CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

(A Component Unit of the State of Connecticut)

REPORTING PACKAGE

JUNE 30, 2013 AND 2012

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

CONTENTS

PRESIDENT’S LETTER

845 Brook Street
Rocky Hill, Connecticut 06067

300 Main Street, 4th Floor
Stamford, Connecticut 06901

T: 860.563.0015
F: 860.563.4877
www.ctcleanenergy.com

CLEAN ENERGY
FINANCE AND INVESTMENT AUTHORITY

December 2013

TO OUR STAKEHOLDERS:

In July 2011, Connecticut took the bold step of establishing the Clean Energy Finance and Investment Authority (CEFIA) as the nation's first "green bank," that is, a quasi-public entity that leverages ratepayer funds to attract private investment in clean energy projects. CEFIA just completed its second official year as a green bank, and results show that the model is working. We are meeting the challenge set for us: deploying more clean energy, faster and with fewer public resources.

Attracting Private Capital

CEFIA has succeeded in leveraging its limited resources. This year, by putting approximately $40 million of our funds to work, we attracted more than $180 million in private capital investment. We've developed innovative approaches, partnering with capital providers such as local credit unions and community, state, regional and national banks to attract their investment in clean energy in order to provide customers and contractors with easy access to affordable capital.

With the resources we have attracted, we are deploying more clean energy in Connecticut's homes, businesses and institutions. Of the $220 million assembled this year, $120 million will be used to deploy nearly 30 megawatts (MW) of clean energy in FY 2013. The remaining $100 million will be invested in 2014 and beyond to deploy at least another 20 MW of clean energy.

Delivering Strong Results

We are about to commission the largest fuel cell power plant in the country: the Dominion Bridgeport Fuel Cell Park a $65 million, 15-MW fuel cell project located on a remediated brownfield and using technology that is manufactured in Connecticut. We have worked with the local solar photovoltaic industry to deploy more than 8 MW of residential rooftop installations. This is nearly double Connecticut's best year, and we are poised to double it again in 2014. We also collaborated with a tax equity investor and a syndicate of local debt providers to form the first public-private partnership to finance $60 million of residential and commercial solar PV and solar thermal hot water system projects to offer consumers a cleaner and cheaper energy alternative. And we are beginning to realize the potential of Commercial Property Assessed Clean Energy (C-PACE) in helping commercial, industrial, multifamily and non-profit energy end-users install deeper energy efficiency measures, convert to natural gas, and deploy on-site renewable energy. As a result of the energy improvements being financed through C-PACE, end-use customers are saving money by avoiding energy costs.

Deploying clean energy faster is important, because the economy and the environment demand it. The 30 MW of clean energy deployed this year has created nearly 1,200 jobs – 400 direct and 800 indirect and induced – and the projects will eliminate approximately 250,000 tons of greenhouse gas emissions over their lifetimes. To create jobs and protect the environment more quickly, we have shifted our focus away from providing grants and supporting early stage technology. Instead, we are working with the clean energy industry to lower the installed costs of commercially available clean energy technologies. And we are partnering with capital providers to lower their cost of capital for clean energy by reducing risk. By working with contractors and capital providers to reduce the cost of clean energy, CEFIA is making clean energy more accessible and affordable to consumers.

Investing Public Resources

In addition to deploying more clean energy faster than ever, CEFIA is doing it with fewer public resources. We are using the limited ratepayer resources we receive to compete for federal grants for our state. To date, we have won more than $5 million to support rooftop solar PV and multifamily affordable housing grants. Of the $40 million of investment we made in FY 2013, about $15 million was done in the conventional way that governments typically use to support clean energy market development: through grants, rebates and subsidies. However, the remaining $25 million of investment utilized the new financial tools of credit enhancements (i.e., loan loss reserves) and loans that Governor Malloy and Connecticut General Assembly provided, which CEFIA expects will be returned over time for further reinvestment.

The result of our new approach is that we achieved a 10 to 1 leverage ratio of private to public funds this year, versus a past ratio of 1 to 1. This is an outstanding accomplishment for our state – doing more, faster and with less!

We continue to learn more every day about the challenges of implementing the new green bank model, and change inevitably brings challenges. But we are confident that we are taking a path that will stimulate the growth of clean energy in Connecticut and, in doing so, strengthen our economy and protect our environment.

Respectfully submitted,

Bryan T. Garcia
President and CEO

FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Clean Energy Finance and Investment Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of the Clean Energy Finance and Investment Authority (CEFIA) (a component unit of the State of Connecticut) as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise CEFIA's financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Marcum LLP ▪ City Place II ▪ 185 Asylum Street ▪ 17th Floor ▪ Hartford, CT 06103 ▪ Phone 860.549.8500 / 877.231.5351 ▪ Fax 860.549.8501 ▪ marcumllp.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component units of the Clean Energy Finance and Investment Authority as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis as listed in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the Clean Energy Finance and Investment Authority'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 financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clean Energy Finance and Investment Authority's internal control over financial reporting and compliance.

Marcum LLP

Hartford, CT
December 23, 2013

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial performance of the Clean Energy Finance and Investment Authority (CEFIA) (a component unit of the State of Connecticut) for the fiscal years ended June 30, 2013, 2012, and 2011. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and notes to the financial statements included in the "Financial Statements" section of this report.

FINANCIAL STATEMENTS PRESENTED IN THIS REPORT

CEFIA is a quasi-public agency of the State of Connecticut established on July 1, 2011 by Section 16-245n of the Connecticut General Statutes, created for the purposes of, but not limited to: (1) implementing the Comprehensive Plan developed by CEFIA pursuant to Section 16-245n(c) of the Connecticut General Statutes, as amended; (2) developing programs to finance and otherwise support clean energy investment in residential, municipal, small business and larger commercial projects, and such others as CEFIA may determine; (3) supporting financing or other expenditures that promote investment in clean energy sources to foster the growth, development and commercialization of clean energy resources and related enterprises; and (4) stimulating demand for clean energy and the deployment of clean energy sources within the state that serve end-use customers in the state. CEFIA constitutes the successor agency to Connecticut Innovations for the purposes of administering the clean energy fund in accordance with section 4-38d of the Connecticut General Statutes and therefore the net assets of such fund were transferred to the newly created CEFIA as of July 1, 2011.

The financial statements include: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides a measure of CEFIA's economic resources. The Statement of Revenues, Expenses and Changes in Net Position measures the transactions for the periods presented and the impact of those transactions on the resources of CEFIA. The Statement of Cash Flows reconciles the changes in cash and cash equivalents with the activities of CEFIA for the periods presented. The activities are classified as to operating, investing and noncapital financing.

Notes to the financial statements provide additional detailed information to supplement the basis for reporting and nature of key assets and liabilities.

FINANCIAL HIGHLIGHTS OF FISCAL 2013

NET POSITION

Net position increased by $17.0 million to $98.2 million at June 30, 2013 and cash and cash equivalents increased by $4.4 million in 2013 to $77.6 million. Cash increased primarily as a result of greater than expected proceeds received from Regional Greenhouse Gas Initiative (RGGI) auctions and a reduction in grant activity and CEFIA's transition to a financing model as opposed to grant model to fund renewable energy and energy efficiency projects.

