



a PPL company

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
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OCT 28 2014

PUBLIC SERVICE
COMMISSION

Louisville Gas and Electric
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October 28, 2014

Re: *In the Matter of: Joint Application of Louisville Gas and Electric Company, Association of Community Ministries, Inc., People Organized and Working For Energy Reform, and Kentucky Association for Community Action, Inc. For The Establishment of a Home Energy Assistance Program, Case No. 2007-00337*

Dear Mr. DeRouen:

On June 13, 2014, Louisville Gas and Electric Company ("LG&E") filed pursuant to Ordering Paragraph No. 4 of the Commission's Order in Case No. 2007-00337, the Home Energy Assistance ("HEA") program information for calendar year 2013. At the time of the filing, LG&E had not received the Financial Statements and Independent Auditor's Report from the Affordable Energy Corporation ("AEC"). However, on October 27, 2014, LG&E received the signed report from AEC and is subsequently filing the report with the Commission. With the filing of this report, LG&E has fully complied with the provisions of Ordering Paragraph No. 4 of the Commission's Order.

Please confirm your receipt of this filing by placing the stamp of your Office with date received on the extra copy and returning to me in the enclosed envelope. Should you have any questions regarding this information, please contact me or Don Harris at 502-627-2021.

Sincerely,

Rick E. Lovekamp

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

AFFORDABLE ENERGY CORPORATION

DECEMBER 31, 2013 AND 2012

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Providing timely, accurate, useful information to decision makers

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Affordable Energy Corporation

We have audited the accompanying financial statements of Affordable Energy Corporation, (a nonprofit organization) which comprise the statements of assets, liabilities and net assets - cash basis as of December 31, 2013 and 2012, and the related statements of revenues, expenses, and other changes in net assets - cash basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 assets, liabilities, and net assets of Affordable Energy Corporation as of December 31, 2013 and 2012, and the revenues, expenses, and other changes in net assets for the years then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Anderson, Bryant, Lasky + Winlow, P.S.C.

Louisville, Kentucky
May 22, 2014

STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS
AFFORDABLE ENERGY CORPORATION
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash - checking	\$ 76,183	\$ 43,937
Cash - savings	<u>7,609</u>	<u>7,607</u>
Total assets	<u>\$ 83,792</u>	<u>\$ 51,544</u>
LIABILITIES AND NET ASSETS		
NET ASSETS		
Unrestricted	<u>\$ 83,792</u>	<u>\$ 51,544</u>
Total liabilities and net assets	<u>\$ 83,792</u>	<u>\$ 51,544</u>

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

**STATEMENTS OF REVENUES, EXPENSES AND OTHER
CHANGES IN NET ASSETS - CASH BASIS
AFFORDABLE ENERGY CORPORATION
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

CHANGES IN UNRESTRICTED NET ASSETS	<u>2013</u>	<u>2012</u>
Revenue and support		
Administrative fee	\$ 198,276	\$ 114,000
Interest income	2	4
Other income	<u>10,000</u>	<u>-</u>
Total unrestricted revenue and support	<u>208,278</u>	<u>114,004</u>
Expenses		
Salaries	65,184	54,313
Payroll taxes and benefits	19,928	15,161
Computer assistance	6,475	6,086
Program expense	10,000	-
Contract services	15,409	12,682
Insurance	1,901	2,095
Intake training	6,872	4,890
Office supplies and expense	26,049	8,539
Postage	7,582	6,738
Professional fees	5,013	3,900
Rent	7,150	6,600
Telephone and internet	4,268	2,172
Advertising	<u>199</u>	<u>-</u>
Total expenses	<u>176,030</u>	<u>123,176</u>
Increase (decrease) in unrestricted net assets	32,248	(9,172)
Net assets, beginning of year	<u>51,544</u>	<u>60,716</u>
Net assets, end of year	<u>\$ 83,792</u>	<u>\$ 51,544</u>

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

**NOTES TO FINANCIAL STATEMENTS
AFFORDABLE ENERGY CORPORATION
DECEMBER 31, 2013 AND 2012**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Affordable Energy Corporation (the Organization) was organized in 1992 to provide financial and other forms of assistance to low-income households in order to ensure that their basic energy needs are met, that the crisis of disconnection is avoided and that energy is conserved whenever possible. Affordable Energy Corporation works to gather and create the resources to accomplish these goals and works cooperatively with government, utility and social service agencies where appropriate. The Organization serves customers in the Louisville Gas & Electric Company service area that includes Louisville, KY and the surrounding counties.

The Organization is paid an administrative fee by Louisville Gas & Electric to administer the program through December 31, 2015. The financial statements of the Organization report only the administrative expenses of the program. The utility assistance payments are made directly by Louisville Gas & Electric Company.

Basis of Accounting

The financial statements of the Organization have been prepared on the cash basis of accounting. Under this basis, revenue is recorded when collected rather than when earned and expenditures are recorded when paid rather than when incurred. Consequently, these financial statements are not intended to present financial position or the results of operations in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with regards to financial statements of Not-for-Profit Organizations. Under this guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net assets categories follows:

NOTES TO FINANCIAL STATEMENTS – CONTINUED

Unrestricted net assets: include the portion of expendable funds that are not subject to donor-imposed stipulations.

Temporarily restricted net assets: include gifts for which donor-imposed restrictions have not been met.

Permanently restricted net assets: include amounts which the donor has stipulated that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management has concluded that any tax positions that would not meet the more-likely-than-not criterion of FASB ASC 740-10 would be immaterial to the financial statements taken as a whole. Accordingly, the accompanying financial statements do not include any provision for uncertain tax positions, and no related interest or penalties have been recorded in the statements of revenues, expenses and other changes in net assets – cash basis or accrued in the statements of assets, liabilities and net assets – cash basis. Federal and state tax returns of the entity are generally open to examination by the relevant taxing authorities for a period of three years from the date the returns are filed.

Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through May 22, 2014, which was the date at which the financial statements were available to be issued.

Advertising

The Organization uses advertising and marketing to promote its programs among the audiences it serves. Advertising/marketing costs are expensed as incurred and were \$199 and \$0 for the years ended December 31, 2013 and 2012, respectively.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 2. CONCENTRATIONS OF CREDIT RISK

The Organization receives 100% of its total program revenues from Louisville Gas & Electric by contractual agreement through December 2015. Reductions in funding of this program by Louisville Gas & Electric could have an adverse effect on the operations of the Organization.

NOTE 3. LEASE

The Organization receives donated office space in Louisville, Kentucky. The Organization pays an unspecified amount each month to help cover utility costs and classifies the costs as rent expense.

The rent expense for the years ended December 31, 2013 and 2012 was \$7,150 and \$6,600, respectively.

NOTE 4. FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses are allocated to program and management and general on the basis of time spent. Expenses by function were as follows:

	<u>2013</u>	<u>2012</u>
Program services	\$ 158,427	\$ 110,858
Management and general	<u>17,603</u>	<u>12,318</u>
	<u>\$ 176,030</u>	<u>\$ 123,176</u>