SUSTAINABLE ENERGY FUND
(A NOT-FOR-PROFIT CORPORATION)

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

Sustainable Energy Fund
(a Not-for-Profit Corporation)
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J.H. Williams & Co., LLC
OUR PASSION IS SERVICE
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Sustainable Energy Fund
Schnecksville, Pennsylvania

Opinion

We have audited the consolidated financial statements of the Sustainable Energy Fund (a not-for-profit corporation) and Subsidiary, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sustainable Energy Fund and Subsidiary as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sustainable Energy Fund, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sustainable Energy Fund's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

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Independent Auditors' Report
(Cont'd)

To the Board of Directors
Sustainable Energy Fund

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sustainable Energy Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sustainable Energy Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

J. H. Williams & Co., LLC

July 31, 2023

Sustainable Energy Fund
Consolidated Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	$ 1,338,900	$ 1,083,245
Accounts receivable	10,189	879
Inventory	959	959
Investments (Notes 3 & 4)	12,235,414	12,933,261
Program related loans receivable, net (Note 5)	2,917,303	3,293,629
Investment in National Energy Improvement Fund, LLC (Note 6)	47,532	41,713
Property, plant and equipment, net (Note 7)	6,816,554	7,033,199
Prepaid expense and deposits	49,283	47,795
	$ 23,416,134	$ 24,434,680
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 11,227	$ 28,355
Accrued expense and deferred revenue	6,591	11,390
Accrued salary and benefits	82,813	64,574
Deferred ESA income	260,417	286,251
Mortgage loan payable	3,715,925	3,822,409
TOTAL LIABILITIES	4,076,973	4,212,979
NET ASSETS		
Net assets without donor restrictions	19,339,161	20,221,701
	$ 23,416,134	$ 24,434,680

See accompanying notes to financial statements.

Sustainable Energy Fund
Consolidated Statements of Activities
For the years ended December 31, 2022 and 2021

	2022	2021
REVENUES AND GAINS		
Grant revenue	$ -	$ 155,392
Interest income - operating and money market	10,970	732
Investment return, net	(604,270)	409,521
Equity in income (loss) of investee	5,819	(109,131)
Interest - program loans	151,361	600,608
Other income - program loans	8,806	75,025
ESA income	147,043	168,813
C-PACE income	232,983	43,978
Alternative compliance payments	915,778	692,702
Education programs revenue	90	19,665
Donation income	18,000	18,095
Miscellaneous revenue	-	1,900
TOTAL REVENUES AND GAINS	886,580	2,077,300
EXPENSES		
Program services:		
Provision for loan losses (recoveries)	(9,217)	(148,271)
Operating expenses	1,067,466	1,007,427
	1,058,249	859,156
Management and general	699,607	668,142
TOTAL EXPENSES	1,757,856	1,527,298
Loss on disposal of assets	11,264	-
TOTAL EXPENSES AND LOSSES	1,769,120	1,527,298
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(882,540)	550,002
NET ASSETS WITHOUT DONOR RESTRICTIONS, BEGINNING	20,221,701	19,671,699
NET ASSETS WITHOUT DONOR RESTRICTIONS, ENDING	$ 19,339,161	$ 20,221,701

See accompanying notes to financial statements.

Sustainable Energy Fund
Consolidated Statements of Functional Expenses
For the year ended December 31, 2022