Other assets are composed primarily of utility customer assessment receivables and RGGI auction receivables. The promissory note portfolio of $11.2 million as of June 30, 2013 and $11.7 million as of July 1, 2012 funded a residential photovoltaic equipment lease program which ended during 2012.

As of June 30, 2013, the Board of Directors designated $24.5 million in net position to fund contingent grant, loan and investment commitments as described in Note 8. These grants, loans and investments are expected to be paid or funded over the next one to six fiscal years. In addition to these commitments, an additional $33.8 million has been designated by the Board to fund future program commitments.

The following table summarizes the net position at June 30, 2013 and 2012 (in thousands):

	2013	2012	Increase (Decrease)
Cash and cash equivalents	$ 77,642	$ 73,214	$ 4,428
Investments	4,788	2,155	2,633
Promissory notes	11,240	11,736	(496)
Other assets	6,320	5,071	1,249
Total Assets	99,990	92,176	7,814
Current liabilities	1,816	2,625	(809)
Deferred revenue	--	8,363	(8,363)
Total Liabilities	1,816	10,988	(9,172)
Invested in capital assets	362	91	271
Restricted Net Position:			
Non-expendable	1	--	1
Restricted - energy programs	8,143	177	7,966
Unrestricted	89,668	80,921	8,747
Total Net Position	$ 98,174	$ 81,189	$ 16,985

CHANGES IN NET POSITION

Revenue from interest on cash deposits and solar lease notes decreased $42,000 to $687,000 in 2013. Interest on short-term investments and cash deposits decreased due to the changes in interest rates. CEFIA received $4.7 million from the State in RGGI auction proceeds during the year.

Total expenditures for grants and programs in 2013 were $23.6 million, a decrease of $7.5 million from the prior year. Grant and program expenditures fluctuate from year to year as they are based on the achievement of contract milestones by the grantee. In addition, CEFIA is transitioning to primarily a financing model as opposed to primarily issuing grants to fund renewable energy and energy efficiency projects.

General and administrative expenses increased by $0.4 million from $1.4 million to $1.8 million. CEFIA also incurred $1.2 million in start-up costs to develop its Solar Lease II program and organize the subsidiary that will administer the program, CT Solar Lease II, LLC.

The net loss of $657,000 in investments represents write offs of investments previously reserved for and adjustments to the valuation of equity and debt investments currently held.

The following table summarizes the changes in net position between June 30, 2013 and 2012 (in thousands):

	2013	2012	Increase (Decrease)
Revenues	$ 43,343	$ 39,754	$ 3,589
Operating Expenses			
Organizational expenses	1,180	--	1,180
Grants and programs	23,635	31,122	(7,487)
General and administrative expense	1,811	1,388	423
Total Operating Expenses	26,626	32,510	(5,884)
Operating Income	16,717	7,244	9,473
Interest earned	687	729	(42)
Net change in unrealized appreciation in fair value of investments	378	435	(57)
Net realized (loss) gain on investments	(1,035)	--	(1,035)
Capital contribution	238	--	238
Net Change	$ 16,985	$ 8,408	$ 8,577

FINANCIAL HIGHLIGHTS OF FISCAL 2012

In our discussion of the 2012 financial highlights below, management has elected to utilize the 2011 financial results of the Connecticut Clean Energy Fund, the predecessor entity to Clean Energy Finance and Investment Authority, as a benchmark for comparing its 2012 activities.

NET ASSETS

From the base of $72.8 transferred from the State of Connecticut, net assets increased by $8.4 million to $81.2 million at June 30, 2012 and cash and cash equivalents increased by $13.3 million in 2012 to $73.2 million. Cash increased primarily as a result of an increase in grant awards received during 2012.

As of June 30, 2012, the Board of Directors designated $25.8 million in net assets to fund outstanding grant commitments as described in Note 10. These grants are expected to be paid over the next two fiscal years.

Other assets are composed primarily of utility customer assessments receivables and Regional Greenhouse Gas Initiative (RGGI) auction receivables. The promissory note portfolio of $11.7 million as of June 30, 2012 and $10.7 million as of July 1, 2011 funded a residential photovoltaic equipment lease program which ended during 2012.

The following table summarizes the net assets at June 30, 2012 and July 1, 2011 (in thousands):

	2012	2011	Increase (Decrease)
Cash, certificates of deposit	$ 73,214	$ 59,899	$ 13,315
Investments	2,155	1,699	456
Promissory notes	11,736	10,663	1,073
Other assets	5,071	4,735	336
Total Assets	92,176	76,996	15,180
Current liabilities	2,625	4,216	(1,591)
Deferred revenue	8,363	--	8,363
Total Liabilities	10,988	4,216	6,772
Invested in capital assets	91	--	91
Restricted	177	234	(57)
Unrestricted	80,921	72,546	8,375
Total Net Position	$ 81,189	$ 72,780	$ 8,409

CHANGES IN NET ASSETS

Revenues from utility customer assessments were $27.0 million for 2012 compared to $28.4 million in 2011.

Revenue from interest on cash deposits increased $.03 million to $.14 million in 2012. Interest on short-term investments and cash deposits decreased due to the increase in the average cash balance on hand and changes in interest rates. CEFIA received $2.0 million from the state in RGGI auction proceeds during the year.

Total expenditures for grants and programs in 2012 were $31.1 million, an increase of $3 million from the prior year. Grant and program expenditures fluctuate from year to year as they are based on the achievement of contract milestones by the grantee. During 2012, CEFIA committed a total of $30.4 million for new grants and programs.

General and administrative expenses decreased by $48,000 from $1.436 million to $1.388 million.

Net gains in program investments increased by $315,000 as a result in adjustments to the valuation of equity and debt investments.

The following table summarizes the changes in net assets between June 30, 2012 and 2011 (in thousands):

	2012	2011	Increase (Decrease)
Revenues	$ 40,483	$ 36,391	$ 4,092
Operating Expenses			
Grants and programs	31,122	28,026	3,096
General and administrative expense	1,388	1,436	(48)
Total Operating Expenses	32,510	29,462	3,048
Operating Income	7,973	6,929	1,044
Net change in unrealized appreciation in fair value of investments	436	(58)	494
Net realized (loss) gain on investments	--	178	(178)
Net Change in Net Position	$ 8,409	$ 7,049	$ 1,360

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of CEFIA's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of Finance and Administration, 865 Brook Street, Rocky Hill, Connecticut 06067.

