

Public Alliance for Community Energy

Independent Auditor's Report and Financial Statements

March 31, 2015 and 2014



Public Alliance for Community Energy

March 31, 2015 and 2014

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Independent Auditor's Report

Board of Directors
Public Alliance for Community Energy
Lincoln, Nebraska

We have audited the accompanying basic financial statements of Public Alliance for Community Energy, which are comprised of balance sheets as of March 31, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and of cash flows for the years then ended, and the related notes to the basic 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 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 Public Alliance for Community Energy as of March 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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.

BKD, LLP

Lincoln, Nebraska
May 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis on the following pages summarizes the financial highlights and focuses on factors that had a material effect on the financial condition of Public Alliance for Community Energy (ACE) and the results of operations for the years ended March 31, 2015, 2014 and 2013. This discussion should be read in conjunction with the accompanying financial highlights, the basic financial statements and notes to the financial statements.

Summary of the Financial Statements

The financial statements, related notes to the financial statements and management's discussion and analysis provide information about ACE's financial position and activities.

Management's Discussion and Analysis – provides an objective and easily readable analysis of the financial activities of ACE based on currently known facts, decisions or conditions.

Balance Sheets – provide a summary of ACE's assets, liabilities and net position.

Statements of Revenues, Expenses and Changes in Net Position – present the operating results of ACE into various categories of operating revenues and expenses, and non-operating revenues and expenses.

Statements of Cash Flows – report the cash provided by and used in operating activities, as well as other cash sources such as investment income and cash payments for distributions to members and capital additions.

Notes to the Financial Statements – provide additional disclosures and information that is essential to a full understanding of the data provided in the statements.

Financial Analysis

The following comparative condensed financial information summarizes ACE's financial position and operating results for the years ended March 31, 2015, 2014 and 2013.

Condensed Balance Sheets and Financial Highlights

	March 31,			Change 2015 to 2014	Change 2014 to 2013
	2015	2014	2013		
Assets					
Cash and investments	\$ 2,696,488	\$ 2,625,883	\$ 2,461,589	\$ 70,605	\$ 164,294
Accounts receivable, net	127,153	123,983	230,934	3,170	(106,951)
Capital assets, net	<u>40,339</u>	<u>69,942</u>	<u>57,395</u>	<u>(29,603)</u>	<u>12,547</u>
Total assets	<u>\$ 2,863,980</u>	<u>\$ 2,819,808</u>	<u>\$ 2,749,918</u>	<u>\$ 44,172</u>	<u>\$ 69,890</u>
Liabilities and Net Position					
Total current liabilities	<u>\$ 88,760</u>	<u>\$ 83,746</u>	<u>\$ 105,271</u>	<u>\$ 5,014</u>	<u>\$ (21,525)</u>
Net investment in capital assets	40,339	69,942	39,671	(29,603)	30,271
Unrestricted	<u>2,734,881</u>	<u>2,666,120</u>	<u>2,604,976</u>	<u>68,761</u>	<u>61,144</u>
Total net position	<u>2,775,220</u>	<u>2,736,062</u>	<u>2,644,647</u>	<u>39,158</u>	<u>91,415</u>
Total liabilities and net position	<u>\$ 2,863,980</u>	<u>\$ 2,819,808</u>	<u>\$ 2,749,918</u>	<u>\$ 44,172</u>	<u>\$ 69,890</u>

Cash and investments increased in 2015 due to the increase in net position in the current year. The increase in 2014 related to the increase in net position and timing of collection of accounts receivable.

The decrease in accounts receivable in 2014 related to the timing of when monthly marketing fees were received from ACE's natural gas supplier.

Capital assets consist primarily of ACE's software utilized in the Choice Gas Program. Capital assets decreased in 2015 due to depreciation exceeding software enhancements. The increase in capital assets in 2014 resulted from software enhancements.

Condensed Statements of Revenues, Expenses and Changes in Net Position and Financial Highlights

	March 31,			Change	Change
	2015	2014	2013	2015	2014
				to 2014	to 2013
Operating revenues	\$ 966,074	\$ 963,334	\$ 955,090	\$ 2,740	\$ 8,244
Operating expenses	(793,365)	(780,747)	(885,960)	(12,618)	105,213
Investment income	16,449	8,828	17,080	7,621	(8,252)
Distributions to members	(150,000)	(100,000)	(200,000)	(50,000)	100,000
	<u>\$ 39,158</u>	<u>\$ 91,415</u>	<u>\$ (113,790)</u>	<u>\$ (52,257)</u>	<u>\$ 205,205</u>

Operating revenues consist primarily of marketing fees paid to ACE under the terms of the natural gas supply agreement.

