

SOUTHFACE ENERGY INSTITUTE, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

**Year Ended December 31, 2024
(With Comparative Totals for 2023)**

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Santi & Associates, PC
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors of
Southface Energy Institute, Inc.

Opinion

We have audited the accompanying financial statements of Southface Energy Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southface Energy Institute, Inc. as of December 31, 2024, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Auditor's 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, including omissions, 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 Southface Energy Institute, 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 Southface Energy Institute, 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.

Report on Summarized Comparative Information

We have previously audited Southface Energy Institute, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 3, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is 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 reports dated June 12, 2025 on our consideration of Southface Energy Institute, 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 those reports 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 Southface Energy Institutes, Inc.'s internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southface Energy Institute, Inc.'s internal control over financial reporting and compliance.

Santi S. Casarino, PC

Alpharetta, Georgia
June 12, 2025

SOUTHFACE ENERGY INSTITUTE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2024
(With Comparative Totals for 2023)

ASSETS		
	2024	2023
Current Assets		
Cash and cash equivalents:		
Unrestricted	\$ 1,789,146	\$ 4,340,852
Restricted endowment	8,611	21,159
Accounts receivable, net of allowance for credit losses of \$140,000 for 2024 and \$150,000 for 2023	903,988	463,823
Investments:		
Unrestricted	233,697	255,128
Restricted endowment	1,557,634	1,394,380
Current portion of note receivable	9,603	9,506
Other receivables	537,987	537,987
Prepaid expenses	79,819	59,678
Total Current Assets	5,120,485	7,082,513
Property and Equipment		
Property and equipment, net	1,745,210	1,918,337
Other Assets		
Note receivable, less current portion	52,171	64,268
Total Assets	\$ 6,917,866	\$ 9,065,118

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

LIABILITIES AND NET ASSETS

	<u>2024</u>	<u>2023</u>
Current Liabilities		
Current portion of note payable	\$ -	\$ 100,000
Current portion of recoverable grant	13,000	52,000
Accounts payable	334,970	509,179
Accrued compensation	82,000	53,000
Accrued expenses	1,052,429	1,007,309
Deferred revenue	<u>1,913,475</u>	<u>4,030,455</u>
Total Current Liabilities	<u>3,395,874</u>	<u>5,751,943</u>
Long-Term Liabilities		
Recoverable grant, less current portion	<u>65,000</u>	<u>39,000</u>
Net Assets (Deficit)		
Without donor restrictions	(22,729)	(2,171,819)
With donor restrictions	<u>3,479,721</u>	<u>5,445,994</u>
	<u>3,456,992</u>	<u>3,274,175</u>
Total Liabilities and Net Assets	\$ 6,917,866	\$ 9,065,118

SOUTHFACE ENERGY INSTITUTE, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2024
(With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2024	2023
Support and Revenue				
Program revenue	\$ 6,022,708	\$ 2,162,334	\$ 8,185,042	\$ 6,334,960
Donations	138,110	-	138,110	261,865
Investment income, net	176,976	150,706	327,682	332,396
In-kind contributions	66,883	-	66,883	-
Special events, net	20,589	-	20,589	-
Employee retention credit	-	-	-	537,987
Other income	10,132	-	10,132	-
	<u>6,435,398</u>	<u>2,313,040</u>	<u>8,748,438</u>	<u>7,467,208</u>
Net assets released from restrictions:				
Satisfaction of program restrictions	4,279,313	(4,279,313)	-	-
Total Support and Revenue	<u>10,714,711</u>	<u>(1,966,273)</u>	<u>8,748,438</u>	<u>7,467,208</u>
Expenses				
Program services	7,209,404	-	7,209,404	6,478,083
General and administrative	955,656	-	955,656	1,046,303
Fundraising	400,561	-	400,561	290,103
Total Expenses	<u>8,565,621</u>	<u>-</u>	<u>8,565,621</u>	<u>7,814,489</u>
Change in Net Assets	2,149,090	(1,966,273)	182,817	(347,281)
Net Assets (Deficit)				
Beginning of Year	<u>(2,171,819)</u>	<u>5,445,994</u>	<u>3,274,175</u>	<u>3,621,456</u>
End of Year	<u>\$ (22,729)</u>	<u>\$ 3,479,721</u>	<u>\$ 3,456,992</u>	<u>\$ 3,274,175</u>