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30, 2013 AND 2012

		Discretely Presented Component Units				
	Primary Government	CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Eliminations	Total Reporting Entity	2012
Assets						
Current Assets						
Cash and cash equivalents	$ 67,698,558	$ 406,456	$ --	$ --	$ 68,105,014	$ 64,672,910
Accounts receivable	1,940,835	--	--	--	1,940,835	725,259
Utility customer assessments receivable	2,604,826	--	--	--	2,604,826	2,580,042
Other assets	194,056	--	--	--	194,056	350,302
Current portion of Solar Lease notes	704,032	--	--	--	704,032	670,645
Total Current Assets	73,142,307	406,456	--	--	73,548,763	68,999,158
Noncurrent Assets						
Portfolio investments	4,788,094	--	--	--	4,788,094	2,155,525
Solar Lease Notes, less current portion	10,536,136	--	--	--	10,536,136	11,064,879
Renewable Energy Credits	1,217,491	--	--	--	1,217,491	1,324,614
Investment in Component Units	100	--	100	(200)	--	--
Advance to primary government and component units	5,850,000	--	3,500,000	(9,350,000)	--	--
Capital assets, net of depreciation	362,505	--	--	--	362,505	91,329
Restricted assets:						
Cash and cash equivalents	5,036,656	4,500,000	--	--	9,536,656	8,540,684
Total Noncurrent Assets	27,790,982	4,500,000	3,500,100	(9,350,200)	26,440,882	23,177,031
Total Assets	$ 100,933,289	$ 4,906,456	$ 3,500,100	$ (9,350,200)	$ 99,989,645	$ 92,176,189

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

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

STATEMENTS OF NET POSITION (CONTINUED)

JUNE 30, 2013 AND 2012

		Discretely Presented Component Units				
	Primary Government	CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Eliminations	Total Reporting Entity	2012
Liabilities and Net Position						
Liabilities						
Accounts payable and accrued expenses	$ 1,422,898	$ --	$ --	$ --	$ 1,422,898	$ 2,624,861
Advances from primary government and component units	--	5,850,000	3,500,000	(9,350,000)	--	--
Deferred revenue	--	--	--	--	--	8,363,119
Custodial liability	393,000	--	--	--	393,000	--
Total Liabilities	1,815,898	5,850,000	3,500,000	(9,350,000)	1,815,898	10,987,980
Net Position						
Invested in capital assets	362,505	--	--	--	362,505	91,329
Restricted Net Position						
Non-expendable	1,000	100	100	(200)	1,000	--
Restricted - energy programs	8,143,655	--	--	--	8,143,655	176,974
Unrestricted (deficit)	90,610,231	(943,644)	--	--	89,666,587	80,919,906
Total Net Position	99,117,391	(943,544)	100	(200)	98,173,747	81,188,209
Total Liabilities and Net Position	$ 100,933,289	$ 4,906,456	$ 3,500,100	$ (9,350,200)	$ 99,989,645	$ 92,176,189

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

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Primary Government	Discretely Presented Component Units: CT Solar Lease 2 LLC	Discretely Presented Component Units: CEFIA Solar Services, Inc.	Eliminations	Total Reporting Entity	2012
Operating Revenue						
Utility customer assessments	$ 27,621,409	$ --	$ --	$ --	$ 27,621,409	$ 27,025,088
Grant revenue	10,035,250	--	--	--	10,035,250	10,435,251
RGGI Auction income	4,744,657	--	--	--	4,744,657	2,052,748
Other income	941,777	--	--	--	941,777	240,597
Total Operating Revenue	43,343,093	--	--	--	43,343,093	39,753,684
Operating Expenses						
Grants and program expenditures	23,634,465	--	--	--	23,634,465	31,122,355
General and administrative expenses	1,811,227	--	--	--	1,811,227	1,387,854
Organizational expenses	176	1,180,238	--	--	1,180,414	--
Total Operating Expenses	25,445,868	1,180,238	--	--	26,626,106	32,510,209
Operating Income (Loss)	17,897,225	(1,180,238)	--	--	16,716,987	7,243,475
Nonoperating Income (Expenses)						
Interest on solar lease notes	583,575	--	--	--	583,575	589,007
Interest on short-term investments	103,928	--	--	--	103,928	140,786
Realized gain (loss) on investments	(1,034,605)	--	--	--	(1,034,605)	--
Unrealized gain (loss) on investments	378,059	--	--	--	378,059	434,702
Total Nonoperating Income (Expenses)	30,957	--	--	--	30,957	1,164,495
Income (Loss) Before Capital Contributions	17,928,182	(1,180,238)	--	--	16,747,944	8,407,970
Capital contributions	1,000	236,694	100	(200)	237,594	--
Change in Net Position Before Extraordinary Item	17,929,182	(943,544)	100	(200)	16,985,538	8,407,970
Extraordinary Item - Transfer In of Net Assets from the State of Connecticut Clean Energy Fund	--	--	--	--	--	72,780,239
Change in Net Position	17,929,182	(943,544)	100	(200)	16,985,538	81,188,209
Net Position - Beginning of Year	81,188,209	--	--	--	81,188,209	--
Net Position - End of Year	$ 99,117,391	$ (943,544)	$ 100	$ (200)	$ 98,173,747	$ 81,188,209

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

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Primary Government	Discretely Presented Component Units: CT Solar Lease 2 LLC	Discretely Presented Component Units: CEFIA Solar Services Inc.	Total Reporting Entity	2012
Cash Flows from Operating Activities					
Utility ratepayer assessments	$ 27,597,453	$ --	$ --	$ 27,597,453	$ 27,128,191
Grants	2,015,677	--	--	2,015,677	16,892,363
RGGI auctions	3,529,080	--	--	3,529,080	1,657,321
Other income	440,533	--	--	440,533	288,354
Organizational expenses	--	(1,130,223)	--	(1,130,223)	--
Grant and program expenditures	(24,632,056)	--	--	(24,632,056)	(30,452,049)
General and administrative expenditures	(1,880,979)	(15)	--	(1,880,994)	(1,747,177)
Net Cash Provided by (Used in) Operating Activities	7,069,708	(1,130,238)	--	5,939,470	13,767,003
Cash Flows from Non-Capital Financing Activities					
Transfer from State of Connecticut Clean Energy Fund	--	--	--	--	59,899,036
Advances to/from primary government and component units	(5,800,000)	5,800,000	--	--	--
Net Cash Provided from Non-Capital Financing Activities	(5,800,000)	5,800,000	--	--	59,899,036
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	(281,654)	--	--	(281,654)	(97,733)
Capital contributions	900	236,694	--	237,594	--
Net Cash (Used in) Provided by Capital and Related Financing Activities	(280,754)	236,694	--	(44,060)	(97,733)
Cash Flows from Investing Activities					
Purchase on solar lease notes	--	--	--	--	(1,710,659)
Interest on short-term investments and cash deposits	116,831	--	--	116,831	118,680
Interest on solar lease notes	583,942	--	--	583,942	634,070
Return of principal on investments	663,488	--	--	663,488	603,197
Program loan disbursements	(2,831,596)	--	--	(2,831,596)	--
Net Cash (Used in) Investing Activities	(1,467,335)	--	--	(1,467,335)	(354,712)
Net (Decrease) Increase in Cash and Cash Equivalents	(478,380)	4,906,456	--	4,428,076	73,213,594
Cash and Cash Equivalents - Beginning	73,213,594	--	--	73,213,594	--
Cash and Cash Equivalents - Ending	$ 72,735,214	$ 4,906,456	$ --	$ 77,641,670	$ 73,213,594

