



MARYLAND

CLEAN ENERGY CENTER

ANNUAL REPORT FY 2009



October 1, 2009



Board of Directors

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Executive Director

I. Katherine Magruder



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Message from the Chairman



Over the past year, the Maryland Clean Energy Center has been transformed from a concept to a reality as the result of a dedicated Board of Directors. I am honored to have served as the first Chairman of the Board for this unique organization that was established to breathe vitality into the clean energy sector and catalyze an important paradigm shift related to energy consumption in our state.

On behalf of the entire Board, I want to acknowledge the members of the Maryland General Assembly that voted to enable this initiative, and express our grateful appreciation for the commitment of support from Governor O'Malley, the Maryland Energy Administration, Montgomery County and the Universities at Shady Grove. Their partnership allowed MCEC to gain momentum in an early phase and provided a great foundation from which future efforts will be better able to succeed.

This report provides readers with a great snapshot of the financials for MCEC along with a summary of the actions taken in FY'2009 and a forecast for activity already beginning to take place in FY '2010.

As the Maryland Clean Energy Center broadens its reach and scope of its activity, I encourage you to get involved in the discussion and to take action yourself, so that across our state we can see a more rapid transformation to the green economy and era of clean energy supply.

Sincerely,

A handwritten signature in black ink, appearing to read 'K Connolly', written in a cursive style.

Ken Connolly
Chairman

Message from the Executive Director



Advancing the “Green Economy” with job opportunities in the clean energy sector is now a priority focus of the national agenda. As the United States looks to become more energy efficient to realize environmental, economic, and security advantages, our state is well positioned to make this critical transition and reap the associated economic rewards.

The Maryland Clean Energy Center was introduced in 2009 in association with the “Smart, Green & Growing” initiatives advanced by Governor O’Malley. MCEC is working to deliver on a mission to ***“transform the energy economy in the State of Maryland by increasing clean energy jobs, innovations, entrepreneurial businesses, and consumer adoption of products, technologies, and services.”***

During this start up year, members of the board focused their efforts on building infrastructure and engaging staff to run the operation. I am honored to stand at the helm and guide this promising organization toward success in the future. This report has been compiled and is submitted as required by the MCEC enabling statute, summarizing the activity and expenditures from the previous fiscal year. Although staff was not officially on contract until June 1, 2009, the Board accomplished a great deal and MCEC is already making headway in this fiscal year.

In FY’09, and in FY’10 to date, MCEC operated with less than \$1 million of funding in the form of generous grants from Montgomery County and Baltimore County as well as a no-interest loan from the Maryland Energy Administration and donations from private enterprise. Significant office space has been provided pro-bono by the University System of Maryland. Department of Energy grant funds from the American Recovery and Reinvestment Act were channeled to the Center to jump-start activities. In the future, it will be critical for the organization to secure a sustainable source of funding to fully realize for Maryland the significant opportunities inherent in clean energy growth and development.

I want to thank all of those leaders in Maryland who have, in the past, made a commitment to advance the agenda of the Maryland Clean Energy Center as a targeted economic development strategy. With even further investment in the capabilities of the Maryland Clean Energy Center, the state will benefit exponentially in terms of economic growth, improved environmental quality and more affordable sources of reliable electric power for the future.

Best regards,

A handwritten signature in black ink that reads "I. Katherine Magruder". The signature is fluid and cursive.

I. Katherine Magruder
Executive Director

SUMMARY of FY'09 : "A Start Up Year"

A study commissioned by Baltimore Development Corporation, funded by DBED, MEA, and the Abell Foundation, which was completed in December of 2006, called out the potential for job creation in the clean energy sector for Maryland, and recommended the creation of an organization that would serve to foster an environment conducive to the success of clean energy enterprise and encourage consumer adoption of clean energy products, services, and technologies.

