



electricore

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2022 and 2021

ELECTRICORE, INC.

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Independent Auditor's Report

Board of Directors
Electricore, Inc.

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Electricore, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Electricore, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Electricore, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of costs allowable under Federal programs and other costs and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of costs allowable under Federal programs and other costs and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2023 on our consideration of Electricore, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Electricore, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Electricore, Inc.'s internal control over financial reporting and compliance.

Reissuance of Auditor's Reports

The auditor's report on the financial statements replaces our previously issued report dated July 28, 2023. As discussed in Note 3 to the schedule of expenditures of federal awards, the research and development programs cluster expenditures have decreased. Our report on internal control over financial reporting and compliance and other matters has been reissued to include finding 2022-001.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 6, 2023

ELECTRICORE, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash	\$ 629,758	\$ 683,230
Accounts receivable, net	437,461	2,964,155
Prepaid expenses	31,957	35,542
Contract assets	<u>7,136,984</u>	<u>2,717,742</u>
Total Current Assets	8,236,160	6,400,669
 OPERATING LEASE RIGHT-OF-USE ASSETS	 <u>23,030</u>	 <u>-</u>
 TOTAL ASSETS	 <u><u>\$8,259,190</u></u>	 <u><u>\$6,400,669</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$7,044,275	\$5,393,642
Contract liabilities	735,935	649,801
Current portion of operating lease liabilities	<u>21,260</u>	<u>-</u>
Total Current Liabilities	7,801,470	6,043,443
 OPERATING LEASE LIABILITIES	 <u>1,770</u>	 <u>-</u>
 NET ASSETS		
Without donor restrictions	<u>455,950</u>	<u>357,226</u>
Total Net Assets	455,950	357,226
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$8,259,190</u></u>	 <u><u>\$6,400,669</u></u>

See accompanying notes.

ELECTRICORE, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2022 and 2021

	2022	2021
REVENUE AND SUPPORT		
Program Service Revenue:		
U.S. Department of Defense program	\$ -	\$ 50,000
U.S. Department of Energy program	16,049,178	10,405,221
Other programs	<u>252,937</u>	<u>207,461</u>
Total Grant Income	16,302,115	10,662,682
Other revenue	2,765	2,055
Contributed nonfinancial assets	<u>15,967</u>	<u>6,279</u>
Total Revenue and Support	<u>16,320,847</u>	<u>10,671,016</u>
OPERATING EXPENSES		
U.S. Department of Defense	-	16,605
U.S. Department of Energy	16,073,675	10,445,344
Administrative and other expenses	<u>148,448</u>	<u>105,791</u>
Total Operating Expenses	<u>16,222,123</u>	<u>10,567,740</u>
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	98,724	103,276
NET ASSETS		
Beginning of Year	<u>357,226</u>	<u>253,950</u>
End of Year	<u><u>\$ 455,950</u></u>	<u><u>\$ 357,226</u></u>

See accompanying notes.

ELECTRICORE, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
OPERATING ACTIVITIES		
Increase in net assets	\$ 98,724	\$ 103,276
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in certain current assets:		
Accounts receivable	2,526,694	(2,640,126)
Prepaid expenses	3,585	(9,714)
Contract assets	(4,419,242)	(2,115,367)
Increase in certain current liabilities:		
Accounts payable	1,650,633	4,723,631
Contract liabilities	86,134	224,777
Net Cash Provided (Used) by Operating Activities	<u>(53,472)</u>	<u>286,477</u>
FINANCING ACTIVITIES		
Payments on note payable - related party	<u>-</u>	<u>(100,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(100,000)</u>
NET INCREASE (DECREASE) IN CASH	(53,472)	186,477
CASH		
Beginning of Year	<u>683,230</u>	<u>496,753</u>
End of Year	<u>\$ 629,758</u>	<u>\$ 683,230</u>

See accompanying notes.

ELECTRICORE, INC.

NOTES TO FINANCIAL STATEMENTS December 31, 2022 and 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Corporation to report information regarding its financial position and activities depending on the absence or presence of donor-imposed restrictions. As of December 31, 2022 and 2021, none of the Corporation's net assets were subject to donor imposed restrictions and could be used at the discretion of management and the Board of Directors, and therefore were all classified as net assets without donor restrictions.

New Accounting Pronouncements: Effective January 1, 2022, the Corporation adopted new lease accounting guidance in Accounting Standards Codification (ASC) Topic 842, *Leases* (ASC 842) as required by the Financial Accounting Standards Board. The Corporation elected the package of practical expedients to not reassess lease definition, classification, or direct costs related to existing or expired leases.

