NAVITAS ASSETS, LLC

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

Includes Independent Auditor's Report Issued By

HBC

CPAs & Advisors

NAVITAS ASSETS, LLC
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

HBC
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INDEPENDENT AUDITOR'S REPORT

To the Members
Navitas Assets, LLC

We have audited the accompanying financial statements of Navitas Assets, LLC which comprise the consolidated balance sheet as of December 31, 2018, and the related consolidated statements of income and members' equity, and cash flows for the year 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 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 includes 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 Navitas Assets, LLC as of December 31, 2018, 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.

HBC CPAs & Advisors

Oklahoma City, Oklahoma
November 4, 2019

9905 North May Avenue, Oklahoma C ty, Oklahoma 73120
Phone (405) 848-7797 Fax (405) 848-7840 Web address: www.hbc-cpas.com

NAVITAS ASSETS, LLC
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2018

ASSETS

Current assets:	
Cash in bank	$ [redacted]
Accounts receivable ([redacted] unbilled)	[redacted]
Inventory	[redacted]
Loans to members	-
Underbillings and other assets	[redacted]
Total current assets	[redacted]
Property and equipment:	
Land	[redacted]
Systems	[redacted]
Aircraft	-
Equipment	[redacted]
Leasehold improvements	[redacted]
Accumulated depreciation	([redacted]
Property and equipment, net	[redacted]
Other assets:	
Acquisition and related costs, net of accumulated amortization of $[redacted]	[redacted]
Total assets	$ [redacted]

LIABILITIES & MEMBERS' EQUITY

Current liabilities:	
Accounts payable, vendors	[redacted]
Payable to affiliated entity	[redacted]
Overbillings	[redacted]
Customer deposits	[redacted]
Other accrued expenses	[redacted]
Line of credit	[redacted]
Loans from members	[redacted]
Current portion of long-term debt and other obligations	[redacted]
Total current liabilities	[redacted]
Long-term debt and other obligations, less current portion	[redacted]
Members' equity	
Members' equity	[redacted]
Minority member interests	[redacted]
Total members' equity	[redacted]
Total liabilities and members' equity	$ [redacted]

See accompanying notes

NAVITAS ASSETS, LLC

CONSOLIDATED STATEMENT OF INCOME AND MEMBERS' EQUITY

YEAR ENDED DECEMBER 31, 2018

Revenue:	
Revenue	$ [redacted]
Total revenue	[redacted]
Cost of goods sold:	
Commodity cost	[redacted]
Bad debt expense	[redacted]
Total cost of goods sold	[redacted]
Net commodity revenue	[redacted]
Direct costs:	
Direct costs	[redacted]
Depreciation and amortization	[redacted]
Total direct costs	[redacted]
Other operating expenses	[redacted]
Operating income	[redacted]
Other income (expense):	
Forgiveness of related party receivable	[redacted]
Loss on disposal	([redacted]
Interest income	[redacted]
Interest expense	([redacted]
Other income (expense)	([redacted]
Total other income (expense)	([redacted]
Net income (loss)	[redacted]
Members' equity, beginning	[redacted]
Members' contributions	[redacted]
Members' equity, ending	$ [redacted]

See accompanying notes

NAVITAS ASSETS, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

OPERATING ACTIVITIES	
Net income (loss)	$ [redacted]
Adjustments to reconcile net income to net cash provided by operations:	
Depreciation and amortization	[redacted]
(Increases) decreases in:	
Accounts receivable	[redacted]
Notes Receivable	-
Inventories	[redacted]
Underbillings and other prepaids	[redacted]
Increases (decreases) in:	
Accounts payable	[redacted]
Customer deposits	[redacted]
Payable to affiliate	[redacted]
Overbillings and other accruals	[redacted]
Net cash provided by operating activities	[redacted]
INVESTING ACTIVITIES	
Purchase of property and equipment	[redacted]
Disposal of property and equipment	[redacted]
Acquisition costs	[redacted]
Net cash provided by investing activities	[redacted]
FINANCING ACTIVITIES	
Loan acitivty to and from members	[redacted]
Proceeds from long-term debt	[redacted]
Repayment of long-term debt	[redacted]
Capital contributions	[redacted]
Net cash provided by financing activities	[redacted]
Net cash increase for year	[redacted]
Cash at beginning of year	[redacted]
Cash at end of year	$ [redacted]

Interest expense of $[redacted] *was paid for the year ended December 31, 2018.*

See accompanying notes

NAVITAS ASSETS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

(1) Summary of Significant Accounting Policies

Organization and structure - We are an energy-assets holding company formed on March 20, 2007. We acquire relatively small, operating, rural assets and secondarily pursue the development of energy projects. We currently own over 1000 miles of regulated distribution pipeline as well as certain unregulated transmission assets. Navitas Utility Corporation is the managing member of our limited liability company and is the operator of our energy assets.

We own a 100% membership interest in Fort Cobb Fuel Authority, LLC ("FCFA"). FCFA wholly owns membership interests in two LLCs and a majority interest in a third LLC. We also own 100% membership interests in Navitas TN NG, LLC ('NTNNG"), Navitas KY NG, LLC ("NKYNG"), and Navitas Utility Texas, LLC ("NUTX"). FCFA, NTNNG, NKYNG, and NUTX provide distribution services to customers in smaller municipalities and rural areas in Oklahoma, Tennessee, Kentucky, and Texas.

Consolidation – We have included the accounts of FCFA, NTNNG, NKYNG, and NUTX in these financial statements and have eliminated all intercompany accounts and transactions. FCFA, NTNNG, NKYNG, and NUTX are disregarded entities for tax purposes.

Use of estimates - Accrual accounting is used to prepare these financial statements. Financial statement preparation requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingencies as of the date of these financial statements and for the period of these financial statements. Items that may be estimated include, but are not limited to, the economic useful life of assets, the fair value of some assets and liabilities, bad debt expense, unbilled revenues for natural gas delivered but for which meters have not been read, gas purchases for which gas has been delivered but no invoice has been received and various other recorded or disclosed amounts.

