GTI Energy and Subsidiaries

Consolidated Financial Report
with Additional Information
December 31, 2022

Contents

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Independent Auditor's Report

To the Board of Directors
GTI Energy and Subsidiaries

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of GTI Energy and Subsidiaries (the "Company"), which comprise the consolidated statement of financial position as of December 31, 2022 and 2021 and the related consolidated statements of activities, changes in net assets, 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 financial position of the Company as of December 31, 2022 and 2021 and the changes in its net assets, functional expenses, and 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) 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 Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Company and to meet our 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.

Emphasis of Matter

As described in Note 3 to the consolidated financial statements, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*, as of January 1, 2021. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated 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 the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

To the Board of Directors
GTI Energy and Subsidiaries

Auditor's Responsibilities for the Audits of the Consolidated 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 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 audits conducted in accordance with GAAS 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 the consolidated financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 audits in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company'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 the Company'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2023 on our consideration of GTI Energy and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 GTI Energy and Subsidiaries' 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 GTI Energy and Subsidiaries' internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 20, 2023

GTI Energy and Subsidiaries

Consolidated Statement of Financial Position

December 31, 2022 and 2021
(000s omitted)

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 11,204	$ 5,034
Short-term investments	87	19
Accounts receivable - Trade:		
Billed - Net	13,742	13,562
Contract asset	21,953	25,372
Other receivables	8,901	5,805
Prepaid expenses and other current assets	7,364	2,987
Total current assets	63,251	52,779
Long-term Investments	59,124	70,106
Other Assets		
Deferred tax assets	2,924	2,541
Postretirement benefit asset	9,787	11,409
Other noncurrent assets	1,487	1,531
Contract assets	-	975
Property and Equipment - Net	11,802	10,929
Right-of-use Operating Lease Assets - Net	3,606	3,169
Intangible Assets - Net	10,806	11,862
Total assets	**$ 162,787**	**$ 165,301**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	$ 19,623	$ 20,885
Contract liabilities	34,485	18,627
Accrued compensation	12,010	11,828
Line of credit	13,000	-
Paycheck Protection Program loan	-	8,549
Current portion of lease liabilities - Operating	604	706
Contract loss accrual	265	162
Total current liabilities	79,987	60,757
Lease Liabilities - Operating - Net of current portion	2,964	2,285
Other Long-term Liabilities	3,828	3,191
Total liabilities	86,779	66,233
Net Assets	76,008	99,068
Total liabilities and net assets	**$ 162,787**	**$ 165,301**

See notes to consolidated financial statements.

Consolidated Statement of Activities

Years Ended December 31, 2022 and 2021
(000s omitted)

	2022	2021
Changes in Net Assets without Donor Restrictions		
Operating revenue:		
Project	$ 156,882	$ 130,549
Royalty	4,691	4,871
Other	841	945
Total operating revenue	162,414	136,365
Operating expenses:		
Project costs	110,279	88,801
Business units	24,421	22,901
Corporate development	19,544	11,532
Corporate support	26,928	19,836
Total operating expenses	181,172	143,070
Decrease in Net Assets from Operating Activities	(18,758)	(6,705)
Nonoperating Income (Expenses)		
Forgiveness of Paycheck Protection Program loan	8,174	-
Income tax recovery (expense)	419	(533)
Investment (loss) income	(9,936)	8,396
Interest expense	(260)	(88)
Postretirement benefit changes other than net periodic benefit cost	(3,719)	106
Other income	1,020	367
Total nonoperating (expense) income	(4,302)	8,248
(Decrease) Increase in Net Assets	**$ (23,060)**	**$ 1,543**

Consolidated Statement of Changes in Net Assets

Years Ended December 31, 2022 and 2021
(000s omitted)

Net Assets - January 1, 2021	$	97,307
Cumulative effect of change in accounting principle		218
Increase in net assets		1,543
Net Assets - December 31, 2021		99,068
Decrease in net assets		(23,060)
Net Assets - December 31, 2022	**$**	**76,008**

Consolidated Statement of Functional Expenses

Year Ended December 31, 2022

	Program Services			Support Services			
	Project Costs	Business Units	Total Program Services	Corporate Development	Corporate Support	Total Support Services	Total
Employee compensation	$ 20,788,975	$ 12,119,423	$ 32,908,398	$ 10,309,132	$ 12,056,521	$ 22,365,653	$ 55,274,051
Employee benefits	6,584,178	4,019,910	10,604,088	3,226,362	3,317,076	6,543,438	17,147,526
Subcontractors	48,969,466	831,264	49,800,730	2,204,480	1,642,893	3,847,373	53,648,103
Equipment	23,994,623	32,331	24,026,954	18,430	301,192	319,622	24,346,576
Material and services	4,587,838	1,046,755	5,634,593	726,913	2,186,802	2,913,715	8,548,308
Travel	1,269,299	527,763	1,797,062	514,036	229,990	744,026	2,541,088
Utilities	714,897	276,997	991,894	192,520	237,193	429,713	1,421,607
Professional services	265,090	586,132	851,222	830,963	1,466,417	2,297,380	3,148,602
Depreciation	1,463,323	334,767	1,798,090	321,223	474,698	795,921	2,594,011
Amortization	801,039	227,386	1,028,425	218,186	1,474,256	1,692,442	2,720,867
Occupancy	395,090	860,889	1,255,979	218,110	481,915	700,025	1,956,004
Software licenses	900	987,801	988,701	93,348	722,782	816,130	1,804,831
Telecommunication	1,405	248,077	249,482	56,779	584,308	641,087	890,569
Supplies	49,360	308,770	358,130	97,250	93,287	190,537	548,667
Insurance	391,774	113,485	505,259	106,711	622,727	729,438	1,234,697
Dues and licensing fees	-	384,365	384,365	65,059	67,400	132,459	516,824
Amortization - Leases	-	672,908	672,908	-	81,710	81,710	754,618
Other	1,743	841,977	843,720	344,498	886,833	1,231,331	2,075,051
Total operating expenses	110,279,000	24,421,000	134,700,000	19,544,000	26,928,000	46,472,000	181,172,000
Income tax recovery	-	-	-	-	(419,000)	(419,000)	(419,000)
Interest expense	-	-	-	-	260,000	260,000	260,000
Total functional expenses	**$ 110,279,000**	**$ 24,421,000**	**$ 134,700,000**	**$ 19,544,000**	**$ 26,769,000**	**$ 46,313,000**	**$ 181,013,000**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended December 31, 2021

	Program Services			Support Services			
	Project Costs	Business Units	Total Program Services	Corporate Development	Corporate Support	Total Support Services	Total
Employee compensation	$ 18,352,637	$ 12,994,090	$ 31,346,727	$ 6,084,355	$ 9,419,191	$ 15,503,546	$ 46,850,273
Employee benefits	5,526,044	4,312,694	9,838,738	1,886,513	2,861,188	4,747,701	14,586,439
Subcontractors	48,025,082	180,652	48,205,734	1,159,766	436,640	1,596,406	49,802,140
Equipment	7,973,488	46,235	8,019,723	20	476,019	476,039	8,495,762
Material and services	4,200,405	683,707	4,884,112	562,089	1,257,674	1,819,763	6,703,875
Travel	476,362	50,274	526,636	90,387	44,116	134,503	661,139
Utilities	742,481	238,084	980,565	113,869	176,808	290,677	1,271,242
Professional services	178,629	275,992	454,621	539,670	1,320,041	1,859,711	2,314,332
Depreciation	1,461,919	343,614	1,805,533	195,235	411,802	607,037	2,412,570
Amortization	905,170	250,846	1,156,016	142,526	1,276,120	1,418,646	2,574,662
Occupancy	471,921	1,505,658	1,977,579	188,282	282,209	470,491	2,448,070
Software licenses	12,399	499,372	511,771	127,381	610,870	738,251	1,250,022
Telecommunication	1,168	309,987	311,155	28,932	438,178	467,110	778,265
Supplies	32,937	340,309	373,246	36,179	42,017	78,196	451,442
Insurance	436,405	139,975	576,380	68,716	318,330	387,046	963,426
Dues and licensing fees	-	117,015	117,015	89,591	87,578	177,169	294,184
Seminars and conferences	-	44,204	44,204	19,749	6,870	26,619	70,823
Other	3,953	568,292	572,245	198,740	370,349	569,089	1,141,334
Total operating expenses	88,801,000	22,901,000	111,702,000	11,532,000	19,836,000	31,368,000	143,070,000
Income tax expense	-	-	-	-	532,500	532,500	532,500
Interest expense	-	-	-	-	88,000	88,000	88,000
Total functional expenses	**$ 88,801,000**	**$ 22,901,000**	**$ 111,702,000**	**$ 11,532,000**	**$ 20,456,500**	**$ 31,988,500**	**$ 143,690,500**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended December 31, 2022 and 2021
(000s omitted)

	2022	2021
Cash Flows from Operating Activities		
(Decrease) increase in net assets	$ (23,060)	$ 1,543
Adjustments to reconcile (decrease) increase in net assets to net cash from operating activities:		
Depreciation	2,594	2,413
Amortization	2,721	2,575
Loss on disposal of property and equipment	25	4
Bad debt write-off	397	14
Realized and unrealized investment loss (gain)	10,398	(7,332)
Postretirement benefit changes other than net periodic benefit costs	3,719	(106)
Deferred income tax (recovery) expense	(383)	295
Forgiveness of Paycheck Protection Program loan	(8,174)	-
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable - Billed and unbilled	4,468	(4,038)
Other receivables	(3,096)	680
Prepaid expenses and other assets	(4,370)	(1,229)
Other noncurrent assets	44	(214)
Postretirement benefit assets	(2,097)	(2,047)
Accounts payable, accrued expenses, and accrued compensation	(2,174)	5,817
Contract loss accrual	103	54
Deferred revenue	15,756	3,559
Other long-term liabilities	637	(374)
Noncash lease expense	140	-
Net cash and cash equivalents (used in) provided by operating activities	(2,352)	1,614
Cash Flows from Investing Activities		
Acquisition of plant and equipment	(3,225)	(2,235)
Payments of capitalized software development costs	(254)	(260)
Purchases of investments	(16,316)	(21,765)
Proceeds from sales of investments	16,832	21,421
Payments for business combination - Net of cash acquired	(656)	-
Payments for patents and other intangible assets	(484)	-
Net cash and cash equivalents used in investing activities	(4,103)	(2,839)
Cash Flows from Financing Activities		
Debt borrowings	32,800	13,000
Debt repayment	(19,800)	(14,500)
Payments on Paycheck Protection Program loan	(375)	-
Net cash and cash equivalents provided by (used in) financing activities	12,625	(1,500)
Net Increase (Decrease) in Cash and Cash Equivalents	6,170	(2,725)
Cash and Cash Equivalents - Beginning of year	5,034	7,759
Cash and Cash Equivalents - End of year	**$ 11,204**	**$ 5,034**
Supplemental Disclosure of Cash Flow Information - Cash paid for interest	$ 296	$ 107
Significant Noncash Transactions - Deferred payments for business combinations	$ 900	$ -

See notes to consolidated financial statements.