The Corporation adopted the new lease accounting guidance retrospectively at the beginning of the period of adoption with the cumulative effect of initial application recognized at the beginning of the period of adoption. No cumulative effect adjustment to net assets was required upon adoption of ASC 842 on January 1, 2022.

Additionally, effective January 1, 2022, the Corporation adopted Accounting Standards Update (ASU) No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 increases transparency of contributed nonfinancial assets through enhancements in presentation and disclosure requirements. As a result, the Corporation is now required to present contributed nonfinancial assets as a separate line item in the statements of activities, apart from contributions of cash and other financial contributions. The Corporation is also required to disclose various information related to contributed nonfinancial assets. The amendments had no impact on financial position or changes in net assets. ASU No. 2020-07 was adopted on a retrospective basis.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable are for amounts expended or otherwise earned under various grant agreements that have not been received from the granting or contracting agency or participants. No payment terms are specified to granting or contracting agencies. Accounts receivable are paid by granting or contracting agencies upon review of supporting documentation and their satisfaction the Corporation has met appropriate milestones. On a periodic basis, the Corporation's management evaluates its receivables and may establish an allowance for doubtful accounts, based on the history of past write-offs and collections and current credit conditions. At December 31, 2022, 2021, and 2020, net accounts receivable were \$437,461, \$2,964,155, and \$324,029, respectively. At December 31, 2022 the allowance for doubtful accounts was zero. At December 31, 2021 and 2020, the allowance for doubtful accounts was \$93,796.

Contract Assets and Liabilities: Contract assets represent the amount of revenue recognized but not yet billed pursuant to contract terms or accounts billed after the statement of financial position date. Contract liabilities represents participant fees collected in advance and billings on contracts in process in excess of costs and earned income. At December 31, 2022, 2021, and 2020, contract assets were \$7,136,984, \$2,717,742, and \$602,375, respectively. At December 31, 2022, 2021, and 2020, contract liabilities were \$735,935, \$649,801, and \$425,024, respectively.

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

Contract costs include all participant milestone payments, program materials, and subcontract costs, and those indirect costs related to contract performance, such as salaries and benefits, insurance, rents, travel, and other costs. Provision for estimated losses on uncompleted contracts is made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability may result in revisions to costs and revenue, and are recognized in the period in which revisions are determined. Under federal and state agreements, upon completion or termination of a project, grantor representatives may elect to conduct financial audits of the Corporation or any participant to account for expenditure of funds and contribution of participant funding. Any adjustments resulting from such audits would be accrued in the period the Corporation is notified of the adjustment. No such adjustments occurred in 2022 and 2021.

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior to January 1, 2022, the Corporation recognized operating lease expense on a straight-line basis over the lease term. However, no asset was recognized for its right to use the underlying asset and no liability was recognized for the obligation to make lease payments.

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

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

Income Taxes: The Corporation is exempt from taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, the Corporation has been determined by the Internal Revenue Service not to be a private foundation within the meaning of section 509(a) of the Internal Revenue Code. There was no unrelated business income tax for 2022 and 2021.

The Corporation files U.S. federal and state of California information returns. The Corporation is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2019. Management believes that the Corporation's income tax filing positions will be sustained on audit and does not anticipate any adjustments that will result in a material change.

Subsequent Events: The Corporation has evaluated the financial statements for subsequent events occurring through September 6, 2023, the date the financial statements were available to be issued.

NOTE 2 - PROGRAM SERVICES

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

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

U.S. Department of Defense and Empirical Systems Aerospace, Inc. – Agile Manufacture and Distribution of the Field Adaptable Supply Technology (FAST) Swarming System: The objective of this project is to develop and demonstrate a functional prototype unmanned aircraft systems (UAS) capable of agile on-demand manufacturing and rapid, distributed, deployment capable of supporting multiple payloads dependent upon the situation. The FAST swarming system is composed of inexpensive, readily available, commercial-off-the-shelf components to demonstrate rapid deployment and adaptability of the design. Using simple, plug-and-play hardware the system can be quickly deployed to any area at a very low cost.