We evaluate estimates on an ongoing basis using historical experience, consultation with experts and other methods we consider reasonable given the circumstances. Nevertheless, actual results could differ significantly from the estimates. Any effects on our financial position or results of operations from revisions of these estimates are recorded when the facts that gave rise to the revision become known.

Cash and cash equivalents - Cash and cash equivalents consist of highly liquid investments, which are readily convertible in to cash, and have original maturity dates of three months or less.

Accounts receivable – Accounts receivable represent valid claims, both billed and unbilled, against non-affiliated customers for products sold or services rendered. We assess the credit worthiness of our counterparties and generally require security, usually in the form of prepayments or deposits, when appropriate. Outstanding customer receivables are evaluated for potential write-offs at six-month intervals and we use the direct write-off method for recording bad debts in our financial statements.

Inventory – Inventories are valued at the lower of cost or market, using the first-in, first-out method.

Property, plant and equipment – Our properties are generally stated at cost. Maintenance and repairs are charged to expense. Depreciation of these properties is charged to operations using the straight-line method. We assign lives to our properties based on our estimates of their useful economic lives. Lives of regulated assets are sometimes determined during rate proceedings or by regulatory statutes. Lives of our properties generally range from five to forty years.

Intangible assets – We amortize organizational costs, rate case expenses and acquisition costs over periods ranging from 24 to 120 months. The amortization periods are sometimes based on recovery periods granted during rate proceedings or by regulatory statutes.

NAVITAS ASSETS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

(1) Summary of Significant Accounting Policies (continued)

Revenue recognition – We generally bill our customers on a cyclical basis prior to the end of the month. We estimate and accrue unbilled revenues at the end of each month.

Income taxes – We are a limited liability company subject to United States income tax laws and have elected to be treated as a partnership for income tax reporting purposes. No income tax expense is recorded in these financial statements because our taxable income is passed on to our members and reported in their individual income tax returns.

Regulation – We are subject to the rate regulation and accounting requirements of the Oklahoma Corporation Commission ("OCC") and the Tennessee Regulatory Authority ('TRA"). During the rate-making process, these regulatory bodies set the framework for what we can charge customers for our services and it also establishes the manner in which our costs are accounted for.

Subsequent events – We have accounted for subsequent events through November 4, 2019 the date our consolidated financial statements were issued, and we believe that all required subsequent events disclosures have been made.

(2) Cash and cash equivalents

At December 31, 2018, we had deposits exceeding FDIC insurance at one financial institution. These deposits exceeded the FDIC insurance by $[redacted]

(3) Line-of-Credit

For working capital needs we have multiple line-of-credit arrangements with a bank totaling $[redacted] These [redacted] bear interest at [redacted] and is due [redacted] [redacted] 20[redacted]. During the year, we drew $[redacted] and paid down $[redacted] on this line, so the remaining balance on the note at December 31, 2018 is $[redacted] [redacted]

(4) Long-Term Debt and Other Obligations

Long-term debt

We have [redacted] loans at a bank with outstanding balances totaling $[redacted] at December 31, 2018. The largest of these [redacted] notes has a remaining balance of $[redacted] Interest on these notes is at prime but is capped, in [redacted]-year increments, currently at [redacted] Principal and interest payments on the notes total $[redacted] per month. [redacted] notes, including the largest, mature in 20[redacted], and one matures in 20[redacted]. [redacted]

We have a loan at a bank with a balance of $[redacted] at December 31, 2018. Interest is at [redacted] There is a [redacted] year amortization on the note, with principal and interest payments of $[redacted] per month, however the final payment and remaining balance on the note is due [redacted] 20[redacted]. [redacted].

Other obligations

Two of our customers agreed to advance funds to assist us with the cost of a utility line being constructed to accommodate service to their plant. The amounts initially advanced were $[redacted] and $[redacted] The balance as of December 31, 2018 was $[redacted] Per the terms of our agreement with them, these advances will be reduced each month by the amount of gas they are obligated to take or pay for.

(4) Long-Term Debt and Other Obligations (continued)

Other obligations (continued)

One of our customers agreed to advance funds to assist us with the cost of a utility line being constructed to accommodate service to their plant. The amount initially advanced was $[redacted] The balance as of December 31, 2018 was $[redacted] Per the terms of our agreement with them, these advances will be reduced as milestones in construction are met.

Principal maturities are as follows:

2019	[redacted]
2020	
2021	
2022	
2023	
Thereafter	
Total long-term debt	
Other obligations	
Reconciliation to balance sheet	
Current portion of long-term debt and other obligations	[redacted]
Long-term debt and other obligations, less curent portion	[redacted]

(5) Concentrations

Our ten largest customers make up approximately [redacted] of the total revenues for the year ended December 31, 2018.

We almost exclusively purchase all of our natural gas from a related entity, Navitas Utility Corporation. NUC purchases gas for resale to us from a limited number of suppliers, and two suppliers provide [redacted] of commodities purchased by NUC. Clearwater Enterprises is their largest supplier making up approximately [redacted] of commodity purchases and [redacted] petrol.

(6) Transactions With Affiliates and Related Parties

We pay service and construction costs to a related corporation, Navitas Utility Corporation (NUC), which controls [redacted] percent of our membership units. NUC shareholders also own our membership units. The majority of our commodity charges and operating expenses are paid to NUC. During the course of operations, we bill and are charged for products and services and sometimes we advance and receive money for cash flow needs. We also have a [redacted] to [redacted] in the amount of $[redacted] at December 31, 2018 resulting from their billings for goods and services and we are required to pay interest of [redacted] on the unpaid balance.

[redacted].

