

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

**Year Ended December 31, 2020 and  
Nine Months Ended December 31, 2019**

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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 December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year and nine months then ended, and the related notes to the financial statements.

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 December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the year and nine months then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Municipal Electric and Gas Alliance, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Electric and Gas Alliance, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Municipal Electric and Gas Alliance, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Electric and Gas Alliance, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Sciarabba Walker & Co. LLP*

Sciarabba Walker & Co., LLP

Ithaca, New York  
October 8, 2021

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2020 and 2019**

**ASSETS**

	2020	2019
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 100,947	\$ 99,209
Accounts receivable	103,349	102,018
Prepaid expenses	5,399	5,399
<b>TOTAL CURRENT ASSETS</b>	209,695	206,626
 <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>	<b>\$ 209,695</b>	<b>\$ 206,626</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 125,491	\$ 136,386
Payroll liabilities	453	-
<b>TOTAL CURRENT LIABILITIES</b>	125,944	136,386
 <b>TOTAL LIABILITIES</b>	125,944	136,386
 <b>NET ASSETS:</b>		
Without donor restrictions	83,751	70,240
<b>TOTAL NET ASSETS</b>	83,751	70,240
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 209,695</b>	<b>\$ 206,626</b>

See accompanying notes.

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**For the year ended December 31, 2020**  
**and the nine months ended December 31, 2019,**

	2020	2019
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS:</b>		
Revenue, gains and other support:		
Royalty income	\$ 719,381	\$ 489,132
Marketing income	12,500	14,062
Miscellaneous income	7,236	10,555
<b>TOTAL REVENUE, GAINS, AND OTHER SUPPORT</b>	<b>739,117</b>	<b>513,749</b>
<b>EXPENSES:</b>		
Program services	595,035	451,602
Supporting services:		
Management and general	130,571	89,824
<b>TOTAL EXPENSES</b>	<b>725,606</b>	<b>541,426</b>
<b>CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	13,511	( 27,677)
<b>NET ASSETS, beginning of year</b>	<b>70,240</b>	<b>97,917</b>
<b>NET ASSETS, end of year</b>	<b>\$ 83,751</b>	<b>\$ 70,240</b>

See accompanying notes.

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended December 31, 2020**

	Program Services	Management and General	Total
Staff salaries	\$ 33,392	\$ 92,005	\$ 125,397
Payroll taxes	2,679	7,382	10,061
Total salaries and related expenses	36,071	99,387	135,458
Contracted services	359,690	-	359,690
Royalty payments	96,895	-	96,895
Special projects	63,365	-	63,365
Professional fees	444	14,737	15,181
Insurance	521	10,800	11,321
Meeting expense	1,541	-	1,541
Memberships and annual meetings	-	-	-
Advertising and promotion	5,525	-	5,525
Office supplies and software	27,529	3,139	30,668
Postage	174	-	174
Telephone	1,278	142	1,420
Travel expenses	2,002	-	2,002
Miscellaneous	-	91	91
Rent expense	-	2,275	2,275
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 595,035</u></u>	<u><u>\$ 130,571</u></u>	<u><u>\$ 725,606</u></u>

See accompanying notes.

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the nine months Ended December 31, 2020**

	Program Services	Management and General	Total
Staff salaries	\$ 62,527	\$ 62,526	\$ 125,053
Payroll taxes	4,913	4,913	9,826
Total salaries and related expenses	67,440	67,439	134,879
Contracted services	242,752	-	242,752
Royalty payments	73,918	-	73,918
Special projects	40,235	-	40,235
Professional fees	578	9,123	9,701
Insurance	-	6,692	6,692
Meeting expense	5,139	-	5,139
Memberships and annual meetings	7,765	-	7,765
Advertising and promotion	4,557	-	4,557
Office supplies and software	906	4,059	4,965
Postage	375	-	375
Telephone	1,543	171	1,714
Travel expenses	6,394	-	6,394
Miscellaneous	-	240	240
Rent expense	-	2,100	2,100
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 451,602</u></u>	<u><u>\$ 89,824</u></u>	<u><u>\$ 541,426</u></u>

See accompanying notes.

**MUNICIPAL ELECTRIC AND GAS ALLIANCE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the year ended December 31, 2020**  
**and the nine months ended December 31, 2019**

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 13,511	\$ ( 27,677)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
(Increase) decrease in assets:		
Accounts receivable	( 1,331)	48,197
Prepaid expenses	-	1,418
(Decrease) increase in liabilities:		
Accounts payable	( 10,895)	( 51,988)
Payroll liabilities	453	( 11,926)
<b>NET CASH PROVIDED BY (USED IN)</b>	<b>1,738</b>	<b>( 41,976)</b>
<b>OPERATING ACTIVITIES</b>		
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	1,738	( 41,976)
<b>CASH, beginning of year</b>	<b>99,209</b>	<b>141,185</b>
<b>CASH, end of year</b>	<b>\$ 100,947</b>	<b>\$ 99,209</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**  
**For the year ended December 31, 2020**  
**and the nine months ended December 31, 2019**

**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.

**Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization has no net assets with donor restrictions.

**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.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to receive from outstanding balances.

**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 greater than one-year service life are capitalized. Expenditures for maintenance and repairs are charged to expenses as incurred.

## Revenue from Contracts with Customers

Under ASC 606, the Organization recognizes revenue when it satisfies a performance obligation by transferring control of a product or service to a customer at an amount that the Organization expects to be entitled to in exchange for those products or services. Revenue that is in the scope of the new framework is reported as royalty income and marketing income on the statement of activities and changes in net assets. Refer to Note B for a description of the performance obligations for each type of major contract, the types of good or services provided, and timing of revenue recognition.