NOTE 2 - PROGRAM SERVICES (CONTINUED)

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

U.S. Department of Energy and Lawrence Berkeley National Laboratory – Amine-Appended Metal-Organic Frameworks as Switch-Like Adsorbents for Energy-Efficient Carbon Capture: This project will optimize new CO₂ capture material's performance in the context of real process streams and conditions, such as rapid cycle temperature swing adsorption in a functional carbon capture system using optimized adsorption/desorption cycles. Adsorbents will be created, maintained, and ranked according to selectivity, working capacity, and stability towards adsorption/desorption cycling under synthetic flue gas conditions relevant to emissions from power plants burning either coal or possibly natural gas. Materials for which the expected CO₂ capture properties are confirmed will then be tested using a unique, custom-built gas adsorption analyzer.

U.S. Department of Energy – LH CO₂ment Colorado Project: The objective of this project is to accelerate the implementation of a 1 million tonnes per year (TPY), and first-of-a-kind at world scale, carbon capture plant by completing the pre-front-end engineering design of a fit-for-purpose design at an existing cement plant. The study will also include optimization engineering for the potential expansion to 2 million TPY that may provide a step-function advancement toward achieving the U.S. Department of Energy's goal of \$30/tonne for CO₂ capture, transport and storage.

U.S. Department of Energy and Chevron U.S.A., Inc. – Chevron Natural Gas Carbon Capture Technology Testing Project: The objective of this engineering scale development project is to test a transformational solid sorbent carbon capture technology under an indicative natural gas flue gas conditions and continuous long-term operation. The primary goal of this project will be to gather data necessary for further process scale-up efforts in order to contribute to and validate key aspects of the technology roadmap established by the U.S. Department of Energy to approach performance goals of CO₂ capture with 95% CO₂ purity at a cost of \$30/tonne of CO₂ captured by 2030.

U.S. Department of Energy – Direct Air Capture Using Novel Structured Adsorbents: The objective of this project is to advance direct air capture (DAC) technology through a novel combination of a vacuum-temperature swing CO₂ adsorption process and structured adsorbent beds. The recipient will conduct applied research and development to optimize the process design by reducing pressure drop and improving heat recovery. The project will validate current state-of-the-art DAC systems and sorbent materials and provide the U.S. Department of Energy and industry a benchmark for capability and cost effectiveness.

U.S. Department of Energy – Advanced Structured Adsorbent Architectures for Transformative Carbon Dioxide Capture Performance: This project aims to develop an advanced generation of structured adsorbent technology that represents a transformational approach and produces step-change reductions in CO₂ capture cost and energy penalties. The work completed under this project will lead to major advancement over the current Mark I version of the VeloxoTherm™ Technology, which is currently being commercialized as a 2nd generation post-combustion CO₂ capture technology by Svante, Inc.

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

NOTE 2 - PROGRAM SERVICES (CONTINUED)

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

U.S. Department of Energy and Calpine Texas CCUS Holdings, LLC: This project will conduct a Front-End Engineering Design (FEED) Study on a scalable, commercial-scale, 5 million tonnes per annum net CO₂, Generation 2 Carbon Capture System (CCS) capturing 95% of total CO₂ emissions from a natural gas combined cycle (NGCC) power plant flue gas at Calpine's Deer Park Carbon Capture Facility (DPCCF) in Deer Park, Texas, decreasing the cost and improving the efficiency of CCS treating flue gas from a NGCC.

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

NOTE 3 - AVAILABLE RESOURCES AND LIQUIDITY

The Corporation had \$7,812,809 and \$5,976,497 of financial assets available within one year of December 31, 2022 and 2021, respectively, to meet cash needs for general expenditure. These assets consisted of cash of \$238,364, accounts receivable of \$437,461 and contract assets of \$7,136,984 as of December 31, 2022, and cash of \$294,600, accounts receivable of \$2,964,155 and contract assets of \$2,717,742 as of December 31, 2021. As of December 31, 2022 and 2021, assets available for general expenditure includes amounts which are due to program participants.

The Corporation had \$391,394 and \$388,630 of cash as of December 31, 2022 and 2021, respectively, set aside related to the program with the Navajo Nation. The Corporation does not consider these funds available for general expenditure.

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

NOTE 4 - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized in the statements of activities consisted of services. Recognized contributed services comprise time and effort of executives for management of the Corporation. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

NOTE 5 - LEASES

The Corporation leases vehicles under noncancelable operating lease agreements that expire in February 2024. The Corporation has short-term leases for office space and storage including a lease with a related party. See Note 9. Total lease costs were \$42,086 in 2022, which consisted of operating lease costs of \$31,986 and short-term lease costs of \$10,100. In 2021 rent expense was \$36,339.

