



# MARYLAND

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## CLEAN ENERGY CENTER

ANNUAL REPORT FY 2011



October 1, 2011



# MCEC 2011 Annual Report

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## **Board of Directors**

George Ashton

Jeremy Butz

Kenneth Connolly

Carol Collins

Jeffrey Eckel, Chairman

Isaac Opalinsky

Jill Sorenson

Eric Wachsman

Malcolm Woolf, Ex Officio

## **Executive Director**

I. Katherine Magruder

## Message from the Chairman



Over this past fiscal year the Maryland Clean Energy Center has been working to heighten awareness, foster dialogue and facilitate partnerships to deliver on a mission very broad in scope. MCEC leadership is keenly aware of the fiscal challenges that create a competitive environment for any commitment of public funding in these economic times and is dedicated to implementing strategies that will allow for sustainability from private sources of funding.

MCEC put programs in place this year to help consumers, support local communities, and encourage businesses to succeed with efforts to save energy, increase renewable generation, and create jobs- all aligned with Governor O' Malley's energy goals.

In the year ahead, Maryland Clean Energy Center will continue its work in innovative financing of energy efficiency for residential (MHELP) and institutional clients, filling a market-void with private sector capital solutions. We will continue to reach out to the consumer public to demystify energy consumption options and we will work to convene the industry sector to influence policy decisions that we better enable Maryland to be a leading state in the clean tech economy.

Sincerely,

A handwritten signature in black ink, consisting of several overlapping, stylized loops and lines, representing the name Jeff Eckel.

Jeff Eckel  
Chairman of the Board

## Message from the Executive Director



Throughout the second full year of operation, MCEC has become established as a go-to resource in Maryland promoting clean energy across the state by providing assistance to: businesses in creating new green jobs, consumers in making clean energy choices, investors in developing innovative solutions and legislators in determining public policy.

This report covers activity for fiscal year 2011, a period from July 1, 2010 to June 30, 2011. During that time frame there were transitions in leadership, in board composition, and in staffing that helped stabilize the management foundation.

During this period MCEC was awarded funding to expand Outreach and Education activities and provide Local Funding Assistance awards for projects that would install renewable power generation and/or reduce energy consumption and cost. Projects funded across the state are shining model examples of what is possible and could be replicated by other communities.

The Maryland Clean Energy Loan Program (MHLEP) was launched in this term and is helping residential property owners obtain energy audits and finance necessary improvements to reduce their power bills and make their homes more comfortable while reducing their carbon footprint and supporting jobs. All positive impacts!

MCEC held the first of what is intended to be an annual event with the Maryland Clean Energy Summit 2010, focused on the theme of "*energy+environment+economy=climate change*". The event brought together thought leaders from industry, academia and government to consider how Maryland could learn from best practices and work more effectively to profit from the clean energy economy in the future. Based on the success of the Summit 2010, the first plans for Summit 2011 began shortly thereafter!

Utilizing the Clean Energy Technology Incubator network and support from partners, MCEC began to see results from efforts to identify research & development and to support entrepreneurial activity. This report highlights some success stories from MCEC efforts to support business development.

MCEC successfully convened this growing industry sector in Annapolis during the General Assembly session and worked with partners to review and comment on proposed legislation with support for bills that would grow business, create jobs, reduce carbon footprint, and encourage installation of renewable generation and energy efficiency impacts.

Looking forward to FY' 2012 MCEC intends to continue these kinds of activities.

Best regards,

A handwritten signature in black ink that reads "I. Katherine Magruder".

I. Katherine Magruder  
Executive Director

## Overview of FY '12: "Striving for Sustainability"

**The Maryland Clean Energy Center (MCEC) functions as a corporate instrumentality of the State of Maryland working toward the following statute directed purposes:**

- Promote Economic Development and jobs in the clean energy industry sector in the state;
- Promote the deployment of clean energy technology in the state;
- Serve as an incubator for the development of clean energy industry in the state;
- Collect, analyze and disseminate industry data; and
- Provide outreach and technical support to further the clean energy industry in the state.

**The MCEC work plan is focused on helping consumers, supporting businesses, and informing policy makers.**

Projects and programs involve:

- increasing access to capital for investment in the sector,
- initiating outreach and education to increase adoption of renewable energy technologies and energy efficiency practices,
- fostering effective business relationships and providing technical support for commercialization of energy related research & development,
- advancing public policy to insure a conducive environment for industry success.

Striving for sustainability was a key theme for MCEC in FY'11 at both macro and micro levels. The Board of Directors recognizes the important role MCEC can play in helping address the energy goals of the State as part of the effort to advance environmental, economic and community sustainability. During FY '11, MCEC operated primarily with carry over funds through grants awarded in FY'10. However, the sustainability of the organization itself became and remains a priority concern for leadership as it has proven a challenge to obtain and maintain funding from public sources.

## Access to Capital

### **MARYLAND HOME ENERGY LOAN PROGRAM (MHELP)**

Launched Jan 2011, after a year of effort to put appropriate legal and financial support in place, this phase one MHLEP Program began making direct loans to consumers with a pool of \$500,000 in ARRA

funds. MCEC held numerous meetings with energy efficiency contractors to invite participation and provide clarity on requirements for eligibility in MHELP. Contractors must have Maryland Home Performance with Energy Star certification and be approved by the lender, which insures that consumers will be getting reliable delivery from a qualified service provider.



MCEC engaged AFC First to coordinate the direct lending program activity and provide related administrative support including loan review and approval. Loan terms are as follows: 6.99% rate, credit score of 650 or better, loan limits between \$2,500 and \$20,000, unsecured, up to a ten year amortization period.

**As of 10/3/11, 38 loans totaling \$293,690 have been funded with an additional \$103,851 in transactions pending for total loan activity with AFC First of \$397,541. The contract with this vendor expires on November 1, 2011 and any uncommitted funds remaining will roll into the loan loss reserve program described below.**

#### **Partnerships with Lending Institutions to Leverage Funds**

In phase two, MCEC solicited proposals from private funding partners to utilize the remaining ARRA funding in a loan loss reserve program. The loan loss reserve allows MHELP to leverage \$1.5 million in public sector funds into potentially \$15 million for loans using the private lender's capital. Lender interest rates are bought down from market rates of 15% to low as 6.99% or 9.99% to make loans more attractive to consumers and help stimulate business for contractors. Mariner Finance was the first lender to express interest in the loan loss reserve program and, to date, has approved 11 of the first 13 applications they received.

**"MHELP is already responsible for our company not having to lay off employees for the winter season. And, we are just getting started with it! To me, it's all about jobs."**

**Michael Giangrandi,  
President  
A.J. Michaels Company**

This model for energy efficiency lending is the first to be implemented with ARRA funding in the country, and MCEC hopes to engage additional lending partners for an even greater increase in available funding. Lending terms were also modified in the phase two program to allow consumers to borrow for equipment retrofits without an energy audit but at a higher interest rate of 9.99%



Administration of MHELP activity is handled by the Loan Program Manager at MCEC, a position funded by ARRA grant monies that run out in March of 2012. There are currently proposals under consideration by the PSC to redirect some of the utility managed EMPOWER funds for energy efficiency to support MHELP. The additional loan loss reserve, rate buy down and administration is an idea that MCEC endorses.



## LOCAL FUNDING ASSISTANCE AWARDS

Using grant funds awarded by the General Assembly, MCEC implemented a round of funding awards to county and municipal partners. Funds were awarded following an RFP process and review of proposals to determine capacity for renewable power generation, energy efficiency savings, public visibility, and leverage of public to private investment, as well as any potential return on investment to MCEC.

