



**electricore**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

# ELECTRICORE, INC.

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## Independent Auditors' Report

To the Board of Directors of  
Electricore, Inc.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Electricore, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Electricore, Inc. as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Electricore, Inc. 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 opinions.

#### Prior Period Financial Statements

The financial statements of Electricore, Inc. for the year ended December 31, 2022 were audited by other auditors, whose report dated September 6, 2023 expressed an unmodified opinion on those statements.

#### Change in Accounting Principles

As discussed in Note 1 to the financial statements, during the year ended December 31, 2022, the Corporation adopted new accounting guidance, Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). Additionally, as discussed in Note 1, during the year ended December 31, 2023, the Corporation adopted new accounting guidance, FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. Our opinion is not modified with respect to this matter.

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Electricore, Inc.**

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**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Electricore, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

**Auditor's Responsibility for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

**Board of Directors of  
Electricore, Inc.  
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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.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of costs allowable under federal programs and other costs, and the accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 schedule of costs allowable under federal programs and other costs, and the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the financial statements as a whole. The 2022 schedule of costs allowable under federal programs and other costs on page 15 was subjected to the auditing procedures applied in the 2022 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2022 financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2024 on our consideration of Electricore, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Electricore, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Electricore, Inc.'s internal control over financial reporting and compliance.

*Glenn Burdette Attest Corporation*

Glenn Burdette Attest Corporation  
San Luis Obispo, California

May 31, 2024

**ELECTRICORE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2023 and 2022**

**ASSETS**

	<b>2023</b>	<b>2022</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 654,593	\$ 629,758
Accounts receivable, net	504,635	437,461
Prepaid expenses	28,381	31,957
Contract assets	1,853,647	7,136,984
Total Current Assets	<u>3,041,256</u>	<u>8,236,160</u>
 <b>OPERATING LEASE RIGHT-OF-USE ASSETS</b>	 1,770	 23,030
 <b>TOTAL ASSETS</b>	 <u>\$3,043,026</u>	 <u>\$ 8,259,190</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$2,108,237	\$ 7,044,275
Contract liabilities	546,854	735,935
Current portion of operating lease liabilities	1,770	21,260
Total Current Liabilities	<u>2,656,861</u>	<u>7,801,470</u>
 <b>OPERATING LEASE LIABILITIES</b>	 -	 1,770
 <b>NET ASSETS</b>		
Without donor restrictions	386,165	455,950
Total Net Assets	<u>386,165</u>	<u>455,950</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u>\$3,043,026</u>	 <u>\$ 8,259,190</u>

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

**ELECTRICORE, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>REVENUE AND SUPPORT</b>		
Grant Income:		
U.S. Department of Energy	\$ 4,820,815	\$ 16,049,178
Other programs	641,898	252,937
Total Grant Income	<u>5,462,713</u>	<u>16,302,115</u>
Other revenue	10,090	2,765
In-kind contributions	<u>-</u>	<u>15,967</u>
Total Revenue and Support	<u>5,472,803</u>	<u>16,320,847</u>
<b>OPERATING EXPENSES</b>		
U.S. Department of Energy	5,088,294	16,073,675
Other programs	336,411	
Administrative and other expenses	<u>117,883</u>	<u>148,448</u>
Total Operating Expenses	<u>5,542,588</u>	<u>16,222,123</u>
<b>INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	(69,785)	98,724
<b>NET ASSETS</b>		
Beginning of Year	<u>455,950</u>	<u>357,226</u>
End of Year	<u>\$ 386,165</u>	<u>\$ 455,950</u>

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

**ELECTRICORE, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>OPERATING ACTIVITIES</b>		
Increase (Decrease) in net assets	\$ (69,785)	\$ 98,724
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
(Increase) Decrease in certain current assets:		
Accounts receivable	(67,174)	2,526,694
Prepaid expenses	3,576	3,585
Contract assets	5,283,337	(4,419,242)
Increase (Decrease) in certain current liabilities:		
Accounts payable	(4,936,038)	1,650,633
Contract liabilities	(189,081)	86,134
Net Cash Provided (Used) by Operating Activities	<u>24,835</u>	<u>(53,472)</u>
 <b>NET INCREASE (DECREASE) IN CASH</b>	 24,835	 (53,472)
 <b>CASH</b>		
Beginning of Year	<u>629,758</u>	<u>683,230</u>
End of Year	<u>\$ 654,593</u>	<u>\$ 629,758</u>