## 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.

## Advertising Costs

The Organization expenses advertising costs when incurred. During the year ended December 31, 2020 and the nine months ended December 31, 2019, \$5,525 and \$4,557 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 expenses that are allocated include salaries, payroll taxes, office supplies and software, professional fees and telephone. The expenses are allocated based on estimates of time or utilization.

## Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current period financial statements.

## B. Revenue Recognition

### Disaggregation of Revenue

The following table presents the Company's royalty income and marketing income disaggregated based on the timing of the transfer of goods or services:

	Year Ended December 31, 2020	Nine Months Ended December 31, 2019
Over time	\$ 731,881	\$ 503,194

## Contract Balances

The following table presents the beginning and ending balances from contracts with customers:

	<u>2020</u>	<u>2019</u>
Accounts receivable, as of January 1:	\$ 102,018	\$ -
Accounts receivable, as of April 1:	-	150,215
Accounts receivable, as of December 31:	103,349	102,018

## Performance Obligations

The following is a description of performance obligations, timing of satisfaction of performance obligations, significant payment terms, and obligations for returns and refunds by major type of contract:

Royalty income – Royalty income consists of electric and natural gas services provided to customers. The Organization does not sell either of these products. However, the Organization has entered into numerous contracts with providers of these services in order to achieve the lowest and most stable rates for the customers that fall within the Organization’s territory, principally focused on municipal customers, thereby lessening the burdens of government. Income is recognized monthly and quarterly based on the services provided. Electric and natural gas services are distinct because the customer benefits from them on their own. Payment terms are disclosed within the contracts and are based on usage, kilowatts (kWh) for electricity and dekatherms (Dth) for natural gas. There are no advanced payments from customers. Royalties owed to the Organization for services at December 31, 2020 and 2019 were \$90,662 and \$86,157, respectively. A portion of these royalties were received during the first quarter of the following year for 2020 and all were received from 2019. There is no uncollectible revenue, refunds, or penalties for late payments.

Marketing income – Marketing income consists of cost-sharing arrangements with Energy Next, Inc. and New York State Association of Counties (“NYSAC”). The contracts disclose that Energy Next, Inc. and NYSAC are obligated to pay 50% and 25%, respectively of the Organization’s yearly marketing budget on a quarterly basis. These arrangements allow the Organization to continue to grow their existing customer base through new association memberships, sponsorships, and exhibit fees amongst other things. These arrangements constitute distinct performance obligations. No advanced payments for services occur. There are no uncollectible revenues, refunds, or penalties for late payments.

## Significant Judgments

Currently the Organization does not have any significant judgments.

## Practical Expedients

The Organization has elected to apply the following practical expedients:

- Recognize incremental costs of obtaining a contract with amortization periods of one year or less as expense when incurred. The Organization does have commissions that are presented on the statements of activities and changes in net assets under program services expenses described as contracted services and royalty payments. Commissions are associated with Energy Next, Inc. and NYSAC. Energy Next, Inc. provides the Organization with consulting related to developing competitive gas and electric energy related programs whereas NYSAC provides energy procurement services. Commissions paid to Energy Next, Inc. and NYSAC are 50% of all royalty payments received from suppliers and 25% of royalties received from NYSAC participants, respectively. Total commissions associated with Energy Next, Inc. and NYSAC were \$359,690 and \$96,895, respectively for the year ended December 31, 2020 and \$242,752 and \$73,918, respectively for the nine months ended December 31, 2019. As of December 31, 2020, \$100,107 and \$22,971 were due to Energy Next, Inc. and NYSAC, respectively and as of December 31, 2019, \$111,151 and \$24,827 were due to Energy Next, Inc. and NYSAC, respectively under the agreements. A portion of the fees for 2020 were paid during the first quarter of the following year while the rest were paid during the second quarter from the Organization. All fees for 2019 were paid during the first quarter of 2020.
- No adjustment is made for the effects of a significant financing component as the period between the time of service and time of payment is typically one year or less.

### C. 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:

	2020	2019
Financial assets	\$ 204,296	\$ 201,227
Less: those unavailable for general expenditures within one year	-	-
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 204,296</u>	<u>\$ 201,227</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.

#### **D. Property and Equipment**

Property and equipment consisted of the following at:

	December 31, 2020		
	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>

  

	December 31, 2019		
	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 for the year ended December 31, 2020 and the nine months ended December 31, 2019.

#### **E. Concentration of Credit Risk**

During the course of the year, the Organization may have cash on deposit with financial institutions in excess of FDIC insured limits.

#### **F. Fiscal Year Change**

Effective the calendar year beginning January 1, 2020, the Organization changed from a fiscal year end of March 31 to December 31. A nine-month fiscal year transition period from April 1, 2019, through December 31, 2019, precedes the start of the new calendar-year cycle.

#### **G. Risks and Uncertainties**

The Organization has experienced significant decline in their operations because of COVID-19. The Organization remains confident they have the financial resources to continue operations for the near-term. As the situation evolves, the Organization continues to closely monitor the impact of the COVID-19 pandemic. The ultimate impact of the COVID-19 pandemic on operating results, cash flows and financial condition is likely to be determined by factors which are uncertain, unpredictable, and outside of the Organization's control at this time. The situation surrounding COVID-19 remains fluid, and if disruptions do arise, they could materially adversely impact the Organization.

#### **H. Subsequent Events**

Management has evaluated subsequent events through October 8, 2021, the date when the financial statements were available to be issued, and no events required disclosure.