

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

**Years Ended March 31, 2018 and 2017**

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Municipal Electric and Gas Alliance, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Municipal Electric and Gas Alliance, Inc. as of March 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Sciarabba Walker & Co. LLP*

Sciarabba Walker & Co., LLP

Ithaca, New York

October 19, 2018

# MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.

## STATEMENTS OF FINANCIAL POSITION

March 31,

### ASSETS

	<u>2018</u>	<u>2017</u>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 85,520	\$ 115,493
Accounts receivable	78,299	188,797
Prepaid expenses	6,817	6,817
<b>TOTAL CURRENT ASSETS</b>	<u>170,636</u>	<u>311,107</u>
 <b>INVESTMENTS</b>	 145,096	 147,519
 <b>PROPERTY AND EQUIPMENT:</b>		
Computer equipment and website design	18,913	18,913
Less: accumulated depreciation	18,913	18,913
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>-</u>	<u>-</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 315,732</u>	 <u>\$ 458,626</u>

### LIABILITIES AND NET ASSETS

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 131,029	\$ 138,433
Payroll liabilities	11,754	11,558
<b>TOTAL CURRENT LIABILITIES</b>	<u>142,783</u>	<u>149,991</u>
 <b>TOTAL LIABILITIES</b>	 142,783	 149,991
 <b>NET ASSETS:</b>		
Unrestricted	172,949	308,635
<b>TOTAL NET ASSETS</b>	<u>172,949</u>	<u>308,635</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$ 315,732</u>	 <u>\$ 458,626</u>

See accompanying notes.

# MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.

## STATEMENTS OF ACTIVITIES

Years Ended March 31,

	2018	2017
<b>INCOME:</b>		
Royalty income	\$ 637,591	\$ 668,265
Interest income	3,533	2,105
Marketing income	18,750	24,688
Unrealized loss	( 2,424)	( 538)
<b>TOTAL INCOME</b>	<b>657,450</b>	<b>694,520</b>
<b>EXPENSES:</b>		
Staff salaries	191,110	137,586
Payroll taxes	17,343	12,962
Contracted services	318,796	329,247
Royalty payments	115,761	122,536
Special projects	62,474	60,076
Professional fees	10,381	11,812
Insurance	8,997	8,879
Meeting expense	10,947	7,307
Memberships and annual meetings	9,220	37,455
Advertising and promotion	28,418	15,727
Office supplies and software	3,179	1,903
Postage	540	457
Telephone	1,840	1,872
Travel expenses	10,014	19,703
Depreciation expense	-	14
Miscellaneous	4,116	2,123
<b>TOTAL EXPENSES</b>	<b>793,136</b>	<b>769,659</b>
<b>CHANGE IN NET ASSETS</b>	<b>( 135,686)</b>	<b>( 75,139)</b>
<b>NET ASSETS, beginning of year</b>	<b>308,635</b>	<b>383,774</b>
<b>NET ASSETS, end of year</b>	<b>\$ 172,949</b>	<b>\$ 308,635</b>

See accompanying notes.

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**

**STATEMENTS OF CASH FLOWS**

**Years Ended March 31,**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ ( 135,686)	\$ ( 75,139)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation expense	-	14
Unrealized loss	2,424	538
Decrease (increase) in assets:		
Accounts receivable	110,497	56,111
Increase (decrease) in liabilities:		
Accounts payable	( 7,404)	( 39,373)
Payroll liabilities	196	11,558
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>( 29,973)</b>	<b>( 46,291)</b>
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	 <b>( 29,973)</b>	 <b>( 46,291)</b>
 <b>CASH, beginning of year</b>	 <b>115,493</b>	 <b>161,784</b>
 <b>CASH, end of year</b>	 <b>\$ 85,520</b>	 <b>\$ 115,493</b>
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	-	-

See accompanying notes.