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

SOUTHFACE ENERGY INSTITUTE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**Year Ended December 31, 2024
(With Comparative Totals for 2023)**

	2024		
	Program Services	General and Administrative	Fundraising
Salaries and wages	\$ 2,530,505	\$ 49,121	\$ 207,812
Payroll taxes	182,984	1,318	15,418
Employee benefits	251,857	1,814	21,222
Charitable grants	3,267,780	-	-
Contract labor	697,121	182,763	55,463
Professional fees	4,733	172,513	95
Supplies and equipment	9,658	8,435	7,030
Equipment and facility rentals	1,647	6,232	14,700
Printing, photocopying, and photography	7,235	1,503	1,180
Postage and delivery	66	437	-
Travel	67,945	26,056	9,964
Repairs and maintenance	1,268	78,596	2,340
Utilities	167	29,370	-
Insurance	1,500	75,047	-
Meetings	23,149	19,484	17,574
Staff development	29	5,051	473
Bank and credit card fees	-	15,756	-
Fees, licenses, and permits	93,516	94,924	2,409
Taxes	-	1,826	384
Advertising	64,163	2,032	44,429
Donations	301	-	-
Depreciation	-	178,196	-
Interest	-	3,372	-
Bad debt	3,141	-	-
Miscellaneous	639	1,810	68
Total Expenses	\$ 7,209,404	\$ 955,656	\$ 400,561

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

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Total		2023	
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\$	2,787,438	\$	2,660,316
	199,720		200,288
	274,893		261,160
	3,267,780		2,141,704
	935,347		1,125,518
	177,341		225,416
	25,123		35,731
	22,579		26,774
	9,918		13,750
	503		1,609
	103,965		84,062
	82,204		48,876
	29,537		30,855
	76,547		69,508
	60,207		23,046
	5,553		39,399
	15,756		12,303
	190,849		173,559
	2,210		6,610
	110,624		62,788
	301		475
	178,196		190,300
	3,372		12,995
	3,141		98,879
	2,517		268,568
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\$	8,565,621	\$	7,814,489
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SOUTHFACE ENERGY INSTITUTE, INC.

STATEMENT OF CASH FLOWS

**Year Ended December 31, 2024
(With Comparative Totals for 2023)**

	<u>2024</u>	<u>2023</u>
Cash Flow from Operating Activities		
Change in net assets	\$ 182,817	\$ (347,281)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	178,196	190,300
Provision for credit losses	3,141	-
Realized and unrealized (gain) losses on investments	(159,194)	(134,000)
(Increase) Decrease in:		
Accounts receivable	(443,306)	829,801
Note receivable	12,000	7,412
Other receivables	-	(537,987)
Prepaid expenses	(20,141)	(24,147)
Increase (Decrease) in:		
Accounts payable	(174,209)	394,306
Accrued compensation	29,000	-
Accrued expenses	45,120	443,835
Deferred revenue	(2,116,980)	410,294
Net cash provided by (used in) operating activities	<u>(2,463,556)</u>	<u>1,232,533</u>
Cash Flow from Investing Activities		
Proceeds from sale of investments	268,289	-
Purchase of investments	(250,918)	(71,030)
Purchase of property and equipment	(5,069)	-
Net cash provided by (used in) investing activities	<u>12,302</u>	<u>(71,030)</u>
Cash Flow from Financing Activities		
Net payments on note payable	(100,000)	(133,333)
Net payments on recoverable grant	(13,000)	(13,000)
Net cash used in financing activities	<u>(113,000)</u>	<u>(146,333)</u>

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

	<u>2024</u>	<u>2023</u>
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Restricted Cash	(2,564,254)	1,015,170
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	<u>4,362,011</u>	<u>3,346,841</u>
Cash, Cash Equivalents, and Restricted Cash at End of Year	<u>\$ 1,797,757</u>	<u>\$ 4,362,011</u>

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Southface Energy Institute, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity.

1. Nature of Organization

The mission of the Organization is to promote sustainable homes, workplaces, and communities through education, research, advocacy, and technical assistance.

2. Basis of Presentation

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. ASC 958 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two classes of net assets. A description of the two classes of net assets follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to or are no longer subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions

Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are recorded as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contributions as with donor restrictions even if those donor restrictions were met in the year the contributions were received.

3. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Under this method, revenue is recognized when earned and expenses are recognized when incurred.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. Cash and Cash Equivalents

For the purposes of the statement of financial position and the statement of cash flows, the Organization considers all cash on hand, highly liquid bank deposits, and short-term debt securities with an original maturity of three months or less to be cash or cash equivalents.

6. Accounts Receivable

The Organization provides an allowance for credit losses equal to the estimated uncollectible accounts receivable. The Organization's estimate is based on historical collection experience and a review of the current status of accounts receivable. All accounts or portions thereof deemed to be uncollectable are charged to allowance for credit losses. Accounts are generally written off when twelve months delinquent. It is reasonably possible that the Organization's estimate of the allowance for credit losses will change.

Changes in the allowance for credit losses are as follows:

Beginning balance	\$ 150,000
Credit losses (recoveries)	(6,859)
Write-offs, net of recoveries	<u>(3,141)</u>
Ending balance	<u><u>\$ 140,000</u></u>

There was bad debt expense of \$3,141 for the year ended December 31, 2024.

7. Contributions

Unconditional contributions, those that do not include a measurable performance-related or other barrier or are those in which the Organization has limited discretion over how the contribution should be spent, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Contributions that include a measurable barrier or those for which the Organization has limited discretion over how the contribution should be spent and a right of return or release from future obligations are recorded as conditional contributions. Conditional contributions are not recognized until they become unconditional, that is, when the conditions surrounding the indications of the barrier have been met.

8. Investments

Investments consist of mutual funds and shares of common stock of several publicly traded companies. These investments are equity securities reported at fair value, with unrealized gains and losses included on the statement of activities. The basis in determining unrealized gains and losses is the difference between book value and fair value of each security at year end. Fair values have been determined by quoted market prices. The estimated fair value of securities for which there are no quoted market prices is based on similar types of securities that are traded in the market. The method used to determine cost when calculating realized gains or losses when securities are sold is the specific identification method. Realized gains and losses flow through to the Organization's annual support and revenue.

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

8. Investments, continued

In aggregate, these investments had an original cost of \$1,676,377 and a market value of \$1,791,331 at December 31, 2024. The unrealized gains for these investments were \$114,954 at December 31, 2024. Additionally, for the year ended December 31, 2024, there were realized gains of \$44,240, and there were custodial and investment advisory fees were \$10,467.

9. Property and Equipment

Property and equipment are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally using the straight-line method.

The estimated useful lives in determining depreciation are:

	<u>Years</u>
Southface Energy and Environmental Resource Center	10 - 20
Eco Office Building	20
Improvements	10 - 20
Equipment	5 - 10
Computer equipment	5
Furniture and fixtures	7
Software	3
Vehicles	5

Expenditures for property and equipment and for renewals or improvements, which extend the original estimated economic life of the asset and are \$2,500 or greater, are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. When an asset is sold or otherwise disposed, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities.

Depreciation expense for the year ended December 31, 2024 was \$178,196.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose.

10. Donated Services

Many volunteers have made significant contributions of their time to develop and promote the programs of the Organization. The value of these donated services is not included in the accompanying financial statements, as such services do not create or enhance non-financial assets or require specialized skills.

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

11. Revenue from Service Contracts and Grant Agreements

The Organization recognizes revenue on service contracts and grant agreements ratably over applicable contract periods or as services, stipulated in the contract and grant agreements, are performed and at an amount that reflects the consideration to which the Organization expects to be entitled to in exchange for transferring services to a customer. The Organization will allocate the transaction price of the contract or agreement to the specific performance obligations based on the contract or agreement. The Organization recognizes revenue when the performance obligations are met and delivered to the customer. Amounts billed and collected before the performance obligations are met are included in deferred revenue.

12. Advertising

Advertising costs are expensed as incurred. Advertising expense totaled \$110,624 for the year ended December 31, 2024.

13. Prior Year Information

The financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2023, from which the summarized totals were derived. Certain reclassifications of prior year comparative totals have been made in order to conform to the current year presentation. These changes did not affect net assets.

14. Income Taxes

Southface Energy Institute, Inc., a nonprofit organization operating under Section 501(c)(3) of the Internal Revenue Code, is exempt from federal, state, and local income taxes and, accordingly, no provision for income taxes is included in the accompanying financial statements for the Organization.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service and Georgia Department of Revenue. Management has analyzed the tax positions taken by the Organization, and has concluded that as of December 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2021.

