



ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA

FINANCIAL STATEMENTS

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Energy Cooperative Association of Pennsylvania
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of Energy Cooperative Association of Pennsylvania (a Pennsylvania corporation), which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Energy Cooperative Association of Pennsylvania as of December 31, 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. 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 Energy Cooperative Association of Pennsylvania 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 Energy Cooperative Association of Pennsylvania's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Energy Cooperative Association of Pennsylvania adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, as of January 1, 2023. Our opinion is not modified with respect to this matter.

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 generally accepted 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 generally accepted 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 Energy Cooperative Association of Pennsylvania'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 Energy Cooperative Association of Pennsylvania'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.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
June 10, 2024

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
BALANCE SHEETS
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,098,547	\$ 631,021
Restricted cash escrow	75,019	446,118
Accounts receivable, net	395,581	465,940
Prepaid expenses	<u>107,498</u>	<u>143,349</u>
Total current assets	1,676,645	1,686,428
Property and equipment, net	10,288	5,654
OTHER ASSETS		
Intangibles, net	<u>105,004</u>	<u>75,435</u>
Total assets	<u><u>\$ 1,791,937</u></u>	<u><u>\$ 1,767,517</u></u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 101,288	\$ 226,380
Accrued expenses	<u>556,113</u>	<u>777,284</u>
Total liabilities	657,401	1,003,664
MEMBERS' EQUITY		
Patronage capital	1,114,202	743,519
Reserve capital accounts	<u>20,334</u>	<u>20,334</u>
Total members' equity	<u>1,134,536</u>	<u>763,853</u>
Total liabilities and members' equity	<u><u>\$ 1,791,937</u></u>	<u><u>\$ 1,767,517</u></u>

See accompanying notes.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
STATEMENTS OF OPERATIONS
Years Ended December 31, 2023 and 2022

	2023	2022
REVENUE		
Electricity sales	\$ 2,830,428	\$ 3,871,893
Natural gas sales	462,026	722,066
Heating oil commissions	93,140	108,348
Total revenue	3,385,594	4,702,307
OPERATING EXPENSES		
Electricity purchases	1,908,469	3,237,376
Natural gas purchases	249,334	495,232
General and administrative expenses	865,247	811,965
Total operating expenses	3,023,050	4,544,573
Net income from operations	362,544	157,734
OTHER INCOME		
Interest income	3,556	193
Contributions	-	50
Miscellaneous income	4,583	2,981
Total other income	8,139	3,224
Net income	370,683	160,958
Patronage capital at beginning of year	743,519	582,561
Patronage capital at end of year	\$ 1,114,202	\$ 743,519

See accompanying notes.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 370,683	\$ 160,958
Adjustments to reconcile net income to net cash flows from operating activities		
Depreciation	5,061	4,922
Amortization	5,490	4,159
(Increase) decrease in assets		
Accounts receivable	70,359	(163,135)
Prepaid expenses	35,851	(94,576)
Deposits	-	8,500
Increase (decrease) in liabilities		
Accounts payable	(125,092)	3,532
Accrued expenses	(221,171)	378,663
Net cash flows from operating activities	141,181	303,023
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(9,695)	-
Purchases of intangible assets	(35,059)	(78,200)
Net cash flows from investing activities	(44,754)	(78,200)
Net change in cash and restricted cash	96,427	224,823
Cash and restricted cash at beginning of year	1,077,139	852,316
Cash and restricted cash at end of year	<u>\$ 1,173,566</u>	<u>\$ 1,077,139</u>
COMPOSITION OF CASH AND RESTRICTED CASH		
Cash	\$ 1,098,547	\$ 631,021
Restricted cash escrow	75,019	446,118
Cash and restricted cash	<u>\$ 1,173,566</u>	<u>\$ 1,077,139</u>

See accompanying notes.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Energy Cooperative Association of Pennsylvania (the Cooperative) is a 501(c)(12) nonprofit cooperative organized to help its members (those who purchase at least one service in a 12-month period) transition to renewable energy, access reliably affordable and transparently priced heating oil, and understand their energy choices. The Cooperative is a licensed retail electricity and gas supplier in Pennsylvania and provides renewable electricity, renewable natural gas, and home heating oil to its members. The Cooperative educates their members and broader constituency on renewable energy, energy markets, energy choice, energy consumption, and related topics.

