716
(Increase) decrease in assets		
Accounts receivable	(163,135)	(156,780)
Prepaid expenses	(94,576)	(32,133)
Deposits	8,500	-
Increase (decrease) in liabilities		
Accounts payable	3,532	80,871
Accrued expenses	378,663	(37,878)
Net cash flows from operating activities	<u>303,023</u>	<u>(323,379)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(3,196)
Purchases of intangible assets	(78,200)	-
Net cash flows from investing activities	<u>(78,200)</u>	<u>(3,196)</u>
Net change in cash and restricted cash	224,823	(326,575)
Cash and restricted cash - beginning of year	<u>852,316</u>	<u>1,178,891</u>
Cash and restricted cash at end of year	<u><u>\$ 1,077,139</u></u>	<u><u>\$ 852,316</u></u>
COMPOSITION OF CASH AND RESTRICTED CASH		
Cash	\$ 631,021	\$ 565,131
Restricted cash escrow	446,118	287,185
Cash and restricted cash	<u><u>\$ 1,077,139</u></u>	<u><u>\$ 852,316</u></u>

See accompanying notes.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Energy Cooperative Association of Pennsylvania (Cooperative) is a nonprofit cooperative organized to help its members (those who pay energy bills in southeastern Pennsylvania) reduce their energy-related expenditures and to promote the use and development of renewable energy. The Cooperative is a licensed electricity and gas supplier in Pennsylvania. The Cooperative provides renewable electricity, renewable natural gas, and home heating oil to its members. The Cooperative works to educate members about how to reduce their energy usage and to better understand electric deregulation and energy-related issues.

Restricted Cash Escrow

In accordance with the agreement with its credit sleeve counterparty that provides working capital for payments to the Cooperative's wholesale electricity vendors, the Cooperative has established an escrow account into which utilities make deposits after the Cooperative's members are billed.

Accounts Receivable

Accounts receivable includes amounts earned but not yet received from electricity, natural gas, and commission charges. Trade credit is generally extended on a short-term basis; thus, trade accounts receivables generally do not bear interest. Accounts receivable are stated at the amount management expects to collect from balances outstanding. Management provides for probable uncollectible amounts through a charge to operations and a credit to an allowance for doubtful accounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. There was no allowance for doubtful accounts as of December 31, 2022 and 2021.

Property and Equipment

Acquisitions of property and equipment are recorded at cost. Capital expenditures in excess of \$500 are recorded as property and equipment. Maintenance, repairs, and minor renewals are charged to expenses when incurred.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the respective assets as follows:

Computer equipment and software	5 years
Furniture and office equipment	7 years

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Website design is amortized over three years and customer lists are amortized over fifteen years. The estimated useful lives of intangible assets are reviewed annually to determine if events or circumstances warrant a change in the remaining useful life of an asset. In addition, intangible assets are reviewed for impairment when events or circumstances indicate their carrying amount may not be recoverable. No changes or impairments were noted for 2022 and 2021.

Income Taxes

The Cooperative qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code and is exempt from federal, state, and local income taxes as long as more than 85% of revenue is received from its members. The Cooperative is considered a cooperative corporation for Pennsylvania state tax purposes and must pay a gross receipts tax on receipts from the sale of electric energy at retail to end-use customers in Pennsylvania. Applicable taxes, totaling approximately \$224,120 and \$147,626 for 2022 and 2021, have been included as a component of electricity purchases in the statements of operations.

Revenue Recognition

The Cooperative buys electricity and natural gas on the wholesale market and sells directly to its members. Revenue generated from contracts with members for electricity and natural gas is recognized as a single performance obligation satisfied over time and is recognized at fixed or variable rates as renewable electricity or renewable natural gas is delivered to the customers during the month. The Cooperative generally has a right to consideration in an amount that corresponds directly with the value to the customers of the Cooperative's performance completed to date and has elected to recognize revenue for its sales of electricity and natural gas, billed monthly, using the invoice practical expedient.

The Cooperative facilitates the supply of home heating oil for its members. The Cooperative has agreements with select home heating oil retailers. Retailers agree to pay the Cooperative a per gallon commission for home heating oil delivered to its members. Heating oil commission revenue is recognized at a point in time.

Sales tax, when applicable, is collected and remitted to the respective jurisdictions. Revenue is reported net of any sales tax.

The Cooperative has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are most significantly affected by the concentration of the Cooperative's members consuming renewable energy in Southeastern Pennsylvania.

