

Clinton R. Wasser, CPA, P.C.

Certified Public Accountant

14301 N. 87th St. #307, Scottsdale, AZ 85260

Voice: 480-443-3485 Fax: 480-607-6837

E-mail: clint@wassercpa.com

Website: www.wassercpa.com

To the Board of Directors
Arizona Independent Scheduling Administrator Association
Phoenix, AZ

I have compiled the accompanying statement of financial position of Arizona Independent Scheduling Administrator Association (a nonprofit organization) as of December 31, 2008, and the related statements of activities – actual and budget and cash flows for the quarter and year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The budgeted information included in the statements of activities – actual and budget is presented for supplementary analysis purposes only.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. In addition, the budgeted information included in the statements of activities – actual and budget has not been audited or reviewed by me, and, accordingly, I do not express an opinion or any other form of assurance on it.

I am not independent with respect to Arizona Independent Scheduling Administrator Association.

Clinton R. Wasser, CPA, PC

March 31, 2009

Arizona Independent Scheduling Administrator Association
Statement of Financial Position
December 31, 2008

Assets

Current Assets		
Cash	\$	64,133.73
Accounts Receivable		11,666.97
Prepaid Insurance		<u>1,932.00</u>
Total Current Assets		77,732.70
Fixed Assets		
Furniture and Equipment		4,737.78
Accumulated Depreciation		<u>(2,341.22)</u>
Total Fixed Assets		<u>2,396.56</u>
Total Assets		<u><u>80,129.26</u></u>

Liabilities

Current Liabilities		
Accounts Payable		879.43
Refundable Advances		1,225.00
Payroll Liabilities		<u>2,232.08</u>
Total Current Liabilities		4,336.51
Long-Term Liabilities		
Capital Loans		<u>-</u>
Total Long-Term Liabilities		<u>-</u>
Total Liabilities		4,336.51

Net Assets

Unrestricted		<u>75,792.75</u>
Total Net Assets		<u>75,792.75</u>
Total Liabilities and Net Assets	\$	<u><u>80,129.26</u></u>

See accompanying notes and accountant's report

Arizona Independent Scheduling Administrator Association
Statement of Activities - Actual & Budget
For The Quarter Ended December 31, 2008

	<u>Tariff</u> <u>Activities</u>	<u>Support</u> <u>Services</u>	<u>Total</u>	<u>Budget</u>	<u>\$ Over (Under)</u> <u>Budget</u>
Unrestricted Net Assets					
Revenues & Support:					
Membership Dues			\$ 1,250.00	\$ -	\$ 1,250.00
Tariff Income			26,912.94	36,330.00	(9,417.06)
Debt Forgiveness			<u>597,139.30</u>	<u>-</u>	<u>597,139.30</u>
Total Unrestricted Revenues & Support			<u>\$ 625,302.24</u>	<u>\$ 36,330.00</u>	<u>\$ 588,972.24</u>
Expenses:					
Insurance	\$ 1,007.03	\$ 111.89	\$ 1,118.92	\$ 6,000.00	\$ (4,881.08)
Office Expenses & Supplies	643.75	71.53	715.28	405.00	310.28
Payroll & Employee Benefits	21,848.96	2,427.66	24,276.62	24,300.00	(23.38)
Postage & Delivery	10.75	1.19	11.94	60.00	(48.06)
Printing & Reproduction	-	-	-	15.00	(15.00)
Professional Fees	2,506.73	278.52	2,785.25	1,750.00	1,035.25
Rent	45.12	5.01	50.13	-	50.13
Telephone	270.00	30.00	300.00	150.00	150.00
Travel & Entertainment	197.28	21.92	219.20	1,300.00	(1,080.80)
Depreciation	145.35	16.15	161.50	-	161.50
Interest Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Unrestricted Expenses	<u>\$ 26,674.97</u>	<u>\$ 2,963.87</u>	<u>\$ 29,638.84</u>	<u>\$ 33,980.00</u>	<u>\$ (4,341.16)</u>
Increase (Decrease) in Unrestricted Net Assets			<u>\$ 595,663.40</u>	<u>\$ 2,350.00</u>	<u>\$ 593,313.40</u>
Net Assets at Beginning of Period			<u>\$ (519,870.65)</u>		
Net Assets at End of Period			<u>\$ 75,792.75</u>		