Legislative Sponsors

Delegates:

Dana M. Stein
C. Sue Hecht
William A. Bronrott
Jon S. Cardin
Alfred C. Carr, Jr.
Dan K. Morhaim
Emmett C. Burns
Brian J. Feldman
Carolyn J. Krysiak
Roger Manno
James N. Mathias
Brian K. McHale
Joseph J. Minnick
Senator Alex Mooney

In spring 2008, the General Assembly passed HB 1337/ SB997 as the enabling statute creating the Maryland Clean Energy Center (MCEC). This corporate instrumentality of the state is recognized to function as envisioned. The statute did not, however, direct that the MCEC be included in the Tort Claims Act providing qualified immunity for staff and the entity specifically. MCEC is addressing this with a request to the Legislature to amend its statute in the upcoming session.



Governor O'Malley appointed the initial Board of Directors to serve staggered terms. This group began meeting in October of 2008, and was approved by the Senate in February of 2009.

During this initial building period the Board focused on building the operational infrastructure necessary for the MCEC to function, including:

- Adopting organizational By-Laws
- Established a Finance & Fundraising Committee
- Filed for status with IRS and opened bank accounts
- Developed an initial program budget and revenue generation concepts
- Set up a website to collect newsletter subscriptions and suggestions

MCEC entered into two agreements to obtain services for related administrative support. An MOU with the Maryland Environmental Service was put into place for payroll and accounting services, and an MOU is in place with the Office of the Attorney General through the Maryland Department of Business & Economic Development for provision of legal services.



The Board announced a RFP soliciting submissions to consider in choosing to locate MCEC headquarters operations. They collected 10 proposals, toured the top four prospective sites located in Montgomery, Baltimore, Frederick, and Howard counties and weighed the advantages of each. Based on its strength, the proposal submitted jointly by Montgomery County, the University System of Maryland/Universities at Shady Grove and the City of Annapolis was selected. The Center opened its headquarters in the LEED Certified facility at the Universities at Shady Grove Facility in Rockville in March 2009.

During this phase the Board also accepted applications for the Executive Director position. The Search Committee received approximately 70 applications; down-selected candidates to 10, then 4 and interviewed the finalists. I. Katherine Magruder accepted the position and began her contract in June 2009. Three interns from two different USM institutions were hired to accomplish tasks over the summer.



Interns: Ben Keys & Anna Yap

MCEC STRATEGIC PLAN

A strategic plan was developed and adopted by the Board to direct initial activity and effort of the organization. To maximize the limited resources of both staff and finances the plan highlights as priority the five strategic focus areas specified in the enabling statute. These include:

- Economic Development & Job Creation
- Research & Development
- Technology Transfer, Commercialization and Entrepreneurial Activity
- Workforce Development
- Consumer Adoption

The MCEC plan identifies the following objectives and strategies designed to more effectively deliver on its mission:

Objective I: Create Demand For Products, Services & Technologies.

- Strategy: ***Raise Awareness***

Through the creation and maintenance of a website, the regular release of a newsletter, developing appropriate collateral materials, production and hosting of a speaker series, along with other marketing initiatives, MCEC intends to raise public awareness of clean energy and its advantage for the State along with related tax credits and incentives available to consumers.



- Strategy: ***Increase Credibility***

The MCEC intends to provide, as a resource, a database of companies and contractors in the clean energy sector. MCEC will consider credentialing and certification programs that are industry standards in listing companies, especially those managed by the Maryland Energy Administration through its Maryland Home Performance with Energy Star program and the Maryland Home Improvement License for contractors.



- Strategy: ***Provide Convenient Access***
MCEC will work on delivery of a Consumer Loan Program to ease the burden on consumers who wish to make energy efficiency improvements and renewable energy installations on their property as a catalyst for market demand. Additionally, by serving as a one-stop-shop for information and networking, consumers, as well as business and industry, will be able to access needed resources and develop beneficial relationships

Objective II: Establish An Environment Conducive To Success Of Business & Industry.

- Strategy: ***Encourage research & development activity***

Advocate for and identify sources for research & development funding, including the creation of a competitive pool of resources available to both the Maryland academic community and industry, especially for collaboration in the state.