Advertising

The Cooperative expenses all advertising costs as incurred. Advertising expense for 2022 and 2021 was \$37,427 and \$60,762.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Date of Management’s Review

Management has evaluated subsequent events through June 2, 2023, the date which the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 and 2021 was as follows:

	2022	2021
Computer equipment and software	\$ 30,417	\$ 30,417
Furniture and office equipment	7,604	14,131
	38,021	44,548
Property and equipment	38,021	44,548
Less accumulated depreciation	32,367	33,971
	5,654	10,577
Property and equipment, net	\$ 5,654	\$ 10,577

NOTE 3 – INTANGIBLE ASSETS

Intangible assets at December 31, 2022 and 2021 were as follows:

	2022	2021
Customer lists	\$ 88,200	\$ 10,000
Website design	94,649	94,649
	182,849	104,649
Intangibles	182,849	104,649
Less accumulated amortization	107,414	103,255
	75,435	1,394
Intangibles, net	\$ 75,435	\$ 1,394

Amortization of customer lists was \$3,708 and \$667 for 2022 and 2021. Accumulated amortization of customer lists was \$12,765 and \$9,057 at December 31, 2022 and 2021.

Amortization of website design was \$451 and \$10,049 for 2022 and 2021. Accumulated amortization of website design was \$94,649 and \$94,198 at December 31, 2022 and 2021.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 4 – LINE OF CREDIT

The Cooperative maintains a revolving line of credit with a financial institution in the amount of \$350,000 with interest at the bank's prime rate. The effective rate at December 31, 2022 was 4.75%. The line of credit matures in August 2023. The line of credit is collateralized by all assets of the Cooperative. There were no outstanding balance on the line of credit at December 31, 2022 and 2021.

NOTE 5 – MEMBERSHIP EQUITY

Patronage capital represents the Cooperative's accumulated retained excess of revenues over expenses that has been allocated annually to its members. Distributions to members are made at the discretion of the Board of Directors in accordance with the bylaws.

Reserve capital accounts represent the account balances of members of the Cooperative that were also members of the predecessor cooperative, the Energy Cooperative of Philadelphia, who had existing reserve capital accounts which were transferred to the Cooperative. Reserve capital will not be returned to members until the Cooperative is dissolved or as otherwise prescribed by statute.

NOTE 6 – CONCENTRATIONS

Credit Risk

The Cooperative maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At December 31, 2022 and 2021, the Cooperative had cash balances in excess of FDIC insurance limits by approximately \$515,000 and \$574,000. The Cooperative has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash.

Purchasing Risk

The Cooperative purchases 100% of its electricity from three third-party wholesale suppliers.

NOTE 7 – RELATED PARTIES

The Cooperative occasionally uses professional service firms in which board members and their family members are employed. The firms provided services totaling approximately \$79,000 to the Cooperative during 2021. No related party transactions were recorded during 2022.

At December 31, 2022 and 2021, balances due to the related parties were \$0 and \$16,000. The outstanding balances are included in accounts payable.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses on the statements of operations for 2022 and 2021 were comprised of the following:

	<u>2022</u>	<u>2021</u>
Salaries	\$ 474,861	\$ 580,116
Employee benefits	73,673	101,866
Information technology	57,362	55,129
Advertising and promotion	55,037	93,905
Professional fees	54,467	11,000
Payroll taxes	36,881	43,781
Rent	15,806	76,531
Insurance	13,935	7,856
Travel	8,138	3,195
Depreciation	4,923	7,183
Dues and subscriptions	4,512	686
Office supplies and expenses	4,299	9,705
Amortization	4,159	10,716
Bank service charges	2,757	3,303
Training and conferences	1,155	3,571
Membership expenses	-	1,280
	<u> </u>	<u> </u>
General and administrative expenses	<u>\$ 811,965</u>	<u>\$ 1,009,823</u>

NOTE 9 – PAYCHECK PROTECTION PROGRAM AWARD

On June 25, 2020, the Cooperative received an uncollateralized \$116,716 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The Cooperative received confirmation of full loan forgiveness from the SBA on November 4, 2020.

The Cooperative must retain PPP documentation in its files for six years after the date the loan was forgiven and permit authorized representatives of SBA to access such files upon request. The SBA may review any loan at any time at its discretion. Therefore, the SBA may review the Cooperative’s good-faith certification concerning the necessity of its loan request, whether the Cooperative calculated the loan amount correctly, whether the Cooperative used loan proceeds for the allowable uses specified in the CARES Act, and whether the Cooperative was entitled to loan forgiveness in the amount approved by the SBA. If the SBA determines the Cooperative was ineligible for the loan or for forgiveness in whole or in part, the SBA will seek repayment of the award.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 10 – RETIREMENT PLAN

The Cooperative maintains a SIMPLE IRA retirement plan. All employees of the Cooperative who earned at least \$5,000 in compensation in the prior year and have the reasonable expectation of earning at least \$5,000 in compensation in the current year are eligible to participate in the plan. The Cooperative matches 100% of employees' elective deferral amounts up to a 3% ceiling. Retirement expense was \$17,362 and \$15,072 for 2022 and 2021.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

Certain errors of previously reported account balances were discovered during the current year. Accordingly, electricity purchases for 2021 and accrued expenses at December 31, 2021 were decreased by \$28,233. The patronage capital balance at December 31, 2021 was increased by the same amount, and the balance has been restated from \$554,328 to \$582,561.