(6) <u>Transactions With Affiliates and Related Parties (continued)</u>

[redacted], however these services were discontinued in 2018. [redacted]

(7) <u>Income Taxes</u>

We file our income taxes as a partnership and, therefore, all tax liability is passed on to the members/partners. We did adopt standards to account for uncertainty in income taxes as required by generally accepted accounting principles. During 2018, we evaluated tax positions and it was our determination that we had not taken any positions that would be subject to uncertainty, nevertheless, [redacted] The statute of limitations for examining our federal and state tax returns is generally three years from the filing date, therefore, our 2016 through 2018 income tax returns would still be subject to examination.

NAVITAS UTILITY CORPORATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2018

Includes Independent Auditor’s Report Issued By

HBC
CPAs & Advisors

NAVITAS UTILITY CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018

HBC
CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Navitas Utility Corporation

We have audited the accompanying financial statements of Navitas Utility Corporation which comprise the balance sheet as of December 31, 2018, and the related statements of income, retained earnings, and cash flows for the year 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 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 includes 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 Navitas Utility Corporation as of December 31, 2018, 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.

9905 North May Avenue, Oklahoma C ty, Oklahoma 73120
Phone (405) 848-7797 Fax (405) 848-7840 Web address: www.hbc-cpas.com

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule-detail of operating expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

HBC CPAs & Advisors

Oklahoma City, Oklahoma
November 4, 2019

9905 North May Avenue, Oklahoma C ty, Oklahoma 73120
Phone (405) 848-7797 Fax (405) 848-7840 Web address: www.hbc-cpas.com

NAVITAS UTILITY CORPORATION
BALANCE SHEET
DECEMBER 31, 2018

ASSETS

Current assets:	
Cash	$ -
Receivable from affiliated entity	[redacted]
Inventory	[redacted]
Prepaids and other assets	[redacted]
Total current assets	[redacted]
Property and equipment:	
Autos and pickups	[redacted]
Trucks	[redacted]
Heavy equipment	[redacted]
Tools and other small equipment	[redacted]
Office equipment	[redacted]
Leasehold improvements	[redacted]
Meters and regulators	[redacted]
Accumulated depreciation	[redacted]
Property and equipment, net	[redacted]
Other non-current assets:	
Investment in affiliated entity	[redacted]
Total assets	$ [redacted]

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:	
Cash overdraft	$ [redacted]
Accounts payable and other accrued expenses	[redacted]
Payable to affiliated entity	[redacted]
Line of credit	-
Current portion of long-term debt	[redacted]
Total current liabilities	[redacted]
Long-term debt, less current portion	[redacted]
Other accruals	[redacted]
Stockholders' equity:	
Common stock, $[redacted] par value, [redacted] share authorized, [redacted] issued and outstanding	[redacted]
Additional paid-in capital	[redacted]
Retained earnings	[redacted]
Total stockholders' equity	[redacted]
Total liabilities and stockholders' equity	$ [redacted]

See accompanying notes

NAVITAS UTILITY CORPORATION
STATEMENTS OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2018

Revenue:	
Service crews	$ [redacted]
Commodity sales	
Construction crews	
Total revenue	
Cost of goods sold:	
Commodity marketing and transport	[redacted]
Gross profit	[redacted]
Operating expenses:	
Direct costs	[redacted]
Indirect costs	
Depreciation	
Total operating expenses	
Operating income (loss)	[redacted]
Other income (expense):	
Forgiveness of related party obligation	[redacted]
Interest (expense)	
Other non-operating income (expense)	
Total other income (expense)	
Net income (loss)	[redacted]
Retained earnings, beginning	[redacted]
Contributions	
Dividend distributions	
Retained earnings, ending	$ [redacted]

See accompanying notes

NAVITAS UTILITY CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

OPERATING ACTIVITIES	
Net Income (loss)	$ [redacted]
Adjustments to reconcile net income to net cash provided by operations:	
Depreciation and amortization	[redacted]
Earnings from affiliated company	[redacted]
(Increases) decreases in:	
Receivable from affiliated entity	[redacted]
Inventory	[redacted]
Prepaids and other assets	[redacted]
Increases (decreases) in:	
Accounts payable and accrued expenses	[redacted]
Net cash provided by operating activities	[redacted]
INVESTING ACTIVITIES	
Purchase of property and equipment	[redacted]
Contributions by members	[redacted]
Distributions to members	[redacted]
Net cash (used) by investing activities	[redacted]
FINANCING ACTIVITIES	
Proceeds from line of credit	[redacted]
Repayment of line of credit	[redacted]
Proceeds from long-term debt	[redacted]
Repayment of long-term debt	[redacted]
Accumulated other comprehensive income	-
Net cash provided by financing activities	[redacted]
Net cash (decrease) for year	[redacted]
Cash, beginning of year	[redacted]
Cash, end of year	$ [redacted]

See accompanying notes

NAVITAS UTILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

(1) Summary of Significant Accounting Policies

Organization and structure - We were formed on May 17, 2006. We are an operator of suburban and rural local distribution companies (LDCs). We are the managing member of Navitas Assets, LLC, our primary client, for whom we locate, develop, and operate mid and downstream pipeline systems and other energy assets. We provide gas acquisition and utility management to systems serving numerous counties in Oklahoma, Kentucky, and Tennessee. We have offices in Eakly, Velma, Hollis, Kinta, Jellico, and Ochelata as well as Costa Mesa, California. We are a certified minority owned business with the California PUD.

We own 100% membership interest in Navitas Communications, LLC which provides communication services to Navitas companies.

Use of estimates - Accrual accounting is used to prepare these financial statements. Financial statement preparation requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingencies as of the date of these financial statements and for the period of these financial statements. Items that may be estimated include, but are not limited to, the economic useful life of assets, the fair value of some assets and liabilities, bad debt expense, billed revenues to affiliated entities, gas purchases for which gas has been delivered but no invoice has been received and various other recorded or disclosed amounts.

We evaluate estimates on an ongoing basis using historical experience, consultation with experts and other methods we consider reasonable given the circumstances. Nevertheless, actual results could differ significantly from the estimates. Any effects on our financial position or results of operations from revisions of these estimates are recorded when the facts that gave rise to the revision become known.