The completed projects to date have resulted in 30 kW of generation, approximately 600,000 of saved kWh and \$57,000 in costs saved. MCEC believes that this kind of direct investment is positive because these applications are high profile and impactful. Some project developers have also agreed to provide a financial return to MCEC that can be used in future projects. Should additional funding be made available in the future, MCEC would like to continue this program on an ongoing basis. Out of 21 applications received, the following project awards were made:



### **CITY OF FREDERICK/ Nexus New Energy Homes** **\$70,000**

Nexus has created a unique partnership with the local housing authority to build affordable new net zero energy homes within the city. The cutting edge design of these dwellings will advance energy efficient and renewable generation technologies, and create hundreds of jobs in the building trade and construction sectors as the project is completed. Funds will be used to purchase equipment and materials and to help satisfy minimum equity requirements and leverage additional private sector investment.

### **BALTIMORE COUNTY/ Amidus** **\$73,100**

A 9 kW solar photovoltaic electric system will be installed to generate power for the facility and a touch-screen monitoring display will be installed in the lobby of the Clean Energy Technology Incubator at the University of Maryland – Baltimore County. Management, tenants and visitors to the facility will be able to view real time measures of this renewable power generation technology at work. MCEC will be able to recycle some of the funding provided with this solar project through the sale of SRECs providing a return on investment.

### **CHARLES COUNTY/ Crain Memorial Welcome Center** **\$50,000**

County leaders are installing a 20 kilowatt wind energy generating system at the Welcome Center and ultimately envision the project as part of a Renewable Energy Education Center to be established in the future at the site in Charles County.

### **CECIL COUNTY/ Fair Hill Nature Center** **\$48,000**

Funds will cover costs of installing a geothermal energy system to increase heating, ventilation and cooling efficiency at this non-profit environmental education center.



**TOWN of EASTON/ Traffic Signals**

**\$16,058**

Drivers may not notice but the town will certainly see the savings from retrofits of traffic signals with LED (light-emitting diode) bulbs. Changing out the old to the new bulbs is estimated to reduce demand for energy by 88,334 kilowatt hours and \$8833 per year.

**TOWN OF RIVERDALE PARK/ Town Hall and Public Works Building**

**\$30,000**

Staff look forward to a more comfortable work environment in the months ahead as a result of this funding that will allow for upgrades to heating, ventilation and cooling system in the town offices.

**CITY OF HAGERSTOWN/ Public Garage Lighting**

**\$69,000**

Over 151,000 kilowatt hours of electricity generation won't be needed anymore and the town anticipates saving over \$15,000 per year in energy costs by replacing 92 metal halide lights with new LED fixtures in the Hagerstown public parking garage.



**CITY OF BALTIMORE/ SavWatt**

**\$26,000**

Funds will be used for the installation of an “Eco Pole”, which utilizes energy efficient LED lighting combined with wind and solar power generation, on the roof of the Maryland Science Center in the Inner Harbor. An education component is included in this project that calls for an integrated monitoring system to be visibly placed in a main floor kiosk by Baltimore based manufacturing company, SavWatt.

**CITY OF FROSTBURG/ Hydro Electric Power Generation**

**\$50,000**

The city plans to utilize these funds in part to purchase equipment and install a low head hydroelectric plant allowing for recovery of energy costs associated with pumping raw water up the west face of Big Savage Mountain from sources in Garrett County. Estimated to reduce power demand by 240,768 kilowatt hours per year along with the associated costs, the project allows the City to keep public water operations supplied with locally-generated energy in the event of problems with the electrical grid.

**HOWARD COUNTY/ Morningside Senior Living Community Lighting Retrofit**

**\$11,121**

The Howard County Housing Authority will use these funds to replace current lighting in their senior living facility with more efficient high performance units and CFLs. The project is estimated to generate energy savings exceeding 37,000 kilowatts per year and save over \$7,500 in energy costs.

**PRINCE GEORGE’S COUNTY/ Town of Edmonston Town Hall Solar Installation**

**\$18,000**

Town leaders want to stabilize energy costs and insure reliability with installation of a 2 kW solar photovoltaic system on the Town Hall. Funding will help cover the costs associated with purchasing the panels.

**CITY OF SALISBURY/ Fire Department Lighting Retrofit**

**\$24,812**



Funds will be used to facilitate a lighting retrofit to the oldest fire station in the town, built in 1930. Fire Chief Simpson said the project entails, “replacing 69 fixtures with CFLs and installing 4 supporting cord reels in the ceiling infrastructure both in the apparatus bay and living quarters.” This effort will not only result in

cost savings estimated to exceed \$6,000 annually, it will also improve lighting and safety for employees.



## Outreach & Education

Since inception, MCEC has earned recognition as an independent broker and a go-to resource for information. The center hosted the first of what will be annual conference events in FY'11, designed to convene industry leaders, policy makers and representatives from NGOs to learn about best practices, as well as potential recommendations for proposed policy. MCEC responds to requests for information and assistance on a regular basis directing inquirers to the best sources depending on the inquiry. In FY' 11, staff **responded to over 165 diverse inquiries**.



The Maryland Clean Energy Summit 2010 was held in October 2010, and was considered to be very successful for a first time event. The program provides opportunity for business-to-business, business-to-government, and business-to-consumer interaction. Over 275 attendees registered and over 70 exhibitors were present for the one day event.

The Summit 2011 was scheduled to take place in late August but was postponed until late October of 2011 due to damage to the host venue from an unusual earthquake that took place two days prior to the originally scheduled event. At the time of this report, 296 attendees were registered to attend the conference with 50 exhibitors committed to participate. The Summit is scheduled to take place over a three day period. The third day, Saturday, will be consumer-focused and offer free seminars.

### **WEBSITE & RESOURCE DATA BASE**

MCEC maintains an informative website that serves as a directory for businesses, contractors and service providers, as well as an easy-to-access source of content. In FY'11 MCEC invested in several improvements to the site to make the experience more user-friendly and effective. New content was developed and added in early FY'12 on retail choice, success stories of related businesses and MCEC loans. **The site received 13,829 hits between 7/1/09 and 9/27/11. At this time, 461 companies are registered in the data base, up from the total of 450 in FY'10.**

### **NEWSLETTER - "The Current"**

A monthly newsletter is produced and released covering timely and informative topics and events. **Subscribership almost doubled from 1000 in FY'10 to 1821 as of October 2011.** This outreach activity was funded by ARRA grant funds in FY'11, and is hoped to continue after FY'12 if funding is available.



## EVENT ATTENDANCE, ADVERTISING & SPONSORSHIP

In FY' 11 MCEC sponsored and or attended events in the list that follows, reaching an audience exceeding 2000 in person and 80,000 through direct advertising. MCEC is particularly proud to have sponsored the student/faculty team that competed to win first place in the US DOE Solar Decathlon.

- Potomac Region Solar Energy Association- Homeowner Seminar
- Annual Conference Md. Delaware Virginia Solar Electric Industry Assoc.
- Friends of Frederick County Winter/ Spring Sustainability Film Series
- Charles County Green Symposium
- Solar Energy World Earth Day Event
- Bethesda Green "Greening Condos" Series
- Solar Wind Expo
- City of Frederick Energy Forum
- Rep. Bartlett "Go Green Expo"
- University of Maryland WaterShed  
US DOE Solar Decathlon Entry



WaterShed team sponsors and members pose for a picture taken at a pre-construction event held in College Park.

## Business Development

MCEC has successfully supported business development in the sector primarily by fostering connections and networking activity, as well as through the establishment of its Clean Energy Technology Incubator Network. Efforts this year have also been focused on facilitating access to capital by exercising the capability to issue bonds as a financing tool.

### IMPLEMENT BONDING CAPABILITY

The MCEC enabling statute empowers the organization with the capability to issue tax exempt bonds for project development in the clean energy and energy efficiency space. Using this tool to enable projects that are advantageous to investors will foster related employment opportunities and may help sustain MCEC over time.

