Public Alliance for Community Energy

Independent Auditor's Report and Financial Statements

March 31, 2021 and 2020

Public Alliance for Community Energy
March 31, 2021 and 2020

Contents

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Independent Auditor's Report

Board of Directors
Public Alliance for Community Energy
Lincoln, Nebraska

We have audited the accompanying financial statements of Public Alliance for Community Energy, as of and for the years ended March 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise Public Alliance for Community Energy's basic financial statements as listed in the table of contents.

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. 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 Public Alliance for Community Energy as of March 31, 2021 and 2020, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Lincoln, Nebraska
May 6, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarizes the financial highlights and focuses on factors that had a material effect on the financial condition of Public Alliance for Community Energy (ACE) and the results of operations for the years ended March 31, 2021, 2020 and 2019. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements and notes to the financial statements.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about ACE's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of ACE based on currently known facts, decisions or conditions.

Balance Sheets – provide a summary of ACE's assets, liabilities and net position.

Statements of Revenues, Expenses and Changes in Net Position – present the operating results of ACE into various categories of operating revenues and expenses, and non-operating revenues and expenses.

Statements of Cash Flows – report the cash provided by and used in operating activities, as well as other cash sources such as investment return and cash payments for distribution to members and capital additions.

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial information summarizes ACE's financial position and operating results for the years ended March 31, 2021, 2020 and 2019.

Condensed Balance Sheets and Financial Highlights

	March 31,			Change	
	2021	2020	2019	From 2020 to 2021	From 2019 to 2020
Assets					
Cash, cash equivalents, and investments	$ 2,740,188	$ 2,722,447	$ 2,677,508	$ 17,741	$ 44,939
Accounts receivable	150,750	139,167	98,924	11,583	40,243
Prepaid expenses	28,062	27,133	25,156	929	1,977
Capital assets, net	78,723	23,990	29,699	54,733	(5,709)
Total assets	$ 2,997,723	$ 2,912,737	$ 2,831,287	$ 84,986	$ 81,450
Liabilities and Net Position					
Total current liabilities	$ 112,395	$ 76,117	$ 101,012	$ 36,278	$ (24,895)
Investment in capital assets	78,723	23,990	29,699	54,733	(5,709)
Unrestricted	2,806,605	2,812,630	2,700,576	(6,025)	112,054
Total net position	2,885,328	2,836,620	2,730,275	48,708	106,345
Total liabilities and net position	$ 2,997,723	$ 2,912,737	$ 2,831,287	$ 84,986	$ 81,450

Cash, cash equivalents, and investments increased in 2021 and 2020 due to the net impact of the timing of collection of accounts receivable and payment of expenses and the net change in net position for each year.

Accounts receivable consist of monthly marketing fees and advertising and marketing reimbursement from ACE's natural gas supplier.

Prepaid expenses in 2021 consist primarily of advertising and marketing activity scheduled to occur in April. Prepaid expenses in 2020 and 2019 consist primarily of payment for the annual maintenance contract for ACE's software.

Capital assets consist primarily of ACE's software. The software improves ACE's services to customers and expedites answers to customer questions during the annual selection period in the Nebraska Choice Gas Program. Capital assets increased in 2021 as software enhancements exceeded depreciation. Capital assets decreased in 2020 as software enhancements were less than depreciation.

Total current liabilities increased in 2021 due to the Nebraska Choice Gas Program selection period beginning in March 2021 resulting in increased operating expenses and changes to payment timing. Total current liabilities decreased in 2020 due to decreased operating expenses and timing of payment of expenses.

Condensed Statements of Revenues, Expenses and Changes in Net Position and Financial Highlights

	March 31,			Change	
	2021	2020	2019	From 2020 to 2021	From 2019 to 2020
Operating revenues	$ 1,046,124	$ 1,005,888	$ 969,569	$ 40,236	$ 36,319
Operating expenses	(628,747)	(576,312)	(665,532)	(52,435)	89,220
Investment return	31,331	76,769	62,691	(45,438)	14,078
Distribution to members	(400,000)	(400,000)	(300,000)	-	(100,000)
Increase in net position	$ 48,708	$ 106,345	$ 66,728	$ (57,637)	$ 39,617

Operating revenues consist of marketing fees paid to ACE. Under the terms of the natural gas supply agreement, the fixed monthly marketing fee increases annually on June 1 of each year.