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

# ELECTRICORE, INC.

## NOTES TO FINANCIAL STATEMENTS December 31, 2023 and 2022

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Based in California, Electricore, Inc. (the Corporation) is an Indiana not-for-profit corporation whose mission is to act as a consortium for advanced technology development, demonstration, and education through effective collaboration among private industry, educational institutions and Government, focusing on enhancing the competitiveness of American industry in local, national, and global environments. The Corporation provides centralized, comprehensive business management and administration for consortium participants under the direction of its Board of Directors. The Corporation's organizational structure enables it to operate several segments simultaneously, to establish business and advisory boards representing certain industrial or economic sectors, to share the cost of management and administration among the participants, and to provide performance-based compensation plans for executive directors.

**Basis of Presentation:** The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Corporation to report information regarding its financial position and activities depending on the absence or presence of donor-imposed restrictions. As of December 31, 2023 and 2022, none of the Corporation's net assets were subject to donor imposed restrictions and could be used at the discretion of management and the Board of Directors, and therefore were all classified as net assets without donor restrictions.

**Change in Accounting Principles:** Effective January 1, 2023, the Corporation adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modified the measurement of expected credit losses on certain financial instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Corporation that are subject to the guidance in Topic 326 are accounts receivable and contract assets. The adoption of Topic 326 did not have an impact on the Corporation's financial statements but did change how the allowance for credit losses is determined.

Effective January 1, 2022, the Corporation adopted new lease accounting guidance in Accounting Standards Codification (ASC) Topic 842, *Leases*. The Corporation elected the package of practical expedients to not reassess lease definition, classification, or direct costs relate to existing or expired leases. The Corporation adopted the new lease accounting guidance retrospectively, with the cumulative effect of initial application recognized at the beginning of the period of adoption. No cumulative effect adjustment to net assets was required.

**Estimates:** The Corporation uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

**Cash:** The Corporation maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. There have been no losses from these bank accounts.

**Accounts Receivable** are for amounts expended or otherwise earned under various grant agreements that have not been received from the granting or contracting agency or participants. No payment terms are specified to granting or contracting agencies. Accounts receivable are paid by granting or contracting agencies upon review of supporting documentation and their satisfaction the Corporation has met appropriate milestones.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At each reporting date, the Corporation recognizes an expected allowance for credit losses. In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist. The allowance estimate is derived from a review of the Corporation's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and other factors deemed relevant by the Corporation. The Corporation believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Corporation's portfolio segments have remained constant since the Corporation's inception.

The Corporation writes off receivables when there is information that indicates the customer is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Corporation's accounting policy election.

At December 31, 2023, 2022, and 2021, net accounts receivable were \$504,635, \$437,461, and \$2,964,155, respectively. At December 31, 2023, 2022 and 2021 the allowance for credit losses (previously allowance for doubtful accounts) was \$0.

**Contract Assets and Liabilities:** Contract assets represent the amount of revenue recognized but not yet billed pursuant to contract terms or accounts billed after the statement of financial position date. Contract liabilities represents participant fees collected in advance and billings on contracts in process in excess of costs and earned income. At December 31, 2023, 2022 and 2021, contract assets were \$1,853,647, \$7,126,333, and \$2,717,742 respectively. At December 31, 2023, 2022, and 2021, contract liabilities were \$546,854, \$735,935, and \$649,801, respectively. At December 31, 2023, 2022 and 2021 the allowance for credit losses (previously allowance for doubtful accounts) was \$0.

