

**CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.**

**Financial Statements**

**For the Period July 1, 2010 through June 30, 2012**



**SULLIVAN, ROGERS & COMPANY, LLC**

*Certified Public Accountants*

**CAPE & VINEYARD ELECTRIC COOPERATIVE, INC.**

**Financial Statements**

**For the Period July 1, 2010 through June 30, 2012**

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*Independent Auditors' Report*



*Certified Public Accountants*

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**Independent Auditors' Report**

The Board of Directors  
Cape & Vineyard Electric Cooperative, Inc.

We have audited the accompanying balance sheet of the Cape & Vineyard Electric Cooperative, Inc. (a Massachusetts corporation) as of June 30, 2012, and the related statements of operations and members' equity and cash flows for the period July 1, 2010 through June 30, 2012. These financial statements are the responsibility of the Cooperative'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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 the Cape & Vineyard Electric Cooperative, Inc. as of June 30, 2012, and the results of its operations and its cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

*Sullivan, Rogers & Company, LLC*

September 13, 2013

*Financial Statements*

**BALANCE SHEET**

**JUNE 30, 2012**

<b>ASSETS</b>	<b>Amount</b>
<b>Current assets:</b>	
Cash and cash equivalents.....	\$ 382,334
Receivables:	
Members - energy sales, net of allowance (\$0).....	30,047
Members - renewable energy certificates, net of allowance (\$0).....	<u>37,595</u>
<b>Total assets</b> .....	<b>\$ <u>449,976</u></b>
 <b>LIABILITIES AND MEMBERS' EQUITY</b>	
<b>Current liabilities:</b>	
Accounts payable.....	\$ 73,750
Accrued liabilities.....	<u>22,037</u>
<b>Total liabilities</b> .....	<b><u>95,787</u></b>
 Members' equity.....	 <u>354,189</u>
<b>Total liabilities and members' equity</b> .....	<b>\$ <u>449,976</u></b>

See accompanying notes to financial statements.

**STATEMENT OF OPERATIONS AND MEMBERS' EQUITY**

**FOR THE PERIOD JULY 1, 2010 THROUGH JUNE 30, 2012**

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	<u>Amount</u>
<b>OPERATING REVENUES</b>	
Sales - energy.....	\$ 256,283
<b>OPERATING EXPENSES</b>	
Salaries.....	72,160
Purchased power costs.....	246,756
Legal fees.....	699,071
Feasibility studies.....	270,310
Administrative and general.....	<u>126,732</u>
<b>TOTAL OPERATING EXPENSES.....</b>	<u>1,415,029</u>
<b>NET OPERATING LOSS.....</b>	<b>(1,158,746)</b>
<b>OTHER INCOME</b>	
Investment income.....	1,128
Grants.....	200,000
Other.....	<u>40,000</u>
<b>TOTAL OTHER INCOME (EXPENSE), NET.....</b>	<u>241,128</u>
<b>NET LOSS.....</b>	<b>(917,618)</b>
<b>MEMBERS' EQUITY, Beginning of Period.....</b>	<b>27,940</b>
Member contributions.....	1,243,792
Member fees.....	<u>75</u>
<b>MEMBERS' EQUITY, End of Period.....</b>	<b>\$ <u><u>354,189</u></u></b>

See accompanying notes to financial statements.

**STATEMENT OF CASH FLOWS**

FOR THE PERIOD JULY 1, 2010 THROUGH JUNE 30, 2012

	Amount
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net operating loss.....	\$ (1,158,746)
Changes in assets and liabilities:	
Accounts receivable.....	(46,052)
Accounts payable.....	(64,864)
Accrued expenses.....	19,359
	(1,250,303)
<b>NET CASH (USED BY) OPERATING ACTIVITIES.....</b>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Grants.....	200,000
Proceeds from sales of renewable energy certificates.....	285,390
Purchase of renewable energy certificates.....	(285,390)
	200,000
<b>NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income.....	1,128
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Member contributions.....	1,243,792
Member fees.....	75
Other.....	40,000
	1,283,867
<b>NET CASH FROM FINANCING ACTIVITIES.....</b>	
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>234,692</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....</b>	<b>147,642</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD.....</b>	<b>\$ 382,334</b>

See accompanying notes to financial statements.



**NOTE 1 - ORGANIZATION**

Cape & Vineyard Electric Cooperative, Inc. (CVEC) consists of 19 member municipalities and one intergovernmental organization located on Cape Cod and Martha's Vineyard in the State of Massachusetts. CVEC was established September 12, 2007 under Massachusetts General Laws for the purpose of developing and/or owning renewable electric generation facilities and procuring and/or selling long term electric supply or other energy-related goods or services at competitive prices to its Members and consumers within its Member communities.

CVEC is governed by a Board of Directors that consists of an appointed Director from each member. The Officers of CVEC are elected annually by the Board of Directors and consist of a President, Vice President, Treasurer and Clerk.

Any municipality or county or political subdivision thereof, or body politic that meets the requirements of Internal Revenue Code Section 115, is eligible to apply for membership in the CVEC, provided that the governing board of each Member has authorized its membership.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****A. General**

CVEC follows the accounting principles issued by the Financial Accounting Standards Board (FASB).

**B. Use of Estimates**

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenses during the reporting period. Actual results could differ from those estimates.

**C. Cash and Cash Equivalents**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

**D. Revenue Recognition**

CVEC Members are billed their portion of power used (and related maintenance fee) based on actual usage during each month. Except for billings related to renewable energy certificates, Members are billed monthly. Billings for renewable energy certificates are performed quarterly.

**E. Purchased Power Costs**

CVEC's rates reflect actual purchased power costs from the various solar photovoltaic installation sites.

