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SUSTAINABLE ENERGY UTILITY, INC.
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2019 AND 2018

SUSTAINABLE ENERGY UTILITY, INC.
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated statements of financial position of Sustainable Energy Utility, Inc., DBA Delaware Sustainable Energy Utility as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sustainable Energy Utility, Inc., DBA Delaware Sustainable Energy Utility as of June 30, 2019 and 2018, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note A to the financial statements, in 2019 Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility Inc's internal control over financial reporting or on compliance. The report is an integral part of an audit performed n accordance with *Government Audting Standards* in considering Sustainable Energy Utility, Inc. DBA Delaware Sustainable Enery Utility's internal control over financial reporting and compliance.

Whisman Giordano & Associates, LLC

Newark, Delaware
November 25, 2019

SUSTAINABLE ENERGY UTILITY, INC.
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

ASSETS

	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	$ 7,888,085	$ 5,519,204
Restricted cash	36,898	188,429
Current portion of program loans receivable	2,092,931	1,997,244
Investments	10,725,331	9,079,881
Accrued revenues	857,718	857,452
Prepaid expenses and other	3,773,765	3,728,766
Total current assets	25,374,728	21,370,976
PROPERTY AND EQUIPMENT	163,855	229,634
OTHER ASSETS		
Program loans receivable	27,148,864	27,269,058
Program receivables	74,570,812	61,945,776
Assets whose use is limited and held by trustee	4,231,696	97,941
Total other assets	105,951,372	89,312,775
TOTAL ASSETS	$ 131,489,955	$ 110,913,385

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES		
Current portion of bonds payable	$ 2,630,000	$ 2,285,000
Accounts payable and other accrued liabilities	2,091,023	4,152,720
Total current liabilities	4,721,023	6,437,720
BONDS PAYABLE	69,687,200	53,124,930
Total liabilities	74,408,223	59,562,650
NET ASSETS		
Without donor restriction	56,968,332	51,252,794
With donor restriction	113,400	97,941
Total net assets	57,081,732	51,350,735
TOTAL LIABILITIES AND NET ASSETS	$ 131,489,955	$ 110,913,385

See notes to accompanying consolidated financial statements.

SUSTAINABLE ENERGY UTILITY, INC.
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT, REVENUES AND GAINS			
Contract with State of Delaware - RGGI	$ 11,508,181	$ -	$ 11,508,181
Program service revenue	5,935,235	-	5,935,235
Interest on program loans receivable	851,958	-	851,958
	18,295,374	-	18,295,374
Net assets released from restriction	-	-	-
TOTAL SUPPORT, REVENUES AND GAINS	18,295,374	-	18,295,374
EXPENSES			
Program services	12,360,001	-	12,360,001
Management and general expenses	612,517	-	612,517
TOTAL EXPENSES	12,972,518	-	12,972,518
OTHER INCOME			
Net investment income	392,682	15,459	408,141
TOTAL OTHER INCOME	392,682	15,459	408,141
CHANGE IN NET ASSETS	5,715,538	15,459	5,730,997
NET ASSETS - BEGINNING OF YEAR	51,252,794	97,941	51,350,735
NET ASSETS - END OF YEAR	$ 56,968,332	$ 113,400	$ 57,081,732

See notes to accompanying consolidated financial statements.

SUSTAINABLE ENERGY UTILITY, INC.
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT, REVENUES AND GAINS			
Contract with State of Delaware - RGGI	$ 9,827,953	$ -	$ 9,827,953
Program service revenue	5,205,095	-	5,205,095
Interest on program loans receivable	368,114	-	368,114
	15,401,162	-	15,401,162
Net assets released from restrictions	17,175	(17,175)	-
TOTAL SUPPORT, REVENUES AND GAINS	15,418,337	(17,175)	15,401,162
EXPENSES			
Program services	15,985,326	-	15,985,326
Management and general expenses	672,841	-	672,841
TOTAL EXPENSES	16,658,167	-	16,658,167
OTHER INCOME			
Net investment income	162,834	-	162,834
TOTAL OTHER INCOME	162,834	-	162,834
CHANGE IN NET ASSETS	(1,076,996)	(17,175)	(1,094,171)
NET ASSETS - BEGINNING OF YEAR	52,329,790	115,116	52,444,906
NET ASSETS - END OF YEAR	$ 51,252,794	$ 97,941	$ 51,350,735

See notes to accompanying consolidated financial statements.