Operating expenses increased in 2015 due to higher administrative and general expenses and depreciation expense. Operating expenses declined in 2014 as a result of restructuring of personnel, which resulted in decreased payroll and benefit costs.

ACE's Board of Directors approved the distribution of \$150,000, \$100,000 and \$200,000, of net position to members in January 2015, January 2014 and November 2012, respectively. The distributions to members were paid in March of each fiscal year.

Capital Assets

ACE's capital assets consist primarily of computer software. These assets were purchased to improve ACE's services to customers and expedite answers to customer questions during the annual sign-up period in the Choice Gas Program.

General Trends and Significant Events

ACE's Board of Directors may authorize returning any excess revenue beyond the cost of operating ACE to its member communities. As noted above, ACE's Board of Directors approved the distribution of \$150,000, \$100,000 and \$200,000, of net position to members in January 2015, January 2014 and November 2012, respectively. Since forming in 1998, ACE has returned more than \$1.4 million back to its Nebraska members. The funds are used in various ways to benefit each ACE member community.

Through targeted advertising campaigns, a marketing partnership between ACE and its member communities and competitive natural gas pricing provided by ACE's natural gas supplier for the 2013-2014 and 2012-2013 Choice Gas years, ACE successfully increased accounts during the April 2013 and April 2012 campaigns. The April 2014 campaign for the 2014-2015 Choice Gas year proved challenging for ACE as the pricing provided by ACE's natural gas supplier during the campaign was less competitive than that of other natural gas suppliers. During the 2014-2015, 2013-2014 and 2012-2013 Choice Gas years, approximately 22,200, 25,800 and 24,700 retail customer accounts, respectively, selected ACE. The selections represent approximately 28% in 2014, 32% in 2013 and 31% in 2012 of the retail customers participating in the program.

For the 2012-2013 Choice Gas year, the number of natural gas suppliers increased to five. No changes in natural gas suppliers occurred during the 2013-2014 and 2014-2015 Choice Gas years. While the addition of more natural gas suppliers in the Choice Gas program helps achieve ACE's goal of bringing competitive natural gas prices to the residents of its member communities, that achievement has the potential to have a negative effect on the number of retail customer accounts selecting ACE, depending

on supplier selection by natural gas customers. ACE is the only natural gas supplier that has participated in the Nebraska Choice Gas Program every year since its inception in 1998.

Notice was given by ACE's natural gas supplier to terminate the existing agreement effective May 31, 2016. ACE continues to encourage its natural gas supplier to provide competitively priced natural gas through the remaining term of the agreement. After a proposal process was completed, a natural gas supply agreement with a new supplier was signed and will begin with the April 2016 campaign for the Choice Gas program year that begins June 1, 2016.

Risk Management Practices

ACE competes in the retail natural gas marketplace with other natural gas providers. ACE strives to offer natural gas, through the natural gas supplier, at competitive prices.

ACE's existing agreement with its natural gas supplier calls for a base marketing fee and other incentives to be paid by the natural gas supplier to ACE. The agreement with ACE's new supplier also includes a base marketing fee to be paid by the natural gas supplier to ACE.

Report Purpose and Contact Information

This financial report is designed to provide member municipalities and counterparties with a general overview of ACE's financial status for the fiscal years 2015, 2014 and 2013. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Accounting at 8377 Glynoaks Dr., Lincoln, Nebraska 68516.

Public Alliance for Community Energy

Balance Sheets

March 31, 2015 and 2014

Assets	2015	2014
Current Assets		
Cash and cash equivalents	\$ 245,051	\$ 327,745
Short-term investments	1,350,075	1,549,433
Accounts receivable, net	<u>127,153</u>	<u>123,983</u>
Total current assets	<u>1,722,279</u>	<u>2,001,161</u>
Noncurrent Assets		
Long-term investments	1,101,362	748,705
Capital assets, net	<u>40,339</u>	<u>69,942</u>
Total noncurrent assets	<u>1,141,701</u>	<u>818,647</u>
Total assets	<u>\$ 2,863,980</u>	<u>\$ 2,819,808</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 22,733	\$ 20,311
Due to coalition members	<u>66,027</u>	<u>63,435</u>
Total current liabilities	<u>88,760</u>	<u>83,746</u>
Net Position		
Net investment in capital assets	40,339	69,942
Unrestricted	<u>2,734,881</u>	<u>2,666,120</u>
Total net position	<u>2,775,220</u>	<u>2,736,062</u>
Total liabilities and net position	<u>\$ 2,863,980</u>	<u>\$ 2,819,808</u>