**Grant Income:** The Corporation enters into cooperative research and development agreements directly with various federal agencies or through prime contractors, which it classifies as contracts recognized in accordance with ASC 606, *Revenue from Contracts with Customers*. A contract is determined to exist when there is approval and commitment from both parties, rights and payment terms are identified, there is commercial substance and collectability is reasonably certain. Generally, the contracts contain multiple budget phases with specific deliverables related to each budget phase. The Corporation generally considers each budget phase a separate performance obligation within the contract. The transaction price of each budget phase is individually identifiable in the Corporation's contracts. Contracts do not contain financing components and no warranties are provided on the Corporation's deliverables. Revenue from contracts is recognized over time based on a cost-based input methodology. The Corporation measures progress based on a cost input method to calculate the percentage-of-completion of each performance obligation, based on total costs incurred to date to total estimated contract costs. Because of the inherent uncertainties in estimating costs, it is at least reasonably possible that the estimates used will change within the near term.

Contract costs include all participant milestone payments, program materials, and subcontract costs, and those indirect costs related to contract performance, such as salaries and benefits, insurance, rents, travel, and other costs. Provision for estimated losses on uncompleted contracts is made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and revenue, and are recognized in the period in which revisions are determined. Under federal and state agreements, upon completion or termination of a project, grantor representatives may elect to conduct financial audits of the Corporation or any participant to account for expenditure of funds and contribution of participant funding. Any adjustments resulting from such audits would be accrued in the period the Corporation is notified of the adjustment. No such adjustments occurred in 2023 and 2022.

The Corporation's timing of revenue recognition may not be consistent with its rights to bill and collect cash from customers. Those rights are generally dependent upon advance billing terms, milestone billings based on the completion of certain phases of work or when services are performed.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Leases:** The Corporation determines if an arrangement is a lease at inception. The Corporation recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding obligation to make lease payments. Right-of-use assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The present value is calculated using the rate implicit in the lease. If the rate is not readily determinable from the lease, the Corporation uses a risk-free rate of a period comparable with that of the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. The Corporation does not recognize an asset and liability for leases with a term of 12 months or less. The Corporation does not separate lease and non-lease components for leased vehicles.

**Functional Allocation of Expenses:** The costs of providing various programs and other activities have been summarized on a functional basis in Note 8. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among program and support services based on time spent by the Corporation staff (including, salary and benefits, rent, and office and administrative expense). Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Corporation.

**Contributed Nonfinancial Assets:** Contributions of services are recorded at estimated fair value when received if they create or enhance a nonfinancial asset or if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated.

**Income Taxes:** The Corporation is exempt from taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, the Corporation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Internal Revenue Code. There was no unrelated business income tax for 2023 and 2022.

The Corporation files U.S. federal and state of California information returns. The Corporation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2020. Management believes that the Corporation's income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in a material change.

**Subsequent Events:** The Corporation has evaluated the financial statements for subsequent events occurring through May 31, 2024, the date the financial statements were available to be issued.

## NOTE 2 - PROGRAM SERVICES

The Corporation creates public/private partnerships, referred to as consortium, which include a number of participants. Each segment is funded by a variety of mechanisms which include, but are not limited to, participant fees, contracts, grants and educational and training seminar revenue. For each program, the Corporation establishes a program management office which is responsible for project management, financial management, public relations, confidentiality, recruitment of new participants, and new business development. The Corporation provides corporate administrative and financial services for all related programs and is the designated legal entity through which all business is transacted.

The current programs and primary funding sources for the Corporation are as follows:

U.S. Department of Energy – Innovative Advanced Hydrogen Mobile Fueler: This project will design, develop, deploy, and analyze the economic viability of a mobile fueling system for hydrogen. The project team proposed use of the Advanced Hydrogen Mobile Fueler (AHMF) to support a network of stations in the United States. The AHMF will operate without remote power connections, be modular for easy transport and deployment, and have the ability to provide expanded daily capacity and multi-day operations through the use of delivered gaseous hydrogen.