Operating expenses increased in 2021 due to the expansion of the Nebraska Choice Gas Program selection period from two weeks to five weeks and investment in ACE's branding and website. Operating expenses decreased in 2020 due to decreased administrative and general expenses upon implementation of a market-based cost allocation methodology for shared facilities and management personnel.

Investment return decreased in 2021 due to falling interest rates. Investment return increased in 2020 due to rising interest rates.

ACE's Board of Directors approved the distribution to members in January of each fiscal year.

General Trends and Significant Events

ACE's Board of Directors may authorize a distribution to its member communities. As noted above, ACE's Board of Directors approved the distribution of $400,000, $400,000, and $300,000, respectively, to members in January of each fiscal year. Since forming in 1998, ACE has distributed more than $3.2 million to its Nebraska members. Each ACE member community determines how to best use the funds the community receives.

The Nebraska Choice Gas Program sponsored by Black Hills Energy consists of an annual selection period each year for the Program Year which begins the following June 1st. Historically, the annual selection period has been a two-week period in April of each year. Changes to the program rules for the 2021-2022 Program Year resulted in a five-week selection period beginning in March 2021. ACE utilizes targeted advertising campaigns, a marketing partnership with ACE member communities, and competitive natural gas pricing by ACE's natural gas supplier to compete for customer accounts.

For the 2020-2021 Program Year, approximately 14,100 customer accounts, representing approximately 18% of customers participating in the Nebraska Choice Gas program, selected ACE. For the 2019-2020 Program Year, approximately 16,600 customer accounts, representing approximately 21% of customers participating in the Nebraska Choice Gas program, selected ACE. Approximately 18,000 customer accounts, representing approximately 22% of the customers, selected ACE for the 2018-2019 Program Year.

ACE is the only natural gas supplier that has participated in the Nebraska Choice Gas Program every year since its inception in 1998. While having multiple natural gas suppliers in the Nebraska Choice Gas Program helps achieve ACE's goal of fostering competition amongst natural gas suppliers resulting in competitive natural gas prices during the annual selection period, that achievement has the potential to have a negative effect on the number of customer accounts selecting ACE. Seven natural gas suppliers participated in the Nebraska Choice Gas Program for the 2020-2021 Program Year. Six natural gas suppliers participated in the Nebraska Choice Gas Program for the 2019-2020 and 2018-2019 Program Years.

Risk Management Practices

ACE competes with other natural gas providers through participation in the Nebraska Choice Gas Program sponsored by Black Hills Energy. ACE strives to offer natural gas, through its natural gas supplier, at competitive prices.

Under the natural gas supply agreement with ACE's natural gas supplier, the natural gas supplier pays ACE a fixed monthly fee to promote the selection of ACE to customers participating in the Nebraska Choice Gas Program.

All natural gas price risk related to customers selecting ACE, including the risk related to offering guaranteed fixed pricing to customers, is born entirely by ACE's natural gas supplier.

Report Purpose and Contact Information

This financial report is designed to provide member communities and counterparties with a general overview of ACE's financial status for the fiscal years 2021, 2020 and 2019. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Accounting at 8377 Glynoaks Dr., Lincoln, Nebraska 68516.

