



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, 2024 AND 2023

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

Opinion

We have audited the financial statements of the Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, consolidated functional expenses, and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility as of June 30, 2024 and 2023, and the consolidated 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). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Sustainable Energy Utility, Inc. DBA Delaware Sustainable Energy Utility, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note A to the consolidated financial statements, effective July 1, 2023, the entity adopted new accounting guidance, Accounting Standard Codification (ASC) Topic 326, *Financial Instruments- Credit Losses*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated 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 consolidated financial statements are issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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.

Whisman Giordano & Associates, LLC
Newark, Delaware
October 30, 2024

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

JUNE 30, 2024 AND 2023

ASSETS		
	2024	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 15,962,160	\$ 5,056,186
Restricted cash	6,458,531	9,535,639
RGGI allocation receivable	-	5,441,796
Current portion of program loans receivable	4,267,670	3,588,579
Investments	27,362,567	23,467,679
Accrued revenues	400,547	426,276
Prepaid expenses and other	440,755	442,515
Total current assets	54,892,230	47,958,670
PROPERTY AND EQUIPMENT	93,757	98,729
OTHER ASSETS		
Program loans receivable	36,225,572	33,531,400
Program receivables	62,255,772	66,283,910
Assets whose use is limited and held by trustee	5,540	6,008
Total other assets	98,486,884	99,821,318
TOTAL ASSETS	\$ 153,472,871	\$ 147,878,717
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current portion of bonds payable	\$ 4,125,000	\$ 4,030,000
Accounts payable and other accrued liabilities	2,482,325	1,892,923
Refundable advance	91,877	789,116
Total current liabilities	6,699,202	6,712,039
BONDS PAYABLE	52,133,837	56,316,821
Total liabilities	58,833,039	63,028,860
NET ASSETS		
Without donor restriction	94,526,432	84,736,457
With donor restriction	113,400	113,400
Total net assets	94,639,832	84,849,857
TOTAL LIABILITIES AND NET ASSETS	\$ 153,472,871	\$ 147,878,717

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, 2024

	<u>Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
SUPPORT, REVENUES AND GAINS			
Contract with State of Delaware - RGGI	\$ 32,241,935	\$ -	\$ 32,241,935
Contribution State of Delaware	1,581,157	-	1,581,157
Program service revenue	7,576,204	-	7,576,204
Interest on program loans receivable	909,563	-	909,563
Other Income	523,920	-	523,920
	<u>42,832,779</u>	<u>-</u>	<u>42,832,779</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT, REVENUES AND GAINS	<u>42,832,779</u>	<u>-</u>	<u>42,832,779</u>
EXPENSES			
Program services	33,605,859	-	33,605,859
Management and general expenses	1,537,834	-	1,537,834
	<u>35,143,693</u>	<u>-</u>	<u>35,143,693</u>
OTHER INCOME			
Net investment Income	2,100,889	-	2,100,889
	<u>2,100,889</u>	<u>-</u>	<u>2,100,889</u>
CHANGE IN NET ASSETS	9,789,975	-	9,789,975
NET ASSETS - BEGINNING OF YEAR	<u>84,736,457</u>	<u>113,400</u>	<u>84,849,857</u>
NET ASSETS - END OF YEAR	<u>\$ 94,526,432</u>	<u>\$ 113,400</u>	<u>\$ 94,639,832</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, 2023

	Donor Restriction	With Donor Restriction	Total
SUPPORT, REVENUES AND GAINS			
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>
TOTAL SUPPORT, REVENUES AND GAINS	<u>36,265,620</u>	<u>-</u>	<u>36,265,620</u>
EXPENSES			
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>
TOTAL EXPENSES	<u>35,251,609</u>	<u>-</u>	<u>35,251,609</u>
OTHER INCOME			
Net investment Income	995,689	-	995,689
	<u>995,689</u>	<u>-</u>	<u>995,689</u>
TOTAL OTHER INCOME	<u>995,689</u>	<u>-</u>	<u>995,689</u>
CHANGE IN NET ASSETS	<u>2,009,700</u>	<u>-</u>	<u>2,009,700</u>
NET ASSETS - BEGINNING OF YEAR	<u>82,726,757</u>	<u>113,400</u>	<u>82,840,157</u>
NET ASSETS - END OF YEAR	<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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024