## **NOTE 2 - PROGRAM SERVICES (CONTINUED)**

U.S. Department of Energy and Lawrence Berkeley National Laboratory – Amine-Appended Metal-Organic Frameworks as Switch-Like Adsorbents for Energy-Efficient Carbon Capture: This project will optimize new CO<sub>2</sub> capture material's performance in the context of real process streams and conditions, such as rapid cycle temperature swing adsorption in a functional carbon capture system using optimized adsorption/desorption cycles. Adsorbents will be created, maintained, and ranked according to selectivity, working capacity, and stability towards adsorption/desorption cycling under synthetic flue gas conditions relevant to emissions from power plants burning either coal or possibly natural gas. Materials for which the expected CO<sub>2</sub> capture properties are confirmed will then be tested using a unique, custom-built gas adsorption analyzer.

U.S. Department of Energy – LH CO<sub>2</sub>ment Colorado Project: The objective of this project is to accelerate the implementation of a 1 million tonnes per year (TPY), and first-of-a-kind at world scale, carbon capture plant by completing the pre-front-end engineering design of a fit-for-purpose design at an existing cement plant. The study will also include optimization engineering for the potential expansion to 2 million TPY that may provide a step-function advancement toward achieving the U.S. Department of Energy's goal of \$30/tonne for CO<sub>2</sub> capture, transport and storage.

U.S. Department of Energy and Chevron U.S.A., Inc. – Chevron Natural Gas Carbon Capture Technology Testing Project: The objective of this engineering scale development project is to test a transformational solid sorbent carbon capture technology under an indicative natural gas flue gas conditions and continuous long-term operation. The primary goal of this project will be to gather data necessary for further process scale-up efforts in order to contribute to and validate key aspects of the technology roadmap established by the U.S. Department of Energy to approach performance goals of CO<sub>2</sub> capture with 95% CO<sub>2</sub> purity at a cost of \$30/tonne of CO<sub>2</sub> captured by 2030.

U.S. Department of Energy – Direct Air Capture Using Novel Structured Adsorbents: The objective of this project is to advance direct air capture (DAC) technology through a novel combination of a vacuum-temperature swing CO<sub>2</sub> adsorption process and structured adsorbent beds. The recipient will conduct applied research and development to optimize the process design by reducing pressure drop and improving heat recovery. The project will validate current state of the art DAC systems and sorbent materials and provide the U.S. Department of Energy and industry a benchmark for capability and cost effectiveness.

U.S. Department of Energy – Advanced Structured Adsorbent Architectures for Transformative Carbon Dioxide Capture Performance: This project aims to develop an advanced generation of structured adsorbent technology that represents a transformational approach and produces step-change reductions in CO<sub>2</sub> capture cost and energy penalties. The work completed under this project will lead to major advancement over the current Mark I version of the VeloxoTherm™ Technology, which is currently being commercialized as a 2nd generation post-combustion CO<sub>2</sub> capture technology by Svante, Inc.

U.S. Department of Energy – High Pressure, High Flow Rate Dispenser and Nozzle Assembly for Heavy Duty Vehicles: The objective of the project is to address the need for and enable wide-scale hydrogen production, delivery, storage, and use across the heavy-duty (HD) vehicle sector by developing a dispenser and nozzle assembly (nozzle, receptacle, hose, and breakaway) capable of fueling these vehicles. The nozzle will be designed to meet key industry requirements and can be adopted by key codes and standards.

U.S. Department of Energy and American Axle & Manufacturing Holdings, Inc. – Low Cost, High-Performance, HRE-Free 3-In-1 Electric Drive Unit: The objective of this project is to research, develop, and test a Heavy Rare Earth (HRE)-free 3-in-1 electric drive unit (EDU) that has class leading power density and cost. This EDU technology was conceived to dramatically reduce the system cost of automotive traction drives by eliminating the use of HRE magnet materials, reducing motor material mass by one-third and radically integrating power electronics into the drive compared to state-of-the-art designs. The key technologies to be developed will meet or exceed the U.S. Department of Energy targets for cost, power density and operating voltage.

