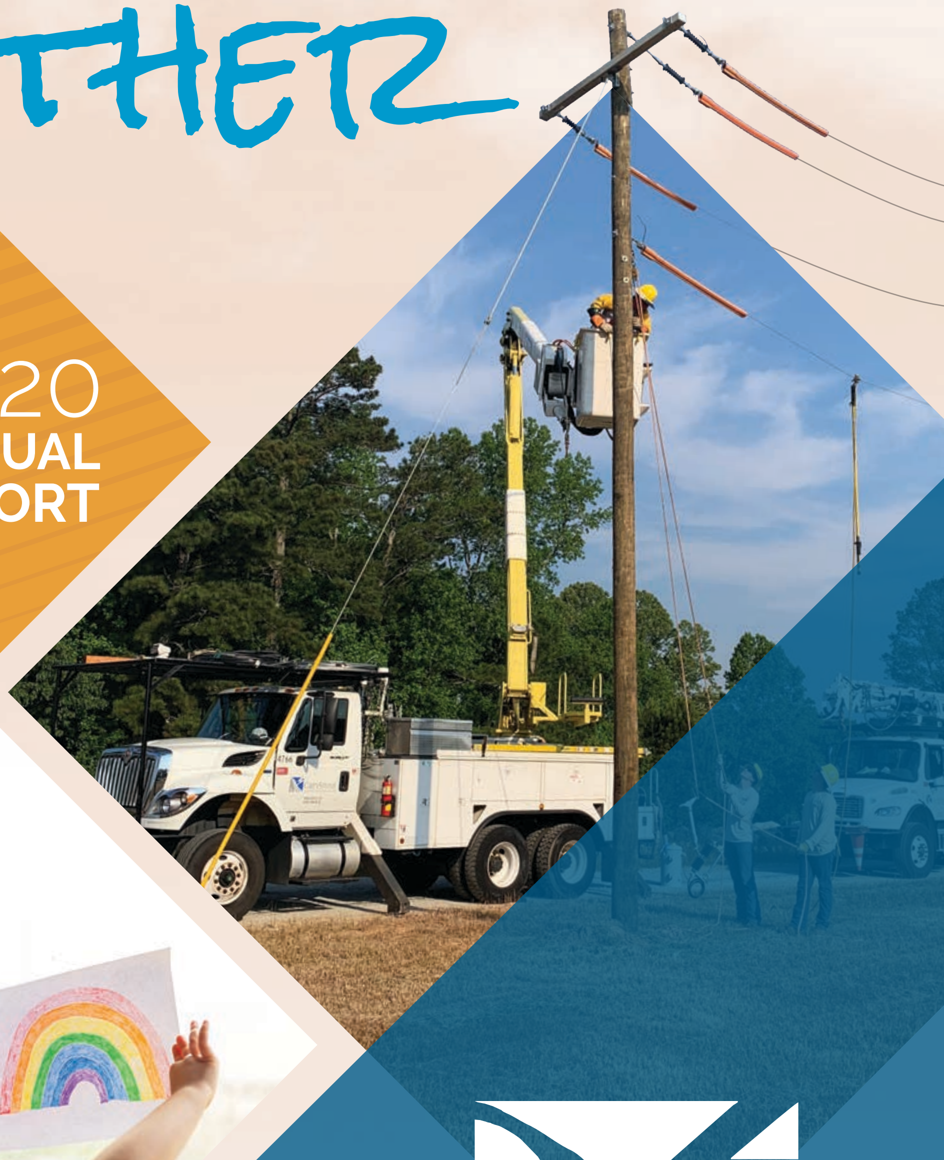
POWERING THROUGH A TOUGH YEAR — TOGETHER

2020 ANNUAL REPORT



GREYSTONE
POWER CORPORATION
Making Life Better

Our Mission

Making Life Better in the communities we serve.

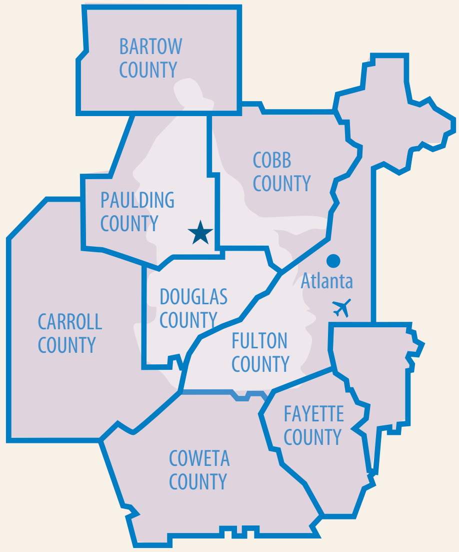
Corporate Profile

GreyStone Power is a member-owned, not-for-profit electric cooperative, serving portions of eight west-metro Atlanta counties. We provide electricity to more than 123,000 homes, businesses, schools and industries through more than 133,000 meters.

Who is a Member?

If you have an account with us in your name, you're a member—and an owner—of this electric cooperative. That's because GreyStone Power is owned by the people it serves. Those same people are at the center of everything we do.

Service Area



★ New Paulding County Headquarters

At a Glance

Statistics at the end of each year

	NUMBER OF METERS	OPERATING REVENUE	MILES OF LINE	KILOWATT-HOURS SOLD
2020	132,392	$285,587,672	7,231	2,724,558,044
2010	114,583	$265,438,876	6,504	2,732,382,190
2000	78,364	$107,764,624	4,524	1,485,122,689
1990	51,628	$ 59,368,158	3,312	792,459,409
1980	33,821	$ 18,828,665	2,474	455,037,552

GREYSTONE POWER CORPORATION

2020 **ANNUAL REPORT**

POWERING THROUGH A TOUGH YEAR — TOGETHER

TABLE OF CONTENTS

Executive Message

President and CEO Gary Miller (L) and Board Chair Jim Johns lead the cooperative through tough times, as well as easier ones. Their goal is to make life better for GreyStone Power members.

As the Beatles song says, "I get by with a little help from my friends." Nothing could sum up 2020 any better.

While we want to forget many things about 2020, there were some great moments. As the COVID-19 pandemic raged, GreyStone Power and its members who contributed to Operation Round Up® stepped up to donate $256,000 to local nonprofit organizations. Through support of food banks, college scholarships, local veterans, and other charitable and community organizations, the cooperative spirit of neighbor helping neighbor shone brightly.

Another way the cooperative expressed care for those we serve is by keeping members and employees as safe as possible. We closed our office, while keeping the drive-thru and payment kiosks open. Members also experienced their first virtual Annual Meeting.