Cash and cash equivalents - Cash and cash equivalents consist of highly liquid investments, which are readily convertible in to cash, and have original maturity dates of three months or less.

Property, plant and equipment – Our properties are generally stated at cost. Maintenance and repairs are charged to expense. Depreciation of these properties is charged to operations using the straight-line method. We assign lives to our properties based on our estimates of their useful economic lives. Estimated useful lives of our properties are as follows:

Trucks	7
Heavy equipment	7
Tooling	4
Computers	4
Meters	10

Accounts receivable – Receivables are evaluated for potential write-offs at six-month intervals and we use the direct write-off method for recording bad debts in our financial statements.

Inventories – Inventories are valued at the lower of cost or market, using the first-in, first-out method.

Investments – Investments are reported under the cost method and are increased by the Company's share of profits and decreased by related distributions

(1) Summary of Significant Accounting Policies (continued)

Income taxes – The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporation income taxes on its taxable income. Instead, the stockholders of the Company are liable for individual federal and state income taxes on their respective shares.

Subsequent events – We have accounted for subsequent events through November 4, 2019 the date our financial statements were available to be issued, and we believe that all required subsequent events disclosures have been made.

(2) Investment in Limited Liability Company

We are the managing member and a fifteen percent interest holder in Navitas Assets, LLC (NALLC), a limited liability company. NALLC primarily operates to acquire relatively small, operating, rural assets and secondarily pursues the development of energy projects. NALLC currently owns over 1,000 miles of regulated distribution pipeline as well as certain unregulated transmission assets. We provide service assistance and perform construction for NALLC. Summarized financial information for NALLC is as follows:

Current assets	$	[redacted]
Property & equipment		[redacted]
Other assets		[redacted]
	$	[redacted]
Current liabilities	$	[redacted]
Long-term liabilities		[redacted]
Members' equity		[redacted]
	$	[redacted]
Net income (loss)	$	[redacted]

(3) Long-term debt

We have [redacted] loans at a bank with outstanding balances totaling $[redacted] at December 31, 2018. Payments on these loans are due monthly and have interest rates ranging from [redacted] to [redacted] These notes mature in 20[redacted] and are secured by [redacted]

We have [redacted] loans at a bank with outstanding balances totaling $[redacted] at December 31, 2018. Payments on these loans are due monthly and have interest rates ranging from [redacted] to [redacted] These notes mature in 20[redacted] and are secured by [redacted]

We have [redacted] loans at a bank with outstanding balances totaling $[redacted] at December 31, 2018. Payments on these loans are due monthly and have interest rates ranging from [redacted] to [redacted] These notes mature in 20[redacted] and 20[redacted] and are secured by [redacted]

We have [redacted] loans at a bank with outstanding balances totaling $[redacted] at December 31, 2018. Payments on these loans are due monthly and have interest rate of [redacted] These notes mature in 20[redacted] and are secured by [redacted]

(3) Long-term debt (continued)

Principal maturities are as follows:

2019	$	[redacted]
2020		
2021		
2022		
2023		
Thereafter		
	$	

Reconciliation to balance sheet		
Current portion of long-term debt	$	[redacted]
Long-term debt, less current portion		
	$	

(4) Commitments

We have several multi-year agreements with Enogex, Southern Star, CenterPointe and Seminole. These contracts are to specifically supply gas to systems managed by Navitas Utility Corporation.

(5) Transactions With Affiliates and Related Parties

We control [redacted] percent of the member units of Navitas Assets, LLC (NALLC), and our shareholders also control member units of NALLC. The majority of our revenues are for services and construction performed for NALLC. During the course of our operations, we bill and are charged for products and services and sometimes we advance and receive money for cash flow needs. At December 31, 2018, we have a receivable from NALLC for $[redacted] resulting from billings for goods and services and they are required to pay interest of [redacted] on the unpaid balance.

NALLC owed us for travel related services, however in 2018 these services were discontinued. [redacted].

[redacted].

(6) Concentrations

We purchase gas from a limited number of suppliers for resale to a related entity, Navitas Assets, LLC, and [redacted] of those suppliers provide us with [redacted] of our gas purchases.

Substantially all of our revenues are derived from commodity sales or service revenues to a related entity, Navitas Assets, LLC.

(7) Income taxes

We elected to be treated as an S Corporation for income tax purposes and, therefore, all tax liability is passed on to its shareholders. We did adopt standards to account for uncertainty in income taxes as required by generally accepted accounting principles. During 2018, we evaluated tax positions and it was our determination that we had not taken any positions that would be subject to uncertainty, however, uncertain tax positions are ultimately the responsibility of the Company's shareholders. The statute of limitations for examining our federal and state tax returns is generally three years from the filing date, so our 2016 through 2018 income tax returns are subject to examination.

SUPPLEMENTARY SCHEDULES

NAVITAS UTILITY CORPORATION
SUPPLEMENTARY SCHEDULE
DETAIL OF OPERATING EXPENSES
YEAR ENDED DECEMBER 31, 2018

Direct costs:		
Equipment maintenance	$	[redacted]
Line maintenance		
Line service		
	$	
Indirect costs:		
Administrative and general sales	$	[redacted]
Audit and accounting fees		
Bank fees		
Communication equipment		
Communication service		
Contracted transportation		
Customer assistance		
Customer records		
Fuel		
Insurance-other		
Legal expenses		
Licenses, permits and memberships		
Office consumables		
Office supplies		
Other employee benefits		
Other rentals		
Outside services		
Plant maintenance		
Postage		
Property taxes		
Safety and security		
Utilities		
	$	

NAVITAS ASSETS, LLC

CONSOLIDATED
FINANCIAL STATEMENTS

DECEMBER 31, 2019

NAVITAS ASSETS, LLC
CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

HBC
CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Members
Navitas Assets, LLC

We have audited the accompanying financial statements of Navitas Assets, LLC which comprise the consolidated balance sheet as of December 31, 2019, and the related consolidated statements of income and members' equity, and cash flows for the year 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 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 includes 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 Navitas Assets, LLC as of December 31, 2019, 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.