- Strategy: ***Provide support for commercialization & entrepreneurial innovation***

As directed by statute, MCEC will develop and operate a Maryland Clean Energy Technology Incubator Network (CETI).

- Strategy: ***Identify and provide access to financing opportunities***



MCEC will advocate for the creation of tools to support business enterprise at every stage of the development pipeline beyond research & discovery, including a Proof of Concept Fund, Market & Feasibility Study Funds and a Clean Energy Business Investment Fund. MCEC will seek to develop public private financing partnerships wherever possible.

- Strategy: **Support the adoption and implementation of appropriate policy**
MCEC will serve as a hub for industry sector collaboratives to identify and recommend adoption of policy measures to remove roadblocks impeding progress for the clean energy sector. MCEC may identify and develop model policies as a resource for policy makers.
- Strategy: **Provide appropriate workforce development opportunities**



MCEC will be involved in workforce initiatives focused on preparing job seekers for employment in the clean energy sector. MCEC will undertake workforce training initiatives that seek to fill unique gaps unmet by existing programs and providers.

Objective III: Achieve Demonstrable Results.

- Strategy: **Identify & track accountability measures.**

MCEC will execute an initial Benchmarking Metrics and Impact Study to establish certain quantitative and qualitative measures indicative of the current conditions related to desirable outcomes expressed in its mission.

MCEC will perform annual data collection along with analysis of those metrics identified to monitor trends over a period of time to better evaluate progress.



MCEC FUNDING & FINANCIAL STATEMENTS

In total, the FY'09 Budget accounts for only one month of expenses.

MCEC is funded largely by a grant from Montgomery County, which in part covered FY'09 expenses. This \$500,000.00 grant award is intended to cover the cost of staff and operational expenses over three fiscal years.

The Maryland Energy Administration (MEA) also provided a funding source to get MCEC up and operating in the form of loan totaling \$400,000.00 payable over an eight year period beginning in FY'12 at no interest. MCEC budgeted the use of these funds for programs and operations over the same two year period as the grant referenced above.

MEA also made a grant of \$9386.00 to MCEC in FY'09, specifically to help cover the cost of producing a business data base.

There were minimal sponsorship funds donated to MCEC in FY'09, and those came in the form of gifts from members of the Board.

While there is funding committed to supporting operations and programs at the most basic level through FY '11, during the FY'10 fiscal cycle, MCEC staff and Board will focus on obtaining a sustainable source of funding for the organization through solicitation of various sponsorships and private donations, in addition to state and Federal sources.

Appendices: Financial Statements

- **FY' 09 Audit**
- **FY '10 Planned Budget**

FORECAST FOR FY'10: FOCUS ON IMPLEMENTATION

To encourage greater involvement in clean energy development efforts all across the state, to help guide future activity, and to provide support for planned activity, the Board will select and appoint a group of individuals to serve as the MCEC Advisory Board. This group will include representatives from various clean energy sectors, energy distribution and generation principals, investment and banking specialists, green building and energy efficiency advisors, as well as environmental stakeholders.

With this Advisory Board, in addition to the operational infrastructure and staff put into place in FY'09, the MCEC can now begin to implement the strategies outlined in the previously delineated strategic plan.

Consumer: Create Demand for Products Services & Technology

To serve the consumer audience, MCEC is partnering with the Maryland Energy Administration (MEA), Montgomery County and the City of Annapolis to develop and implement a **Clean Energy Loan Program**. This program intends to replicate similar models in the US like those in Berkley and Sonoma, California; Boulder, Colorado and Babylon, New York. The program encourages consumers to obtain an energy audit and implement measures to improve the energy efficiency of a residence or place of business. Renewable energy installations may also be eligible through the program after appropriate energy efficiency measures have been implemented.

This loan is advantageous to consumers because it is repaid through a public collection mechanism like a property tax or water bill, and it is typically paid back over a longer term than the conventional loan market would allow.