SUSTAINABLE ENERGY UTILITY, INC.
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Total
EXPENSES			
Salaries	$ -	$ 347,262	$ 347,262
Employee benefits	-	17,417	17,417
Payroll taxes	-	23,021	23,021
Total salaries and related expenses	-	387,700	387,700
Advertising	-	2,653	2,653
Amortization of bond premium, discount and deferred financing costs	(520,985)	-	(520,985)
Books, subscriptions, and reference	-	10	10
Contract services	426,348	-	426,348
Insurance	-	11,914	11,914
Interest	3,262,059	-	3,262,059
Loss on loan	27,313	-	27,313
Office expense	-	3,077	3,077
Professional fees	-	163,255	163,255
Program service fees	4,411,188	-	4,411,188
Rent and occupancy	-	40,743	40,743
SREC purchase fees	4,671,908	-	4,671,908
Supplies	-	1,601	1,601
Telephone	-	1,564	1,564
Travel, meetings and conferences	16,391	-	16,391
Total expenses before depreciation	12,294,222	612,517	12,906,739
Depreciation	65,779	-	65,779
TOTAL EXPENSES	$ 12,360,001	$ 612,517	$ 12,972,518

See notes to accompanying consolidated financial statements.

SUSTAINABLE ENERGY UTILITY, INC.
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Total
EXPENSES			
Salaries	$ -	$ 342,696	$ 342,696
Employee benefits	-	19,500	19,500
Payroll taxes	-	22,894	22,894
Total salaries and related expenses	-	385,090	385,090
Advertising	-	224	224
Amortization of bond premium, discount and deferred financing costs	(520,985)	-	(520,985)
Books, subscriptions, and reference	-	1,310	1,310
Contract services	155,547	-	155,547
Insurance	-	9,917	9,917
Interest	2,602,460	-	2,602,460
Loss on loan	-	-	-
Office expense	-	1,243	1,243
Professional fees	-	229,548	229,548
Program service fees	8,847,589	-	8,847,589
Rent and occupancy	-	39,210	39,210
SREC purchase fees	4,826,147	-	4,826,147
Supplies	-	5,092	5,092
Telephone	-	1,207	1,207
Travel, meetings and conferences	11,386	-	11,386
Total expenses before depreciation	15,922,144	672,841	16,594,985
Depreciation	63,182	-	63,182
TOTAL EXPENSES	$ 15,985,326	$ 672,841	$ 16,658,167

See notes to accompanying consolidated financial statements.

SUSTAINABLE ENERGY UTILITY, INC.
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from the State of Delaware	$ 11,508,181	$ 9,827,953
Cash received for programming	1,825,987	(5,246,415)
Cash paid to suppliers and employees	(12,188,674)	(12,566,227)
Interest received	1,259,833	587,587
Interest paid	(3,262,059)	(2,602,460)
NET CASH (USED FOR) OPERATING ACTIVITIES	(856,732)	(9,999,562)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in cash whose use is limited and held by trustee	(12,625,036)	3,435,000
Purchase of property and equipment	-	(55,000)
(Purchase) Sale of investment	(1,645,450)	11,012,990
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	(14,270,486)	14,392,990
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issuance of bonds	19,939,568	-
Repayment of bonds payable	(2,595,000)	(3,435,000)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	17,344,568	(3,435,000)
NET INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	2,217,350	958,428
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	5,707,633	4,749,205
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	$ 7,924,983	$ 5,707,633

See notes to accompanying consolidated financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Delaware Sustainable Energy Utility (the "SEU") is a nonprofit organization created 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.

From inception to July 14, 2011, the Oversight Board of the SEU served as an advisory board to the Delaware Department of 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% of 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 approved and then released the deposits to the various programs handled by the DEO. The Oversight Board had no authority over how the transfers are subsequently spent. After July 2011 funds held in trust by the DEO were transferred to accounts controlled by the Oversight Board and the Oversight Board assumed authority over how the transfers are subsequently spent. In October 2011 the Oversight Board hired a full time Executive Director to handle the "day to day" activities of the various programs approved by the Oversight Board.