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

CLEAN ENERGY FINANCE AND INVESTMENT AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	Primary Government	Discretely Presented Component Units: CT Solar Lease 2 LLC	Discretely Presented Component Units: CEFIA Solar Services Inc.	Total Reporting Entity	2012
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating income (loss)	$ 17,897,225	$ (1,180,238)	$ --	$ 16,716,987	$ 7,243,475
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	79,364	--	--	79,364	6,404
Changes in operating assets and liabilities:					
Receivables, notes, renewable credits	(1,117,501)	--	--	(1,117,501)	(1,317,629)
Accounts payable, accrued expenses, deferred revenue and due to related parties	(9,789,379)	50,000	--	(9,739,379)	7,834,753
Net Cash Provided by (Used in) Operating Activities	$ 7,069,709	$ (1,130,238)	$ --	$ 5,939,471	$ 13,767,003

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

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Clean Energy Finance and Investment Authority (CEFIA) was established in July 2011 under Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut as the successor entity of the Connecticut Clean Energy Fund. CEFIA, a component unit of the State of Connecticut, was created to promote energy efficiency and investment in renewable energy sources in accordance with a comprehensive plan developed by it to foster the growth, development and commercialization of renewable energy sources and related enterprises and stimulate demand for renewable energy and deployment of renewable energy sources which serve end-use customers in the State. CEFIA constitutes the successor agency to Connecticut Innovations Incorporated (CI), a quasi-public agency of the State of Connecticut, for the purposes of administering the Clean Energy Fund in accordance with section 4-38d of the Connecticut General Statutes and therefore the net assets of such fund were transferred to the newly created CEFIA as of July 1, 2011. Pursuant to Connecticut General Statute 4-38f, CEFIA is within CI for administrative purposes only.

PRINCIPLE REVENUE SOURCE

The Public Utility Regulatory Authority (PURA) assesses a charge per kilowatt-hour to each end-use customer of electric services in the state, which is paid to CEFIA and is the principal source of CEFIA's revenue. CEFIA may deploy the funds for grants, direct or equity investments, contracts or other actions that support energy efficiency projects and research, development, manufacture, commercialization, deployment and installation of renewable energy technologies.

REPORTING ENTITY

CEFIA, as the primary government, follows the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 61 (*The Financial Reporting Entity Omnibus – an Amendment of GASB Statements No. 14 and No. 34*) (the Statement) regarding presentation of component units. The Statement modifies certain requirements for including component units in the reporting entity, either by blending (recording their amounts as part of the primary government), or discretely presenting them (showing their amounts separately in the reporting entity's financial statements). To qualify as a blended component unit, the unit must meet one of the following criteria: (1) have substantively the same governing body as that of the primary government, and either (A) a financial benefit or burden relationship exists between the unit and the primary government, or (B) management of the primary government (below the level of the governing body) has operational responsibility of the unit; (2) the unit provides services or benefits exclusively or almost exclusively to the primary government; or (3) the unit's total debt outstanding, including leases, is expected to

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

be repaid by resources of the primary government. A unit which fails to meet the substantively the same governing requirement may still be included as a discretely presented component unit, if the primary government has appointed the voting majority of the component unit's governance or met other criteria specified in the Statement such as whether or not it would be misleading were the entity to be excluded. Retroactive application of the Statement to 2012 was not necessary.

During 2013, CEFIA established four legally separate for-profit entities whose collective purpose, at the present time, is to administer the CEFIA's solar energy programs. For the year ended June 30, 2013, separate financial statements have not been issued by these entities. CEFIA believes to exclude any of the entities from these financial statements would be misleading. Each entity is listed below, along with whether it is included as a blended component unit (blended) or qualifies as a discretely presented component unit (discrete) within these financial statements based on the criteria described above.

CEFIA Holdings LLC (blended)

A Connecticut limited liability corporation (LLC), 99% owned by CEFIA (1% owned by CI), established to fund a portfolio of residential solar loans and, through its CT Solar Lease 2 program, to enable investment in solar photovoltaic and solar thermal equipment for the benefit of Connecticut homeowners, businesses, not-for-profits and municipalities (the "End Users"). CEFIA Holdings LLC acquires the initial title to the solar assets and contracts with independent solar installers to complete the installation of the solar assets and arrange for the leasing of the solar assets (or sale of energy under power purchase agreements) to the End Users. CEFIA Holdings LLC is also responsible for procuring insurance for the solar assets, operation and maintenance services as well as warranty management services for the ultimate owner of the solar assets, CT Solar Lease 2 LLC, to which CEFIA Holdings LLC sells the residential and commercial projects before the projects are placed in service. After acquiring the residential and commercial projects, CT Solar Lease 2 LLC administers the portfolio of projects with the assistance of AFC First Financial Corporation.

CEFIA Solar Loan I LLC (blended)

A limited-liability corporation, wholly-owned by CEFIA Holdings LLC, established to make loans to residential property owners for the purposes of installing solar photovoltaic equipment.

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CEFIA Solar Services, Inc. (discrete)

A Connecticut corporation, 100% owned by CEFIA Holdings LLC, established to share in the ownership risks and benefits derived from the leasing of solar photovoltaic and solar thermal equipment and the sale of energy under power purchase agreements as managing member of CT Solar Lease 2 LLC. CEFIA Solar Services, Inc. has a one percent ownership interest in CT Solar Lease 2 LLC and is the managing member of the entity responsible for performing all management and operational functions pursuant to the Operating Agreement of CT Solar Lease 2 LLC.

CT Solar Lease 2 LLC (discrete)

A Connecticut limited-liability corporation that acquires title to the residential and commercial solar projects from the developer, CEFIA Holdings LLC, using capital from its members along with non-recourse funding from participating banks. Repayment to participating banks is predicated upon the property owners repayment to CT Solar Lease 2 LLC of the installation funds advance, as well as revenue earned from production-based incentives. CT Solar Lease 2 LLC is owned ninety-nine percent (99%) by Firstar Development, LLC, a Delaware limited liability company, as the investor member and one percent (1%) by CEFIA Solar Services Inc., as the managing member.

Advances between the primary government (CEFIA) and its component units, or between the component units themselves, involved establishment of funds to provide for loan loss reserves as well as pay certain organizational costs. Advances were eliminated in preparing the combining and reporting entity financial statements.

Condensed combining information for the primary government (CEFIA) and its two blended component units (CEFIA Holdings LLC and CEFIA Solar Loan I LLC) is presented as follows:

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONDENSED, COMBINING INFORMATION – STATEMENT OF NET POSITION

	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	CEFIA	Eliminating Entries	Total Primary Government
Assets					
Current Assets					
Cash and cash equivalents	$ 54,342	$ 24,786	$ 67,619,430	$ --	$ 67,698,558
Accounts receivable	--	--	1,940,835	--	1,940,835
Utility customer assessments receivable	--	--	2,604,826	--	2,604,826
Other assets	--	--	194,056	--	194,056
Current portion of Solar Lease notes	--	--	704,032	--	704,032
Total Current Assets	54,342	24,786	73,063,179	--	73,142,307
Noncurrent Assets					
Portfolio investments	20,596	--	4,767,498	--	4,788,094
Solar Lease Notes, less current portion	--	--	10,536,136	--	10,536,136
Renewable Energy Credits	--	--	1,217,491	--	1,217,491
Investment in component units	--	100	99,000	(99,000)	100
Advances to primary government and component units	--	5,875,000	5,850,000	(5,875,000)	5,850,000
Capital assets, net of depreciation	--	--	362,505	--	362,505
Restricted assets:					
Cash and cash equivalents	--	--	5,036,656	--	5,036,656
Total Noncurrent Assets	20,596	5,875,100	27,869,286	(5,974,000)	27,790,982
Total Assets	$ 74,938	$ 5,899,886	$ 100,932,465	$ (5,974,000)	$ 100,933,289