Note 1 - Description of Organization

Institute of Gas Technology (IGT) was organized in 1941 as a not-for-profit organization primarily engaged in education and energy and environmental research projects for industry and government in the United States. IGT conducts educational courses on energy-related topics and maintains and operates a public library focusing on energy-related topics. The legal entity IGT formerly conducted business as Gas Technology Institute (GTI). Effective April 28, 2022, GTI Energy Corporation became the preferred name under which business is conducted. The accompanying consolidated financial statements and notes consistently refer to the legal operations of IGT as GTI or the "Company." GTI consists of GTI Energy Corporation (a nonprofit corporation) and two wholly owned subsidiaries, GTI International, Inc. (GTI Int'l) and Rev Innovations.

GTI Int'l is a holding company with the following wholly owned subsidiaries: Frontier Energy, Inc. (Frontier Energy); SunGas Renewables, Inc. (SGR); and Projeo Corporation (PRC) (acquired in 2022 - see Note 5).

Frontier Energy is a professional services firm specializing in creating market-driven consulting and software solutions for energy efficiency, energy supply, and alternative transportation markets.

SGR is a professional services firm providing engineering support related to gasification systems that transform woody biomass into the building blocks necessary for large scale production of renewable fuels and chemicals.

PRC is a professional services firm specializing in oil, gas, geothermal, and CO2 storage projects. It delivers geotechnical and operational/management services for public and private clients.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of GTI include the accounts of GTI Energy and all of its wholly owned subsidiaries. All significant intercompany transactions between GTI Energy and its subsidiaries have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Operations

Operating results in the consolidated statement of activities reflect all transactions increasing or decreasing net assets except those items associated with long-term investment, income taxes, interest income and expense, actuarial adjustments to postretirement benefit liabilities, the offset to amortization of postretirement benefit plan prior service costs included in operating expenses, and other infrequent gains and losses.

Classification of Net Assets

Net assets are not restricted by donors. GTI has classified all net assets as net assets without donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors or may otherwise be limited by contractual agreements with outside parties.

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of cash, certificates of deposit, and highly liquid money market funds. Cash equivalents are carried at cost, which approximates their fair value due to the short-term maturity of these investments.

Note 2 - Significant Accounting Policies (Continued)

Throughout the year, GTI may have amounts on deposit with a financial institution in excess of those insured by the Federal Deposit Insurance Corporation. Management does not believe this presents a significant risk to GTI.

Short-term investments consist of equity securities and mutual funds of registered investment companies. Long-term investments consist of equity securities, mutual funds of registered investment companies, government securities, municipal debt, corporate debt securities with maturities at the time of purchase of more than 90 days, private equity funds, and multistrategy hedge funds. Investments are recorded at fair value based on quoted market prices on the last business day of the year, except for the private equity funds and multistrategy hedge fund of funds, which are recorded at fair value based on net asset value per share of the fund. Gains and losses on investments are recorded as investment income (loss) net of interest income.

As of December 31, 2022 and 2021, GTI maintains equity ownership interests and rights in certain corporate and noncorporate entities. GTI uses the equity method to account for equity investments in unconsolidated entities in which it exercises significant influence over operating and financial policies but does not control. GTI uses the cost method to account for equity investments in all other unconsolidated entities. Substantially all of these interests and rights were obtained in exchange for the provision of research and development funding to the third-party entities. As these entities were generally startup in nature and GTI was the primary contributor, GTI's policy is to generally expense its research and development funding to third parties as incurred and assign no value to the equity ownership interests until they are subject to objective fair value determination, such as a public offering or liquidity event, or until an equity method investee has positive retained earnings and GTI can record its portion of current net income.

Property and Equipment

Property and equipment are carried at cost or, if donated, at fair value at the date of donation. Maintenance and repair expenses are charged to current operations. Depreciation is provided over the estimated useful lives of the assets, ranging from 3 to 25 years, utilizing the straight-line method. Upon sale or retirement, cost and related accumulated depreciation are deducted from the accounts, and the gain or loss is recorded in current operations.

Capitalized Software Costs

GTI produces software to be sold, leased, or marketed. All costs incurred prior to technological feasibility being established are expensed as incurred. Once technological feasibility has been established, GTI capitalizes significant costs related to producing product masters, software costs, materials, and payroll and payroll-related costs for employees involved in developing the software. Capitalization of these costs stops once the product is available to be sold or leased to customers. Capitalized software is amortized over a three-year term. Amortization expense was $283,000 and $224,000 during the years ended December 31, 2022 and 2021, respectively. The net carrying value of capitalized software costs included in property and equipment at December 31, 2022 and 2021 was $375,000 and $404,000, respectively.

Goodwill

The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition.

GTI applies the private company accounting alternative for goodwill developed by the Private Company Council that was extended to not-for-profit organizations. Under the accounting alternative, goodwill is amortized on a straight-line basis over a 10-year period. Additionally, goodwill is assessed for potential impairment if events occur or circumstances change that indicate the fair value of the reporting unit may be less than its carrying value. GTI has elected to test goodwill for impairment at the reporting unit level. No impairment charge was recognized during the years ended December 31, 2022 and 2021.

Note 2 - Significant Accounting Policies (Continued)

Intangible Assets

Acquired intangible assets subject to amortization are stated at cost and are amortized using the straight-line method over the estimated useful lives of the assets. Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually.

GTI applies the private company accounting alternative for intangible assets acquired in a business combination developed by the Private Company Council that was extended to not-for-profit organizations. Under the accounting alternative, certain acquired customer-related intangible assets and noncompetition agreements are not separately recognized apart from goodwill. No impairment charge was recognized during the years ended December 31, 2022 and 2021.

Impairment of Long-lived Assets

Long-lived assets, such as property, plant, equipment, internal-use software, and other intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the consolidated statement of financial position and reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated statement of financial position.

Revenue Recognition

GTI recognizes revenue when control of the promised goods or services are transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

GTI's primary revenue streams are generated from specialized research, development, and professional services, including educational classes, trainings, conferences, product sales, and intellectual property provided to customers located primarily in the United States. GTI typically enters into the following contract types: cost reimbursable, cost plus fixed fee, time and materials, and fixed price. Individual contracts are classified as either contribution or exchange.

Contribution contracts are scoped out of Accounting Standards Codification (ASC) 606 and are considered under ASC 958-605. These contracts are with state and local governmental agencies where the recipient of the direct value from the main value driver and the beneficiary of the intellectual property is not the federal, state, or local government. Exchange contracts are promises to provide specialized research and professional services in accordance with agreed-upon specifications and deliverables.

See Note 4 for additional information.

Note 2 - Significant Accounting Policies (Continued)

Allowance for Doubtful Accounts Receivable

Accounts receivable are recorded at the invoiced amounts and do not bear interest. The allowance for doubtful accounts is recorded to provide for estimated losses resulting from uncollectible accounts and is based principally upon specifically identified amounts where collection is deemed doubtful. Additional nonspecific allowances are recorded based on historical experience and management's assessment of a variety of factors related to the general financial conditions of GTI's customer base. GTI reviews the collectibility of individual accounts and assesses the adequacy of the allowance for doubtful accounts. Account balances are charged off against the allowance after all means of collection have been exhausted, and the potential for recovery is considered remote. GTI does not have any off-balance-sheet credit exposure related to its customers. GTI recorded approximately $397,000 and $14,000 of bad debt expense during 2022 and 2021, respectively. The allowance for doubtful accounts was $623,000 and $124,000 as of December 31, 2022 and 2021, respectively.

Classification and Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of functional expenses. Program-related expenses include project costs and business unit expenses. Project costs include direct labor and other direct costs related to research and education contracts. Business unit expenses include costs incurred by all operating units, other than project costs.

Support expenses, such as management and general expenses, include corporate development expenses and corporate support expenses. Corporate development expenses include the costs incurred by the corporate development units and costs of various internal projects. Corporate support expenses include costs incurred by the administrative units.

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of GTI. The expense line items include an allocation of general expenses based on total costs charged to direct and indirect projects or head count of employees. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Income Taxes

The Internal Revenue Service (IRS) has determined that GTI Energy qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (the "Code") as a scientific organization whereby only unrelated business income, as defined by the Code, is subject to federal income tax.

GTI Energy's subsidiaries and GTI Int'l and its subsidiaries are subject to federal and state income taxes. Deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. In addition, the amount of any potential future tax benefits is reduced by a valuation allowance to the extent such benefits are not expected to be realized.

Use of Estimates

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

Note 2 - Significant Accounting Policies (Continued)

Leases

GTI has operating leases as referenced in Note 10. A right-of-use asset and lease liability are measured based on the net present value (NPV) of future lease payments (including extensions) using the discount rate. GTI elected to use the risk-free rate as the discount rate for calculating the right-of-use asset and lease liability in place of the incremental borrowing rate. GTI recognizes expense for operating leases on a straight-line basis over the lease term. GTI made a policy election not to separate lease and nonlease components. Therefore, all payments are included in the calculation of the right-of-use asset and lease liability.