Public Alliance for Community Energy
Statements of Revenues, Expenses and
Changes in Net Position
Years Ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenues		
Marketing fees	\$ 960,050	\$ 963,334
Other	6,024	-
	<u>966,074</u>	<u>963,334</u>
Operating Expenses		
Administrative and general	761,643	753,688
Depreciation	31,722	27,059
	<u>793,365</u>	<u>780,747</u>
Operating Income	172,709	182,587
Nonoperating Revenues		
Investment income	16,449	8,828
Income Before Distributions to Members	189,158	191,415
Distributions to Members	<u>(150,000)</u>	<u>(100,000)</u>
Increase in Net Position	39,158	91,415
Net Position, Beginning of Year	<u>2,736,062</u>	<u>2,644,647</u>
Net Position, End of Year	<u>\$ 2,775,220</u>	<u>\$ 2,736,062</u>

Public Alliance for Community Energy
Statements of Cash Flows
Years Ended March 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Cash received from natural gas supplier and others	\$ 962,904	\$ 1,070,285
Cash paid to vendors	(58,330)	(66,684)
Cash paid to coalition members	(698,299)	(708,529)
Net cash provided by operating activities	<u>206,275</u>	<u>295,072</u>
Noncapital Financing Activities		
Distributions to members	(150,000)	(100,000)
Net cash used in noncapital financing activities	<u>(150,000)</u>	<u>(100,000)</u>
Capital and Related Financing Activities		
Purchase of capital assets	(2,119)	(39,606)
Net cash used in capital and related financing activities	<u>(2,119)</u>	<u>(39,606)</u>
Investing Activities		
Interest received on investments	13,150	13,557
Purchases of investments	(1,700,000)	(1,950,000)
Proceeds from sales and maturities of investments	1,550,000	2,000,000
Net cash provided by (used in) investing activities	<u>(136,850)</u>	<u>63,557</u>
Increase (Decrease) in Cash and Cash Equivalents	(82,694)	219,023
Cash and Cash Equivalents, Beginning of Year	<u>327,745</u>	<u>108,722</u>
Cash and Cash Equivalents, End of Year	<u>\$ 245,051</u>	<u>\$ 327,745</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 172,709	\$ 182,587
Depreciation	31,722	27,059
Changes in operating assets and liabilities		
Accounts receivable	(3,170)	106,951
Accounts payable	2,422	(17,203)
Due to coalition members, net	2,592	(4,322)
Net Cash Provided by Operating Activities	<u>\$ 206,275</u>	<u>\$ 295,072</u>

Public Alliance for Community Energy
Notes to Financial Statements
March 31, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Public Alliance for Community Energy (“ACE” or “Agency”) was established under provisions of the Interlocal Cooperation Act of Nebraska (Act) for the purpose of providing local governments the opportunity to cooperate with other localities to obtain a mutual advantage in supplying natural gas and competing for end-use residential and commercial customers who are located in Nebraska.

ACE’s primary activity relates to participation in the Nebraska Choice Gas program sponsored by SourceGas Distribution, LLC (“SourceGas”) which provides Nebraska municipalities (collectively in a supplier group such as ACE) the opportunity to become the natural gas supplier to residential and commercial customers.

Reporting Entity

In evaluating how to define the Agency, for financial reporting purposes, management has considered all potential component units for which financial accountability may exist. The determination of financial accountability includes consideration of a number of criteria, including: (1) the Agency’s ability to appoint a voting majority of another entity’s governing body and to impose its will on that entity, (2) the potential for that entity to provide specific financial benefits to or impose specific financial burdens on the Agency and (3) the entity’s fiscal dependency on the Agency.

ACE, Nebraska Municipal Power Pool (POOL), Municipal Energy Agency of Nebraska (MEAN) and National Public Gas Agency (NPGA), comprise a coalition referred to by the trade name NMPP Energy. This coalition of entities provides energy-related services to member and nonmember participants while sharing facilities and management personnel. None of the organizations included in NMPP Energy are responsible for the obligations, liabilities or debts of any of the other organizations in the coalition. Based upon the above criteria, none of the organizations are considered component units of any of the other associated organizations.

Basis of Accounting and Presentation

ACE’s activities are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. ACE’s accounting records are maintained in accordance with accounting principles generally accepted in the United States of America for regulated utilities and generally follow the Uniform System of Accounts for Public Utilities and Licenses prescribed by the Federal Energy Regulatory Commission (FERC). ACE prepares its financial statements as a business-type activity in conformity with applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Public Alliance for Community Energy

Notes to Financial Statements

March 31, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of 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 and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results may differ from those estimates.