Initial funding for this effort will come largely from the US Department of Energy. MCEC hopes to kick off model programs in our partner jurisdictions and then roll out the program in jurisdictions across the state. Through MCEC, the program offers participating jurisdictions the opportunity to take advantage of publically assessed clean energy (PACE) bonds as a source of capitalization. MCEC will additionally be seeking partnerships with private sector financial institutions to capitalize lending pools.

MCEC has begun to develop a **messaging campaign** and is devoting significant resources to starting up a new **website** that will include a **database of resources** with available incentives and credits, information on job opportunities, clean energy related facts and figures, and which will connect consumers to contractors and consultants.

A **newsletter series** is scheduled to kick off in FY'10 but frequency of release currently depends upon the amount of sponsorship funding raised over the year. This electronic

information source is broadly targeted to reach consumer and business audiences as well as policy makers in government.

MCEC plans to work with sponsors to **host public awareness and education programs and events** including: an annual conference, a lecture series, a trade show / job fair, and possibly a sponsored contest and home design expo event for green design and home improvement.

Business & Industry: Create an Environment Conducive to Success

Implementing strategies to provide support and foster an environment for clean energy enterprise to thrive is critical to MCEC’s success. Throughout the pipeline, from research and development to established business operation, MCEC will work to ensure that there are favorable policies, financial resources, appropriate sites and facilities, and a skilled and available workforce in place.

MCEC is actively working with academic institutions and entities that are addressing clean energy—including the state-based Federal labs and the University of Maryland Energy Research Center at the University of Maryland College Park. MCEC will foster research partnerships and collaboration with industry and is actively seeking to secure pools of funding for research grants.

The **Maryland Clean Energy Technology Incubator Network** will begin to take shape as a means to provide technical assistance for startup companies and allow for a better transition of research from “the bench to the bank”. MCEC will be working with existing incubators throughout the state and the Maryland Technology Economic Development Corporation (TEDCO), among others, to bring appropriate resources to the table.

MCEC is seeking investment in a **Clean Energy Business Development Fund** to be tapped to assist companies that grow out of incubators, need help to expand within the state, or are attracted to come to the state. This fund could help finance market research and feasibility studies and be available as a means to invest in advantageous business development opportunities. Further, this fund can be aligned with programs in place at the Maryland Department of Business & Economic Development to add a clean energy sector to those business types eligible for assistance through the Maryland Venture Fund and the Maryland Economic Development Assistance Authority and Fund (MEDAAF)

MCEC will investigate the potential for creation of **Clean Energy Enterprise Zones** where certain economic development tools and incentives could be leveraged to encourage related business development.

A wealth of military bases and federal facilities are based within the borders of the state. Federal legislation requires these facilities to provide 25% of power consumed on post from on-post renewable sources by 2025, creating an opportunity to effect energy efficiency

improvements at these installations. MCEC will build relationships with appropriate partners in the public and private sectors, leveraging this potential market driver to realize further progress toward the state RPS goals and advance clean energy economic development.

To ensure that there is a trained and ready workforce in Maryland to fill new jobs resulting from growth in the green economy, MCEC will work closely with the Maryland Department of Labor Licensing & Regulation, the state and local Governor's Workforce Investment Boards, Maryland Community Colleges and private sector training organizations in support of clean energy and green building related workforce development initiatives. Because of limited resources, the MCEC Board has determined the organization should only seek to fill unique gaps in workforce development with its own programs. The Board has invested in a **Solar Training Initiative** scheduled to kick off in FY'10 geared to inform area building inspectors about considerations in permitting solar installations.

Working with professional associations and stakeholders in the clean energy and green building sector, MCEC will provide and participate in collaboration and networking opportunities. Staff at the center now works with the regional chapter of Efficiency First, the Maryland DC Virginia Solar Electric Industry Assoc. (MDCVASEIA) and the Potomac Regional Solar Energy Assoc. (PRSEA), as examples.

Performance Metrics: Achieve Demonstrable Results

A **Benchmark Study** is proposed as a deliverable in the MCEC strategic plan to establish appropriate measures to evaluate progress intended as a result of investment in developing clean energy and advancing energy efficiency in Maryland. In FY'10 work should begin to define the scope and resources necessary to accomplish this objective. Whether or not MCEC is able to carry out this critical piece of its mission will likely be dependent on accessibility of funding. MCEC also intends to serve as a clearinghouse for clean energy related statistics collected and disseminated from a variety of sources.