During lockdown, those employees who could work from home did so, while linemen and other essential workers stayed on the road to ensure dependable power. We ended the year with a reliability rating of 99.98%.

The Board of Directors put money back in members' wallets by returning $23 million in capital credits. Management continued to keep rates stable. The average residential member spends less for a day's worth of electricity, at $4.05, than for a fast-food lunch.

Those served by this not-for-profit cooperative paid some of the lowest rates in Georgia, as well as in the nation. GreyStone Power is able to keep rates lower than investor-owned utilities, through strict fiscal management and successful negotiation of favorable long-term power contracts.

Out of more than 840 electric distribution cooperatives in the country, GreyStone ranks 16th in size for number of members, and is the fourth-largest in the state. Needing room to grow, we completed a new headquarters facility in Paulding County, with the entrance located at the intersection of Pine Valley Road and Highway 92. The building sits near the geographic center of our eight-county service area, allowing crews to respond more quickly to all members' needs.

Thanks to solid long-term planning and the sale of the Douglasville headquarters to the Douglas County Board of Education for $12.5 million, we were able to pay for the project without incurring new debt or raising rates.

How was all of this possible? Because we all worked together to power through one of the most difficult times the world has seen. That's the difference of being served by an electric cooperative. **Working together, we face a very bright future.**

Gary Miller President/CEO

James M. Johns Board Chair

Lighting the Dark Days

Your cooperative assisted Chattahoochee Hills with the installation of two barn quilts on the Chatt Hills Barn Quilt Trail. These barn quilts — placed around the city's scenic byways and historic locations — artfully promote tourism, while celebrating the area's agricultural and rural heritage. They are part of a 7,000-quilt display across 43 states.

Giving back to local communities, improving the lives of those we serve and delivering reliable power provided a lifeline in 2020. As the coronavirus brought unprecedented challenges, the cooperative responded quickly to protect and assist employees and members.

To help members weather the pandemic's financial impacts, GreyStone Power issued two capital credits returns — $15 million in May and another $8 million in October. We also suspended disconnects for nonpayment from March through early July and worked with members having difficulty paying their bills on a case-by-case basis.

More than $21 million in Wallet Watch credits on bills last year helped, as did prescription savings, thanks to the Co-op Connections® Card.

By contributing to five local food banks, your cooperative provided vital support for hundreds of local families. Through GreyStone Gives, cooperative employees donated hours of hands-on community service – even going virtual to educate children about electricity through online book readings.

Prior to social distancing requirements, the cooperative held electrical safety demonstrations and career awareness events at area schools. GreyStone's donation of a used line truck and six poles gave a boost to future lineworkers at West Georgia Technical College's new Lineman Apprentice Training Program.

Investing in tomorrow's leaders shapes a brighter future for us all. That's why we awarded the five selected delegates to the Electric Cooperative Youth Tour a $3,000 college scholarship after their trip to Washington, D.C., was canceled. Recipients included Roxy Bridges, Jennifer Cochran, Gwen Douglas, Sammie McGurl and Laylah Pledger. The GreyStone Power Foundation presented $3,000 college scholarships to Axel Diaz-Arevalo, Jasmin Lucas, Jessica Hairston, Aliesha Sawyer and Madyson Lewis.

More than 26,000 GreyStone Power members lent a helping hand to struggling neighbors through Operation Round Up®. Members' voluntary contributions of more than $156,000 supported nonprofits, including Helping Hands of Paulding County, There's Hope for the Hungry and more than 100 other worthy organizations.

Appreciation for our military veterans in 2020 included a virtual recognition event and banners displayed by line trucks at our Hiram office and former headquarters in Douglasville. GreyStone Power veterans enjoyed a gift certificate to a local restaurant.

GreyStone Power was humbled to receive the Paulding County Chamber of Commerce Business of the Year recognition (presented in early 2020 for the previous year), Douglas County Partners of Excellence Award and was honored as the Douglas County Chamber of Commerce Large Business of the Year.

Line Foreman Charles Camp was named to the 2020 Douglas County Chamber Top Ten Young Professionals. Two Spotlight on Excellence Awards recognized cooperative communication and marketing work. Honors included Best Use of Social Media during Tropical Storm Zeta and an award for GreyStone's last internal 2020 event – prior to COVID-19 restrictions – that introduced employees to the cooperative's new headquarters space.

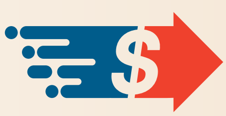
Making a positive difference

$100,000

donated directly to local food banks in 2020

$148.7 million

in total capital credits returned over the decades



$5.9 million

in members' voluntary Operation Round Up® contributions has supported local charitable organizations since 1998

Delivering convenience and savings

Payment kiosks, like this one, throughout GreyStone Power's service area, add the value of fee-free convenience to members on the go. Online and mobile services also help members manage their accounts.

GreyStone Power's economic development team worked tirelessly in 2020 to retain existing businesses and jobs and recruit new ones. Their efforts help stabilize the number of area jobs and also bring new ones, ensuring future employment opportunities for those we serve.

Fifty new large business accounts, including three Amazon warehouse facilities, added more than 15 megawatts to the cooperative's annual sales. These accounts help keep rates as low as possible, and the 900+ jobs created within the next three years will boost our local economy.

To help members like you keep more money in your pockets, the cooperative continued to offer programs and services that helped save energy and money. Prior to COVID-19 restrictions, our energy experts assisted both residential and commercial members in identifying power-saving measures through on-site energy audits. Trusted GreyStone Power advisors were also available by phone, handling 248 inquiries.

Members financially impacted by the pandemic prioritized bill management. Over 825 members cut heating and cooling costs by taking advantage of the cooperative's $100 smart thermostat rebate. The GreyStone Marketplace, an online store that launched last spring, offers smart thermostat options and other energy-saving products and services, along with instant rebates for energy-related products.

Through the Second Nature filter program, members signed up for an easy way to keep their HVAC systems running efficiently. Nearly 300 participating members receive discounted air filters delivered directly to their homes. Other people increased their home's efficiency and decreased monthly bills with help from the Energy Efficiency Loan program.

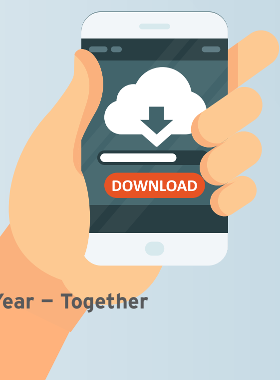
Members also tuned into energy-saving tips, programs and cooperative news through GreyStone Power's new Power Line Podcast.

