

ISLE AU HAUT ELECTRIC POWER COMPANY
COMPARATIVE BALANCE SHEET
DECEMBER 31, 2021 AND 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>
<u>Current Assets:</u>			
Cash - On Hand and On Deposit	\$59,561	\$92,740	(\$33,178)
Accounts Receivable	\$18,593	\$28,251	(\$9,658)
Grants Receivable	\$0	\$8,827	(\$8,827)
Fuel Inventory	\$1,800	\$874	\$926
Heat Pump Inventory	\$3,685	\$18,427	(\$14,741)
Prepaid Expenses	\$2,677	\$1,985	\$692
<u>Total Current Assets</u>	<u>\$86,316</u>	<u>\$151,103</u>	<u>(\$64,787)</u>
<u>Fixed Assets:</u>			
Land, Buildings & Equipment	\$637,281	\$626,351	\$10,931
Less Accumulated Depreciation	(\$508,582)	(\$500,765)	(\$7,817)
<u>Net Fixed Assets</u>	<u>\$128,699</u>	<u>\$125,585</u>	<u>\$3,114</u>
<u>Other Assets:</u>			
Solar Array Project	\$289,333	\$320,111	(\$30,778)
Other Construction in Progress	\$3,389	\$8,888	(\$5,499)
<u>Total Other Assets</u>	<u>\$292,722</u>	<u>\$328,999</u>	<u>(\$36,277)</u>
<u>Total Assets</u>	<u>\$507,738</u>	<u>\$605,688</u>	<u>(\$97,950)</u>
<u>Liabilities Deferred Inflows & Net Assets</u>			
<u>Current Liabilities:</u>			
Accounts Payable	\$15,813	\$101,133	(\$85,320)
Promissory Notes Payable	\$0	\$22,000	(\$22,000)
<u>Total Current Liabilities</u>	<u>\$15,813</u>	<u>\$123,133</u>	<u>(\$107,320)</u>
<u>Other Liabilities:</u>			
Membership Payable	\$36,875	\$36,875	\$0
Promissory Notes Payable	\$28,500	\$0	\$28,500
Contingent Liabilities	\$10,000	\$0	\$10,000
<u>Total Other Liabilities</u>	<u>\$75,375</u>	<u>\$36,875</u>	<u>\$38,500</u>
<u>Total Liabilities</u>	<u>\$91,188</u>	<u>\$160,008</u>	<u>(\$68,820)</u>
<u>Deferred Inflows:</u>			
Solar Assessments	\$11,250	\$76,550	(\$65,300)
Power Paid in Advance	\$5,842	\$0	\$5,842
<u>Total Deferred Inflows</u>	<u>\$17,092</u>	<u>\$76,550</u>	<u>(\$59,458)</u>
<u>Net Assets:</u>			
Other Equity	\$1,989	\$1,989	\$0
Unrestricted	\$397,468	\$367,141	\$30,327
<u>Total Net Assets</u>	<u>\$399,457</u>	<u>\$369,130</u>	<u>\$30,327</u>
<u>Total Liabilities & Net Assets</u>	<u>\$507,738</u>	<u>\$605,688</u>	<u>(\$97,950)</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, 2021 AND 2020