Contract management and the activities of various programs are administered by SEU including financial management and control of the RGGI funds and auctions. SEU One, LLC, a wholly-owned subsidiary of the SEU, carries out the business associated with the Delaware solar renewable energy credits ("SREC") Procurement Program.

Among the programs administered by the SEU are the following:

- Home energy assessment program (known as the "Home Performance with Energy STAR") which enable homeowners making recommended energy - saving improvements to take advantage of rebates that make the energy improvements more affordable.
- Funding technical assistance, energy assessments, and rebates for energy savings measures for farms (commonly known as the Energize Delaware Farm Program).
- Funding technical assistance, energy assessments, and rebates for energy savings measures for the apartment buildings (commonly known as the Energize Delaware Affordable Multifamily Housing Program).
- Low-interest loans for energy efficiency and clean energy measures in commercial and public buildings (commonly known as the Energize Delaware Low Interest Loan Program).

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nature of Organization (continued)

- Funding of capital improvements that provide energy efficiency for certain State of Delaware agencies through long-term bonds issued by the SEU (commonly known as the “Energy Efficiency Performance Bond Program”).
- The Energize Delaware Residential Solar Loan program is a low-interest loan designed to encourage the purchase of customer sited and renewable solar system.

Applicable Financial Reporting Framework

The financial position and results of activities of Sustainable Energy Utility, Inc., DBA Delaware Sustainable Energy Utility, Inc. have been reported on an acceptable applicable financial reporting framework. The applicable financial reporting framework used by Sustainable Energy Utility, Inc., DBA Delaware Sustainable Energy Utility is U.S. generally accepted accounting principles (GAAP). Under this financial reporting framework, revenues are recognized in the period when earned and expenses are recorded when a liability is incurred.

Consolidated Financial Statements

The consolidated financial statements include the Sustainable Energy Utility, Inc. unit and the wholly owned subsidiary, SEU One, LLC. All significant intercompany transactions and accounts are eliminated.

Basis of Presentation

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB). FASB codification pertaining to Not-for-Profit Entities, ASU No. 2016-14, requires the Entity to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. The net assets and revenues, expenses, gains and losses are classified based on the existence of, or the absence of, donor-imposed restrictions. Accordingly, the net assets and the changes therein are classified as described below. Management has adopted these provisions effective for 2019 and has included all adjustments and disclosures required. There has been reclassification to previous amounts presented as a result of this adoption.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net assets without donor restrictions are net assets not subject to restrictions imposed by the donor. The net assets without donor restriction may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may or will be fulfilled by the Organization's actions and/or the passage of time, to meet the stipulations or become unrestricted at the date specified by the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

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.

Use of Estimates

The preparation of consolidated 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 amounts reported in the consolidated financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. Accounting measurements that are most affected by management's estimates of future events include the realization of accrued revenues and program receivables, investments in SRECs and assets whose use is limited, deferred financing costs, and bonds payable. Management bases its estimates and assumptions on historical experience and on various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Management does not believe that any of its estimates involve assumptions that are highly uncertain or that different, reasonable estimates, or changes in accounting estimates that are reasonably likely to occur, would have a material impact on the consolidated financial statements. To the extent there are material differences between management's estimates and actual results, future results of operations will be affected.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 various financial institutions and balances may exceed federally insured limits. The SEU has never experienced losses related to these balances. Cash deposits are insured at $250,000 per depositor at each financial institution. Interest-bearing amount on deposit in excess of federally insured limits at June 30, 2019 and 2018 approximated $6,327,643 and $5,300,000, respectively.

Assets Whose Use is Limited

Assets whose use is limited include assets set aside by the Board at June 30, 2019 and 2018 for future capital improvements and capitalized interest for certain state agencies. Amounts available to meet current liabilities of the SEU will be reclassified as current assets in the accompanying balance sheets. At June 30, 2019 and 2018, there are no current liabilities recorded for future capital improvement for state agencies.