# **MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**Years Ended March 31, 2018 and 2017**

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

#### **Nature of Operations**

Municipal Electric & Gas Alliance, Inc. (“MEGA” or “the Organization”), is a nonprofit 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.

#### **Property and Equipment**

Computer equipment and website design 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 having a cost basis exceeding \$2,500 and extend useful lives of the asset 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.

### **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.

### **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, 2018 and 2017, \$637,591 and \$668,265, respectively, were earned. At March 31, 2018 and 2017, \$78,299 and \$188,797, respectively, were due from the energy supply companies. The royalties were received during the first quarter of the following fiscal year.

### **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 \$318,796 and \$329,247 for the years ended March 31, 2018 and 2017, respectively. As of March 31, 2018 and 2017, \$100,148 and \$91,274 of consulting fees were due to Energy Next, Inc., under this agreement. The fees were paid during the first quarter of the following fiscal year as quarterly royalty income was received from the energy supply companies.

### **Royalties**

The Organization has entered into an agreement with New York State Association of Counties (“NYSAC”), of Albany, New York, for energy procurement services. The agreement states that NYSAC is to receive a twenty-five percent share of the royalty payments paid to MEGA by NYSAC participants. Royalty payments of \$30,614 and \$32,253 were due to NYSAC as of March 31, 2018 and 2017, respectively.

### **Advertising Cost**

The Organization expenses advertising costs when incurred. During the years ended March 31, 2018 and 2017, \$28,418 and \$15,727 respectively, were expensed.



## B. Property and Equipment

Property and equipment consisted of the following at:

	March 31, 2018		
	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	\$ 9,488	\$ 9,488	\$ -
Website design	9,425	9,425	-
Total	<u>\$ 18,913</u>	<u>\$ 18,913</u>	<u>\$ -</u>

  

	March 31, 2017		
	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	\$ 9,488	\$ 9,488	\$ -
Website design	9,425	9,425	-
Total	<u>\$ 18,913</u>	<u>\$ 18,913</u>	<u>\$ -</u>

Depreciation expense amounted to \$0 and \$14 for the years ended March 31, 2018 and 2017, respectively.

## C. Investments

Investment assets consisted of the following at March 31:

	2018		
	Cost	Market Value	Unrealized Gain (Loss)
Mutual Funds	\$ 147,926	\$ 145,096	\$ ( 2,830)

  

	2017		
	Cost	Market Value	Unrealized Gain (Loss)
Mutual Funds	\$ 147,926	\$ 147,519	\$ ( 407)

## D. Fair Value Measurement

FASB ASC Topic 820 Fair Value Measurements and Disclosures established a three-tier hierarchy for fair value measurements, which prioritizes the inputs used in measuring fair value as follows:

- Level 1 – Observable inputs such as quoted prices for identical instruments in active markets.

- Level 2 – Inputs other than quoted prices in active markets that are observable either directly or indirectly through corroboration with observable market data.
- Level 3 – Unobservable inputs in which there is little or no market data, which would require the Organization to develop its own assumptions.

As of March 31, 2018, the Organization held certain assets that measured at fair value on a recurring basis. The fair value of investments is obtained from readily available market prices. The following tables presents the Organization’s financial assets measured at fair value on a recurring basis, subject to the disclosure requirements of the guidance on fair value, as of March 31,:

		2018			
		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets:</b>					
Investments	\$	145,096	\$ 145,096	\$ -	\$ -

		2017			
		<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<b>Assets:</b>					
Investments	\$	147,519	\$ 147,519	\$ -	\$ -

#### **E. Functional Expenses**

Expenses by functional classification are as follows:

	<u>2018</u>	<u>2017</u>
Program expenses	\$ 656,889	\$ 662,230
General and administrative	136,247	107,429
Total	<u>\$ 793,136</u>	<u>\$ 769,659</u>

#### **F. Subsequent Events**

Management has evaluated subsequent events through October 19, 2018, the date when the financial statements were available to be issued, and there are no subsequent events that require disclosure.