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONDENSED, COMBINING INFORMATION – STATEMENT OF NET POSITION (CONTINUED)

	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	CEFIA	Eliminating Entries	Total Primary Government
Liabilities and Net Position					
Liabilities					
Accounts payable and accrued expenses	$ --	$ --	$ 1,422,898	$ --	$ 1,422,898
Advances from primary government and component units	75,000	5,800,000	--	(5,875,000)	--
Custodial liability	--	--	393,000	--	393,000
Total Liabilities	75,000	5,800,000	1,815,898	(5,875,000)	1,815,898
Net Position					
Invested in capital assets	--	--	362,505	--	362,505
Restricted Net Position					
Non-expendable	--	100,000	--	(99,000)	1,000
Restricted for energy programs	--	--	8,143,655	--	8,143,655
Unrestricted (deficit)	(62)	(114)	90,610,407	--	90,610,231
Total Net Position	(62)	99,886	99,116,567	(99,000)	99,117,391
Total Liabilities and Net Position	$ 74,938	$ 5,899,886	$ 100,932,465	$ (5,974,000)	$ 100,933,289

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONDENSED, COMBINING INFORMATION – STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	CEFIA	Eliminating Entries	Total Primary Government
Operating Revenues					
Utility customer assessments	$ --	$ --	$ 27,621,409	$ --	$ 27,621,409
Grant revenue	--	--	10,035,250	--	10,035,250
RGGI Auction income	--	--	4,744,657	--	4,744,657
Other income	--	--	941,777	--	941,777
Total Operating Revenues	--	--	43,343,093	--	43,343,093
Operating Expenses					
Grants and program expenditures	--	--	23,634,465	--	23,634,465
General and administrative expenses	--	--	1,811,227	--	1,811,227
Organizational expenses	62	114	--	--	176
Total Operating Expenses	62	114	25,445,692	--	25,445,868
Operating Income (Loss)	(62)	(114)	17,897,401	--	17,897,225
Nonoperating Income (Expenses)					
Interest on solar lease notes	--	--	583,575	--	583,575
Interest on short-term investments	--	--	103,928	--	103,928
Realized gain (loss) on investments	--	--	(1,034,605)	--	(1,034,605)
Unrealized gain (loss) on investments	--	--	378,059	--	378,059
Total Nonoperating Income (Expenses)	--	--	30,957	--	30,957
Income Before Capital Contributions	(62)	(114)	17,928,358	--	17,928,182
Capital contributions	--	100,000	--	(99,000)	1,000
Change in Net Position	(62)	99,886	17,928,358	(99,000)	17,929,182
Net Position - Beginning of Year	--	--	81,188,209	--	81,188,209
Net Position - End of Year	$ (62)	$ 99,886	$ 99,116,567	$ (99,000)	$ 99,117,391

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS

	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	CEFIA	Eliminating Entries	Total Primary Government
Cash Flows from Operating Activities					
Utility ratepayer assessments	$ --	$ --	$ 27,597,453	$ --	$ 27,597,453
Grants	--	--	2,015,677	--	2,015,677
RGGI auction proceeds	--	--	3,529,080	--	3,529,080
Other income	--	--	440,533	--	440,533
Grant and program expenditures	--	--	(20,842,075)	--	(20,842,075)
General and administrative expenditures	(62)	(114)	(5,670,783)	--	(5,670,959)
Net Cash Provided by (Used in) Operating Activities	(62)	(114)	7,069,885	--	7,069,709
Cash Flows from Noncapital Financing Activities					
Advances to CEFIA component units	--	(5,875,000)	(5,800,000)	5,875,000	(5,800,000)
Advances from CEFIA and component units	75,000	5,800,000	--	(5,875,000)	--
Net Cash Provided by (Used in) Noncapital Financing Activities	75,000	(75,000)	(5,800,000)	--	(5,800,000)
Cash Flows from Capital and Related Financing Activities					
Purchase of capital assets	--	--	(281,654)	--	(281,654)
Capital contributions	--	99,900	(99,000)	--	900
Net Cash Provided by (Used in) Capital and Related Financing Activities	--	99,900	(380,654)	--	(280,754)
Cash Flows from Investing Activities					
Return of principal on investments	--	--	663,488	--	663,488
CPACE program loan disbursements	--	--	(86,000)	--	(86,000)
Grid Tied program loan disbursements	--	--	(2,625,000)	--	(2,625,000)

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CONDENSED, COMBINING INFORMATION – STATEMENT OF CASH FLOWS (CONTINUED)

	CEFIA Solar Loan I LLC	CEFIA Holdings LLC	CEFIA	Eliminating Entries	Total Primary Government
Cash Flows from Investing Activities (Continued)					
Operational Demo program loan disbursements	$ --	$ --	$ (100,000)	$ --	$ (100,000)
Interest on short-term investments and cash deposits	--	--	116,831	--	116,831
Interest on solar lease notes	--	--	583,942	--	583,942
Residential Solar Loan program disbursements	(20,596)	--	--	--	(20,596)
Net Cash Provided by (Used in) Investing Activities	(20,596)	--	(1,446,739)	--	(1,467,335)
Net Increase (Decrease) in Cash and Cash Equivalents	54,342	24,786	(557,507)	--	(478,380)
Cash and Cash Equivalents - Beginning of Year	--	--	73,213,594	--	73,213,594
Cash and Cash Equivalents - End of Year	$ 54,342	$ 24,786	$ 72,656,087	$ --	$ 72,735,214
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:					
Operating income (loss)	$ (62)	$ (114)	$ 17,897,401	$ --	$ 17,897,225
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	--	--	79,364	--	79,364
Changes in operating assets and liabilities:					
Receivables, notes, renewable credits	--	--	(1,734,798)	--	(1,734,798)
Increase in liabilities:					
Accounts payable,accrued expenses, deferred revenue and due to related parties	--	--	(9,172,082)	--	(9,172,082)
Net Cash Provided by (Used in) Operating Activities	$ (62)	$ (114)	$ 7,069,885	$ --	$ 7,069,709

NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

CEFIA is considered to be an enterprise fund. Enterprise funds are used to account for governmental activities that are similar to those found in the private sector in which the determination of net income is necessary or useful to sound financial administration.

In its accounting and financial reporting, CEFIA follows Governmental Accounting Standards Board (GASB) Statement No. 62, *GASB Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* which incorporates into GASB guidance pre-November 30, 1989 FASB Statements and Interpretations and Accounting Principles Board (APB) Opinions and Research Bulletins which do not conflict or contradict GASB statements.

BASIS OF PRESENTATION

CEFIA's financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of the related cash flows.

OPERATING VS. NON-OPERATING REVENUE (EXPENSE)

CEFIA distinguishes operating revenues and expenses from non-operating items. Operating revenues consist of utility customer assessments, grants for operating activities, and other revenue generated in connection with investments in clean energy programs. Operating expenses consist of operating costs, including depreciation on capital assets and grants and programs. Non-operating revenue (expense) consists of investment earnings, gains, and losses.