During FY' 11 the Board of Directors took all the necessary formal steps to launch such activity, and engaged bond counsel in early FY'12. The Board intends to utilize revenue generated from this activity as a sustainable funding source for MCEC operations in the future.



## CLEAN ENERGY TECHNOLOGY INCUBATOR (CETI) & INNOVATION NETWORK

CETI is an energy knowledge center that stimulates energy innovation in Maryland as part of Maryland’s clean energy ecosystem where ideas related to clean energy are discussed, researched, and disseminated. Participants in these discussions are academics, entrepreneurs, policy makers, public, and other interested

parties. Topics of discussion center around technical research, policy, and market opportunities to stimulate research, create new companies, increase the awareness of energy issues, and enhance Maryland’s reputation as a serious supporter of clean energy. CETI serves to:

- Be a resource center for Maryland’s incubators.
- Be a “clearinghouse” for information about clean energy in Maryland.
- Perform “outreach” activities to share information.

MCEC partners with umbc@bwtech, located on the campus of UMBC in Catonsville, as a base of efforts to advance innovation and support start-up companies in the energy sector. A jointly funded entrepreneur-in-residence maintains offices at the South Rolling Road facility and is currently working part time to coordinate related activities and build out the network.

**“The number of start-up energy companies has almost doubled in Maryland during the last 12 months.”**

*Bjorn Frogner  
Entrepreneur-in-Residence  
Maryland Clean Energy  
Technology Incubator*

The network is developed through working relationships with researchers and companies that are tenants of the incubator or through formal and informal affiliation.

**As of October 2011 there are 6 tenants and 10 affiliates with CETI, an increase from the end of 2010 when there were 5 tenants and 2 affiliates. An inventory of energy companies based in the 21 incubators in Maryland in October 2011 shows a total of 41 start-up energy companies, increased from 21 counted at this time last year.**

Specific seminars sponsored to foster success and advance certain topics impacted over 500 attendees. CETI convenes experts on Cyber Security for the Smart Grid and coordinates visits with foreign business interests. **(See Appendix A: CETI FY’11 Events)**

With appropriate funding invested in this effort, MCEC believes even greater results could be achieved.

## SUCCESS STORIES

Harness Industries, a newly formed company that recently joined the Clean Energy Technology Incubator (CETI) at the University of Maryland Baltimore County, will use renewable energy to enable owners of large parking lots to generate revenue on what has traditionally been unprofitable space.



Most parking lots constitute a major expense for companies. While imperative for a business to exist, non-commercial lots provide cost a great deal to build and maintain yet create no direct revenue for the companies whose employees and customers utilize them.

Harness Industries' signature product – OSPRES (Off-Street Parking Regaining Environmental Sustainability) – will change all that. OSPRES utilizes a canopy structure equipped with Solar PV and Solar Hot Water panels that stands over parking spaces. The solar power generated by OSPRES serves as a significant revenue source, as it can be sold to utilities that are required to offer a certain percentage of clean energy.

In addition to generating 100 percent renewable energy, OSPRES manages and mitigates storm water to further bolster its economic impact. The system, which is ideal for shopping centers, universities and large office complexes, is highly scalable in design. Each standard canopy unit covers eight parking spaces; however, because of its in-house manufacturing capabilities, Harness Industries is also able to customize installations.

By working with the Maryland Clean Energy Center, Harness Industries has been able to tap into a variety of resources across the state; the company's relationship with MCEC helped Harness Industries secure a place at UMBC's CETI, which company officials say has provided the company with the flexibility it needs to build its operations and customer base.

Harness was founded with the goal to provide innovative solutions to the utilities and communications industries.

Our Expertise can help integrate solutions in the following fields:

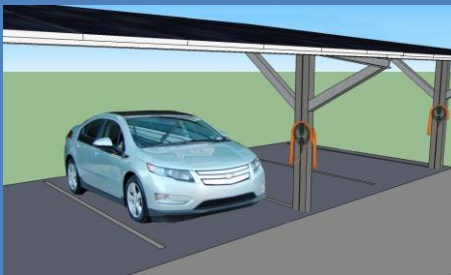
- Data Systems
- Solar Electricity Generation Development
- Wind Electricity Generation Development
- Renewable Energy and Backup Power Systems
- EV Infrastructure Development
- Advanced Battery Systems
- Sustainable Real Estate Development and Building Operations
- New and Retrofit Construction Management





The company already has completed several groundbreaking projects:

- The first EV solar charging station with integrated energy storage at a federal government facility – the U.S. Department of Veterans Affairs office in Martinsburg, West Virginia;
- The first commercially financed Smart Grid-compliant solar EV charging station at the General Motors/Allison Transmission headquarters in White Marsh, Maryland;
- Inclusion in the design of the first net-zero community in the nation – the Nexus Homes Community in Frederick, Maryland.



TimberRock Energy Solutions is making the promise of 100 percent “clean” electric vehicles (EVs) a reality. The Frederick-based company engineers customizable solar-powered EV charging stations that ensure the vehicles’ environmental benefits aren’t diminished by relying on electricity generated by coal or other “dirty” sources of energy.

As the EV market grows – various studies estimate there will be one million EVs on the road by 2015 – demand for TimberRock’s innovative products is rapidly increasing. TimberRock is developing multiple scalable designs that can be tailored for use in various residential or commercial settings. The highly cost-efficient systems enable owners to generate energy that reduces their traditional power consumption and utility bills. The stations also store surplus energy that provides various smart-grid benefits to utilities.

“The way we generate and use energy in the next 20 years will be very different from the way we did over the past 20 years,” said TimberRock Founder and CEO Brent Hollenbeck. “There is a strong demand for a changing infrastructure and we are meeting that demand.” Hollenbeck added that working with the Maryland Clean Energy Center has been key factor in its success and company growth. “MCEC has been instrumental in helping us develop a network of potential business partners and customers,” he said.





High-tech scientists and old school farmers have one thing in common -- the desire to increase agriculture's profit levels while minimizing its environmental impact.

Plant Sensory Systems, an agricultural biotech, has the potential to make farming far more lucrative by significantly reducing most farmers' largest expense: the cost of nitrogen-based fertilizer. Properly limiting that expense has environmental benefits as well -- the less fertilizer used, for example, the less that has the potential to find its way into various water sources via runoff.

Founders Frank and Kathleen Turano utilize their understanding of signaling pathways and their expertise in plant nutrient and stress sensory systems to enhance specific plant traits to optimize agricultural performance.

Technologies such as the NUE/Stress Tolerance technology increase crop yields by bolstering plants' response to the three most critical environmental factors: nitrogen availability, water availability and high temperatures. Plants with Plant Sensory Systems' NUE/Stress Tolerance technology produce greater-than-normal yields without the standard application of nitrogen-based fertilizer or water. Another key Plant Sensory Systems initiative is the company's Metabolic Regulator technology, a platform that has the ability to manage entire metabolic pathways and is readily transferable to any crop. The technology has been applied to increase seed oil content that will boost per-acre productivity and help meet the rapidly growing demand for biodiesel and food.

With the support of the Maryland Clean Energy Center (MCEC), Plant Sensory Systems has been able to advance its work of modifying plants on the molecular level so they require significantly less nitrogen to produce comparable yields. MCEC is supporting Plant Sensory Systems' revolutionary work by introducing the company to potential sources of funding and a wide range of possible business partners.



With the support of the Maryland Clean Energy Center (MCEC), Plant Sensory Systems has been able to advance its work of modifying plants on the molecular level so they require significantly less nitrogen to produce comparable yields. MCEC is supporting Plant Sensory Systems' revolutionary work by introducing the company to potential sources of funding and a wide range of possible business partners.

