NATURAL ENERGY UTILITY CORPORATION

INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

TABLE OF CONTENTS

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	PAGE
INDEPENDENT AUDITOR'S REPORT	2
BALANCE SHEETS	3
STATEMENTS OF INCOME	4
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-11

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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 sheets as of December 31, 2021 and 2020, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 the 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, 2021 and 2020, 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.

Kelley Galloway Smith Goolsby, PSC
Ashland, Kentucky
February 14, 2022

NATURAL ENERGY UTILITY CORPORATION
BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash in bank	$ 335,530	$ 375,949
Accounts receivable, net of allowance for doubtful accounts of $1,500 and $1,500, respectively	537,994	278,670
Prepaid expenses	51,850	43,722
Supplies inventory	5,000	20,858
TOTAL CURRENT ASSETS	930,374	719,199
PROPERTY AND EQUIPMENT, NET	109,509	158,524
OTHER ASSETS		
Advances to shareholders	314,145	84,102
Loans to shareholders	2,253,265	2,599,801
TOTAL OTHER ASSETS	2,567,410	2,683,903
TOTAL ASSETS	$ 3,607,293	$ 3,561,626
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 355,770	$ 179,502
Accrued liabilities	210,897	136,604
Customer deposits	76,875	54,520
Current portion of long-term debt	371,571	428,572
Gas imbalance payable	6,705	20,976
Payroll taxes payable	81,181	42,403
TOTAL CURRENT LIABILITIES	1,102,999	862,577
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	1,842,715	2,214,286
TOTAL LIABILITIES	2,945,714	3,076,863
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	340,579	163,763
TOTAL STOCKHOLDERS' EQUITY	661,579	484,763
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,607,293	$ 3,561,626

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, 2021 AND 2020

	2021	2020
REVENUES		
Gas sales and transportation income	$ 3,336,653	$ 2,615,145
Other income	77,007	20,180
TOTAL REVENUES	3,413,660	2,635,325
COST OF SALES		
Gas purchases	729,617	392,840
Transportation costs	69,381	27,458
TOTAL COST OF SALES	798,998	420,298
GROSS PROFIT	2,614,662	2,215,027
OPERATING EXPENSES		
Salaries and wages	1,728,098	1,596,529
Employee retirement plan contributions	28,202	26,884
Depreciation	52,796	64,777
Operations expense	191,019	98,705
Professional fees	48,490	25,365
Taxes and licenses	104,400	76,744
Employee insurance	64,881	56,191
Travel expenses	36,065	20,085
Payroll tax expense	69,186	64,787
Other insurance	72,046	68,758
Rent and lease expense	1,875	1,875
Telephone and communications	22,908	24,838
Repairs and maintenance	39,137	18,618
Bad debt provision	953	687
Office supplies and expense	6,649	7,967
Postage and shipping	8,247	9,812
Miscellaneous expenses	5,383	5,619
Utilities	5,818	6,027
Advertising	10,273	8,245
TOTAL OPERATING EXPENSES	2,496,426	2,182,513
NET OPERATING INCOME	118,236	32,514
OTHER INCOME (EXPENSE)		
Interest expense, net of interest income of $29,166 and $33,062 respectively	(50,321)	(63,997)
Gain on sale of assets	7,359	-
PPP loan forgiveness income	133,860	132,200
TOTAL OTHER INCOME (EXPENSE)	90,898	68,203
NET INCOME	$ 209,134	$ 100,717

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, 2021 AND 2020

	COMMON STOCK	ADDITIONAL PAID IN CAPITAL	RETAINED EARNINGS	TOTAL
BALANCE, JANUARY 1, 2020	$ 1,000	$ 320,000	$ 199,857	$ 520,857
Net income	-	-	100,717	100,717
Distributions to stockholders	-	-	(136,811)	(136,811)
BALANCE, DECEMBER 31, 2020	1,000	320,000	163,763	484,763
Net income	-	-	209,134	209,134
Distributions to stockholders	-	-	(32,318)	(32,318)
BALANCE, DECEMBER 31, 2021	$ 1,000	$ 320,000	$ 340,579	$ 661,579