	Program Services	Management and General	Total
Program related investments:			
Loan loss provision (recovery)	$ (9,217)	$ -	$ (9,217)
Operating Expenses:			
Salaries and wages	487,949	146,577	634,526
Fringe benefits	73,873	76,876	150,749
Payroll taxes / fees	39,580	14,447	54,027
Training	13,205	1,388	14,593
Recruiting	-	4,113	4,113
	614,607	243,401	858,008
Property taxes	-	21,949	21,949
Building maintenance	-	36,369	36,369
Property insurance	-	7,875	7,875
	-	66,193	66,193
Board stipends	-	300	300
Board expense	2,936	1,229	4,165
Dues and publications	7,071	1,768	8,839
Depreciation	180,596	157,454	338,050
Interest expense	-	136,218	136,218
Marketing	42,739	11,196	53,935
Office supplies	17,824	4,456	22,280
Audit	-	17,435	17,435
Legal	7,206	4,337	11,543
Due diligence	2,455	-	2,455
Financial programs	55,484	-	55,484
Education programs	6,612	-	6,612
Financial system support	9,236	2,564	11,800
Contractual services	-	10,330	10,330
Printing and postage	4,046	1,179	5,225
Records storage & management	-	3,114	3,114
Telephone	16,459	4,115	20,574
Travel	27,926	3,421	31,347
MIS support / web hosting	62,776	20,926	83,702
Liability insurance	9,493	9,971	19,464
	452,859	390,013	842,872
TOTAL OPERATING EXPENSES	1,067,466	699,607	1,767,073
TOTALS	$ 1,058,249	$ 699,607	$ 1,757,856

See accompanying notes to financial statements.

Sustainable Energy Fund
Consolidated Statements of Functional Expenses
For the year ended December 31, 2021

	Program Services	Management and General	Total
Program related investments:			
Loan loss provision (recovery)	$ (148,271)	$ -	$ (148,271)
Operating Expenses:			
Salaries and wages	462,722	134,008	596,730
Fringe benefits	86,594	61,766	148,360
Payroll taxes / fees	39,987	13,624	53,611
Training	6,563	7,316	13,879
Recruiting	1,198	1,197	2,395
	597,064	217,911	814,975
Property taxes	-	21,745	21,745
Building maintenance	-	55,652	55,652
Property insurance	-	7,869	7,869
	-	85,266	85,266
Board stipends	-	600	600
Board expense	-	2,231	2,231
Dues and publications	7,068	1,767	8,835
Depreciation	177,407	152,044	329,451
Interest expense	-	139,989	139,989
Marketing	78,945	8,824	87,769
Office supplies	17,106	4,276	21,382
Audit	-	15,850	15,850
Legal	33,238	5,296	38,534
Due diligence	1,816	-	1,816
Financial programs	20,596	-	20,596
Education programs	16,646	-	16,646
Financial system support	-	9,497	9,497
Contractual services	-	575	575
Printing and postage	4,113	1,180	5,293
Records storage & management	-	2,488	2,488
Telephone	16,002	4,001	20,003
Travel	6,541	1,943	8,484
MIS support / web hosting	27,678	9,226	36,904
Liability insurance	3,207	3,666	6,873
Miscellaneous	-	1,512	1,512
	410,363	364,965	775,328
TOTAL OPERATING EXPENSES	1,007,427	668,142	1,675,569
TOTALS	$ 859,156	$ 668,142	$ 1,527,298

See accompanying notes to financial statements.

Sustainable Energy Fund
Consolidated Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (882,540)	$ 550,002
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	338,050	329,451
Provision for loan losses (recoveries)	(9,217)	(148,271)
Loss on disposal of assets	11,264	-
Net realized and unrealized (gains) losses on investments	789,608	(326,111)
Equity in (income) loss of investee	(5,819)	109,131
Increase (decrease) in cash resulting from changes in operating assets and liabilities:		
Accounts receivable	(9,310)	14,482
Prepaid expenses and deposits	(1,488)	(8,125)
Inventory	-	8
Accounts payable	(17,128)	(84,644)
Accrued expenses and deferred revenue	(4,799)	(38,686)
Accrued salaries and benefits	18,239	10,806
Deferred ESA income	(25,834)	14,167
NET CASH PROVIDED BY OPERATING ACTIVITIES	201,026	422,210
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant, and equipment	(132,669)	(39,450)
Net (purchase) sale of investments	(91,761)	(6,077,457)
Issuance of program related loans receivable	(782,151)	(3,421,934)
Repayments of program related loans receivable	1,167,694	9,764,345
NET CASH PROVIDED BY INVESTING ACTIVITIES	161,113	225,504
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long-term debt	(106,484)	(102,672)
NET CASH (USED IN) FINANCING ACTIVITIES	(106,484)	(102,672)
INCREASE IN CASH AND CASH EQUIVALENTS	255,655	545,042
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,083,245	538,203
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,338,900	$ 1,083,245
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest	$ 136,218	$ 139,989

See accompanying notes to financial statements.

