

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

**Years Ended March 31, 2019 and 2018**

## 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, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses 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, 2019 and 2018 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.

A handwritten signature in cursive script that reads "Sciarabba Walker & Co. LLP".

Sciarabba Walker & Co., LLP

Ithaca, New York  
January 9, 2020

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**March 31,**

**ASSETS**

	2019	2018
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 141,185	\$ 85,520
Accounts receivable	150,215	78,299
Prepaid expenses	6,817	6,817
<b>TOTAL CURRENT ASSETS</b>	298,217	170,636
 <b>INVESTMENTS</b>	-	145,096
 <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>	-	-
 <b>TOTAL ASSETS</b>	\$ 298,217	\$ 315,732

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 188,374	\$ 131,029
Payroll liabilities	11,926	11,754
<b>TOTAL CURRENT LIABILITIES</b>	200,300	142,783
 <b>TOTAL LIABILITIES</b>	200,300	142,783
 <b>NET ASSETS:</b>		
Without donor restrictions	97,917	172,949
<b>TOTAL NET ASSETS</b>	97,917	172,949
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 298,217	\$ 315,732

See accompanying notes.

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**Years Ended March 31,**

	2019	2018
<b>INCOME:</b>		
Royalty income	\$ 785,385	\$ 637,591
Interest income	339	3,533
Marketing income	18,750	18,750
Realized loss on sale of investments	( 307)	-
Unrealized gain (loss) on investments	-	( 2,424)
<b>TOTAL INCOME</b>	804,167	657,450
<b>EXPENSES:</b>		
Program services	748,119	656,889
Supporting services:		
Management and general	131,080	136,247
<b>TOTAL EXPENSES</b>	879,199	793,136
<b>CHANGE IN NET ASSETS</b>	( 75,032)	( 135,686)
<b>NET ASSETS, beginning of year</b>	172,949	308,635
<b>NET ASSETS, end of year</b>	\$ 97,917	\$ 172,949

See accompanying notes.

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2019**

	Program Services	Management and General	Total
Staff salaries	\$ 95,255	\$ 95,945	\$ 191,200
Payroll taxes	7,557	9,459	17,016
Total salaries and related expenses	102,812	105,404	208,216
Contracted services	393,010	-	393,010
Royalty payments	145,683	-	145,683
Special projects	68,475	-	68,475
Professional fees	868	9,901	10,769
Insurance	-	9,035	9,035
Meeting expense	6,634	-	6,634
Memberships and annual meetings	5,463	-	5,463
Advertising and promotion	13,587	-	13,587
Office supplies and software	1,122	1,280	2,402
Postage	286	-	286
Telephone	1,641	182	1,823
Travel expenses	8,538	-	8,538
Miscellaneous	-	3,178	3,178
Rent expense	-	2,100	2,100
	\$ 748,119	\$ 131,080	\$ 879,199

See accompanying notes.

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	Program Services	Management and General	Total
Staff salaries	\$ 95,165	\$ 95,945	\$ 191,110
Payroll taxes	8,660	8,683	17,343
Total salaries and related expenses	\$ 103,825	\$ 104,628	\$ 208,453
Contracted services	318,796	-	318,796
Royalty payments	115,761	-	115,761
Special projects	62,474	-	62,474
Professional fees	-	10,381	10,381
Insurance	-	8,997	8,997
Meeting expense	8,867	2,080	10,947
Memberships and annual meetings	7,738	1,482	9,220
Advertising and promotion	25,576	2,842	28,418
Office supplies and software	2,829	350	3,179
Postage	481	59	540
Telephone	1,638	202	1,840
Travel expenses	8,904	1,110	10,014
Miscellaneous	-	4,116	4,116
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Expenses</b>	<b>\$ 656,889</b>	<b>\$ 136,247</b>	<b>\$ 793,136</b>

See accompanying notes.

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended March 31,**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ ( 75,032)	\$ ( 135,686)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized loss on sale of investments	307	-
Unrealized (gain) loss on investments	-	2,424
Decrease (increase) in assets:		
Accounts receivable	( 71,916)	110,497
Increase (decrease) in liabilities:		
Accounts payable	57,345	( 7,404)
Payroll liabilities	172	196
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>( 89,124)</b>	<b>( 29,973)</b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from investments	144,789	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>144,789</b>	<b>-</b>
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>55,665</b>	<b>( 29,973)</b>
 <b>CASH, beginning of year</b>	<b>85,520</b>	<b>115,493</b>
 <b>CASH, end of year</b>	<b>\$ 141,185</b>	<b>\$ 85,520</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, 2019 and 2018**

**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, 2019 and 2018, \$785,385 and \$637,591, respectively, were earned. At March 31, 2019 and 2018, \$150,215 and \$78,299, 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 \$393,010 and \$318,796 for the years ended March 31, 2019 and 2018, respectively. As of March 31, 2019 and 2018, \$120,592 and \$100,148 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.

### **Royalty Expenses**

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 \$43,552 and \$30,614 were due to NYSAC as of March 31, 2019 and 2018, respectively.

### **Advertising Cost**

The Organization expenses advertising costs when incurred. During the years ended March 31, 2019 and 2018, \$13,587 and \$28,418 respectively, were expensed.

### **Functional Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expense the are allocated include

salaries, payroll taxes, office supplies and software, and professional fees. The expenses are allocated based on estimates of time or utilization.

**B. Liquidity and Availability of Resources**

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions:

	<u>2019</u>	<u>2018</u>
Financial assets	\$ 291,400	\$ 308,915
Less: those unavailable for general expenditures within one year	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 291,400</u>	<u>\$ 308,915</u>

As part of the Organization’s liquidity management, it has a goal to maintain enough cash and cash equivalents on hand to meet at least three months of normal operating expenses excluding depreciation.

**C. Property and Equipment**

Property and equipment consisted of the following at:

	<u>March 31, 2019</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computer equipment	\$ 9,488	\$ 9,488	\$ -
Website design	9,425	9,425	-
Total	<u>\$ 18,913</u>	<u>\$ 18,913</u>	<u>\$ -</u>

  

	<u>March 31, 2018</u>		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
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 for the years ended March 31, 2019 and 2018.

#### D. Investments

Investment assets consisted of the following at March 31:

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

#### E. 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			
	Total	Level 1	Level 2	Level 3
<b>Assets:</b>				
Investments	\$ 145,096	\$ 145,096	\$ -	\$ -

#### F. Adoption of New Accounting Standard

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities, which became effective for annual financial statements issued for fiscal years beginning after December 13, 2017. Accordingly, the Organization has adjusted the presentation of its financial statements, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Organization's financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.

- The financial statements include a new statement of functional expenses for the years ended March 31, 2019 and 2018. Note A to the financial statements now includes a qualitative description of the methods use to allocate costs among program and management and general functions on the statement of functional expenses.
- The financial statement now includes a new disclosure about liquidity and availability of resources (Note B).

The changes had the following effect on net assets at March 31, 2018:

	As originally presented	After adoption of ASU 2016- 14
Unrestricted net assets	\$ 172,949	\$ -
Net assets without donor restrictions	-	172,949
Total net assets	<u>\$ 172,949</u>	<u>\$ 172,949</u>

#### **G. Subsequent Events**

Management has evaluated subsequent events through January 9, 2020, the date when the financial statements were available to be issued, and there are no subsequent events that require disclosure.