For operating leases with a lease term of one year or less, GTI elected to account for them as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including April 20, 2023, which is the date the consolidated financial statements were available to be issued.

Note 3 - Adoption of New Accounting Pronouncement

As of January 1, 2021, GTI adopted ASU No. 2016-02, *Leases*. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. GTI elected to adopt the ASU as of January 1, 2021, the beginning of the earliest period presented in these consolidated financial statements, and applied the following practical expedients:

- GTI did not reassess if expired or existing contracts are or contain a lease.
- GTI did not reassess the lease classification for expired or existing leases.
- GTI did not reassess initial direct costs for any existing leases.
- GTI used hindsight to determine the lease term and to assess impairment of the right-of-use assets for existing leases.

As a result of the adoption of the ASU, GTI recorded a right-of-use asset of $4,170,000 and a lease liability of $4,210,000 as of January 1, 2021 for existing operating leases. A transition adjustment was recorded on January 1, 2021, the date of adoption, which increased net assets by $218,000, representing the cumulative effect of the adoption of this accounting principle.

Note 4 - Revenue Recognition

GTI's primary revenue streams are generated from specialized research, development, and professional services, including educational classes, trainings, conferences, product sales, and intellectual property. Services are generally transferred over time, while professional services related to education, trainings, and conferences are recognized at a point in time.

A portion of the revenue recognized by GTI is classified as contributions, as the primary beneficiary from these contracts is primarily the general public, including those in the natural gas and energy industry, or a third-party entity other than the government/resource provider. As the government/resource provider does not receive commensurate value in return for the resources transferred, the revenue is classified as a contribution.

Note 4 - Revenue Recognition (Continued)

The following table summarizes GTI's revenue from contributions and revenue from contracts with customers:

	2022	2021
Contributions	$ 63,029,000	$ 65,070,000
Revenue from contracts with customers:		
Revenue recognized over time	97,149,000	69,013,000
Revenue recognized at a point in time	2,236,000	2,282,000
Total revenue from contracts with customers	99,385,000	71,295,000
Total revenue	$ 162,414,000	$ 136,365,000

The following economic factors affect the nature, amount, timing, and uncertainty of GTI's revenue and cash flows as indicated:

- Type of customer: The primary sources of revenue are from federal sponsors, including the Department of Energy; state sponsors, including the California Energy Commission; corporate customers, including Arbor Renewable Gas LLC; and utilities and collaborative sponsors, including Operations Technology Development and Utilization Technology Development. Revenue from each of these sources lacks seasonality.
- Geographical location of customers: Sales to customers located outside of the United States represent less than 10 percent of GTI's sales. Prices realized for international sales tend to be significantly lower than prices realized for U.S. sales. Total sales to customers located outside of the United States were approximately $1,163,000 and $4,541,000 for the years ended December 31, 2022 and 2021, respectively.
- Type of contract: The primary source of revenue is from service contracts which can range from less than one year in duration to more than one year in duration. Royalty revenue is typically from multiyear contracts

Contract Balances

As of December 31, 2022; December 31, 2021; and January 1, 2021, the balance of GTI's unbilled receivables and deferred revenue from contracts with customers, including revenue determined to be contributions, was as follows:

	December 31, 2022	December 31, 2021	January 1, 2021
Contract assets - Unbilled receivables	$ 21,953,000	$ 26,347,000	$ 25,553,000
Contract liabilities - Deferred revenue	34,485,000	18,627,000	15,068,000

Note 4 - Revenue Recognition (Continued)

Performance Obligations

Exchange contracts typically include only one performance obligation for specialized research, development, and professional services, which are recognized over time, as the customers obtain the benefits of such services as the services are performed. Therefore, the Company satisfies its performance obligations as services are rendered.

For service performance obligations satisfied over time, GTI typically uses input methods to measure progress. The use of input methods results in the recognition of revenue on the basis of GTI's efforts toward the satisfaction of the performance obligations. The most common input method used is costs incurred in satisfying each performance obligation as a percentage of estimated total contract costs.

In the case of educational courses, trainings, and conferences, the time required to render a service is trivially short; in those cases, the Company satisfies its performance obligation at a point in time, typically upon completion of the service. Management exercises judgment in determining when such performance obligations have been satisfied. In making such judgments, management typically relies on information obtained from GTI employees who have rendered services to evaluate when the customer has obtained control of the services.

The following table includes information on the amount of revenue that is expected to be recognized related to performance obligations that have not been fully satisfied as of December 31, 2022. The revenue expected to be recognized from 2024-2035 primarily relates to a certain SGR contract expected to be completed in 2024 and a certain GTI royalty contract where GTI is recognizing revenue on a straight-line basis based on the minimum royalty payments due to GTI annually. The amounts below do not include amounts included in contracts with an original term of less than one year or variable consideration related to the SGR contract or royalty payments on licenses of intellectual property.

2023	$ 104,237,000
2024	45,757,000
2025	53,888,000
Total	$ 203,882,000

Significant Payment Terms

Under the typical payment terms, progress billings are submitted monthly to the customer based on the work completed or are submitted based on the achievement of agreed upon milestones. In some cases (primarily for longer duration contracts), a contract will require the customer to pay a portion of the total contract price in advance. Payment is generally due within 30 days.

GTI does not typically offer discounts, returns, or refunds. In certain contracts, GTI will provide the customer a warranty with assurance that purchased goods comply with published specifications. In these cases, GTI estimates the cost of expected future warranty claims but does not exclude any amounts from revenue. GTI has not experienced any significant warranty claims.

Allocating the Transaction Price

The transaction price of a contract is the amount of consideration to which GTI expects to be entitled in exchange for transferring promised goods or services to a customer. Most of GTI's contracts with customers have fixed transaction prices that are denominated in U.S. dollars and payable in cash and generally do not include accounting provisions for variable consideration.

Note 4 - Revenue Recognition (Continued)

Certain contracts include potential variable consideration items, such as milestone success payments or royalties. GTI includes amounts of variable consideration in a contract's transaction price only to the extent that GTI has a relatively high level of confidence that the amounts will not be subject to significant reversals. Quarterly, GTI updates the estimated transaction prices of contracts having unsatisfied performance obligations. At those times, revenue and related account balances are adjusted to reflect changes in transaction prices, if any. Contract modifications/change orders are issued for changes in scope, price, or performance dates and are approved in writing as contract amendments. Contract amendments are ordinary and customary during the research process and typically modify the existing performance obligations.

Note 5 - Business Combinations

Projeo Corporation

On January 1, 2022, GTI Int'l acquired all of the membership interest of Projeo Corporation. PRC is a professional energy services firm that develops geologic resources to store carbon in subsurface wells across the U.S. The results of operations of PRC have been included in the consolidated financial statements since January 1, 2022, the date of acquisition.

The following table summarizes the fair value of the consideration transferred as part of the acquisition:

Cash	$ 750,000
Seller payable	900,000
Total	$ 1,650,000

Under the terms of the acquisition agreement, the former stockholders of PRC are entitled to additional consideration in the form of cash based on certain EBITDA targets through 2026. As the contingent consideration is based on a factor of PRC's performance, there is no cap on the amount of contingent consideration payable. GTI did not assign a fair value to the contingent consideration as it is unlikely PRC will meet the EBITDA targets. No payments were made to the sellers during 2022 related to this contingent consideration.

The following table summarizes the acquisition-date fair values of the assets acquired and liabilities assumed:

Cash	$ 94,000
Accounts receivable	549,000
Equipment	13,000
Other assets	7,000
Trade name	372,000
Accounts payable and accrued liabilities	(194,000)
Goodwill	809,000
Total	$ 1,650,000

The intangible assets acquired include PRC's trade name, with an estimated useful life of five years. The fair value of the trade name was determined utilizing a royalty savings approach. This calculation estimates the percentage of gross revenue attributed to the trade name recognized for a period of time, applying a pretax royalty rate of 3.0 percent and income tax rate of 28.5 percent and discounting to the present value.

The goodwill of approximately $809,000 arising from the acquisition consists largely of the existing workforce, market presence, customer-related intangibles, and noncompete agreements.

Note 6 - Investment (Loss) Income

Investment (loss) income for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022	2021
Investment income - Net	$ 462,000	$ 1,064,000
Realized gains from sale of investments reported at fair value	427,000	4,022,000
Net unrealized (losses) gains on investments reported at fair value	(10,825,000)	3,310,000
Total investment (loss) income	$ (9,936,000)	$ 8,396,000

Note 7 - Property and Equipment

Property and equipment are summarized as follows:

	2022	2021	Depreciable Life - Years
Land	$ 800,000	$ 800,000	-
Land improvements	1,031,000	1,031,000	10-15
Buildings	31,468,000	31,135,000	10-25
Machinery and equipment	13,220,000	13,089,000	3-10
Software development	1,365,000	1,111,000	3
Transportation equipment	129,000	129,000	5
Furniture and fixtures	3,176,000	3,196,000	5-10
Construction in progress	2,557,000	744,000	-
Total cost	53,746,000	51,235,000	
Less accumulated depreciation	41,944,000	40,306,000	
Net carrying amount	$ 11,802,000	$ 10,929,000	

Depreciation expense was approximately $2,594,000 and $2,413,000 for 2022 and 2021, respectively.

Note 8 - Acquired Intangible Assets and Goodwill

Intangible assets of GTI at December 31, 2022 and 2021 are summarized as follows:

	2022		2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Trade name	$ 2,744,000	$ (1,523,000)	$ 1,972,000	$ (1,249,000)
Customer-related intangibles	2,176,000	(1,833,000)	2,176,000	(1,705,000)
Noncompete agreements	548,000	(548,000)	548,000	(545,000)
Donated intangible assets - Aerojet Rocketdyne asset donation	15,000,000	(11,250,000)	15,000,000	(9,750,000)
Total amortized intangible assets	$ 20,468,000	$ (15,154,000)	$ 19,696,000	$ (13,249,000)

Amortization expense for intangible assets totaled approximately $1,905,000 and $1,840,000 for the years ended December 31, 2022 and 2021, respectively.