NOTE 1 – Nature of Organization

PP&L Sustainable Energy Fund, d/b/a Sustainable Energy Fund (the Fund) is a Pennsylvania non-profit corporation formed to promote, research and invest in clean and renewable energy technologies, energy conservation, energy efficiency and sustainable energy enterprises that provide opportunities and benefits for PPL ratepayers.

The Fund was formed pursuant to a joint settlement agreement arising from the Pennsylvania Utility Commission (PUC) electric utility deregulation proceedings in 1998. The agreement provides, in part, a rate surcharge on electric power consumers (ratepayers) which expired on December 31, 2006.

The Fund is managed by a president who reports to a Board of Directors. The PUC also maintains oversight of the Fund.

Principles of Consolidation

The consolidated financial statements include the accounts of Green Connexions, Inc., a for profit wholly owned subsidiary. All material intercompany balances and transactions have been eliminated. Green Connexions, Inc. was incorporated as a C Corporation in December, 2005. Green Connexions, Inc. owns a 100% interest in Sustainable Energy Systems, LLC.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Fund have been prepared on the accrual basis of accounting, except for interest income from loans receivable, which is reported on the cash basis and is not materially different than if they were reported on the accrual basis.

Basis of Presentation

The Fund has presented its financial statements in accordance with accounting principles generally accepted in the United States of America for not-for-profit organizations. Under this guidance, a description of the two net asset categories follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions – Net assets whose use by the Fund is subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that expire by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained permanently by the Fund. Donor-imposed restrictions are released when a restriction expires, such as when the stipulated time has elapsed or when the stipulated purposes for which the resource was restricted have been fulfilled. The Fund does not have any net assets with donor restrictions.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2014-09, *Revenues from Contracts with Customers* (Topic 606). The new revenue recognition guidance requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance requires an entity to follow a five-step model to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfied a performance obligation. The Fund's revenue recognition policies for its major programs are as follows:

Program Loans

The Fund offers loans to customers to assist in financing improvements that reduce the consumption of energy from non-sustainable resources. Interest earned on program loans is recognized as revenue on the date it is received. Loan processing fees are recognized as revenue on a monthly basis over the term of the loan. The Fund believes that its performance obligation is satisfied on an ongoing basis throughout the term of each loan.

Energy Savings Agreements

The Fund enters into various energy savings agreements with energy users whereby the Fund pays for the cost of energy efficient improvements at the energy user's facility while acquiring and maintaining title to and ownership of the improvements. Thereafter, the Fund provides services to monitor and measure the energy savings related to said improvements. In return, the energy user pays the Fund a fee based on the estimated energy savings of the improvements. These fees are recognized as revenue on a monthly basis over the term of the agreement. The Fund believes that its performance obligation is satisfied on an ongoing basis throughout the term of each agreement.

The issuance of ASU No. 2014-09 did not have a significant impact on the Fund's financial statements. Based on the Company's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the issuance.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Fund considers all highly liquid investments with an initial maturity of three months or less when purchased to be cash equivalents.

Donated Services

No amounts have been reflected in the financial statements for donated services. The Fund generally pays for services requiring specific expertise. However, individuals volunteer their time and perform a variety of tasks that assist the Fund with specific investment programs and various committee assignments.

Estimates

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

Investments in Marketable Securities

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law.

Program Related Investments

Loans

Loans are stated at their outstanding unpaid principal balance. Interest income is recognized as revenue when received.

Allowance for Loan Losses

The allowance for loan losses has been established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance is maintained at a level considered adequate to provide for potential loan losses. In making this determination, management takes into consideration the results of internal review procedures, prior loan loss experience, an assessment of the effect of current and anticipated future economic conditions, the financial condition of the borrower and such other factors that, in management's judgment, deserve consideration. The determination of the adequacy of the allowance is inherently subjective, as it requires material estimates including the amounts and timing of future cash flows expected to be received on impaired loans that may be susceptible to significant change.