Cash Equivalents

ACE considers all highly liquid investments with an original maturity of three months or less at the date of purchase to be cash equivalents. At March 31, 2015 and 2014, cash equivalents consisted of a money market mutual fund.

Investments and Investment Income

Investments in money market mutual funds and negotiable certificates of deposits are carried at fair value. Fair value is determined using quoted market prices.

Investment income consists of interest and the net change for the year in the fair value of investments.

Accounts Receivable

Accounts receivable are stated at the amount billed to ACE's natural gas supplier. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 120 days are considered delinquent. Delinquent receivables are charged off as they are deemed uncollectible. At March 31, 2015 and 2014, accounts receivable consisted primarily of amounts due from ACE's natural gas supplier for the contractual marketing fee and other incentives. Management did not establish an allowance for doubtful accounts at March 31, 2015 and 2014, as there were no delinquent receivables.

Capital Assets

Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The following estimated useful lives are being used by ACE:

Software	3 Years
Furniture and equipment	3 – 5 Years

Public Alliance for Community Energy

Notes to Financial Statements

March 31, 2015 and 2014

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Net Position Classification

Net position is required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets - consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted - consists of restricted assets, reduced by liabilities related to those assets, with constraints placed on their use either by a) external groups such as creditors (such as through debt covenants), contributors, or laws or regulations of other governments or b) law through constitutional provisions or enabling legislation. There are no components of net position at March 31, 2015 and 2014 that meet the restricted definition.

Unrestricted - consists of the assets and liabilities that are not included in the net investment in capital assets or restricted components of net position.

Classification of Revenues

Operating revenues include marketing fees from ACE's natural gas supplier and other revenue. Nonoperating revenues include those derived from capital and related financing and investing activities.

Distribution to Members

The Board of Directors approved a distribution of \$150,000 in January 2015 and \$100,000 in January 2014 of net position to members. The distributions were paid to members in March 2015 and March 2014, respectively.

Income Taxes

In accordance with certain provisions of the Internal Revenue Code and the Act and related governing laws and regulations, ACE, as a local governmental entity, is exempt from federal and state income taxes.

Public Alliance for Community Energy
Notes to Financial Statements
March 31, 2015 and 2014

Note 2: Deposits, Investments and Investment Return

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. ACE's deposit policy for custodial credit risk requires compliance with the provisions of state law. State statutes require banks either to give bond or to pledge government securities to ACE in the amount of ACE's deposits. The Federal Deposit Insurance Corporation (FDIC) insures transaction accounts for government deposits up to \$250,000 per official custodian at each covered institution. ACE's deposits were covered by FDIC insurance at March 31, 2015.

Investments

ACE's investing is performed in accordance with the investment policy adopted by its Board of Directors and applicable state statutes. ACE may invest in U.S. Treasury and U.S. agency securities, certificates of deposit, time deposits, banker's acceptances, commercial paper and municipal bonds. In the event that secured investment opportunities arise, other than those specified above, investment consent is required through the approval of two of the following: the Chair of the Board of Directors, Secretary-Treasurer of the Board of Directors or the ACE Executive Director.

At March 31, 2015, ACE had the following investments, maturities, and credit ratings:

	Fair Value	Maturities in Years		Credit Rating Moody's/S&P
		Less Than 1	1 - 5	
Money market mutual funds - US agencies	\$ 5,000	\$ 5,000	\$ -	Aaa-mf/AAAm
Negotiable certificates of deposit	2,451,437	1,350,075	1,101,362	Not rated
	<u>\$2,456,437</u>	<u>\$ 1,355,075</u>	<u>\$ 1,101,362</u>	

At March 31, 2014, ACE had the following investments, maturities, and credit ratings:

	Fair Value	Maturities in Years		Credit Rating Moody's/S&P
		Less Than 1	1 - 5	
Money market mutual funds - US agencies	\$ 5,000	\$ 5,000	\$ -	Aaa-mf/AAAm
Negotiable certificates of deposit	2,298,138	1,549,433	748,705	Not rated
	<u>\$2,303,138</u>	<u>\$ 1,554,433</u>	<u>\$ 748,705</u>	

Public Alliance for Community Energy
Notes to Financial Statements
March 31, 2015 and 2014

Note 2: Deposits, Investments and Investment Return - Continued

Investments - Continued

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. ACE's investment policy does not place a limit on the amount that may be invested in any one maturity category. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. ACE's investment policy establishes requirements for certain investment securities or issuers of securities to be rated at certain rates or higher. The following investment types must be rated at the minimum rates noted below:

Commercial paper	A-1, P-1
Municipal bonds	AA -

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, ACE would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At March 31, 2015 and 2014, ACE's investments in money market mutual funds and negotiable certificates of deposit are held in safekeeping in a broker account with ACE's primary financial institution.