Other convenient, fee-free services became very popular during lockdown and social distancing. Thousands downloaded our Outage Helper and payment apps, and members accessed user-friendly tools at *greystonepower.com* to manage their accounts.

Four new payment kiosk locations provided even more convenience. New sites include the Paulding County Administration facility, Go Energy Financial Credit Union in Dallas, Marathon in Lithia Springs and JP Chevron in Palmetto. GreyStone Power members can now pay their bills in 17 areas, including six 24-hour kiosks, in five of the cooperative's service counties.

Energizing innovative solutions

10,342
payment app downloads



4,342
Outage Helper app downloads

49 in-home energy audits

37 on-site commercial energy audits

Providing Quality Power

Together, cooperatives restore power after major storms. GreyStone crews helped Jeff Davis Electric Cooperative in Louisiana after Hurricane Laura took down 100% of its system. Following Tropical Storm Zeta, co-ops from as far away as Kentucky helped restore power to 57,000 GreyStone members.

As people worked, kept in touch and attended school from home in 2020, they relied on dependable, affordable electricity more than ever before. Cooking at home and watching online entertainment became the norm.

Through careful planning and improvement projects, your cooperative's Board of

Directors and 266 employees worked to ensure safe, reliable and economical power during the pandemic and for the future.

Last year, GreyStone Power completed the Wolf Creek substation in Fulton County, and new power lines are now under construction. Work continued on a backup power project to enhance electric service for members in Paulding County's Seven Hills housing development.

Since trees falling outside of right-of-way areas and onto power lines are the primary cause of outages, GreyStone Power trimmed vegetation from 500-plus miles of power lines last year alone. Some overhead lines were moved underground in a heavily wooded area of Cobb and Douglas counties.

Improvements near Thornton Road have enabled GreyStone Power to isolate outages there. This reduces the number of people without power while crews work to repair the system.

Support for clean energy sources grows each year, and your cooperative is adding renewables to its diverse energy mix.

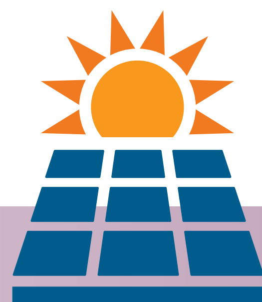
In addition to hydroelectric power purchased from the Southeastern Power Administration (SEPA), more low-cost, zero-emission solar energy is being added to the co-op's power supply. By the end of 2023, three utility-scale solar facilities in south Georgia will produce this energy. Green Power EMC, the renewable energy provider owned by GreyStone Power and 37 other cooperatives within the Georgia Electric Membership Corp., is purchasing the full output from the facilities.

Through our Cooperative Solar program, nearly 650 members are subscribing to blocks of renewable energy produced by the solar facility at our new Paulding County headquarters.

GreyStone Power members driving electric vehicles (EVs) can conveniently power up at two EV charging stations at our headquarters. They can also benefit from our Residential Electric Vehicle rate, as well as a $250 EV charger rebate to help install a Level 2 charger at their homes.

Facing challenges **together** with our members and communities – even through a pandemic – improves all our lives. Rest assured that your cooperative will continue making life better for the present and future generations.

Expanding renewables



42 megawatts (MW)
of renewable, solar energy in operation (adding 15 MW more by 2023)

43 MW
hydroelectric energy powering members

Nearly **650**
members subscribed to Cooperative Solar (400+ blocks still available)

Board of Directors

John Walton
District 2

Gary Miller
President/CEO

Milton Jones
District 7

Neal Dettmering
District 4

Genevieve Cole
Vice Chair
District 1

Lucy Andres
District 9

David Hagenow
Secretary-Treasurer
District 3

Jim Johns
Board Chair
District 8

Billy Mayhew
District 5

Maribeth Wansley
District 6

$82,700

in smart thermostat rebates paid to members last year

250-plus

local businesses offered discounts through GreyStone's Co-op Connections® Card program

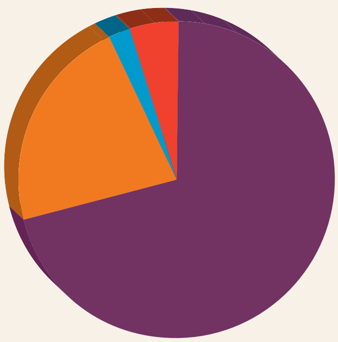
7

career awareness events held throughout the cooperative's service area prior to COVID-19 restrictions

14,684

downloads of the cooperative's mobile apps last year

2020 Fuel mix



71%	Natural Gas
22%	Nuclear
2%	Coal
5%	Renewables

Where the money comes from

66.30%	Residential
21.91%	Small Commercial
10.79%	Large Commercial
1.00%	Public Lighting

Where the money goes

74.59%	Purchased Power
15.48%	Operating Expenses
6.28%	Depreciation
3.65%	Interest

McNair McLemore Middlebrooks & Co
Certified Public Accountants

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October 22, 2020

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
GreyStone Power Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of **GreyStone Power Corporation**, which comprise the balance sheets as of August 31, 2020 and 2019, 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.

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.

Auditors' 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation'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 Corporation'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 GreyStone Power Corporation as of August 31, 2020 and 2019, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued a report dated October 22, 2020 on our consideration of GreyStone Power 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 the 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 GreyStone Power Corporation's internal control over financial reporting and compliance.

MCNAIR, MCLEMORE, MIDDLEBROOKS & CO., LLC

McNair, McLemore, Middlebrooks & Co., LLC

Balance Sheets August 31

ASSETS

		2020		2019
Utility Plant				
Electric Plant in Service - At Cost	$	**528,685,797**	$	512,389,109
Construction Work in Progress		**60,039,528**		10,477,975
Gross Utility Plant		**588,725,325**		522,867,084
Accumulated Provision for Depreciation		**(138,311,937)**		(132,930,839)
		450,413,388		389,936,245
Other Property and Investments				
Investments in Associated Organizations		**29,345,051**		27,902,300
Other Investments		**901,776**		795,632
Restricted Funds		**472,008**		426,237
		30,718,835		29,124,169
Current Assets				
Cash and Cash Equivalents		**58,629,358**		81,317,587
Short-Term Investments		**8,000,000**		22,000,000
Accounts Receivable (Net of Accumulated Provision for Uncollectibles of $574,644 and $322,032 in 2020 and 2019, Respectively)		**25,381,259**		27,621,153
Accrued Utility Revenues		**16,086,080**		16,387,420
Materials and Supplies		**6,551,710**		5,099,843
Prepayments		**387,349**		5,877,174
Other		**2,229,193**		2,486,207
		117,264,949		160,789,384
Deferred Debits		**8,874,479**		7,831,256
Total Assets	$	**607,271,651**	$	587,681,054

