WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
SANDERSVILLE, GEORGIA

FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021 AND 2020 AND INDEPENDENT AUDITOR'S REPORT

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION

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February 24, 2022

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Washington Electric Membership Corporation

Opinion

We have audited the financial statements of **Washington Electric Membership Corporation**, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in members' equity, 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 Washington Electric Membership Corporation as of December 31, 2021 and 2020 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 Washington Electric Membership Corporation 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 these 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 Washington Electric Membership Corporation's ability to continue as a going concern for 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 and *Government 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 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 and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements 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 Washington Electric Membership Corporation'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Washington Electric Membership Corporation'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022 on our consideration of Washington Electric Membership Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Washington Electric Membership Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Washington Electric Membership Corporation's internal control over financial reporting and compliance.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
BALANCE SHEETS
DECEMBER 31

ASSETS

	2021	2020
Utility Plant		
Electric Plant in Service - At Cost	**$ 97,660,068**	$ 94,698,630
Construction Work in Progress	**3,020,259**	153,896
Gross Utility Plant	**100,680,327**	94,852,526
Accumulated Provision for Depreciation	**(36,823,381)**	(34,604,970)
	63,856,946	60,247,556
Other Property and Investments		
Investments in Associated Organizations	**18,355,374**	17,882,914
Other Investments	**279,567**	261,089
	18,634,941	18,144,003
Current Assets		
Cash and Cash Equivalents	**1,542,718**	1,838,122
Short-Term Investment Securities	**-**	3,701,000
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of $229,692 in 2021 and $223,366 in 2020)	**3,012,901**	2,747,396
Accrued Utility Revenue	**962,752**	1,325,897
Materials and Supplies	**3,820,257**	445,791
Other	**222,467**	176,232
	9,561,095	10,234,438
Deferred Debits	**5,698,360**	2,660,144
Total Assets	**$ 97,751,342**	$ 91,286,141

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

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
BALANCE SHEETS
DECEMBER 31

MEMBERS' EQUITY AND LIABILITIES

	2021	2020
Members' Equity		
Membership Fees	$ 66,665	$ 65,758
Patronage Capital	40,491,726	40,414,303
Other Equities	6,986,589	6,950,088
	47,544,980	47,430,149
Long-Term Debt	41,475,553	37,057,202
Current Liabilities		
Current Maturities of Long-Term Debt	1,548,000	1,563,000
Line-of-Credit	1,000,000	-
Accounts Payable	2,972,138	2,178,462
Consumer Deposits	1,449,156	1,416,048
Accrued and Withheld Taxes	467,160	427,000
Other Current and Accrued Liabilities	1,287,469	1,199,904
	8,723,923	6,784,414
Deferred Credits	6,886	14,376
Total Members' Equity and Liabilities	$ 97,751,342	$ 91,286,141

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

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31

	2021	2020
Operating Revenues	**$ 39,341,140**	$ 36,513,766
Operating Expenses		
Cost of Power	**25,175,938**	22,478,921
Distribution Operations	**2,702,815**	2,477,628
Distribution Maintenance	**2,886,043**	2,962,064
Consumer Accounts, Information, and Sales	**1,688,156**	1,575,697
Administrative and General	**2,472,184**	2,220,483
Depreciation	**2,890,973**	2,796,474
Total Operating Expenses	**37,816,109**	34,511,267
Operating Margins Before Interest Expense	**1,525,031**	2,002,499
Interest Expense	**1,326,123**	1,247,343
Operating Margins After Interest Expense	**198,908**	755,156
Nonoperating Margins	**227,245**	323,912
Generation and Transmission Cooperative Capital Credits	**418,077**	427,902
Other Capital Credits and Patronage Capital Allocations	**207,647**	178,568
Net Margins	**$ 1,051,877**	$ 1,685,538

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

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

		Total Members' Equity		Membership Fees		Patronage Capital		Other Equities
Balance, December 31, 2019	$	46,690,819	$	65,113	$	39,734,514	$	6,891,192
Net Margins		1,685,538		-		1,685,538		-
Membership Fees		645		645		-		-
Retirement of Patronage Capital		(946,853)		-		(1,005,749)		58,896
Balance, December 31, 2020		47,430,149		65,758		40,414,303		6,950,088
Net Margins		1,051,877		-		1,051,877		-
Membership Fees		907		907		-		-
Retirement of Patronage Capital		(937,953)		-		(974,454)		36,501
Balance, December 31, 2021	**$**	**47,544,980**	**$**	**66,665**	**$**	**40,491,726**	**$**	**6,986,589**

