

# **Sustainable Energy Utility, Inc.**

## **Financial Statements**

**Year Ended December 31, 2010**

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## **Financial Statements**

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# Sustainable Energy Utility, Inc.

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## Accountants' Compilation Report

Board of Directors  
Sustainable Energy Utility, Inc.  
Dover, Delaware

We have compiled the accompanying statement of financial position of Sustainable Energy Utility, Inc. as of December 31, 2010, and the related statements of activities and changes in net assets and cash flows for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

We are not independent with respect to Sustainable Energy Utility.

*BDO USA LLP*

February 4, 2013

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## Financial Statements

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# Sustainable Energy Utility, Inc

## Statement of Financial Position

	December 31, 2010 (Restated)
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$ 5,576,775
Restricted cash and cash equivalents	9,939,739
Due from related parties - DEO	4,713,646
<b>Total assets</b>	<b>\$ 20,230,160</b>
<b>Liability</b>	
Due to related parties - DEO	\$ 9,939,739
<b>Net asset</b>	
Unrestricted net asset	10,290,421
<b>Total liability and net asset</b>	<b>\$ 20,230,160</b>

*See accompanying accountants' compilation report and notes to the financial statement.*

# Sustainable Energy Utility, Inc

## Statement of Activities and Changes in Net Assets

<i>For the year ended December 31,</i>	2010 (Restated)
Transfers in	
From the DEO	\$ 4,723,010
Transfers out	
To the DEO	1,953,982
Changes in net asset	2,769,028
Net asset, beginning of year	7,521,393
Net asset, end of year	\$ 10,290,421

*See accompanying accountants' compilation report and notes to the financial statement.*

# Sustainable Energy Utility, Inc

## Statement of Cash Flows

<i>For the year ended December 31,</i>	2010 (Restated)
Change in net assets	\$ 2,769,028
Adjustments to reconcile change in net assets to net cash from operating activities:	
Increase (Decrease) in assets:	
Restricted cash	(9,939,739)
Due from related parties	2,807,747
Increase in liabilities:	
Due to related parties	9,939,739
Net cash provided by operating activities	5,576,775
Net increase in cash and cash equivalents	5,576,775
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ 5,576,775

*See accompanying accountants' compilation report and notes to the financial statement.*



# Sustainable Energy Utility, Inc.

## Notes to the Financial Statement

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### 1. Description of Organization

Delaware's Sustainable Energy Utility (the "SEU") is a nonprofit organization created by the State of Delaware to foster a sustainable energy future for the State of Delaware through conservation, efficiencies and the use of renewable energy sources, like solar, wind and geothermal. The oversight board of the SEU includes public, academic and private sector representatives who are responsible for overseeing the establishment and progress of various programs.

The Oversight Board of the SEU served as an advisory board to the Delaware Department Natural Resources and Environmental Control ("DNREC"), and the Delaware Energy Office (the "DEO") and did not control the "day-to-day" activities of the various programs handled by the DEO. In accordance with legislation (Title 7 of the Delaware Code Section 6046), the SEU was entitled to deposits of 65% for the net funds (gross funds less any auction costs incurred) by the DEO for the Regional Greenhouse Gas Initiative ("RGGI") "cap-and-trade" program. The Oversight Board of the SEU approves and then releases the deposits to the various programs handled by the DEO. The oversight board of the SEU has no authority over how the transfers are subsequently spent.

Additionally, grants from the American Recovery and Reinvestment Act of 2009 ("ARRA") would be deposited in SEU cash accounts with the expectation that the majority of programs to be funded with ARRA funds would be handled by the contract administrator under its contract with the DEO. Funds in bank accounts of the SEU are recorded as restricted cash and a liability to the DEO.

On April 22, 2010 and amended on August 17, 2010, the SEU entered into a contract to purchase 10,700 solar renewable energy credits ("SRECs") for approximately \$2,300,000 through October 31, 2013. On August 30, 2010, the SEU entered into a contract to resell the 10,700 SRECs in tranches of 2,700, 3,500, and 4,500 starting on October 1, 2014, October 1, 2015, and October 1, 2016 respectively for an aggregated price of approximately \$2,480,000.

### 2. Restatement

The financial statements as of and for the year ended December 31, 2010 have been adjusted to correct for an error in the treatment of the receivables from Federal grants and funds and expenditures related to the programs handled and accounted for by the DEO, the recipient of the federal funds. The December 31, 2010 financial statements have been restated to exclude these grants, incentive programs and expenditures as the SEU did not control the activities, was not the recipient or a sub-recipient of these awards and was serving as an advisory board during that time.