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

Balance Sheets August 31

MEMBERS' EQUITY AND LIABILITIES

	2020	2019
Members' Equity		
Membership Fees	**$ 1,221,740**	$ 1,190,925
Patronage Capital	**259,274,982**	268,324,486
Other Equities	**27,158,914**	26,454,733
	287,655,636	295,970,144
Long-Term Debt	**248,622,184**	232,057,734
Current Liabilities		
Current Portion of Long-Term Debt	**14,212,537**	14,285,921
Accounts Payable	**25,018,229**	15,209,626
Consumer Deposits	**18,297,318**	18,008,211
Other	**11,697,357**	10,652,844
	69,225,441	58,156,602
Deferred Credits	**1,768,390**	1,496,574
Total Members' Equity and Liabilities	**$ 607,271,651**	$ 587,681,054

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

Statements of Operations
for the Years Ended August 31

	2020	2019
Operating Revenues	**$ 285,587,672**	$ 287,400,582
Operating Expenses		
Cost of Power	**203,777,732**	204,309,905
Distribution Operations	**10,033,194**	9,902,001
Distribution Maintenance	**11,515,604**	12,409,544
Consumer Accounts	**6,469,390**	6,682,466
Consumer Information and Sales	**2,336,125**	2,426,695
Administrative and General	**11,930,995**	12,164,213
Depreciation	**17,174,525**	16,765,783
Total Operating Expenses	**263,237,565**	264,660,607
Operating Margins Before Interest Expense	**22,350,107**	22,739,975
Interest Expense	**9,965,395**	10,269,073
Operating Margins After Interest Expense	**12,384,712**	12,470,902
Nonoperating Margins	**3,978,336**	7,880,156
Generation and Transmission Cooperative Capital Credits	**1,100,767**	959,461
Other Capital Credits and Patronage Capital Allocations	**938,746**	934,341
Net Margins	**$ 18,402,561**	$ 22,244,860

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

GREYSTONE POWER CORPORATION

Statements of Changes in Members' Equity
for the Years Ended August 31, 2020 and 2019

	Total Members' Equity	Membership Fees	Patronage Capital	Other Equities
Balance, August 31, 2018	$ 284,635,863	$ 1,165,000	$ 258,709,526	$ 24,761,337
Net Margins	22,244,860	-	22,121,530	123,330
Membership Fees	25,925	25,925	-	-
Retirement of Patronage Capital	(10,561,159)	-	(12,506,570)	1,945,411
Retired Capital Credit Gains	(401,887)	-	-	(401,887)
Other	26,542	-	-	26,542
Balance, August 31, 2019	295,970,144	1,190,925	268,324,486	26,454,733
Net Margins	18,402,561	-	18,402,561	-
Membership Fees	30,815	30,185	-	-
Retirement of Patronage Capital	(26,334,435)	-	(27,452,065)	1,117,630
Retired Capital Credit Gains	(475,511)	-	-	(475,511)
Other	62,062	-	-	62,062
Balance, August 31, 2020	$ 287,655,636	$ 1,221,740	$ 259,274,982	$ 27,158,914

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

GREYSTONE POWER CORPORATION

Statements of Cash Flows for the Years Ended August 31

	2020	2019
Cash Flows from Operating Activities		
Net Margins	$ 18,402,561	$ 22,244,860
Adjustments to Reconcile Net Margins to Net		
Cash Provided by Operating Activities		
Depreciation and Amortization	18,033,570	17,287,820
Patronage Capital from Associated Organizations	(2,039,513)	(1,893,802)
Equity in Earnings from Partnership Interests	(1,102,402)	(1,099,733)
Net Postretirement Benefit Cost	1,256,160	(1,388,294)
Prepaid Power Applied	5,186,841	32,386,399
Postretirement Healthcare Plan Premiums	(375,545)	(352,118)
Change In		
Accounts Receivable	2,541,234	(2,201,766)
Other Current Assets	514,227	(293,141)
Deferred Debits	(124,341)	(234,017)
Accounts Payable	9,471,664	(4,567,135)
Other Current Liabilities	1,333,620	750,897
Deferred Credits	271,816	402,848
	53,369,892	61,042,818
Cash Flows from Investing Activities		
Extension and Replacement of Plant	(79,973,271)	(29,804,070)
Materials and Supplies	(1,451,867)	(592,560)
Change in Temporary and Other Investments	14,000,000	2,400,000
Return of Equity from Investments	1,593,020	1,643,983
	(65,832,118)	(26,352,647)
Cash Flows from Financing Activities		
Advances from Long-Term Debt	33,600,000	20,000,000
Principal Repayment of Long-Term Debt	(14,984,629)	(13,920,092)
Interest Earned on RUS Cushion-of-Credit	(2,124,305)	(2,018,495)
Retirement of Patronage Capital	(26,334,435)	(10,561,159)
Other	(382,634)	(349,420)
	(10,226,003)	(6,849,166)
Net Increase (Decrease) in Cash and Cash Equivalents	(22,688,229)	27,841,005
Cash and Cash Equivalents - Beginning	81,317,587	53,476,582
Cash and Cash Equivalents - Ending	$ 58,629,358	$ 81,317,587
Supplemental Disclosure of Cash Flow Information		
Cash Payments of Interest	$ 9,995,164	$ 10,088,326

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

(1) Summary of Significant Accounting Policies

General

Accounting policies of GreyStone Power Corporation (the Corporation) reflect practices appropriate to the electric utility industry and accounting principles generally accepted in 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.

Nature of Operations

GreyStone Power Corporation is a not-for-profit corporation organized 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.

Regulated Operations

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

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 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 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.

Utility Plant

Electric distribution plant is capitalized at cost less related contributions in aid of construction. In general, electric distribution 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.

(1) Summary of Significant Accounting Policies (Continued)

Depreciation and Maintenance

Depreciation of distribution plant is provided using composite straight-line 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 weighted average straight-line composite rate of 3.38 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 rate on general plant is 9.84 percent per annum.

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

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 totaled $16,086,080 and $16,387,420 as of August 31, 2020 and 2019, respectively.

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 approximately 90 days past due, 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 consumers to meet their obligations. Accounts considered uncollectible are charged against the allowance. Receivables are reported on the balance sheets net of such accumulated allowance.