**F. Legal Fees**

Legal fees primarily represent costs incurred related to several projects including multiple Solar Photovoltaic installations, Brewster Wind and Harwich Wind. Legal fees also represent expenses related to general legal consulting.

### ***G. Feasibility Studies***

Feasibility Studies represent costs incurred related to the Brewster Wind, Harwich Wind and general wind related projects. These expenses consist of services associated with environmental impact studies, sound impacts, site surveying/mapping, permitting, avian studies, regulatory requirement assessments, wind resource assessments and utility interconnection.

### ***H. Income Taxes***

The Cooperative is exempt from federal and state income taxes.

### ***I. Members' Equity***

The Members of CVEC have no individual or separate interest in the property or the assets of CVEC.

### ***J. Date of Management's Review***

Subsequent events were evaluated through September 13, 2013, which is the date the financial statements were available to be issued.

## **NOTE 3 - MEMBER CONTRIBUTIONS**

The Cape Light Compact (a CVEC Member) provided CVEC contributions totaling \$1,243,792 related to CVEC's operations for the period July 1, 2010 through June 30, 2012. This contribution did not provide the Cape Light Compact an individual or separate interest in the property or the assets of CVEC. In addition, CVEC has no obligation to repay the contributed amounts. Contributions from the Compact since inception total \$2,263,792, of which \$1,743,792 was funded from the Compact's mil-adder revenue.

### **Subsequent Event**

Subsequent to year-end, the Compact provided CVEC a contribution totaling \$402,885 related to CVEC's operations for the period July 1, 2012 through June 30, 2013. Similar to previous amounts, the contribution did not provide the Compact an individual or separate interest in CVEC and there is no obligation for CVEC to repay the contributed amount.

## **NOTE 4 - GRANTS**

The Massachusetts Clean Energy Center provided CVEC a cost reimbursement grant related to the Brewster Wind Turbine Project for an amount not to exceed \$400,000. At June 30, 2012, \$200,000 had been spent and received related to the project. CVEC is no longer pursuing the project as a result of the Town of Brewster's Planning Board turning down the project.

**NOTE 5 - SOLAR PHOTOVOLTAIC RELATED AGREEMENTS****916 Kilowatt Solar Photovoltaic Installation Project**

On various dates, CVEC entered into seven "Power Purchase Agreements" (PPA) with Consolidated Edison Solutions, Inc. for 100% of the net energy generated as part of the 916 kilowatt (kW) solar photovoltaic (PV) installation project at a fixed rate through fiscal years 2025 and 2026.

On various dates, CVEC entered into seven "Cooperative Net Metered Power Purchase and Equipment Attachment Agreements" with Consolidated Edison Solutions, Inc. and the Towns of Barnstable, Bourne, Brewster, Eastham and Harwich, to sell 100% of the net energy generated as part of the 916 kW PV installation project to the respective Towns at a fixed rate through fiscal years 2025 and 2026.

On various dates, CVEC entered into seven "Agreements for the Purchase and Sale of Renewable Energy Certificates" with Consolidated Edison Solutions, Inc. for the purchase of renewable energy certificates based on the net energy generated as part of the 916 kW PV installation project at a fixed rate through fiscal years 2025 and 2026.

**Other Projects**

On various dates, CVEC entered into nine "Inter-Governmental Project Development Agreements" with the Towns of Harwich, Tisbury, Edgartown (3 sites), Barnstable, Chatham, Eastham and Brewster for the lease of land to design, procure, install, test, commission, own, operate and maintain a solar PV system. The lease calls for a rate of \$1 per year through fiscal years 2031 and 2032.

On various dates, CVEC entered into nine "Energy Management Services Agreements for Solar PV Systems", with various third party contractors. The agreements are effective through fiscal years 2031 and 2032 and provide for, among other things, the following:

- The design, installation, operation and maintenance of a solar PV system by the third party contractors
- CVEC's purchase of 100% of the net energy generated as part of each solar PV system at a fixed rate through fiscal years 2031 and 2032
- CVEC's option to purchase the solar PV system at various dates over the term of the agreements

On various dates, CVEC entered into nine "Inter-Governmental Net Metered Power Sales Agreements" with the Towns of Harwich, Tisbury, Edgartown (3 sites), Barnstable, Chatham, Eastham and Brewster to sell 100% of the net energy generated at the solar PV installation sites to the respective Towns at a fixed rate through fiscal years 2031 and 2032.

**NOTE 6 - RELATED PARTY TRANSACTIONS****Member Services Agreement**

CVEC has entered into a Member Services Agreement (Agreement) with its initial Members (Barnstable County, the Town of Barnstable and the Cape Light Compact) to provide, among other things, the following financial and administrative services:

- Barnstable County serves as the Cooperative's fiscal administrator. Such services consist of banking, accounting, billing, collection and financial reporting for a cost of \$1 per year.
- Barnstable County provides the necessary administrative services related to the procurement of goods and services on behalf of the Cooperative.

**Letter of Credit**

In order to secure CVEC's performance under its PPA's with Consolidated Edison Solutions, Inc., CVEC was required to obtain an irrevocable standby letter of credit equal to the value of one year's worth of payments under the PPA and other PPA and REC agreements. The letter of credit is guaranteed by Barnstable County (at no cost to the County) through the use of Cape Light Compact funds, for which Barnstable County serves as fiscal agent.

The required letter of credit value totals \$100,000 and expired November 30, 2012. Subsequent to year-end, the letter of credit was extended to November 30, 2013.

Through the date of our report, no amounts have been drawn on the letter of credit.

**Renewable Energy Certificates**

Renewable energy certificates purchased by CVEC are sold to the Cape Light Compact for the Compact's Green Power Program for an amount equal to CVEC's cost. Total purchases and sales of renewable energy certificates for the period July 1, 2010 through June 30, 2012 totaled \$285,390.