U.S. Department of Energy and Calpine Texas CCUS Holdings, LLC: This project will conduct a Front-End Engineering Design (FEED) Study on a scalable, commercial-scale, 5 million tonnes per annum net CO<sub>2</sub>,

## **NOTE 2 - PROGRAM SERVICES (CONTINUED)**

Generation 2 Carbon Capture System (CCS) capturing 95% of total CO<sub>2</sub> emissions from a natural gas combined cycle (NGCC) power plant flue gas at Calpine's Deer Park Carbon Capture Facility (DPCCF) in Deer Park, Texas, decreasing the cost and improving the efficiency of CCS treating flue gas from a NGCC.

U.S. Department of Energy and Geysers Power Company, LLC - Evaluation of Physics-Based Drilling and Alternative Bit Design at The Geysers: The long-term goal of the project is to safely implement oil and gas industry drilling best-practices, particularly with respect to limiter-redesign. To achieve the long-term goals, the proposed project will work towards meeting the following objectives: 1) Identify and understand process limiters from historical drilling data, 2) Establish workflow for implementing limiter redesign for upcoming drilling campaigns, 3) Adopt modern bit technology and utilize in upcoming drilling campaign, 4) Implement advanced control strategies to reach limits based on electronic drilling records (EDR) data analytics, and 5) Promote diversity, equity, inclusion (DEI), and growth in the broader Geothermal industry.

U.S. Department of Energy - Net-Zero Lime Kiln and Carbon Removal Facility: The objective of this project is to perform the initial design and business case analysis of a commercial-scale, advanced carbon capture system that separates CO<sub>2</sub> with at least 95% capture efficiency from process streams at the Carmeuse Kentucky (KY) lime plant that will be retrofitted to utilize sustainably sourced biomass fired with oxygen, alone or in combination with natural gas, and/or coal, with at least 20-year available feedstock supply and remaining asset life.

U.S. Department of Energy - Combined Carbon Capture Solution on Air Liquide South Texas Steam Methane Reformer: The overall objective of the project is to perform a front-end-engineering and design (FEED) study for a commercial scale advanced carbon capture system that would separate in excess of 95% of the total CO<sub>2</sub> emissions with 95% purity from an existing Steam Methane Reformer facility in South Texas (host site). This plant has estimated annual CO<sub>2</sub> emissions of around 490,000 metric tonnes at nameplate capacity.

Navajo Nation – Low Floor Electric Mass Transit Bus: The Corporation and EDAG, Inc. will design, engineer, build and deliver a fully electric 35-40 passenger low floor or low entry transit bus for use in the existing Navajo Mass Transit System. The transit bus shall be purpose built for a specific Navajo Transit System (NTS) route. The Corporation team will establish the specified route, route mileage, number of trips per day, and topography for the application of the transit bus during the project. The bus is intended to only be utilized on the specified NTS route. The design shall incorporate an electric motor and drive system. The given design space in the existing chassis structure shall be used to package the electric powertrain, sodium chemistry batteries and chassis components for an optimal mass distribution.

## **NOTE 3 - AVAILABLE RESOURCES AND LIQUIDITY**

The Corporation had \$2,617,374 and \$7,812,809 of financial assets available within one year of December 31, 2023 and 2022, respectively, to meet cash needs for general expenditure. These assets consisted of cash of \$259,092, accounts receivable of \$504,635 and contract assets of \$1,853,647 as of December 31, 2023, and cash of \$238,364, accounts receivable of \$437,461 and contract assets of \$7,136,984 as of December 31, 2022. As of December 31, 2023 and 2022, assets available for general expenditures includes amounts which are due to program participants.

The Corporation had \$395,501 and \$391,394 of cash as of December 31, 2023 and 2022, respectively, set aside related to the program with the Navajo Nation. The Corporation does not consider these funds available for general expenditure.

The Corporation structures its financial assets to be available to meet general expenditures, liabilities, and other obligations as and when they come due and utilizes an established budget for each program. The Corporation bills and collects funds from the program sponsors prior to paying program participants.