Fair Value Option

The Corporation has elected the fair value option for its allocated equities from Oglethorpe Power Corporation (OPC). The election to account for this financial instrument under the fair value option was made based on management's assessment of the regulation surrounding the industry in which OPC operates, OPC's financial condition and its potential effect on future returns of capital. The decision to elect the fair value option is determined on an instrument by instrument basis, must be applied to an entire instrument, and is irrevocable once elected. At this time, the Corporation has not elected to apply the fair value option to any of its other financial instruments.

Investments in Associated Organizations

Investments in associated organizations consist of the following:

- Investments in Other Cooperative Organizations - These investments represent capital investments made primarily to obtain an economical source of financing, product or service. These investments are carried at cost plus allocated equities based on guidance issued in *ASC 905-325-30.*
- OPC Capital Credits - The Corporation has elected the fair value option for valuing OPC capital credits. See Note 16 for additional details on the Corporation's fair value assessment of OPC capital credits. Unrealized gains and losses on OPC capital credits are reported in earnings as a component of generation and transmission cooperative capital credits.

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.

(1) Summary of Significant Accounting Policies (Continued)

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. They are charged to construction or operations at moving average cost when used.

Restricted Funds

Restricted funds represent funds designated for specific purposes under the control of third parties or funds for which a specific purpose has been designated, and are therefore segregated from cash and cash equivalents, short-term or other investments.

Cash Equivalents, Short-Term and Other Investments

Cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less. Similar instruments with an original maturity of more than three months, but less than one year, are considered short-term investments. Any instruments that mature in more than one year are included in other investments.

Equities and Margins

The Corporation is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of individual consumption of electric energy. 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. In addition, the Corporation has a financial loan covenant which specifies the Corporation's equities exceed 27 percent of total assets at the end of each fiscal quarter. The Corporation's equities were approximately 50 percent of total assets as of August 31, 2020 and 2019.

Presentation of Sales Tax

A portion of the Corporation's sales are subject to sales tax. The Corporation collects the sales tax from the customers and remits the tax to the appropriate taxing authority. The Corporation excludes the taxes collected and remitted from revenues and cost of sales.

Cost of Purchased Power

Cost of power is expensed as consumed.

Use of Estimates

The preparation of financial statements in conformity 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Corporation is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code (IRC) which provides, in part, that the Corporation derive at least 85 percent of its annual gross income from members to retain the exemption. Although the Corporation has extended its December 31, 2019 information return through November 15, 2020, the Corporation has met the 85 percent requirement for the year then ended.

(1) Summary of Significant Accounting Policies (Continued)

Recently Adopted Accounting Pronouncements

Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* is designed to create greater comparability for financial statement users across industries and jurisdictions through a more principles-based approach than companies in the United States are used to following. The standard would require companies to recognize revenue through a five-step process: (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the separate performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. ASU 2015-14 deferred the effective dates for nonpublic companies to reporting periods beginning after December 15, 2018, and for interim periods within annual reporting periods beginning after December 15, 2019. The adoption of ASU 2014-09 did not have any impact on the Corporation's financial statements.

In March 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-07, *Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* ASU 2017-07 requires that an entity report the service cost component of net periodic pension and postretirement benefit cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The remaining components of net benefit cost are required to be presented in the statements of operations separately from the service cost component and outside a subtotal of income from operations, if one is presented. The amendments further allow only the service cost component of net periodic pension and postretirement benefit costs to be eligible for capitalization. ASU 2017-07 is effective for private companies for annual periods beginning after December 15, 2018, and the interim periods within annual periods beginning after December 15, 2019, with early adoption permitted. The Corporation adopted ASU 2017-07 on September 1, 2019. ASU 2017-07 was applied retrospectively for the presentation of the service cost component and the other components of net periodic postretirement benefit cost in the statements of operations, and prospectively, on and after the effective date, for the capitalization of the service cost component of net postretirement benefit cost in assets.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The update requires that cash and cash equivalents with restrictions should be included in total cash and cash equivalents on the statement of cash flows. If restricted cash is presented separately from cash and cash equivalents on the balance sheet, a reconciliation between the balance sheet and the statement of cash flows must be disclosed. The update requires retrospective application to all periods presented. The effective date of this update is for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. The adoption of ASU 2016-18 had no impact on the financial statements.

New Accounting Pronouncements

In February 2016, the FASB issued 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 *ASC 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. Comparative periods presented in financial statements must use the same standards, as if ASU 2016-02 was in effect for the prior year presented. The adoption of ASU 2016-02 is not expected to have a material impact on the financial statements.

Reclassifications

Certain reclassifications have been made within the August 31, 2019 financial statements to conform to the August 31, 2020 presentation. The reclassifications had no effect on net margins for the year ended August 31, 2019.

(1) Summary of Significant Accounting Policies (Continued)

Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through October 22, 2020, the date the financial statements were available to be issued.

(2) Utility Plant

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

	2020	2019
Distribution Plant	$ 486,122,920	$ 469,051,279
General Plant	42,562,877	43,337,830
Electric Plant in Service	528,685,797	512,389,109
Construction Work in Progress	60,039,528	10,477,975
	$ 588,725,325	$ 522,867,084

(3) Investments in Associated Organizations

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

	2020	2019
National Rural Utilities Cooperative Finance Corporation (NRUCFC)		
Capital Term Certificates	$ 1,339,561	$ 1,339,561
Capital Credits	889,525	944,222
Georgia Rural Electric Service Corporation		
Capital Credits	1,855,602	1,769,447
Georgia Transmission Corporation		
Contributed Capital	2,860,384	2,860,384
Capital Credits	17,753,286	16,691,519
Smarr EMC		
Contributed Capital	318,393	318,393
Capital Credits	1,775,109	1,736,109
Other	2,553,191	2,242,665
	$ 29,345,051	$ 27,902,300

(4) Other Investments

Other investments are comprised of the following as of August 31:

		2020		2019
Investment in Cooperative Choice, LLC	$	**887,237**	$	781,093
Other		**14,539**		14,539
	$	**901,776**	$	795,632

The Corporation accounts for its investments in Cooperative Choice, LLC utilizing the equity method. For the years ended August 31, 2020 and 2019, the Corporation recorded income related to this investment of $1,102,402 and $1,009,733, respectively, as a component of nonoperating margins.

(5) Prepaid Power Program

The Corporation participated in a prepayment of power bills program initiated by one of its wholesale power providers. Under the terms of the program, the Corporation prepays its wholesale power costs and earns interest on the prepaid amounts. Interest earned was credited to its power bills on a monthly basis. The Corporation had prepaid power costs of $0 and $5,186,841 as of August 31, 2020 and 2019, respectively. Those amounts are classified as prepayments on the balance sheets.