Note 8 - Acquired Intangible Assets and Goodwill (Continued)

Estimated amortization expense for the years ending December 31 is as follows:

Years Ending	Amount
2023	$ 2,019,000
2024	1,971,000
2025	1,025,000
2026	244,000
2027	55,000
Total	$ 5,314,000

The recorded amount of goodwill is $8,251,000 and $7,349,000 as of December 31, 2022 and 2021, respectively. Accumulated amortization is $2,759,000 and $1,934,000 as of December 31, 2022 and 2021, respectively.

GTI applies the private company accounting alternative for goodwill developed by the Private Company Council that was extended to not-for-profit organizations; goodwill from prior business combinations is amortized over a 10-year period.

Goodwill amortization expense was approximately $825,000 and $735,000 for the years ended December 31, 2022 and 2021, respectively. GTI will recognize amortization expense for goodwill of approximately $816,000 annually from 2023 through 2027, approximately $487,000 in 2028 through 2019, and approximately $354,000 in 2030.

Goodwill is assigned to specific reporting units and is reviewed for possible impairment at least annually or more frequently upon the occurrence of an event or when circumstances indicate that a reporting unit's carrying amount is greater than its fair value, which was estimated based on the present value of expected future cash inflows. Accordingly, no goodwill impairment loss was recognized in that reporting unit during 2022 and 2021.

Note 9 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about GTI's assets measured at fair value on a recurring basis at December 31, 2022 and 2021 and the valuation techniques used by GTI to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that GTI has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management’s own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. GTI’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Note 9 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2022
Cash and cash equivalents - Money market funds	$ 705,000	$ -	$ -	$ 705,000
Investments:				
U.S. Treasury notes	-	2,163,000	-	2,163,000
U.S. agency notes	-	2,972,000	-	2,972,000
Municipal bonds by S&P credit rating:				
AAA	-	439,000	-	439,000
AA	-	541,000	-	541,000
A	-	49,000	-	49,000
BBB	-	36,000	-	36,000
NR	-	40,000	-	40,000
Total municipal bonds	-	1,105,000	-	1,105,000
Corporate bonds by S&P credit rating:				
AAA	-	46,000	-	46,000
AA	-	140,000	-	140,000
A	-	692,000	-	692,000
BBB	-	335,000	-	335,000
Total corporate bonds	-	1,213,000	-	1,213,000
Common stocks:				
Domestic large cap	10,782,000	-	-	10,782,000
Domestic small/mid cap	6,040,000	-	-	6,040,000
Foreign large/mid cap	12,391,000	-	-	12,391,000
Total common stocks	29,213,000	-	-	29,213,000
Mutual funds:				
Fixed-income mutual funds	6,010,000	-	-	6,010,000
Other mutual funds	2,937,000	-	-	2,937,000
Total mutual funds	8,947,000	-	-	8,947,000
Real estate investment trust	583,000	-	-	583,000
Total	$ 39,448,000	$ 7,453,000	$ -	46,901,000
Investments measured at NAV:				
Hedge funds				3,433,000
Private equity securities				9,582,000
Total assets				$ 59,916,000

Note 9 - Fair Value Measurements (Continued)

	Assets Measured at Fair Value on a Recurring Basis at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2021
Cash and cash equivalents - Money market funds	$ 951,000	$ -	$ -	$ 951,000
Investments:				
U.S. Treasury notes	-	3,207,000	-	3,207,000
U.S. agency notes	-	3,316,000	-	3,316,000
Municipal bonds by S&P credit rating:				
AAA	-	349,000	-	349,000
AA	-	419,000	-	419,000
A	-	53,000	-	53,000
BBR	-	42,000	-	42,000
NR	-	47,000	-	47,000
Total municipal bonds	-	910,000	-	910,000
Corporate bonds by S&P credit rating:				
AAA	-	106,000	-	106,000
AA	-	319,000	-	319,000
A	-	805,000	-	805,000
BBB	-	332,000	-	332,000
NR	-	148,000	-	148,000
Total corporate bonds	-	1,710,000	-	1,710,000
Common stocks:				
Domestic large cap	18,883,000	-	-	18,883,000
Domestic small/mid cap	4,461,000	-	-	4,461,000
Foreign large/mid cap	16,008,000	-	-	16,008,000
Total common stocks	39,352,000	-	-	39,352,000
Mutual funds:				
Fixed-income mutual funds	7,306,000	-	-	7,306,000
Foreign large-cap mutual funds	3,731,000	-	-	3,731,000
Total mutual funds	11,037,000	-	-	11,037,000
Real estate investment fund	126,000	-	-	126,000
Total	$ 51,466,000	$ 9,143,000	$ -	60,609,000
Investments measured at NAV:				
Hedge funds				3,446,000
Private equity securities				7,021,000
Total assets				$ 71,076,000

Note 9 - Fair Value Measurements (Continued)

	Reconciliation of Investments to the Consolidated Statement of Financial Position	
	2022	2021
Short-term investments	$ 87,000	$ 19,000
Long-term investments	59,124,000	70,106,000
Total investments	$ 59,211,000	$ 70,125,000

The total investments reported on the consolidated statement of financial position are approximately $705,000 and $951,000 lower than the schedules of assets measured at fair value on a recurring basis for 2022 and 2021, respectively. The difference relates to money market funds reported in cash and cash equivalents on the consolidated statement of financial position.

Common stock includes domestic and international equity securities, such as common, preferred, or other capital stock. Mutual funds invest in fixed-income domestic and international debt securities, such as U.S. and foreign government securities, corporate bonds, and commercial paper. All Level 1 investments are valued based on market prices.

U.S. Treasury notes, U.S. agency notes, collateralized mortgage obligations, municipal bonds, and corporate bonds are valued using quoted market prices and other market data for the same or comparable instruments and transactions. Discounted cash flow models and other pricing models are used to establish the market prices. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve, as well as other relevant economic measures.

Hedge funds include multistrategy funds of diversified hedge fund managers. Private equity securities include multistrategy funds that invest in limited partnerships and real estate. Both fund types are valued at net asset value.

Investments in Entities that Calculate Net Asset Value per Share

GTI Energy Corporation holds interests in the Hamilton Lane Private Markets Opportunity Fund LP (Hamilton Lane) and U.S. Real Estate Investment Fund, LLC at December 31, 2022 and 2021. The fair value of the investments is estimated based on net asset value per share of the funds.

The fair value and redemption rules of those investments are as follows:

	Investments Held				
	Fair Value on December 31, 2022	Fair Value on December 31, 2021	Repurchase Frequency, if Eligible	Unfunded Commitments	Repurchase Notice Period
Hamilton Lane	$ 5,161,000	$ 2,902,000	N/A	$ 1,096,000	N/A
U.S. Real Estate Investment Fund, LLC	4,421,000	4,119,000	Quarterly	-	90 days
Ironwood	3,433,000	3,446,000	Semiannual	-	90 days
Total	$ 13,015,000	$ 10,467,000		$ 1,096,000	

Hamilton Lane Private Markets Opportunity Fund LP is a multistrategy private equity fund designed to provide investors with exposure to a well-diversified private markets portfolio across strategy, investment type, and intake year. The fund mainly invests in limited partnerships.

Note 9 - Fair Value Measurements (Continued)

U.S. Real Estate Investment Fund, LLC is a private equity real estate fund. The fund seeks to invest directly and indirectly in real estate and real estate-related assets. Such investments may include joint ventures, partnerships, and other participation interests with real estate owners, developers, and others for the purpose of owning and operating any particular investment. The fund will seek to invest in a diversified portfolio consisting of primarily yield-driven real estate. The fund portfolio will be diversified by geography and property type, including, but not limited to, office, multifamily, industrial, retail, residential, and mixed-use properties.

Ironwood International LTD Fund (Ironwood) is hedge fund with the investment objective of capital appreciation with limited variability in returns. The fund's capital is allocated among independent investment managers acting through pooled entities, such as limited partnerships, limited liability companies and offshore corporations, or through managed accounts.

Note 10 - Leases

GTI is obligated under operating leases primarily for office and warehouse space, expiring at various dates through 2031. The right-of-use asset and related lease liability have been calculated using discount rates ranging from 0.16 percent to 4.18 percent, and the leases have a current weighted-average remaining life of 67 months as of December 31, 2022. The leases require GTI to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was $1,010,000 and $1,167,000 for 2022 and 2021, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2023	$ 1,172,000
2024	793,000
2025	706,000
2026	552,000
2027	443,000
Thereafter	820,000
Total	4,486,000
Less amount representing interest	918,000
Present value of net minimum lease payments	3,568,000
Less current obligations	604,000
Operating lease obligations	$ 2,964,000

Note 11 - Debt

Line of Credit

GTI has a line of credit agreement allowing for available borrowings up to $16,000,000. The line has a maturity date of November 30, 2023. The line of credit is secured by substantially all of GTI's assets. The interest rate for the line of credit is the Bloomberg Short-Term Bank Yield Index (BSBY) plus 1.50 percent per annum. Prior to amendment three, the interest rate for the line of credit was the London Interbank Offered Rate (LIBOR) plus 2.25 percent per annum. The effective interest rate was 5.86 and 1.93 percent at December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, $13,000,000 and $0, respectively, was drawn under the line of credit.

Paycheck Protection Program Loan

During the year ended December 31, 2020, GTI received a Paycheck Protection Program (PPP) term note through its primary financial institution in the amount of $8,549,000. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security Act and is administered by the Small Business Administration. Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met.

During 2022, GTI applied for and received notification of forgiveness of the principal and accrued interest of the PPP loan from the SBA. Loan forgiveness in the amount of $8,174,000 has been recorded as a gain on forgiveness of Paycheck Protection Program term loan as nonoperating income on the consolidated statement of activities. GTI paid off the remaining balance of $375,000 not forgiven during 2022.