	Program Services	Management and General	Total
EXPENSES			
Salaries	\$ -	\$ 771,071	\$ 771,071
Employee benefits	-	126,868	126,868
Payroll taxes	-	53,248	53,248
Total salaries and related expenses	-	951,187	951,187
Advertising	-	89,834	89,834
Bad debt expense	996,564	-	996,564
Books, subscriptions, and reference	-	904	904
Contract services	159,667	-	159,667
Grant expense	-	-	-
Insurance	-	18,576	18,576
Interest	1,524,575	-	1,524,575
Loss on loan	5,797	-	5,797
Office expense	-	8,700	8,700
Professional fees	-	389,252	389,252
Program service fees	25,096,238	-	25,096,238
Rent and occupancy	-	69,718	69,718
SREC purchase fees	5,790,041	-	5,790,041
Loss on SREC sales	-	-	-
Supplies	-	3,712	3,712
Telephone	-	5,951	5,951
Travel, meetings and conferences	9,285	-	9,285
Total expenses before depreciation	33,582,167	1,537,834	35,120,001
Depreciation	23,692	-	23,692
TOTAL EXPENSES	<u>\$ 33,605,859</u>	<u>\$ 1,537,834</u>	<u>\$ 35,143,693</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
EXPENSES			
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
Loss on Loan	-	-	-
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
TOTAL EXPENSES	\$ 33,682,642	\$ 1,568,967	\$ 35,251,609

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, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from the State of Delaware	\$ 39,264,888	\$ 18,766,862
Cash received for programming	9,190,487	13,921,038
Cash paid to suppliers and employees	(32,636,636)	(27,282,119)
Interest received	3,589,687	1,940,982
Interest paid	(1,524,575)	(1,615,166)
Other income received	523,920	11,740
Net cash provided by operating activities	18,407,771	5,743,337
CASH FLOWS FROM INVESTING ACTIVITIES		
Program receivables	(3,083,490)	3,919,962
(Purchase) Sale of Investments, Net	(3,312,431)	419,631
Net cash (used for) provided by investing activities	(6,395,921)	4,339,593
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from issuance of bonds	-	17,821,106
Repayment of bonds payable	(4,182,984)	(29,109,285)
Net cash (used for) financing activities	(4,182,984)	(11,288,179)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	7,828,866	(1,205,249)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - BEGINNING OF YEAR	14,591,825	15,797,074
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR	\$ 22,420,691	\$ 14,591,825

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, 2024 and 2023 approximated \$15,266,909 and \$8,663,342, respectively.

Assets Whose Use is Limited

Assets whose use is limited include assets set aside by the Board at June 30, 2024 and 2023 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, 2024 and 2023, there are no current liabilities recorded for future capital improvement for state agencies.

Restricted Cash

During the years ended June 30, 2024 and 2023, 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, 2024 and 2023, the balance of the escrow accounts or restricted cash amounted to \$6,458,531 and \$9,535,639, respectively.

Program Loans Receivable

During the years ended June 30, 2024 and 2023, 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 the credit loss. As discussed in Note C, hereinafter, SEU has provided an allowance for credit losses on loans as of June 30, 2024.

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, 2024 and 2023, 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, 2024 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, 2023, 2022, and 2021 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, 2024 and 2023.

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 participants 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, 2024 and 2023:

	2024		2023	
	Cost	Market	Cost	Market
Fixed Income Fund	\$ 27,149,379	\$ 27,362,567	\$ 23,522,873	\$ 23,467,679

A summary of return of (loss from) investments consisted of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Dividend and interest income	\$ 1,387,219	\$ 824,026
Unrealized income	713,670	171,663
Total income	\$ 2,100,889	\$ 995,689

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

NOTE C - PROGRAM LOANS RECEIVABLE

The Organization has adopted Accounting Standards Update (ASU 2016-13) – *Financial Statement Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, effective July 1, 2023. Topic 326 introduces a new model for estimating credit losses on financial instruments, including trade receivables and financing receivables.

Under ASC 326, the Organization utilizes a forward-looking expected credit loss model to estimate credit losses on its financial instruments. This involves assessing the probability of default, the severity of loss given default, and considering reasonable and supportable forecasts over the contractual term of the financial statements.

The adoption of ASC 326 did not have a material impact on the financial statements of the Organization. The Organization has assessed the historical credit loss experience, current economic conditions, and reasonable and supportable forecasts to determine the appropriate level of allowance for credit losses on its financial instruments.

Management continues to monitor and assess the credit risk associated with its financial instruments, incorporating relevant economic factors and industry trends into its ongoing evaluation of expected credit losses. The Organization believes that the adoption of ASC 326 enhances the transparency and accuracy of its financial reporting related to credit losses on financial instruments.