## **Advocacy**

In an effort to insure the state offers a policy and regulatory environment conducive for successful advancement and job creation in this emerging sector, MCEC provides resource information and has been engaged in legislative activity on the state and local levels. With a neutral agenda as specified in its mission, MCEC has a unique ability to convene and represent relevant stakeholders and plays a valuable role in the policy making and implementation process. During FY'11, relevant activity included:

### **Maryland Association of Counties CONFERENCE**

MCEC participated as an exhibitor at the summer 2011 event, along with Timberock, a company that manufactures and installs solar electric vehicle charging stations.

### **LEGISLATIVE COMMITTEE**

#### **SUPPORTS LEGISLATION THAT WILL:**

- **Create Clean Energy Jobs**
- **Help Consumers Reduce Energy Use**
- **Reduce Greenhouse Gas Emissions**
- **Raise Profile, Increase Awareness, & Build Champions**
- **Foster Collaboration & Facilitate Partnerships**
- **Support Technical Innovation**
- **Encourage Entrepreneurship**
- **Provide Sustainable Funding for MCEC**

During the 2011 Legislative Session MCEC maintained a Legislative Committee comprised of a cross section of representatives from industry and advocacy group. The committee reviewed over 70 pieces of energy-related legislation through certain filters to determine if MCEC should take a position on any. The group weighed in each week and posted a position on 40 bills. MCEC staff and/ or representatives testified on 18 bills over the course of the session.



### **LEGISLATIVE RECEPTIONS**

Events designed to create opportunities for industry to interface with elected officials were held in January and March of 2012.

Speakers included a presentation from Susan Gray, DNR Power Plant Review Program, to talk about studies underway at that time.





# Forecast for FY '12-13: "Increasing Access to Capital"

## Help Consumers

### CONTINUE & EXPAND MHELP

MCEC will continue to offer loans at a reduced interest rate for consumers in FY'12. Pending the decision of the PSC to direct funding to support the Maryland Home Energy Loan Program with future funding, MCEC could expand the residential program and/ or implement small commercial lending for similar purposes. However, additional funding to administer the program will be required.



### CLEAN ENERGY SUMMIT

A report from the 2011 Summit will be drafted and posted following the event held in late October 2011. The MCEC Board will evaluate the outcomes of the previous two events and decide if one will be staged in 2012

### LAUNCH "POWER TO CHOOSE" [www.mdcleanenergy.org/powerchoose](http://www.mdcleanenergy.org/powerchoose)

Since Maryland is a deregulated state, competitive retail choice for power purchase is a subject that many consumers are confronting. Contract offerings are showing up on doorsteps via the mail and many consumers find the concept of deciding their best options to be a daunting task. MCEC is developing web content and print collateral to help consumers "step" through their decision and avoid pitfalls in the process. Additionally, MCEC sees the opportunity to encourage consumers to price, shop and choose "green" renewable power sources as part of the generation mix they buy. This will help drive demand and encourage investors to finance more renewable-generation installation. The soft launch of the web pages happened late September 2011 with public launch slated for November 2011.

### SENIOR AUDIENCE OUTREACH INITIATIVE

Planning is currently underway to implement an initiative in partnership with the Maryland Department of Aging.



## Support Businesses

### ADVANCE INNOVATION & EXPAND CLEAN ENERGY TECHNOLOGY INCUBATOR & INNOVATION (CETI) NETWORK

MCEC is working with private sector partners to develop and implement initiatives designed to match evolving technologies with appropriate counter parties and help prove the viability of products or concepts in the clean tech sustainability space. MCEC seeks to create a centralized resource to support these activities at every stage of the business development pipeline with off take opportunities easy to access for investors. MCEC is working to find resources to continue its current level of innovation advancement activity and to expand the CETI network.

### VENTURE FORUM

As part of the effort to increase access to capital and help Maryland start-up companies gain access to markets for their products, MCEC would like to host a venture forum event. MCEC also plans to sponsor and work with organizers of the Clean Tech Open to bring technical support and possible funding to those companies.

## Inform Policy Makers

### BOOTCAMP WEBINAR SERIES

Beginning in FY '12, MCEC

implemented plans to host a series of webinars designed to assist local planning and elected officials in becoming more informed and competent to implement policy, enter into power purchase agreements and install generation technologies. The program also addressed the

need for local communities to have an emergency plan for energy supply if circumstances dictate. These 30 minute sessions were initially offered live and then made available for future download via the MCEC website. Accompanying support documents and model policies are also available as



## RECRUITING YOU TO OUR NEW WEBINAR SERIES

Local governments are real leaders in the deployment of clean energy technologies and energy efficiency measures. Careful implementation of innovative policies and strategic purchase agreements will transform the way Maryland uses and generates energy. Sign up for this series to examine model policies, best practices and critical considerations to get your troops into action!

### RENEWABLE ENERGY BOOT CAMPS

Especially for Elected Officials, Planning and Permitting Professionals  
Call the Maryland Clean Energy Center at 301-738-6280



FOR DETAILS AND TO REGISTER, GO TO [WWW.MDCLEANENERGY.ORG](http://WWW.MDCLEANENERGY.ORG)  
OR EMAIL [BOOTCAMP@MDCLEANENERGY.ORG](mailto:BOOTCAMP@MDCLEANENERGY.ORG).



## ★★★★★ BOOT CAMP

- SEP 14** Community Strategic Energy Plans: Roadmaps for Success/ Maximizing Stakeholder Participation
- SEP 22** Reducing Power-Loss Risk: New Energy Assurance Plans Honoring National Preparedness Month
- OCT 12** Community Renewables: Unleashing Clean Energy Investment in Your Community
- OCT 26** Wind Power Opportunities and Ordinances: Onshore, Offshore and Rooftop Projects
- NOV 9** Electric Vehicle Infrastructure Municipal EV Readiness
- NOV 30** New Bang for the Municipal Buck: MCEC's new Tax Free Bonds Leverage Energy Savings

part of the reference library hosted on the site. MCEC worked with MML, MACo and the Maryland Association of Planners to promote the program. Over 90 registered to attend at least one of the six programs offered in the series.

### **LEGISLATIVE RELATIONS**

MCEC is scheduled to hold the Annual Legislative Reception again in Annapolis on February 8, 2012. A Legislative Committee will likely be convened to review pending legislation, but MCEC's direct involvement in legislative relations may be scaled back pending availability of personnel and time resources.

### **MARYLAND MUNICIPAL LEAGUE CONFERENCE AND WORKSHOP**

A proposal has been submitted to MML for MCEC to coordinate and host a workshop at the annual summer conference related to energy planning, management and policy adoption.

### **BENCHMARK METRICS TO MONITOR IMPACTS**

As an independent, third party source, MCEC intended to capture and consolidate certain data points to evaluate the growth and development of the sector over time. Advisors have encouraged the center to issue an annual "state of the industry" report that might help identify Maryland in a competitive light, utilizing information available from existing

federal, state and private sources including the PSC, DLLR, RGGI, US DOE and US DOL. The organization should also identify and compile a set of internal measures to evaluate the impact of the organization specifically as well as the broader set measures.

MCEC should also develop and release case studies to drive consumer confidence in potential savings and investment.

In FY'12 and beyond, MCEC could certainly initiate this activity, pending the availability of funding.

#### Relevant Annual Data Measures:

- Revenues by appropriate NAICS
- Direct & induced employment
- kWh Renewable energy generation
- kWh of energy consumption
- RECs sold
- GHG emissions
- Energy Start-up Companies
- Related Patents issued
- Financing Programs and Incentives

## **MCEC FUNDING & FINANCIAL STATEMENTS**

The FY'11 budget was funded with remaining cash on hand from a loan made to MCEC by MEA in FY'10 and the continued commitment of grant funds from Montgomery County, which in part covered FY'10 expenses as well.

