

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

(Review)

For the Years Ended March 31, 2011 and 2010

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

September 22, 2011

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, 2011 and 2010 and the related statements of activities and cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

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 accounting principles generally accepted in the United States of America.

Sciarabba Walker & Co. LLP

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MUNICIPAL GAS AND ELECTRIC ALLIANCE, INC.

STATEMENTS OF FINANCIAL POSITION

March 31,

ASSETS

	<u>2011</u>	<u>2010</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 234,710	\$ 179,925
Accounts receivable	151,874	115,763
Prepaid insurance	1,817	1,590
TOTAL CURRENT ASSETS	<u>388,401</u>	<u>297,278</u>
PROPERTY AND EQUIPMENT:		
Computer equipment and website design	18,913	17,235
Less: accumulated depreciation	<u>11,699</u>	<u>9,080</u>
TOTAL PROPERTY AND EQUIPMENT	<u>7,214</u>	<u>8,155</u>
TOTAL ASSETS	<u>\$ 395,615</u>	<u>\$ 305,433</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 97,731	\$ 71,280
Payroll liabilities	<u>792</u>	<u>3,784</u>
TOTAL CURRENT LIABILITIES	<u>98,523</u>	<u>75,064</u>
TOTAL LIABILITIES	98,523	75,064
NET ASSETS:		
Unrestricted	<u>297,092</u>	<u>230,369</u>
TOTAL NET ASSETS	<u>297,092</u>	<u>230,369</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 395,615</u>	<u>\$ 305,433</u>

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

MUNICIPAL GAS AND ELECTRIC ALLIANCE, INC.

STATEMENTS OF ACTIVITIES

Years Ended March 31,

	<u>2011</u>	<u>2010</u>
INCOME:		
Royalty income	\$ 497,279	\$ 397,336
Interest income	2,959	245
TOTAL INCOME	<u>500,238</u>	<u>397,581</u>
EXPENSES:		
Staff salaries	55,524	50,975
Payroll taxes	5,864	5,373
Subcontracted services	257,921	216,883
Royalty payments	55,807	45,916
LED lighting subsidy payments	8,360	18,250
Board of directors	4,200	5,400
Professional fees	5,455	13,804
Insurance	2,825	3,052
Meeting expense	2,489	1,554
Memberships and annual meetings	4,021	3,825
Advertising and promotion	9,922	4,522
Office supplies and software	1,986	2,625
Postage	271	494
Telephone	2,836	2,207
Travel expenses	7,677	5,010
Depreciation expense	2,619	1,687
Miscellaneous	5,738	6,313
TOTAL EXPENSES	<u>433,515</u>	<u>387,890</u>
EXCESS OF REVENUES OVER EXPENSES	66,723	9,691
NET ASSETS, beginning of year	<u>230,369</u>	<u>220,678</u>
NET ASSETS, end of year	<u>\$ 297,092</u>	<u>\$ 230,369</u>

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

MUNICIPAL GAS AND ELECTRIC ALLIANCE, INC.

STATEMENTS OF CASH FLOWS

Years Ended March 31,

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	\$ 66,723	\$ 9,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,619	1,687
Loss on disposal of equipment	-	353
(Increase) decrease in assets:		
Accounts receivable	(36,111)	(33,046)
Prepaid insurance	(227)	227
Increase (decrease) in liabilities:		
Accounts payable	26,451	29,921
Payroll liabilities	(2,992)	562
NET CASH PROVIDED BY OPERATING ACTIVITIES	56,463	9,395
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(1,678)	(6,256)
NET CASH USED IN INVESTING ACTIVITIES	(1,678)	(6,256)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	54,785	3,139
 CASH, beginning of year	179,925	176,786
 CASH, end of year	\$ 234,710	\$ 179,925

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

MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended March 31, 2011 and 2010

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.

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 that 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. With few exceptions, the Organization is no longer subject to U.S. Federal, State, or local income tax examinations by tax authorities for years before 2007.

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, 2011 and 2010, \$497,279 and \$397,336, respectively, were earned. At March 31, 2011 and 2010, \$151,874 and \$115,763, 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 \$257,921 and \$216,883 for the years ended March 31, 2011 and 2010, respectively. As of March 31, 2011 and 2010, \$77,132 and \$71,280 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 \$20,599 were due to NYSAC as of March 31, 2011.

ADVERTISING COST

The Organization expenses advertising costs when incurred. During the years ended March 31, 2011 and 2010, \$9,922 and \$4,522 respectively, were expensed.

RECLASSIFICATIONS

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

B. Property and Equipment

Property and equipment consisted of the following at:

	March 31, 2011		
	Cost	Accumulated Depreciation	Book Value
Computer equipment	\$ 9,488	\$ 7,110	\$ 2,378
Website design	9,425	4,589	4,836
Total	<u>\$ 18,913</u>	<u>\$ 11,699</u>	<u>\$ 7,214</u>

	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>

Depreciation expense amounted to \$2,619 and \$1,687 for the years ended March 31, 2011 and 2010, respectively.

C. Subsequent Events

Management has evaluated subsequent events through September 22, 2011, the date when the financial statements were available to be issued, and there are no subsequent events that require disclosure.