

Energy Improvement Corporation

Financial Statements

December 31, 2012

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Energy Improvement Corp, LDC

Energy Improvement Corporation

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Independent Auditors' Report

The Board of Directors of the Energy Improvement Corporation

We have audited the accompanying financial statements of the Energy Improvement Corporation ("Corporation") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's financial statements as listed in the table of contents.

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.

Auditors' Responsibility

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 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 auditors' 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, of the Corporation, as of December 31, 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance. In addition, we have also issued our report on compliance with Section 2925 of the New York State Public Authorities Law, dated March 27, 2013. The purpose of that report is to describe our testing of compliance with Section 2925 of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations.

O'Connor Davies, LLP

O'Connor Davies, LLP

Harrison, New York

March 27, 2013

Energy Improvement Corporation

Management's Discussion and Analysis Year Ended December 31, 2012

The following Management's Discussion and Analysis ("MD&A") of the Energy Improvement Corporation's ("EIC") activities and financial performance is provided as an introduction and overview of the financial statements of EIC for the period January 1, 2012 through December 31, 2012. Following this MD&A are the annual financial statements of EIC together with the notes to the financial statements. This MD&A should be read in conjunction with the financial statements, to enhance understanding of the EIC's performance. This MD&A highlights certain supplementary information to assist with the understanding of the EIC's financial operations.

OPERATIONS

The EIC was formed on July 7, 2011 pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York as a New York State Public Authority, Local Development Corporation.

The EIC's purpose and quasi-public objective is to promote the public good, and thereby lessen the burdens of government in the Participating Municipalities, and act in the public interest, which the purpose of the Corporation will achieve, by providing low-cost financing and community-based support for energy efficiency programs and alternative or distributed energy generating facilities for residents and businesses in the Participating Municipalities as authorized in Article 5-L of the General Municipal Law of New York.

In furtherance of said purposes the Corporation has the following powers in furtherance of the policy of the State to achieve statewide energy efficiency and renewal energy goals, reduce greenhouse gas emissions, mitigate the effect of global climate change, advance a clean energy economy through the deployment of renewable energy systems and energy efficiency measures throughout the State by municipalities in fulfilling an important public purpose in providing financing to property owners for the installation of renewable energy systems and energy efficiency measures.

FINANCIAL OPERATIONS HIGHLIGHTS

A condensed summary of revenues, expenses, and changes in net position for 2012 are summarized below. Refer to the EIC's financial statements for the complete Statement of Activities.

Ordinary Income/Expense:	
Income -	
Charges for Services	<u>\$ 266,043</u>
Expense:	
Salaries	\$ 242,566
Payroll Taxes	20,604
Payroll Benefits	1,300
Miscellaneous	<u>1,573</u>
Total Expense	<u>266,043</u>
Change in Net Position	-
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u>\$ -</u>

Overview of the Financial Statements

The financial statements of the EIC have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The objective of these standards is to enhance the understandability and usefulness of the external financial reports issued by Public Authorities.

The financial statement presentation consists of a *Statement of Net Assets*, a *Statement of Activities*, a *Statement of Cash Flows* and accompanying *Notes to Financial Statements*. These statements provide information on the financial position of the EIC and the financial activity and results of its operations during the year. A description of these statements follows:

The *Statement of Net Position* presents information on all of the EIC's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the EIC is improving or deteriorating.

The *Statement of Activities* presents information showing the change in the EIC's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement include items that will result in cash received or disbursed in future fiscal periods (e.g., the receipt of amounts due from other governments or the payment accrued for compensated absences).

The *Statement of Cash Flows* provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, investing, capital and non-capital financing activities.

NEW OPERATIONS

The EIC along with its partners have developed the Energize New York Program (www.energizeny.org) to encourage property owners to undertake energy efficiency improvements for their buildings. The Program is focused initially on residential properties, but will be extended in 2013 to commercial structures. An upgrade to reduce energy wasted through sub-standard insulation, insufficient airsealing and inefficient heating, mechanical and lighting appliances can result in energy savings of greater than 30%.