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

WASHINGTON ELECTRIC MEMBERSHIP CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2021	2020
Cash Flows from Operating Activities		
Net Margins	**$ 1,051,877**	$ 1,685,538
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**3,206,004**	3,122,168
Patronage Capital from Associated Organizations	**(625,724)**	(606,470)
Change In		
Accounts Receivable	**97,640**	417,680
Other Current Assets	**(46,235)**	(29,846)
Accounts Payable and Other Accrued Liabilities	**921,401**	230,982
Consumer Deposits	**33,108**	38,635
Deferred Credits	**(7,490)**	(247,176)
	4,630,581	4,611,511
Cash Flows from Investing Activities		
Extension and Replacement of Plant	**(6,815,394)**	(3,681,421)
Return of Equity from Associated Organizations	**153,264**	144,801
Short-Term Investment Securities	**3,701,000**	(3,701,000)
Other Investments	**(18,478)**	(1,154)
Deferred Debits	**(3,038,216)**	(2,123,042)
Materials and Supplies	**(3,374,466)**	(13,792)
	(9,392,290)	(9,375,608)
Cash Flows from Financing Activities		
Advances from Long-Term Debt	**4,500,000**	2,993,380
Principal Reduction of Long-Term Debt	**(1,583,926)**	(5,626,625)
Line-of-Credit	**1,000,000**	-
Advanced Payments on Long-Term Debt Unapplied	**1,487,277**	4,419,162
Membership Fees	**907**	645
Retirement of Patronage Capital	**(937,953)**	(946,853)
	4,466,305	839,709
Net Decrease in Cash and Cash Equivalents	**(295,404)**	(3,924,388)
Cash and Cash Equivalents - Beginning	**1,838,122**	5,762,510
Cash and Cash Equivalents - Ending	**$ 1,542,718**	$ 1,838,122

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

NOTES TO FINANCIAL STATEMENTS

(1) Nature of Operations

Washington Electric Membership Corporation (the Corporation) is a member-owned, not-for-profit corporation whose purpose is to provide electric service to its members. The Corporation operates as a cooperative whereby all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account.

(2) Summary of Significant Accounting Policies

Accounting policies of the Corporation reflect practices appropriate to the electric utility industry and generally accepted accounting principles of the United States of America (U.S. GAAP). The records of the Corporation are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission as modified and adopted by the Rural Utilities Service (RUS). The following describes the more significant of those policies.

Regulated Operations

The Corporation, in its rate-making capacity, accounts for certain revenue and expense deferrals in accordance with *Accounting Standards Codification (ASC) 980*.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Long-Lived Assets

The Corporation evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is reevaluated when circumstances or events change.

U.S. GAAP requires the present value of the ultimate cost for an asset's future retirement be recorded in the period in which the liability is incurred. The cost should be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. The Corporation has no legal retirement obligations related to its distribution facilities; therefore, a liability for the removal of these assets will not be recorded. Management believes the actual cost of removal, even though not a legal obligation, will be recovered through rates over the life of the distribution assets.

(2) Summary of Significant Accounting Policies (Continued)

Utility Plant

Utility plant is capitalized at cost less related contributions in aid of construction. In general, utility plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

Depreciation and Maintenance

Depreciation of capitalized cost is provided using composite rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation.

Provision has been made for depreciation of distribution plant at a weighted average straight-line rate of 3.29 percent per annum, except automated metering equipment which is depreciated at 6.67 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The weighted average depreciation rate of general plant is 6.87 percent per annum.

The costs of maintenance, repairs, and replacements of minor items of property are charged to maintenance expense accounts.

Cash Equivalents

Cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Other Investments

Other investments consist of corporate debt securities. The Corporation classifies all of its debt securities as held-to-maturity (HTM). HTM debt securities are those debt securities in which the Corporation has the ability and intent to hold the security until maturity. HTM debt securities are recorded at cost, as there are no associated premiums and discounts to amortize. A decline in the market value of any HTM debt security below cost that is deemed to be other than temporary, results in an impairment to reduce the carrying amount to fair value. To determine whether impairment is other than temporary, the Corporation considers all available information relevant to the collectibility of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimates of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performances of the investee, and the general market conditions in the geographical area or industry in which the investee operates. The Corporation's debt securities investments are invested at the National Rural Utilities Cooperative Finance Corporation (NRUCFC).

