



WHISMAN GIORDANO  
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

October 16, 2023

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

Ladies and gentlemen:

We have audited the financial statements of Sustainable Energy Utility, Inc., DBA Delaware Sustainable Energy Utility as of and for the year ended June 30, 2023, and have issued our report thereon dated October 16, 2023. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated September 7, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Sustainable Energy Utility, Inc., DBA Delaware Sustainable Energy Utility solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Significant Risks Identified**

The risk of management override of the system of internal control, improper revenue recognition, compliance with major program requirements of the Coronavirus State and Local Fiscal Recovery Funds program were identified as significant risks.

Accordingly, our audit strategy and plan were modified as needed to address these matters.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by management is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the fair value of investments, depreciation expense, and the functional allocation of expenses.

Management's estimate of the fair value of investments is based on an established framework for measuring such investments under generally accepted accounting principles which considers the exchange price that would be received for an asset or paid to transfer a liability in a principal or most advantageous market in an orderly transaction between market participants.

Management's estimate of depreciation expense is based on an established method for recognizing such expense under generally accepted accounting principles which is the straight-line method over the estimated useful life of the underlying asset.

Management's estimate of the allocation of functional expenses is a methodology developed and continually used to report the functional classifications including the mission of the entity, management and general, and when appropriate fundraising matters.

As part of the audit, we evaluated the key factors and assumptions used to develop such estimates and based on the audit procedures applied determined that they are reasonable in relation to the basic financial statements taken as a whole. In addition to the above, we consider the estimates associated with the realization of receivables, deferred financing costs, and bonds payable and the factors management considers to be reasonable therewith as to the carrying values associated with such assets or liabilities.

## **Qualitative Aspects of the Entity's Significant Accounting Practices (Continued)**

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures in the financial statements are the fair value of investments and bonds payable.

### **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. While not unusual, Sustainable Energy Utility DBA Delaware Sustainable Energy Utility was required to undergo a single audit due to the amount of federal funds expended during the year ended June 30, 2023.

### **Identified or Suspected Fraud**

We have not identified or have obtained information that indicates that fraud may have occurred.

### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements. As of June 30, 2023 and 2022 there were no significant uncorrected misstatements.

In addition, professional standards require us to communicate to you all material, misstatements (adjustments required to the 2023 financial statements) that were brought to the attention of management as a result of our audit procedures. Attached hereto is a schedule of adjusting entries made to the initial trial balance. Such entries were made in concurrence with the outsource accountant.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Circumstances that Affect the Form and Content of the Auditor's Report**

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. The only matter to be communicated herein is the additional reports required under the single audit requirements.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated October 16, 2023.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings or Issues**

In the normal course of our professional association with Sustainable Energy Utility, Inc., DBA Delaware Sustainable Energy Utility, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as auditors.

### **Noncompliance with Laws and Regulations**

We have not identified the following matters involving noncompliance with laws and regulations during the course of the audit.

This report is intended solely for the information and use of management, the Board of Directors, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

*Whisman Giordano & Associates, LLC*

Newark, Delaware

October 16, 2023

Client: **8012 - Sustainable Energy Utility, Inc.**  
 Engagement: **2023 - DE SEU**  
 Period Ending: **6/30/2023**  
 Trial Balance: **TB**  
 Workpaper: **3700.01 - Adjusting Journal Entries Report**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
		<b>2800.30</b>		
To adjust revenues from ARPA funds to properly reflect amount expended which should equal amount of revenues recognized.				
5192	ARPA Funds - Restricted		242,085.00	
2300	ARPA Refundable Advance			242,085.00
<b>Total</b>			<b>242,085.00</b>	<b>242,085.00</b>
<b>Adjusting Journal Entries JE # 2</b>				
To record 4th quarter allocation at June 30, 2023.				
1106	RGGI Allocation Receivable		5,441,796.00	
5030	Annual RGGI Allocation			5,441,796.00
<b>Total</b>			<b>5,441,796.00</b>	<b>5,441,796.00</b>
<b>Adjusting Journal Entries JE # 3</b>				
To adjust depreciation expense to S/L				
1700	Accumulated Depreciation		98,257.00	
8700	Depreciation Expense			98,257.00
<b>Total</b>			<b>98,257.00</b>	<b>98,257.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
To adjust the value of Prepaid SRECs based on information furnished by Tony D.				
1410	Prepaid SRECs		106,945.00	
9101	Loss on SRECs			106,945.00
<b>Total</b>			<b>106,945.00</b>	<b>106,945.00</b>
	<b>Total Adjusting Journal Entries</b>		<b>5,889,083.00</b>	<b>5,889,083.00</b>
	<b>Total All Journal Entries</b>		<b>5,889,083.00</b>	<b>5,889,083.00</b>

# Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility

October 16, 2023

Whisman Giordano & Associates, LLC  
111 Continental Drive, Suite 210  
Newark, Delaware 19713

Ladies and gentlemen:

This representation letter is provided in connection with your audits of the financial statements of Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Except where otherwise stated below, immaterial matters are not considered to be exceptions that require disclosure for the purpose of the following representations. Immaterial amounts are not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of October 16, 2023.

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated September 7, 2023, for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles.
2. The financial statements referred to above have been fairly presented in accordance with generally accepted accounting principles and include all proper classifications, required supplementary information, and note disclosure.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. With respect to any non attest services, we have performed the following:
  - a. Made all management decisions and performed all management functions;
  - b. Assigned a competent individual to oversee the services;
  - c. Evaluated the adequacy of the services performed;
  - d. Evaluated and accepted responsibility for the result of the service performed; and
  - e. Established and maintained internal controls, including monitoring ongoing activities.
6. Significant assumptions used by us in making accounting estimates are reasonable.
7. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of generally accepted accounting principles.
8. All events subsequent to the date of the financial statements and for which generally accepted accounting principles requires adjustment or disclosure have been adjusted or disclosed.

### **Financial Statements (continued)**

9. The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the financial statements as a whole.
10. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with generally accepted accounting principles.
11. With regard to items reported at fair value:
  - a. The underlying assumptions are reasonable, and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - b. The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - c. The disclosures related to fair values are complete, adequate, and in conformity with generally accepted accounting principles.
  - d. There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
12. All assets and liabilities under the entity's control are included in the financial statements.
13. Net assets presented in the statement of financial position are appropriately classified, and reclassifications between net asset classes are appropriate.
14. We have maintained the composition of the entity's assets in amounts needed to comply with all donor restrictions.
15. The entity's disclosed tax exempt status is accurate.
16. The entity has disclosed all matters of taxation that are deemed to be reasonably uncertain including, but not limited to, aggressive tax elections, the status or results of IRS examinations, provisions for unpaid unrelated business income taxes and tax benefits to the extent that the entity believes that it is "more likely than not" that its tax positions will be sustained upon IRS examination.
17. The basis used for the allocation of functional expenses is reasonable.
18. Internal controls over the receipt and recording of contributions are adequate.

### **Information Provided**

19. We have provided you with:
  - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, meeting minutes, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit; and
  - c. Unrestricted access to persons within the entity and others from whom you determined it necessary to obtain audit evidence.
  - d. A written acknowledgement of all the documents that we expect to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; No annual report for 2023.
20. The financial statements and any other information included in the annual report are consistent with one another, and the other information does not contain any material misstatements. No annual report for 2023
21. All transactions have been recorded in the accounting records and are reflected in the financial statements.
22. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
23. We have not provided to you our evaluation of the entity's ability to continue as a going concern, including significant conditions and events present because we believe that our use of the going concern basis of accounting is not applicable.
24. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors, regulators, or others.

25. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
26. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
27. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, abuse or waste that you have reported to us.
28. We have a process to track the status of audit findings and recommendations.
29. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented, where applicable.
30. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report. There were none for 2023.
31. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors (contractors), regulators, or others.
32. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
33. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
34. There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
35. Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
36. We have disclosed to you all guarantees, whether written or oral, under which Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility is contingently liable.
37. We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts.
38. There are no:
  - a. Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
  - b. Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with FASB Accounting Standards Codification<sup>TM</sup> (ASC) 450, *Contingencies*.
  - c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by ASC-450.
39. Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
40. We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

### Single Audit

41. With respect to federal awards, we represent the following to you:
  - a. We are responsible for understanding and complying with and have complied with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).
  - b. We are responsible for the preparation and presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance.
  - c. We believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance.

**Single Audit (continued)**

- d. As part of your audit(s), you prepared the draft financial statements and related notes and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and schedule of expenditures of federal awards.
- e. The methods of measurement or presentation are appropriate, and they were not applicable in 2022.
- f. We believe the significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.
- g. We are responsible for including the auditor's report on the schedule of expenditures of federal awards in any document that contains the schedule and that indicates that the auditor has reported on such information.
- h. We have identified and disclosed all of our government programs and related activities subject to the Uniform Guidance compliance audit.
- i. We have notified you of federal awards and funding increments that were received before December 26, 2014 (if any), and differentiated those awards from awards and funding increments received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
- j. When the schedule of expenditures of federal awards is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the schedule of expenditures of federal awards no later than the date of issuance by the entity of the schedule of expenditures of federal awards and the auditor's report thereon.
- k. We have, in accordance with the Uniform Guidance, identified in the schedule of expenditures of federal awards, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, food commodities, direct appropriations, and other assistance.
- l. We have provided to you our interpretations of any compliance requirements that are subject to varying interpretations.
- m. We have made available to you all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- n. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- o. We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal awards, including the results of other audits or program reviews or stated that there was no such noncompliance. We also know of no instances of noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report.
- p. We have disclosed to you any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- q. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- r. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
- s. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t. We have monitored subrecipients, as necessary, to determine if they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance

- u. We have issued management decisions for audit findings that relate to federal awards we make to subrecipients and such management decisions are issued within six months of acceptance of the audit report by the FAC. Additionally, we have followed-up ensuring that the subrecipients have taken the appropriate and timely action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.
- v. We have considered the results of subrecipients' audits and have made any necessary adjustments to our own books and records.
- w. We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance, as applicable.
- x. We have charged costs to federal awards in accordance with applicable cost principles.
- y. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- z. The reporting package does not contain personally identifiable information.
- aa. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
- bb. We have reviewed, approved, and taken responsibility for the financial statements and related notes and an acknowledgment of the auditor's role in the preparation of this information.
- cc. We have reviewed, approved, and taken responsibility for accrual adjustments and an acknowledgment of the auditor's role in the preparation of the adjustments.
- dd. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

In addition:

- a. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of our federal programs and have identified and disclosed to you federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major federal program; and we have complied with these direct and material compliance requirements.
- b. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are managing our federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on our federal programs. Also, no changes have been made in the internal over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance have occurred subsequent to the period covered by the auditor's report.
- c. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form and we are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.

DocuSigned by:

*Drew Slater*

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Drew Slater, Executive Director



WHISMAN GIORDANO  
CERTIFIED PUBLIC ACCOUNTANTS

Building Extraordinary Relationships

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

CONSOLIDATED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023 AND 2022

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

C O N T E N T S

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## INDEPENDENT AUDITOR’S REPORT

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

### ***Opinion***

We have audited the financial statements of the Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility, which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility’s, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility’s ability to continue as a going concern for one year after the date that the financial statements are issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility's ability to continue as a going concern for a reasonable period of time

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2023 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's 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 Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility's internal control over financial reporting and compliance.

