

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND**

**REPORT ON FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2009 AND 2008**

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**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND  
BOARD OF DIRECTORS  
DECEMBER 31, 2009**

Ronald Johnson	Chairperson
Elias Taratuta	Vice Chairperson
Naomi Deo	Secretary
Amy Whitsitt	Treasurer
Daryl Barton	Director
Patrick Bolen	Director
Michelle Gildner	Director
Jim Johnson	Director
Terry Materna	Director

## **Independent Auditor's Report**

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

We have audited the accompanying statements of financial position of the Presque Isle Electric & Gas Communities First Fund as of December 31, 2009 and 2008 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Presque Isle Electric & Gas Communities First Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits 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 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 the Presque Isle Electric & Gas Communities First Fund as of December 31, 2009 and 2008 and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

January 31, 2010

**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2009 AND 2008**

	2009	2008
<b>ASSETS</b>		
Current assets:		
Cash	\$ 49,604	\$ 46,185
Cash – restricted	3,000	3,000
Account receivable	10,278	5,186
<b>TOTAL ASSETS</b>	<b>\$ 62,882</b>	<b>\$ 54,371</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Due to Co-op	\$	\$ 1,800
<b>TOTAL LIABILITIES</b>		1,800
Net Assets		
Unrestricted	36,132	31,586
Unrestricted, designated	23,750	17,985
Permanently restricted	3,000	3,000
<b>TOTAL NET ASSETS</b>	<b>62,882</b>	<b>52,571</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 62,882</b>	<b>\$ 54,371</b>

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, 2009 AND 2008**

	2009	2008
REVENUE:		
Contributions – members	\$ 63,522	\$ 66,034
Contributions – PIE&G	9,059	5,969
Contributions – other	5,227	223
Interest	218	770
 TOTAL REVENUE	 78,026	 72,996
 EXPENSES:		
Grants	50,807	59,954
Scholarships	7,800	4,800
Professional fees		1,800
Program expense	9,108	5,969
Director’s expense		1,129
 TOTAL EXPENSE	 67,715	 73,652
 CHANGE IN NET ASSETS	 10,311	 (656)
NET ASSETS, beginning of year	52,571	53,227
NET ASSETS, end of year	\$ 62,882	\$ 52,571

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, 2009 AND 2008**

	2009	2008
Cash Flows From Operating Activities:		
Cash payments for grants and scholarships	\$ (58,607)	\$ (64,754)
Cash payments for administrative and general expenses	(1,849)	(1,129)
Net Cash Used in Operating Activities	(60,456)	(65,883)
Cash Flows From Capital and Related Financing Activities:		
Contributions	63,657	66,209
Cash Flows From Investing Activities:		
Interest on investments	218	770
NET INCREASE (DECREASE) IN CASH	3,419	1,096
CASH, beginning of year	49,185	48,089
CASH, end of year	\$ 52,604	\$ 49,185
Cash as reported on the Statement of Financial Position		
Cash	\$ 49,604	\$ 46,185
Cash – restricted	3,000	3,000
	\$ 52,604	\$ 49,185

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, temporarily restricted, 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, Inc (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 \$10,278 and \$5,186 is due from Presque Isle Electric & Gas Co-op at December 31, 2009 and 2008, respectively, for contributions from member electric bills. The receivable represents amounts collected from members and held by Presque Isle Electric & Gas Co-op. No allowance for doubtful accounts is necessary since the funds have been collected.

**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 \$9,059 and \$5,969 for 2009 and 2008, respectively.

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

**NOTE 5: GRANTS**

Grant activity is summarized as follows:

	2009	2008
Designated grants – beginning of year	\$ 17,985	\$ 15,827
Grant actions approved	53,827	64,726
Designated scholarship funds received	5,000	
Amount paid less than approved amount	(170)	(364)
Approved grants cancelled within the fiscal year	(2,085)	(2,250)
SUBTOTAL	74,557	77,939
Grant payments	(50,807)	(59,954)
Designated grants approved but not paid – end of year	\$ 23,750	\$ 17,985

The designated amount includes \$6,600 and \$8,400 reserved for scholarships for the years ended December 31, 2009 and 2008, respectively.

The designated scholarship amount of \$5,000 was received by a contributor in 2009 for the purpose of establishing a scholarship fund for use by Presque Isle Electric and Gas Cooperative member dependents who meet certain required restrictions. No scholarships were paid from this fund in 2009.

**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.

**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>2009</u>	<u>2008</u>
Charitable services	\$ 67,666	\$ 70,723
Management and general	<u>49</u>	<u>2,929</u>
Total expenses	<u>\$ 67,715</u>	<u>\$ 73,652</u>