San Miguel Power Association, Inc.

December 31, 2020

Financial Statements

KELSO LYNCH, P.C., P.A.
CERTIFIED PUBLIC ACCOUNTANTS

San Miguel Power Association, Inc.

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San Miguel Power Association, Inc.

Officers, Board of Directors, and General Manager/CEO

Name	Office	Address
Rube Felicelli	President	Telluride, Colorado
Dave Alexander	Vice President	Norwood, Colorado
Doylene Garvey	Secretary/Treasurer	Nucla, Colorado
Debbie Cokes	Alternate Secretary/Treasurer	Ridgway, Colorado
Tobin Brown	Director	Telluride, Colorado
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Brad Zaporski	General Manager/CEO	Telluride, Colorado

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Independent Auditor's Report

The Board of Directors
San Miguel Power Association, Inc.
Nucla, Colorado

Report on the Financial Statements
We have audited the accompanying financial statements of San Miguel Power Association, Inc. (the Association), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of revenue and patronage capital, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of December 31, 2020 and 2019, 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.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2021 on our consideration of the Association'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 the Association'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 the Association's internal control over financial reporting and compliance.

Kelso Lynch, P.C., P.A.

Mission, Kansas
April 20, 2021

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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
San Miguel Power Association, Inc.
Nucla, Colorado

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 San Miguel Power Association, Inc. (the Association), which comprise the balance sheet as of December 31, 2020 and 2019 and the related statements of revenue and patronage capital, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 20, 2021.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 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.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Association'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 determination of financial statement amounts. 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*.

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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 entity'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kelso Lynch, P.C., P.A.

Mission, Kansas
April 20, 2021

San Miguel Power Association, Inc.
Balance Sheets
At December 31, 2020 and 2019

Assets

	2020	2019
Utility Plant		
Electric plant in service - at cost	$ 87,899,480	$ 85,406,924
Construction work-in-progress	4,859,147	4,141,007
	92,758,627	89,547,931
Less accumulated provision for depreciation and amortization	(32,926,738)	(30,755,317)
Net utility plant	59,831,889	58,792,614
Other Assets and Investments		
Subordinated certificates	514,909	604,159
Investments in associated organizations	17,172,897	17,404,048
Non-utility property	2,000	1,904,345
Other investments	950,000	1,250,000
Total other assets and investments	18,639,806	21,162,552
Current Assets		
Cash and cash equivalents	11,253,661	3,384,814
Temporary cash investments	200,479	200,399
Accounts receivable		
Customers, net of allowance accounts of $48,826 and $77,256	3,384,329	2,992,325
Materials and supplies	1,323,124	1,054,312
Other current and accrued assets	117,716	85,540
Total current assets	16,279,309	7,717,390
Deferred Charges		
Deferred charges	114,688	114,688
Total deferred charges	114,688	114,688
Total assets	$ 94,865,692	$ 87,787,244

The accompanying notes are an integral part of these financial statements.

Members' Equity and Liabilities

	2020	2019
Members' Equity		
Patronage capital	$ 42,835,075	$ 44,465,906
Other equities	2,153,910	2,159,832
Total members's equity	44,988,985	46,625,738
Long-Term Debt		
Mortgage notes payable	36,512,634	30,333,777
Other long-term debt	1,503,280	-
Less: current maturities	(3,070,000)	(1,346,906)
Total long-term debt	34,945,914	28,986,871
Current Liabilities		
Current maturities on long-term debt	3,070,000	1,346,906
Accounts payable	2,795,493	2,512,036
Notes payable - lines of credit	2,500,000	2,500,000
Accrued liabilities		
Taxes	503,547	521,268
Interest	223,791	200,135
Other	2,358,095	2,023,464
Total current liabilities	11,450,926	9,103,809
Other Liabilities		
Deferred credits	3,479,867	3,070,826
Total other liabilities	3,479,867	3,070,826
Total members' equity and liabilities	$ 94,865,692	$ 87,787,244

San Miguel Power Association, Inc.
Statements of Revenue and Patronage Capital
For the Years Ended December 31, 2020 and 2019