MCEC has an ambitious agenda in FY'10 and will use the funding commitment in hand to make continued progress. Although these are tight economic times for Maryland, an increased investment made now to advance clean energy, increase energy efficiency and instill green building practices will result in future payoffs in energy savings, economic growth, and most importantly—new job creation.

APPENDICES

1. FY '09 Audit
2. FY'10 Budget

MARYLAND CLEAN ENERGY CENTER
Rockville, Maryland

FINANCIAL STATEMENTS
Period October 1, 2008 (date of inception)
through June 30, 2009

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Independent Auditor's Report

Board of Directors
Maryland Clean Energy Center
Rockville, Maryland

We have audited the accompanying financial statements of the governmental activities and the general fund of the Maryland Clean Energy Center (the Center), as of June 30, 2009 and for the period October 1, 2008 (date of inception) through June 30, 2009, which collectively comprise the Center's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 component unit 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 respective financial position of the governmental activities, and the general fund of the Center as of June 30, 2009, and the respective changes in financial position thereof for the period October 1, 2008 through June 30, 2009 in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2009 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 2 through 4, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiry of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Clifton Gunderson LLP

Baltimore, Maryland
September 29, 2009

Offices in 17 states and Washington, DC

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**MARYLAND CLEAN ENERGY CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Overview of Financial Statements

The Maryland Clean Energy Center (the Center) is an instrumentality of the State of Maryland founded for the purpose of promoting clean energy economic development and jobs in the state, encouraging the deployment of clean energy technologies, assisting in the demonstration of newly developed technologies, analyzing and disseminating industry data, and providing outreach and technical support to expand the clean energy industry in Maryland.

The purpose of the discussion and analysis that follows is to provide an understanding of the financial performance and activities of the Center as of June 30, 2009 and for the period ended June 30, 2009. As required supplementary information, the accompanying analysis should be used in conjunction with the financial statements and related notes to assess the overall financial condition and reported operating results of the Center.

The Center commenced operations in October 2008 with the appointment of its Board. The executive director was appointed effective June 1, 2009.

The following table presents condensed financial information about the Center's net assets as of June 30, 2009:

Net Assets	
	2009
Current and other assets	\$ 438,382
Capital assets	-
Total assets	438,382
Long-term debt outstanding	400,000
Other liabilities	21,972
Total liabilities	421,972
Net assets:	
Invested in capital assets, net of related debt	-
Unrestricted	16,410
Total net assets	\$ 16,410

**MARYLAND CLEAN ENERGY CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009**

Period Ended June 30, 2009

Net assets represent the difference between total assets and total liabilities. Net assets are considered to be a measure of the Center's net worth. Total net assets increased by \$16,410 all of which is unrestricted.

Revenues, Expenses and Changes in Net Assets	
	<u>2009</u>
Operating revenues	\$ 51,443
Operating expenses	
Administration	<u>35,033</u>
Operating income	\$ 16,410
Change in net assets	16,410
Net assets, beginning of year	-
Net assets, end of year	<u>\$ 16,410</u>

Revenues by Source

Period Ended June 30, 2009

The Center's revenue is primarily from grants from Montgomery County, Maryland.

Operating Expenses

Operating expenses include administrative expenses, primarily administration costs for administrative functions provided by the Maryland Environmental Service, a related party of the Center. Expenses were 68% of revenues in 2009.

Operating Income

Period Ended June 30, 2009

The Center reported operating income of \$16,410 in 2009.

Investment in Capital Assets

Period Ended June 30, 2009

The Center owned no capital assets at June 30, 2009.

Outstanding Debt

Period Ended June 30, 2009

The Center entered into a loan agreement with the Maryland Department of Energy to fund start up costs. As of June 30, 2009 outstanding debt totaled \$400,000. The loan bears no interest.