#### **NOTE 4 - CONTRIBUTED NONFINANCIAL ASSETS**

For the years ended December 31, 2022, contributed nonfinancial assets recognized in the statements of activities consisted of services. Recognized contributed services comprise time and effort of executives for management of the Corporation. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services. There were no such contributed nonfinancial assets and services recorded for the year ended December 31, 2023.

#### **NOTE 5 - LEASES**

The Corporation leases vehicles under noncancelable operating lease agreements that expire in February 2024. The Corporation has short-term leases for office space and storage including a lease with a related party. See Note 9. Total lease costs were \$42,471 in 2023 and \$42,086 in 2022, which consisted of operating lease costs of \$29,767 and \$31,986, in 2023 and 2022 respectively and short-term lease costs of \$12,704 and \$10,100, in 2023 and 2022 respectively.

The following summarizes the weighted-average remaining lease term and weighted-average discount rate at December 31, 2023:

Weighted-average remaining lease term:  
Operating leases 3 months

Weighted-average discount rate:  
Operating leases 5.25%

The future undiscounted lease payments under noncancelable operating leases with terms greater than one year were \$1,782 which includes interest of \$12 payable in 2024.

#### **NOTE 6 - RETIREMENT PLAN**

The Corporation sponsors a defined contribution retirement plan which covers all of its full-time, eligible employees. The Corporation's contributions to the Plan were \$31,730 in 2023 and \$30,631 in 2022.

#### **NOTE 7 - CONCENTRATIONS**

The Corporation received 88% and 98% of its total revenues and support from one federal agency in 2023 and 2022, respectively.

The Corporation had accounts receivable from two agencies that made up 72% of total accounts receivable at December 31, 2023. The Corporation had accounts receivable from two agencies that made up 86% of total accounts receivable at December 31, 2022.

The Corporation had contracts assets on two projects that made up 89% of total contract assets at December 31, 2023. The Corporation had contracts assets on one project that made up 91% of total contract assets at December 31, 2022.

The Corporation had payments to three companies that made up 84% of total payments in 2023. The Corporation had payments to two companies that made up 83% of total payments in 2022.

## NOTE 8 - FUNCTIONAL ALLOCATION OF EXPENSES

The Corporation's expenses by nature and function for 2023 and 2022 were as follows:

	<b>Federal Programs</b>	<b>Other Programs</b>	<b>Management and General</b>	<b>Total</b>
<b>2023</b>				
Participant milestone payments and subcontracts	\$ 3,965,525	\$ 80,000	\$ -	\$ 4,045,525
Salary and benefits	458,839	119,060	600,346	1,178,245
Professional fees	37,377	7,280	120,748	165,405
Travel	8,082	896	34,506	43,484
Rent	4,947	1,284	6,473	12,704
Office and administrative expense	4,795	1,244	6,408	12,447
Insurance	-	-	45,147	45,147
Program materials	3,462	767	-	4,229
Charitable contributions	-	-	1,500	1,500
Miscellaneous	903	264	32,735	33,902
<b>TOTAL EXPENSES</b>	<b>\$ 4,483,930</b>	<b>\$ 210,795</b>	<b>\$ 847,863</b>	<b>\$ 5,542,588</b>
<b>2022</b>				
Participant milestone payments and subcontracts	\$ 14,987,256	\$ -	\$ -	\$ 14,987,256
Salary and benefits and in-kind salaries	403,098	-	503,441	906,539
Professional fees	9,754	-	118,407	128,161
Travel	16,619	-	63,743	80,362
Rent	4,571	-	5,529	10,100
Office and administrative expense	5,898	-	7,133	13,031
Insurance	-	-	45,604	45,604
Program materials	2,903	-	-	2,903
Charitable contributions	-	-	7,500	7,500
Miscellaneous	1,095	-	39,572	40,667
<b>TOTAL EXPENSES</b>	<b>\$ 15,431,194</b>	<b>\$ -</b>	<b>\$ 790,929</b>	<b>\$ 16,222,123</b>

## NOTE 9 - RELATED PARTY TRANSACTIONS

The Corporation had accounts payable to related parties of approximately \$55,379 and \$377,621 at December 31, 2023 and 2022, respectively. A majority of the accounts payable to related parties at December 31, 2023 and December 31, 2022, related to program expenses under federal contracts.