At December 31, 2022 and 2021, the outstanding balance on the PPP loan is $0 and $8,549,000, respectively, which is classified as current debt on the consolidated statement of financial position.

Note 12 - Asset Retirement Obligations

Asset retirement obligations (ARO) have arisen primarily from regulations that specify how to dispose of asbestos if facilities are demolished or undergo major renovations or repairs. GTI Energy Corporation is legally liable to remove asbestos from existing buildings prior to any future renovation or demolition of existing buildings. The obligation to remove asbestos was estimated using site-specific surveys where available and a per-square-foot estimate where surveys were unavailable. The ARO liability has been discounted using a rate of 3.5 percent.

	2022	2021
Estimated asbestos removal liability at December 31	$ 688,000	$ 696,000
Net book value of the ARO long-lived asset at December 31	26,000	31,000

Note 13 - Income Taxes

The Internal Revenue Service has determined that GTI Energy Corporation qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code as a scientific organization whereby only unrelated business income, as defined by the Code, is subject to federal income tax. In addition, GTI Energy Corporation's subsidiary, GTI Int'l, is subject to federal and state income taxes.

Note 13 - Income Taxes (Continued)

GTI Energy Corporation

GTI Energy Corporation's taxable unrelated business loss amounted to approximately $(298,000) and $(295,000) for the years ended December 31, 2022 and 2021, respectively. GTI Energy Corporation recorded an income tax (recovery) expense for the years ended December 31, 2022 and 2021 of approximately $(283,000) and $32,000, respectively. GTI Energy Corporation had deferred tax assets of approximately $1,956,000 and $1,788,000 as of December 31, 2022 and 2021, respectively, consisting primarily of net operating and capital loss carryforwards. The deferred tax assets had a valuation allowance of $1,611,000 and $1,726,000 as of December 31, 2022 and 2021, respectively.

Based upon projections for future taxable income, management believes it is more likely than not that GTI Energy Corporation will realize a portion of the benefits of the net operating loss carryforwards (NOLs) as of December 31, 2022 and 2021.

GTI Int'l

At December 31, income tax (recovery) expense components of GTI Int'l consist of the following:

	2022	2021
Current	$ 57,000	$ 238,000
Deferred	433,000	345,000
Change in valuation allowance	(626,000)	(82,000)
Income tax (recovery) expense	$ (136,000)	$ 501,000

GTI Int'l's effective tax rates differ from the federal statutory rate of 21 percent applied to income before income taxes due to the following:

	2022	2021
GTI Int'l net income	$ 3,350,000	$ 2,420,000
Tax expense at federal statutory rates	704,000	508,000
State tax - Net of federal tax	102,000	94,000
Revaluation of deferred tax assets due to change in state tax rates	11,000	10,000
Permanent differences	120,000	40,000
PPP loan forgiveness	(555,000)	-
R&D tax credit	(314,000)	(34,000)
Expired NOLs	450,000	-
Change in valuation allowance	(626,000)	(82,000)
Return to provision and true-up adjustments	(37,000)	(22,000)
Federal Benefit of Texas	(1,000)	(12,000)
Other	10,000	(1,000)
Income tax (recovery) expense	$ (136,000)	$ 501,000

Note 13 - Income Taxes (Continued)

At December 31, the components of the net deferred tax asset recorded in the consolidated statement of financial position for GTI Int'l are as follows:

	2022	2021
Deferred tax assets:		
Net operating losses	$ 1,092,000	$ 2,752,000
Amortization	404,000	430,000
Accrued PTO	144,000	128,000
Deferred compensation	-	3,000
Deferred revenue	19,000	-
Lease liability	535,000	-
Section 174	835,000	-
Accrued expenses	20,000	27,000
Charitable contribution	2,000	4,000
Bad debt expense	35,000	11,000
CA depreciation mod	11,000	9,000
R&D credit	334,000	34,000
Total deferred tax assets	3,431,000	3,398,000
Valuation allowance recognized for deferred tax assets	(182,000)	(808,000)
Net deferred tax assets	3,249,000	2,590,000
Deferred tax liabilities:		
Depreciation	(71,000)	(74,000)
Prepaid insurance	(18,000)	(20,000)
Prepaid expenses	(39,000)	(17,000)
Right of use asset	(542,000)	-
Total deferred tax liabilities	(670,000)	(111,000)
Net deferred tax asset	$ 2,579,000	$ 2,479,000

Based upon projections for future taxable income, management believes it is more likely than not that GTI Int'l will realize a portion of the benefits of the net operating loss carryforwards as of December 31, 2022 and 2021.

Note 14 - Indirect Expense Rates

The amount of project revenue reflected in the financial statements attributable to U.S. government cost reimbursement contracts is subject to audit by the Defense Contract Audit Agency (DCAA) and possible adjustment by the Department of Energy (DOE). In 2022, indirect cost rates for fiscal year 2021 were finalized with the DOE. As of the date of this report, DCAA has not conducted its audits of GTI Energy Corporation's indirect expense rates and cost accounting practices for fiscal year 2022. GTI Energy Corporation does not anticipate material adjustments to the cost rates for the unaudited year.

Project revenue for fiscal year 2022 includes amounts based upon GTI Energy Corporation's best estimate of indirect costs to be recovered. In the opinion of management, any negotiated adjustment of indirect rates will not materially affect the revenue reported. For the years ended December 31, 2022 and 2021, revenue related to federal grants totaled approximately $44,020,352 and $45,910,221, respectively.

Note 15 - Retirement Plans

Retirement benefits for GTI Energy employees were provided through defined contribution retirement plans for all full-time employees with six months of service who were at least 21 years of age. GTI Energy's contributions varied depending upon the age of an employee. In 2022 and 2021, GTI Energy's contribution ranged from 5 to 12.5 percent of an employee's annual salary. In addition, GTI Energy contributes 3.5 percent of an employee's salary, which is in excess of the Social Security base. GTI Energy contributed $3,888,000 and $3,530,000 in fiscal years 2022 and 2021, respectively, to these plans on behalf of its employees.

GTI Int'l sponsors the GTI International 401(k) Plan in which Frontier Energy and SGR are participating employers during 2022 and 2021. The employer contributions to the GTI Int'l plan and legacy plans of the subsidiaries on behalf of their employees totaled approximately $387,000 and $360,000 in fiscal years 2022 and 2021, respectively.

Note 16 - Postretirement Benefits

Employees retiring from GTI Energy on or after age 55 with 10 or more consecutive years of service who were hired prior to March 22, 2002 receive postretirement medical benefits. A retiree's spouse and eligible dependents are also eligible for coverage. Eligible retirees receive similar benefits as current active employees. These benefits include coverage under a comprehensive major medical plan, subject to deductible and coinsurance provisions.

Eligible retirees age 65 and over receive medical benefits under a coordinated program with insurance carriers and Medicare. For eligible retirees age 65 and older, medical plan coverage was moved to a private exchange marketplace whereby retiree participants and their eligible dependents are able to elect individual health care plans. GTI Energy provides a monthly contribution, which is applied toward its private exchange coverage.

Management reserves the right to amend or change the plan periodically.

The following table sets forth the plan's benefit obligations, fair value of plan assets, and funded status at December 31, 2022 and 2021:

	2022	2021
Change in benefit obligation:		
Accumulated postretirement benefit obligation at beginning of year	$ 6,878,000	$ 7,579,000
Service cost	152,000	156,000
Interest cost	157,000	139,000
Actuarial gain	(1,129,000)	(380,000)
Benefits paid	(649,000)	(653,000)
Participant contributions	39,000	37,000
Plan amendments	100,000	-
Accumulated postretirement benefit obligation at end of year	5,548,000	6,878,000
Change in plan assets:		
Fair value of plan assets at beginning of year	18,287,000	16,835,000
Actual (loss) return on plan assets	(2,431,000)	1,941,000
Participant contributions	40,000	70,000
Benefits paid	(449,000)	(456,000)
Administrative expenses	(112,000)	(103,000)
Fair value of plan assets at end of year	15,335,000	18,287,000
Funded status at end of year	$ 9,787,000	$ 11,409,000

Note 16 - Postretirement Benefits (Continued)

The following table sets forth the plan's net periodic postretirement benefit cost for the years ended December 31, 2022 and 2021:

	2022	2021
Service cost	$ 151,000	$ 156,000
Interest cost	157,000	139,000
Expected return on plan assets	(1,216,000)	(1,120,000)
Amortization of prior service cost	(1,188,000)	(1,188,000)
Net periodic postretirement benefit cost	$ (2,096,000)	$ (2,013,000)

Weighted-average assumptions used to determine benefit obligations at December 31 are as follows:

	2022	2021
Weighted-average assumptions to determine accumulated postretirement benefit obligation as of December 31 - Discount rate	4.84%	2.37%
Weighted-average assumptions to determine net periodic postretirement benefit cost for the year ended December 31:		
Discount rate	2.37	1.89
Expected return on plan assets	6.75	6.75

Assumed Health Care Cost Trend Rates at December 31

	Pension Benefits	
	2022	2021
Health care cost trend rate assumed for next year	7.50 %	7.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50 %	4.50 %
Year that the rate reaches the ultimate trend rate	2030+	2027+

Retirement Plan Assets

The expected long-term rate of return assumption is derived based on the historical returns achieved by the voluntary employees' beneficiary association (VEBA) trust and anticipated future long-term performance of individual asset classes. Consideration is also given to the investment strategy and anticipated future distribution of plan assets between asset classes. While this analysis gives appropriate consideration to recent trust performance and historical returns, the assumption represents a long-term prospective return.