Public Alliance for Community Energy
Balance Sheets
March 31, 2021 and 2020

Assets	2021	2020
Current Assets		
Cash and cash equivalents	$ 330,338	$ 305,568
Short-term investments	1,307,735	1,208,351
Accounts receivable	150,750	139,167
Prepaid expenses	28,062	27,133
Total current assets	1,816,885	1,680,219
Noncurrent Assets		
Long-term investments	1,102,115	1,208,528
Capital assets, net	78,723	23,990
Total noncurrent assets	1,180,838	1,232,518
Total assets	$ 2,997,723	$ 2,912,737

Liabilities and Net Position

	2021	2020
Current Liabilities		
Accounts payable	$ 60,690	$ 25,723
Due to coalition members	51,705	50,394
Total current liabilities	112,395	76,117
Net Position		
Investment in capital assets	78,723	23,990
Unrestricted	2,806,605	2,812,630
Total net position	2,885,328	2,836,620
Total liabilities and net position	$ 2,997,723	$ 2,912,737

Public Alliance for Community Energy

Statements of Revenues, Expenses and Changes in Net Position

Years Ended March 31, 2021 and 2020

	2021	2020
Operating Revenues		
Marketing fees	$ 1,046,124	$ 1,005,888
Operating Expenses		
Administrative and general	614,840	561,926
Depreciation	13,907	14,386
Total operating expenses	628,747	576,312
Operating Income	417,377	429,576
Nonoperating Revenues		
Investment return	31,331	76,769
Income Before Distribution to Members	448,708	506,345
Distribution to Members	(400,000)	(400,000)
Increase in Net Position	48,708	106,345
Net Position, Beginning of Year	2,836,620	2,730,275
Net Position, End of Year	$ 2,885,328	$ 2,836,620

Public Alliance for Community Energy

Statements of Cash Flows

Years Ended March 31, 2021 and 2020

	2021	2020
Operating Activities		
Cash received from natural gas supplier	$ 1,152,267	$ 1,128,793
Cash paid to vendors	(173,752)	(191,414)
Cash paid to coalition members	(523,465)	(560,532)
Net cash provided by operating activities	455,050	376,847
Noncapital Financing Activities		
Distribution to members	(400,000)	(400,000)
Capital and Related Financing Activities		
Purchase of capital assets	(68,640)	(8,677)
Investing Activities		
Interest received on investments	38,356	61,791
Purchases of investments	(1,399,996)	(1,500,000)
Proceeds from sales and maturities of investments	1,400,000	1,400,000
Net cash provided by/(used in) investing activities	38,360	(38,209)
Increase/(Decrease) in Cash and Cash Equivalents	24,770	(70,039)
Cash and Cash Equivalents, Beginning of Year	305,568	375,607
Cash and Cash Equivalents, End of Year	$ 330,338	$ 305,568
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 417,377	$ 429,576
Depreciation	13,907	14,386
Changes in operating assets and liabilities		
Accounts receivable	(11,583)	(40,243)
Prepaid expenses	(929)	(1,977)
Accounts payable	34,967	10,879
Due to coalition members, net	1,311	(35,774)
Net Cash Provided by Operating Activities	$ 455,050	$ 376,847
Noncash Investing Activities		
Change in fair value of investments	$ (7,025)	$ 14,978

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Public Alliance for Community Energy ("ACE" or "Agency") was established under provisions of the Interlocal Cooperation Act of Nebraska (Act) for the purpose of providing local governments the opportunity to cooperate with other localities to obtain a mutual advantage in supplying natural gas and competing for end-use residential and commercial customers who are located in Nebraska.

ACE's primary activity relates to participation in the Nebraska Choice Gas Program sponsored by Black Hills Energy. ACE provides Nebraska municipalities (collectively in a supplier group) the opportunity to become the natural gas supplier to residential and commercial customers.

Reporting Entity

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency's ability to appoint a voting majority of another entity's governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity's fiscal dependency on the Agency.

ACE, Nebraska Municipal Power Pool (NMPP), Municipal Energy Agency of Nebraska (MEAN) and National Public Gas Agency (NPGA), comprise a coalition referred to by the trade name NMPP Energy. This coalition of entities provides energy-related services to member and nonmember participants while sharing facilities and management personnel. None of the organizations included in NMPP Energy are responsible for the obligations, liabilities or debts of any of the other organizations in the coalition. Based upon the above criteria, none of the organizations are considered component units of any of the other associated organizations.