(6) Deferred Debits

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

		2020		2019
Postretirement Healthcare Plan - Overfunded Status (See Note 12)	$	**6,471,218**	$	7,351,833
Automatic Metering Project		**1,799,497**		-
Employee Benefits Clearing		**613,846**		445,118
Other		**(10,082)**		34,305
	$	**8,874,479**	$	7,831,256

(7) Deferred Credits

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

		2020		2019
Marketing Incentives	$	**1,040,900**	$	804,500
Deferred Compensation Plan Liabilities		**472,008**		426,237
Unearned Pole Rental Income		**255,482**		265,837
	$	**1,768,390**	$	1,496,574

(8) Patronage Capital

Patronage capital consisted of the following categories as of August 31:

		2020		2019
Assignable	$	**17,222,739**	$	23,283,891
Assigned		**382,526,046**		358,062,333
		399,748,785		381,346,224
Retired		**(140,473,803)**		(113,021,738)
	$	**259,274,982**	$	268,324,486

(9) Other Equities

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

		2020		2019
Unbilled Revenue Prior to December 31, 2018	$	**14,502,922**	$	14,502,922
Retired Capital Credits-Gains		**11,912,127**		11,279,036
Donated Capital		**638,720**		567,215
Other		**105,145**		105,560
	$	**27,158,914**	$	26,454,733

(10) Debt

Long-term debt

Long-term debt consists primarily of mortgage notes payable to the United States of America acting through Federal Financing Bank (FFB) and CoBank. The notes are secured by a mortgage agreement among the Corporation, FFB and CoBank. Substantially all 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.

Holder of Note	Weighted Average Interest Rate	2020	2019
FFB	3.03%	**$ 244,709,766**	$ 219,224,115
CoBank	3.63%	**61,888,577**	68,758,857
		306,598,343	287,982,972
Maturities Due Within One Year		**(14,212,537)**	(14,285,921)
		292,358,806	273,697,051
RUS Advance Payments Unapplied		**(43,763,622)**	(41,639,317)
		$ 248,622,184	$ 232,057,734

The Corporation's mortgage agreements require the maintenance of certain financial ratios. The Corporation achieved all the required ratios at December 31, 2019 and August 31, 2020, the most recent measurement dates.

The Corporation had $18,581,000 in unadvanced loan funds on commitment from FFB as of August 31, 2020. The availability of the funds is contingent on the Corporation's compliance with one or more preconditions set forth in the mortgage agreements.

Principal maturities of long-term debt are as follows:

Year	Amount
2021	$ 14,212,537
2022	14,746,950
2023	15,260,515
2024	15,770,168
2025	16,361,125
Thereafter	230,247,048
	$ 306,598,343

(10) 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 at a rate of 5 percent per annum. 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.

- 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.

Line-of-Credit

The Corporation has a $26,700,000 line-of-credit with the NRUCFC which had no outstanding balance as of August 31, 2020 and 2019.

(11) Other Current Liabilities

Other current liabilities are comprised of the following as of August 31:

	2020	2019
Accrued and Withheld Taxes	**$ 6,424,785**	$ 6,192,705
Accrued Interest	**1,464,426**	1,494,195
Accrued Payroll	**952,955**	762,960
Accrued Leave	**2,599,122**	2,089,177
Other	**256,069**	113,807
	$ 11,697,357	$ 10,652,844

(12) Retirement Benefits

Defined Benefit Pension Plan

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

(12) Retirement Benefits (Continued)

Defined Benefit Pension Plan (Continued)

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 approximately $2,686,000 and $3,448,000 for the years ended August 31, 2020 and 2019, 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, 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 plan experience.

Defined Contribution Plan

The Corporation also provides additional employee benefits to substantially all employees through the National Rural Electric Cooperative Association (NRECA) sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation's contributory portion of costs of this plan totaled approximately $427,000 and $355,000 for the years ended August 31, 2020 and 2019, respectively.

Postretirement Healthcare Benefits

The Corporation provides major medical benefits upon retirement as follows:

- For employees hired prior to June 1, 1992 who have reached early (age 55) or normal retirement dates (age 62 or 30 years of service) with 10 years or more of active service with the Corporation at the time retirement commences, the Corporation shall bear the expense of premium payments for employee coverage under the higher deductible plan that the Corporation approves for employees.
- Regular, full time employees hired between June 1, 1992 and December 31, 2004 with 20 to 25 years of active service with the Corporation at normal retirement dates shall have 50 percent of the premium paid by the Corporation for employee coverage; those with 25 to 30 years shall have 75 percent of the premium paid by the Corporation for employee coverage; and those reaching 30 years or more of active service shall receive the benefit of having 100 percent of the employee premium paid for the coverage for the higher deductible plan that the Corporation approves for employees.
- Corporation employees hired on or after January 1, 2005 shall not be eligible for any major medical insurance benefits upon retirement, regardless of the number of years of active service with the Corporation.
- Regular, part-time employees and employees hired prior to January 1, 2005, with less than the required years of active service and who retire in good standing shall be permitted to retain coverage for them, their spouses, and their dependents by paying the full premium.

(12) Retirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

The status of the Corporation's postretirement healthcare plan as of August 31 is detailed as follows:

	2020	2019
Accumulated Postretirement Benefit Obligation, Beginning	**$ 25,221,910**	$ 25,424,915
Service Cost	**369,166**	258,599
Interest Cost	**782,602**	756,370
Change in Actuarial Assumptions	**3,294,025**	(865,856)
Actual Benefits Paid	**(375,545)**	(352,118)
Accumulated Postretirement Benefit Obligation, Ending	**29,292,158**	25,221,910
Fair Value of Plan Assets, Beginning	**32,573,743**	31,036,336
Employer Contributions	**375,545**	352,118
Actual Benefits Paid	**(375,545)**	(352,118)
Actual Return on Plan Assets	**3,189,633**	1,537,407
Fair Value of Plan Assets, Ending	**35,763,376**	32,573,743
Funded Status - Over	**$ 6,471,218**	$ 7,351,833

The plan's funded status is included in deferred debits on the balance sheets as of August 31, 2020 and 2019.

Since the fair value of plan assets exceed the actuarial present value of expected benefit payments due in the ensuing twelve months, no current obligation is presented.

