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**FINANCIAL STATEMENTS OF  
MUNICIPAL ELECTRIC AND  
GAS ALLIANCE, INC.**

**(Review)**

**For the Years Ended March 31, 2010 and 2009**

**ACCOUNTANT'S REVIEW REPORT**

August 16, 2010

Board of Directors  
Municipal Electric and Gas Alliance, Inc.  
Ithaca, New York 14850

We have reviewed the accompanying statements of financial position of Municipal Gas and Electric Alliance, Inc. as of March 31, 2010 and 2009 and the related statements of activities, and cash flows for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Municipal Gas and Electric Alliance, Inc.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Sciarabba Walker & Co., LLP

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## MUNICIPAL GAS AND ELECTRIC ALLIANCE, INC.

### STATEMENTS OF FINANCIAL POSITION

March 31,

#### ASSETS

	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 179,925	\$ 176,786
Accounts receivable	115,763	82,717
Prepaid insurance	1,590	1,817
<b>TOTAL CURRENT ASSETS</b>	<u>297,278</u>	<u>261,320</u>
<b>PROPERTY AND EQUIPMENT:</b>		
Computer equipment and website design	17,235	11,898
Less: accumulated depreciation and amortization	9,080	7,959
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>8,155</u>	<u>3,939</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 305,433</u></u>	<u><u>\$ 265,259</u></u>

#### LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 71,280	\$ 41,359
Payroll liabilities	3,784	3,222
<b>TOTAL CURRENT LIABILITIES</b>	<u>75,064</u>	<u>44,581</u>
<b>TOTAL LIABILITIES</b>	75,064	44,581
<b>NET ASSETS:</b>		
Unrestricted	230,369	220,678
<b>TOTAL NET ASSETS</b>	<u>230,369</u>	<u>220,678</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 305,433</u></u>	<u><u>\$ 265,259</u></u>

See accountant's report and accompanying notes to financial statements.

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## MUNICIPAL GAS AND ELECTRIC ALLIANCE, INC.

### STATEMENTS OF ACTIVITIES

Years Ended March 31,

	<u>2010</u>	<u>2009</u>
<b>INCOME:</b>		
Royalty income	\$ 397,336	\$ 281,545
Interest income	245	3,301
<b>TOTAL INCOME</b>	<u>397,581</u>	<u>284,846</u>
<b>EXPENSES:</b>		
Staff salaries	50,975	44,472
Payroll taxes	5,373	4,865
Subcontracted services	216,883	143,448
Royalty payments	45,916	5,146
LED lighting subsidy payments	18,250	5,763
Board of directors	5,400	2,500
Professional fees	13,804	4,933
Insurance	3,052	2,744
Meeting expense	1,554	1,553
Memberships and annual meetings	3,825	3,105
Advertising and promotion	4,522	5,320
Office supplies and software	2,625	1,939
Postage	494	626
Telephone	2,207	2,025
Travel expenses	5,010	6,144
Depreciation expense	1,687	1,379
Miscellaneous	6,313	2,385
<b>TOTAL EXPENSES</b>	<u>387,890</u>	<u>238,347</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	9,691	46,499
<b>NET ASSETS, beginning of year</b>	<u>220,678</u>	<u>174,179</u>
<b>NET ASSETS, end of year</b>	<u>\$ 230,369</u>	<u>\$ 220,678</u>

See accountant's report and accompanying notes to financial statements.

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## MUNICIPAL GAS AND ELECTRIC ALLIANCE, INC.

### STATEMENTS OF CASH FLOWS

Years Ended March 31,

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses	\$ 9,691	\$ 46,499
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,687	1,379
Loss on disposal of equipment	353	-
(Increase) decrease in assets:		
Accounts receivable	( 33,046)	( 21,727)
Prepaid insurance	227	19
Increase in liabilities:		
Accounts payable	29,921	12,701
Payroll liabilities	562	3,222
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>9,395</u>	<u>42,093</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of equipment	( 6,256)	( 998)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>( 6,256)</u>	<u>( 998)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,139	41,095
<b>CASH, beginning of year</b>	<u>176,786</u>	<u>135,691</u>
<b>CASH, end of year</b>	<u>\$ 179,925</u>	<u>\$ 176,786</u>

See accountant's report and accompanying notes to financial statements.

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## **MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC. NOTES TO FINANCIAL STATEMENTS For the Years Ended March 31, 2010 and 2009**

### **A. Summary of Significant Accounting Policies**

#### **NATURE OF OPERATIONS**

Municipal Electric & Gas Alliance, Inc. (MEGA), is a not-for-profit local development corporation under NYS General Municipal Law. Its purpose is to achieve the lowest and most stable rates for electric and natural gas utility customers within the Organization's territory, principally focused on municipal customers thereby lessening the burdens of government.

