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NATURAL ENERGY UTILITY CORPORATION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Natural Energy Utility Corporation
Ashland, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Natural Energy Utility Corporation which comprise the balance sheet as of December 31, 2014, and the related statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements. The financial statements of Natural Energy Utility Corporation as of December 31, 2013, and for the year then ended were audited by other auditors who have ceased operations. Those auditors expressed an unmodified opinion on those financial statements in their report dated February 12, 2014.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Natural Energy Utility Corporation as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kelley Galloway Smith Goolsby, PSC

February 25, 2015
Ashland, Kentucky

Pikeville, KY Cold Spring, KY Cincinnati, OH

NATURAL ENERGY UTILITY CORPORATION
BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

ASSETS	**2014**	**2013**
CURRENT ASSETS		
Cash in bank	$ 80,607	$ 87,211
Accounts receivable, net of allowance for doubtful accounts of $1,500	396,572	375,118
Prepaid expenses	37,844	37,367
Gas imbalance receivable	14,441	-
Supplies inventory	5,000	5,000
TOTAL CURRENT ASSETS	534,464	504,696
PROPERTY AND EQUIPMENT, NET	444,350	408,352
OTHER ASSETS		
Advances to shareholders	17,601	7,195
TOTAL OTHER ASSETS	17,601	7,195
TOTAL ASSETS	$ 996,415	$ 920,243
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Line of credit	$ 225,000	$ 231,000
Accounts payable	217,869	83,258
Accrued liabilities	42,860	93,165
Customer deposits	19,333	15,873
Current portion of long-term debt	5,625	-
Gas imbalance payable	-	12,445
TOTAL CURRENT LIABILITIES	510,687	435,741
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	19,688	-
TOTAL LIABILITIES	530,375	435,741
STOCKHOLDERS' EQUITY		
Common stock, $1 par; 1,000 shares authorized, issued and outstanding	1,000	1,000
Additional paid-in capital	320,000	320,000
Retained earnings	145,040	163,502
TOTAL STOCKHOLDERS' EQUITY	466,040	484,502
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 996,415	$ 920,243

The accompanying notes to financial statements are an integral part of these statements.

NATURAL ENERGY UTILITY CORPORATION
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
REVENUES		
Gas sales and transportation income	$ 3,538,909	$ 3,201,454
Other income	21,153	14,918
TOTAL REVENUES	3,560,062	3,216,372
COST OF SALES		
Gas purchases	589,616	427,031
Transportation costs	28,129	30,194
TOTAL COST OF SALES	617,745	457,225
GROSS PROFIT	2,942,317	2,759,147
OPERATING EXPENSES		
Salaries and wages	1,865,686	1,846,970
Employee retirement plan contributions	23,574	21,682
Depreciation	200,272	184,932
Operations expense	236,326	119,146
Professional fees	44,940	49,259
Taxes and licenses	65,812	54,663
Employee insurance	81,362	77,234
Travel expenses	25,041	27,174
Payroll tax expense	61,177	57,233
Other insurance	72,474	64,174
Rent and lease expense	11,355	10,532
Telephone and communications	24,793	24,870
Repairs and maintenance	13,398	20,665
Bad debt provision	3,888	1,817
Office supplies and expense	4,985	5,076
Postage and shipping	8,890	8,658
Miscellaneous expenses	7,901	6,948
Utilities	6,927	7,085
Advertising	3,420	2,541
TOTAL OPERATING EXPENSES	2,762,221	2,590,659
NET OPERATING INCOME	180,096	168,488
OTHER INCOME (EXPENSE)		
Gain on sale of property and equipment	-	27,709
Interest expense, net of interest income of $334 and $215 respectively	(3,962)	(3,610)
TOTAL OTHER INCOME (EXPENSE)	(3,962)	24,099
NET INCOME	$ 176,134	$ 192,587

The accompanying notes to financial statements
are an integral part of these statements.

NATURAL ENERGY UTILITY CORPORATION
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	COMMON STOCK	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TOTAL
BALANCE, JANUARY 1, 2013	$ 1,000	$ 320,000	$ 175,624	$ 496,624
Net income	-	-	192,587	192,587
Distributions to stockholders	-	-	(204,709)	(204,709)
BALANCE, DECEMBER 31, 2013	1,000	320,000	163,502	484,502
Net income	-	-	176,134	176,134
Distributions to stockholders	-	-	(194,596)	(194,596)
BALANCE, DECEMBER 31, 2014	$ 1,000	$ 320,000	$ 145,040	$ 466,040

The accompanying notes to financial statements
are an integral part of these statements.

NATURAL ENERGY UTILITY CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 176,134	$ 192,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	200,272	184,932
Provision for bad debts	3,888	1,817
Gain on sale of property and equipment	-	(27,709)
Net changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(25,342)	(90,846)
Prepaid expenses	(477)	9,375
(Decrease) increase in:		
Accounts payable	134,611	(2,384)
Accrued liabilities	(50,306)	46,588
NET CASH PROVIDED BY OPERATING ACTIVITIES	438,780	314,360
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	37,000
Purchases of property and equipment	(236,269)	(91,530)
(Increase) decrease in advances to shareholders	(10,406)	10,970
NET CASH USED BY INVESTING ACTIVITIES	(246,675)	(43,560)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change line of credit	(6,000)	(68,892)
Proceeds from long-term debt	86,471	-
Payments on long-term debt	(61,158)	-
Distributions to shareholders	(194,596)	(204,709)
Gas imbalance repayments	(26,886)	12,445
Increase in customer deposits	3,460	1,195
NET CASH USED BY FINANCING ACTIVITIES	(198,709)	(259,961)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,604)	10,839
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	87,211	76,372
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 80,607	$ 87,211

SUPPLEMENTAL INFORMATION:		
Cash paid during the year for interest	$ 4,314	$ 3,848

The accompanying notes to financial statements are an integral part of these statements.