***Whisman Giordano & Associates, LLC***

Newark, Delaware

October 16, 2023

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

ASSETS		
	2023	2022
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 5,056,186	\$ 11,071,975
Restricted cash	9,535,639	4,725,099
RGGI allocation receivable	5,441,796	-
Current portion of program loans receivable	3,588,579	3,337,256
Investments	23,467,679	24,711,336
Accrued revenues	426,276	451,093
Prepaid expenses and other	442,515	3,400,634
	47,958,670	47,697,393
<b>PROPERTY AND EQUIPMENT</b>	98,729	147
<b>OTHER ASSETS</b>		
Program loans receivable	33,531,400	32,618,630
Program receivables	66,283,910	70,203,872
Assets whose use is limited and held by trustee	6,008	5,105
	99,821,318	102,827,607
<b>TOTAL ASSETS</b>	\$ 147,878,717	\$ 150,525,147
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of bonds payable	\$ 4,030,000	\$ 3,920,000
Accounts payable and other accrued liabilities	1,892,923	1,309,204
Refundable advance	789,116	2,062,544
	6,712,039	7,291,748
<b>BONDS PAYABLE</b>	56,316,821	60,393,242
<b>Total liabilities</b>	63,028,860	67,684,990
<b>NET ASSETS</b>		
Without donor restriction	84,736,457	82,726,757
With donor restriction	113,400	113,400
	84,849,857	82,840,157
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 147,878,717	\$ 150,525,147

*See notes to accompanying consolidated financial statements.*

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
<b>SUPPORT, REVENUES AND GAINS</b>			
Contract with State of Delaware - RGGI	\$ 22,547,903	\$ -	\$ 22,547,903
Contribution State of Delaware	1,660,755	-	1,660,755
Program service revenue	11,166,072	-	11,166,072
Interest on program loans receivable	879,150	-	879,150
Other Income	11,740	-	11,740
	<u>36,265,620</u>	<u>-</u>	<u>36,265,620</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL SUPPORT, REVENUES AND GAINS</b>	<u>36,265,620</u>	<u>-</u>	<u>36,265,620</u>
<b>EXPENSES</b>			
Program services	33,682,642	-	33,682,642
Management and general expenses	1,568,967	-	1,568,967
	<u>35,251,609</u>	<u>-</u>	<u>35,251,609</u>
<b>OTHER INCOME</b>			
Net investment Income	995,689	-	995,689
	<u>995,689</u>	<u>-</u>	<u>995,689</u>
<b>CHANGE IN NET ASSETS</b>	2,009,700	-	2,009,700
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>82,726,757</u>	<u>113,400</u>	<u>82,840,157</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 84,736,457</u>	<u>\$ 113,400</u>	<u>\$ 84,849,857</u>

*See notes to accompanying consolidated financial statements.*

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>SUPPORT, REVENUES AND GAINS</b>			
Contract with State of Delaware - RGGI	\$ 23,392,383	\$ -	\$ 23,392,383
Contribution State of Delaware	1,733,898	-	1,733,898
Program service revenue	8,927,836	-	8,927,836
Interest on program loans receivable	874,590	-	874,590
Other Income	216	-	216
	<u>34,928,923</u>	<u>-</u>	<u>34,928,923</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUES AND GAINS	<u>34,928,923</u>	<u>-</u>	<u>34,928,923</u>
<b>EXPENSES</b>			
Program services	17,811,592	-	17,811,592
Management and general expenses	870,372	-	870,372
	<u>18,681,964</u>	<u>-</u>	<u>18,681,964</u>
<b>OTHER (LOSS)</b>			
Net investment (Loss)	<u>(266,901)</u>	<u>-</u>	<u>(266,901)</u>
	<u>(266,901)</u>	<u>-</u>	<u>(266,901)</u>
CHANGE IN NET ASSETS	15,980,058	-	15,980,058
NET ASSETS - BEGINNING OF YEAR	<u>66,746,699</u>	<u>113,400</u>	<u>66,860,099</u>
NET ASSETS - END OF YEAR	<u>\$ 82,726,757</u>	<u>\$ 113,400</u>	<u>\$ 82,840,157</u>