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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 209,134	$ 100,717
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	52,796	64,777
Provision for bad debts	953	687
Gain on sale of assets	(7,359)	-
Forgiveness of SBA PPP loan	(133,860)	(132,200)
Net changes in operating assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(260,277)	65,475
Inventory	15,858	(15,858)
Prepaid expenses	(8,128)	(7,718)
(Decrease) increase in:		
Accounts payable	176,268	(73,384)
Accrued liabilities	74,293	2,326
Payroll taxes payable	38,778	42,403
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	158,456	47,225
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase (decrease) in loans to shareholders	(499,198)	(548,661)
Purchases of property and equipment	(6,422)	(38,562)
Proceeds from sales of assets	10,000	-
(Increase) decrease in advances to shareholders	615,690	115,948
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	120,070	(471,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from SBA PPP loan	133,860	132,200
Payments on long-term debt	(428,571)	(357,142)
Proceeds from long-term debt	-	1,452,555
Proceeds from line of credit, net change in line	-	(350,000)
Distributions to shareholders	(32,318)	(136,811)
Change in gas imbalance	(14,271)	5,866
Increase in customer deposits	22,355	10,225
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(318,945)	756,893
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(40,419)	332,843
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	375,949	43,106
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 335,530	$ 375,949
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for interest	$ 80,531	$ 92,340

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Date of Management Review

Subsequent events have been evaluated through February 14, 2022, 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.

Revenue Recognition

The Corporation recognizes revenues when the performance obligation is satisfied, which is the point at which control of the promised goods or services are transferred to its customers, in an amount that reflects the consideration the Corporation expects to be entitled to receive in exchange for those goods or services. The Corporation's arrangements with commercial and consumer customers transfers control to the customer upon consumption of natural gas. The timing of the performance obligation is not subject to significant judgment. While certain additional services may be identified within the customer arrangements, they are immaterial in the context of the overall contract with the customer, and therefore, not assessed as performance obligations.

Sales Revenue: The Corporation generates revenue primarily from the distribution and sale of natural gas. Substantially all revenue is recognized at the point in time which the consumption of natural gas is billed to the customer. This occurs on a monthly basis and is measured through meters, requiring minimal judgment. The consumer customer's billings are based solely on current tariff rates approved by a regulatory agency. The revenue for natural gas sales to commercial customers are also based on tariff rates and step pricing by volume. The Corporation also has transportation revenue which is based on the amount of natural gas consumed by one commercial customer and is based on step-pricing by volume. Commercial consumption is also measured using regulated meters and requires minimal judgment.

Installation Revenue: The Corporation generates revenue through the installation of gas lines and meters. The revenues generated from these installation services are recognized when a project is complete, and customers are able to begin receiving natural gas.

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.

Management believes its tax returns prior to 2018 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 Corporation allocates customer payments of accounts receivable to the specific invoices identified on the customer's remittance advice or, if unspecified, the Corporation applies the payment to the oldest unpaid invoices.

The Corporation 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 Corporation reviews each customer balance where all or a portion of the balance exceeds 30 days from the invoice date. Based on the Corporation's assessment of the customer's current creditworthiness, management estimates the portion, if any, of the balance that will not be collected. The Corporation writes off receivables as a charge to the allowance for credit losses when, in the Corporation'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.

New Accounting Pronouncements

Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842.*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date:

- A lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and
- A right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, *Revenue from Contracts with Customers*.

The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing.

The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2021. Early application is permitted. The Corporation is currently evaluating the impact of ASU 2016-02 on the financial statements.

NOTE 2: REVENUE

All of the Company's revenue from contracts with customers are within the scope of ASC 606. The following table presents our sales disaggregated by sales mix for the Corporation's principal sales categories for the years ended December 31, 2021 and 2020:

	2021	2020
Sales categories:		
Commercial sales	$ 1,462,103	$ 913,503
Consumer sales	945,965	721,745
Transportation	860,275	875,125
Installation	55,662	71,356
Service fees	89,655	53,596
	$ 3,413,660	$ 2,635,325

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020, by major classifications are as follows:

	2021	2020
Land	$ 5,000	$ 5,000
Buildings and improvements	74,553	74,553
Furniture, fixtures & equipment	262,442	256,020
Autos and trucks	523,305	591,613
Pipelines and projects	2,914,160	2,914,160
	3,779,460	3,841,346
Accumulated depreciation	(3,669,951)	(3,682,822)
	$ 109,509	$ 158,524

Depreciation expense charged to operations for the years ended December 31, totaled $52,796 and $64,777, respectively.