USE OF ESTIMATES

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect certain reported amounts and disclosures in the financial statements. The most significant estimates are the determination of the fair value of its investments. Actual results could vary from the estimates that were used.

USE OF RESTRICTED VS. NON-RESTRICTED RESOURCES

When both restricted and unrestricted amounts are available for use, it is CEFIA's policy to use restricted resources for their intended purposes first and then unrestricted resources.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECLASSIFICATIONS

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation.

CASH AND CASH EQUIVALENTS

Cash equivalents consist of cash and highly liquid short-term investments with an original term of 90 days when purchased and are recorded at cost, which approximates fair value.

CAPITAL ASSETS

Capital asset acquisitions exceeding $500 are capitalized at cost. Maintenance and repair expenses are charged to operations when incurred. Depreciation is computed using straight-line methods over the estimated useful lives of the assets, which range from two to five years. Leasehold improvements are amortized over the shorter of their useful life or the lease term.

For capital assets sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any related gain or loss is reflected in income for the period.

PORTFOLIO INVESTMENTS

CEFIA carries all investments at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer liability by in an orderly transaction between market participants at the measurement date. As discussed in Note 4, CEFIA's portfolio investments are managed by CI. Fair value is determined by CI's independent valuation committee ("Committee") using United States Private Equity Valuation Guidelines promulgated by the Private Equity Investment Guidelines Group. In the absence of readily determinable market values, the Committee gives consideration to pertinent information about the companies comprising these investments, including, but not limited to, recent sales prices of the issuer's securities, sales growth, progress toward business goals and other operating data. CI has applied procedures in arriving at the estimate of the value of such securities that it believes are reasonable and appropriate. CEFIA management reserves the right to establish a reserve in addition to the reserve recommended by the Committee to further account for current market conditions and volatility. Due to the inherent uncertainty of valuation, those estimated values may differ significantly from the amounts ultimately realized from the investments, and the differences could be material. CEFIA reports gains as realized and unrealized consistent with the practice of venture capital firms. The calculation of realized gains and losses is independent of the calculation of the net change in investment value.

NOTE 1 - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All of CEFIA's portfolio investments are uninsured against loss and unregistered, and are held in the administrator's name.

NET POSITION

Net position of CEFIA is presented in the following three categories:

- *Net Position Invested in Capital Assets* represent capital assets, net of accumulated depreciation that are attributable to those particular assets.
- *Restricted Net Position* represent assets whose use is restricted through external restrictions imposed by creditors, grantors, contributors and the like, or through restrictions imposed by laws or through constitutional provisions or enabling legislature, and includes equity interest within CEFIA's component units.
- *Unrestricted Net Position* represents assets which do not meet the definition of the two preceding categories.

GRANTS AND PROGRAMS

Expenditures for grants and programs are recorded upon the submission of invoices and other supporting documentation and approval by management. Salaries, benefits and overhead expenses are allocated to program expenses based on job functions.

SUBSEQUENT EVENTS

CEFIA has performed a review of events subsequent to the statement of net position date through December 23, 2013, the date of the financial statements where available to be issued. No events requiring recording or disclosure in the financial statements were identified.

NOTE 2 - FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. In determining fair value, CEFIA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. CEFIA also considers nonperformance risk in the overall assessment of fair value.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

Auditing standards establishes a three tier valuation hierarchy for fair value disclosure purposes. This hierarchy is based on the transparency of the inputs utilized for the valuation. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets of liabilities.

Level 2: Inputs other than quotes prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quotes prices for similar assets and liabilities in active markets
- Quotes prices for identical or similar assets or liabilities in markets that are not active
- Observable inputs other than quotes prices that are used in the valuation of the asset or liability (e.g., interest rate and yield curve quotes at commonly quotes intervals)
- Inputs that are derived principally from or corroborated by observed market data by correlation or other means

Level 3: Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although CEFIA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, CEFIA's fair value measurements at June 30, 2013:

	Investment assets at Fair Value as of June 30, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 77,641,670	$ --	$ --	$ 77,641,670
Portfolio investments	--	--	4,788,094	4,788,094
	$ 77,641,670	$ --	$ 4,788,094	$ 82,429,764

	Level 1	Level 2	Level 3	Total
Primary Government:				
Cash and cash equivalents	$ 72,735,214	$ --	$ --	$ 72,735,214
Portfolio investments	--	--	4,788,094	4,788,094
Discretely Presented Component Units:				
CEFIA Solar Services, Inc.	--	--	--	--
CT Solar Lease 2 LLC				
Cash and cash equivalents	4,906,456	--	--	4,906,456
	$ 77,641,670	$ --	$ 4,788,094	$ 82,429,764

The following table sets forth by level, within the fair value hierarchy, CEFIA's fair value measurements at June 30, 2012:

	Investment assets at Fair Value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 73,213,594	$ --	$ --	$ 73,213,594
Portfolio investments	--	--	2,155,525	2,155,525
	$ 73,213,594	$ --	$ 2,155,525	$ 75,369,119

All of the above amounts as of June 30, 2012 pertained to the primary government.

There were no transfers between levels during the years ended June 30, 2013 and 2012.

NOTE 2 - FAIR VALUE MEASUREMENTS (CONTINUED)

The following is a reconciliation, for the primary government, of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of net assets available for benefits using significant unobservable (Level 3) inputs:

	2013	2012
Balance - beginning of year	$ 2,155,525	$ 1,698,715
Purchases - CEFIA program promissory notes	2,254,510	--
Purchases - equity investments	--	22,107
Unrealized appreciation in value of investments	378,059	434,703
Balance - end of year	$ 4,788,094	$ 2,155,525

NOTE 3 - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents at June 30:

	2013	2012
Checking	$ 1,846,114	$ 4,050,160
State Treasurer's Short-Term Investment Fund	66,258,900	60,687,137
Unrestricted cash and cash equivalents	68,105,014	64,737,297
Checking - restricted	1,569,975	112,588
Money Market - restricted	3,500,000	--
State Treasurer's Short-Term Investment Fund - restricted	4,466,681	8,363,709
Total cash and cash equivalents	$ 77,641,670	$ 73,213,594

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

	Primary Government	CT Solar Lease 2 LLC	CEFIA Solar Services, Inc.	Total
Checking	$ 1,439,658	$ 406,456	$ --	$ 1,846,114
State Treasurer's Short-Term Investment Fund	66,258,900	--	--	66,258,900
Unrestricted Cash and Cash Equivalents	67,698,558	406,456	--	68,105,014
Restricted Cash				
Checking	569,975	1,000,000	--	1,569,975
Money market	--	3,500,000	--	3,500,000
State Treasurer's Short-Term Investment Fund	4,466,681	--	--	4,466,681
	$ 72,735,214	$ 4,906,456	$ --	$ 77,641,670

All cash and cash equivalents as of June 30, 2012 were that of the primary government.