#### **BASIS OF ACCOUNTING**

The financial statements of the Organization are prepared on the accrual basis of accounting.

#### **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

#### **CASH AND CASH EQUIVALENTS**

For purposes of the Statements of Cash Flows, the Organization considers all cash on hand, cash in financial institutions, including cash held in escrow, and highly liquid debt instruments with original maturities of three months or less, to be cash and cash equivalents.

#### **COMPUTER EQUIPMENT AND DEPRECIATION**

Computer equipment is stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the individual assets (3 to 5 years). Expenditures for major renewals and betterments that extend useful lives of the equipment are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

#### **REVENUE RECOGNITION**

The Organization recognizes revenue on the accrual basis, at the time royalties are earned, regardless of when paid by the suppliers.

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## PROVISION FOR INCOME TAXES

There is no provision for income taxes in the accompanying financial statements as the entity is exempt from Federal and State income taxation under 501(c)(3) of the Internal Revenue Code. The Organization accounts for income taxes in accordance with FASB Accounting Standards Codification (ASC) 740, Income Taxes. FASB ASC 740-10 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, measurement and classification of amounts relating to uncertain tax positions, accounting for and disclosure of interest and penalties, accounting in interim periods, disclosures and transition relating to the adoption of the new accounting standard. The Organization adopted FASB ASC 740-10 as of April 1, 2009, as required, and determined that the adoption of FASB ASC 740-10 did not have a material impact on the Organization's financial position and results of operations.

## ACCOUNTS RECEIVABLE AND ROYALTY INCOME

The Organization earns royalty income as part of a negotiated contract with energy supply companies to supply electricity and/or natural gas to the MEGA participants. During the years ended March 31, 2010 and 2009, \$397,336 and \$281,545, respectively, were earned. At March 31, 2010 and 2009, \$115,763 and \$82,717, respectively, were due from the energy supply companies, and received during the first quarter of the following year.

## ACCOUNTS PAYABLE AND CONTRACTED SERVICES

The Organization has entered into an agreement with Energy Next, Inc., of Saratoga Springs, New York, for consulting services related to developing competitive gas and electric energy related programs. The agreement states that Energy Next, Inc is to receive half of all royalty payments paid to MEGA by suppliers. Energy Next, Inc. earned \$216,883 and \$143,448 for the years ended March 31, 2010 and 2009, respectively. As of March 31, 2010 and 2009, \$57,821 and \$41,359 of consulting fees were due Energy Next, Inc., under this agreement. The fees were paid during the first quarter of the following year as quarterly royalty income was received from the energy supply companies. Additional royalty payments of \$13,146 were due NYSAC as of March 31, 2010.

## ADVERTISING COST

The Organization expenses advertising costs when incurred. During the years ended March 31, 2010 and 2009, \$4,522 and \$5,320 respectively, were expensed.

## RECLASSIFICATIONS

Certain reclassifications of prior year amounts have been made to conform to current year presentation.

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## ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

In April 2009, the Financial Accounting Standards Board (FASB) issued guidance on mergers and acquisitions of not-for-profit entities effective for the Organization's 2011 fiscal year. The guidance establishes principles and requirements for how to determine whether a combination is a merger or an acquisition, applies the carryover method for a merger, applies the acquisition method for an acquisition, and determines what information to disclose to evaluate the nature and financial effects of the combination. The Organization does not expect that the adoption of this guidance will have a material impact on its financial statements.

In January 2010, the Financial Accounting Standards Board (FASB) issued guidance on fair value disclosures effective for the Organization's 2011 fiscal year and 2012 fiscal year. Effective for fiscal year 2011, the guidance requires entities to disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements. The guidance also clarifies requirements for existing fair value disclosures. Effective for fiscal year 2012, the guidance requires entities to present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using Level 3 inputs. The Organization is assessing the potential effect of this guidance on its financial statements.

### B. Property and Equipment

Property and equipment consisted of the following at:

	March 31, 2010		
	Cost	Accumulated Depreciation	Book Value
Computer equipment	\$ 7,810	\$ 6,376	\$ 1,434
Website design	9,425	2,704	6,721
Total	<u>\$ 17,235</u>	<u>\$ 9,080</u>	<u>\$ 8,155</u>

	March 31, 2009		
	Cost	Accumulated Depreciation	Book Value
Computer equipment	\$ 7,838	\$ 6,135	\$ 1,703
Website design	4,060	1,824	2,236
Total	<u>\$ 11,898</u>	<u>\$ 7,959</u>	<u>\$ 3,939</u>

Depreciation expense amounted to \$1,687 and \$1,379 for the years ended March 31, 2010 and 2009, respectively.

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## C. Subsequent Events

Management has evaluated subsequent events through August 16, 2010, the date when the financial statements were available to be issued, and there are no subsequent events that require disclosure.