The carrying value of the debt securities investments approximated fair value with interest rates ranging from 0.29 percent to 0.38 percent at December 31, 2021.

(2) Summary of Significant Accounting Policies (Continued)

Accounts Receivable and Credit Policies

Accounts receivable are stated at the amount billed to the consumer. Once an electric consumer's service is shut off and the account is deemed uncollectible, the Corporation writes off the associated accounts receivable. An allowance is made for doubtful accounts based on experience and other circumstances which may affect the ability of members to meet their obligations. Accounts considered uncollectible are charged against the allowance. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the members. Recoveries of accounts receivable previously written off are recorded against the allowance when received. Receivables are reported on the balance sheets net of such accumulated allowance.

Credit evaluations are performed on most potential members before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If a member does not pay its bill based on the terms of the Corporation's service agreement, the Corporation may require an additional deposit as a condition of continued service.

Materials and Supplies

Materials and supplies are generally used for construction and for operation and maintenance work and are not for resale. Cost is determined by the moving average method of inventory valuation. Materials and supplies are charged to construction or operations at moving average cost when used.

Patronage Capital and Margins

Patronage capital represents the Corporation'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, subject to the restrictions contained in the long-term debt agreements. Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 30 percent of the total assets of the Corporation, the return to patrons of capital contributed by them is limited. At December 31, 2021 and 2020, the total equities approximate 48.6 and 52.0 percent of total assets, respectively.

Revenue Recognition

Electric revenue is generated from contracts (service agreements) with retail electric customers. This revenue, generated from the integrated service to deliver electricity when and if called upon by the customer, is recognized as a single performance obligation satisfied over time and as electricity is delivered to the customer during the month. Unbilled revenue related to retail sales is accrued at the end of each fiscal period. Accrued, but unbilled, electric revenue is recorded as accrued utility revenue on the balance sheets and totaled $962,752 and $1,325,897 as of December 31, 2021 and 2020, respectively.

Electric revenue includes patronage capital and is billed monthly to consumers on a cycle basis. Electric rates for the Corporation include a provision to permit the board of directors to adjust billings for fluctuations in fuel costs, purchased power costs, and certain other costs.

Revenue from merchandising included in nonoperating margins is recognized at the time of transfer of goods and services to customers for internet and security system monitoring. Internet and security system monitoring is billed monthly to consumers on a cycle basis. Transaction pricing for services are set by third party vendors and the board of directors and entered into by customers on a subscription basis.

(2) Summary of Significant Accounting Policies (Continued)

Cost of Purchased Power

Cost of power is expensed as consumed.

Sales, Use, and Other Value Added Taxes

Certain portions of the Corporation's sales are subject to sales tax imposed by jurisdictions. When required, the Corporation collects sales tax from customers and remits it to the applicable jurisdiction. The Corporation's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code which provides, in part, that the Corporation derive at least 85 percent of its annual gross income from members to retain the exemption. The Corporation expects to meet the requirement for the tax year ended December 31, 2021. Accordingly, no provision for income taxes has been made in the financial statements.

Investments in Associated Organizations

Investments in associated organizations primarily include investments in other cooperative organizations. Investments in other cooperative organizations represent capital investments made primarily to obtain an economical source of supply, financing, product, or service. Investments in other cooperative organizations are carried at cost plus allocated equities in accordance with guidance issued in A*SC 905-325-30*. Capital credit allocations from associated organizations are included on the statements of operations as "generation and transmission cooperative capital credits" and "other capital credits and patronage capital allocations."

New Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* for lease accounting under U.S. GAAP. The new standard is intended to eliminate off-balance-sheet recording of lease obligations in an effort to create financial statements that more accurately reflect leasing activities. In general, an entity will record on the balance sheet the right-of-use assets and the corresponding lease obligations. The new standard was to become effective for private companies for fiscal years beginning after December 15, 2020. On June 3, 2020, as a result of COVID-19, the FASB amended the effective dates for *Topic 842*, through the issuance of ASU 2020-05, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Corporation can exercise a practical expedient and not apply retrospectively. The adoption of ASU 2016-02 is not expected to have a material impact on the financial statements.