MARYLAND CLEAN ENERGY CENTER
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2009

Contacting The Center's Financial Management

This financial report is designed to provide a general overview of the Center's finances and to demonstrate the Center's accountability for the money it receives. If you have questions about this report or need additional information, contact the Maryland Clean Energy Center, 9636 Gudelsky Drive, 4th Floor, Rockville, MD 20850.

BASIC FINANCIAL STATEMENTS

**MARYLAND CLEAN ENERGY CENTER
STATEMENT OF NET ASSETS – GENERAL FUND
BALANCE SHEET
June 30, 2009**

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash - SunTrust	\$ 429,712	\$ -	\$ 429,712
Cash - Maryland Environmental Service	8,670	-	8,670
TOTAL ASSETS	\$ 438,382	\$ -	\$ 438,382
LIABILITIES			
Accounts payable	\$ 7,658	\$ -	\$ 7,658
Accrued administration costs due to Maryland Environmental Service	14,314	-	14,314
Maryland Energy Administration loan	-	400,000	400,000
Total liabilities	21,972	400,000	421,972
FUND BALANCES/NET ASSETS			
Fund balances:			
Unreserved	416,410	(416,410)	-
Total fund balances	416,410	(416,410)	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 438,382		
NET ASSETS			
Unrestricted		(16,410)	16,410
TOTAL NET ASSETS		\$ (16,410)	\$ 16,410

The accompanying notes are an integral part of the financial statements.

**MARYLAND CLEAN ENERGY CENTER
RECONCILIATION OF THE GENERAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2009**

TOTAL FUND BALANCE - GENERAL FUND	\$ 416,410
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Loan proceeds in the governmental funds are not current financial obligations and therefore are not reported as liabilities in the general fund.	<u>(400,000)</u>
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 16,410</u>

The accompanying notes are an integral part of the financial statements.

MARYLAND CLEAN ENERGY CENTER
STATEMENT OF ACTIVITIES AND GENERAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Period October 1, 2008 (Date of Inception) Through June 30, 2009

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
REVENUES			
Grants received	\$ 50,000	\$ -	\$ 50,000
Other revenue	1,443	-	1,443
	<u>51,443</u>	<u>-</u>	<u>51,443</u>
EXPENDITURES			
Current			
Salaries and benefits	23,644	-	23,644
Legal	3,312	-	3,312
Telephone	228	-	228
Travel	120	-	120
Information Systems	1,406	-	1,406
Accounting	2,000	-	2,000
Marketing	3,999	-	3,999
Supplies	252	-	252
Miscellaneous	72	-	72
	<u>35,033</u>	<u>-</u>	<u>35,033</u>
OTHER FINANCING SOURCES			
Maryland Energy Administration loan	400,000	(400,000)	-
	<u>400,000</u>	<u>(400,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE/ NET ASSETS			
	416,410	(400,000)	16,410
FUND BALANCE/NET ASSETS BEGINNING OF PERIOD			
	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE/NET ASSETS END OF PERIOD			
	<u>\$ 416,410</u>	<u>\$ (400,000)</u>	<u>\$ 16,410</u>

The accompanying notes are an integral part of the financial statements.

**MARYLAND CLEAN ENERGY CENTER
RECONCILIATION OF THE GENERAL FUND STATEMENTS OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Period October 1, 2008 (Date of Inception) Through June 30, 2009**

TOTAL NET CHANGE IN FUND BALANCE - GENERAL FUND	\$ 416,410
Amounts reported for governmental activities in the Statement of Activities are different because:	
Loan proceeds are reported in the general fund in the period provided. However, in the Statement of Activities, the proceeds are reported as liabilities.	<u>(400,000)</u>
CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 16,410</u>

The accompanying notes are an integral part of the financial statements.

**MARYLAND CLEAN ENERGY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

(1) Organization and Summary of Significant Accounting Policies

(a) Reporting Entity

The Maryland Clean Energy Center (the Center) is an instrumentality of the State of Maryland created by the passage of House Bill 1337 in the 2008 session of the legislature.

