

**MICHIGAN COMMUNITY ACTION AGENCY ASSOCIATION
EFFICIENCY UNITED PROGRAM**

REPORT ON FINANCIAL STATEMENTS

AUGUST 1, 2009 (INCEPTION) THROUGH DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

Michigan Community Action Agency Association
Efficiency United Program

We have audited the accompanying statements of financial position of Michigan Community Action Agency Association – Efficiency United Program (the “Program”) as of December 31, 2011, and the related statements of activities and cash flows for the period of August 1, 2009 (inception) through December 31, 2011. These financial statements are the responsibility of the Program’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Community Action Agency Association – Efficiency United Program as of December 31, 2011, and the changes in its net assets and its cash flows for the period of August 1, 2009 (inception) through December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 1, the financial statements being presented are only for the program referred to above and do not include the assets, liabilities, net assets, and revenues and expenses of Michigan Community Action Agency Association that are recorded in its other funds.

Maner Costerisan P.C.

March 23, 2012

**MICHIGAN COMMUNITY ACTION AGENCY ASSOCIATION
EFFICIENCY UNITED PROGRAM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011**

ASSETS

CURRENT ASSETS:

Cash	\$ 4,234,291
Accounts receivable	<u>6,888,278</u>

TOTAL CURRENT ASSETS	<u>\$ 11,122,569</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable:	
Trade	\$ 2,289,839
Holdback	657,846
Carryforward	4,716,602
Deferred revenue	<u>3,458,282</u>

TOTAL CURRENT LIABILITIES	11,122,569
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NET ASSETS:

Unrestricted net assets	<u>-</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,122,569</u>
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**MICHIGAN COMMUNITY ACTION AGENCY ASSOCIATION
EFFICIENCY UNITED PROGRAM
STATEMENT OF ACTIVITIES
AUGUST 1, 2009 (INCEPTION) THROUGH DECEMBER 31, 2011**

REVENUE:

Utility company payments:

Residential	\$ 16,075,790
Commercial and industrial	<u>12,044,551</u>

Total revenue	<u>28,120,341</u>
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EXPENSES:

Program:

Program incentive and implementation	26,076,381
Program design	49,510
Evaluation expenses	941,214

Support services:

Management and fiduciary fees	<u>1,053,236</u>
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Total expenses	<u>28,120,341</u>
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CHANGE IN NET ASSETS	<u><u>\$ -</u></u>
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**MICHIGAN COMMUNITY ACTION AGENCY ASSOCIATION
EFFICIENCY UNITED PROGRAM
STATEMENT OF CASH FLOWS
AUGUST 1, 2009 (INCEPTION) THROUGH DECEMBER 31, 2011**

INCREASE (DECREASE) IN CASH:	
Cash flows from operating activities:	
Change in net assets	\$ <u>-</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Accounts receivable	(6,888,278)
Trade payable	2,289,839
Holdback payable	657,846
Carryforward payable	4,716,602
Deferred revenue	<u>3,458,282</u>
Total adjustments	<u>4,234,291</u>
Net cash provided by operating activities	<u>4,234,291</u>
NET INCREASE IN CASH	4,234,291
CASH:	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 4,234,291</u></u>

**MICHIGAN COMMUNITY ACTION AGENCY ASSOCIATION
EFFICIENCY UNITED PROGRAM
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - ACCOUNTING POLICIES

Method of accounting – The Program maintains its accounting records on the accrual basis of accounting.

Financial statement presentation - These financial statements include only the accounts of the Michigan Community Action Agency Association – Efficiency United Program. The accounts of other activities of Michigan Community Action Agency Association are not included in these financial statements. The Program is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Program has no temporarily or permanently restricted activity or net assets.

Cash and cash equivalents – Includes cash in demand deposit accounts.

Accounts receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debt expense and a credit to accounts receivable. An allowance for doubtful accounts is not deemed necessary.

Revenues from utility companies are recognized in the period to which they apply; unearned amounts are deferred.

NOTE 2 - NATURE OF ORGANIZATION, RISK AND UNCERTAINTIES

The Program is maintained by Michigan Community Action Agency Association (MCAAA) which is a nonprofit organization under the provisions of Section 501(c)(3) of the Internal Revenue Code, and as such is not subject to income taxes. The primary purpose of the Association, which operates primarily in Michigan, is to provide programs and services to help low income individuals and families achieve greater economic self-sufficiency and stability. The primary function of the Efficiency United Program is to provide a series of energy efficiency programs to help residential, commercial and industrial customers reduce their natural gas and electric usage and save money on their utility bills.

Use of Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The Association deposits its cash with FDIC insured financial institutions. Although cash balances exceed the federally insured limits at certain times during the period, they are, in the opinion of management, subject to minimal risk.

**MICHIGAN COMMUNITY ACTION AGENCY ASSOCIATION
EFFICIENY UNITED PROGRAM
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - NATURE OF ORGANIZATION, RISK AND UNCERTAINTIES (Concluded)

The Program evaluates events and transactions that occur after the period end for potential recognition or disclosure in the financial statements. These subsequent events have been considered through the auditors' opinion date, the date the financial statements were available to be issued.

Revenues of the program are generated through payments from participating utility companies and represent a significant source of revenues to the Program. Three utility companies represented approximately 77% of the revenue total (40%, 20%, and 17%) for the period ended December 31, 2011.

NOTE 3 - RELATED PARTY TRANSACTIONS

The Program's plan administrator contract with MCAAA allows the Program to utilize MCAAA services to run the day to day operations of the program. MCAAA received a fixed monthly fiduciary and management fee for performing certain operation functions of the Program. The total fiduciary and management fee payments made to MCAAA amounted to \$1,053,236 for the period of August 1, 2009 through December 31, 2011.