15. Subsequent Events

Subsequent events have been evaluated through June 12, 2025, which is the date the financial statements were available to be issued.

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE B – FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and accounts receivable.

The Organization maintains its cash and cash equivalent accounts with highly rated financial institutions. At times, such deposits may be in excess of federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution, or the Securities Investor Protection Corporation (SIPC), up to \$500,000 per institution, at December 31, 2024. At December 31, 2024, the Organization had uninsured cash deposits totaling \$2,893,645. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss.

Accounts receivable consists of grants and contracts billed for services rendered and expenses incurred. Credit risk with respect to accounts receivable is limited due to the number and credit worthiness of the government entities and organizations from whom the amounts are due. The Organization does not generally require collateral for revenues billed or services provided.

Approximately 15% of the Organization's support was provided by allocations from the U.S. Department of Energy (DOE) for the year ended December 31, 2024. The Organization also received 27% of its support from one grantor for the year ended December 31, 2024. Accounts receivable was comprised of 11% due from one grantor and 13% due from the DOE at December 31, 2024.

The Organization depends heavily on grants from and contracts with the federal government, state governments, and various organizations. Accordingly, the Organization's ability to fund its programs and services will be affected by national economic conditions and national and state energy policies.

NOTE C – FAIR VALUE OF INVESTMENTS

The following is the major category of assets and liabilities measured at fair value on a recurring basis during the year ended December 31, 2024, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

Description	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2024
Mutual funds	\$ 1,791,034	\$ -	\$ -	\$ 1,791,034
Common stock	297	-	-	297
Total	<u>\$ 1,791,331</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,791,331</u>

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment, as of December 31, 2024, is summarized as follows:

Southface Energy and Environmental Resource Center	\$ 1,087,167
Eco Office Building	2,675,352
Land	1,172,149
Improvements	223,003
Equipment	92,835
Computer equipment	49,176
Furniture and fixtures	7,539
Software	70,376
Vehicles	<u>39,690</u>
	5,417,287
Less accumulated depreciation	<u>(3,672,077)</u>
	<u><u>\$ 1,745,210</u></u>

NOTE E – NOTE RECEIVABLE

On August 6, 2020, the Company entered into an agreement with SPE – SAE School Solar Project, LLC (SPE) to loan \$97,278 over a 10-year term at an annual interest rate of 1%. Monthly payments of \$846, comprised of principal and interest, are due over the 10-year term with all remaining principal and accrued interest due on January 1, 2031. The note is secured by first priority lien upon, security title to, and a security interest in and to all of SPE's right, title, and interest in and to a solar energy system. As of December 31, 2024, the outstanding balance on the note receivable, including accrued interest, is \$61,774.

NOTE F – NOTE PAYABLE

On September 17, 2019, the Organization entered into a \$400,000 note payable with Truist Bank for the purchase of land, which the Southface Energy and Environmental Resource Center and Eco Office Building are located on. Beginning on October 17, 2019, the note required interest only payments for 24 consecutive months and bore interest at the one-month LIBOR rate plus 2.5%. Beginning on October 17, 2021, the note required 35 consecutive principal and interest monthly payments in the amount of \$11,111 with a final payment of the unpaid balance, plus any accrued interest, due on September 17, 2024. The note was secured by all assets of the Organization. At December 31, 2024, there was no outstanding balance on this note.

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE G – RECOVERABLE GRANT

The Organization received a recoverable grant from Fidelity Charitable in the amount of \$130,000 on July 22, 2020. This grant was issued by Fidelity Charitable to provide support for the Organization to develop a renewable energy solar and battery system for a K-8 Atlanta school called the SAE School. The grant funds are available over a five-year period. Under the terms of the agreement, the Organization will be required to repay a minimum of \$13,000 every June in equal installments over five years to the extent the Organization receives repayment from the SAE School for the solar and battery system. If the Organization does not repay the full repayment amount by July 22, 2025, the Organization will provide Fidelity Charitable with a notification on or before that date of any payments made to date and a proposed updated repayment schedule. The Organization has reflected this recoverable grant as a current liability of \$13,000 and long-term liability of \$65,000 in the statement of financial position at December 31, 2024.