	2020		2019	
Operating Revenue	$ 29,665,277	100.00%	$ 29,089,521	100.00%
Operating Expenses				
Cost of power	16,048,453	54.10%	16,415,407	56.43%
Transmission	79,370	0.27%	71,754	0.25%
Distribution - operations	3,382,909	11.40%	3,193,992	10.98%
Distribution - maintenance	1,442,991	4.86%	1,525,905	5.25%
Consumer accounts	1,267,824	4.27%	1,165,928	4.01%
Customer service and information	444,714	1.50%	479,166	1.65%
Administrative and general	2,952,830	9.95%	2,937,633	10.10%
Depreciation	2,577,642	8.69%	2,349,821	8.08%
Other deductions	19,169	0.06%	30,171	0.10%
Total operating expenses	28,215,902	95.10%	28,169,777	96.85%
Operating Margins Before Fixed Charges	1,449,375	4.90%	919,744	3.15%
Fixed Charges				
Interest on long-term debt	1,172,485	3.95%	1,177,657	4.05%
Other interest	107,741	0.36%	14,712	0.05%
Total fixed charges	1,280,226	4.31%	1,192,369	4.10%
Operating Margins (Loss) After Fixed Charges	169,149	0.01%	(272,625)	(0.95%)
G & T and Other Capital Credits	441,666	1.49%	691,506	2.38%
Net Operating Margins	610,815	2.08%	418,881	1.43%
Nonoperating Income (Expense)				
Interest income	68,535	0.23%	214,240	0.74%
Impairment of long-lived assets	(1,829,364)	(6.17%)	-	0.00%
Miscellaneous income (expense)	19,183	0.06%	(16,908)	(0.06%)
Total nonoperating income	(1,741,646)	(5.88%)	197,332	0.68%
Net Margins (Loss) for the Year	(1,130,831)	(3.80%)	616,213	2.11%
Patronage Capital at Beginning of Year	44,465,906		45,351,581	
Retirement of Capital Credits	(500,000)		(1,501,888)	
Patronage Capital at End of Year	$ 42,835,075		$ 44,465,906	

The accompanying notes are an integral part of these financial statements.

San Miguel Power Association, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From (Used For) Operating Activities		
Net margins (loss)	$ (1,130,831)	$ 616,213
Adjustments to reconcile net margins (loss) to net cash provided by operating activities		
Depreciation and amortization	2,909,588	2,349,821
Impairment of long-lived assets	1,829,364	-
G & T and other capital credits	(441,666)	(691,506)
Changes in operating assets and liabilities		
(Increase) decrease in operating assets		
Accounts receivable	(392,004)	422,146
Materials and supplies	(268,812)	74,307
Other assets	(32,176)	1,452,514
Increase in operating liabilities		
Accounts payable	283,457	277,749
Interest payable	23,656	225
Accrued taxes	(17,721)	5,765
Accrued liabilities	334,631	71,511
Deferred credits	409,041	231,107
Net cash from operating activities	3,506,527	4,809,852
Cash Flows From (Used For) Investing Activities		
Net changes of property and equipment	(3,948,863)	(6,719,994)
Change in non-utility property	72,981	72,982
Patronage capital recovery	672,817	619,289
Temporary cash investments	(80)	(80)
Other investing activities	389,250	(400,000)
Net cash used for investing activities	(2,813,895)	(6,427,803)
Cash Flows From (Used For) Financing Activities		
Principal payments on long-term debt	(1,351,843)	(1,540,281)
Long-term loan advances	9,033,980	1,775,000
Advances on line of credit	-	2,500,000
Retirement of capital credits	(500,000)	(1,501,888)
Other financing activities	(5,922)	550,718
Net cash from financing activities	7,176,215	1,783,549
Net Increase in Cash and Cash Equivalents	7,868,847	165,598
Cash and Cash Equivalents at Beginning of Year	3,384,814	3,219,216
Cash and Cash Equivalents at End of Year	$ 11,253,661	$ 3,384,814
Supplemental Cash Flows Information		
Cash paid for interest	$ 1,256,570	$ 1,192,144

The accompanying notes are an integral part of these financial statements.

Note 1 - Summary of Significant Accounting Policies

San Miguel Power Association, Inc. (the Association) is an electric power distribution system serving residences and businesses in southwest Colorado.

Accounting policies - As a regulated enterprise with a member elected Board of Directors, the Association accounts for such regulation under professional accounting standards ASC 980, *Regulated industries*. The accounting records of the Association are maintained in accordance with the Uniform System of Accounts prescribed by the Rural Utilities Service (RUS). As a result, the application of accounting principles generally accepted in the United States of America by the Association differs in certain respects from such application of those principles by nonregulated enterprises. Such differences primarily concern the time at which various items enter into the determination of net margins in order to follow the principle of matching costs and revenue. The more significant policies of the Association are described below.