HBC CPAs & Advisors

Oklahoma City, Oklahoma
August 31, 2020

9905 North May Avenue, Oklahoma C ty, Oklahoma 73120
Phone (405) 848-7797 Fax (405) 848-7840 Web address: www.hbc-cpas.com

NAVITAS ASSETS, LLC
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2019

ASSETS

Current assets:	
Cash in bank	$ [redacted]
Accounts receivable ([redacted] unbilled)	[redacted]
Inventory	[redacted]
Loans to members	[redacted]
Underbillings and other assets	[redacted]
Total current assets	[redacted]
Property and equipment:	
Land	[redacted]
Systems	[redacted]
Equipment	[redacted]
Leasehold improvements	[redacted]
Accumulated depreciation	[redacted]
Property and equipment, net	[redacted]
Other assets:	
Acquisition and related costs, net of accumulated amortization of $[redacted]	[redacted]
Total assets	$ [redacted]

LIABILITIES & MEMBERS' EQUITY

Current liabilities:	
Accounts payable, vendors	[redacted]
Payable to affiliated entity	[redacted]
Overbillings	[redacted]
Customer deposits	[redacted]
Other accrued expenses	[redacted]
Line of credit	[redacted]
Loans from members	-
Current portion of long-term debt and other obligations	[redacted]
Total current liabilities	[redacted]
Long-term debt and other obligations, less current portion	[redacted]
Members' equity	
Members' equity	[redacted]
Minority member interests	[redacted]
Total members' equity	[redacted]
Total liabilities and members' equity	$ [redacted]

See accompanying notes

NAVITAS ASSETS, LLC
CONSOLIDATED STATEMENT OF INCOME AND MEMBERS' EQUITY
YEAR ENDED DECEMBER 31, 2019

Revenue:	
Revenue	$ [redacted]
Total revenue	
Cost of goods sold:	
Commodity cost	[redacted]
Bad debt expense	
Total cost of goods sold	
Net commodity revenue	[redacted]
Direct costs:	
Direct costs	[redacted]
Depreciation and amortization	
Total direct costs	
Other operating expenses	[redacted]
Operating income	[redacted]
Other income (expense):	
Interest income	[redacted]
Interest expense	
Other income (expense)	
Total other income (expense)	
Net income (loss)	[redacted]
Members' equity, beginning	[redacted]
Members' contributions (distributions)	
Members' equity, ending	$ [redacted]

See accompanying notes

NAVITAS ASSETS, LLC
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

OPERATING ACTIVITIES	
Net income (loss)	$ [redacted]
Adjustments to reconcile net income	
to net cash provided by operations:	
Depreciation and amortization	[redacted]
(Increases) decreases in:	
Accounts receivable	[redacted]
Notes Receivable	[redacted]
Inventories	[redacted]
Underbillings and other prepaids	[redacted]
Increases (decreases) in:	
Accounts payable	[redacted]
Customer deposits	[redacted]
Payable to affiliate	[redacted]
Overbillings and other accruals	[redacted]
Net cash provided by operating activities	[redacted]
INVESTING ACTIVITIES	
Purchase of property and equipment	[redacted]
Disposal of property and equipment	-
Acquisition costs	[redacted]
Net cash provided by investing activities	[redacted]
FINANCING ACTIVITIES	
Loan acitivty to and from members	[redacted]
Proceeds from long-term debt and other obligations	[redacted]
Repayment of long-term debt and other obligations	[redacted]
Capital contributions	[redacted]
Net cash provided by financing activities	[redacted]
Net cash increase for year	[redacted]
Cash at beginning of year	[redacted]
Cash at end of year	$ [redacted]

Interest expense of [redacted] *was paid for the year ended December 31, 2019.*

See accompanying notes

NAVITAS ASSETS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies

Organization and structure - We are an energy-assets holding company formed on March 20, 2007. We acquire relatively small, operating, rural assets and secondarily pursue the development of energy projects. We currently own over 1000 miles of regulated distribution pipeline as well as certain unregulated transmission assets. Navitas Utility Corporation is the managing member of our limited liability company and is the operator of our energy assets.

We own a 100% membership interest in Fort Cobb Fuel Authority, LLC ("FCFA"). FCFA wholly owns membership interests in two LLCs and a majority interest in a third LLC. We also own 100% membership interests in Navitas TN NG, LLC ('NTNNG"), Navitas KY NG, LLC ("NKYNG"), and Navitas Utility Texas, LLC ("NUTX"). FCFA, NTNNG, NKYNG, and NUTX provide distribution services to customers in smaller municipalities and rural areas in Oklahoma, Tennessee, Kentucky, and Texas.

Consolidation – We have included the accounts of FCFA, NTNNG, NKYNG, and NUTX in these financial statements and have eliminated all intercompany accounts and transactions. FCFA, NTNNG, NKYNG, and NUTX are disregarded entities for tax purposes.

Use of estimates - Accrual accounting is used to prepare these financial statements. Financial statement preparation requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingencies as of the date of these financial statements and for the period of these financial statements. Items that may be estimated include, but are not limited to, the economic useful life of assets, the fair value of some assets and liabilities, bad debt expense, unbilled revenues for natural gas delivered but for which meters have not been read, gas purchases for which gas has been delivered but no invoice has been received and various other recorded or disclosed amounts.

We evaluate estimates on an ongoing basis using historical experience, consultation with experts and other methods we consider reasonable given the circumstances. Nevertheless, actual results could differ significantly from the estimates. Any effects on our financial position or results of operations from revisions of these estimates are recorded when the facts that gave rise to the revision become known.

Cash and cash equivalents - Cash and cash equivalents consist of highly liquid investments, which are readily convertible in to cash, and have original maturity dates of three months or less.

