

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
REPORT ON FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010

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**PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
BOARD OF DIRECTORS
DECEMBER 31, 2011**

Ronald Johnson	Chairperson
Elias Taratuta	Vice Chairperson
Michelle Gildner	Secretary
Terry Materna	Treasurer
Penny Barton	Director
Patrick Bolen	Director
Elizabeth Comoford	Director
Jim Johnson	Director
Michael Myers	Director



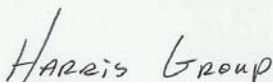
Independent Auditor's Report

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, 2011 and 2010 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, 2011 and 2010 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.



February 2, 2012

PRESQUE ISLE ELECTRIC & GAS COMMUNITIES FIRST FUND
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010

	2011	2010
ASSETS		
Current assets:		
Cash	\$ 89,966	\$ 73,823
Cash – restricted	3,000	3,000
Account receivable	4,753	4,691
TOTAL ASSETS	\$ 97,719	\$ 81,514
NET ASSETS		
Net Assets		
Unrestricted	\$ 62,863	\$ 46,366
Unrestricted, designated	31,856	32,148
Permanently restricted	3,000	3,000
TOTAL NET ASSETS	97,719	81,514
TOTAL LIABILITIES AND NET ASSETS	\$ 97,719	\$ 81,514

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, 2011 AND 2010

	2011	2010
REVENUE:		
Contributions – members	\$ 58,139	\$ 59,619
Contributions – PIE&G	9,564	12,907
Interest	136	265
TOTAL REVENUE	67,839	72,791
EXPENSES:		
Grants	35,395	33,932
Scholarships	6,500	7,100
Professional fees	2,500	2,400
Program expense	6,277	9,871
Director’s expense	962	856
TOTAL EXPENSE	51,634	54,159
CHANGE IN NET ASSETS	16,205	18,632
NET ASSETS, beginning of year	81,514	62,882
NET ASSETS, end of year	\$ 97,719	\$ 81,514

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, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Cash payments for grants and scholarships	\$ (41,895)	\$ (41,032)
Cash payments for administrative and general expenses	<u>(9,739)</u>	<u>(13,127)</u>
Net Cash Used in Operating Activities	<u>(51,634)</u>	<u>(54,159)</u>
Cash Flows From Capital and Related Financing Activities:		
Contributions	<u>67,641</u>	<u>78,113</u>
Cash Flows From Investing Activities:		
Interest on investments	<u>136</u>	<u>265</u>
NET INCREASE (DECREASE) IN CASH	<u>16,143</u>	<u>24,219</u>
CASH, beginning of year	<u>76,823</u>	<u>52,604</u>
CASH, end of year	<u><u>\$ 92,966</u></u>	<u><u>\$ 76,823</u></u>
Cash as reported on the Statement of Financial Position		
Cash	\$ 89,966	\$ 73,823
Cash – restricted	<u>3,000</u>	<u>3,000</u>
	<u><u>\$ 92,966</u></u>	<u><u>\$ 76,823</u></u>

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 \$4,753 and \$4,691 is due from Presque Isle Electric & Gas Co-op at December 31, 2011 and 2010, respectively, for contributions from member electric bills. The receivable represents amounts collected from members and held by Presque Isle Electric & Gas Co-op.

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 \$9,564 and \$12,907 for 2011 and 2010, respectively.

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

NOTE 5: GRANTS

Grant activity is summarized as follows:

	<u>2011</u>	<u>2010</u>
Designated grants – beginning of year	\$ 32,148	\$ 23,750
Grant actions approved	41,866	46,060
Amount paid less than approved amount	(3,463)	(730)
Approved grants cancelled within the fiscal year	<u>(3,300)</u>	<u>(3,000)</u>
 SUBTOTAL	 67,251	 66,080
 Grant payments	 <u>(35,395)</u>	 <u>(33,932)</u>
 Designated grants approved but not paid – end of year	 <u><u>\$ 31,856</u></u>	 <u><u>\$ 32,148</u></u>

The designated amount includes \$8,800 and \$11,700 reserved for scholarships for the years ended December 31, 2011 and 2010, 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>2011</u>	<u>2010</u>
Charitable services	\$ 49,134	\$ 51,759
Management and general	<u>2,500</u>	<u>2,400</u>
Total expenses	<u>\$ 51,634</u>	<u>\$ 54,159</u>

NOTE 8: SUBSEQUENT EVENTS

Management has evaluated the impact of subsequent events as they relate to the financial statements through February 2, 2012.