See accompanying notes and accountant's report

Arizona Independent Scheduling Administrator Association
Statement of Activities - Actual & Budget
For The Year-To-Date Ended December 31, 2008

	<u>Tariff</u> <u>Activities</u>	<u>Support</u> <u>Services</u>	<u>Total</u>	<u>Budget</u>	<u>\$ Over (Under)</u> <u>Budget</u>
Unrestricted Net Assets					
Revenues & Support:					
Membership Dues			\$ 3,750.00	\$ 3,000.00	\$ 750.00
Tariff Income			129,248.33	149,414.00	(20,165.67)
Debt Forgiveness			<u>597,139.30</u>	<u>-</u>	<u>597,139.30</u>
Total Unrestricted Revenues & Support			<u>\$ 730,137.63</u>	<u>\$ 152,414.00</u>	<u>\$ 577,723.63</u>
Expenses:					
Insurance	\$ 11,118.74	\$ 1,235.42	\$ 12,354.16	\$ 24,500.00	\$ (12,145.84)
Office Expenses & Supplies	2,153.32	239.26	2,392.58	1,868.00	524.58
Payroll & Payroll Taxes	89,510.00	9,945.56	99,455.56	98,430.00	1,025.56
Postage & Delivery	73.58	8.17	81.75	240.00	(158.25)
Printing & Reproduction	-	-	-	60.00	(60.00)
Professional Fees	18,492.80	2,054.75	20,547.55	9,850.00	10,697.55
Rent	689.32	76.59	765.91	-	765.91
Telephone	1,188.59	132.07	1,320.66	650.00	670.66
Travel & Entertainment	2,407.60	267.51	2,675.11	6,402.00	(3,726.89)
Depreciation	581.40	64.60	646.00	-	646.00
Interest Expense	<u>66.30</u>	<u>7.37</u>	<u>73.67</u>	<u>-</u>	<u>73.67</u>
Total Unrestricted Expenses	<u>\$ 126,281.65</u>	<u>\$ 14,031.30</u>	<u>\$ 140,312.95</u>	<u>\$ 142,000.00</u>	<u>\$ (1,687.05)</u>
Increase (Decrease) in Unrestricted Net Assets			<u>\$ 589,824.68</u>	<u>\$ 10,414.00</u>	<u>\$ 579,410.68</u>
Net Assets at Beginning of Period			<u>\$ (514,031.93)</u>		
Net Assets at End of Period			<u>\$ 75,792.75</u>		

See accompanying notes and accountant's report

Arizona Independent Scheduling Administrator Association
Statement of Cash Flows
For The Quarter and Year-To-Date Ended December 31, 2008

	<u>Quarter</u>	<u>Year-To-Date</u>
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ 595,663.40	\$ 589,824.68
Add (Deduct) Items Not Affecting Cash:		
Debt Forgiveness Income	\$ (597,139.30)	\$ (597,139.30)
Depreciation Expense	161.50	646.00
Decrease (Increase) in Accounts Receivable	(1,210.00)	6,657.26
Decrease (Increase) in Prepaid Expenses	1,088.92	5,087.49
Increase (Decrease) in Accounts Payable	(530.89)	726.11
Increase (Decrease) in Payroll Liabilities	55.37	(20,985.26)
Net Cash Provided By Operating Activities	<u>(1,911.00)</u>	<u>(15,183.02)</u>
Cash Flows From Investing Activities		
Purchase of Fixed Assets	-	(1,663.71)
Net Cash Provided (Used) By Investing Activities	<u>-</u>	<u>(1,663.71)</u>
Cash Flows From Financing Activities		
Net Borrowings (Payments) on Line of Credit	-	(4,070.56)
Net Cash Provided (Used) By Financing Activities	<u>-</u>	<u>(4,070.56)</u>
Net Increase (Decrease) in Cash	<u>(1,911.00)</u>	<u>(20,917.29)</u>
Cash At Beginning Of Period	<u>66,044.73</u>	<u>85,051.02</u>
Cash At End Of Period	<u>\$ 64,133.73</u>	<u>\$ 64,133.73</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest on loans	<u>\$ -</u>	<u>\$ 110.00</u>

See accompanying notes and accountant's report

Arizona Independent Scheduling Administrator Association
Notes To The Financial Statements
December 31, 2008

Note A - Nature of Activities and Significant Accounting Policies

Nature of Activities

The Arizona Independent Scheduling Administrator Association (the Association) is a non-profit Arizona Corporation formed in September 1998 to act as an independent electric transmission scheduling administrator. The purpose of the Association is to facilitate open, non-discriminatory transmission access to support implementation of retail electric competition in the State of Arizona.

