LG&E

a PPL company

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Kentucky Public Service Commission
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Frankfort, KY 40602-0615

RECEIVED
DEC 19 2019
PUBLIC SERVICE COMMISSION

December 19, 2019

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 Ms. Pinson:

On June 28, 2019, 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 2018. 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"). On December 17, 2019, LG&E was provided 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

August 24, 2019

To the Board of Directors
Affordable Energy Corporation

We have audited the financial statements of Affordable Energy Corporation for the year ended December 31, 2018 and have issued our report thereon dated August 24, 2019. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 19, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Affordable Energy Corporation are described in Note 1 to the financial statements. We want to emphasize one accounting policy:

> The financial statements of Affordable Energy Corporation have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

We also would like to emphasize one accounting policy adopted:

> In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses. The 2017 financial statements have been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A schedule of these audit adjustments is attached.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 24, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the finance committee, board of directors, and management of Affordable Energy Corporation and is not intended to be and should not be used by anyone other than these specified parties.

Baldwin CPAs, PLLC

Client:	AFFORDABLE ENERGY CORPORATION
Engagement:	2018 Audit
Current Period:	12/31/2018
Workpaper:	Audit Adjustments-Excel

Account	Description	Workpaper Reference	Debit	Credit	Net Income Effect
1					
To reclass payables to conform to cash basis of accounting					
2000	Accounts Payable		1,243.00	0.00	
6143.00	Contracts Computer Technical Assistance: Hard Drive !		0.00	1,243.00	
Total			**1,243.00**	**1,243.00**	**1,243.00**
GRAND TOTAL			**1,243.00**	**1,243.00**	**1,243.00**

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August 24, 2019

To the Board of Directors
Affordable Energy Corporation

In planning and performing our audit of the financial statements of Affordable Energy Corporation as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered Affordable Energy Corporation's internal control over financial reporting (internal control) 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Affordable Energy Corporation's internal control to be material weaknesses:

Financial Statement Preparation

As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to financial statements. Management reviewed, approved and accepted responsibility for those financial statements prior to their issuance; however, management does not have the ability to evaluate the completeness of financial statement disclosures. The absence of this control procedure is considered a significant deficiency because the potential exists that a more than inconsequential but less than material misstatement of the financial statements could occur and not be prevented or detected by the organization's internal control.

A significant deficiency is a deficiency, or combination of deficiencies, in internal controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control that we consider to be material weaknesses

This communication is intended solely for the information and use of management, the board of directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Baldwin CPAs, PLLC

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Independent Auditors' 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 and net assets - cash basis as of December 31, 2018 and 2017, and the related statements of revenues, expenses, and changes in net assets and functional expenses - 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.

Auditors' 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 auditors' 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 and net assets – cash basis of Affordable Energy Corporation as of December 31, 2018 and 2017, and the revenues, expenses, and changes in net assets and the statements of functional expenses – cash basis 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.

Baldwin CPAs, PLLC

Louisville, Kentucky
August 24, 2019

Affordable Energy Corporation
Statements of Assets and Net Assets – Cash Basis
December 31, 2018 and 2017

	2018	2017
Assets		
Cash - checking	$ 42,134	$ 95,229
Cash - savings	7,615	7,610
Total Assets	$ 49,749	$ 102,839
Net Assets		
Net assets without donor restrictions	$ 49,749	$ 102,839
Total Net Assets	$ 49,749	$ 102,839

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

Affordable Energy Corporation
Statements of Revenues, Expenses and
Changes in Net Assets – Cash Basis
For the Years Ended December 31, 2018 and 2017

	2018 Without Donor Restrictions	2017 Without Donor Restrictions
Revenue and Support:		
Administrative fee	$ 174,000	$ 174,000
Interest income	4	3
Total Revenue and Support	174,004	174,003
Expenses:		
Program services	196,160	161,559
Mangagement and general	30,934	25,829
Total Expense	227,094	187,388
Change in Net Assets	(53,090)	(13,385)
Net Assets, Beginning of Year	102,839	116,224
Net Assets, End of Year	$ 49,749	$ 102,839

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

Affordable Energy Corporation
Statements of Functional Expenses – Cash Basis
For the Years Ended December 31, 2018 and 2017

	2018			2017		
	Total	Program Services	Management and General	Total	Program Services	Management and General
Wages	$ 94,670	$ 85,203	$ 9,467	$ 83,547	$ 75,192	$ 8,355
Payroll taxes	8,176	7,358	818	6,816	6,134	682
Employee benefits	24,545	22,091	2,454	21,375	19,238	2,137
Professional Fees	16,536	14,882	1,654	21,104	18,994	2,110
Accounting	9,138	-	9,138	7,878	-	7,878
Occupancy	6,600	5,940	660	7,150	6,435	715
Postage	12,297	11,067	1,230	3,618	3,256	362
Contracts	3,054	2,749	305	2,189	1,970	219
Information technology	17,692	15,923	1,769	6,118	5,506	612
Telephone	7,503	6,753	750	5,852	5,267	585
Office expenses	6,143	5,528	615	6,429	5,786	643
Insurance	2,371	2,134	237	2,360	2,124	236
Training	14,492	13,043	1,449	11,010	9,909	1,101
Membership dues	226	203	23	479	431	48
Advertising	3,651	3,286	365	1,463	1,317	146
Total expenses	$ 227,094	$ 196,160	$ 30,934	$ 187,388	$ 161,559	$ 25,829

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

Affordable Energy Corporation
Notes to Financial Statements
December 31, 2018 and 2017

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

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. 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 consolidated financial position and activities according to two classes of net assets. A description of the net assets categories follows:

> Net assets without donor restrictions: expendable funds that are not subject to donor-imposed stipulations or invested in land, building and equipment.
>
> Net assets with donor restrictions: stipulated by donors for specific operating purposes or are restricted by time. These include donor restrictions requiring that the corpus to be invested in perpetuity and only the income be made available for operations in accordance with donor restrictions.

Expense Allocation

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, costs have been allocated among the program and supporting services benefited. Expenses are allocated on the basis of estimates of time and effort.

Note 1 – Summary of Significant Accounting Policies (Continued)

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.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the same period in which the contributions are recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires because the contributed resources are spent in accordance with the donor's instructions or because of passage of time, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restriction. In the absence of donor restrictions to the contrary, restrictions on contributions of property or equipment or on assets restricted to acquiring property or equipment expire when the property or equipment is placed in service.

Recently Issued Accounting Standards

For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-profits (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not for profit entities. A new disclosure was added to provide clarity about the liquidity and availability of resources for the upcoming fiscal year (see Note 4). The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in current year financial statements.

Note 2 – Concentration of Credit Risk

The Organization receives 100% of its total program revenues from Louisville Gas & Electric by contractual agreement. 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, 2018 and 2017 was $6,600 and $7,150, respectively.

Note 4 – Liquidity and Availability of Financial Assets

The following table reflects the Organization's financial assets as of December 31, 2018 available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

Financial Assets	
Cash - checking	$ 42,134
Cash - savings	7,615
Total financial assets available	$ 49,749

In addition to financial assets available to meet general expenditures over the year, the Organization anticipates covering its general expenditures by collecting sufficient program revenues.

Note 5 – Accounting Standards Update

Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958)

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958),* to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU will be effective for the Organization for the year ending December 31, 2019. The Organization is currently evaluating the effect that the new standard will have on its financial statements.

Note 6 – Subsequent Events

Management has evaluated subsequent events for recognition or disclosure in the financial statements through August 24, 2019, which was the date at which the financial statements were available to be issued.