Restricted Cash

During the years ended June 30, 2019 and 2018, the SEU have loan servicing agreements with loan service providers and energy program administrator. Under the agreements, the loan service providers and program administrator agree to provide SEU with loan administration and program administration services, and receive fees for such services. The SEU in turn is required to maintain escrow accounts with them which is restricted to be used to service the loans extended by the SEU to third parties for energy conservation program and for program administration services. The escrow accounts are replenished periodically to adequately fund new loans to third parties and perform program administration services. As of June 30, 2019 and 2018, the balance of the escrow accounts or restricted cash amounted to $36,898 and $188,429, respectively.

Program Loans Receivable

During the years ended June 30, 2019 and 2018, the SEU provided program loans to several parties for energy conservation measures, these programs loan receivables require interest rates ranging from 1.99% to 5.00%. Payments are due monthly and loans mature on various dates over a period ranging from four to ten years. Interest is reported in the period earned.

The SEU reviews program loans receivable on a recurring basis to determine if the loans are potentially uncollectible. The loans have been deemed collectible. The total program loan receivable as of June 30, 2019 and 2018 amounted to $29,241,795 and $29,266,302, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Financing Costs

SUE adheres to ASU 2015-03, "*Interest- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*", regarding the presentation on the statement of financial position of the costs of issuance of debt and related amortization expense in the statement of activities. Unamortized costs are presented in the financial statements as a direct deduction from the face amount of the debt. Amortization is included with interest expense in the statement of activities.

Costs incurred in connection with the issuance of long-term debt are being amortized over the term of the related debt using the straight-line method, which approximates the effective interest rate method. Amortization for the years ended June 30, 2019 and 2018 amounted to $29,565 and $29,565 respectively.

Earnings from RGGI Auctions

Earnings from RGGI Auctions represent amounts entitled by the SEU from the DEO for the RGGI cap-and-trade program after the SEU was in control of the RGGI funds and activities. The amounts are reported in the period of the auction date.

Appropriations from the State of Delaware for Construction Programs

Earnings from energy efficiency capital improvements represent amounts entitled by the SEU for appropriations from the State of Delaware on capital improvements made to certain State of Delaware agencies (see Note C). The amounts are reported in the period that funds received from the long-term bonds issued are disbursed.

Contributions from State for Capital Improvements for Certain State of Delaware Agencies

The State of Delaware contributed $11,270,000 for capital improvements for allocation to certain State of Delaware agencies as part of the long-term bonds issued (See Note C). The amount is reported in the period of the contribution as a net asset with donor restriction. Amounts are released from net assets with donor restriction in the period the payments for capital improvements are approved to the agencies if it is an agency that received an allocation of the State of Delaware contribution. Funds from the State of Delaware contribution are released prior to the disbursement of funds from the long-term bonds issued for capital improvements. For the years ended June 30, 2019 and 2018, $0 and $17,175, respectively, were released from temporarily restricted net assets related to the construction program.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 may be subject to taxation as unrelated business income. As of June 30, 2019 the SEU has not engaged in any activities that are not directly related to its tax exempt purpose.

Although the entity is not subject to federal and state income taxes, the entity was required to adopt ASC 740, *"Accounting for Income Taxes,"*, which applies to all entities including those that are tax exempt under 501(c)(3). ASC 740 clarifies the accounting and reporting for income taxes where interpretation of the tax law may be uncertain. ASC 740 prescribes a comprehensive model for financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken in income tax returns.

Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and that there is no likelihood that a material tax assessment would be made if the respective government agency examined tax returns subject to audit. Accordingly, no provision for the effects of uncertain tax positions has been recorded.

Currently, the years ended June 30, 2018, 2017, and 2016 are open and subject to examination by the Internal Revenue Service. However, the entity is not currently under audit nor has the entity been contacted by this jurisdiction. Any interest and penalties related to income taxes would be recorded as income tax expense. There are no interest and penalties as of June 30, 2019 and 2018.

Allocation of Expenses by Nature and Function

In accordance with the provisions of Accounting Standards Update No. 2016-14, *"Presentation of Financial Statements of Not-For-Profit Entities"*, the Organization has reported its expenses by nature and function in the accompanying financial statements.

Certain activities and programs that represent direct conduct and/or supervision of such programs and other activities requires the allocation of costs. Additionally, certain costs benefit more than one function and therefore, are required to be allocated. The costs are allocated among the functions (programs) receiving the direct benefit.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

ASC 820, *"Fair Value Measurements and Disclosures"* defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participation on the measurement date.