Investment in National Energy Improvement Fund, LLC

The investment is being accounted for under the equity method, which provides that the initial purchase be recorded at cost, then reduced by dividends and increased or decreased by the Fund's proportionate share of the investee's net earnings or loss.

Concentration of Credit and Market Risk

Financial instruments that potentially expose the Fund to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Fund places its cash at a high credit quality financial institution. From time to time, deposits at the institution exceed federal depository insurance limits. The Fund has significant investments in stocks and bonds. Though the market value of investments is subject to fluctuations, management believes the investment policy is prudent for the long-term welfare of the Fund. In addition, investments do not represent significant concentrations of market risk in as much as the Fund's investment portfolio is adequately diversified among issuers.

Concentrations of credit risk with respect to program related investments are subject to the individual credit worthiness of the borrowers and investees who are predominately located in Pennsylvania and dedicated to the use of renewable energy, clean energy technology, energy efficiency, energy conservation, and education. Consequently, the ability to realize the amounts may be affected by economic and political fluctuations in the power industry in this geographic region. The Fund performs ongoing credit evaluations and reserves for estimated and known uncollectibles.

Property, Plant and Equipment

Property, plant and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful lives of the assets of three to forty years and computed on straight-line and accelerated methods.

Additions and betterments of $500 or more are capitalized, while maintenance and repairs that do not improve or extend the original useful lives of the assets are expensed as incurred.

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributable to both program services and management and general activities of the Fund. These expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits are allocated on the basis of management's estimate of time, while occupancy and office expenses are allocated on the basis of management's estimate of consumption.

Advertising Costs

Advertising costs are expensed as incurred.

Financial Reporting

During 2022 the Fund adopted *Accounting Standards Update 2016-02, Leases (Topic 842).* This Standard provides guidance for increasing transparency and comparability among entities by recording lease assets and liabilities on the statement of financial position and disclosing certain key information about leasing arrangements.

During 2022 the Fund adopted *Accounting Standards Update 2020-10, Codifications Improvements.* This update provides changes to the clarity of the original Codification or corrects unintended applications of guidance that are not expected to have a significant effect on current accounting practice.

NOTE 3 – Fair Values of Financial Instruments

The Fund adopted FASB ASC 820-10 Fair Value Measurements and Disclosures, as it pertains to its financial assets and liabilities. FASB ASC 820-10 defines fair market value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on assumptions that market participants would use, including a consideration of non-performance risk.

Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Fund has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

	Assets at Fair Value as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
Cash management funds	$ 1,143,141	$ -	$ -	$ 1,143,141
U.S. Government obligations	4,830,124	-	-	4,830,124
Corporate bonds	511,048	-	-	511,048
Municipal bonds	860,825	-	-	860,825
Equity securities	4,683,844	-	-	4,683,844
Certificates of deposit	206,432	-	-	206,432
TOTAL ASSETS AT FAIR VALUE	$ 12,235,414	$ -	$ -	$ 12,235,414

	Assets at Fair Value as of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Cash management funds	$ 6,422,077	$ -	$ -	$ 6,422,077
U.S. Government obligations	2,027,338	-	-	2,027,338
Corporate bonds	441,520	-	-	441,520
Municipal bonds	1,077,516	-	-	1,077,516
Equity securities	2,612,976	-	-	2,612,976
Certificates of deposit	351,834	-	-	351,834
TOTAL ASSETS AT FAIR VALUE	$ 12,933,261	$ -	$ -	$ 12,933,261

The estimated fair values of investments classified as Level 1 are derived from quoted market prices in active markets. The estimated fair values of investments classified as Level 2 are derived from the quoted market price at the time the investments were last traded adjusted for management's estimate of potential impairment as a result of less than favorable factors arising during the current year. The above valuation techniques for both Level 1 and Level 2 investments have been consistently applied from prior years.