The Corporation recognized revenue and support from a related party of \$115,811 in 2023 and \$18,500 in 2022, including participant fees of \$34,915 in 2023 and \$18,500 in 2022. The Corporation paid \$2,400 of office space rent to a related party in 2023 and 2022. The Corporation had contract costs with a related party of approximately \$681,900 in 2023 and \$3,454,000 in 2022.

## **SUPPLEMENTARY INFORMATION**

**ELECTRICORE, INC.**

**SCHEDULES OF COSTS ALLOWABLE UNDER FEDERAL PROGRAMS AND OTHER COSTS**  
**Years Ended December 31, 2023 and 2022**

	<u>Costs Allowable Under Federal Programs</u>			<u>Other Costs</u>		<u>Total</u>
	<u>United States Department of Defense</u>	<u>United States Department of Energy</u>	<u>National Aeronautics and Space Administration</u>	<u>Other Programs</u>	<u>Administrative and Other</u>	
<b>Year Ended December 31, 2023</b>						
Participant milestone payments and subcontracts		\$ 3,965,525		\$ 80,000	\$ -	\$ 4,045,525
Salary and benefits		958,819		219,426	-	1,178,245
Professional fees		87,053		19,321	59,031	165,405
Travel		16,083		2,598	24,803	43,484
Supplies		1,032		259	-	1,291
Rent		10,213		2,491	-	12,704
Telephone		8,896		2,125	-	11,021
Postage and shipping		102		12	21	135
Insurance		36,011		9,136	-	45,147
Program materials		3,462		767	-	4,229
Charitable contributions		-		-	1,500	1,500
Miscellaneous		1,098		276	32,528	33,902
<b>TOTAL EXPENSES</b>	<b>\$ -</b>	<b>\$ 5,088,294</b>	<b>\$ -</b>	<b>\$ 336,411</b>	<b>\$ 117,883</b>	<b>\$ 5,542,588</b>
<b>Year Ended December 31, 2022</b>						
Participant milestone payments and subcontracts		\$ 14,987,256				\$ 14,987,256
Salary and benefits		890,572				890,572
Professional fees		96,819			31,342	128,161
Travel		26,346			54,016	80,362
Supplies		3,434			51	3,485
Rent		10,100				10,100
Telephone		9,344				9,344
Postage and shipping		202				202
Insurance		45,604				45,604
Program materials		2,903				2,903
In-kind salaries					15,967	15,967
Charitable contributions					7,500	7,500
Miscellaneous		1,095			39,572	40,667
<b>TOTAL EXPENSES</b>	<b>\$ -</b>	<b>\$ 16,073,675</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 148,448</b>	<b>\$ 16,222,123</b>

## **OTHER REPORTS AND SCHEDULES**



**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of  
Electricore, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Electricore, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Electricore, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Electricore, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Electricore, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Electricore, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Glenn Burdette Attest Corporation  
San Luis Obispo, California