Sponsorship, fees and donation funding raised by MCEC in FY'11 exceeded \$151,000, and were collected largely in relation to strategic initiatives, including hosting the Maryland Clean Energy Summit and Legislative Day activities. The Center ended the fiscal year with a fund balance of \$416,202 which is currently the only confirmed source of funding to allow operations to continue into FY'2012.

MCEC FY'12 budget calls for additional revenue generation from the Maryland Clean Energy Summit and from bonding activity generated over Q1 and Q2 to insure the organization is solvent through the remaining two quarters of FY'12 and beyond.

## **APPENDICES**

**A. CETI FY'11 Events**

**B. MCEC 2011 Advisory Board Members**

**C. MCEC FY '11 Financial Statements**

**D. MCEC FY '12 Projected Administrative Budget**



**APPENDIX A:  
CETI FY'11  
EVENTS**

<b>CETI PROGRAMS &amp; EVENTS</b>			
<b>Jul. 2010 -Oct. 2011</b>			
<b>Date</b>	<b>Event</b>	<b>Approx # of Attendees</b>	<b>Comments</b>
8-Sep-10	A Smart Grid Perspective: Finding Value in the Collision of Energy and Information	25	Peter Kelly-Detwiler, SVP at Constellation.
20-Sep-10	Integrated System Model for Electric Grids	12	Robert Broadwater, Professor at Virginia Tech.
13-Oct-10	Electric vehicles infrastructure. Challenges and opportunities	14	Jill Sorensen, Executive Director of BEVI + Mahi Reddy, Founder and CEO of SemaConnect.
3-Nov-10	Smart Grids & Smart Buildings: Key areas that will influence the future of both	20	Cassandra Quaintance from Schneider Electric.
17-Nov-10	\$20 Billion solar opportunity: India's National Solar Mission (and how to participate in that)	10	Pranay Kohli, Founder and President of Amidus.
14-Dec-10	Control System Cyber Security	70	Hosted and organized by CETI. This meeting had well-known experts in the subject speak.
15-Feb-11	NIST Regional Outreach Meeting on Control System Cyber Security activities	140	Six invited expert speakers talked about what NIST is doing in the field of smart grid cyber security. Hosted and organized by CETI.
16-Feb-11	Biofuel and Biomass Meeting	35	Organized by MCEC, Peter Gourlay and CETI. Speakers were CETI companies + others. Half-day seminar meeting.
24-Mar-11	Combined Heat and Power Seminar and Workshop	40	Organized by MEA. Hosted by CETI.
25-May-11	Meeting with Companies Interested in Smart Grid Cyber Security	8	Organized and hosted by CETI.
27-May-11	Get-together of CETI Companies	12	Organized and hosted by CETI with the objective of encouraging CETI companies to work together.
15-Jun-11	Critical review and discussion of the final actions of the recently concluded 2011 legislation session of the Maryland General Assembly	18	Jack Neil, principal of Jack Neil & Associates LLC.
20-Jul-11	Passive House: What Is It and How Does It Work?	12	Brian Uher, co-founder of ECORE Living.
27-Jul-11	Meeting with Companies Interested in Smart Grid Cyber Security	10	Organized and hosted by CETI.
27-Jul-11	European Student Leaders	17	Organized by Georgetown University. Hosted and presented by CETI.
17-Aug-11	Smart Grid: What Is It and What Are the Opportunities?	15	Bjorn Frogner of CETI, Entrepreneur in Residence at CETI.
22-Sep-11	Visits by German delegation	10	Organized by MCEC and conducted by CETI.
27-Sep-11	How to Raise Capital: Best Practices	12	Art Jacoby, leading investor and investment advisor in Maryland for cyber security companies.
1-Dec-11	Distributed Data Mining for Smart Grids	10	Hillol Kargupta, Professor in CSEE Department at UMBC.
15-Dec-11	What Entrepreneurs Should Know About Clean Energy	15	Alex Pavlak of Thales Research, Inc.
3-Mar-11	Opportunity to Make Pitch to Dr. Alvin Lavoie Technical Director at DOW Chemical	8	Organized and hosted by CETI to give a few companies the opportunity to ask for investment from DOW.
<b>Total</b>		<b>513</b>	

## APPENDIX B: MCEC 2011 Advisory Board Members

2011 MCEC ADVISORY BOARD													
Name	Company	Sector	County	Solar	Wind	EE	Biomass & Biofuel	Geo therm	Energy Storage	Hydro	Power	Bus	Other
Daniel H. Nadash	Potomac Energy Fund	Finance	FC									x	
Hilari Varnadore	Frederick County Office of Sustainability		FC										x
Brent Hollenbrook	Timberock	Solar Electric	FC	x									
Brian Webster	Aztec Solar	Solar	CAR	x									
John Congedo	AC Wind	Wind	Alleghany		x								
Rebecca Rush	Renewable Energy Stewardship	Other	Wash Co.									x	x
Derek Robertson	Wave Bob	Hydro	AA							x			
Brian Quinlan	Lars Energy	Biomass	AA				x						
Mark Schulz	Earth River Geothermal	Geothermal	AA					x					
Geri Nicholson	Sage Energy	Consultant	AA									x	x
Claire Buchner	Law Offices of Clair Buchner	Other	AA										x
Gary Skulnik	Clean Currents	Energy Broker	MC									x	
John Spears	Sustainable Design	EE Contractor/Architect	MC			x							x
Jean-Paul Crouzoulon	Areva	Renewable Energy	MC	x	x		x		x				x
Bob Hoyt	Montgomery County	Government	MC										x
Stewart Edelstein, PhD	Universities at Shady Grove	Academia	MC										x
R. Thomas Hoffmann	Ballard Spahr	Legal	MC										x
Hannah Wood	Sentech	Energy Consultants	MC			x							
Jim McDonnell	Avalon Energy Services	EE, etc.	MC			x		x					
Jan Brinch	Energetics	Energy Consultant	MC									x	x
Tony Clifford	Standard Solar	Solar	MC	x									
Carlos Fernandez-Bueno	Potomac Wind Energy	Wind	MC		x								
Kim Watson	PEPCO	Power Distribution	MC									x	
John Ackerly	Alliance for Green Power	Biomass	MC				x						
Sean O'Neill	Ocean Renewable Energy Coalition	Hydro	MC							x			
Liz Porter	Lockheed	Multiple	MC										x
Vanessa Deutschmann	GroSolar	Solar	HC	x									
Josh Goldberg	Astrum Solar	Solar	HC	x									
Grant Shmelzer	IEC Chesapeake	Electrical Contractors	PG	x	x	x		x	x		x	x	x
Stephen Pattison	Greenhorne & O'Mara	Consulting Engineers	PG										x
Eric Wachsmann, PhD	UMERC	Academia	PG										x
Kerinia Cusick	Sun Edison	Solar	PG	x									