Cash equivalents - The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable - The Association extends credit to its customers who are primarily located in southwest Colorado. The Association carries its receivables at cost less an allowance for doubtful accounts based on past history of bad debt write-offs, collections, and current credit conditions. Electric receivables are considered past due if the Association has not received payment by the due date. It is the Association's policy that accounts are written off if they remain uncollected and all collection efforts have been exhausted. Recoveries of trade receivables previously written off are recorded when received and do not accrue interest.

Materials and supplies - Materials and supplies are priced at the lower of cost or market. Cost is determined using the average cost method applied on a first-in, first-out basis.

Investments - Investments in associated organizations are carried at cost plus allocated equities. Other investments are generally carried at cost.

Recognition of revenue - Electric revenue and the related cost of power is recognized when electricity is consumed by the ultimate customer.

Property, plant, and equipment - Costs associated with utility plant additions and improvements are capitalized based upon the RUS guidelines established in Bulletin 1767B-2. This results in the capitalization of direct costs such as labor and materials and also includes capitalization of indirect costs including labor, material charges, taxes, insurance, transportation, depreciation, pensions, and other related expenses. These costs are accumulated in work in process accounts and are capitalized to the proper plant accounts at the completion of the construction activity. Certain special equipment additions, as defined by RUS, are capitalized when purchased along with an estimated installation charge. The cost of depreciable property, when retired, is computed at the average unit cost along with removal costs less salvage. The net retirement cost is charged to accumulated depreciation. Maintenance and repairs, including minor items of property, are charged to maintenance expense as incurred. Depreciation is recognized on the straight-line basis based on the useful life of the assets and is accounted for under the group depreciation method for transmission and distribution plant, and specific identification for general plant.

Income taxes - In conformity with its by-laws, the Association conducts its operations on a cooperative basis. Annual revenue, in excess of the cost of providing service, is allocated in the form of capital credits to the members' capital accounts on the basis of patronage.

The Association has a letter of exemption from federal income tax, issued by the Internal Revenue Service and files IRS Form 990 annually. An evaluation of whether or not it has any uncertain tax positions is determined on an annual basis by the Association. While the Association believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could be different than the positions taken by the Association. The Association recognizes any interest and penalties assessed by taxing authorities in income tax expense and, with few exceptions, is no longer subject to federal, state, and local income tax examinations for years prior to 2017.

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 affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Taxes - The Association collects taxes from its members on behalf of taxing authorities. Revenue is presented net of taxes collected in the statements of revenue and patronage capital.

Note 2 - Cash and Temporary Cash

The Association maintains its cash in bank deposit accounts, which at times exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 3 - Electric Plant and Depreciation

Listed below are the major classes of the utility plant as of December 31, 2020 and 2019:

	Plant Balances	
	2020	2019
Intangible plant	$ 3,957	$ 3,957
Transmission plant	4,457,100	4,069,456
Distribution plant	65,374,331	63,166,988
General plant	18,064,092	18,166,523
Total	$ 87,899,480	$ 85,406,924

Transmission plant is depreciated, under the straight-line composite basis, at the annual rate of 2.76%.

Distribution plant is depreciated, under the straight-line composite basis, at the annual rate of 3%.

General plant is depreciated over the estimated useful life of the assets, under the straight-line composite basis, at various rates ranging from 2% to 20%.

Note 4 - Subordinated Certificates

	2020	2019
Capital term certificates	$ 477,609	$ 477,609
Loan term certificates	37,300	126,550
Total	$ 514,909	$ 604,159

The capital term certificates yield 5%, and the loan term certificate yields 3%. All of the certificates have various maturity dates through 2080.

Note 5 - Investments in Associated Organizations

Investments in associated organizations consisted of the following at December 31, 2020 and 2019:

	2020	2019
Patronage capital - Tri-State G&T	$ 15,964,726	$ 16,276,083
Patronage capital - Western United	794,925	807,522
Patronage capital - CFC	272,445	264,411
Other investments in associated organizations	140,801	56,032
Total	$ 17,172,897	$ 17,404,048

Note 6 - Non-utility Property

Non-utility property consisted of the following at December 31, 2020 and 2019:

	2020	2019
Coal land	$ 2,000	$ 2,000
Telluride warehouse	34,279	4,279
Fiber optics - conduit	324,666	324,666
Fiber optics	2,942,622	2,942,622
Total non-utility property	3,303,567	3,273,567
Accumulated depreciation		
Telluride warehouse	34,279	4,279
Fiber optics - conduit	324,666	259,325
Fiber optics	2,942,622	1,105,618
Total accumulated depreciation	3,301,567	1,369,222
Net non-utility property	$ 2,000	$ 1,904,345

During 2020, The Association determined that the fair value of the non-utility property associated with the fiber optics - conduit and fiber optics, was less than the net book value as these assets are nonfunctional and not expected to produce future cash flows. An impairment loss was recorded in the amount of $1,829,364 during 2020.