Accounts receivable – Accounts receivable represent valid claims, both billed and unbilled, against non-affiliated customers for products sold or services rendered. We assess the credit worthiness of our counterparties and generally require security, usually in the form of prepayments or deposits, when appropriate. Outstanding customer receivables are evaluated for potential write-offs at six-month intervals and we use the direct write-off method for recording bad debts in our financial statements.

Inventory – Inventories are valued at the lower of cost or market, using the first-in, first-out method.

Property, plant and equipment – Our properties are generally stated at cost. Maintenance and repairs are charged to expense. Depreciation of these properties is charged to operations using the straight-line method. We assign lives to our properties based on our estimates of their useful economic lives. Lives of regulated assets are sometimes determined during rate proceedings or by regulatory statutes. Lives of our properties generally range from five to forty years.

Intangible assets – We amortize organizational costs, rate case expenses and acquisition costs over periods ranging from 24 to 120 months. The amortization periods are sometimes based on recovery periods granted during rate proceedings or by regulatory statutes.

NAVITAS ASSETS, LLC
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies (continued)

Revenue recognition – We generally bill our customers on a cyclical basis prior to the end of the month. We estimate and accrue unbilled revenues at the end of each month.

Income taxes – We are a limited liability company subject to United States income tax laws and have elected to be treated as a partnership for income tax reporting purposes. No income tax expense is recorded in these financial statements because our taxable income is passed on to our members and reported in their individual income tax returns.

Regulation – We are subject to the rate regulation and accounting requirements of the Oklahoma Corporation Commission ("OCC") and the Tennessee Regulatory Authority ('TRA"). During the rate-making process, these regulatory bodies set the framework for what we can charge customers for our services and it also establishes the manner in which our costs are accounted for.

Subsequent events – We have accounted for subsequent events through August 31, 2020 the date our consolidated financial statements were issued, and we believe that all required subsequent events disclosures have been made.

(2) Cash and cash equivalents

At December 31, 2019, we had deposits exceeding FDIC insurance at one financial institution. These deposits exceeded the FDIC insurance by [redacted].

(3) Line-of-Credit

For working capital needs we have [redacted] totaling $[redacted] These [redacted] bear interest at [redacted] and are due [redacted], 20[redacted]. During the year, we drew $[redacted] and paid down $[redacted] on this line, so the remaining balance on the note at December 31, 2019 is $[redacted] [redacted]

(4) Long-Term Debt and Other Obligations

Long-term debt

We have [redacted] loans at a bank with outstanding balances totaling $[redacted] at December 31, 2019. The largest of these [redacted] notes has a remaining balance of [redacted]. Interest on these notes is at prime but is capped, in [redacted]-year increments, currently at [redacted]%. Principal and interest payments on the notes total [redacted] per month. [redacted] notes, including the largest, mature in 20[redacted] and one matures in 20[redacted]. They are secured by [redacted], and [redacted].

We have a loan at a bank with a balance of $[redacted] at December 31, 2019. Interest is at [redacted]%. There is a [redacted] year amortization on the note, with principal and interest payments of $[redacted] per month, however the final payment and remaining balance on the note is due [redacted] 20[redacted]. The note is secured by [redacted].

Other obligations

Two of our customers agreed to advance funds to assist us with the cost of a utility line being constructed to accommodate service to their plant. The amounts initially advanced were $[redacted]. The balance as of December 31, 2019 was $[redacted]. Per the terms of our agreement with them, these advances will be reduced each month by the amount of gas they are obligated to take or pay for.

(4) Long-Term Debt and Other Obligations (continued)

Other obligations (continued)

One of our customers agreed to advance funds to assist us with the cost of a utility line being constructed to accommodate service to their plant. The amount initially advanced was $[redacted]. The balance as of December 31, 2019 was $[redacted]. Per the terms of our agreement with them, these advances will be reduced as milestones in construction are met.

Principal maturities are as follows:

2020	[redacted]
2021	
2022	
2023	
2024	
Thereafter	
Total long-term debt	
Other obligations	
Reconciliation to balance sheet	
Current portion of long-term debt and other obligations	[redacted]
Long-term debt and other obligations, less curent portion	[redacted]

(5) Concentrations

Our ten largest customers make up approximately [redacted]% of the total revenues for the year ended December 31, 2019.

We almost exclusively purchase all of our natural gas from a related entity, Navitas Utility Corporation. NUC purchases gas for resale to us from a limited number of suppliers, and two suppliers provide [redacted]% of commodities purchased by NUC. Clearwater Enterprises is their largest supplier making up approximately [redacted]% of commodity purchases and [redacted]% petrol.

(6) Transactions With Affiliates and Related Parties

We pay service and construction costs to a related corporation, Navitas Utility Corporation (NUC), which controls [redacted] percent of our membership units. NUC shareholders also own our membership units. The majority of our commodity charges and operating expenses are paid to NUC. During the course of operations, we bill and are charged for products and services and sometimes we advance and receive money for cash flow needs. We also have a [redacted] to [redacted] in the amount of $[redacted] at December 31, 2019 resulting from their billings for goods and services and we are required to pay interest of [redacted] on the unpaid balance.

[redacted].

(7) Income Taxes

[redacted]. We did adopt standards to account for uncertainty in income taxes as required by generally accepted accounting principles. During 2019, we evaluated tax positions and it was our determination that we had not taken any positions that would be subject to uncertainty, nevertheless, [redacted] The statute of limitations for examining our federal and state tax returns is generally three years from the filing date, therefore, our 2017 through 2019 income tax returns would still be subject to examination.