NOTE 4 – Investments

Investments are managed by professional investment managers. The investment managers are subject to the Fund's investment policies which contain objectives, guidelines and restrictions designed to complement the Fund's activities and mission. Investments at fair value at December 31 are comprised of the following:

	2022	2021
Cash management funds	$ 1,143,141	$ 6,422,077
U.S. Government obligations	4,830,124	2,027,338
Corporate bonds	511,048	441,520
Municipal bonds	860,825	1,077,516
Equity securities	4,683,844	2,612,976
Certificates of deposit	206,432	351,834
	$ 12,235,414	$ 12,933,261

Investment return is summarized as follows:

	2022	2021
Interest and dividend income	$ 241,025	$ 127,651
Net realized and unrealized gains (losses) on investments	(789,608)	326,111
	(548,583)	453,762
Less: Investment advisory and custodian fees	(55,687)	(44,241)
TOTAL INVESTMENT RETURN	$ (604,270)	$ 409,521

NOTE 5 – Program Related Investments / Loans Receivable

Program related investments consist of loans to and equity investments in entities to assist them in pursuing sustainable energy opportunities.

	2022	2021
LOANS:		
Chandler Hall - due in monthly installments of $1,979 including interest at 6.25% less a monthly servicing fee, due October 2022.	$ -	$ 167,001
Pitcaim Building - due in monthly installments of $542 including interest at 4.00% less a monthly servicing fee, due October 2022.	-	36,135
Maplewood Virginia, LLP - due in monthly installments of $1,737 including interest at 6.50% less a monthly servicing fee, due February 2023.	-	160,424
The Racquet Club of Philadelphia - due in monthly installments of $1,152 including interest at 6.50% less a monthly servicing fee, due February 2023.	-	100,460
Leading Age - due in monthly installments of $680 including interest at 6.50% less a monthly servicing fee, due February 2023.	-	58,644
Cast Iron Building - due in monthly installments of $777 including interest at 6.64% less a monthly servicing fee, due January 2024.	-	56,394
Kobernick Anchin - due in monthly installments of $6,029 including interest at 6.64% less a monthly servicing fee, due January 2024.	-	294,066
Forest Hills PPA, LLC - due in monthly installments of $1,825 including interest at 5.25%, due December 2024.	227,080	236,785
Gardner's Mattress & More - due in monthly installments of $224 including interest at 5.00%, due July 2022.	-	1,322
Pike County Public Library - due in monthly installments of $509 including interest at 4.00%, due August 2023.	4,015	9,840

	2022	2021
Ursinus College - due in monthly installments principal and interest payments of 4.00% on outstanding principal balance, due December 2024.	960,485	1,077,068
SolarSense PA II PSU, LLC - due in monthly installments of $7,397 including interest at 4.00%, with a balloon payment due December 2025.	793,627	849,413
Ultimate Car Wash and Lube, LLC - due in monthly installments of $248 including interest at 6.00%, due May 2023.	-	3,804
CIMA Network, Inc. - due in monthly installments of $685 including interest at 5.50%, due September 2024.	13,690	20,942
Mr. Wizard Car Wash, LLC - due in monthly installments of $1,859 including interest at 6.50%, due September 2024.	36,802	54,476
Tropical Stone, LLC - due in monthly installments of $879 including interest at 4.50%, due January 2025.	20,947	30,325
Berry Long Memorial Church - due in monthly installments of $402 including interest at 4.49%, due April 2026.	14,135	17,828
Wendy J. Kauffman - due in monthly installments of $386 including interest at 4.49%, due April 2025.	1,164	12,621
Refuge For The Perishing Holy Temple - due in monthly installments of $354 including interest at 4.49%, due Juy 2026.	13,277	16,479
SAISAKTHI LLC - due in monthly installments of $193 including interest at 4.49%, due July 2025.	5,179	7,133
Lenape Real Estate Partners, LLC - due in monthly installments of $865 including interest at 1.00%, due October 2031.	87,687	97,135
Ceramic Pro Auto Spa, LLC - due in monthly installments of $214 including interest at 4.49%, due November 2026.	94,983	10,659
Heimar Properties, LLC - due in monthly installments of $458 including interest at 1.00%, due December 2041.	94,983	30,350
Bennett Alexander Group - due in monthly installments of $1,103 including interest at 1.00%, due December 2026.	51,857	64,500

