ENERGY IMPROVEMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2011

WITH INDEPENDENT AUDITORS' REPORT

ENERGY IMPROVEMENT CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Energy Improvement Corporation:

We have audited the accompanying statement of net assets of the Energy Improvement Corporation ("Corporation") as of December 31, 2011 and the related statement of activities and cash flows from inception of July 7, 2011 to December 31, 2011 and period then ended. These financial statements are the responsibility of the Corporation'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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2011 and the changes in its net assets and cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2012 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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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 a 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 inquiries 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 sufficient evidence to express an opinion or provide assurance.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
March 26, 2012

ENERGY IMPROVEMENT CORPORATION
Management's Discussion and Analysis
Year Ended December 31, 2011

The following Management's Discussion and Analysis ("MD&A") of the Energy Improvement Corporation ("EIC") activities and financial performance is provided as an introduction and overview of the financial statements of EIC for the period July 7, 2011 incorporation, through December 31, 2011. Following this MD&A are the annual financial statements of EIC together with the notes to the financial statements. This MD&A should be read in conjunction with the financial statements, to enhance understanding of the EIC's performance. This MD&A highlights certain supplementary information to assist with the understanding of the EIC's financial operations.

OPERATIONS

The EIC was formed on July 7, 2011 pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York as a NYS Public Authority, Local Development Corporation.

The EIC's purpose and quasi-public objective is to promote the public good, and thereby lessen the burdens of government in the Participating Municipalities, and act in the public interest, which the purpose of the Corporation will achieve, by providing low-cost financing and community-based support for energy efficiency programs and alternative or distributed energy generating facilities for residents and businesses in the Participating Municipalities.

In furtherance of said purposes the Corporation shall have the following powers in furtherance of the policy of the State to achieve statewide energy efficiency and renewal energy goals, reduce greenhouse gas emissions, mitigate the effect of global climate change, advance a clean energy economy through the deployment of renewable energy systems and energy efficiency measures throughout the State by municipalities in fulfilling an important public purpose in providing financing to property owners for the installation of renewable energy systems and energy efficiency measures.

FINANCIAL OPERATIONS HIGHLIGHTS

A condensed summary of revenues, expenses, and changes in net assets for 2011 are summarized below. Refer to the EIC's basic financial statements for the complete Statement of Activities.

Ordinary Income/Expense:	
Income -	
Charges for Services	$ 24,149
Expense:	
Program Staff -	
Salaries	$ 21,610
Payroll Taxes	2,539
Total Expense	24,149
Change in Net Assets	-
Net Assets - Beginning of Year	-
Net Assets - End of Year	$ -

Overview of the Financial Statements

The financial statements of the EIC have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). The objective of these standards is to enhance the understandability and usefulness of the external financial reports issued by Public Authorities.

The financial statement presentation consists of *a Statement of Net Assets, a Statement of Activities, a Statement of Cash Flows* and accompanying *Notes to Financial Statements.* These statements provide information on the financial position of the EIC and the financial activity and results of its operations during the year. A description of these statements follows:

The *Statement of Net Assets* presents information on all of the EIC's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the EIC is improving or deteriorating.

The *Statement of Activities* presents information showing the change in the EIC's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement include items that will result in cash received or disbursed in future fiscal periods (e.g., the receipt of amounts due from other governments or the payment accrued for compensated absences).

The *Statement of Cash Flows* provides information on the major sources and uses of cash during the year. The cash flow statement portrays net cash provided or used from operating, investing, capital and non-capital financing activities.

NEW OPERATIONS

The EIC along with its partners have developed the Energize New York Program (www.energizeny.org) to encourage property owners to undertake energy efficiency improvements for their buildings. The Program is focused initially on residential properties, but will be extended in 2012 to commercial structures. An upgrade to reduce energy wasted through improved insulation and airsealing and more efficient heating appliance can result in energy savings of up to 35%.

The Energize Program is designed to transform how energy efficiency upgrades are marketed and financed in an effort to increase participation rates beyond those experienced in other communities. The Energize Program addresses specific barriers i.e., such as upfront cost, trust and confidence in contractors, complexity of upgrade process, which have hampered existing upgrade programs. Energize has partnered with established local groups that residents know and trust to engage them in energy efficiency efforts. This has created robust pipelines of energy efficiency projects. The Energize Program has developed a local, partner based strategic marketing campaign to leverage the many local organization partners and assist in gaining the trust and acceptance of homeowners with respect to home energy efficiency upgrades and create the model that will be scaled to all Northern Westchester Energy Action Consortium (www.NWEAC.org) partner communities.

Studies also have shown that homeowners have difficulty finding contractors whom they trust who also are accredited (and therefore experienced) to perform energy efficiency audits and upgrades. The Energize Program has established a partnership with the New York State Energy Resource Development Authority ("NYSERDA") to leverage its existing BPI accredited contractor base and it's Home Performance with Energy Star program in an effort to boost contractor trust and confidence. Working with NYSERDA, the Energize Program will seek to offer homeowners detailed, web-based information and a participant driven rating system for contractors, akin to Consumer Reports.