Restricted Cash Escrow

In accordance with the agreement with its credit sleeve counterparty that provides working capital for payments to the Cooperative's wholesale electricity vendors, the Cooperative has established an escrow account into which electricity utilities make deposits after the Cooperative's members are billed.

Accounts Receivable

Accounts receivable includes amounts earned but not yet received from electricity, natural gas, and heating oil delivery commission charges. Trade credit is generally extended on a short-term basis; thus, trade accounts receivables generally do not bear interest. Accounts receivable are stated at the amount management expects to collect from balances outstanding. Management has reasonable grounds not to anticipate uncollectible amounts from our energy programs. For our renewable electricity and renewable natural gas program the Cooperative pays purchase of receivable fees with all utilities to ensure that they are paid regardless of whether any individual energy consumer account doesn't pay their bill. For the heating oil program, heating oil vendors pay commissions in aggregate on a monthly basis. We have agreements in place for payment terms and do not have cause to anticipate nonpayment, due to current market and sector conditions, forecasts, and historical data indicating that we will get paid and do not need to allow for uncollectible amounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. There was no allowance for doubtful accounts as of December 31, 2023 and 2022.

Property and Equipment

Acquisitions of property and equipment are recorded at cost. Capital expenditures in excess of \$500 are recorded as property and equipment. Maintenance, repairs, and minor renewals are charged to expenses when incurred.

Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the respective assets as follows:

Computer equipment and software	5 years
Furniture and office equipment	7 years

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets

Intangible assets with finite lives are amortized on a straight-line basis over their estimated useful lives. Website design is amortized over three years and customer lists are amortized over fifteen years. The estimated useful lives of intangible assets are reviewed annually to determine if events or circumstances warrant a change in the remaining useful life of an asset. In addition, intangible assets are reviewed for impairment when events or circumstances indicate their carrying amount may not be recoverable. No changes or impairments were noted for 2023 and 2022.

Income Taxes

The Cooperative qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code and is exempt from federal, state, and local income taxes as long as more than 85% of revenue is received from its members. The Cooperative is considered a cooperative corporation for Pennsylvania state tax purposes and must pay a gross receipts tax on receipts from the sale of electric energy at retail to end-use customers in Pennsylvania. Applicable taxes, totaling \$170,239 and \$224,120 for 2023 and 2022, respectively, have been included as a component of electricity purchases on the statements of operations.

Revenue Recognition

The Cooperative buys electricity and natural gas on the wholesale market and sells directly to its members. Revenue generated from contracts with members for electricity and natural gas is recognized as a single performance obligation satisfied over time and is recognized at fixed or variable rates as renewable electricity or renewable natural gas is delivered to the customers during the month. The Cooperative generally has a right to consideration in an amount that corresponds directly with the value to the customers of the Cooperative's performance completed to date and has elected to recognize revenue for its sales of electricity and natural gas, billed monthly, using the invoice practical expedient.

The Cooperative facilitates the supply of home heating oil for its members. The Cooperative has agreements with select home heating oil retailers. Retailers agree to pay the Cooperative a per gallon commission for home heating oil delivered to its members. Heating oil commission revenue is recognized at a point in time.

Sales tax, when applicable, is collected and remitted to the respective jurisdictions. Revenue is reported net of any sales tax.

The Cooperative has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are most significantly affected by the concentration of the Cooperative's members consuming renewable energy in Southeastern Pennsylvania.

Advertising

The Cooperative expenses all advertising costs as incurred. Advertising expense for 2023 and 2022 was \$68,994 and \$37,427, respectively.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Adoption of New Accounting Guidance

On June 16, 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The intent of this update is to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by the reporting entity. This update requires an entity to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The update also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. Financial assets held by the Cooperative that are subject to the guidance in this update include receivables.

The Cooperative adopted the requirements of this Update, as amended, effective January 1, 2023. The adoption of this update did not have a material effect on the Cooperative's financial statements and primarily resulted in new and enhanced disclosures only.