The following summarizes the weighted-average remaining lease term and weighted-average discount rate at December 31, 2022:

Weighted-average remaining lease term:	
Operating leases	1.14 years
Weighted-average discount rate:	
Operating leases	5.25%

The future minimum lease payments under noncancelable operating leases with terms greater than one year were as follows at December 31, 2022:

Payable In	Operating Leases
2023	\$21,865
2024	<u>1,782</u>
Total future undiscounted lease payments	23,647
Less: Interest	<u>(617)</u>
Total Lease Liabilities	<u>\$23,030</u>

NOTE 6 - RETIREMENT PLAN

The Corporation sponsors a defined contribution retirement plan which covers all of its full-time, eligible employees. The Corporation's contributions to the Plan were \$30,631 in 2022 and \$28,130 in 2021.

NOTE 7 - CONCENTRATIONS

The Corporation received 98% of its total revenues and support from one federal agency in 2022 and 2021.

The Corporation had accounts receivable from two agencies and one agency that made up 86% of total accounts receivable at December 31, 2022 and 2021, respectively.

The Corporation had contracts assets on one project that made up 91% of total contract assets at December 31, 2022. The Corporation had contracts assets on two projects that made up 97% of total contract assets at December 31, 2021.

The Corporation had payments to two companies that made up and 83% of total payments in 2022. The Corporation had payments to one company that made up 68% of total payments in 2021.

NOTE 8 - FUNCTIONAL ALLOCATION OF EXPENSES

The Corporation's expenses by nature and function for 2022 and 2021 were as follows:

	Federal Programs	Management and General	Total
2022			
Participant milestone payments and subcontracts	\$ 14,987,256	\$ -	\$ 14,987,256
Salary and benefits and in-kind salaries	403,098	503,441	906,539
Professional fees	9,754	118,407	128,161
Travel	16,619	63,743	80,362
Rent	4,571	5,529	10,100
Office and administrative expense	5,898	7,133	13,031
Insurance	-	45,604	45,604
Program materials	2,903	-	2,903
Charitable contributions	-	7,500	7,500
Miscellaneous	1,095	39,572	40,667
TOTAL EXPENSES	\$ 15,431,194	\$ 790,929	\$ 16,222,123
2021			
Participant milestone payments and subcontracts	\$ 9,429,947	\$ -	\$ 9,429,947
Salary and benefits and in-kind salaries	441,743	429,893	871,636
Professional fees	21,277	105,253	126,530
Travel	535	26,430	26,965
Rent	4,467	4,284	8,751
Office and administrative expense	4,970	5,066	10,036
Insurance	-	42,742	42,742
Program materials	5,537	-	5,537
Charitable contributions	-	5,000	5,000
Miscellaneous	194	40,402	40,596
TOTAL EXPENSES	\$ 9,908,670	\$ 659,070	\$ 10,567,740

NOTE 9 - RELATED PARTY TRANSACTIONS

The Corporation had accounts payable to related parties of approximately \$377,621 and \$2,990,135 at December 31, 2022 and 2021, respectively. A majority of the accounts payable to related parties at December 31, 2022 and December 31, 2021, related to program expenses under federal contracts.

The Corporation recognized revenue and support from a related party of \$18,500 in 2022 and \$68,500 in 2021, including participant fees of \$18,500 in 2022 and 2021. The Corporation paid \$2,400 of office space rent to a related party in 2022 and 2021. The Corporation had contract costs with a related party of approximately \$3,454,000 in 2022 and \$4,479,000 in 2021.

SUPPLEMENTARY INFORMATION

ELECTRICORE, INC.