*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, 2023

	Program Services	Management and General	Total
<b>EXPENSES</b>			
Salaries	\$ -	\$ 767,542	\$ 767,542
Employee benefits	-	95,570	95,570
Payroll taxes	-	55,251	55,251
Total salaries and related expenses	-	918,363	918,363
Advertising	-	2,070	2,070
Bad debt expense	4,059,014	-	4,059,014
Books, subscriptions, and reference	-	763	763
Contract services	447,095	-	447,095
Grant expense	15,197	-	15,197
Insurance	-	20,856	20,856
Interest	1,615,166	-	1,615,166
Office expense	-	8,846	8,846
Professional fees	-	537,008	537,008
Program service fees	18,570,908	-	18,570,908
Rent and occupancy	-	70,819	70,819
SREC purchase fees	5,976,623	-	5,976,623
Loss on SREC sales	2,962,165	-	2,962,165
Supplies	-	6,080	6,080
Telephone	-	4,162	4,162
Travel, meetings and conferences	17,452	-	17,452
Total expenses before depreciation	33,663,620	1,568,967	35,232,587
Depreciation	19,022	-	19,022
<b>TOTAL EXPENSES</b>	<b>\$ 33,682,642</b>	<b>\$ 1,568,967</b>	<b>\$ 35,251,609</b>

*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, 2022

	Program Services	Management and General	Total
EXPENSES			
Salaries	\$ -	\$ 536,127	\$ 536,127
Employee benefits	-	62,120	62,120
Payroll taxes	-	40,017	40,017
	-	638,264	638,264
Total salaries and related expenses			
Advertising	-	3,411	3,411
Bad debt expense	-	-	-
Books, subscriptions, and reference	-	-	-
Contract services	473,668	-	473,668
Insurance	-	18,156	18,156
Interest	1,697,800	-	1,697,800
Office expense	-	3,501	3,501
Professional fees	-	139,046	139,046
Program service fees	10,182,466	-	10,182,466
Rent and occupancy	-	64,975	64,975
SREC purchase fees	5,444,650	-	5,444,650
Loss on SREC sales	-	-	-
Supplies	-	2,405	2,405
Telephone	-	614	614
Travel, meetings and conferences	12,407	-	12,407
Total expenses before depreciation	17,810,991	870,372	18,681,363
Depreciation	601	-	601
TOTAL EXPENSES	<u>\$ 17,811,592</u>	<u>\$ 870,372</u>	<u>\$ 18,681,964</u>

*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, 2023 AND 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from the State of Delaware	\$ 18,766,862	\$ 25,126,281
Cash received for programming	13,921,038	12,092,636
Cash paid to suppliers and employees	(27,282,119)	(15,981,810)
Interest received	1,940,982	661,502
Interest paid	(1,615,166)	(1,697,800)
Other income received	11,740	216
	<u>5,743,337</u>	<u>20,201,025</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Program receivables	3,919,962	3,445,922
Sale (Purchase) of Investments, Net	419,631	(9,631,733)
	<u>4,339,593</u>	<u>(6,185,811)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from issuance of bonds	17,821,106	18,358,938
Repayment of bonds payable	(29,109,285)	(25,680,696)
	<u>(11,288,179)</u>	<u>(7,321,758)</u>
<b>NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>(1,205,249)</b>	<b>6,693,456</b>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR</b>	<b>15,797,074</b>	<b>9,103,618</b>
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 14,591,825</b>	<b>\$ 15,797,074</b>

*See notes to accompanying consolidated financial statements.*

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE 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).

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. and the wholly owned subsidiary, SEU One, LLC. All significant intercompany transactions and accounts are eliminated.

*Basis of Presentation*

In accordance with accounting guidance required by generally accepted accounting principles from Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, the entity reports 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.

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

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Basis of Presentation (Continued)*

*Net assets with donor restrictions* are net assets subject to donor-imposed stipulations that may or will be fulfilled by the entity'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.

*Classification of Net Assets*

Separate line items may be reported within net assets with donor restrictions or in notes to financial statements to distinguish between various types of donor-imposed restrictions, such as the following:

- a) Support of a particular operating activity
- b) Use in a specified future period
- c) Acquisition of long-lived assets

*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 including 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.