Reclassifications

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

Date of Management's Review

Management has evaluated subsequent events through June 10, 2024, the date which the financial statements were available to be issued.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2023 and 2022 was as follows:

	2023	2022
Computer equipment and software	\$ 40,112	\$ 30,417
Furniture and office equipment	7,602	7,604
	47,714	38,021
Property and equipment	47,714	38,021
Less accumulated depreciation	(37,426)	(32,367)
	\$ 10,288	\$ 5,654
Property and equipment, net		

NOTE 3 – INTANGIBLE ASSETS

Intangible assets at December 31, 2023 and 2022 were as follows:

	2023	2022
Customer lists	\$ 88,200	\$ 88,200
Website design	94,649	94,649
Work in process	35,058	-
	217,907	182,849
Intangibles	217,907	182,849
Less accumulated amortization	(112,903)	(107,414)
	\$ 105,004	\$ 75,435
Intangibles, net		

Amortization of customer lists was \$5,490 and \$3,708 for 2023 and 2022, respectively. Accumulated amortization of customer lists was \$18,254 and \$12,765 at December 31, 2023 and 2022, respectively.

Amortization of website design was \$0 and \$451 for 2023 and 2022, respectively. Accumulated amortization of website design was \$94,649 at December 31, 2023 and 2022.

NOTE 4 – LINE OF CREDIT

The Cooperative maintains a revolving line of credit with a financial institution in the amount of \$350,000 with interest at the bank's prime rate. The line of credit matured in August 2023 and the Cooperative is currently negotiating a renewal with the lender.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 5 – MEMBERSHIP EQUITY

Patronage capital represents the Cooperative's accumulated retained excess of revenues over expenses that has been allocated annually to its members. Distributions to members are made at the discretion of the Board of Directors in accordance with the bylaws.

Reserve capital accounts represent the account balances of members of the Cooperative that were also members of the predecessor cooperative, Weavers Way Food Co-op, who had existing reserve capital accounts which were transferred to the Cooperative. Reserve capital will not be returned to members until the Cooperative is dissolved or as otherwise prescribed by statute.

NOTE 6 – RETIREMENT PLAN

The Cooperative maintains a SIMPLE IRA retirement plan. All employees of the Cooperative who earned at least \$5,000 in compensation in the prior year and have the reasonable expectation of earning at least \$5,000 in compensation in the current year are eligible to participate in the plan. The Cooperative matches 100% of employees' elective deferral amounts up to a 3% ceiling. Retirement expense was \$12,834 and \$17,362 for 2023 and 2022, respectively.

NOTE 7 – CONCENTRATIONS

Credit Risk

The Cooperative maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At December 31, 2023 and 2022, the Cooperative had cash balances in excess of FDIC insurance limits by approximately \$566,000 and \$515,000, respectively. The Cooperative has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash.

Purchasing Risk

The Cooperative purchases 100% of its electricity from three third-party wholesale suppliers. The Cooperative purchases 100% of its natural gas from one third-party wholesale supplier.

NOTE 8 – LEASES

The Cooperative leases office space and a storage unit under a short-term lease with monthly payments of \$2,539 and \$256. Total rent expense for the years ended December 31, 2023 and 2022 were \$34,061 and \$15,806, respectively.

NOTE 9 – CONTINGENCY

In 2020, the Cooperative received a \$116,716 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loan was forgiven in 2020.

ENERGY COOPERATIVE ASSOCIATION OF PENNSYLVANIA
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022

NOTE 9 – CONTINGENCY (continued)

The Cooperative must retain PPP documentation in its files for six years after the date the loan was forgiven and permit authorized representatives of SBA to access such files upon request. The SBA may review any loan at any time at its discretion. Therefore, the SBA may review the Cooperative's good-faith certification concerning the necessity of its loan request, whether the Cooperative calculated the loan amount correctly, whether the Cooperative used loan proceeds for the allowable uses specified in the CARES Act, and whether the Cooperative was entitled to loan forgiveness in the amount approved by the SBA. If the SBA determines the Cooperative was ineligible for the loan or for forgiveness in whole or in part, the SBA will seek repayment of the funds.

NOTE 10 – GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses on the statements of operations for 2023 and 2022 were comprised of the following:

	2023	2022
Salaries	\$ 489,554	\$ 474,861
Advertising and promotion	74,681	55,037
Professional fees	62,087	55,812
Information technology	57,925	57,362
Employee benefits	57,514	72,329
Payroll taxes	37,173	36,881
Rent	34,061	15,806
Office supplies and expenses	12,023	3,419
Travel	9,652	8,138
Insurance	8,089	13,935
Amortization	5,490	4,159
Depreciation	5,061	4,922
Bank service charges	2,776	2,757
Training and conferences	2,633	1,155
Membership expenses	2,593	-
Dues and subscriptions	2,111	4,512
Human resources and admin	1,824	880
	\$ 865,247	\$ 811,965