STATE TREASURER'S SHORT-TERM INVESTMENT FUND

The State Treasurer's Short-Term Investment Fund is a Standard & Poors AAAm investment pool of high-quality, short-term money market instruments managed by the Cash Management Division of the State Treasurer's Office. It is the investment vehicle for the operating cash of the State of Connecticut Treasury, state agencies and authorities, municipalities, and other political subdivisions of the State. The value of CEFIA's position in the pool is the same as the value of pool shares. Regulatory oversight is provided by an investment advisory council and the State Treasurer's Cash Management Board.

INVESTMENT MATURITIES

The State Treasurer's Short-Term Investment Fund has no maturity date and is available for withdrawal on demand.

INTEREST RATE RISK

CEFIA manages its exposure to declines in fair value by limiting the average maturity of its cash and cash equivalents to no more than one year.

NOTE 3 - CASH AND CASH EQUIVALENTS (CONTINUED)

CREDIT RISK

Connecticut General Statutes authorize CEFIA to invest in obligations of the U.S. Treasury including its agencies and instrumentalities, commercial paper, banker's acceptance, repurchase agreements and the State Treasurer's Short-Term Investment Fund.

Investment ratings for the Fund's investment is as follows:

	Moody's Investors Service	Standard & Poor's
State Treasurer's Short-Term Investment Fund	Aaa	AAAm

CONCENTRATION OF CREDIT RISK

CEFIA's investment policy does not limit the investment in any one investment vehicle. The State Treasurer's Short-term Investment Fund is not subject to this disclosure.

CUSTODIAL CREDIT RISK - DEPOSITS

In the case of deposits, this represents the risk that, in the event of a bank failure, CEFIA's deposits may not be returned to it. CEFIA does not have a deposit policy for custodial credit risk. As of June 30, 2013, $6,940,198 of CEFIA's bank balances were exposed to custodial credit risk (primary government $2,283,742, CT Solar Lease 2 LLC $4,656,456). Funds held by banks on behalf of CT Solar Lease 2 LLC include a contractual requirement to maintain $4,500,000 in deposits with financial institutions participating in the CEFIA Solar Lease Program which represent loan loss and lease maintenance reserves.

CUSTODIAL CREDIT RISK - INVESTMENTS

For an investment, this represents the risk that, in the event of the failure of the counterparty, CEFIA will not be able to recover the value of the investment. As of June 30, 2013 and 2012, the Fund has no reportable custodial risk.

NOTE 4 - PORTFOLIO INVESTMENTS

The former Connecticut Clean Energy Fund (CCEF) invested in emerging technology companies as equity investments and Alpha and Operational Demonstration programs and projects. As of June 30, 2013, portfolio investments represent equity and debt investments in eleven companies. Based on a memorandum of understanding between CEFIA and CI, CI manages these investments on behalf of CEFIA.

NOTE 5 - RELATED PARTY TRANSACTIONS AND OPERATING LEASES

RELATED PARTY TRANSACTIONS

CEFIA utilizes the services of CI, as provided in the General Statutes of the State of Connecticut. CI provides services to CEFIA, at cost, for its operations. Such services include, but are not limited to, staff for accounting and information technology support, office space, equipment, supplies and insurance. Expenses billed to CEFIA by CI totaled $880,741 and $1,868,098 for the years ended June 30, 2013 and 2012, respectively. As of June 30, 2013 and 2012, amounts due to CI were $21,396 and $94,340, respectively. During 2012, CI staff managing CEFIA programs transferred to CEFIA.

Pursuant to state statute, CEFIA is subject to fringe benefit charges for pension plan and medical plan contributions which are paid at the state level. CEFIA's employer payroll taxes are also paid at the state level. CEFIA reimburses the state for these payments. The reimbursement for 2013 and 2012 comprised 66.25% and 63.0%, respectively, of gross salaries.

OPERATING LEASES

CEFIA sub leases its main office space from CI under a non-cancellable Memorandum of Understanding (MOU). The MOU calls for monthly payments of $12,213 with escalating payments through December 2020. CEFIA also leases additional office space from an unaffiliated entity which calls for monthly payments of $7,333, with escalating payments through December 2020.

NOTE 5 - RELATED PARTY TRANSACTIONS AND OPERATING LEASES (CONTINUED)

Future minimum lease payments for office rentals are as follows:

Years ending June 30,		
2014	$	237,678
2015		243,928
2016		250,176
2017		256,424
2018		221,838
Thereafter		683,234
	$	1,893,278

Rent expense for the years ended June 30, 2013 and 2012 was $145,947 and $161,612, respectively.

In addition, CEFIA leases office equipment on a month-to-month basis. Rent expense related to the office equipment for the years ended June 30, 2013 and 2012 was $7,344 and $799, respectively.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for year ended June 30, 2013 is as follows:

	Balance, July 1, 2012	Additions	Deletions	Adjustments	Balance, June 30, 2013
Capital assets being depreciated:					
Furniture and equipment	$ 13,049	$ 188,068	$ --	$ 134,627	$ 335,744
Computer hardware and software	28,460	43,010	--	--	71,470
Leasehold improvements	56,224	80,395	--	40	136,659
	97,733	311,473	--	134,667	543,873
Less accumulated depreciation and amortization:					
Furniture and equipment	626	11,267	--	134,667	146,560
Computer hardware and software	3,807	14,286	--	--	18,093
Leasehold improvements	1,971	14,744	--	--	16,715
	6,404	40,297	--	134,667	181,368
Capital assets, net	$ 91,329	$ 271,176	$ --	$ --	$ 362,505

Capital asset activity for year ended June 30, 2012 is as follows:

	Balance, July 1, 2011	Additions	Deletions	Adjustments	Balance, June 30, 2012
Capital assets being depreciated:					
Furniture and equipment	$ --	$ 13,049	$ --	$ --	$ 13,049
Computer hardware and software	--	28,460	--	--	28,460
Leasehold improvements	--	56,224	--	--	56,224
	--	97,733	--	--	97,733
Less accumulated depreciation and amortization:					
Furniture and equipment	--	626	--	--	626
Computer hardware and software	--	3,807	--	--	3,807
Leasehold improvements	--	1,971	--	--	1,971
	--	6,404	--	--	6,404
Capital assets, net	$ --	$ 91,329	$ --	$ --	$ 91,329

All capital assets are that of the primary government.

NOTE 7 - GRANT PROGRAMS

CEFIA, the primary government, recognizes grant revenue based on expenditures or fulfillment of program requirements. For the year ended June 30, 2013, CEFIA recognized related grant revenue of $9,999,250 under Department of Energy programs and $36,000 under a program sponsored by a private foundation.

NOTE 8 - COMMITMENTS

As of June 30, 2013 and 2012, the Board of Directors designated a portion of CEFIA's unrestricted net position to fund financial incentives for specific commercial and residential projects in the following areas:

	2013	2012
CPACE	$ 1,458,455	$ --
Education and outreach	1,305,165	1,219,336
Fuel cells	4,944,157	6,320,367
Geothermal and Solar Thermal	1,036,986	1,095,689
Campus Efficiency NOW Program	1,000,000	--
Operation Demonstration Programs	1,381,974	1,397,895
Other technologies	1,064,500	246,340
Project 150 and Pre-Development Programs	1,500,000	7,487,145
Solar	10,795,323	8,082,471
	$ 24,486,560	$ 25,849,243

These incentives are expected to be paid over the next one to six fiscal years and are contingent upon the completion of performance milestones by the recipient of the incentive.