	2022	2021
XLR8 Properties, LLC - due in monthly installments of $436 including interest at 1.00%, due April 2042.	91,788	-
Leid's Orchard - due in monthly installments of $684 including interest at 1.00%, due March 2027.	34,127	-
Stump's Decks & Porches, LLC - due in monthly installments of $876 including interest at 1.00%, due February 2032.	92,044	-
Philip P. Fusco - due in monthly installments of $154 including interest at 4.49%, due February 2027.	6,665	-
NIP Wilbur, LLC - due in monthlty installments of $460 including interest at 1.00%, due October 2042.	99,247	-
1803 North Fifth Street, LLC - due in monthly installments of $5,528 inlcuding interest at 6.63%, due December 2029.	370,695	-
	3,028,261	3,413,804
Less: Allowance for loan losses	(110,958)	(120,175)
TOTAL LOANS	$ 2,917,303	$ 3,293,629

Activity in the allowance for loan losses for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Balance, January 1	$ 120,175	$ 268,446
Provision charged to program activities	-	-
Loans charged off	-	-
Recoveries	(9,217)	(148,271)
Balance, December 31	$ 110,958	$ 120,175

The Fund utilizes a risk grading matrix as a tool for managing credit risk in the loan portfolio and assigns a risk factor to all loans. The risk factor is assigned using the guidance provided in the Fund's loan policy. The risk factors to be assigned to each loan are based on a combination of the borrower's payment history, the borrower's financial condition, and the current life of the loan. The Fund assigns a higher risk factor to new loans issued because it has not yet established a loan history with the borrower; once a loan history has been established, then the risk factor is further adjusted for that loan. Additionally, as the Fund obtains a history of payments from the borrowers, a risk factor is assigned based on their current paying status. Borrowers maintaining a current payment status are assigned a lower risk factor; those that do not maintain a current payment status generally are assigned a higher risk factor. The Fund also reviews the financial condition of each borrower, assigning higher risk factors to those borrowers where it has concerns over the borrower's financial condition. There were no changes to the Fund's methodology for assigning risk factors to its loan portfolio.

NOTE 6 – Investment in National Energy Improvement Fund, LLC

During 2018, the Fund acquired a 10% interest in National Energy Improvement Fund, LLC, which originates loans for energy-efficient home improvements, provides servicing on loans, and provides access to financing for commercial energy improvements. During 2019, the Fund sold back 1% of its interest, and retained a 9.99% interest. The remaining interest in National Energy Improvement Fund, LLC is owned by other unaffiliated entities. The investee operates on a fiscal year ending December 31st.

The following summarizes activity in the Fund's investment for the year ended December 31:

	2022	2021
Balance, January 1	$ 41,713	$ 150,844
Investment acquired (disposed) during the year	-	-
Equity in investee's net income (loss) for the year ended December 31	5,819	(109,131)
Balance, December 31	$ 47,532	$ 41,713

NOTE 7 – Property, Plant and Equipment

Property, plant and equipment consisted of the following as of December 31:

	2022	2021
Land	$ 658,399	$ 625,223
Net Zero building	5,614,025	5,605,823
Furniture	13,971	13,971
Office equipment	418,224	326,933
NESA equipment	1,478,137	1,514,643
SES equipment	83,767	83,767
	8,266,523	8,170,360
Less: Accumulated depreciation	(1,449,969)	(1,137,161)
	$ 6,816,554	$ 7,033,199

Depreciation expense amounted to $338,050 and $329,451 for the years ended December 31, 2022 and 2021, respectively.