**SCHEDULES OF COSTS ALLOWABLE UNDER FEDERAL PROGRAMS AND OTHER COSTS
Years Ended December 31, 2022 and 2021**

	Costs Allowable Under Federal Programs		Other Costs	
	United States Department of Defense	United States Department of Energy	Administrative and Other	Total
Year Ended December 31, 2022				
Participant milestone payments and subcontracts	\$ -	\$ 14,987,256	\$ -	\$ 14,987,256
Salary and benefits	-	890,572	-	890,572
Professional fees	-	96,819	31,342	128,161
Travel	-	26,346	54,016	80,362
Supplies	-	3,434	51	3,485
Rent	-	10,100	-	10,100
Telephone	-	9,344	-	9,344
Postage and shipping	-	202	-	202
Insurance	-	45,604	-	45,604
Program materials	-	2,903	-	2,903
In-kind salaries	-	-	15,967	15,967
Charitable contributions	-	-	7,500	7,500
Miscellaneous	-	1,095	39,572	40,667
TOTAL EXPENSES	\$ -	\$ 16,073,675	\$ 148,448	\$ 16,222,123
Year Ended December 31, 2021				
Participant milestone payments and subcontracts	\$ -	\$ 9,429,947	\$ -	\$ 9,429,947
Salary and benefits	14,058	851,299	-	865,357
Professional fees	1,454	95,738	29,338	126,530
Travel	29	2,197	24,739	26,965
Supplies	17	2,316	-	2,333
Rent	159	8,592	-	8,751
Telephone	118	7,285	-	7,403
Postage and shipping	4	198	98	300
Insurance	750	41,992	-	42,742
Program materials	14	5,523	-	5,537
In-kind salaries	-	-	6,279	6,279
Charitable contributions	-	-	5,000	5,000
Miscellaneous	2	257	40,337	40,596
TOTAL EXPENSES	\$ 16,605	\$ 10,445,344	\$ 105,791	\$ 10,567,740

OTHER REPORTS AND SCHEDULES

*Independent Auditor's 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*

Board of Directors
Electricore, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Electricore, Inc., which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 6, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Electricore, Inc.'s 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Reissuance of Auditor's Reports

The auditor's report on internal control over financial reporting and compliance and other matters replaces our previously issued report dated July 28, 2023. As discussed in Note 3 to the schedule of expenditures of federal awards, the research and development programs cluster expenditures have decreased. Our report on internal control over financial reporting and compliance and other matters has been reissued to include finding 2022-001.

Electricore's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Electricore's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Electricore's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 6, 2023

ELECTRICORE, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2022**

	Federal Assistance Listing Number	Federal Award Identifying Number	Restated Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF ENERGY				
Agreement with the Department of Energy (Innovative Advanced Hydrogen Mobile Fueler)	81.087	DE-EE0007275	35,340	\$ 6,075
Agreement with the Department of Energy (Advanced Structured Adsorbent Architectures for Transformative Carbon Dioxide Capture Performance)	81.089	DE-FE0031732	735,215	694,681
Agreement with the Department of Energy (LH CO ₂ ment Colorado Project)	81.089	DE-FE0031942	291,969	218,977
Agreement between the Department of Energy and Chevron U.S.A. Inc. (Chevron Natural Gas Carbon Capture Technology Testing Project) Subcontract 2020.000871	81.089	DE-FE0031944	6,862,462	
Agreement with the Department of Energy (Direct Air Capture Using Novel Structured Adsorbents)	81.089	DE-FE0031959	1,531,493	1,390,554
Agreement with the Department of Energy (High Pressure, High Flow Rate Dispenser and Nozzle Assembly for Heavy Duty Vehicles)	81.086	DE-EE0008817	1,023,140	903,622
Agreement between the Department of Energy and American Axle & Manufacturing Holdings, Inc. (Low Cost, High-Performance, HRE-Free 3-In-1 Electric Drive Unit) Subcontract P.O. #1124766	81.086	DE-EE0009191	155,546	-
Agreement between the Department of Energy and Calpine Texas CCUS Holdings, LLC (Deer Park Energy Center Natural Gas Combined Cycle Carbon Capture System Front-End Engineering Design Study) P.O #DK002-2000000004	81.089	DE-FE0032137	344,108	-
Agreement with the Department of Energy (Combined Carbon Capture Solution on Air Liquide Northern California Steam Methane Reformer)	81.089	DE-FE0032181	<u>10,651</u>	<u>-</u>
Total for U.S. Department of Energy			<u>10,989,924</u>	<u>3,213,909</u>
TOTAL FEDERAL AWARDS - RESEARCH AND DEVELOPMENT PROGRAMS CLUSTER			<u><u>\$ 10,989,924</u></u>	<u><u>\$ 3,213,909</u></u>

See accompanying notes to schedule of expenditures of federal awards.

ELECTRICORE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended December 31, 2022

NOTE 1 - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Electricore, Inc. under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Electricore, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Electricore, Inc.

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

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

NOTE 2 - INDIRECT COST RATE

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

NOTE 3 - RESTATEMENT

Subsequent to the date of the previously issued auditor's reports of July 28, 2023, management determined that the federal expenditures were overstated, and the cost-share expenditures were understated on one contract as a result of the year-end accrual process. The Corporation initially recorded \$2.99 million of cost-share expenditures in 2022 and the corrected amount is \$4.95 million resulting in a related decrease to the amount reported in the research and development program cluster on the Schedule.