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. Management of SEU monitors the strength of financial institutions in which cash balances are maintained and the SEU has never experienced losses related to such balances. Cash deposits are insured up to \$250,000 per depositor at each financial institution. Interest-bearing amounts on deposit in excess of federally insured limits at June 30, 2023 and 2022 approximated \$5,365,405 and \$9,677,772, respectively.

*Assets Whose Use is Limited*

Assets whose use is limited include assets set aside by the Board at June 30, 2023 and 2022 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, 2023 and 2022, there are no current liabilities recorded for future capital improvement for state agencies.

*Restricted Cash*

During the years ended June 30, 2023 and 2022, the SEU has 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, 2023 and 2022, the balance of the escrow accounts or restricted cash amounted to \$9,535,639 and \$4,725,099, respectively.

*Program Loans Receivable*

During the years ended June 30, 2023 and 2022, the SEU provided program loans to various 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. As discussed in Note C, hereinafter, SEU has provided a loan loss reserve as of June 30, 2023.

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Deferred Financing Costs*

SEU adheres to ASU 2015-03, “*Interest- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*”, regarding the presentation on the statements of financial position of the costs of issuance of debt and related amortization expense in the statements 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.

*Refundable Advances*

SEU records grant awards that are accounted as exchange transactions as refundable advances until such time the restrictions are met, at which time the advances are recognized as revenues.

*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 D). 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. 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, 2023 and 2022, no funds were released from temporarily restricted net assets related to the construction program.

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, 2023 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, 2022, 2021, and 2020 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, 2023 and 2022.

*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 entity 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 require 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.

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 financial instruments include cash and cash equivalents, restricted cash and cash equivalents, loans receivable, investment in SRECs and assets whose use is limited.

*Reclassification*

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE B - INVESTMENTS

Investments consisted of the following as of June 30:

	2023		2022	
	Cost	Market	Cost	Market
Fixed Income Fund	\$ 23,522,873	\$ 23,467,679	\$ 25,207,885	\$ 24,711,336

A summary of return of (loss from) investments consisted of the following for the years ended June 30, 2023 and 2022.

	2023	2022
Dividend and interest income	\$ 824,026	\$ 324,730
Unrealized income (loss)	171,663	(591,631)
Total income (loss)	\$ 995,689	\$ (266,901)

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE C - PROGRAM LOANS RECEIVABLE

Program loans receivable at June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Current Portion	\$ 3,588,579	\$ 3,337,256
Long term portion	36,751,528	32,618,630
Loan loss reserve	<u>(3,220,128)</u>	<u>-</u>
	<u>\$ 37,119,979</u>	<u>\$ 35,955,886</u>

NOTE D - ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Held by trustee		
Cash and cash equivalents	<u>\$ 6,008</u>	<u>\$ 5,105</u>
Non-current portion of funds held by trustee	<u>\$ 6,008</u>	<u>\$ 5,105</u>

NOTE E - 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.

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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.

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

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, 2023 and 2022 by the ASC 820 valuation hierarchy defined above.

<i>June 30, 2023</i>	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Fixed Income Fund	\$ 23,467,679	\$ 23,467,679	\$ -	\$ -
	<u>\$ 23,467,679</u>	<u>\$ 23,467,679</u>	<u>\$ -</u>	<u>\$ -</u>
 <i>June 30, 2022</i>				
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Fixed Income Fund	\$ 24,711,336	\$ 24,711,336	\$ -	\$ -
	<u>\$ 24,711,336</u>	<u>\$ 24,711,336</u>	<u>\$ -</u>	<u>\$ -</u>

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - LONG-TERM BONDS

On May 1, 2020, Sustainable Energy Utility, Inc. issued \$52,985,000 (Series 2020 bonds), which were used to advance refund all of the Series 2011 bonds. Net proceeds of \$52,449,618 were used to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments on the portion refunded. As a result, the Series 2011 bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$5,683,950 and resulted in an economic gain (difference between the present value of the old and net debt service payments) of \$4,769,271.