Basis of Accounting and Presentation

ACE's activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. ACE's accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licenses prescribed by the Federal Energy Regulatory Commission (FERC). ACE prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results may differ from those estimates.

Cash Equivalents

ACE considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At March 31, 2021 and 2020, cash equivalents consisted of a money market mutual fund.

Investments and Investment Return

Investments in money market mutual funds are carried at cost, which approximates fair value. Investments in U.S. agency obligations and negotiable certificates of deposit are carried at fair value. Fair value is determined using quoted market prices. Investment return consists of interest and the net change for the year in the fair value of investments.

Accounts Receivable

Accounts receivable are stated at the amount billed to ACE's natural gas supplier under the terms of the natural gas supply agreement. At March 31, 2021 and 2020, accounts receivable consisted primarily of amounts due from ACE's natural gas supplier for the contractual marketing fee and other incentives. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are charged off as they are deemed uncollectible. Management did not establish an allowance for doubtful accounts at March 31, 2021 and 2020, as there were no delinquent receivables.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by ACE:

Software	3 Years
Furniture and equipment	3 – 5 Years

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Investment in capital assets - consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. There are no outstanding balances of borrowings attributable to capital assets at March 31, 2021 and 2020.

Restricted - consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation. There are no components of net position at March 31, 2021 and 2020 that meet the restricted definition.

Unrestricted - consists of the assets and liabilities that are not included in the net investment in capital assets or restricted components of net position.

Classification of Revenues

Operating revenues include marketing fees from ACE's natural gas supplier. Nonoperating revenues include those derived from capital and related financing and investing activities.

Distribution to Members

The Board of Directors approved a distribution to members of $400,000 in January 2021 and $400,000 in January 2020. The distribution was paid to members in January and February 2021 and February 2020, respectively.

Income Taxes

In accordance with certain provisions of the Internal Revenue Code and the Act and related governing laws and regulations, ACE, as a local governmental entity, is exempt from federal and state income taxes.

Note 2: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. ACE's deposit policy for custodial credit risk requires compliance with the provisions of state law. State statutes require banks either to give bond or to pledge government securities to ACE in the amount of ACE's deposits. The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to $250,000 per official custodian at each covered institution. ACE's deposits were covered by FDIC insurance at March 31, 2021 and 2020.

Investments

ACE's investing is performed in accordance with the investment policy adopted by its Board of Directors and applicable state statutes. ACE may invest in U.S. Treasury and U.S. agency securities, certificates of deposit, time deposits, banker's acceptances, commercial paper and municipal bonds. In the event that secured investment opportunities arise, other than those specified above, investment consent is required through the approval of two of the following: Chair of the Board of Directors, Secretary-Treasurer of the Board of Directors or ACE Executive Director.

At March 31, 2021 and 2020, ACE had the following investments, maturities, and credit ratings:

	Carrying Value	Maturities in Years Less Than 1	1 - 5	Credit Rating Moody's/S&P
March 31, 2021				
Money market mutual fund - U.S. government obligations	$ 220,000	$ 220,000	$ -	Aaa-mf/AAAm
U.S. agency obligations	200,033	-	200,033	Aaa/AAA
Negotiable certificates of deposit	2,209,817	1,307,735	902,082	Not rated
	$ 2,629,850	$ 1,527,735	$ 1,102,115	
March 31, 2020				
Money market mutual fund - U.S. government obligations	$ 250,000	$ 250,000	$ -	Aaa-mf/AAAm
Negotiable certificates of deposit	2,416,879	1,208,351	1,208,528	Not rated
	$ 2,666,879	$ 1,458,351	$ 1,208,528	

Note 2: Deposits, Investments and Investment Return - Continued

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. ACE's investment policy does not place a limit on the amount that may be invested in any one maturity category. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. ACE's investment policy establishes requirements for certain investment securities or issuers of securities to be rated at certain rates or higher. The following investment types must be rated at the minimum rates noted below:

Commercial paper	A-1, P-1
Municipal bonds	AA -

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, ACE would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments are held in safekeeping in ACE's name, in a broker account with ACE's primary financial institution.