**APPENDIX B: MCEC 2011 Advisory Board Members (cont.)**

2011 MCEC ADVISORY BOARD													
Name	Company	Sector	County	Solar	Wind	EE	Biomass & Biofuel	Geo therm	Energy Storage	Hydro	Power	Bus	Other
Bill Stone	Modern Lighting	EE	PG			x							
Ken Stadlin	Kenergy	Solar	PG	x									
Rick Peters	Solar Energy Services	Solar Thermal	PG	x									
Rob Minnick	Minnick's	EE, Geothermal	PG	x		x		x					
Peter Lowenthal	Johnson Controls	Multiple Technologies	PG	x	x	x		x	x				
Mike Tidwell	Chesapeake Climate Action Network	Environmental Advocacy	PG										x
Joanne Throwe	Md. Environmental Finance Center	Finance	PG										x
Paul Wittemann	Greenspring Energy	Solar	Balt. City	x									
Peter Van Buren	Terra Logos	EE	Balt. City			x							
Sophie Dagenais	Mayor's Office	Government	Balt. City										x
Brad Heavner	Environment Maryland	Environmental Advocate	Balt. City										x
Connie Lausten	New Gen Biofuels	Biofuel	Balt. City					x					
Jerome Sanders	BithEnergy	Energy Efficiency	Balt. City			x							
Michael D. Smith	Constellation Energy	Power Gen & Distribution	Balt. City								x		
Cindy Parker	JHU	Academia	Balt. City										x
Ted Atwood	Balt. City Dept. General Services	Government	Balt. City										x
Robin Davidov	Northeast Maryland Waste Disposal Authority	Biomass	Balt. City					x					
Michele Peterson	Honeywell	EE				x							
Andrew Maus	Soliel Solar	Solar	Balt. City	x									
Ellen Hemmerly	bwtech at UMBC	Business Incubation	Balt. Co.									x	x
Bill Cole	Pfister Energy	Renewable Energy	Balt. Co.	x	x	x		x					
Bill Blanchette	Chesapeake Geo Systems	Geothermal	Balt. Co.					x					
Michael Giangrandi	AJ Michaels Company	HVAC Contractor	Balt. Co.				x						x
Lynn Hogg	SSI	Multiple	Balt. Co.	x	x	x							
Steve Arabia	NRG	Power Gen	Dorc. Co					x			x		x
<b>STATEWIDE/ Regional</b>													
Carl LaVerghetta	MES	Project Development						x					
Paula Carmody	OPC	Government											x
Melanie Santiago Moser	PSC												x
Dan Rider	DNR	Biomass						x					
Kelly Speaks Backman	MEA	Government											x
Bernie Reynolds	MD DLLR/GWIB	Government											x
Larry Zarker	BPI	EE & Other						x					x
Robert Phinney	Skanska USA Building	EE & Construction				x							x
Matt Ferguson	Reznick Group	Finance											x

**MARYLAND CLEAN ENERGY CENTER  
Rockville, Maryland**

**Financial Statements Together with  
Reports of Independent Public Accountants**

**For the Years Ended June 30, 2011 and 2010**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Directors  
Maryland Clean Energy Center

We have audited the accompanying statements of net assets of the Maryland Clean Energy Center (the Center), as of June 30, 2011 and 2010, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 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 audits provide 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 Center as of June 30, 2011 and 2010, and the respective changes in its financial position and its cash flows, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 5 to the financial statements, the Center incurred a loss of \$248,931 during the year ended June 30, 2011, had \$400,000 of debt outstanding as of June 30, 2011, and does not presently have sufficient grants and other revenue to cover its expenses. These matters raise substantial concern about the Center's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



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In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2011, 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 audits.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Hunt Valley, Maryland  
September 29, 2011

*SB & Company, LLC*



**Maryland Clean Energy Center**  
**Management's Discussion and Analysis**  
**As of and for the years ended June 30, 2011 and 2010**

**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 financial statements report information and use accounting methods similar to those employed by governments.

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 and for the fiscal years ended June 30, 2011 and 2010. 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 December 2008 with the appointment of its Board. The executive director was appointed effective June 1, 2009.

**Fiscal Year 2011**

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 decreased from \$276,242 to \$27,311. Of the ending net assets, \$131,560 restricted with an unrestricted deficit of \$104,249.

**Fiscal Year 2010**

Total net assets increased from \$16,410 to \$276,242 from the operating results.

The following table presents condensed financial information about the Center's net assets as of June 30, 2011 and 2010.

	<b>Net Assets</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Current and other assets	\$ 577,270	\$ 742,308	\$ 428,382
<b>Liabilities</b>			
Long-term debt outstanding	400,000	400,000	400,000
Other liabilities	149,959	66,066	21,972
<b>Total Liabilities</b>	<b>549,959</b>	<b>466,066</b>	<b>421,972</b>
<b>Net Assets</b>			
Restricted for loan program	131,560	-	-
Unrestricted	(104,249)	276,242	16,410
<b>Total Net Assets</b>	<b>\$ 27,311</b>	<b>\$ 276,242</b>	<b>\$ 16,410</b>

**Maryland Clean Energy Center**  
**Management's Discussion and Analysis**  
**As of and for the years ended June 30, 2011 and 2010**

**Revenues by Source**

**Fiscal Year 2011**

The Center's primary sources of revenue for general operating expenses were grants from Montgomery County, Maryland and the Maryland Energy Administration.

**Operating Expenses**

Operating expenses include those classified as administrative. Expenses were 71% of revenue in 2010 and 133% of revenue in 2011.

**Operating Income**

The Center reported operating income (loss) of \$259,832 in 2010 and \$(248,931) in 2011.

	<b>Revenue, Expenses and Changes in Net Assets</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>Operating Revenue</b>	\$ 758,138	\$ 907,847	\$ 51,443
<b>Operating Expenses</b>			
Program	578,157	207,553	-
Administration	428,911	440,462	35,033
<b>Total Operating Expenses</b>	1,007,068	648,015	35,033
Change in net assets	(248,931)	259,832	16,410
Net assets, beginning of year	276,242	16,410	-
<b>Net assets, End of Year</b>	\$ 27,311	\$ 276,242	\$ 16,410

**Investment in Capital Assets**

The Center owned no capital assets as of June 30, 2010 or 2011.

**Outstanding Debt**

The Center entered into a non-interest bearing loan agreement with the Maryland Department of Energy to fund start up costs. The balance of \$400,000 was outstanding as of June 30, 2011 and 2010.

**Maryland Clean Energy Center**  
**Management's Discussion and Analysis**  
**As of and for the years ended June 30, 2011 and 2010**

**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, 4<sup>th</sup> floor, Rockville, MD 20850.

**MARYLAND CLEAN ENERGY CENTER  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011 AND 2010**

**MARYLAND CLEAN ENERGY CENTER  
STATEMENTS OF NET ASSETS  
AS OF JUNE 30, 2011 AND 2010**

	2011	2010
<b><u>ASSETS</u></b>		
Cash- SunTrust	\$ 384,269	\$ 694,444
Funds held by MES	19,819	14,352
Loan receivable	124,949	-
Accounts receivable	41,622	33,512
Due from servicer	6,611	-
<b>Total Assets</b>	577,270	742,308
 <b><u>LIABILITIES</u></b>		
Liabilities		
Accounts payable	103,988	40,067
Accrued salaries and benefits	45,971	25,999
Non-current liabilities		
Due in more than one year	400,000	400,000
<b>Total Liabilities</b>	549,959	466,066
 <b><u>NET ASSETS</u></b>		
Restricted for loan program	131,560	-
Unrestricted	(104,249)	276,242
<b>Total Net Assets</b>	\$ 27,311	\$ 276,242

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

**MARYLAND CLEAN ENERGY CENTER**  
**STATEMENTS OF REVENUE, EXPENSES, AND CHANGE IN NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b><u>REVENUE</u></b>		
Grants received	\$ 612,398	\$ 869,704
Other revenue	145,740	38,143
<b>Total Revenue</b>	<u>758,138</u>	<u>907,847</u>
<b><u>EXPENSES</u></b>		
Salaries and benefits	464,640	285,061
Interns and contractors	41,832	232,787
Legal	30,784	23,009
Accounting	23,049	24,000
Public relations	80,642	2,000
Communication	2,364	2,210
Travel, meetings & events	82,485	11,732
Contractual services	210,098	47,190
Supplies	7,189	4,172
Government relations	62,692	15,016
Fixed charges	1,293	838
<b>Total Expenses</b>	<u>1,007,068</u>	<u>648,015</u>
Change in net assets	(248,931)	259,832
Net Assets, beginning of year	<u>276,242</u>	<u>16,410</u>
<b>Net Assets, End of Year</b>	<u>\$ 27,311</u>	<u>\$ 276,242</u>