The Energize Program will offer Property Assessed Clean Energy financing ("PACE") benefits to property owners (Energize Finance). Re-payment will be made through a special assessment on the benefited property's tax bill. New York State's PACE enabling legislation (found in General Municipal Law Article 5-L, sections 119 ee, ff, gg) permits the financing of efficiency upgrades (typically air sealing, insulation and upgrades to heating and cooling systems) and installation of certain renewable energy systems. The Energize Program is working with the U.S. Department of Energy (DOE), NYSERDA and others to implement Energize Finance tools to help overcome the up-front cost barrier.

Energize New York launched in Bedford, NY on January 29, 2011. A roll out to all 13 communities of NWEAC is planned through 2012. In 2011, 80 residential upgrades were completed representing a 38% increase over 2010 with 180 additional buildings entering the pipeline through December 2011. Energize Finance will launch in the 2nd quarter of 2012 initially targeted at commercially owned 1-4 family residential buildings.

CONTACTING THE EIC'S FINANCIAL MANAGEMENT

This report is intended to provide a broad overview of the EIC's finances to its citizens and other stakeholders. If you desire additional information or have suggestions for improving this report, please contact:

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Energize New York
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Bedford Hills, New York 10507

OR

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Chairman
Energy Improvement Corporation
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10507

ENERGY IMPROVEMENT CORPORATION

STATEMENT OF NET ASSETS
DECEMBER 31, 2011

ASSETS	$	-
LIABILITIES		-
NET ASSETS	$	-

See notes to financial statements

ENERGY IMPROVEMENT CORPORATION

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

Operating Revenues -	
Charges for services	$ 24,149
Operating Expenses:	
Salaries	21,610
Payroll taxes	2,539
Total Operating Expenses	24,149
Change in Net Assets	-
Net Assets - Beginning of Year	-
Net Assets - End of Year	$ -

See notes to financial statements

ENERGY IMPROVEMENT CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

Cash Flows from Operating Activities -	
Receipts from charges for services	$ 24,149
Payments to employees	(24,149)
Total Cash Flows from Operating Activities	-
Cash and Equivalents - Beginning of Year	-
Cash and Equivalents - End of Year	$ -
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Income from operations	$ -
Adjustments to reconcile income from operations to net cash provided by operating activities -	
Due to other governments	-
	$ -

See notes to financial statements

Note 1 - Organization and Purpose

The Energy Improvement Corporation ("Corporation") was incorporated in July 2011 as defined in subparagraph (a)(5) of Section 102 of the Not-for-Profit Corporation Law and is a Type C corporation under Section 201 of the Not-for-Profit Corporation Law. The mission of the Corporation is to save money and energy, and reduce greenhouse gas emissions in Northern Westchester, and perhaps beyond, by enabling energy related improvements that meet or exceed State standards through innovative community based outreach and marketing efforts. In addition, it will be a purpose of the Corporation to facilitate and finance qualified energy efficiency improvement projects and renewable energy system projects for residents, organizations, institutions and businesses in participating municipalities in New York while operating in a financially self sufficient manner.

The Corporation is managed by a Board of Directors consisting of nine Members. The Town of Bedford, New York shall be a member of the Corporation for at least 10 years from the effective date of the Corporation, and the chief executive officer of the Town of Bedford, New York, shall be a member of the Board of Directors of the Corporation while the Town of Bedford, New York is a member.

The income of the Corporation is exempt from Federal, State and local income taxes.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of the Corporation conform to generally accepted accounting principles as applicable to governmental units. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Corporation reports its operations on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Corporation applies all applicable Financial Accounting Standards Board guidance issued after November 30, 1989 in its accounting and reporting.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted only when there are limitations imposed on their use. The net assets of the Corporation are classified as unrestricted.

Use of Estimates

The preparation of the financial statements in conformity 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 disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 26, 2012.

O'CONNOR DAVIES

PKF

Independent Accountants' Report on Compliance with Section 2925 Of the New York State Public Authorities Law

The Board of Directors of the
Energy Improvement Corporation:

We have examined the Energy Improvement Corporation ("Corporation") compliance with Section 2925 of the New York State Public Authorities Law and Part 201 of Title Two of the New York Code of Rules and Regulations during the period July 7, 2011 through December 31, 2011. Management is responsible for the Corporation's compliance with those requirements. Our responsibility is to express an opinion on the Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the period ended December 31, 2011.

This report is intended solely for the information and use of management, the Board of Directors, officials of the Town of Bedford, New York and the Office of the State Comptroller of the State of New York. It is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
March 26, 2012

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of the
Energy Improvement Corporation

We have audited the statement of net assets of the Energy Improvement Corporation ("Corporation") as of July 7, 2011 and for the period ended December 31, 2011, and have issued our report thereon dated March 26, 2012. 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 G*overnment Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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

This report is intended solely for the information and use of the Board of Directors, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
March 26, 2012