Note 7 - Deferred Charges

Deferred charges consisted of the following at December 31, 2020 and 2019:

	2020	2019
Work plan	103,808	103,808
Other deferred charges	10,880	10,880
Total	$ 114,688	$ 114,688

Note 8 - Members' Equity

	Patronage Capital		Other	
	Allocated	Unallocated	Equities	Total
Balance, December 31, 2018	$ 43,905,586	$ 1,445,995	$ 1,609,114	$ 46,960,695
Net margin		616,213		616,213
Allocation, 2018	2,328,107	(2,328,107)		
Retirement of capital credits	(1,501,888)		409,709	(1,092,179)
Other changes			141,009	141,009
Balance, December 31, 2019	44,731,805	(265,899)	2,159,832	46,625,738
Net margin (loss)		(1,130,831)		(1,130,831)
Allocation, 2019	1,016,214	(1,016,214)		
Retirement of capital credits	(500,000)		137,270	(362,730)
Other changes			(143,192)	(143,192)
Balance, December 31, 2020	$ 45,248,019	$ (2,412,944)	$ 2,153,910	$ 44,988,985

Patronage capital consisted of the following at December 31, 2020 and 2019:

	2020	2019
Assigned to date	$ 45,248,019	$ 44,731,805
Assignable/loss carryforward	(2,412,944)	(265,899)
Total	$ 42,835,075	$ 44,465,906

Under the provisions of the RUS mortgage agreement, until the equities and margins equal or exceed 30% of the total assets of the Association, the retirement of capital credits is generally limited to 25% of the patronage capital or margins from the prior calendar year. The CFC mortgage agreement provisions differ slightly. This limitation does not usually apply to capital credit retirements made exclusively to estates.

The total equities of the Association are approximately 47% and 53% of the total assets as of December 31, 2020 and 2019, respectively.

Note 9 - Long-Term Debt and Short-Term Lines of Credit

Long-term debt - Long-term debt at December 31, 2020 and 2019 consisted of the following:

Description	2020	2019
Mortgage notes payable - NRUCFC; fixed interest rates from 4.40% to 4.85%; notes due at various times to July 2029.	$ 5,030,394	$ 5,544,170
Mortgage notes payable - FFB; fixed interest rates from 1.364% to 5.940%; notes due at various times to December 31, 2052.	31,121,991	24,383,941
Other long-term debt - SBA PPP Loan - Citizens Bank; fixed interest rate of 1.0%, note due May 2022.	1,503,280	-
Mortgage note payable - CoBank; interest rate of 3.06%; note due at July 2028.	360,249	405,666
Total	$ 38,015,914	$ 30,333,777

Estimated maturities on long-term debt for the next five years are as follows:

For The Year Ending	Amounts
December 31, 2021	$ 3,070,000
December 31, 2022	$ 1,635,000
December 31, 2023	$ 1,700,000
December 31, 2024	$ 1,765,000
December 31, 2025	$ 1,680,000

As of December 31, 2020, FFB has unadvanced loan funds of $1,643,300, for construction purposes, for which a loan agreement has been executed.

As of December 31, 2020, the Association has unadvanced loan funds with CFC of $4,000,000 for which a loan agreement has been executed..

Short-term lines of credit - The Association has a $7,500,000 line of credit agreement with a variable interest rate, perpetual in nature, established with CFC. $2,500,000 had been drawn and remained outstanding as of both years ended December 31, 2020 and 2019, at interest rates of 2.45% and 3.25%, respectively.

The Association also has a $1,000,000 line of credit agreement, with a variable interest rate, established with CoBank. The agreement expires on July 31, 2021. Nothing had been drawn as of December 31, 2020 and 2019, respectively.

Other long-term debt - In May 2020, the Association applied for and received a loan through the Small Business Administration (SBA) Paycheck Protection Program as defined in the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan amount was $1,503,280, facilitated by Citizens Bank. Under the CARES Act provisions, the loan can be forgiven if the Association complies with certain labor requirements including maintaining at least the same number of full-time equivalent employees from the time of application of the loan until the time of application for forgiveness. The Association met the requirements and applied for forgiveness of the loan in December 2020. Forgiveness of the full amount of the loan will be recorded as non-operating revenue by the association when final approval of the loan forgiveness is received from the SBA. Management believes it is probable that SBA will grant the forgiveness in 2021.