(2) Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts included in the accompanying financial statements for the year ended December 31, 2020 have been reclassified from their original presentation to conform to the presentation for the year ended December 31, 2021. The reclassification had no effect on net margins for the year ended December 31, 2020.

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through February 24, 2022, the date the financial statements were available to be issued.

(3) Accounts Receivable, Contract Assets, and Contract Liabilities

Billed receivables and contract assets and contract liabilities are as follows as of December 31, 2021 and 2020:

	2021	2020	2019
Accounts Receivable	**$ 3,012,901**	$ 2,747,396	$ 3,328,163
Contract Assets			
Accrued Utility Revenue	**962,752**	1,325,897	1,162,810
Underrecovery of Wholesale Power Cost	**751,599**	-	-
Contract Liabilities			
Overrecovery of Wholesale Power Cost	**-**	6,086	252,291

(4) Utility Plant

Listed below are the major classes of the utility plant as of December 31:

	2021	2020
Distribution	**$ 82,731,330**	$ 79,324,464
General	**14,928,484**	15,373,912
Intangible	**254**	254
Electric Plant in Service	**97,660,068**	94,698,630
Construction Work in Progress	**3,020,259**	153,896
	$ 100,680,327	$ 94,852,526

(5) Investments in Associated Organizations

Investments in associated organizations are comprised of the following as of December 31:

	2021	2020
National Rural Utilities Cooperative Finance Corporation		
Capital Term Certificates	**$ 702,586**	$ 707,147
Capital Credits	**219,863**	228,586
Oglethorpe Power Corporation	**12,387,637**	12,086,641
GRESCO Utility Supply, Inc.	**660,985**	647,742
National Rural Telecommunications Cooperative, Inc.	**235,116**	228,509
Southeastern Data Cooperative, Inc.	**155,852**	155,157
Georgia Transmission Corporation		
Contributed Capital	**811,579**	811,579
Capital Credits	**2,239,839**	2,134,839
Georgia System Operations Corporation	**2,595**	2,595
CoBank	**255,394**	218,732
Smarr EMC		
Contributed Capital	**19,328**	19,328
Capital Credits	**389,282**	377,708
Cooperative Response Center		
Contributed Capital	**12,500**	12,500
Capital Credits	**3,092**	2,347
Federated Rural Electric Insurance Exchange	**253,314**	243,599
Green Power EMC	**6,412**	5,905
	$ 18,355,374	$ 17,882,914

(6) Deferred Debits

Deferred debits are comprised of the following as of December 31:

	2021	2020
System Restoration - Hurricane Michael	**$ -**	$ 74,844
Main Office Upgrade	**4,577,814**	2,558,737
Underrecovery of Wholesale Power Costs	**751,599**	-
Work Plans and Projects	**368,947**	26,563
	$ 5,698,360	$ 2,660,144

The Federal Emergency Management Agency (FEMA) declared a substantial portion of the Corporation's service territory a disaster area (FEMA-4400-DR-GA) on October 15, 2018. The Corporation initially estimated incurred costs reimbursable through FEMA of $296,995 for Hurricane Michael system restoration. FEMA ultimately approved reimbursement of incurred costs on November 5, 2019.

(7) Patronage Capital

Patronage capital is comprised of the following as of December 31:

		2021		2020
Assignable	**$**	**1,051,877**	$	1,685,538
Assigned		**60,269,362**		58,583,824
		61,321,239		60,269,362
Cumulative Retirements		**(20,829,513)**		(19,855,059)
	$	**40,491,726**	$	40,414,303

(8) Other Equities

Other equities are comprised of the following as of December 31:

		2021		2020
Capital Gains and Losses	**$**	**5,945,851**	$	5,945,851
Unbilled Revenue Prior to 2019		**904,412**		904,412
Donated Capital - Estate Refunds		**133,707**		97,207
Donated Capital		**2,619**		2,618
	$	**6,986,589**	$	6,950,088

(9) Debt

Long-Term Debt

Long-term debt consists of mortgage notes payable to the United States of America acting through RUS, Federal Financing Bank (FFB), NRUCFC, and CoBank. The notes are secured by a mortgage agreement among the Corporation, RUS, FFB, NRUCFC, and CoBank. Substantially all of the assets of the Corporation are pledged as security for long-term debt of the Corporation. The notes generally have 35-year maturity periods and are payable on an installment basis. The notes contain certain affirmative and negative covenants, including maintenance of certain financial ratios as defined in the agreement. At December 31, 2021 and 2020, the Corporation was in compliance with the covenants.