GTI Energy Corporation's principal objective is to ensure that plan assets are sufficient to enable all future postretirement benefit liabilities to be paid when due. Plan assets are allocated with a goal to achieve diversification between and within various asset classes to meet long-term objectives of return while mitigating downside risks and considering expected cash flows. The asset allocation at December 31, 2022 and 2021 is as follows:

	2022	2021	Target Allocation
Asset category:			
Equity	56.00 %	65.00 %	38 - 75 %
Fixed income	40.00	34.00	24 - 48%
Real estate	4.00	1.00	0 - 13

Equity securities primarily include investments in domestic and international equity securities, such as common, preferred, or other capital stock, as well as mutual funds. Fixed income includes domestic and international debt securities, such as U.S. and foreign government securities, corporate bonds, and commercial paper.

Note 16 - Postretirement Benefits (Continued)

The fair values of GTI Energy Corporation's postretirement benefit plan assets at December 31, 2022 and 2021 by major asset classes are as follows:

	Fair Value Measurements at December 31, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes				
Common stock - International	$ 5,447,000	$ -	$ -	$ 5,447,000
Common collective trust funds - Equity securities - Domestic large cap	-	4,902,000	-	4,902,000
Common collective trust funds - U.S. government bonds - TIPS mutual fund	895,000	-	-	895,000
Corporate bond funds	3,679,000	-	-	3,679,000
Real estate mutual fund	412,000	-	-	412,000
Total	$ 10,433,000	$ 4,902,000	$ -	$ 15,335,000

	Fair Value Measurements at December 31, 2021			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes				
Common stock - International	$ 5,365,000	$ -	$ -	$ 5,365,000
Common collective trust funds - Equity securities:				
Domestic large cap	-	4,030,000	-	4,030,000
Domestic mid cap	-	686,000	-	686,000
International	-	1,765,000	-	1,765,000
Common collective trust funds - U.S. government bonds - TIPS mutual fund	-	273,000	-	273,000
Corporate bond funds	5,880,000	-	-	5,880,000
Real estate mutual fund	288,000	-	-	288,000
Total	$ 11,533,000	$ 6,754,000	$ -	$ 18,287,000

The tables above present information about the postretirement benefit plan assets measured at fair value at December 31, 2022 and 2021 and the valuation techniques used by GTI Energy Corporation to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that GTI Energy Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset.

Note 16 - Postretirement Benefits (Continued)

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. GTI Energy Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each plan asset.

Estimated Future Benefit Payments

The following table summarizes the expected benefit payments used to determine the accumulated postretirement benefit obligation as of December 31, 2022:

Years Ending	Expected Net Benefit Payments
2023	$ 539,285
2024	527,003
2025	515,049
2026	485,846
2027	483,191
Next four years	2,188,288

Note 17 - Contingencies

GTI is involved in various legal proceedings, which are incidental to the conduct of its business. It is management's opinion that none of these proceedings will have a material adverse effect on GTI.

Project revenue attributable to government cost reimbursement contracts for fiscal year 2022 includes amounts based upon GTI Energy Corporation's best estimate of indirect costs to be recovered. In the opinion of management, any negotiated adjustment of indirect rates will not materially affect the revenue reported (see Note 14).

GTI Energy, as a not-for-profit organization receiving federal funds, is required to have an annual compliance audit in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). It is the opinion of management that unallowable costs, if any, associated with these audits will be insignificant.

As discussed in Note 4, certain of GTI's contracts with customers are considered long-term fixed-price contracts with performance obligations satisfied over time, with revenue recognized using the cost incurred input methods to measure progress. GTI evaluates these contracts on a quarterly basis to determine if the remaining costs to fulfill the contract exceed the consideration expected to be received and will record an immediate loss. As of December 31, 2022 and 2021, GTI had a contract loss accrual of approximately $265,000 and $162,000, respectively.

Note 18 - Risks and Uncertainties

GTI invests excess cash in certificates of deposit, money market funds, government securities, mutual funds of registered investment companies, corporate debt securities, municipal debt, equity securities, hedge funds, and private equity securities. Such investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is possible that changes in risks in the near term would materially affect the investment balances.

Note 19 - Credit Risk Concentration and Major Customers

At December 31, 2022, GTI's two largest customers were the United States government and Arbor Renewable Gas LLC, which represented approximately 33 percent of total trade accounts receivable and approximately 41 percent of total operating revenue for the year ended December 31, 2022.

Note 19 - Credit Risk Concentration and Major Customers (Continued)

At December 31, 2021, GTI's largest customer was the United States government, which represented approximately 43 percent of total trade accounts receivable and approximately 34 percent of total operating revenue for the year ended December 31, 2021.

Note 20 - Related Party Transactions

The following is a description of transactions between GTI and related parties:

Sales

For the years ended December 31, 2022 and 2021, GTI had sales to members of the board of directors totaling approximately $6,156,000 and $7,007,000, respectively. GTI had billed and unbilled accounts receivable from these affiliates totaling approximately $1,744,000 and $1,168,000 at December 31, 2022 and 2021, respectively.

Note 21 - Liquidity and Availability of Financial Resources

The following reflects GTI's financial assets as of December 31:

	2022	2021
Cash and cash equivalents	$ 11,204,000	$ 5,034,000
Accounts receivable	48,888,000	44,739,000
Short-term investments	87,000	19,000
Financial assets - At year end	$ 60,179,000	$ 49,792,000

GTI has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 30 days of normal operating expenses, which are, on average, approximately $15,109,000 and $11,919,000 for December 31, 2022 and 2021, respectively. GTI has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, GTI invests cash in excess of daily requirements in fixed net asset value money market mutual funds. As more fully described in Note 11, GTI also has a committed line of credit in the amount of $16,000,000, which it could draw upon in the event of an unanticipated liquidity need.

Additional Information

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Independent Auditor's Report on Additional Information

To the Board of Directors
GTI Energy and Subsidiaries

We have audited the consolidated financial statements of GTI Energy and Subsidiaries as of and for the years ended December 31, 2022 and 2021 and have issued our report thereon dated April 20, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the 2022 consolidated financial statements as a whole. The consolidating information is presented for the purpose of additional analysis rather than to present the financial position, change in net assets, and cash flows of the individual companies and is not a required part of the consolidated 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 2022 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2022 consolidated financial statements as a whole.

Plante & Moran, PLLC

April 20, 2023

Consolidating Statement of Financial Position

December 31, 2022
(with comparative totals for 2021)
(000s omitted)

	Gas Technology Institute	Consolidated Subsidiaries	Eliminating Entries	Total	2021
Assets					
Current Assets					
Cash and cash equivalents	$ 2,001	$ 9,203	$ -	$ 11,204	$ 5,034
Short-term investments	87	-	-	87	19
Accounts receivable - Trade:					
Billed - Net	7,502	6,281	(41)	13,742	13,562
Contract asset	17,978	3,987	(12)	21,953	25,372
Other receivables	7,848	1,053	-	8,901	5,805
Due from affiliates	1,566	710	(2,276)	-	-
Prepaid expenses and other current assets	831	6,533	-	7,364	2,987
Total current assets	37,813	27,767	(2,329)	63,251	52,779
Long-term Investments	59,124	-	-	59,124	70,106
Other Assets					
Investment in affiliate	17,418	-	(17,418)	-	-
Note receivable from affiliate	5,636	-	(5,636)	-	-
Deferred tax assets	345	2,579	-	2,924	2,541
Postretirement benefit asset	9,787	-	-	9,787	11,409
Other noncurrent assets	1,487	-	-	1,487	1,531
Contract assets	-	-	-	-	975
Property and Equipment - Net	9,857	1,945	-	11,802	10,929
Right-of-use Operating Lease Assets - Net	1,352	2,254	-	3,606	3,169
Intangible Assets - Net	3,750	7,056	-	10,806	11,862
Total assets	**$ 146,569**	**$ 41,601**	**$ (25,383)**	**$ 162,787**	**$ 165,301**
Liabilities and Net Assets					
Current Liabilities					
Accounts payable and accrued expenses	$ 14,532	$ 5,151	$ (60)	$ 19,623	$ 20,885
Contract liabilities	20,830	13,654	1	34,485	18,627
Accrued compensation	8,821	3,163	26	12,010	11,828
Line of credit	13,000	-	-	13,000	-
Paycheck Protection Program loan	-	-	-	-	8,549
Current portion of lease liabilities - Operating	259	345	-	604	706
Due to affiliates	743	2,736	(3,479)	-	-
Contract loss accrual	208	57	-	265	162
Total current liabilities	58,393	25,106	(3,512)	79,987	60,757
Lease Liabilities - Operating - Net of current portion	1,085	1,879	-	2,964	2,285
Other Long-term Liabilities - Net of current portion					
Long-term notes payable to affiliates	-	4,436	(4,436)	-	-
Other long-term liabilities	3,178	650	-	3,828	3,191
Total liabilities	62,656	32,071	(7,948)	86,779	66,233
Net Assets	83,913	9,530	(17,435)	76,008	99,068
Total liabilities and net assets	**$ 146,569**	**$ 41,601**	**$ (25,383)**	**$ 162,787**	**$ 165,301**

Consolidating Statement of Activities

Year Ended December 31, 2022
(with comparative totals for 2021)
(000s omitted)

	Gas Technology Institute	Consolidated Subsidiaries	Eliminating Entries	Total	2021
Changes in Net Assets without Donor Restrictions					
Operating revenue:					
Project	$ 91,871	$ 68,601	$ (3,590)	$ 156,882	$ 130,549
Royalty	4,941	-	(250)	4,691	4,871
Other	3,578	-	(2,737)	841	945
Total operating revenue	100,390	68,601	(6,577)	162,414	136,365
Operating expenses:					
Project costs	62,686	51,154	(3,561)	110,279	88,801
Business units	17,787	6,897	(263)	24,421	22,901
Corporate development	17,075	2,473	(4)	19,544	11,532
Corporate support	21,073	8,592	(2,737)	26,928	19,836
Total operating expenses	118,621	69,116	(6,565)	181,172	143,070
Decrease in Net Assets from Operating Activities	(18,231)	(515)	(12)	(18,758)	(6,705)
Nonoperating Income (Expenses)					
Forgiveness of Paycheck Protection Program loan	5,868	2,306	-	8,174	-
Income tax recovery (expense)	283	136	-	419	(533)
Investment (loss) income	(9,636)	-	(300)	(9,936)	8,396
Interest expense	(259)	(301)	300	(260)	(88)
Postretirement benefit changes other than net periodic benefit cost	(3,719)	-	-	(3,719)	106
Equity in earnings of affiliate	7,463	-	(7,463)	-	-
Other income (expense)	244	907	(131)	1,020	367
Total nonoperating income (expense)	244	3,048	(7,594)	(4,302)	8,248
(Decrease) Increase in Net Assets	**$ (17,987)**	**$ 2,533**	**$ (7,606)**	**$ (23,060)**	**$ 1,543**