	<u>2021</u>	<u>% Sales</u>	<u>2020</u>	<u>% Sales</u>	<u>Increase/ (Decrease)</u>
<i>Revenue:</i>					
Electricity Sales	\$128,718	100.00%	\$104,842	100.00%	\$23,876
<u>Total Revenue</u>	<u>\$128,718</u>	<u>100.00%</u>	<u>\$104,842</u>	<u>100.00%</u>	<u>\$23,876</u>
<i>Cost of Sales:</i>					
Purchased Power	\$31,766	24.68%	\$28,043	26.75%	\$3,723
Fuel & Supplies	\$206	0.16%	\$121	0.12%	\$85
<u>Cost of Sales</u>	<u>\$31,972</u>	<u>24.84%</u>	<u>\$28,165</u>	<u>26.86%</u>	<u>\$3,808</u>
<u>Gross Profit</u>	<u>\$96,746</u>	<u>75.16%</u>	<u>\$76,677</u>	<u>73.14%</u>	<u>\$20,068</u>
<i>Other Income:</i>					
Other Income	\$11,760	9.14%	\$37,821	36.07%	(\$26,062)
Donations	\$47,300	36.75%	\$0	0.00%	\$47,300
Contributions in Aid of Construction	\$10,731	8.34%	\$14,233	13.58%	(\$3,503)
Interest Income	\$8	0.01%	\$234	0.22%	(\$226)
	<u>\$69,798</u>	<u>54.23%</u>	<u>\$52,288</u>	<u>40.62%</u>	<u>\$17,510</u>
<i>Operating Expenses:</i>					
Repairs & Maintenance	\$3,303	2.57%	\$5,576	5.32%	(\$2,272)
Heat Pump Installation	\$23,131	17.97%	\$16,398	15.64%	\$6,733
Payroll	\$59,702	46.38%	\$55,113	52.57%	\$4,589
Payroll Taxes	\$5,257	4.08%	\$4,998	4.77%	\$259
Lic. & Fees	\$4,950	3.85%	\$3,663	3.49%	\$1,287
Electric Carrot Expense	\$751	0.58%	\$1,895	1.81%	(\$1,144)
Office Supplies & Expense	\$4,413	3.43%	\$4,890	4.66%	(\$477)
Professional Fees	\$18,132	14.09%	\$12,184	11.62%	\$5,948
Rent & Lease	\$445	0.35%	\$1,706	1.63%	(\$1,261)
Utilities & Telephone	\$3,102	2.41%	\$2,989	2.85%	\$113
Insurance	\$4,984	3.87%	\$5,634	5.37%	(\$650)
Depreciation & Amortization	\$7,817	6.07%	\$15,216	14.51%	(\$7,399)
Penalties and Interest	\$29	0.02%	\$315	0.30%	(\$286)
Bad Debts	\$0	0.00%	\$1,838	1.75%	(\$1,838)
Miscellaneous	\$201	0.16%	\$2,350	2.24%	(\$2,150)
<u>Total Operating Expenses</u>	<u>\$136,216</u>	<u>105.83%</u>	<u>\$134,765</u>	<u>128.54%</u>	<u>\$1,451</u>
<u>Net Income (Loss)</u>	<u>\$30,327</u>	<u>23.56%</u>	<u>(\$5,800)</u>	<u>-5.53%</u>	<u>\$36,127</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>	<u>Increase/ (Decrease)</u>
<u>Unrestricted Net Assets Balance January 1,</u>	\$367,141	\$372,941	(\$5,800)
Net Income(Loss) for Year	<u>\$30,327</u>	<u>(\$5,800)</u>	<u>\$36,127</u>
<u>Unrestricted Net Assets Balance December 31,</u>	<u><u>\$397,468</u></u>	<u><u>\$367,141</u></u>	<u><u>\$30,327</u></u>

See Accompanying Notes and Independent Accountant's Report.

ISLE AU HAUT ELECTRIC POWER COMPANY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2021

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 20 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	\$285,020
Vehicles	\$47,253
Software	\$4,875
Other Equipment	\$16,281
	<u>\$646,194</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 - Long-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 but one of the notes were reissued during the year ended December 31, 2021 as long-term notes at the rate of 3.5 percent per annum with balances due in full by December 31, 2026. One of the notes repaid in full. The balance of the promissory notes at December 31, 2021 was \$16,500.

During the year ended December 31, 2020, the company collected prepayments of assessments known as "solar assessments" in amounts ranging from \$5,300 to \$6,000. The company collected a total of \$76,550 in prepaid solar assessment payments. During the year ended December 31, 2021, it was determined that the solar project, as originally intended, would be abandoned. Of the prepaid assessments, eight customers agreed to donate their payments without restrictions for a total amount of \$47,300. One customer requested their payment of \$6,000 be considered a prepayment for power. Two customers were undecided at year end how they wished their prepayments to be handled. It is noted that after year end, one requested immediate repayment in the amount of \$5,600 and one agreed to donate without restrictions the amount of \$5,650. Two customers agreed to convert their prepayments into promissory notes with interest ranging from 0% to 3.5% per annum and all principal and interest due and payable on December 31, 2036.

The following is a summary of long-term debt transactions of the Company for the year ended December 31, 2021:

<u>Short-Term Debt converted to Long-Term Debt payable at January 1:</u>	\$22,000
<u>Long-Term Debt Proceeds/Conversions from Prepaid Assessments</u>	\$12,000
<u>Long-Term Debt Retired</u>	<u>(\$5,500)</u>
<u>Long-Term Debt payable at December 31:</u>	<u>\$28,500</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 was 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.

The Company had significant balances due to legal firm Curtis Thaxter. During the year ended December 31, 2021, an agreement was reached with the firm that the Company would pay Curtis Thaxter \$25,000. Of the remaining balance of \$29,241, all but \$10,000 will be written off by Curtis Thaxter. The remaining \$10,000 will be deferred and payable to Curtis Thaxter only if (i) there is a solar project financed within the next two years (from November 18, 2021); and (ii) such amount

is properly includable in any project financing as a cost determined beneficial to that project.

The Company had significant balances due to legal firm Pierce Atwood. During the year ended December 31, 2021, an agreement was reached with the Pierce Atwood that they would provide a 25% discount on the outstanding balance. The Company would then pay \$20,000 immediately. The remaining balance of \$2,613 would be paid in monthly installments of \$200 per month until the balance is paid in full. The remaining balance at December 31, 2021 is \$2,413.

Note 8 - Subsequent Events

Management has considered the reporting of subsequent events through April 25, 2022.