Concentration of Credit Risk - Concentration of credit risk is the risk associated with the amount of investments ACE has with any one issuer that exceeds 5% or more of its total investments. Investments issued or explicitly guaranteed by the U.S. government are excluded from this requirement. As of March 31, 2015 and 2014, each of ACE's investments in negotiable certificates of deposit were covered by FDIC insurance, as the individual investments did not exceed \$250,000, and were therefore also excluded from this requirement. ACE's investment policy limits the amount of its investment portfolio that may be invested in any one issuer, other than U.S. government securities, to \$500,000.

Public Alliance for Community Energy
Notes to Financial Statements
March 31, 2015 and 2014

Note 2: Deposits, Investments and Investment Return - Continued

Summary of Carrying Values

The carrying values of deposits and investments at March 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Deposits	\$ 240,051	\$ 322,745
Investments	<u>2,456,437</u>	<u>2,303,138</u>
	<u>\$ 2,696,488</u>	<u>\$ 2,625,883</u>

Included in the following balance sheet captions:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 245,051	\$ 327,745
Short-term investments	1,350,075	1,549,433
Long-term investments	<u>1,101,362</u>	<u>748,705</u>
	<u>\$ 2,696,488</u>	<u>\$ 2,625,883</u>

Investment Return

Investment return for the years ended March 31, 2015 and 2014, consisted of interest income and the net change in fair value of investments carried at fair value of \$16,449 and \$8,828, respectively.

Public Alliance for Community Energy
Notes to Financial Statements
March 31, 2015 and 2014

Note 3: Capital Assets

Capital assets at March 31, 2015 and 2014 consisted of the following:

	Beginning Balance	Additions	Disposals	Ending Balance
March 31, 2015				
Software	\$ 392,196	\$ 2,119	\$ -	\$ 394,315
Furniture and equipment	20,987	-	1,214	19,773
	413,183	2,119	1,214	414,088
Less accumulated depreciation	343,241	31,722	1,214	373,749
Net capital assets	<u>\$ 69,942</u>	<u>\$ (29,603)</u>	<u>\$ -</u>	<u>\$ 40,339</u>
March 31, 2014				
Software	\$ 352,590	\$ 39,606	\$ -	\$ 392,196
Furniture and equipment	20,987	-	-	20,987
	373,577	39,606	-	413,183
Less accumulated depreciation	316,182	27,059	-	343,241
Net capital assets	<u>\$ 57,395</u>	<u>\$ 12,547</u>	<u>\$ -</u>	<u>\$ 69,942</u>

Note 4: Transactions with Coalition Members

ACE, POOL, MEAN, and NPGA through common members and management comprise a coalition. ACE shares personnel and facilities within this coalition, as well as enters into agreements for certain products and services.

ACE incurred expenses of approximately \$670,000 and \$660,000 for administrative services and rents provided by coalition members during 2015 and 2014, respectively. At March 31, 2015 and 2014, amounts due to coalition members consisted of \$62,318 and \$59,809 payable to POOL and \$3,709 and \$3,626 payable to MEAN, respectively.

Public Alliance for Community Energy
Notes to Financial Statements
March 31, 2015 and 2014

Note 5: Natural Gas Purchase and Supply Agreements

Effective June 1, 2011, ACE entered into a marketing agreement with its natural gas supplier with an initial term through May 31, 2015. Under the marketing agreement, ACE receives a fixed monthly fee and other incentives to promote the selection of ACE to customers participating in the Nebraska Choice Gas Program. Termination notice was given by the natural gas supplier to terminate the marketing agreement effective May 31, 2016.

On March 5, 2015, ACE entered into a natural gas supply agreement with a new natural gas supplier effective June 1, 2016, with an initial term through May 31, 2019. Under the natural gas supply agreement, ACE receives a fixed monthly fee to promote the selection of ACE to customers participating in the Nebraska Choice Gas Program. The agreement provides for additional one year terms unless 24 month notice is given by either party prior to June 1 of the calendar year of termination.

Note 6: Risk Management

ACE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and others; and natural disasters. ACE carries commercial insurance, subject to certain limits and deductibles, to reduce the financial impact for claims arising from such matters. No claims have been submitted against this commercial coverage in any of the three preceding years.