Series 2020 long-term bonds consist of the following:

Series 2020 bonds: due in varying installments starting September 15, 2020 through September 15, 2034, plus interest at rates ranging from 1.45% to 2.824%	\$ 43,026,925
Unamortized original issue discount	(56,925)
Unamortized debt issuance costs	(417,440)
	\$ 42,552,560
Bonds payable, net of unamortized discounts and premiums	\$ 42,552,560

On January 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 payment of cost of issuance of the bonds. Bonds mature by tranches on December 15 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%	\$ 17,821,106
Unamortized debt issuance costs	(26,845)
	\$ 17,794,261
Bonds payable, net of unamortized discounts and premiums	\$ 17,794,261

SUSTAINABLE ENERGY UTILITY, INC.  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE F - LONG-TERM BONDS (CONTINUED)

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

<u>Year ending June 30,</u>	<u>Amount</u>
2024	\$ 4,030,000
2025	4,125,000
2026	4,250,000
2027	4,370,000
2027	4,640,000
Thereafter	<u>38,430,000</u>
	59,845,000
Unamortized original issue discount	(56,925)
Unamortized original issue premium	1,003,031
Unamortized debt issuance costs	<u>(444,285)</u>
	60,346,821
Current portion	<u>(4,030,000)</u>
	<u><u>\$ 56,316,821</u></u>

Interest expense, excluding amortization of bond premiums and discounts and debt issuance costs, for the years ended June 30, 2023 and 2022 on long-term bonds amounted to \$1,615,166 and \$1,697,800, respectively.

NOTE G - RELATED PARTIES

As of June 30, 2023 and 2022, the Delaware Energy Coordinator, the Secretary of the Department of Natural Resources and Environmental Control, and the Public Advocate for the State of Delaware serve on the Board of the SEU, as required by law. In addition, one other member on the Board was employed by the State of Delaware and two members on the Oversight Board serve on the Delaware General Assembly.

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE H - LEASES

In June 2015, the SEU entered into an office space agreement, for its main office, which is an operating lease, that 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. The SEU did not sign another long-term lease and is now operating under the month to month lease provisions. The payment at the beginning of last fiscal year was \$2,319 a month. The current payment is \$2,388 a month. There is a 3% increase every June 1.

In November 2019, the SEU entered into another office space agreement which requires monthly payments of \$1,013 increasing by 3% each year thereafter. This lease expires December 2024.

The total lease expense for the years ended June 30, 2023 and 2022 amounted to \$64,374 and \$55,595 respectively.

Future minimum lease payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2024	\$ 13,509
2025	5,698
	<u>\$ 19,207</u>

NOTE I - 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 individual 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 this agreement amounted to approximately \$30,000 as of June 30, 2023 and 2022, respectively.

SUSTAINABLE ENERGY UTILITY, INC.  
DBA DELAWARE SUSTAINABLE ENERGY UTILITY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE J - 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 entity invests cash in excess of daily requirements in short-term investments.

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

Cash and cash equivalents	\$ 5,056,186
Restricted cash	9,535,639
Current portion of program loans receivable	3,588,579
Investments	<u>23,467,679</u>
	41,648,083
Less donor restricted	<u>(113,400)</u>
Total financial assets available to management for general expenditure within one year	<u><u>\$ 41,534,683</u></u>

NOTE K - STATEMENT OF CASH FLOWS

The following table provides a reconciliation of cash and equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 5,056,186	\$ 11,071,975
Restricted cash	<u>9,535,639</u>	<u>4,725,099</u>
	<u><u>\$ 14,591,825</u></u>	<u><u>\$ 15,797,074</u></u>

SUSTAINABLE ENERGY UTILITY, INC.  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE L - SUBSEQUENT EVENTS

Management has reviewed and evaluated subsequent events through October 16, 2023, 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, 2023 consolidated financial statements.

**REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**



## 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, 2023, 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 October 16, 2023.

### ***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.

***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

October 16, 2023