In addition, at June 30, 2013, the Board of Directors through various resolutions has made available an additional $33,842,000 of unrestricted net position to fund the following programs for which specific commercial and residential projects have not yet been identified:

CPACE	$ 16,463,000
Solar loan programs	10,179,000
Solar lease program	7,200,000
	$ 33,842,000

All commitments are those of the primary government.

NOTE 9 - PENSION PLAN

All employees of the CEFIA participate in the State Employees' Retirement System (SERS), which is administered by the State Employees' Retirement Commission. The CEFIA has no liability for pension costs other than the annual contribution. In addition, an actuarial study was performed on the plan as a whole and does not separate information for employees of the CEFIA. Therefore, certain pension disclosures otherwise required pursuant to accounting principles generally accepted in the United States of America are omitted. Information on the total plan funding status and progress, contribution required and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report.

PLAN DESCRIPTION

SERS is a single-employer defined benefit public employee retirement system (PERS) established in 1939 and governed by Sections 5-152 and 5-192 of the Connecticut General Statutes. Employees are covered under one of three tiers. Tier I and Tier IIA are contributory plans, and Tier II is a noncontributory plan.

Members who joined the retirement system prior to July 1, 1984 are enrolled in Tier I. Tier I employees who retire at or after age 65 with 10 years of credited service, at or after age 55 with 25 years of service, or at age 55 with 10 years of credited service with reduced benefits are entitled to an annual retirement benefit payable monthly for life, in an amount of 2 percent of the annual average earnings (which are based on the three highest earning years of service) over $4,800 plus 1 percent of $4,800 for each year of credited service. Tier II employees who retire at or after age 60 with 25 years of service, or at age 62 with 10 years of service, or at age 65 with 5 years of service, are entitled to one and one-third percent of the average annual earnings plus one-half of one percent of the average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service. Tier II employees between the ages of 55 and 62 with 10 years but less than 25 years of service may retire with reduced benefits. In addition, Tier II and Tier IIA members with at least five but less than ten years of actual state service who terminate their state employment July 2, 1997 or later and prior to attaining age 62 will be in deferred vested status and may commence receipt of normal retirement benefits on the first of the month on or following their sixty-fifth (65) birthday.

Employees hired on and after July 1, 1997, will become members of Tier IIA. Tier IIA plan is essentially the existing Tier II plan with the exception that employee contributions of 2 percent of salary are required. Tier I members are vested after ten years of service, while Tier II and Tier IIA members may be vested after five years of service under certain conditions, and all three plans provide for death and disability benefits.

NOTE 9 - PENSION PLAN (CONTINUED)

PLAN DESCRIPTION (CONTINUED)

Employees hired on or after July 1, 2011 are covered under the Tier III plan. Tier III requires employee contributions of two percent of salary up to a $250,000 limit after which no additional contributions will be taken on earnings above this limit. The normal retirement date will be the first of any month on or after age 63 if the employee has at least 25 years of vested service or age 65 if the employee has at least 10 but less than 25 years of vested service. Tier III members who have at least 10 years of vested service can receive early reduced retirement benefits if they retire on the first of any month on or following their 58th birthday. Tier III normal retirement benefits include annual retirement benefits for life, in the amount of one and one-third percent of the five year average annual earnings plus one-half of one percent of the five year average annual earnings in excess of the salary breakpoint in the year of retirement for each year of credited service plus one and five-eighths of the five year annual average salary times years of credited service over 35 years.

The total payroll for employees of the CEFIA covered by SERS for the year ended June 30, 2013 was $2,517,190.

CONTRIBUTIONS MADE

CEFIA's contribution is determined by applying a State mandated percentage to eligible salaries and wages as follows:

	2013	2012
Contributions made:		
By employees	$ 104,214	$ 59,034
Percent of current year covered payroll	4.1%	3.8%
By CEFIA	$ 1,125,649	$ 601,014
Percent of current year covered payroll	44.7%	39.0%

NOTE 10 - RESTRICTED NET POSITION (PRIMARY GOVERNMENT)

Restricted net position at June 30, 2013 consisted of the following:

Non-expendable		
CEFIA component units equity interest	$	1,000
Energy Programs		
Assets restricted to fund maintenance of a fuel cell for a Connecticut municipality	$	176,974
Assets restricted for maintaining loan loss and interest rate reserves (Note 1)		7,966,681
	$	8,143,655

NOTE 11 - RISK MANAGEMENT

CEFIA is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. All risks are managed through the purchase of commercial insurance. There have been no losses exceeding insurance coverage, and there have been no decreases in insurance coverage over the last three years.

NOTE 12 - RENEWABLE ENERGY CREDITS (PRIMARY GOVERNMENT)

CEFIA owns Class 1 Renewable Energy Certificates (RECs) that are generated by certain renewable energy facilities for which CEFIA provided the initial funding. On October 22, 2010, CEFIA entered into an agreement to sell a total of 10,000 RECs generated, or to be generated, during the period January 1 to December 31, 2013 at a price of $15.00 per REC, totaling $150,000.

RECs trade on the New England Power Pool (NEPOOL) market. The market price of Connecticut Class 1 RECs as of June 30, 2013 ranged from $54.00 to $55.00. However CEFIA's inventory as of June 30, 2013 has been priced at the sales price per the agreements. Based on historical performance, management believes that the RECs it will receive from its funded facilities through December 31, 2013 will exceed its commitment to sell under this agreement.

NOTE 13 - TRANSFER OF ASSETS FROM THE STATE OF CONNECTICUT CLEAN ENERGY FUND (2012)

The Clean Energy Finance and Investment Authority (CEFIA) was established in July 2011 under Title 16, Sec. 16-245n of the General Statutes of the State of Connecticut as the successor entity of the Connecticut Clean Energy Fund. In connection with the succession, below is the detail of amounts transferred into CEFIA by the Clean Energy Fund as of July 1, 2011:

Assets:	
Current	$ 63,203,685
Non-current	13,792,179
Total	$ 76,995,864
Liabilities:	
Current	$ 4,215,625
Net Position:	
Restricted	233,875
Unrestricted	72,546,364
Total	$ 72,780,239

MARCUM
ACCOUNTANTS ▲ ADVISORS

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
Clean Energy Finance and Investment Authority

We have audited, 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, the financial statements of the Clean Energy Finance and Investment Authority (a component unit of the State of Connecticut), as of and for the year ended June 30, 2013, which comprise the statement of net position as of June 30, 2013, and the related statements of revenues, expenses and changes in net position and statement of cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 23, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Clean Energy Finance and Investment Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 Clean Energy Finance and Investment Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Clean Energy Finance and Investment Authority's internal control.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. Given these imitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MARCUMGROUP
MEMBER

Marcum LLP ▪ City Place II ▪ 185 Asylum Street ▪ 17th Floor ▪ Hartford, CT 06103 ▪ Phone 860.549.8500 / 877.231.5351 ▪ Fax 860.549.8501 ▪ marcumllp.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clean Energy Finance and Investment Authority'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.*

Purpose of this Report

The purpose of this report is solely to describe the scope and testing of internal control and compliance and results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Hartford, CT
December 23, 2013