Program loans receivable at June 30, 2024 and 2023 are as follows:

	2024	2023
Current Portion	\$ 4,267,670	\$ 3,588,579
Long term portion	40,404,640	36,751,528
Allowance for credit losses	(4,179,068)	(3,220,128)
	\$ 40,493,242	\$ 37,119,979

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

NOTE D - ASSETS WHOSE USE IS LIMITED

The composition of assets whose use is limited at June 30, 2024 and 2023 is as follows:

	2024	2023
Held by trustee		
Cash and cash equivalents	\$ 5,540	\$ 6,008
Non-current portion of funds held by trustee	\$ 5,540	\$ 6,008

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.

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE E - FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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.

Fixed Income Fund- Values are based on the closing price reported by the fund sponsor at fair value. There have been no changes in such methodologies used at June 30, 2024 and 2023.

The table below presents the financial instruments carried at fair value as of June 30, 2024 and 2023 by the ASC 820 valuation hierarchy defined above.

June 30, 2024	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Fixed Income Fund	<u>\$ 27,362,567</u>	<u>\$ 27,362,567</u>	<u>\$ -</u>	<u>\$ -</u>
	<u><u>\$ 27,362,567</u></u>	<u><u>\$ 27,362,567</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
June 30, 2023	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Fixed Income Fund	<u>\$ 23,467,679</u>	<u>\$ 23,467,679</u>	<u>\$ -</u>	<u>\$ -</u>
	<u><u>\$ 23,467,679</u></u>	<u><u>\$ 23,467,679</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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.

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

NOTE F - LONG-TERM BONDS (CONTINUED)

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%	\$ 39,450,000
Unamortized debt issuance costs	(380,196)
Bonds payable, net of unamortized discounts and premiums	<u>\$ 39,069,804</u>

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%	\$ 16,365,000
Unamortized original issue discount	(54,148)
Unamortized original issue premium	906,427
Unamortized debt issuance costs	(28,246)
Bonds payable, net of unamortized discounts and premiums	<u>\$ 17,189,033</u>

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>
2025	\$ 4,125,000
2026	4,250,000
2027	4,370,000
2028	4,505,000
Thereafter	<u>38,565,000</u>
	55,815,000
Unamortized original issue discount	(54,148)
Unamortized original issue premium	906,427
Unamortized debt issuance costs	<u>(408,442)</u>
	56,258,837
Current portion	<u>(4,125,000)</u>
	<u><u>\$ 52,133,837</u></u>

Interest expense, excluding amortization of bond premiums and discounts and debt issuance costs, for the years ended June 30, 2024 and 2023 on long-term bonds amounted to \$1,524,575 and \$1,615,166, respectively.

NOTE G - RELATED PARTIES

As of June 30, 2024 and 2023, 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.
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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 \$2,459 a month. The current payment is \$2,609 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.

In November 2022, the SEU entered into a building lease which requires monthly payments of \$2,161 increasing by 3% each year thereafter. This lease expires November 2028.

The total lease expense for the years ended June 30, 2024 and 2023 amounted to \$65,207 and \$64,374 respectively.

Future minimum lease payments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2025	\$ 48,601
2026	28,068
2027	28,910
2028	9,731
	<u>\$ 115,310</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 that 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, 2024 and 2023, respectively.

SUSTAINABLE ENERGY UTILITY, INC.
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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 expenditures are as follows:

Cash and cash equivalents	\$ 15,962,160
Restricted cash	6,458,531
Current portion of program loans receivable	4,267,670
Investments	<u>27,362,567</u>
	54,050,928
Less donor restricted	<u>(113,400)</u>
 Total financial assets available to management for general expenditure within one year	 <u><u>\$ 53,937,528</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:

	2024	2023
Cash and cash equivalents	\$ 15,962,160	\$ 5,056,186
Restricted cash	<u>6,458,531</u>	<u>9,535,639</u>
	<u><u>\$ 22,420,691</u></u>	<u><u>\$ 14,591,825</u></u>

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

NOTE L - SUBSEQUENT EVENTS

In late August 2024, the SEU began an investigation into certain alleged activities of a former employee including certain activities that may have constituted a conflict of interest. As of October 30, 2024, the investigation is ongoing and management has not determined what, if any, action it might be obligated to take. Management believes, even in this early stage of the investigation, there will not be a material impact to the financial statements in future years.

Management has reviewed and evaluated all other subsequent events through October 30, 2024, 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, 2024 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, 2024, and the related consolidated 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 30, 2024.

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 30, 2024