GTI Energy and Subsidiaries

Federal Awards Supplemental Information
December 31, 2022

Contents

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
GTI Energy and Subsidiaries

We have audited the consolidated financial statements of GTI Energy and Subsidiaries as of and for the year ended December 31, 2022 and have issued our report thereon dated April 20, 2023, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to April 20, 2023.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

April 20, 2023

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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*

Independent Auditor's Report

To Management and the Board of Directors
GTI Energy and Subsidiaries

We have audited, 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, the consolidated financial statements of GTI Energy and Subsidiaries (GTI), which comprise the consolidated statement of financial position as of December 31, 2022 and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated April 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered GTI's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of GTI's internal control. Accordingly, we do not express an opinion on the effectiveness of GTI'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 GTI's consolidated 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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether GTI's consolidated financial statements are free from 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 consolidated 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*.

To Management and the Board of Directors
GTI Energy and Subsidiaries

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 GTI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering GTI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

April 20, 2023

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
GTI Energy and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited GTI Energy and Subsidiaries' (GTI) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on GTI's major federal program for the year ended December 31, 2022. GTI's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, GTI complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2022.

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 (GAAS); 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* (the "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 GTI and to meet our other ethical responsibilities in accordance with 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 GTI's compliance with the compliance requirements referred to above.

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 GTI's federal program.

Auditor's Responsibilities 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 GTI'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 GAAS, *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 GTI's compliance with the requirements of each major federal program as a whole.

To the Board of Directors
GTI Energy and Subsidiaries

In performing an audit in accordance with GAAS, *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 GTI'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 GTI'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 GTI'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.

Report on Internal Control Over Compliance

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 and 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, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Finding 2022-001, to be a significant deficiency.

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.

Government Auditing Standards require the auditor to perform limited procedures on GTI's response to the internal control over compliance finding identified in our audit and described in the accompanying schedule of findings and questioned costs. GTI's response was not subjected to the other auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on it.

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.

Plante & Moran, PLLC

April 20, 2023

Federal Agency/Pass-through Agency/Program Title	Contract Number/Pass-through Entity Identifying Number	Assistance Listing Number	Total Amount Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster:				
Direct Awards:				
U.S. Department of Energy:				
Conservation Research and Development	DE EE0007996			
	DE-EE0008686			
	DE-EE0008802			
	DE-EE0008799			
	DE-EE0009215			
	DE-EE0009069			
	DE-EE0009738	81.086	$ 1,523,535	$ 2,250,396
Renewable Energy Research and Development	DE-EE008637			
	DE-EE0008431			
	DE-EE0008507			
	DE-EE0008919			
	DE-EE0009265			
	DE-EE0009755			
	DE-EE0009754			
	DE-EE0009625			
	DE- EE0010298			
	DE-EE008850	81.087	1,140,035	6,951,447
Fossil Energy Research and Development	DE FE0012829			
	DE FE0024292			
	DE FE0028979			
	DE FE0029787			
	DE FE0031577			
	DE-FE0031598			
	DE FE0031630			
	DE FE0031833			
	DE-FE0031875			
	DE-FE0031909			
	DE-FE0031946			
	DE-FE0032013			
	DE-FE0032012			
	DE-FE0032172			
	DE-FE0032176			
	DE-FE0031892			
	DE-FE0032008	81.089	12,918,239	22,971,580

See notes to schedule of expenditures of federal awards.

Federal Agency/Pass-through Agency/Program Title	Contract Number/Pass-through Entity Identifying Number	Assistance Listing Number	Total Amount Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster (Continued):				
Direct Awards (Continued):				
Advanced Research Projects Agency - Energy Financial Assistance Program:				
A Novel Catalytic Membrane Reactor for DME Synthesis from Renewable Resources	DE AR0000806	ARPA-E-81.135	$ -	$ 184,355
Hybrid Solar System - Continuation	DE AR0001102	ARPA-E-81.135	-	348,633
Total U.S. Department of Energy			15,581,809	32,706,411
U.S. Department of Defense:				
Basic, Applied and Advanced Research in Science and Engineering	W9132T1610004 W9132T1710002 W9132T1810002	12.630	-	2,782,313
Reducing Carbon Emissions for DOD Facility Heating Applications with Hydrogen Blends	N3943022C2433		-	38,566
High Efficiency Commercial Food Service Equipment with Heat Recovery	N3943022C2431		-	40,431
Micro Combined Heat and Power Distributed Generation Resilience	W912HQ22C0026		-	174,256
Solar Powered Boilers to Reduce GHG Emissions for Naval Facilities	N3943022C2434		-	7,142
Replacing Steam Driven Space Heating with High Efficiency Hybrid Boiler Array	N3943022C2435		-	95,728
BioCorrosion Detection Prevention and Mitigation	W9132T22C0023		-	27,045
Robotics for In-service Inspection and Maintenance Techniques	W9132T229C002		-	141,597
Demonstration of Ultra-High Efficiency Natural Gas Technologies for Illinois Army National Guard	W9132T20C0013	12.RD	-	417,164
Total U.S. Department of Defense			-	3,724,242
U.S. Department of Transportation:				
PHMSA Pipeline Safety Research and Development “Other Transaction Agreements”	693JK31910002POTA 693JK31910004POTA 693JK32010005POTA 693JK32110002POTA 693JK32110009POTA 693JK32210004POTA 693JK32210012POTA 693JK32210010POTA 693JK32210008POTA 693JK32110001POTA	20.723	-	1,030,166
Community Safety Grant Fiscal Year 2021 Hazardous Materials Virtual Reality (VR) Training	693JK32140004HMCS	20.RD	-	171,572
Total U.S. Department of Transportation			-	1,201,738
Total Direct Awards			15,581,809	37,632,391

See notes to schedule of expenditures of federal awards.

Federal Agency/Pass-through Agency/Program Title	Contract Number/Pass-through Entity Identifying Number	Assistance Listing Number	Total Amount Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster (Continued):				
Indirect Awards:				
U.S. Department of Agriculture -				
Mid-Atlantic Sustainable Biomass for Value-added Products Consortium (MASBio) - Passed through West Virginia University	2020-68012-31881	10.310	$ -	$ 446
U.S. Department of Defense:				
Design and Synthesis of Materials for Agile Manufacturing - Passed through Worchester Polytechnics Institute	W911NF1920108	12.430	-	109,647
Demonstration of Natural Gas Based/Other Energy Efficiency Solutions for Navy Facilities - Passed through Consortium Management Group Inc.	M67854-18-9-9000	12.RD	-	2,003,519
Weatherization Chamber Design Build - Passed through Consortium Management Group Inc.	W9132T209D001	12.RD	-	28,805
Total U.S. Department of Defense			-	2,141,971
U.S. Department of Energy:				
Office of Science Financial Assistance Program:				
Optimization of Coal Waste Biomass Gasification for Hydrogen Production - Passed through Microbeam Technologies Institute	DE-SC0022871	81.049	-	16,823
DOE ERCO Machine Learning Libs - Passed through Energy Research Company	DE-SC0022696	81.049	-	9,784
Conservation Research and Development -				
Membrane Based Ionic Liquid Absorption System for Ultra-Efficient Dehumidification and Heating - Passed through University of Florida	DE-EE0009162	81.086	-	19,082
Renewable Energy Research and Development -				
Hydrogen Workforce Development Training - DOE/EPRI - Passed through Electric Power Research Institute	DE-EE0009253	81.087	-	18,142
Fossil Energy Research Development:				
Perform CFD Modeling for the Design of a 1 MW Post-Combustion Carbon Capture System - Passed through TDA Research	DE FE0031603	81.089	-	555
Composite Zeolite Sorbents with Ultrathin Size-screening “Gate” Coating for CO2 Capture - Passed through Rensselaer Polytechnic Institute	DE-FE0031730	81.089	-	15,704
A High Efficiency Modular Pre-Combustion Capture System for CoalFIRST Poly-generation Process - Passed through TDA Research	DE-FE0031926	81.089	-	30,680
Wabash Coal FIRST Negative CO2 Emissions Engineering Prototype - Passed through Wabash Valley Resources LLC	DE-FE0031994	81.089	167,190	1,010,909

See notes to schedule of expenditures of federal awards.