Working with local municipal leaders, community groups and the New York State Energy Research and Development Authority (NYSERDA), the energize program seeks to turn energy upgrades to buildings into a new social norm.

The Energize Program is designed to transform how energy efficiency upgrades are marketed and financed in an effort to increase participation rates beyond those experienced in other communities. The Energize Program addresses specific barriers i.e., such as upfront cost, trust and confidence in contractors, complexity of upgrade process, which have hampered existing upgrade programs. Energize has partnered with established local groups that residents know and trust to engage them in energy efficiency efforts. This has created robust pipelines of energy efficiency projects. The Energize Program has developed a local, partner-based strategic marketing campaign to leverage the many local organization partners and assist in gaining the trust and acceptance of homeowners with respect to home energy efficiency upgrades and create the model that will be scaled to all Northern Westchester Energy Action Consortium (www.NWEAC.org) partner communities and municipalities in the Mid-Hudson Valley.

Studies also have shown that homeowners have difficulty finding contractors whom they trust who also are accredited (and therefore experienced) to perform energy efficiency audits and upgrades. The Energize Program has established a partnership with NYSERDA to leverage its existing BPI accredited contractor base and its Home Performance with Energy Star program in an effort to boost contractor trust and confidence. Working with NYSERDA, the Energize Program offers homeowners detailed, web-based information and a participant-driven rating system for contractors, akin to Consumer Reports.

EIC will offer Property Assessed Clean Energy financing ("PACE") benefits to commercially owned properties (Energize Finance) in 2013. New York State's PACE enabling legislation (found in General Municipal Law Article 5-L, sections 119 ee, ff, gg) permits the financing of efficiency upgrades (typically air sealing, insulation and upgrades to heating and cooling systems) and installation of certain renewable energy systems. Re-payment will be made through a special charge on the benefited property's tax bill to be collected and enforced by EIC's member Municipalities. EIC will source credit through Credit Lines and the issuance of Municipal Revenue Bonds. The Energize Program is working with the U.S. Department of Energy (DOE), NYSERDA and others to implement Energize NY Finance to help overcome the up-front cost barrier.

Energize New York launched in Bedford, NY on January 29, 2011 and rolled out to all 11 additional communities of NWEAC was completed in 2012. In 2011, 80 residential upgrades were completed representing a 38% increase over 2010 with 180 additional buildings entering the pipeline through December 2011. By 2012, an additional 180 buildings were upgraded with many hundreds in the pipeline. Energize Finance will launch in the 2nd quarter of 2013 targeted at commercially owned buildings.

EIC's operating budget for the year 2012 was \$643,142.80 of which \$266,043 was paid for by EIC and \$377,099.80 was paid for by the Town of Bedford on behalf of EIC using federal and state grant funds that were awarded to the Town of Bedford to start and fund the Energize Program. The Town of Bedford created EIC on 7/15/2011 to be the vehicle through which to operate the Energize Program, but continues to fund all but EIC's personnel and compensation expenses through September 30, 2013 which is the date by which the grant funding received by the Town of Bedford expires.

CONTACTING THE EIC'S FINANCIAL MANAGEMENT

This report is intended to provide a broad overview of the EIC's finances to its citizens and other stakeholders. If you desire additional information or have suggestions for improving this report, please contact:

Thomas Bregman
VP- Program Director
Energize New York
321 Bedford Rd
Bedford Hills, New York 10507

Joseph Del Sindaco
Treasurer
Energy Improvement Corporation
321 Bedford Road
Bedford Hills, New York 10507

OR

Mark Thielking
Chairman
Energy Improvement Corporation
321 Bedford Rd
Bedford Hills, New York 10507