*Independent Auditor's Reports on Compliance
for Each Major Federal Program and on
Internal Control Over Compliance
Required by the Uniform Guidance*

Board of Directors
Electricore, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Electricore, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Electricore, Inc.'s major federal programs for the year ended December 31, 2022. Electricore, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Electricore, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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 the provisions of contracts or grant agreements applicable to Electricore, Inc.'s federal programs.

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Reissuance of Auditor's Reports

The report on compliance for each major program and the report on internal control over compliance replace our previously issued reports dated July 28, 2023. Our reports on compliance for each major program and internal control over compliance and the accompanying schedule of findings and questioned costs has been reissued to revise the schedule of findings and questioned costs.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
September 6, 2023

ELECTRICORE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2022

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs: Research and Development Programs Cluster

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

Auditee qualified as low-risk auditee? yes no

FINANCIAL STATEMENT FINDINGS

2022-001 Material Weakness – Financial Reporting

Criteria: Internal controls over financial reporting should be in place that provide reasonable assurance that the financial statements are free of material misstatement. Internal controls over financial reporting should be designed to either prevent or detect and correct misstatements on a timely basis and maintained to ensure they are operating as designed.

Condition and Context: The Corporation's expenses consist of federal and cost-share expenditures. The Corporation tracks federal and cost-share expenditures by research and development contract when a cost-share requirement exists. Subsequent to the date of our previously issued auditor's reports of July 28, 2023, management determined that the federal expenditures were overstated, and the cost-share expenditures were understated on one contract as a result of the year-end accrual process.

Cause and Effect: The Corporation initially recorded \$2.99 million of cost-share expenditures in 2022 and the corrected amount is \$4.95 million. This resulted in an overstatement of federal expenditures reported on the schedule of expenditures of federal awards for one particular contract. The schedule of expenditures of federal awards has been subsequently restated from amounts previously reported. The overstatement of federal expenditures had no impact on grant income and expenses reported on the Corporation's statement of activities for the year ended December 31, 2022, since amounts are reported in total. Therefore, the restatement had no impact on amounts reported on the Corporation's basic financial statements. In addition, no noncompliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal programs were noted as a result of the restatement.

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

Views of Responsible Officials and Planned Corrective Actions: The Corporation notes that the issue referenced above relates to a single invoice pertaining to one specific federal contract only. As noted above, as of December 31, 2022, the Corporation correctly reported total program expenses and income and that the statement of activities and the statement of financial position were not impacted.

The Corporation is not the 'prime contractor' for the affected program. Going forward the Corporation's accounting department would coordinate closely with the prime contractor regarding the allocation of program related expenses between cost share and federal expenditures. Moreover, the accounting team would put in place additional reconciliation procedures as part of the monthly and year-end closing processes to eliminate the risk of financial misstatement. Furthermore, additional procedures would be carried out by an external accountant (post year-end close and prior to the year-end audit) to gain further assurance that no such misstatement is reported in the future.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

ELECTRICORE, INC.
CORRECTIVE ACTION PLAN
Year Ended December 31, 2022

Department of Energy

Electricore, Inc. (the Corporation) respectively submits the following corrective action plan for the year ended December 31, 2022.

Name and address of independent public accounting firm:

Katz, Sapper & Miller, LLP
800 East 96th Street, Suite 500
Indianapolis, IN 46240

Audit period: Year ended December 31, 2022

The finding from the schedule of findings and questioned costs for the year ended December 31, 2022, is discussed below. The finding is numbered consistently with the number assigned in the Schedule.

FINANCIAL STATEMENT FINDINGS

2022-001 Material Weakness – Financial Reporting

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

Planned Corrective Action: Corporation's accounting department would coordinate with prime contractor regarding the allocation of program related expenses between cost share and federal expenditures. Moreover, the accounting team would put in place additional reconciliation procedures as part of the monthly and year-end closing processes to eliminate the risk of financial misstatement. Furthermore, additional procedures would be carried out by an external accountant (post year-end close and prior to the year-end audit) to gain further assurance that no such misstatement is reported in the future. Certain procedures have already been implemented by the accounting department which allowed the Corporation to identify the misstatement and bring it to the attention of the auditors. The Corporation is committed to have the full set of corrective actions implemented by December 31, 2023.

If the Department of Energy has questions regarding this plan, please call Sara Odom, Senior Program Manager at 661-607-0260.

Sincerely yours,

Sara Odom

Sara Odom, Senior Program Manager
Electricore, Inc.