The Association is funded through dues and contributions from its members, and revenues received from Arizona electric utilities based on a Federal Energy Regulatory Commission (FERC) tariff enacted in 2001. The tariff specifies that a designated portion of the revenues be used by the Association for payment of operating expenses and a designated portion be used for repayment of capital loans.

The board of directors of the Association includes representatives from Arizona electric utilities and other interested parties. Accounts receivable of \$10,694.48 from the represented or affiliate companies of these board members as of December 31, 2008, and revenues and support of \$25,844.52 and \$123,494.96 for the quarter and year then ended, respectively, are included in the accompanying financial statements.

The Association was incorporated as an organization whose time frame is limited by the articles of incorporation and by provisions in the by-laws. Consequently, agreements between the Association and the participating utilities include winding-up provisions. These provisions specify repayments on capital loans and other debts will be waived if the Association terminates operations or the participating utilities withdraw from agreements with the Association. Additionally, the participating utilities are obligated to pay any remaining operating costs committed to before termination and costs that could not reasonably be avoided after the effective date of termination.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The financial statements of the Association have been prepared on the accrual basis of accounting. The Association reports information regarding its financial position and activities based upon donor-imposed restrictions via three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Since the Association does not have any restrictions imposed by donors on its net assets, the accompanying financial statements only present unrestricted net assets.

Functional Allocation of Expenses

The Association uses two functional categories to allocate its expenses. Activities authorized by a FERC tariff relating to monitoring transmission access are classified as tariff activities on the accompanying statement of activities – actual and budget. Expenses that provide administrative and general support for these tariff activities are classified as support services.

Income Taxes

The Association is a not-for-profit organization that is exempt from income taxes under section 501(c)(6) of the Internal Revenue Code.

Accounts Receivable

Accounts receivable are considered by management to be fully collectible and accordingly no allowance for doubtful accounts is considered necessary.

Furniture and Equipment

Purchased furniture and equipment are capitalized at cost. The Association capitalizes all property and equipment acquisitions over \$500 with an estimated useful life greater than one year. Furniture and equipment are depreciated using a methodology substantially consistent with the straight-line method.

Employee Benefits

The Association has one employee who receives a salary and reimbursement for employee business expenses. No other employee benefits are provided.

Cash

The Association maintains its cash in a bank account that is insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Association consistently maintains deposits in the bank below the federally insured limit.

Note B – Capital Loans and Debt Forgiveness

In earlier years, five electric utilities loaned amounts as evidenced by promissory notes to finance the start-up activities of the Association. Loaned amounts were repaid to two utilities in accordance with a FERC tariff. Two other utilities have forgiven their loans to the Association.

Another utility had agreed to not seek collection on their capital loan unless the utility executed a transmission provider agreement with the Association and became subject to the applicable FERC tariff. The FERC tariff would have enabled the Association to collect from the utility the funds necessary to make payments on the capital loan.

During 2008, this utility has agreed to forgive this loan without condition. This debt forgiveness income is shown on the accompanying statements of activities.

Note C – Line of Credit

In prior years, the Association had a \$50,000 line of credit with interest payable at prime plus 2.875%. During 2008, this line of credit was fully paid and closed.

Note D – Tariff Income

The Association receives monthly revenues from certain transmission providers in accordance with a FERC tariff. Other Arizona utilities have chosen to support the Association using the same methodology used in the FERC tariff, even though they are not subject to the FERC tariff. Both the revenues required by FERC and those revenues not required are included in tariff income for the quarter and year ended December 31, 2008 as noted below.

FERC Tariff	Current Quarter (\$)	Year (\$)
Subject to	25,844.52	123,494.96
Not Subject to	1,068.42	5,753.37
Total	26,912.94	129,248.33

Note E – Concentration of Revenue Sources

Most of the Association's revenues are obtained from two Arizona electric utilities in accordance with a FERC tariff. These utilities are subject to both State and Federally imposed regulation. It is possible that these utilities could be affected by events, including regulatory change, the impact of which would have a materially negative impact on the future revenues of the Association.