Energy Improvement Corporation

Statement of Net Assets
December 31, 2012

ASSETS	\$	-
LIABILITIES		-
NET ASSETS	\$	-

Energy Improvement Corporation

Statement of Activities
Year Ended December 31, 2012

OPERATING REVENUES

Charges for services \$ 266,043

OPERATING EXPENSES

Salaries 242,566
Payroll taxes 20,604
Payroll benefits 1,300
Miscellaneous 1,573

Total Operating Expenses 266,043

Change in Net Position -

Net Position - Beginning of Year -

Net Position - End of Year \$ -

Energy Improvement Corporation

Statement of Cash Flows
Year Ended December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from charges for services	\$ 266,043
Payments to employees	<u>(266,043)</u>

Cash Flows from Operating Activities	-
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Cash and Equivalents - Beginning of Year	<u>-</u>
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Cash and Equivalents - End of Year	<u><u>\$ -</u></u>
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RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:

Income from operations	\$ -
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Adjustments to reconcile income from operations to net cash provided by operating activities - Due to other governments	<u>-</u>
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Cash Flows from Operating Activities	<u><u>\$ -</u></u>
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Energy Improvement Corporation

Notes to the Financial Statements
December 31, 2012

Note 1 - Organization and Purpose

The Energy Improvement Corporation ("Corporation") was incorporated in July 2011 as defined in subparagraph (a)(5) of Section 102 of the Not-for-Profit Corporation Law and is a Type C corporation under Section 201 of the Not-for-Profit Corporation Law. The mission of the Corporation is to save money and energy reduce greenhouse gas emissions in Northern Westchester, and perhaps beyond, by enabling energy and related improvements that meet or exceed State standards through innovative community based outreach and marketing efforts. In addition, it will be a purpose of the Corporation to facilitate and finance qualified energy efficiency improvement projects and renewable energy system projects for residents, organizations, institutions and businesses in participating municipalities in New York while operating in a financially self sufficient manner.

The Corporation is managed by a Board of Directors consisting of nine Members. The Town of Bedford, New York shall be a member of the Corporation for at least 10 years from the effective date of the Corporation, and the chief executive officer of the Town of Bedford, New York, shall be a member of the Board of Directors of the Corporation while the Town of Bedford, New York is a member.

The income of the Corporation is exempt from Federal, State and local income taxes. Revenues for 2012 were sourced from Town of Bedford's grant awards from the U.S. Department of Energy Grants and New York State Research Development Authority.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of the Corporation conform to generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Corporation reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Corporation applies all applicable Financial Accounting Standards Board guidance issued after November 30, 1989 in its accounting and reporting.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted only when there are limitations imposed on their use. The net position of the Corporation is classified as unassigned.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 27, 2013.

Energy Improvement Corporation

Notes to the Financial Statements
December 31, 2012

Note 3 - Other Matters

The Corporation in conjunction with the Town of Bedford ("Town"), the primary contractor, received Federal grants and grants from the New York State Energy Research and Development Authority ("NYSERDA") to develop and promote the mission of Corporation through the Energize New York Program. In 2012, the corporation expended \$266,043 on personnel costs and the Town expended \$377,099 on Marketing, Information Technology and General Administration costs, all funded through these grants. As of December 31, 2012, \$1,401,420 remained of grant funding to be expended in 2013.

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**Independent Accountants' Report on Compliance with Section 2925
Of the New York State Public Authorities Law**

**The Board of Directors of the
Energy Improvement Corporation**

We have examined the Energy Improvement Corporation's ("Corporation") compliance with Section 2925 of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations during the year ended December 31, 2012. Management is responsible for the Corporation's compliance with those requirements. Our responsibility is to express an opinion on the Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the period ended December 31, 2012.

This report is intended solely for the information and use of management, the Board of Directors, officials of the Town of Bedford, New York and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies, LLP

O'Connor Davies, LLP

Harrison, New York

March 27, 2013

O'CONNOR DAVIES, LLP

500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | www.odpkf.com

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**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Independent Auditor's Report

**The Board of Directors of the
Energy Improvement Corporation**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Energy Improvement Corporation ("Corporation") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated March 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

O'CONNOR DAVIES, LLP

500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | www.odpkf.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
March 27, 2013