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

**MARYLAND CLEAN ENERGY CENTER  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>2010</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Research contracts and grants	\$ 750,028	\$ 874,335
Payments to employees	(444,668)	(273,376)
Payments to suppliers and contractors	(478,508)	(330,545)
Other payments	(5,467)	(5,682)
Issuance of loans	(132,383)	-
Repayment from loan principal and interest	823	-
Net (Decrease) Increase in Cash and Cash Equivalents	(310,175)	264,732
Cash and cash equivalents, beginning of year	694,444	429,712
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 384,269</b>	<b>\$ 694,444</b>
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:</b>		
Operating (loss) incomes	\$ (248,931)	\$ 259,832
Adjustments to reconcile operating loss to net cash from operating activities:		
Effects of changes in non-cash operating assets and liabilities:		
Funds held by MES	(5,467)	(5,682)
Loan receivable	(124,949)	-
Accounts receivable	(8,110)	(33,512)
Due from servicer	(6,611)	-
Accounts payable	63,921	32,409
Accrued salaries and benefits	19,972	11,685
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<b>\$ (310,175)</b>	<b>\$ 264,732</b>

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

**Maryland Clean Energy Center**  
**Notes to the Financial Statements**  
**June 30, 2011 and 2010**

**(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 a public body politic and corporate of the State of Maryland. It is governed by a nine member board, all 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 December 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 accompanying 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.

**Maryland Clean Energy Center**  
**Notes to the Financial Statements**  
**June 30, 2011 and 2010**

**(b) Basis of Accounting, Financial Statement Presentation, and Measurement Focus** (continued)

The accompanying financial statements, which are all business type activities, present the financial position and results of operations of all the Center's activities. The Center utilizes the accrual basis of accounting and the economic measurement focus in preparing its financial statements wherein revenue is recognized when earned and expenses are recognized when incurred. Also, in preparing its financial statements, the Center has adopted paragraph 6 of GASB Statement No. 20 titled *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting* under which the Center has applies only the applicable Financial Accounting Standards Board's pronouncements issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62 (GASB 62) *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. The requirements of the GASB 62 are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The Center has evaluated the impact of the GASB 62 and did not expect a material impact on the financial statements.

**(c) Budgets and Budgetary Accounting**

The Center operates under a budget proposed by the Executive Director and approved by the board of directors. Amendment of the budget may be approved by the Executive Director and is later reported to the board.

**(d) Cash Equivalents**

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

As of June 30, 2011 and 2010, cash balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor per bank.



**Maryland Clean Energy Center  
Notes to the Financial Statements  
June 30, 2011 and 2010**

**(d) Cash Equivalents** (continued)

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. The Center's cash balances at Sun Trust Bank are included in the master list of public funds in Maryland that require collateralization. Accordingly, the Centers cash balances were properly insured or collateralized as of June 30, 2011.

Cash held by the Center was as follows at year-end:

	<u>Carrying Amount</u>	<u>Collected Bank Balances at Fair Value</u>	<u>Total Collateral</u>
Demand Deposit Accounts	\$ 384,269	\$ 425,949	\$ -

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

**(e) Loan and Accounts Receivable**

Loan and accounts receivable are recorded net of estimated uncollectible amounts. As of June 30, 2011 and 2010, there is no allowance for doubtful account recorded.

**(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 of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

**(2) 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.

Restricted net assets consist of the loan receivable and amounts due from the servicer for loans repaid that have not been provided to the Center.

**Maryland Clean Energy Center**  
**Notes to the Financial Statements**  
**June 30, 2011 and 2010**

**(3) Non-current liabilities**

During the years ended June 30, 2011 and 2010, the following changes occurred in the non-current liabilities of the Center:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2011</u>
MD Energy Administration	\$ 400,000	\$ -	\$ -	\$ 400,000

Future minimum payments for long term debt as of June 30, 2011 were as follows:

Years Ending June 30,:	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ -	\$ -	\$ -
2013	100,000	100,000	-
2014	50,000	50,000	-
2015	50,000	50,000	-
2016	50,000	50,000	-
2017-2019	150,000	150,000	-
	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ -</u>

Maryland Energy Administration Loan: The purpose of this 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.

**(4) 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.

**Maryland Clean Energy Center**  
**Notes to the Financial Statements**  
**June 30, 2011 and 2010**

**(5) Going Concern**

During the year ended June 30, 2011, the Center had a decrease in net assets of \$248,931 and net assets as of June 30, 2011, of \$27,311, of which \$131,560 is restricted for loans related to one of its programs.

The Center had \$400,000 of debt outstanding as of June 30, 2011; has a major grant that will expire in early fiscal year 2012; and does not have sufficient grants and other revenue to cover its expenses.

Management is currently exploring difference business models including, but not limited to, looking into other grants. Management also plans to reduce operating costs through personnel reduction. Management has requested that the Maryland Energy Administration defer the loan payment; however, its request has not been granted as of September 29, 2011. These matters raise substantial doubt about its ability to continue as a going concern.

To the extent that the Center cannot find additional funding, get the debt deferred, and reduce its expenses to a sufficient level, it may be unable to continue as a going concern.

**(6) Commitments and Contingencies**

The Center receives substantially all of its support from State and local governments. A significant reduction in the level of 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's management, such disallowances, if any, will be immaterial.



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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***

To the Board of Directors  
Maryland Clean Energy Center

We have audited the basic financial statements of the Maryland Clean Energy Center (the Center) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 29, 2011. 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 of America.

**Internal Control Over Financial Reporting**

Management of the Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Center's internal controls 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. And therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness. The Center did not record the loan receivable balance during its financial reporting close procedure which resulted in a material audit adjustment.

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 Center's financial statements will not be prevented, or detected and corrected on a timely basis.



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A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The Center failed to review the application and underwriting documents for loans granted from its loan program which was funded by Federal grant.

This report is intended solely for the information and use of management, 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.

Hunt Valley, Maryland  
September 29, 2011

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**MARYLAND CLEAN ENERGY CENTER**

**Single Audit Together with  
Reports of Independent Public Accountants**

**For the Year Ended June 30, 2011**



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**JUNE 30, 2011**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Directors  
Maryland Clean Energy Center

We have audited the statements of net assets of the Maryland Clean Energy Center (the Center), as of June 30, 2011, and the related statement of revenue, expenses, and change in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these 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 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 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 Center as of June 30, 2011, and the respective changes in its financial position and its cash flows, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 5 to the financial statements, the Center incurred a loss of \$248,931 during the year ended June 30, 2011, had \$400,000 of debt outstanding as of June 30, 2011, and does not presently have sufficient grants and other revenue to cover its expenses. These matters raise substantial doubt about the Center's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



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In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2011, 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 audits.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Hunt Valley, Maryland  
September 29, 2011

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS  
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**

To the Board of Directors  
Maryland Clean Energy Center

We have audited the basic financial statements of the Maryland Clean Energy Center (the Center) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 29, 2011. 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 of America.

**Internal Control Over Financial Reporting**

Management of the Center is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Center's internal controls 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. And therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and questioned costs item 2011-01, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 Center's financial statements will not be prevented, or detected and corrected on a timely basis.



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A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-02.

The Center's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Center's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, 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.

Hunt Valley, Maryland  
September 29, 2011

*SB & Company, LLC*





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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS  
ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To the Board of Directors  
Maryland Clean Energy Center

**Compliance**

We have audited the compliance of the Maryland Clean Energy Center (the Center) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major Federal programs for the year ended June 30, 2011. The Center's major Federal programs are identified in the summary of independent public accountants' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the Center's management. Our responsibility is to express an opinion on the Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Center's compliance with those requirements.