NOTE 8 – Long Term Debt

During 2019, the Fund entered into a $182,083 letter of credit agreement with a local financial institution. A certificate of deposit in the amount of $200,000 has been pledged as collateral for the letter of credit. The letter of credit bears interest at 3 percentage points over the prime interest rate (10.5% at December 31, 2022). Interest payments on the outstanding balance are due monthly, with payment of all outstanding principal due on demand. There was no outstanding balance on this letter of credit at December 31, 2022 or 2021.

During 2019, the Fund entered into a $2,000,000 line of credit agreement with a local financial institution. In February 2020, the Fund executed a commercial mortgage in the amount of $4 million to provide permanent financing for the Net Zero building as well as pay off the outstanding balance on the line of credit. The mortgage is secured by a lien on the Net Zero building with a book value of $5,865,161 at December 31, 2022, assignment of rents and leases on the Net Zero building, and an assignment of a portion of the Fund's investment portfolio with a reported fair market value in the amount of $3,053,224. The mortgage bears interest at a fixed rate of 3.56%. The Fund also entered into an interest rate swap agreement with regards to this mortgage. The swap agreement provides for a monthly settlement between the Fund and the financial institution based on the 30-day London Interbank Offered Rate (LIBOR) plus 210 basis points. Loan terms provide for monthly principal payments in amounts ranging from $8,324 to $13,795 plus accrued interest through February 2035 at which time any unpaid principal and accrued interest become due.

Principal maturities of long-term debt as of December 31, 2022 are as follows:

2023	$ 110,167
2024	114,435
2025	118,772
2026	123,181
2027	127,520
Thereafter	3,121,850
	$ 3,715,925

NOTE 9 – Retirement Plan

The Fund has a defined contribution retirement plan (the Plan) covering all full-time employees having attained 21 years of age with three months of service. The Plan is a "safe harbor" 401(k) Plan in which the Fund makes a non-elective contribution to the Plan each year equal to 3% of all participants' compensation. In addition, the Fund elected to make a discretionary contribution of up to 1.5% of qualifying salaries for the years ended December 31, 2022 and 2021. Total employer contributions amounted to $23,239 and $23,894 for the years ended December 31, 2022 and 2021, respectively, and are reported as part of employee benefits in the statement of functional expenses.

NOTE 10 – Concentration of Credit Risk

The Fund maintains cash balances at various financial institutions in Allentown, Pennsylvania. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000 in the aggregate. The Fund's cash balances on deposit, per bank records, in excess of insured limits totaled $1,430,001 and $863,555 at December 31, 2022 and 2021, respectively.

NOTE 11 – Income Taxes

As discussed in Note 1, these consolidated financial statements include the accounts of PP&L Sustainable Energy Fund, a non-profit corporation, and Green Connexions, Inc., a for-profit wholly owned subsidiary. Each of the entities files separate tax returns with the various governmental agencies.

PP&L Sustainable Energy Fund is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Code as other than a private foundation. The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the years ending December 31, 2019, 2020, and 2021 are still subject to examination by the IRS, generally for three years after they were filed.

Green Connexions, Inc. was incorporated as a C corporation and files Form 1120, U.S. Corporate Income Tax Return. As of December 31, 2022, there is a net operating loss carryforward available of $381,502. The years ending December 31, 2019, 2020, and 2021 are still subject to examination.

NOTE 12 – Contingencies

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of many entities that have obtained financing through the Fund. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and the ability of loan recipients to meet their repayment obligations in a timely manner. Therefore, the Fund expects this matter to negatively impact its operating results. The related financial impact and duration cannot be reasonably estimated at this time; however, the Fund has experienced a negative impact on its operating results because of its inability to lease its Net Zero building to third parties.

NOTE 13 – Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise the following at December 31:

	2022	2021
Cash and cash equivalents	$ 1,338,900	$ 1,083,245
Investments	8,975,758	9,668,899
	$ 10,314,658	$ 10,752,144

In addition to financial assets available to meet general expenditures over the year, the Fund operates within a financial budget that anticipates covering its general expenditures by generating revenues through its program loans, Energy Savings Agreements, and education programs.

NOTE 14 – Subsequent Events

The Fund has evaluated subsequent events through July 31, 2023, the date on which the financial statements were available to be issued.