Net postretirement benefit cost consisted of the following for the years ended August 31:

	2020	2019
Service Cost	**$ 369,166**	$ 258,599
Interest Cost	**782,602**	756,370
Actual Return on Plan Assets	**(3,189,633)**	(1,537,407)
Amortization of Actuarial (Gain) Loss	**3,294,025**	(865,856)
	$ 1,256,160	$ (1,388,294)

(12) Retirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

The components of net postretirement benefit cost, other than the service cost component, are included in the line item nonoperating margins for the year ended August 31, 2020. All components of net postretirement benefit cost included in the statement of operations for the year ended August 31, 2019 have been reclassified to the line item nonoperating margins.

The Corporation's accumulated postretirement benefit obligation (APBO) and net postretirement benefit cost are calculated using various actuarial assumptions and methodologies. The assumptions include discount rates, healthcare trend rates, mortality rates and other factors. Actuarial assumptions are reviewed on an annual basis.

Weighted average assumptions for the years ended August 31 are as follows:

Description	2020	2019	2018
Discount Rate on Net Postretirement Benefit Cost	**2.95%**	4.04%	3.82%
Discount Rate on Projected Benefit Obligation	**2.58%**	2.95%	4.04%
Healthcare Cost Trend Rate			
Initial	**6.40%**	6.50%	8.00%
Ultimate	**4.50%**	4.50%	5.00%
Fiscal Year Reached	**2039**	2039	2028

Based on the third-party actuarial study, the impact of the health care trend rates is as follows:

	1% Decrease in Rates	1% Increase in Rates
Change in End of Year APBO	**$ (4,910,533)**	$ 6,391,182
Change in Sum of Service and Interest Cost	**$ (212,439)**	$ 281,785

The Corporation has elected to recognize actuarial gains or losses in the year incurred. As a result, the Corporation does not recognize comprehensive income related to its postretirement healthcare plan.

The Corporation's expected future benefit payments under the plan are as follows:

Year	Amount
2021	$ 648,000
2022	723,000
2023	855,000
2024	911,000
2025	994,000
2026 - 2030	5,197,000

(12) Retirement Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

Plan assets are held in a trust and administered by an independent investment management company (the Trustee). The trust is a separate legal entity. Assets held by the trust are not subject to the general creditors of the Corporation and have been placed in the trust for the specific purpose of funding the Corporation's postretirement healthcare obligation.

The following table sets forth the weighted-average asset allocations of the plan assets as of August 31:

Year	Cash and Cash Equivalents	Fixed Income Securities	Equities Securities	Alternative Investments	Total
2020	**43.00%**	**38.00%**	**13.00%**	**6.00%**	**100.00%**
2019	2.00%	48.00%	34.00%	16.00%	100.00%

The Corporation, through the Trustee, employs a total-return investment approach whereby a mix of foreign and domestic equity securities and fixed income investments is used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Investment risk is measured and monitored on an ongoing basis through quarterly investment portfolio reviews and annual liability measurements.

The current asset allocation adheres to the Corporation's overall investment strategy for plan assets. The fair value measurement is based on unadjusted quoted market prices in active markets for identical assets. This is considered a Level 1 fair value measurement, measured utilizing the market approach, in accordance with U.S. GAAP.

The Corporation does not anticipate contributing funds to the plan during the year ended August 31, 2021, other than the current year amount paid for retirees.

Deferred Compensation Plans

The Corporation has a nonqualified deferred compensation arrangement with a select group of management and highly compensated employees. The assets of this nonqualified executive deferred compensation plan are assets of the Corporation and are included on the balance sheets as restricted funds. The Corporation does not match employee elective deferrals. Deferred compensation assets set aside for these plans totaled $472,008 and $426,237 as of August 31, 2020 and 2019, respectively. These assets are subject to the claims of the Corporation's general creditors. A corresponding long-term liability is included in deferred credits on the balance sheets.

The Corporation also has a pension restoration plan (PRP), which is a nonqualified deferred compensation plan that benefits certain designated employees who are within a select group of key management or highly compensated employees. The purpose of the PRP is to retain and reward long service personnel, attract and retain management employees and to rectify the effect of limitations imposed by IRC Sections 415 and 401(a)(17). The PRP contains certain vesting provisions which the employee must meet in order to receive the benefits provided under the PRP. The PRP is a defined benefit plan, but since all participants have vested and received lump sum distributions under the plan, disclosures are considered immaterial to the financial statements. At this point, the participants receive an annual benefit and payout. Payouts of $216,468 and $202,661 were distributed to participants as compensation during the years ended August 31, 2020 and 2019, respectively. Payouts are made out of the Corporation's general funds and NRECA reimburses the Corporation through bill credits from the RS Plan.

(13) Nonoperating Margins

Nonoperating margins consisted of the following as of August 31:

		2020		2019
Investment Income	$	**3,502,439**	$	5,269,656
Other Components of Net Postretirement Benefit Cost		**(886,995)**		1,646,893
Equity Earnings in Cooperative Choice, LLC		**1,102,402**		1,009,733
Royalties		**545,358**		646,333
Other, Net		**(284,868)**		(692,459)
	$	**3,978,336**	$	7,880,156

(14) 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 cost incurred above the allocated fixed cost amounts. The Corporation is a member of a generation cooperative known as 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 approximately $83,730,000 for the year ended August 31, 2020 and are expected to remain relatively constant in the immediate future.

The Corporation elected to participate in OPC's "5 for 5 Rate Management Program." The objective of this program is to provide a means by which existing obligations of OPC that would otherwise be recognized as expense and billed in the future can be billed to OPC members over a five-year period then credited back against the OPC member's power bill in the subsequent five years. The Corporation elected to make payments through 2021 and receive credits from 2022 through 2024. The Corporation paid approximately $6,308,000 and $7,427,000 into OPC's 5 for 5 Rate Management Program for the years ended August 31, 2020 and 2019, respectively. The Corporation earns a return on the amounts funded into this program which are credited against the Corporation's power bill.

The Corporation is a member of a transmission cooperative known as Georgia Transmission Corporation and, as such, has a Member Transmission Service Agreement which was executed in 1996. This agreement, and an approved extension, requires the Corporation to take transmission-related services through December 31, 2060. Transmission services under this agreement were approximately $21,059,000 for the year ended August 31, 2020 and are expected to remain relatively constant in the immediate future. Transmission service is recorded as a component of cost of power.

The Corporation has an agreement with a third party to provide power requirement needs through December 31, 2022. As part of the agreement, the Corporation has agreed to meet certain financial covenants or provide credit enhancement in accordance with the terms of the agreement. The Corporation currently meets the required covenants. The cost under the agreement was approximately $39,555,000 for the year ended August 31, 2020.