The Center has determined that no other outside agency meets the criteria to be included as a component unit in the Center's financial statements. The Center is not a component unit of any other government as defined in the Governmental Accounting Standards Board's Statements No. 14 and 39, as amended.

The Center is a public body politic and corporate of the State of Maryland. It is governed by a nine member board, eight of whom are appointed by the Governor with the advice and consent of the State Senate. The ninth member of the board is the Executive Director of the Center and is appointed by the board.

Actual operations began in October of 2008 with the appointment of the board members. The Executive Director was appointed effective June 1, 2009.

The Center is established to promote clean energy economic development and jobs in the state, encourage the deployment of clean energy technologies, assist in the demonstration of newly developed technologies, analyze and disseminate industry data, and provide outreach and technical support to expand the clean energy industry in Maryland.

(b) Basis of accounting, financial statement presentation and measurement focus

Basis of Accounting

The financial statements of the Center have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The following is a summary of such significant policies.

Basis of Financial Statement Presentation

The Center's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Center as a whole. These statements include the financial activities of the primary government. All financial activities of the Center are classified as governmental.

MARYLAND CLEAN ENERGY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(1) Organization and Summary of Significant Accounting Policies (Continued)

(c) Basis of accounting, financial statement presentation and measurement focus
(Continued)

The Statement of Net Assets presents the financial condition of the Center as of the period end. All expenses relate to the operations of the Center. Revenues include grants to meet operational requirements of the Center.

Fund Financial Statements – Governmental Fund

The governmental accounts of the Center are organized on the basis of funds and consist only of the general fund, which is considered a separate accounting entity. The operations of the general fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the Center are included on the government-wide Statement of Net Assets.

Fund Financial Statements – Governmental Fund

The governmental fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the general fund.

General Fund – The General Fund is the general operating fund of the Center. It is used to account for all financial resources except those required to be accounted for in another fund.

Government-wide financial statements are prepared using the accrual basis of accounting.

**MARYLAND CLEAN ENERGY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

(1) Organization and Summary of Significant Accounting Policies (Continued)

(d) Basis of accounting, financial statement presentation and measurement focus
(Continued)

The governmental funds are accounted for using the modified accrual basis of accounting. Its revenues are recognized when they become measurable and available as net current assets. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to pay liabilities of the current fiscal year. For the Center, available means expected to be received within 60 days of year end. Expenditures, other than administration costs, are recognized when the liability is incurred.

(c) Budgets and Budgetary Accounting

The Center had not approved an annual operating budget for the period October 1, 2008 through June 30, 2009.

The Center will follow these procedures in establishing the budgetary data to be reflected in the financial statements for future years:

The following year's annual operating budget will be prepared during April through June. The budget will be approved by the Board of Directors.

The operating budget will reflect appropriations for the general fund only.

(d) Cash Equivalents

Short-term investments with maturities of three months or less at date of purchase are classified as cash equivalents.

The Center maintains its cash accounts with primarily one commercial bank. As of June 30, 2009, cash balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor per bank. The Center is required by Section 22(a) of Article 95 of the Annotated Code of Maryland to collateralize deposits in banks in excess of federal deposit insurance. Satisfactory collateral is enumerated at Section 6202 of the State Finance and Procurement Article of the Annotated Code of Maryland. As of June 30, 2009, approximately \$179,712 of bank deposits were not properly collateralized. Effective September 14, 2009 the balances on deposit with SunTrust Bank were added to the master list of public funds in Maryland that require collateralization.

**MARYLAND CLEAN ENERGY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2009**

(1) Organization and Summary of Significant Accounting Policies (Continued)

(d) Cash Equivalents (Continued)

Cash held by the Center was as follows at June 30, 2009:

	<u>Carrying Amount</u>	<u>Collected Bank Balances</u>	<u>Total Collateral</u>
Demand deposit account	\$ 429,712	\$ 429,712	\$ -

In addition to cash held in its own name, certain cash is held by the Maryland Environmental Service, a related party of the Center.