Holder of Note	**Weighted Average Interest Rate at December 31, 2021**	**2021**	2020
RUS	2.84%	**$ 3,333,193**	$ 3,464,621
FFB	2.43%	**29,237,602**	25,325,382
NRUCFC	4.95%	**1,124,166**	1,328,615
CoBank	3.75%	**10,472,187**	11,132,456
		44,167,148	41,251,074
RUS Cushion-of-Credit		**(1,143,595)**	(2,630,872)
Maturities Due Within One Year		**(1,548,000)**	(1,563,000)
		$ 41,475,553	$ 37,057,202

Approximate principal maturities of long-term debt for each of the next five years are as follows:

Year	**Amount**
2022	$ 1,548,000
2023	1,564,000
2024	1,580,000
2025	1,559,000
2026	1,525,000
Thereafter	36,391,148
	$ 44,167,148

The Corporation has unadvanced loan funds through FFB of $8,024,245 and $12,524,245 for the years ended December 31, 2021 and 2020, respectively.

(9) Debt (Continued)

Long-Term Debt (Continued)

The Corporation has made unapplied advance payments to the RUS Cushion-of-Credit program. Under this program the Corporation may make voluntary deposits into a special cushion-of-credit account. The cushion-of-credit account balance accrues interest to the Corporation. The use of the cushion-of-credit account is restricted to funding the future debt service payments that the Corporation is obligated to pay against its outstanding indebtedness to RUS and FFB.

On December 20, 2018, the President of the United States signed the Agriculture Improvement Act which makes the following changes to the RUS Cushion-of-Credit program:

- No new cushion-of-credit deposits will be allowed after December 20, 2018,

- Cooperatives in the program may transfer their cushion-of-credit money to prepay RUS loans without penalty through September 30, 2020,

- Remaining cushion-of-credit funds after September 30, 2020, may be applied only to regular RUS and FFB debt service payments,

- Existing cushion-of-credit balances will earn 5 percent interest until October 1, 2020, when that rate will drop to 4 percent. Beginning October 1, 2021, interest on remaining balances will be paid at a floating one-year Treasury rate.

Cash payments of interest on long-term debt totaled $588,112 and $1,021,947 for the years ended December 31, 2021 and 2020, respectively. In addition, the Corporation utilized its RUS cushion-of-credit account to fund interest payments of $738,944 and $369,909 for the years ended December 31, 2021 and 2020, respectively.

In addition, the Corporation also utilized the cushion-of-credit balance to prepay certain RUS notes with principal balances totaling $3,966,445 during the year ended December 31, 2020.

Lines-of-Credit

The Corporation has a line-of-credit, $4,000,000 at 2.45 percent with NRUCFC. The outstanding balance as of December 31, 2021 and 2020 was $1,000,000 and $-0-, respectively. In addition, the Corporation has a line-of-credit of $1,000,000 at 2.90 percent with CoBank. There was no outstanding balance as of December 31, 2021 and 2020.

Note Payable

The Corporation applied for and received Paycheck Protection Program (PPP) Loan Funds in the amount of $1,150,000 on April 21, 2020 through George D. Warthen Bank. As permitted under U.S. GAAP, the Corporation has analogized to *Internal Accounting Standards (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance* in its accounting for PPP loan forgiveness. Under the income approach detailed in *IAS 20*, when there is reasonable assurance (probable under U.S. GAAP) that an entity has systematically met the terms of forgiveness for a government loan, the loan amount is converted to a government grant as the requirements for conversion are met.

(9) Debt (Continued)

Note Payable (Continued)

The Corporation has incurred sufficient qualifying expenses to meet forgiveness requirements and has applied for forgiveness as of December 31, 2020 with the U.S. Small Business Administration (SBA). The application was submitted to the SBA on November 20, 2020. A noncash forgiveness of debt was recognized in fiscal year 2020, and the $1,150,000 has been recorded as an offset to qualifying expenses during the year ended December 31, 2020. Legal release from the loan was received from the SBA during fiscal year 2021.