# Sustainable Energy Utility, Inc.

## Notes to the Financial Statement

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As of and for the year ended December 31, 2010 was restated as following:

	Original	Adjusted	Restated
<b>Statement of Financial Position</b>			
Cash and cash equivalents	\$ 15,469,514	\$ (9,892,739)	\$ 5,576,775
Restricted cash and cash equivalents	-	9,939,739	9,939,739
Governmental grants receivable	11,244,628	(11,244,628)	-
Due from related party - DEO	-	4,713,646	4,713,646
Accrued liabilities	442,728	(442,728)	-
Due to related party - DEO	-	9,939,739	9,939,739
Total assets	26,271,356	(6,041,196)	20,230,160
<b>Statement of Activities and Changes in Net Assets</b>			
Revenue	25,619,192	(25,619,192)	-
Expenses	4,898,168	(4,898,168)	-
Interest income	42,532	(42,532)	-
Transfers in	-	4,723,010	4,723,010
Transfers out	-	1,953,982	1,953,982
Net assets, beginning of the year	-	7,521,393	7,521,393
Net assets, end of the year	-	10,290,421	10,290,421

### 3. Summary of Significant Accounting Policies

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and the liability and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### *Cash and Cash Equivalents Including Restricted Cash and Cash Equivalents and Credit Risk*

The SEU considers short-term, highly liquid investments, which have remaining maturities of three months or less at the date of purchase to be cash equivalents.

Cash is maintained at financial institutions and balances may exceed federally insured limits. The SEU has never experienced any losses related to these balances. All of its non-interest bearing cash balances were fully insured at December 31, 2010 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and non-interest bearing cash balances may again exceed federally insured limits. Interest-bearing amounts on deposit in excess of federally insured limits at December 31, 2010 approximated \$15,200,000.

# Sustainable Energy Utility, Inc.

## Notes to the Financial Statement

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At December 31, 2010, the SEU had \$9,939,739 in restricted cash due to the amounts held by the SEU on behalf of the DEO for ARRA funding (see Note 1).

### *Unrestricted Net Assets*

Transfers to and from the DEO for the RGGI cap-and-trade program can be employed for any purpose designated by the Oversight Board. The Oversight Board, in accordance with the citation, designates the transfers to and from DEO from the RGGI cap-and-trade program to be specifically for the various programs handled by the DEO.

There are no temporarily or permanently restricted net assets at December 31, 2010.

### *Transfers to and From DEO*

Transfers from the DEO represent amounts entitled by the SEU from the DEO for the RGGI cap-and-trade program. The amounts are recognized in the period of the auction date.

Transfers to the DEO represent amounts approved by the oversight board of the SEU for use by the DEO on various projects. The amounts are recognized in the period of approval. No amount was approved and not paid for at December 31, 2010.

### *Income Taxes Status*

The SEU qualifies as a tax-exempt organization from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the SEU's tax exempt purpose is subject to taxation as unrelated business income. The SEU did not engage in any such activities during 2010.

The SEU and its affiliates have not taken an unsubstantiated tax position that would require provision of a liability. The SEU and its affiliates are subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

### *Fair Value Measures*

The fair value of the SEU's financial instruments, including cash and restricted cash and cash equivalents, due from and to related parties approximate cost because of their short term maturities.

### *Subsequent Events*

The SEU has evaluated subsequent events through February 4, 2013. Except as disclosed in Notes 4 and 5, the SEU has made no significant changes to the consolidated financial statements as a result of the subsequent events evaluation.

# Sustainable Energy Utility, Inc.

## Notes to the Financial Statement

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### 4. Related Parties

As of December 31, 2010, The Energy Coordinator for the State of Delaware was serving on the Oversight Board of the SEU, as required by law. In addition, two members on the board of SEU were employed by the State of Delaware and two members on the Oversight Board were serving in the Delaware General Assembly. During the year ended December 31, 2011, there were three members of the Oversight Board of the SEU who were employed by the State of Delaware. During the year ended December 31, 2012, there were four members of the Oversight Board who were employed by the State of Delaware.

### 5. Subsequent Events

Before May 10, 2011, "day-to-day" activities of various programs administered by the DEO and overseen by the SEU, including financial management, were handled by Applied Energy Group ("AEG"), the contract administrator and Belfint Lyons Shulman ("BLS"), the fiscal agent. On or around May 10, 2011, the Oversight Board replaced BLS as the fiscal agent with the DEO. On July 14, 2011, the SEU determined, with the concurrence of the DEO, that in addition to being an advisory board to the DEO, the SEU was also in control of the RGGI funds and accounts auctions. As a result, the DEO no longer controlled the funds and accounts even though the programs were still administered by the DEO. On October 14, 2011, the Oversight Board replaced AEG as contract administrator with the DEO.

On August 1, 2011, the SEU issued Energy Efficiency Revenue Bonds, Series 2011 Bonds ("Bonds"), in the amount of \$67,435,000 through the State of Delaware with varying maturity dates through September 15, 2034. The proceeds from the Bonds will be used for funding projects consisting of the design, construction and installation of certain conservation measures at the facilities of certain state agencies, interest until the installations are complete and the payment of cost of issuance of the bonds. Bonds mature by tranches on September 15, 2014 and on each September 15 thereafter. Interest, at the rates set forth at time of issuance, is payable beginning March 15, 2012 and on each September 15 and March 15 thereafter.

On November 21, 2011, the SEU formed SEU One, LLC, a wholly-owned subsidiary of the SEU for the purpose of operating the programs related to the solar renewable energy credits ("SRECs").