The fair value of the SEU's consolidated financial instruments include cash and cash equivalents, restricted cash and cash equivalents, loans receivable, investment in SRECs and assets whose use is limited approximate cost.

Reclassification

The prior year financial statements have been adjusted to conform to current year classifications.

NOTE B - INVESTMENTS

Investments consisted of the following as of June 30:

	2019		2018	
	Cost	Market	Cost	Market
Fixed Income Fund	$ 10,918,673	$ 10,725,331	$ 9,427,114	$ 9,079,881

A summary of return of investment consisted of the following for the years ended June 30, 2019 and 2018.

	2019	2018
Dividend and interest income	$ 183,647	$ 277,994
Unrealized gain (loss)	186,644	(121,017)
Interest on savings account	37,850	5,857
Total return	$ 408,141	$ 162,834

NOTE C - ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited at June 30, 2019 and 2018 is as follows:

	2019	2018
Held by trustee		
Cash and cash equivalents	$ 4,231,696	$ 97,941
Funds held by trustee required for current liabilities	-	-
Non-current portion of funds held by trustee	$ 4,231,696	$ 97,941

NOTE D - FAIR VALUE MEASUREMENTS AND DISCLOSURES

SEU adopted ASC 820-10, *"Fair Value Measurements and Disclosures"*. ASC 820 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

As a basis for considering assumptions, ASC 820 establishes a hierarchical framework for measuring fair value (the fair value hierarchy) as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities. Level 1 assets include money market funds, debt and equity securities that are traded in active exchange market, as well as certain U.S. Treasury and other U.S. Governments and agencies that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTE D - FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The valuation methodologies used for assets measured at fair value may produce a fair value calculation that would not be indicative of net realizable values or reflective of future fair values. Furthermore, although SEU 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.

The table below presents the financial instruments carried at fair value as of June 30, 2019 and 2018 by the ASC 820 valuation hierarchy defined above.

June 30, 2019	Fair Value	(Level 1)	(Level 2)	(Level 3)
Fixed Income Fund	$ 10,725,331	$ 10,725,331	$ -	$ -
	$ 10,725,331	$ 10,725,331	$ -	$ -

June 30, 2018	Fair Value	(Level 1)	(Level 2)	(Level 3)
Fixed Income Fund	$ 9,079,881	$ 9,079,881	$ -	$ -
	$ 9,079,881	$ 9,079,881	$ -	$ -

NOTE E - LONG-TERM BONDS

On August 1, 2011, the SEU issued Energy Efficient 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 of each year. Interest, at the rates set forth at the time of issuance, is payable each September 15 and March 15.

Series 2011 long-term bonds consist of the following:

Series 2011 bonds: due in varying installments starting September 15, 2013 through September 15, 2034, plus interest at rates ranging from 2% to 5%	$ 51,530,000
Unamortized original issue discount	(421,427)
Unamortized original issue premium	2,481,920
Unamortized debt issuance costs	(386,557)
Bonds payable, net of unamortized discounts and premiums	$ 53,203,936

On Janauray 1, 2019, the SEU issued Energy Efficiency Revenue Bonds, Series 2019 Bonds ("Bonds"), in the amount of $18,650,000 through the State of Delaware with varying maturity dates through December 15, 2039. 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 and state school districts, interest until the installations are complete and the payement of cost of issuance of the bonds. Bonds mature by tranches on December 15, 2019 of each year with an initial maturity on June 15, 2019. Interest, at the rates set forth at the time of issuance, is payable each June 15 and December 15.

Series 2019 long-term bonds consist of the following:

Series 2019 bonds: due in varying installments starting June 15, 2019 through December 15, 2039, plus interest at rates ranging from 3% to 5%	$ 18,340,000
Unamortized original issue discount	(68,032)
Unamortized original issue premium	1,279,244
Unamortized debt issuance costs	(437,948)
Bonds payable, net of unamortized discounts and premiums	$ 19,113,264

NOTE E - LONG-TERM BONDS (CONTINUED)

The future maturities of the outstanding principal of the debt are as follows:

Year ending June 30,	Amount
2020	$ 2,630,000
2021	2,940,000
2022	3,070,000
2023	3,260,000
2024	3,450,000
Thereafter	54,520,000
	69,870,000
Unamortized original issue discount	(489,459)
Unamortized original issue premium	3,761,164
Unamortized debt issuance costs	(824,505)
	72,317,200
Current portion	(2,630,000)
	$ 69,687,200

Interest expense, excluding amortization of bond premiums and discounts and debt issuance costs, for the years ended June 30, 2019 and 2018 on long-term bonds amounted to $3,262,059 and $2,602,460 respectively.