(10) Pension Plan

Pension Plan (Defined Benefit)

Pension benefits for substantially all employees of the Corporation are provided through participation in the NRECA Retirement Security Plan (RS Plan), a defined benefit plan qualified under Section 401 and tax-exempt under 501(a) of the Internal Revenue Code. The plan sponsor's employer identification number is 53-0116145 and the plan number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

The Corporation's annual contributions to the program represented less than 5 percent of total contributions made to the plan by all participating employers and are equal to the amounts recorded for pension cost. Contributions were $1,109,678 and $1,118,964 for the years ended December 31, 2021 and 2020, respectively.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was greater than 80 percent funded at January 1, 2022 and 2021 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

Pension Plan (Defined Contribution Plan)

The Corporation also provides additional employee benefits to substantially all employees through the NRECA sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation's contributory portion of costs of this plan totaled $175,990 and $133,716 for the years ended December 31, 2021 and 2020, respectively.

(11) Deferred Credits

Deferred credits are comprised of the following as of December 31:

	2021	2020
Overrecovery of Wholesale Power Costs	**$ -**	$ 6,086
Other	**6,886**	8,290
	$ 6,886	$ 14,376

(12) Nonoperating Margins

	2021	2020
Revenues from Merchandising	**$ 691,119**	$ 634,716
Cost of Merchandising	**(646,468)**	(629,541)
Net Gain from Merchandising	**44,651**	5,175
Interest Income	**108,970**	318,737
Miscellaneous Income	**73,624**	-
	$ 227,245	$ 323,912

(13) Commitments

The Corporation has entered into various long-term contracts to meet the power supply demands of its consumers. The Corporation has a commitment to pay for its assignment of fixed costs through the term of these contracts, as well as any variable costs incurred above the allocated fixed cost amounts. The Corporation is a member of a generation cooperative known as Oglethorpe Power Corporation (OPC) and has contracted with OPC based on a percentage of fixed or designated costs to purchase power supply from various facilities owned by OPC. The Corporation has multiple contracts with various expiration terms through 2050. Related fixed costs under these contracts were $11,018,129 and $10,650,211 in 2021 and 2020, respectively, and are expected to remain relatively constant in the immediate future.

The Corporation is a member of a transmission cooperative known as Georgia Transmission Corporation and, as such, has a Member Transmission Service Agreement (MTSA) executed in 1996 and amended in 2005. The MTSA requires the Corporation to take transmission-related service through 2060 and allows for a reduction in service at prescribed periods. Transmission service under the MTSA was $2,406,100 in 2021 and is expected to remain relatively constant in the immediate future. Transmission service is recorded as a component of cost of power.

(13) Commitments (Continued)

The Corporation has entered into various assignment and assumption agreements through Green Power EMC and their participating EMCs. These agreements are in support of the Corporation's receiving capacity and energy from the various renewable generation projects that the Corporation has chosen to participate in through Green Power EMC. The Corporation participates in multiple biomass and solar projects through Green Power EMC. In 2021, the Corporation made $188,100 in capacity and energy payments for these assets.

The Corporation entered into a Member Power Purchase and Sales and Scheduling Agreement with Cooperative Energy Incorporated (CEI) in 2014. Without written notice of termination by the Corporation, the agreement will renew for a five-year term on January of each year. Under the contract, the Corporation sells to CEI, at cost, all capacity and energy which the Corporation is entitled to receive under contracts with OPC and other power suppliers. CEI provides, at cost, all electricity required to serve the load of the Corporation. Also under this agreement, to reduce cost to the Corporation, CEI, by itself or through agents, enters into transactions with third parties to meet the electrical load requirement of the Corporation.

Under current law, the Corporation has the ability to recover these costs from its members; however, any change to existing laws could adversely affect the ability to recover these costs.

(14) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash. The Corporation maintains interest-bearing and noninterest-bearing transaction accounts at several financial institutions. Although cash balances throughout the year periodically exceed federally insured deposit limits of $250,000, the Corporation believes that its cash is not exposed to any significant risk and the Corporation has not experienced any loss in accounts which exceed federally insured limits. At December 31, 2021, bank balances exceeded federally insured deposit limits by $1,137,264.