Concentration of Credit Risk - Concentration of credit risk is the risk associated with the amount of investments ACE has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. As of March 31, 2021 and 2020, each of ACE's investments in negotiable certificates of deposit were covered by FDIC insurance, as the individual investments did not exceed $250,000, and were therefore also excluded from this requirement. ACE's investment policy limits the amount of its investment portfolio that may be invested in any one issuer, other than U.S. government securities, to $500,000.

Note 2: Deposits, Investments and Investment Return – Continued

Summary of Carrying Values

The carrying values of deposits and investments at March 31, 2021 and 2020 are as follows:

	2021	2020
Deposits	$ 110,338	$ 55,568
Investments	2,629,850	2,666,879
	$ 2,740,188	$ 2,722,447

Included in the following balance sheet captions:

	2021	2020
Cash and cash equivalents	$ 330,338	$ 305,568
Short-term investments	1,307,735	1,208,351
Long-term investments	1,102,115	1,208,528
	$ 2,740,188	$ 2,722,447

Investment Return

Investment return for the years ended March 31, 2021 and 2020, consisted of interest income and the net change in fair value of investments carried at fair value of $31,331 and $76,769, respectively.

Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted 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 market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Money market mutual funds are carried at cost, and thus not included within the fair value hierarchy. ACE’s investments in U.S. agency obligations and negotiable certificates of deposit are measured at fair value on a recurring basis and are classified within Level 2 of the fair value hierarchy at March 31, 2021 and 2020.

Note 3: Capital Assets

Capital assets at March 31, 2021 and 2020 consisted of the following:

	Beginning Balance	Additions	Disposals	Ending Balance
March 31, 2021				
Software	$ 470,491	$ 68,640	$ -	$ 539,131
Furniture and equipment	4,932	-	-	4,932
	475,423	68,640	-	544,063
Less accumulated depreciation	451,433	13,907	-	465,340
Net capital assets	$ 23,990	$ 54,733	$ -	$ 78,723
March 31, 2020				
Software	$ 461,814	$ 8,677	$ -	$ 470,491
Furniture and equipment	7,595	-	(2,663)	4,932
	469,409	8,677	(2,663)	475,423
Less accumulated depreciation	439,710	14,386	(2,663)	451,433
Net capital assets	$ 29,699	$ (5,709)	$ -	$ 23,990

Note 4: Transactions with Coalition Members

ACE, NMPP, MEAN, and NPGA through common members and management comprise a coalition. ACE shares personnel and facilities within this coalition, as well as enters into agreements for certain products and services.

ACE incurred expenses of approximately $490,000 and $470,000 for administrative services and rents provided by coalition members during 2021 and 2020, respectively. At March 31, 2021 and 2020, amounts due to coalition members consisted of $3,000 and $1,024 payable to NMPP and $48,705 and $49,370 payable to MEAN.

Note 5: Natural Gas Purchase and Supply Agreements

Under the natural gas supply agreement with ACE's current natural gas supplier, ACE receives a fixed monthly fee to promote the selection of ACE to customers participating in the Nebraska Choice Gas Program. The fixed monthly fee increases annually on June 1 of each year. The agreement provides for additional one year terms unless 24 month notice is given by either party prior to June 1 of the calendar year of termination.

The agreement includes provisions for ACE to pay for advertising and marketing costs related to the Nebraska Choice Gas Program and certain other amounts to third parties for referrals and promotion of ACE in the Nebraska Choice Gas Program, on behalf of and for the benefit of the natural gas supplier. Under the terms of the agreement, the natural gas supplier reimburses ACE for these payments, and thus these amounts are not reflected as revenue or expense in the statements of revenues, expenses and changes in net position. The payments totaled approximately $118,000 and $163,000 during 2021 and 2020, respectively.

Note 6: Risk Management

ACE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and others; and natural disasters. ACE is named as one of the insureds on joint policies for commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. None of the claims submitted against this commercial coverage in any of the three preceding years were specific to or material to ACE. All such claims were submitted for losses incurred in the normal course of business.