NATURAL ENERGY UTILITY CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review

Subsequent events have been evaluated through February 25, 2015, which is the date the financial statements were available to be issued.

Nature of Operations

Natural Energy Utility Corporation (the Corporation) owns and operates a natural gas pipeline in Boyd, Carter and Greenup County, Kentucky. The Corporation provides transportation services and sells natural gas to governmental, industrial and residential customers in its market area consisting primarily of Boyd, Carter and Greenup County, Kentucky. The Corporation is subject to regulation by the Kentucky Public Service Commission.

Use of Estimates

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

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Corporation considers cash on deposit with banks and all highly liquid debt instruments, purchased with an original maturity of three months or less to be cash equivalents.

Income Taxes

The Corporation, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S-Corporation. In lieu of corporation income taxes, the shareholders of an S Corporation are taxed on their proportionate share of the Corporation's taxable income. Therefore, no provision or liability for federal or state income taxes has been included in the financial statements.

The Corporation follows the guidance contained in FASB ASC 740-10, "Accounting for the Uncertainty in Income Taxes". This statement prescribes a recognition threshold and measurement attribute for financial recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with this statement is a two-step process. The first step is a measurement process to determine whether it is more likely than not that a tax position will be sustained upon examination, based upon the technical merits of the position. The second step is a measurement process whereby a tax position that meets the more likely than not recognition threshold is calculated to determine the amount of benefit to recognize in the financial statements. The Corporation has reviewed its tax planning and provisioning, and believes that no uncertain tax positions existed during the years ended December 31, 2014 and 2013.

Management believes its tax returns prior to 2011 are no longer subject to examination by the Internal Revenue Service.

Accounts Receivable

Accounts receivable are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date.

Trade accounts receivable are stated at the contractual amount billed to the customer. Customer account balances with invoices dated over 30 days old are considered past due. The Company allocates customer payments of accounts receivable to the specific invoices identified on the customer's remittance advice or, if unspecified, the Company apply the payment to the oldest unpaid invoices.

The Company reduces the carrying amount of trade accounts receivable by an allowance for credit losses that reflects its best estimate of the amounts that will not be collected. The Company reviews each customer balance where all or a portion of the balance exceeds 30 days from the invoice date. Based on the Company's assessment of the customer's current creditworthiness, management estimates the portion, if any, of the balance that will not be collected. The Company writes off receivables as a charge to the allowance for credit losses when, in the Company's estimation, it is probable that the receivable is worthless.

Property and Equipment

Land is carried at cost. Property, furniture and equipment are carried at cost less accumulated depreciation computed principally by the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance, repairs and improvements which do not materially extend the useful lives of the assets are charged to operations in the periods incurred.

Advertising

Advertising costs are expensed when incurred.

NOTE B: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013, by major classifications are as follows:

	2014	2013
Land	$ 5,000	$ 5,000
Buildings and improvements	74,553	74,553
Furniture, fixtures & equipment	194,272	166,278
Autos and trucks	455,487	247,212
Pipelines and projects	2,885,209	2,885,208
	3,614,521	3,378,251
Accumulated depreciation	(3,170,171)	(2,969,899)
	$ 444,350	$ 408,352

Depreciation expense charged to operations for the years ended December 31, 2014 and 2013 totaled $200,272 and $184,932, respectively.

NOTE C: LINE OF CREDIT

The Corporation has available a $1,250,000 line of credit expiring August 5, 2015, interest to be paid monthly at the Wall Street prime interest rate, secured by all the Corporation's assets and personal guarantee of the principal shareholder. There was $225,000 outstanding on this line of credit as of December 31, 2014 and $231,000 at December 31, 2013.

NOTE D: LONG-TERM DEBT

	2014
Note Payable (0.00%) due in monthly installments of $469, to June 2019, secured by equipment	$ 25,313
Total Long-Term Debt	25,313
Less Current Portion	(5,625)
Long-Term Debt, Net of Current Portion	$ 19,688

Long-term debt requirements in subsequent years are as follows:

Years ending December 31,	
2015	$ 5,625
2016	5,625
2017	5,625
2018	5,625
2019	2,813

NOTE E: OPERATING LEASES

The Company's operating lease obligation includes a company vehicle.

Future minimum lease payments under the operating lease described above are as follows:

Years ending December 31,	
2015	$ 8,124
2016	8,124
2017	4,062

NOTE F: CONCENTRATIONS

Major Customers

Three major customers accounted for 71.56% of total sales for 2014. Accounts receivable from these three customers comprised 65.87% of total accounts receivable at December 31, 2014. The same three major customers accounted for 75.49% of total sales for 2013. Accounts receivable from these three customers comprised 70.43% of total accounts receivable at December 31, 2013.

NOTE G: RETIREMENT PLAN

Effective October 1, 2007, the Corporation adopted a 401-K retirement plan covering all eligible employees. The Corporation has elected to make safe harbor contributions of 3.0% of all qualifying employee compensation. Contributions to the plan totaled $23,574 and $21,682 for the years ended December 31, 2014 and 2013, respectively.