(e) Accounts receivable

Accounts receivable are recorded net of estimated uncollectible amounts. The Center had no accounts receivable at June 30, 2009.

(f) Use of Estimates

The preparation of financial statements in accordance 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 disclosures of contingencies at the date the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

(2) Fund Balance

In the governmental fund financial statements, fund balance consists of reserved and unreserved amounts. Reservations of fund balance represent that portion which is not appropriable for expenditure or is legally segregated for a specific future use. The remaining portion is unreserved. The Center had no reserved fund balances at June 30, 2009.

MARYLAND CLEAN ENERGY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(3) Net Assets

Unrestricted net assets consist of assets in excess of liabilities that are not invested in capital assets, net of accumulated depreciation, and are not otherwise restricted through law or regulation.

(4) Capital Assets

The Center had no capital assets at June 30, 2009.

The Center defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's useful life are not capitalized. Depreciation is computed using the straight-line method over the estimated useful life of the capital asset.

(5) Noncurrent Liabilities

The change in noncurrent liabilities is as follows:

Balance beginning of the period	\$ -
Maryland Energy Administration Loan	<u>400,000</u>
Balance as of June 30, 2009	<u>\$ 400,000</u>

The purpose of the Maryland Energy Administration Loan is to provide the Center with funds to establish and commence operations, including programmatic activities and administrative and operating expenses. The loan is non-interest bearing with semi-annual principal payments of \$25,000 commencing in December 2012 through June 2019.

Future minimum payments for long term debt at June 30, 2009 are as follows:

	<u>Total</u>	<u>Principal Payments</u>	<u>Interest Payments</u>
2010	\$ -	\$ -	\$ -
2011	-	-	-
2012	50,000	50,000	-
2013	50,000	50,000	-
2014	50,000	50,000	-
Thereafter	<u>250,000</u>	<u>250,000</u>	-
Total	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>

MARYLAND CLEAN ENERGY CENTER
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

(6) Related Party

The Center entered into an agreement with the Maryland Environmental Service to provide administrative and operational support services for the Center. The employees performing services for the Center are Maryland Environmental Service employees. As such, under the Memorandum of Understanding, the Center reimburses the Maryland Environmental Service for services rendered by Maryland Environmental Service employees to the Center. During the period October 1, 2008 through June 30, 2009, the services provided by Maryland Environmental Service to the Center and recorded as expenditures totaled \$25,956.

(7) Commitments and Contingencies

The Center receives substantially all of its support from state and local governments. A significant reduction in the level of this support, if this were to occur, could have an effect on the Center's programs and activities.

These grants are subject to review and audit by the respective agencies. Such audits could result in a request for reimbursement by the respective agency for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Center management, such disallowances, if any, will be immaterial.

This information is an integral part of the financial statements.

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**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Board of Directors
Maryland Clean Energy Center
Rockville, Maryland

We have audited the basic financial statements of the Maryland Clean Energy Center (the Center), as of June 30, 2009 and for the period October 1, 2008 (date of inception) through June 30, 2009 and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Baltimore, Maryland
September 29, 2009

**Maryland Clean Energy Center
Proposed Administrative Budget
Fiscal year ending June 30, 2010**

Revenue

Montgomery County grant	270,000	
MEA Loan	<u>200,000</u>	<u>470,000</u>

Expenditures

Salaries & benefits		
Salaries	240,000	
Benefits	<u>77,000</u>	317,000
Technical & Special Fees		
Legal	7,000	
Public relations	<u>2,000</u>	9,000
Communication		
Telephone	3,200	
Postage	<u>2,000</u>	5,200
Travel		
Business travel	6,000	
Conferences	<u>3,000</u>	9,000
Contractual services		
Information systems	5,000	
Accounting & auditing	24,000	
Marketing & promotion	<u>20,000</u>	49,000
Supplies & materials		
Office supplies	<u>2,000</u>	2,000
Fixed charges		
Insurance	2,100	
Dues & subscriptions	<u>3,000</u>	5,100
		<u>396,300</u>

