

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

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**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
BOARD OF DIRECTORS
DECEMBER 31, 2013**

Michael Myers	Chairperson
Peter Patrick	Vice Chairperson
Barbara Hall	Secretary
Terry Materna	Treasurer
Penny Barton	Director
Jennifer Standen	Director
Elizabeth Comoford	Director
Daniel Kandow	Director
Margaret Selesky	Director



Independent Auditor's Report

March 20, 2014

To the Board of Directors
Presque Isle Electric & Gas Communities First Fund
Onaway, Michigan

We have audited the accompanying financial statements of Presque Isle Electric & Gas Communities First Fund (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities and cash flows for the year 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 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 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 Presque Isle Electric & Gas Communities First Fund as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads 'Harris Group'. The signature is written in dark ink on a light-colored background.

Certified Public Accountants

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Current assets:		
Cash	\$ 91,428	\$ 99,667
Cash – restricted	3,000	3,000
Account receivable	4,390	4,288
TOTAL ASSETS	\$ 98,818	\$ 106,955
NET ASSETS		
Net Assets		
Unrestricted	\$ 66,817	\$ 81,715
Unrestricted, designated	29,001	22,240
Permanently restricted	3,000	3,000
TOTAL NET ASSETS	98,818	106,955
TOTAL LIABILITIES AND NET ASSETS	\$ 98,818	\$ 106,955

The accompanying notes are an integral part of these statements.

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
STATEMENT OF ACTIVITIES AND CHANGE
IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
REVENUE:		
Contributions – members	\$ 54,505	\$ 55,697
Contributions – PIE&G	10,252	9,779
Interest	69	57
 TOTAL REVENUE	 64,826	 65,533
 EXPENSES:		
Grants	50,871	40,619
Scholarships	11,900	5,900
Professional fees	2,500	2,500
Program expense	6,661	6,415
Director’s expense	1,031	863
 TOTAL EXPENSE	 72,963	 56,297
 CHANGE IN NET ASSETS	 (8,137)	 9,236
NET ASSETS, beginning of year	106,955	97,719
NET ASSETS, end of year	\$ 98,818	\$ 106,955

The accompanying notes are an integral part of these statements.

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
Cash Flows From Operating Activities:		
Cash payments for grants and scholarships	\$ (62,771)	\$ (46,519)
Cash payments for administrative and general expenses	(10,192)	(9,778)
Net Cash Used in Operating Activities	(72,963)	(56,297)
Cash Flows From Capital and Related Financing Activities:		
Contributions	64,655	65,941
Cash Flows From Investing Activities:		
Interest on investments	69	57
NET INCREASE (DECREASE) IN CASH	(8,239)	9,701
CASH, beginning of year	102,667	92,966
CASH, end of year	\$ 94,428	\$ 102,667
Cash as reported on the Statement of Financial Position		
Cash	\$ 91,428	\$ 99,667
Cash – restricted	3,000	3,000
	\$ 94,428	\$ 102,667

The accompanying notes are an integral part of these statements.

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Presque Isle Electric & Gas Communities First Fund conform to generally accepted accounting principles of the United States of America as applicable to non-profit organizations. The following is a summary of the significant policies:

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Financial statement presentation

The Presque Isle Electric & Gas Communities First Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, designated, and permanently restricted.

Cash

Cash is maintained in a money fund account.

Designated Grants

Grants payable in future periods, subject to routine performance requirements by the grantee, are not recorded until paid.

Income Taxes

The First Fund has been advised by the Internal Revenue Service that it qualifies as an organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation by virtue of its qualification as a supporting organization under Section 509(a)(1) of the Internal Revenue Code and Revenue Ruling 76-401. Therefore, no provision for income taxes is reflected in the financial statements.

Functional allocations of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. Accordingly, certain costs have been allocated among charitable services and management and general.

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 2: DESCRIPTION OF THE REPORTING ENTITY

The Presque Isle Electric & Gas Communities First Fund (First Fund) was formed on March 18, 1997 as a nonprofit corporation under the Michigan Nonprofit Corporation Act, Act 162 Public Act of 1982, and is affiliated with Presque Isle Electric & Gas Co-op (Presque Isle). The First Fund does not have authority to issue any shares of stock and is financed through voluntary contributions from Presque Isle, its members and employees. All corporate powers are vested in a Board of Directors, which consists of nine people, each residing in one of the nine districts of Presque Isle's service area as designated by the Board of Directors of Presque Isle.

The purpose of the First Fund shall be the accumulation and disbursement of funds for charitable purposes in the service area of Presque Isle. Upon dissolution of the First Fund, any remaining funds shall be distributed only for charitable purposes.

Financial instruments which potentially subject the First Fund to concentration of significant credit risk consists of cash. The First Fund places its cash with a high quality financial institution. Although balances may exceed insured limits they are considered subject to minimal risk.

NOTE 3: RECEIVABLES

The receivable of \$4,216 and \$4,288 is due from Presque Isle Electric & Gas Co-op at December 31, 2013 and 2012, respectively, for contributions from member electric bills. The receivable represents amounts collected from members and held by Presque Isle Electric & Gas Co-op. There is an additional receivable from Presque Isle Electric & Gas Co-op for Director's mileage reimbursements in the amount of \$174 at December 31, 2013.

NOTE 4: RELATED PARTY TRANSACTIONS

Presque Isle Electric & Gas Co-op (The Co-op) is exempt under IRS code section 501(c)12 and has the sole authority to select the initial members of the Board of Directors of the First Fund.

The First Fund is required to report financial information to the Board of Directors of the Co-op on no less than an annual basis.

The Co-op furnishes all personnel, office space and other necessary operating items such as computer time for the First Fund's operations. The First Fund recognizes a contribution for the amount of services the Co-op provides which totaled \$10,252 and \$9,779 for 2013 and 2012, respectively.

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
NOTES TO FINANCIAL STATEMENTS**

NOTE 5: GRANTS

Grant activity is summarized as follows:

	2013	2012
Designated grants – beginning of year	\$ 22,240	\$ 31,856
Grant actions approved	58,789	33,791
Amount paid less than approved amount	(657)	(788)
Approved grants cancelled within the fiscal year	-	(2,000)
SUBTOTAL	80,372	62,859
Grant payments	(51,371)	(40,619)
Designated grants approved but not paid – end of year	\$ 29,001	\$ 22,240

The designated amount includes \$9,600 and \$10,100 reserved for scholarships for the years ended December 31, 2013 and 2012, respectively.

NOTE 6: RESTRICTED NET ASSETS

The By-Laws require the retention of \$3,000 at all times. If, at any time, the assets of the First Fund fall below \$3,000, the First Fund shall be dissolved.

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
NOTES TO FINANCIAL STATEMENTS

NOTE 7: FUNCTIONAL ALLOCATION OF EXPENSES

The functional allocation of the First Fund's expenses as they relate to charitable services and management and general are listed below.

	<u>2013</u>	<u>2012</u>
Charitable services	\$ 70,463	\$ 53,797
Management and general	<u>2,500</u>	<u>2,500</u>
Total expenses	<u>\$ 72,963</u>	<u>\$ 56,297</u>

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated the impact of subsequent events as they relate to the financial statements through March 20, 2014.