NAVITAS UTILITY CORPORATION
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

Includes Independent Auditor's Report Issued By

HBC

CPAs & Advisors

NAVITAS UTILITY CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2019

HBC
CPAs & Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Navitas Utility Corporation

We have audited the accompanying financial statements of Navitas Utility Corporation which comprise the balance sheet as of December 31, 2019, and the related statements of income, retained earnings, and cash flows for the year 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 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 includes 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 Navitas Utility Corporation as of December 31, 2019, 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.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary schedule-detail of operating expenses is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

HBC CPAs & Advisors

Oklahoma City, Oklahoma
August 31, 2020

9905 North May Avenue, Oklahoma C ty, Oklahoma 73120
Phone (405) 848-7797 Fax (405) 848-7840 Web address: www.hbc-cpas.com

NAVITAS UTILITY CORPORATION

BALANCE SHEET

DECEMBER 31, 2019

ASSETS

Current assets:	
Cash	$ -
Receivable from affiliated entity	[redacted]
Inventory	[redacted]
Prepaids and other assets	[redacted]
CIEB	[redacted]
Total current assets	[redacted]
Property and equipment:	
Autos and pickups	[redacted]
Trucks	[redacted]
Heavy equipment	[redacted]
Tools and other small equipment	[redacted]
Office equipment	[redacted]
Leasehold improvements	[redacted]
Meters and regulators	[redacted]
Accumulated depreciation	([redacted]
Property and equipment, net	[redacted]
Other non-current assets:	
Investment in affiliated entity	[redacted]
Total assets	$ [redacted]

LIABILITIES & STOCKHOLDERS' EQUITY

Current liabilities:	
Cash overdraft	$ [redacted]
Accounts payable and other accrued expenses	[redacted]
Lines of credit	[redacted]
Current portion of long-term debt	[redacted]
Total current liabilities	[redacted]
Long-term debt, less current portion	[redacted]
Other accruals	[redacted]
Stockholders' equity:	
Common stock, $[redacted] par value, [redacted] share authorized, [redacted] issued and outstanding	[redacted]
Additional paid-in capital	[redacted]
Retained earnings	[redacted]
Total stockholders' equity	[redacted]
Total liabilities and stockholders' equity	$ [redacted]

See accompanying notes

NAVITAS UTILITY CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 2019

Revenue:	
Service crews	$ [redacted]
Commodity sales	[redacted]
Construction crews	[redacted]
Total revenue	[redacted]
Cost of goods sold:	
Commodity marketing and transport	[redacted]
Gross profit	[redacted]
Operating expenses:	
Direct costs	[redacted]
Indirect costs	[redacted]
Depreciation	[redacted]
Total operating expenses	[redacted]
Operating income (loss)	[redacted]
Other income (expense):	
Forgiveness of related party obligation	-
Interest (expense)	([redacted]
Other non-operating income (expense)	[redacted]
Total other income (expense)	[redacted]
Net income (loss)	[redacted]
Retained earnings, beginning	[redacted]
Contributions	[redacted]
Dividend distributions	([redacted]
Retained earnings, ending	$ [redacted]

See accompanying notes

NAVITAS UTILITY CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

OPERATING ACTIVITIES	
Net Income (loss)	$ [redacted]
Adjustments to reconcile net income	
to net cash provided by operations:	
Depreciation and amortization	[redacted]
Earnings from affiliated company	([redacted]
Loss from investment in affiliated entity	-
(Increases) decreases in:	
Receivable from affiliated entity	([redacted]
Inventory	[redacted]
Prepaids and other assets	([redacted]
CEIB	([redacted]
Increases (decreases) in:	
Accounts payable and accrued expenses	[redacted]
Net cash provided by operating activities	[redacted]
INVESTING ACTIVITIES	
Purchase of property and equipment	([redacted]
Contributions by members	[redacted]
Distributions to members	([redacted]
Net cash (used) by investing activities	([redacted]
FINANCING ACTIVITIES	
Proceeds from line of credit	[redacted]
Proceeds from long-term debt	[redacted]
Repayment of long-term debt	([redacted]
Accumulated other comprehensive income	-
Net cash provided by financing activities	[redacted]
Net cash (decrease) for year	[redacted]
Cash (overdraft), beginning of year	([redacted]
Cash (overdraft), end of year	$ ([redacted]

See accompanying notes

NAVITAS UTILITY CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

(1) Summary of Significant Accounting Policies

Organization and structure - We were formed on May 17, 2006. We are an operator of suburban and rural local distribution companies (LDCs). We are the managing member of Navitas Assets, LLC, our primary client, for whom we locate, develop, and operate mid and downstream pipeline systems and other energy assets. We provide gas acquisition and utility management to systems serving numerous counties in Oklahoma, Kentucky, and Tennessee. We have offices in Eakly, Velma, Hollis, Kinta, Jellico, and Ochelata as well as Costa Mesa, California. We are a certified minority owned business with the California PUD.

We own 100% membership interest in Navitas Communications, LLC which provides communication services to Navitas companies.

Use of estimates - Accrual accounting is used to prepare these financial statements. Financial statement preparation requires that we make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the disclosure of contingencies as of the date of these financial statements and for the period of these financial statements. Items that may be estimated include, but are not limited to, the economic useful life of assets, the fair value of some assets and liabilities, bad debt expense, billed revenues to affiliated entities, gas purchases for which gas has been delivered but no invoice has been received and various other recorded or disclosed amounts.

We evaluate estimates on an ongoing basis using historical experience, consultation with experts and other methods we consider reasonable given the circumstances. Nevertheless, actual results could differ significantly from the estimates. Any effects on our financial position or results of operations from revisions of these estimates are recorded when the facts that gave rise to the revision become known.

Cash and cash equivalents - Cash and cash equivalents consist of highly liquid investments, which are readily convertible in to cash, and have original maturity dates of three months or less.

Costs in excess of bills (CIEB) - Navitas includes $229,607 of Costs In Excess of Bills on its books to offset a payable to a pipeline company for a matter underlying Kentucky Public Service Commission Order 2019-00430. This order directs Navitas KYNG, LLC to place a surcharge of $0.024 per CCF of gas sold in Kentucky on its billings to customers for the next ten-years or until the amount of $229,607 is collected.