In our opinion, the Center complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2011.



## **Internal Control Over Compliance**

The management of the Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the Center's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2011-02.

The Center's responses to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Center's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Maryland State agencies, 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.

Hunt Valley, Maryland  
September 29, 2011

**MARYLAND CLEAN ENERGY CENTER**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011**

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Energy</b>			
State Energy Program (Outreach Program) - ARRA	81.041	2011-01-471FA	\$ 357,687
State Energy Program (Loan Program) - ARRA	81.041	2010-01-516F3	<u>253,142</u>
<b>TOTAL EXPENDITURES</b>			<u>\$ 610,829</u>

The accompanying notes are an integral part of this schedule.

# MARYLAND CLEAN ENERGY CENTER

## Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2011

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All Federal grant operations of the Maryland Clean Energy Center (the Center) are included in the scope of Office of Management and Budget (OMB) Circular A-133 audit (the Single Audit). The Single Audit was performed in accordance with the provisions of the OMB Circular A-133, Compliance Supplement (the Compliance Supplement). Compliance testing of all requirements, as described in the Compliance Supplement, was performed for the grant program noted below. This program represent all Federal award programs and other grants with fiscal year 2011 cash and non-cash expenditures in excess of \$300,000 to ensure coverage of at least 50% of Federally granted funds. Actual coverage is 100% of total cash and non-cash Federal award program expenditures.

<u>Major Program</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Energy</b>			
State Energy Program (Outreach Program) - ARRA	81.041	2011-01-471FA	\$ 357,687
State Energy Program (Loan Program) - ARRA	81.041	2010-01-516F3	253,142
<b>Toal Major Program</b>			<u>\$ 610,829</u>

### 2. BASIS OF PRESENTATION

The accompanying schedule of expenditures of Federal awards includes all Federal grants to the Center that had activity during the fiscal year ended June 30, 2011. This schedule has been prepared on the accrual basis of accounting.

### 3. STATE ENERGY LOANS

During the year ended June 30, 2011, the Center issued \$132,383 of loans under the State Energy Program of which \$124,949 was outstanding as of June 30, 2011.

**MARYLAND CLEAN ENERGY CENTER**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**Section I –Summary of Independent Public Accountants’ Results**

**Financial Statements**

Type of Report of Independent Public Accountants issued Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? None Reported
- Noncompliance material to financial statements? Yes

**Federal Awards**

Type of Independent Public Accountants’ report issued on compliance for major programs: Unqualified

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? None Reported
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes

**Identification of Major Program:**

<u>Major Program</u>	<u>Federal CFDA Number</u>	<u>Grant Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Energy</b>			
State Energy Program (Outreach Program) - ARRA	81.041	2011-01-471FA	\$ 357,687
State Energy Program (Loan Program) - ARRA	81.041	2010-01-516F3	253,142
<b>Toal Major Program</b>			<u>\$ 610,829</u>

Dollar threshold used to determine Type A programs: \$ 300,000

Did the Center qualify as a low risk auditee? No

**MARYLAND CLEAN ENERGY CENTER**

**Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2011**

**Section II –Financial Statement Findings**

Finding 2011-01

**Section III –Federal Award Findings**

Finding 2011-02

## **MARYLAND CLEAN ENERGY CENTER**

### **Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011**

**Finding Number 2011-01 Loan Receivable Recording**  
**Federal Program: State Energy Program (Loan Program) – ARRA**  
**CFDA Number: 81.041**

**Loan Receivable was recorded as expenditure instead of receivable.**  
**Type of Finding: Internal Control over Financial Reporting, Material Weakness**

**Condition:**

During the audit, we noted the loan disbursements were recorded as expenditure instead of loan receivable.

**Criteria:**

Per the grant agreement, the Center shall retain all repaid principal amounts or initial investments, and use those funds in a revolving fund for additional loan program development, capitalization, and deployment.

**Cause:**

The Center used a third party loan servicer to administrate the loans. After the loan is underwritten and issued, the Center reimburses the loan servicer for the amount of the loans made to the customers. The personnel responsible for recording these transactions did not fully understand the transaction. The loans were treated as expenditure when the payments were made to the loan servicer.

**Effect:**

The loan receivable was understated by \$124,949, and the expenditure was overstated by \$124,949.

**Questioned Cost:**

None noted.

**Recommendation:**

We recommend the Center to communicate with its third party loan servicer to get an understanding of the ownership of the loan. We also recommend the Center monitor the loan balance and reconcile the cash disbursed to the loan servicer to the loan trial balance and loan documentation it receives from the servicer and reconcile the cash receipt of principal and interest from repayment of loans to the loan trial balance.

**Management's Response:**

Management concurs with the finding. The adjusting entry was recorded for the financial statements. Management will implement new procedures going forward.



## **MARYLAND CLEAN ENERGY CENTER**

### **Schedule of Findings and Questioned Costs For the Year Ended June 30, 2011**

**Finding Number 2011-02 Loan Underwriting**  
**Federal Program: State Energy Program (Loan Program) – ARRA**  
**CFDA Number: 81.041**

**The Loans underwriting was not properly monitored.**  
**Type of Finding: Internal Control over Compliance, Material Weakness**

**Condition:**

During the audit, we noted the Center did not review the application and underwriting documents of loans made by the loan services or approve the underwriting.

**Criteria:**

Per the grant agreement, the Center shall use the funds to design, develop, and promote a program that provides financing for energy-efficiency improvements and renewable-energy installations.

**Cause:**

The Center has not established monitoring procedures for the underwriting by the third party loan servicer.

**Effect:**

The Center uses a third party loan servicer to underwrite the loans and does not review the documents obtained to perform the underwriting. The loans may not be use for financing for energy-efficiency improvements or renewable-energy installations.

**Questioned Cost:**

Unknown.

**Recommendation:**

We recommend the Center to design internal control procedures to ensure the loans are made in compliance with the grant agreement and monitor the underwriting of the loan servicer to ensure they comply with the guidelines established.

**Management's Response:**

Management concurs with the finding. The Center had subsequently reviewed all outstanding loans, and no non-compliance was noted. The Center has implemented new procedures going forward.

**MARYLAND CLEAN ENERGY CENTER**

**Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2011**

The Center was not required to perform an audit under OMB Circular A-133 in fiscal year 2010.

**MARYLAND CLEAN ENERGY CENTER**

**Summary Schedule of Prior Year Audit Findings  
For the Year Ended June 30, 2011**

APPENDIX D: MCEC FY'12 Projected Administrative Budget

MARYLAND CLEAN ENERGY CENTER  
FY '12 ADMINISTRATIVE/OPERATIONS BUDGET

<u>Revenue</u>	<u>2012 Budget</u>
Fees from Bond Activity	165,000
Administrative Reimbursement	47,752
Summitt Proceeds	15,000
Donations	2,000
Interest	800
	<u>\$ 230,552</u>
<u>Expenditures</u>	
Salaries & benefits	
Salaries	234,800
Benefits	59,000
Interns and Contractual Services	20,000
Technical & Special Fees	
Legal	12,000
Public relations	-
Communication	
Telephone	3,700
Postage	500
Travel	
Business travel	3,200
Meetings & Events	400
Contractual services	
Information systems	3,000
Accounting & auditing	19,500
Marketing & promotion	-
Supplies & materials	
Office supplies	3,000
Government relations	20,600
Fixed charges	
Office Rent/Parking Fees	4,875
Insurance	-
Dues & subscriptions	400
<b>Total Expenditures</b>	<u>\$ 384,975</u>
<b>Net Change</b>	<b>\$ (154,423)</b>

\*\* Please note, this budget does not include restricted funds held for Program activity