Federal Agency/Pass-through Agency/Program Title	Contract Number/Pass-through Entity Identifying Number	Assistance Listing Number	Total Amount Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster (Continued):				
Indirect Awards (Continued):				
Fossil Energy Research Development (Continued):				
U-GAS for CoalFIRST Integration Study - Program Area 3 Gasification System - Passed through Electric Power Research Institute	DE-FE0031993	81.089	$ -	$ 209,358
Provide Technical Assistance to TDA in Phase 2 SBIR Program - Passed through TDA Research	DE-SC0018757	81.089	-	35,816
Novel Transformational Membranes and Process for CO2 Capture from Flue Gas - Passed through Ohio State University	DE-FE0031731	81.089	-	30,257
UGAS For Coalfirst Integration Study - Subrecipient to EPRI - Program Area 5 Advanced Turbines - Passed through Electric Power Research Institute	DE-FE0031993	81.089	-	452,125
Advanced Research Projects Agency - Energy Financial Assistance Program				
ARPA-E REPAIR Testing and Technical Specification Panel Management - Passed through Operations Technology Development	DE-AR0001301	ARPA-E-81.135	-	6,031
RTC Ammonia-fueled Hybrid-electric Aircraft Support - Passed through Raytheon Technologies Corporation	DE-AR0001343	ARPA-E-81.135	-	96,966
Testing and Analysis of Pipeline Encapsulation Technologies - Passed through University of Colorado	DE-AR0001327	ARPA-E-81.135	-	422,627
Smart CNG Station - Passed through National Renewable Energy Laboratory	DE AC36 08GO28308	81.RD	-	620,859
NETL RSS - Pipeline Sensor Testing - Passed through Leidos, Inc.	89243318CFE000003	81.RD	-	97,975
Gas-fired Binary-Fluid Sorption-Assisted Ejector Heat Pump for Water Heating - Passed through Oak Ridge National Laboratory	DE-AC05-00OR22725	81.RD	-	28,434
NREL Technical Assistance for Alt Fuels and Mobility Systems - Passed through National Renewable Energy Laboratory	DE-AC36-08GO28308	81.RD	-	26,996
3D Printed Desiccant Wheel with Thermo-responsive Desiccants for Energy Efficiency and Thermal Comfort in Buildings - Passed through National Renewable Energy Laboratory	DE-AC36-08GO28308	81.RD	-	3,265
Review of Net Zero Greenhouse Emissions Plan - Passed through Leidos, Inc.	89243318CFE000003	81.RD	-	672
Business Plan for DAC Center - Passed through Leidos, Inc.	89243318CFE000003	81.RD	-	783
Center for Sustainable Fuels and Chemicals Implementing the Vision and Future Development - Passed through Leidos, Inc.	89243318CFE0000003	81.RD	-	31,055
Conducting Field Research on Various HVAC Systems and Technologies in the United States - Passed through Lawrence Berkeley National Laboratory	DE-AC02-05CH11231	81.RD	-	474,974
Field Validation of Innovative Air-Source Heat Pumps in Heating Applications - Passed through Brookhaven National Laboratory	NCN	81.RD	-	35,717
Residential Building Subject Matter Expert Technical, Outreach and Research Development Support - Passed through National Renewable Energy Laboratory	DE-AC36-08GO28308	81.RD	-	52,987
Total U.S. Department of Energy			167,190	3,748,576

Schedule of Expenditures of Federal Awards (Continued)

Year Ended December 31, 2022

Federal Agency/Pass-through Agency/Program Title	Contract Number/Pass-through Entity Identifying Number	Assistance Listing Number	Total Amount Provided to Subrecipients	Total Federal Expenditures
Research and Development Cluster (Continued):				
Indirect Awards (Continued):				
U.S. Department of Transportation:				
PHMSA Pipeline Safety Research and Development “Other Transaction Agreements”:				
Procedures for Selecting Locating and Excavation Technologies - Passed through Operations Technology Development	693JK31910005POTA	20.723	$ -	$ 854
Uncertainty Quantification for Non-LNG Release Hazards Modeling - Passed through Blue Engineering and Consulting	693JK31910009POTA	20.723	-	977
Develop Remote Sensing and Leak Detection Platform with Multiple Sensors - Passed through Operations Technology Development	693JK31910007POTA	20.723	-	25,595
Validation of Remote Sensing and Leak Detection Technologies Under Realistic and Differing Operating Conditions - Passed through Operations Technology Development	693JK31910006POTA	20.723	-	(44,160)
Total U.S. Department of Transportation			-	(16,734)
Total Indirect Pass-through Awards			167,190	5,874,259
Total Research and Development Cluster			15,748,999	43,506,650
Education:				
Direct Awards:				
U.S. Trade and Development Agency:				
India Petrochemicals Reverse Trade Mission - FP	1131PL-16-D-IQ91922	99.U01	-	(31,879)
Indonesia Waste-to-Energy Reverse Trade Mission (RTM) Series - Fixed Price	1131PL-16-D-IQ91922	99.U02	-	89,851
Global Procurement Initiative Procurement Regional Assistance Program for the Caribbean - Energy	1131PL-16-D-IQ91922	99.U03	-	16,022
Global Procurement Initiative Procurement Regional Assistance Program for the Caribbean - Energy CR	1131PL-16-D-IQ91922	99.U04	-	101,244
Understanding Best Value - Procurement Assistance Program for Thailand FP	1131PL-16-D-IQ91922	99.U05	-	38,890
Indonesia Waste-to-Energy Reverse Trade Mission (RTM) Series - Fixed Price	1131PL-16-D-IQ91922	99.U06	-	182,333
Understanding Best Value Procurement Assistance Program for Ecuador	1131PL-22-D-IQ91147	99.U07	-	58,175
Understanding Best Value - Procurement Assistance Program for Thailand FP	1131PL-16-D-IQ91922	99.U08	-	11,145
Total U.S. Trade and Development Agency			-	465,781
U.S. Department of Transportation -				
Community Safety Grant Fiscal Year 2022 Hazardous Materials Virtual Reality (VR) Training	693JK32240004HMCS	20.703	-	34,421
Total Direct Awards			-	500,202
Indirect Awards:				
U.S. Agency for International Development (USAID) -				
Remote Bangladesh Training on Gas Transmission Regulation - Passed through NARUC	AID-OAA-A-1600042	98.U01	-	13,500
Total federal expenditures			**$ 15,748,999**	**$ 44,020,352**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of GTI Energy and Subsidiaries (GTI) under programs of the federal government for the year ended December 31, 2022. Subsidiaries with federal expenditures, included in the Schedule, include Frontier Energy, Inc. and Projeo Corporation. The information in the 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* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of GTI, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of GTI.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 48 CFR Subpart 31.2, as prescribed by Title 2 U.S. Code of Federal Regulations Part 200.401(c). Certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

GTI has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ Yes _X_ No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes _X_ None reported
Noncompliance material to financial statements noted?	___ Yes _X_ None reported

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	___ Yes _X_ No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_X_ Yes ___ None reported
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	_X_ Yes ___ No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
Various	Research and Development Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs:	$1,320,611
Auditee qualified as low-risk auditee?	_X_ Yes ___ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2022-001	**Assistance Listing Number, Federal Agency, and Program Name** - 81.087, U.S. Department of Energy, Research and Development Cluster

Federal Award Identification Number and Year - DE-EE0008507

Pass-through Entity - N/A - Direct award

Finding Type - Significant deficiency

Repeat Finding - Yes

2021-001

Criteria - In accordance with 45 CFR 75.305 2(b), for nonfederal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the nonfederal entity whether the payment is made by electronic funds transfers or issuance or redemption of checks, warrants, or payments by other means.

In accordance with 45 CFR 75.305(3), when the reimbursement method is used, the federal awarding agency or pass-through entity must make payment within 30 calendar days after receipt of billing, unless it is believed the request to be improper.

Condition - Controls in place did not minimize the time elapsing between the transfer of funds and disbursement to a GTI subrecipient.

Questioned Costs - None

Identification of How Questioned Costs Were Computed - Not applicable, as there are no questioned costs.

Context - In 1 out of 29 transactions sampled for testing, it took GTI greater than 30 calendar days to make payment to the subrecipient after receipt of billing. The days in excess amounted to 19 calendar days. GTI's subrecipient billings totaled 176 during 2022.

Cause and Effect - Controls in place did not result in GTI making payment within 30 calendar days to a subrecipient, after receipt of billing. It took GTI 49 days to pay the subrecipient.

Recommendation - We recommend that GTI review its procedures and controls to ensure disbursement of funds to its subrecipients is consistent with applicable laws and regulations.

Views of Responsible Officials and Corrective Action Plan - The one exception noted related to a disbursement made in January 2022, prior to the full implementation of the corrective action plan in May 2022. GTI management believes the prior year's corrective action plan successfully addressed this finding, as the remainder of the transactions were paid within 30 calendar days.

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GTI Energy and Subsidiaries

December 31, 2022

Summary Schedule of Prior Audit Findings

Prior Year Finding Number:
2021-001

Fiscal Year in Which the Finding Initially Occurred:
2020

Federal Program, Assistance Listing Number and Name:
R&D Cluster

Original Finding Description:
Controls in place did not minimize the time elapsing between the transfer of funds and disbursement to GTI Energy subrecipients.

Status/Partial Corrective Action (as applicable):
Fully corrected as of May 31, 2022

Planned Corrective Action:
GTI Energy management developed a process to track and report the subrecipient invoices received, but not yet paid. This report is run and reviewed by contract services, purchasing and accounts payable staff, to identify and prioritize any remaining action items relevant to payment of the invoices. The report is also reviewed weekly by the accounts payable supervisor to ensure the invoices are prioritized by the accounts payable staff and any issues are escalated, if needed, to ensure timely payment. Further, management will continue to conduct a review of subrecipient invoice payments to ensure the 30-day requirement is being achieved.

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GTI Energy and Subsidiaries
December 31, 2022
Summary Schedule of Prior Audit Findings

Prior Year Finding Number:
2021-002

Fiscal Year in Which the Finding Initially Occurred:
2021

Federal Program, Assistance Listing Number and Name:
R&D Cluster

Original Finding Description:
Controls in place did not identify that an amendment for a change in a key person was necessary after the key person was terminated.

Status/Partial Corrective Action (as applicable):
Fully corrected

Planned Corrective Action:
N/A

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GTI Energy and Subsidiaries

December 31, 2022

Corrective Action Plan

Finding Number: 2022-001

Condition: Controls in place did not minimize the time elapsing between the transfer of funds and disbursement to a GTI Energy subrecipient.

Planned Corrective Action: The one exception noted related to a disbursement made in January 2022, prior to the full implementation of the corrective action plan in May of 2022. GTI Energy management believes the prior year's corrective action plan successfully addressed this finding, as the remainder of the transactions tested were paid within 30 calendar days.

Contact person responsible for corrective action: Michael Momot, Sr. Manager, Accounting and Contract Administration

Anticipated Completion Date: Fully corrected as of May 31, 2022