Property, plant and equipment – Our properties are generally stated at cost. Maintenance and repairs are charged to expense. Depreciation of these properties is charged to operations using the straight-line method. We assign lives to our properties based on our estimates of their useful economic lives. Estimated useful lives of our properties are as follows:

Trucks	7
Heavy equipment	7
Tooling	4
Computers	4
Meters	10

Accounts receivable – Receivables are evaluated for potential write-offs at six-month intervals and we use the direct write-off method for recording bad debts in our financial statements.

Inventories – Inventories are valued at the lower of cost or market, using the first-in, first-out method.

(1) Summary of Significant Accounting Policies (continued)

Investments – Investments are reported under the cost method and are increased by the Company's share of profits and decreased by related distributions

Income taxes – The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or state corporation income taxes on its taxable income. Instead, the stockholders of the Company are liable for individual federal and state income taxes on their respective shares.

Subsequent events – We have accounted for subsequent events through August 15, 2020 the date our financial statements were available to be issued, and we believe that all required subsequent events disclosures have been made.

(2) Investment in Limited Liability Company

We are the managing member and a fifteen percent interest holder in Navitas Assets, LLC (NALLC), a limited liability company. NALLC primarily operates to acquire relatively small, operating, rural assets and secondarily pursues the development of energy projects. NALLC currently owns over 1,000 miles of regulated distribution pipeline as well as certain unregulated transmission assets. We provide service assistance and perform construction for NALLC. Summarized financial information for NALLC is as follows:

Current assets	$ [redacted]
Property & equipment	[redacted]
Other assets	[redacted]
	$ [redacted]
Current liabilities	$ [redacted]
Long-term liabilities	[redacted]
Members' equity	[redacted]
	$ [redacted]
Net income (loss)	$ [redacted]

(3) Long-term debt

We have three loans at a bank with outstanding balances totaling $[redacted] at December 31, 2019. Payments on these loans are due monthly and have interest rates ranging from [redacted] to [redacted] These notes mature from 20[redacted]-20[redacted] and are secured by [redacted]

We have [redacted] loans and a line of credit at a bank with outstanding balances totaling $[redacted] at December 31, 2019. Payments on these loans are due monthly and have interest rates ranging from [redacted] to [redacted] These notes mature in 20[redacted] and 20[redacted] and are secured by [redacted]

(3) Long-term debt (continued)

We have two loans at a bank with outstanding balances totaling $[redacted] at December 31, 2019. Payments on these loans are due monthly and have interest rates ranging from [redacted] to [redacted] These notes mature in 20[redacted] and 20[redacted] and are secured by [redacted]

We have one loan at a bank with outstanding balance totaling $[redacted] at December 31, 2019. Payments on this loan are due monthly and have interest rate of [redacted] This note mature in 20[redacted] and is secured by a [redacted]

We have one loan at a bank with outstanding balance totaling $[redacted] at December 31, 2019. Payments on this loan are due monthly and have interest rate of [redacted] This note mature in 20[redacted] and is secured by a [redacted]

We have [redacted] lines-of-credit at two different banks with outstanding balance totaling $[redacted] at December 31, 2019. Payments on this loan are due monthly and have interest rate of [redacted] The lines matures in 20[redacted] and are secured by [redacted].

Principal maturities are as follows:

2020	$	[redacted]
2021		
2022		
2023		
2024		
Thereafter		
	$	

Reconciliation to balance sheet

Current portion of long-term debt	$	[redacted]
Lines-of-credit		
Long-term debt, less current portion		
	$	

(4) Commitments

We have several multi-year agreements with Enogex, Southern Star, CenterPointe and Seminole. These contracts are to specifically supply gas to systems managed by Navitas Utility Corporation.

(5) Transactions With Affiliates and Related Parties

We control [redacted] percent of the member units of Navitas Assets, LLC (NALLC), and our shareholders also control member units of NALLC. The majority of our revenues are for services and construction performed for NALLC. During the course of our operations, we bill and are charged for products and services and sometimes we advance and receive money for cash flow needs. At December 31, 2019, we have a receivable from NALLC for $[redacted] resulting from billings for goods and services and they are required to pay interest of [redacted] on the unpaid balance.

[redacted]

(6) Concentrations

We purchase gas from a limited number of suppliers for resale to a related entity, Navitas Assets, LLC, and [redacted] of those suppliers provide us with [redacted] of our gas purchases.

Substantially all of our revenues are derived from commodity sales or service revenues to a related entity, Navitas Assets, LLC.

(7) Income taxes

We elected to be treated as an S Corporation for income tax purposes and, therefore, all tax liability is passed on to its shareholders. We did adopt standards to account for uncertainty in income taxes as required by generally accepted accounting principles. During 2019, we evaluated tax positions and it was our determination that we had not taken any positions that would be subject to uncertainty, however, uncertain tax positions are ultimately the responsibility of the Company's shareholders. The statute of limitations for examining our federal and state tax returns is generally three years from the filing date, so our 2017 through 2019 income tax returns are subject to examination.

SUPPLEMENTARY SCHEDULES

NAVITAS UTILITY CORPORATION

SUPPLEMENTARY SCHEDULE

DETAIL OF OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 2019

Direct costs:	
Equipment maintenance	$ [redacted]
Line maintenance	[redacted]
Line service	[redacted]
	$ [redacted]
Indirect costs:	
Administrative and general sales	$ [redacted]
Audit and accounting fees	[redacted]
Bank fees	[redacted]
Communication equipment	[redacted]
Communication service	[redacted]
Contracted transportation	[redacted]
Customer assistance	[redacted]
Customer records	[redacted]
Fuel	[redacted]
Insurance-other	[redacted]
Legal expenses	[redacted]
Licenses, permits and memberships	[redacted]
Office consumables	[redacted]
Office supplies	[redacted]
Other employee benefits	[redacted]
Other rentals	[redacted]
Outside services	[redacted]
Promotion	[redacted]
Plant maintenance	[redacted]
Postage	[redacted]
Property taxes	[redacted]
Safety and security	[redacted]
Utilities	[redacted]
	$ [redacted]