Operating revenues from four customers totaled $10,745,551 and $7,287,247 for the years ended December 31, 2021 and 2020, respectively. These amounts represent approximately 27 percent and 21 percent of the Corporation's operating revenues for the years ended December 31, 2021 and 2020, respectively. Accounts receivable from these customers totaled $948,873 and $591,662, representing 27 percent and 31 percent of accounts receivable as of December 31, 2021 and 2020, respectively.

The Corporation serves consumers in the state of Georgia. The geographic concentration of the Corporation's consumers results in a concentration of credit risk with respect to the collection of accounts receivable. Credit evaluations are performed on most potential customers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required.

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February 24, 2022

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Board of Directors
Washington Electric Membership Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Washington Electric Membership Corporation** (the Corporation), which comprise the balance sheet as of December 31, 2021 and the related statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

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February 24, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS FOR ELECTRIC BORROWERS

The Board of Directors
Washington Electric Membership Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **Washington Electric Membership Corporation** (the Corporation), which comprise the balance sheet as of December 31, 2021 and the related statements of operations, changes in members' equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2022. In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2022 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. No reports other than the reports referred to above have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that the Corporation failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers,* §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Corporation's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding the Corporation's accounting and records to indicate that the Corporation did not:

- Maintain adequate and effective accounting procedures;
- Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance, or other expense accounts;
- Reconcile continuing property records to the controlling general ledger plant accounts;
- Clear construction accounts and accrue depreciation on completed construction;

- Record and properly price the retirement of plant;

- Seek approval of the sale, lease, or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

- Maintain adequate control over materials and supplies;

- Prepare accurate and timely Financial and Operating Reports;

- Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

- Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

- Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

- Comply with the requirements for the detailed schedule of deferred debits and deferred credits which is included in the notes to the financial statements; and

- Comply with the requirements for the detailed schedule of investments which consists of investments in associated organizations and is disclosed in the notes to the financial statements.

This report is intended solely for the information and use of the board of directors, management, RUS, and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 2, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Washington Electric Membership Corporation (the Corporation) solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

As described in our engagement letter, we perform certain non-attest services for the Corporation. To eliminate the threat to independence, management has accepted responsibility for these services as documented in the management representation letter. Additionally, an individual from our quality control department, not involved in the audit, performs a secondary review of the financial statements.

Significant Risks Identified

We have identified the following significant risks:

- Management override of controls
- Lender compliance

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation are outlined in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2021.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the financial statements are:

- Allocations for construction work in progress
- Useful lives of utility plant
- Recovery of wholesale power costs
- Allowance of doubtful accounts
- Expense accruals

Management's estimate of construction work in progress includes the allocation of indirect costs. Indirect costs are allocated to construction work in progress utilizing direct labor and material costs. We evaluated the key factors and assumptions used to develop management's estimates in determining that they are reasonable in relation to the financial statements as a whole.

Management's estimate of the useful lives of property and equipment is based on industry standards, historic trends, and the estimated useful lives provided by manufacturers. We evaluated the key factors and assumptions used to develop management's estimates in determining that they are reasonable in relation to the financial statements as a whole.

Management's estimate of recovery of wholesale power costs is based on variances of expected to actual wholesale power cost which is an integral part of rate design. We evaluated the key factors and assumptions used to develop management's estimates in determining that they are reasonable in relation to the financial statements as a whole.

Management's estimate of allowance for doubtful accounts is based on historic revenues, historic collections rates, and an analysis of the collectability of individual account balances. We evaluated the key factors and assumptions used to develop management's estimates in determining that they are reasonable in relation to the financial statements as a whole.

Management's estimate of the expense accruals is based on expenses incurred, anticipated payments, and historic trends. We evaluated the key factors and assumptions used to develop management's estimates in determining that they are reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Corporation's financial statements relate to: revenue recognition (Note 3), utility plant (Note 4), and debt (Note 9).

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management related to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no significant uncorrected misstatements, material, or immaterial.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of audit procedures. We did not identify any misstatements as a result of our procedures that were material, either individually or in the aggregate, to the financial statements as a whole.

Disagreements with Management

For purposes of this communication, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain representations from management, which are included in the management representation letter dated February 24, 2022.

Management's Consultation with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Corporation's auditors.

This report is intended solely for the information and use of the board of directors and management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.