Note 10 - Other Accrued Liabilities

Other accrued liabilities consisted of the following at December 31, 2020 and 2019:

	2020	2019
Customers' deposits	$ 1,532,371	$ 1,497,479
Accrued vacation, holiday and sick pay	603,633	593,496
Other current liabilities	222,091	(67,511)
Total	$ 2,358,095	$ 2,023,464

Note 11 - Deferred Credits
Deferred credits consisted of the following at December 31, 2020 and 2019:

	2020	2019
Customers' advances for construction	$ 2,244,821	$ 1,744,042
Solar array	161,528	-
Deferred revenue *	950,000	1,250,000
Deferred revenue - surcharges	123,518	76,784
Total	$ 3,479,867	$ 3,070,826

* Approved by RUS

The deferred revenue represents revenue earned in prior years but will not be recognized as revenue until future periods per the plans approved by RUS and allowed for under ASC 980, *Regulated Industries.* The deferrals were implemented in order to cover shortfalls in revenue by abnormal weather conditions or general economic conditions. Cash in an amount equal to the deferred revenue is set aside as special funds in Other Investment in the Balance Sheets. The deferred revenue will be amortized back into revenue in future periods in accordance with the plans approved by RUS. $300,000 was amortized back in to revenue during the year ended December 31, 2020.

Note 12 - Pension Plans
The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Company (NRECA), is a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer plan under the accounting standards. The RS Plan Sponsor's Employer Identification Number is 53-0116145 and the RS Plan Number is 333.

A unique characteristic of a multi-employer 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.

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the I&FS Committee approved an option to allow participants in the RS plan to make a prepayment and reduce the future required contribution.

The Association's contributions to the RS plan in 2020 and 2019 represented less than 5% of the total contributions made to the plan by all participating employers. The Association made contributions of the RS Plan of $710,545 in 2020 and $734,222 in 2019. There have been no significant changes that affect the comparability of the 2020 and 2019 contributions.

In the RS Plan, a "zone status" determination is not required, and therefore not determined under the Pension Protections 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 Retirement Security Plan was over 80% funded at both January 1, 2020 and 2019 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 the plan experience.

Employees of the Association can participate in the NRECA 401(k) plan, provided they meet plan specifications. The Association will contribute matching contributions. The Association's contribution for the years ended December 31, 2020 and 2019 were $350,563 and $315,747, respectively.

Note 13 - Related Party Transactions

The Association is a member of Tri-State Generation and Transmission Association, Inc. (Tri-State), which is an electric generation and transmission cooperative. Under its wholesale power agreement, the Association is committed to purchase its electric power and energy requirements from Tri-State until December 31, 2050.

Purchased power from Tri-State amounted to $15,467,083 and $15,800,757 for the years ended December 31, 2020 and 2019, respectively. The amount payable for purchased power is $1,921,484 and $1,842,465 at December 31, 2020 and 2019, respectively.

Other related-party transactions consisted of normal routine business conducted through organizations which the Association is a member and normal sales to its members.

Note 14 - Contingencies and Subsequent Events

The Association has evaluated subsequent events through April 20, 2021, which is the date these financial statements were available to be issued. Management concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

On January 30, 2020, the World Health Organization (WHO) declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it a pandemic. Actions taken to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures of public places and businesses. The coronavirus and actions taken to mitigate it could have an adverse impact on the economies and financial markets of the geographical area in which the Association operates. During 2020 the Association's leadership promptly responded to the immediate and significant effects related to the coronavirus outbreak. Actions were taken to mitigate and minimize the overall impact to the organization's operations. The Association experienced a decline in kWh sales from the previous year, some impacts to supply chain pricing and resource availability as well as other operational issues. The full and future effects of the pandemic are still unknown; however, the Association has taken several measures to address the possibility of further decline in sales and the uncertainty of the collectability of accounts receivable as individuals and businesses may be adversely impacted by the outbreak.

Note 15 - Recently Issued Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either financing or operating, with classification affecting the pattern of expense recognition in the income statement. Entities are permitted to elect not to restate comparative periods in the period of adoption. A practical expedient may be elected which eliminates the need to reassess expiring or existing contracts to identify potential leases. The practical expedient also eliminates the need to reassess classification on existing or expiring leases. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2021. The Association is evaluating the impact of the new standard on the financial statements.