NOTE 4: LINE OF CREDIT

The Corporation has available a $800,000 line of credit expiring August 3, 2022, 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. For the years ended December 31, 2021 and 2020, the Corporation had an outstanding balance of $-0-.

NOTE 5: LONG-TERM DEBT

	2021	2020
Note payable (3.25%) due in monthly installments of $35,714, to February 2022, secured by all corporate assets and the personal guarantee of its principal shareholder	$ 2,214,286	$ 2,642,858
Line of credit (Note 4)	-	-
Total long-term debt	2,214,286	2,642,858
Less current portion	(371,571)	(428,572)
Long-term debt, net of current portion	$ 1,842,715	$ 2,214,286

This note payable is included in the refinancing of short-term obligations described in Note 6. The Corporation has applied the provisions of FASB ASC 470-10-45-13, *Classification of Short-Term Obligations Expected to be Refinanced* and FASB ASC 470-45-14, *Intent and Ability to Refinance on a Long-Term Basis*, and reclassified the amount of original note payment originally due in 2022 to non-current liabilities.

NOTE 6: SHORT-TERM OBLIGATIONS REFINANCED

Effective February 5, 2022, the Corporation entered into a loan agreement to refinance the term note outstanding as described in Note 5. Under the provisions of this agreement, the Corporation borrowed $2,178,571 at 3.75%, maturing on February 5, 2024. The agreement requires monthly principal payments of $39,924 and calculated monthly interest payments, with a final payment of principal and outstanding interest due at maturity.

The future debt requirements based on the new loan agreement are as follows for the years ended December 31:

2022	$	371,571
2023		417,108
2024		1,425,607
Thereafter	$	2,214,286

NOTE 7: CONCENTRATIONS

Major Customers

Five major customers accounted for 68.14% of total sales for 2021. Accounts receivable from these five customers comprised 66.78% of total accounts receivable at December 31, 2021. Five major customers accounted for 58.23% of total revenues for 2020. Accounts receivable from these five customers comprised 60.53% of total accounts receivable at December 31, 2020.

NOTE 8: 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 $28,202 and $26,884 for the years ended December 31, 2021 and 2020, respectively.

NOTE 9: RELATED PARTY TRANSACTIONS

On August 25, 2015, the Corporation made loans to its shareholders totaling $2,700,000 at 0.48% interest, maturing August 5, 2028. On February 10, 2020, the Corporation made a loan to a shareholder in the amount of $720,000 at 2.96% interest maturing February 5, 2024. During 2021 and 2020, the Corporation accrued $28,464 and $28,661, respectively in interest income related to these loans which is included in the loan balance on the balance sheets.

NOTE 10: CONCENTRATIONS OF CREDIT RISK

The Company maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2021, the Company's uninsured cash balances totaled $88,993.

NOTE 11: ECONOMIC UNCERTAINTIES

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact future revenue. Other financial impact could occur, but such potential impact is unknown at this time.

NOTE 12: SBA PAYCHECK PROTECTION PROGRAM LOAN

On February 23, 2021, the "Company received loan proceeds of $133,860 under the Paycheck Protection Program (the "PPP Loan"). The Paycheck Protection Program ("PPP") was established under the congressionally-approved Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and is administered by the U.S. Small Business Administration ("SBA"). Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loan and accrued interest. Such forgiveness is determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, utilities, and retention of employees and maintaining salary levels.

The Company utilized the $133,860 in loan proceeds to fund eligible payroll expenses under the terms of the PPP Loan and applied for loan forgiveness on September 8, 2021. On September 14, 2021, the Company was notified that the application for forgiveness was approved by the SBA. Therefore, the Company has recognized the $133,860 in loan forgiveness as Other Income in the accompanying financial statements.