NOTE F - RELATED PARTIES

As of June 30, 2019 and 2018, the Energy Coordinator for the State of Delaware was serving on the Board of the SEU, as required by law. In addition, four members on the Board were employed by the State of Delaware and two members on the Oversight Board were serving on the Delaware General Assembly.

NOTE G - LEASES

In June 2015, the SEU entered into an office space agreement which is an operating lease, which required monthly payments of $2,000. The lease expired in May 2018 and was renewed for another two years with a monthly payment of $2,185 for the first year and a monthly payment of $2,251 for the second year.

In July 2014, the SEU entered into an operating vehicle lease agreement with a monthly payment of $525 over three years which expired in July 2017. On May 1, 2018, SEU entered into a new operating vehicle lease agreement with a monthly payment of $541 for four years.

The total lease expense for the years ended June 30, 2019 and 2018 amounted to $34,252 and $35,993 respectively.

Future minimum lease payments are as follows:

Year ended June 30,	Amount
2020	$ 31,253
2021	6,492
2022	5,410
	$ 43,155

NOTE H - COMMITMENTS

The SEU has an employment agreement with a certain key executive whereby the SEU is committed to pay severance under the agreement in the event employment of this key executive is terminated (other than voluntarily by the executive or by the SEU for cause or other events as defined in the agreements). The SEU commitment to pay under these agreements amounted to approximately $30,000 as of June 30, 2019.

NOTE I - LIQUIDITY

As part of the Organization's liquidity management, a policy has been established to structure its financial assets to be available for its general expenditures, liabilities and other obligations as they come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

NOTE I - LIQUIDITY (CONTINUED)

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	$ 7,888,085
Restricted cash	36,898
Current portion of program loans receivable	2,092,931
Investments	10,725,331
	20,743,245
Less donor restricted	(113,400)
Total financial assets available to management for general expenditure within one year	$ 20,629,845

NOTE J - IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued amended guidance for reporting revenue from contracts with customers. This guidance affects any entity using U.S. GAAP that either enters into contracts with customers (clients) to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers (clients) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also requires enhanced disclosures regarding the nature, amount, timing, and uncertainty of revenue and the related cash flows arising from contracts with customers. The majority of the entity's revenue should not be affected by this new standard. The entity continues to evaluate the impact of adoption of this new standard and how it might impact its revenue recognition policies. The standard is effective for the entity for the fiscal year beginning July 1, 2019.

NOTE J - IMPACT OF RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In February 2016, the FASB issued new guidance on leases to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the income statement. The new standard was to be effective for fiscal years beginning after December 15, 2019, however, the FASB has issued an exposure upon final issuance would change the implementation of the standard to fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. Management is currently evaluating the impact of the adoption of the new standard, which includes compiling a list of all contracts that meet the definition of a lease under the new standard and determine the proper classification and accounting treatment to determine the ultimate impact the new standard will have on the financial statements.

NOTE K - SUBSEQUENT EVENTS

Management has reviewed and evaluated subsequent events through November 25, 2019, the date the consolidated financial statements were available to be issued, and has determined there were no matters that require adjustments to or disclosure in the June 30, 2019 consolidated financial statements.

REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS

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INDEPENDENT AUDITOR'S 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

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

We have audited, in accordance with the 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 consolidated financial statements of Sustainable Energy Utility, Inc., DBA Delaware Sustainable Energy Utility which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 25, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Sustainable Energy Utility, Inc.'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sustainable Energy Utility, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of Sustainable Energy Utility, Inc.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 Organization's consolidated 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sustainable Energy Utility, Inc.'s consolidated financial statements are free from 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 of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’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 Organization’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Whisman Giordano & Associates, LLC

Newark, Delaware
November 25, 2019