May 31, 2024

**ELECTRICORE, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended December 31, 2023**

	<b>Federal Assistance Listing Number</b>	<b>Federal Award Identifying Number</b>	<b>Federal Expenditures</b>	<b>Amount Provided to Subrecipients</b>
<b>U.S. DEPARTMENT OF ENERGY</b>				
Agreement with the Department of Energy (Innovative Advanced Hydrogen Mobile Fueler)	81.087	DE-EE0007275	\$ 1,747	\$ 1,747
Agreement with the Department of Energy (Advanced Structured Adsorbent Architectures for Transformative Carbon Dioxide Capture Performance)	81.089	DE-FE0031732	78,631	57,422
Agreement with the Department of Energy (LH CO <sub>2</sub> ment Colorado Project)	81.089	DE-FE0031942	2,452	2,452
Agreement between the Department of Energy and Chevron U.S.A. Inc. (Chevron Natural Gas Carbon Capture Technology Testing Project) Subcontract 2020.000871	81.089	DE-FE0031944	947,722	
Agreement with the Department of Energy (Direct Air Capture Using Novel Structured Adsorbents)	81.089	DE-FE0031959	192,951	192,951
Agreement with the Department of Energy (High Pressure, High Flow Rate Dispenser and Nozzle Assembly for Heavy Duty Vehicles)	81.086	DE-EE0008817	400,903	321,913
Agreement between the Department of Energy and American Axle & Manufacturing Holdings, Inc. (Low Cost, High-Performance, HRE-Free 3-In-1 Electric Drive Unit) Subcontract P.O. #1124766	81.086	DE-EE0009191	112,672	
Agreement between the Department of Energy and Calpine Texas CCUS Holdings, LLC (Deer Park Energy Center Natural Gas Combined Cycle Carbon Capture System Front-End Engineering Design Study) P.O. #DK002-2000000004	81.089	DE-FE0032137	76,065	
Agreement with the Department of Energy (Combined Carbon Capture Solution on Air Liquide Northern California Steam Methane Reformer)	81.089	DE-FE0032181	39,521	
Agreement with the Department of Energy (Net-Zero Lime Kiln & Carbon Removal Facility)	81.089	DE-FE0032248	393,088	289,230
Agreement between Department of Energy and Geysers Power Co LLC Evaluation of Physics-based Drilling and Alternative Bit Design at the Geysers Subcontract P.O. #20230000002902-2	81.087	DE-EE0010445	33,316	
			<u>2,279,068</u>	<u>865,715</u>
Total for U.S. Department of Energy				
<b>TOTAL FEDERAL AWARDS - RESEARCH AND DEVELOPMENT PROGRAMS CLUSTER</b>			<u>\$ 2,279,068</u>	<u>\$ 865,715</u>

*See accompanying notes to schedule of expenditures of federal awards.*

## ELECTRICORE, INC.

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2023

#### NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Electricore, Inc. under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Electricore, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Electricore, Inc.

**Expenditures** reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Amount Provided to Subrecipients** represents the actual expenditures incurred by subrecipients and reimbursable by Electricore, Inc.

#### NOTE 2 - INDIRECT COST RATE

Electricore, Inc. has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors of  
Electricore, Inc.

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Electricore, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Electricore, Inc.'s major federal programs for the year ended December 31, 2023. Electricore, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

In our opinion, Electricore, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Electricore, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Electricore, Inc.'s compliance with the compliance requirements referred to above.

## **Board of Directors**

### **Electricore, Inc.**

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#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Electricore, Inc.'s federal programs.

#### **Auditor's Responsibility for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Electricore, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Electricore, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Electricore, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Electricore, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Electricore, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Board of Directors**

**Electricore, Inc.**

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**Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Glenn Burdette Attest Corporation  
San Luis Obispo, California

May 31, 2024

**ELECTRICORE, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2023**

**SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                     yes     no
- Significant deficiency(ies) identified?             yes     none reported

Noncompliance material to financial statements noted?                     yes     no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?                     yes     no
- Significant deficiency(ies) identified?             yes     none reported

Type of auditor's report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?                     yes     no

Identification of major programs: Research and Development Programs Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?                     yes     no

**FINANCIAL STATEMENT FINDINGS**

None

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

## ELECTRICORE, INC.

### STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS – DECEMBER 31, 2022 Year Ended December 31, 2023

#### Section IV: Status of Prior Year Findings and Questions Costs

##### Finding 2022-001 Material Weakness – Financial Reporting

**Condition:** The Corporation's expenses consists of federal and cost-share expenditures. The Corporation tracks federal and cost-share expenditures by research and development contract when a cost-share requirement exists. Subsequent to the original issuance date of the auditor's report for the year ended December 31, 2022, management determined that the federal expenditures for the year were overstated, and the cost-share expenditures were understated, as a result of the year-end accrual process for one contract.

**Recommendation:** The Corporation should review the year-end accrual process and determine appropriate procedures and review processes necessary to prevent and detect misstatements. The corporations should give specific attention to the allocation of federal and cost-share expenditures.

**Current Status:** Resolved.