The Corporation entered into an agreement in November 2012 with an independent third party to purchase a specific amount of physical energy beginning January 1, 2016 and continuing for a period of 15 years. The cost under the agreement was approximately $6,419,000 for the year ended August 31, 2020.

(14) Commitments (Continued)

The Corporation has an agreement with a third party to provide power requirement needs through December 31, 2025. As part of the agreement, the Corporation has agreed to meet certain financial covenants or provide credit enhancement in accordance with the terms of the agreement. The Corporation currently meets the required covenants. The cost under the agreement was approximately $1,314,000 for the years ended August 31, 2020 and 2019.

The Corporation is party to a Purchase Power Agreement with the Southeastern Power Administration, acting through the United States Department of Energy, for electric power generated by federal reservoir projects. The cost incurred under the agreement was approximately $2,369,000 for the years ended August 31, 2020 and 2019. Costs related to this contract are expected to remain relatively constant in future years.

The Corporation has entered into various assignment and assumption agreements through Green Power EMC and its participating members. These "green power" 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 incurred approximately $2,642,000 and $1,781,000 for capacity and energy payments for these generation assets in the years ended August 31, 2020 and 2019, respectively. Costs related to these contracts are expected to remain relatively constant in future years.

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.

The Corporation is involved in various other unresolved legal actions. Although it is not possible to predict with certainty the outcome of these unresolved legal actions or the range of possible losses or recovery, the Corporation believes these unresolved legal actions will not have a material effect on its financial position or results of operations and intends to vigorously defend its position related to the unresolved issues. However, any resolution that differs from management's position could adversely impact the financial statements.

(15) Concentrations

As of August 31, 2020, NRUCFC medium-term notes and select notes in the amount of $51,750,000 which were held by the Corporation were included in cash and cash equivalents and short-term investments. These instruments are not secured or otherwise subject to federally insured deposit liability coverage.

The Corporation maintains interest-bearing cash balances in multiple financial institutions; those cash balances throughout the year periodically exceed the federally insured deposits limits. 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.

The Corporation serves customers in the state of Georgia. The geographic concentration of the Corporation's customers 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. If a customer does not pay its bill based on the terms of its service agreement, the Corporation may require a consumer deposit as a condition for continued service.

(16) Fair Value of Financial Instruments

Fair Value Hierarchy

The Corporation records certain financial and nonfinancial assets using fair value measurements. The Corporation uses a hierarchical disclosure framework that prioritizes the level of market price observability to measure investments at fair value.

The guidance establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2. Valuations based on quoted market prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following valuation techniques are used to estimate the fair value of each class of financial instrument:

(1) *Market approach.* The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business) and deriving fair value based on these inputs.

(2) *Income approach.* The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts.

(3) *Cost approach.* The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (often referred to as current replacement cost). This approach assumes that the fair value would not exceed what it would cost a market participant to acquire or construct a substitute asset or comparable utility, adjusted for obsolescence.

Recurring and Nonrecurring Fair Value Measurements

The Corporation had cumulative capital credit notifications from OPC totaling $70,443,259 and $65,744,652 as of December 31, 2019 and 2018, respectively. OPC assigns patronage capital on a calendar year basis. The Corporation has elected to account for OPC capital credits as financial instruments under U.S. GAAP, based on an expectation of a return of capital, and measures these capital credits at fair value on an annual basis (recurring fair value measurement) using significant unobservable inputs (Level 3). No market data exists for these instruments.

The Corporation had no nonrecurring fair value measurements for the years ended August 31, 2020 and 2019.

(16) Fair Value of Financial Instruments (Continued)

Recurring and Nonrecurring Fair Value Measurements (Continued)

Recurring fair value measurements included in the financial statements are as follows:

		Fair Value Measurements Using			
	Carrying Value as of August 31	Quoted Market Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Gains (Losses)
2020					
Recurring Fair Value Measurement					
Investments in Associated Organizations					
OPC Capital Credits	**$ -**			**$ -**	**$ -**
2019					
Recurring Fair Value Measurement					
Investments in Associated Organizations					
OPC Capital Credits	**$ -**			**$ -**	**$ -**

Unobservable inputs are inputs that reflect management's own assumptions about the assumptions market participants would use in pricing an asset or liability based on the best information available in the circumstances.

Gains and losses included in earnings for each period are presented as a component of generation and transmission cooperative capital credits in the statements of operations. Level 3 fair value measurements for the years ended August 31 are as follows:

	2020	2019
Beginning Balance	**$ -**	$ -
Transfers into Level 3	**-**	-
Total Gains or Losses for the Period		
Included in Margins		
Patronage Notifications	**4,698,607**	4,340,454
Fair Value Adjustment(s)	**(4,698,607)**	(4,340,454)
Purchases, Issues, Sales and Settlements	**-**	-
Ending Balance	**$ -**	$ -

(16) Fair Value of Financial Instruments (Continued)

Recurring and Nonrecurring Fair Value Measurements (Continued)

For Level 3 fair value measurements, the Corporation's management determines the fair value measurement valuation policies and procedures. In accordance with board policy, the board of directors assesses and approves the fair value measurement policies and procedures. On an annual basis, management determines if the current valuation techniques used in the fair value measurements are still appropriate and evaluates and adjusts the unobservable inputs used in the fair value measurements based on current market conditions and any available third-party information. There were no changes in the valuation techniques during the current year.

Quantitative information about Level 3 fair value measurements for the years ended August 31, 2020 and 2019 is as follows:

Financial Instrument	Fair Value	Valuation Technique	Unobservable Input	Percentage
OPC Capital Credits	$-0-	Discounted Cash Flow	Expected Return of Capital	0.0%

The significant unobservable input used in the fair value measurement of the Corporation's OPC capital credits is an expected return of capital. Management has assessed that no expected return of capital exists based on the following factors:

- Uncertainty as to return of capital since no capital has been returned in recent years.
- Capital returns limited by debt agreements.
- Review of major construction and related debt requirements.
- Regulatory environment.
- No known market.

An increase in the percentage of expected capital returns would result in a significantly higher fair value measurement.

(17) Risks and Uncertainties

As of the issuance date of these financial statements, COVID-19 was continuing to have an adverse effect on financial markets. The effects of COVID-19 are widespread and unprecedented. The full impact that COVID-19 will have on the Corporation's financial condition, liquidity and future results of operations is uncertain. Management is actively monitoring the situation, but given the daily evolution of COVID-19, the Corporation is not able to estimate the effects at this time.

In response to the growing concern related to COVID-19, the USDA waived all RUS/FFB covenant requirements for loan agreement financial ratios from January 1, 2020 through December 31, 2020.

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