NOTE H – EMPLOYEE RETENTION CREDITS

In response to the coronavirus (COVID-19) pandemic, the U.S. government enacted the Coronavirus Aid, Relief, and Economic Security (CARES) Act, on March 27, 2020, to provide certain relief as a result of the COVID-19 pandemic. The CARES Act provides tax relief, along with other stimulus measures, including a provision for an employee retention credit (ERC), which allows for employers to claim a refundable tax credit. The ERC was designed to encourage businesses to keep employees on the payroll during the COVID-19 pandemic. As of December 31, 2024, the Organization determined it has reasonable assurance for the receipt of employee retention credits totaling \$537,987, which is included in other receivables on the statement of position. Employee retention credits of \$317,083 were subsequently received in May 2025.

NOTE I – ACCOUNTING AND REPORTING FOR ENDOWMENT

The Endowment

The Organization's endowment consists of an individual fund established for maintaining and updating technologies in the Eco Office and supporting building science research related to the Eco Office. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE I – ACCOUNTING AND REPORTING FOR ENDOWMENT, continued

Interpretation of Relevant Laws

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment fund as net assets with donor restrictions because those net assets are time restricted until the Board appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of the Organization has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment fund, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purposes of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

Endowment Net Asset Composition by Type of Fund as of December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	-
Accumulated investment gains	-	-	-
Term endowment	-	1,566,245	1,566,245
	<u>-</u>	<u>1,566,245</u>	<u>1,566,245</u>
Total endowment funds	<u>\$ -</u>	<u>\$ 1,566,245</u>	<u>\$ 1,566,245</u>

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE I – ACCOUNTING AND REPORTING FOR ENDOWMENT, continued

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 1,415,539	\$ 1,415,539
Investment return, net	-	150,706	150,706
Contributions	-	-	-
Appropriation of endowment assets for expenditure	-	-	-
Other changes:			
Transfer to create Board-designated endowment funds	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,566,245</u>	<u>\$ 1,566,245</u>

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2024.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that reach a target rate of return as set forth by the Board or above median returns generated by comparable benchmark portfolios while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE I – ACCOUNTING AND REPORTING FOR ENDOWMENT, continued

Spending Policy and How Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution, depending on fiscal need, each year pending approval by the Eco Office Committee. In establishing this policy, the Organization will consider the long-term expected return on its endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow its endowment to continue to grow. The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

NOTE J – COMMITMENTS AND CONTINGENCIES

The Organization has received federal, state, and agency grants for specific purposes that are subject to review and audit by grantor agencies. Such audits could result in reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. Management is not aware of any potential losses from such disallowances and believes that reimbursements, if any, would not be material.

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at December 31, 2024:

Subject to expenditure for specified purpose:

Cox Communications	\$ 500,000
JPB Foundation	351,355
Hannon Armstrong Foundation	264,000
The Kendeda Fund	227,391
Ghanta Family Foundation	175,000
Energy Foundation	135,000
Charles & Margery Barancik Foundation	100,000
Movement Strategy Center	70,417
Southeast Sustainability Directors Network	70,160
Elected Officials Education Program	19,643
East Point Environmental Collective	510

1,913,476

Endowment fund:

Updating technologies and supporting building science related to the Eco Office	1,566,245
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Total net assets with donor restrictions \$ 3,479,721

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE L – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the year ended December 31, 2024 are as follows:

Purpose restrictions accomplished:

JPB Foundation	\$ 1,881,835
The Kendeda Fund	982,003
Charles & Margery Barancik Foundation	811,684
Hannon Armstrong Foundation	268,017
Southeast Sustainability Directors Network	90,000
Movement Strategy Center	84,583
Energy Foundation	72,500
New Venture Fund	58,333
Elected Officials Education Program	30,358

4,279,313

Release of appropriated endowment amounts with purpose restrictions

-

\$ 4,279,313

NOTE M – BOARD-DESIGNATED NET ASSETS

The Organization's Board has designated, from net assets without donor restrictions, net assets for the following purpose as of December 31, 2024:

Emerging Leaders program	<u><u>\$ 250,021</u></u>
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NOTE N – LAND AVAILABLE FOR SALE

The Organization owns .12 acres of land located on Colmer Avenue in Atlanta, Georgia. The land was donated to the Organization. The land is available for sale; however, the size and location of the lot make this land difficult to sell. The fair market value of the land cannot be accurately determined and as a result it is not listed on the statement of financial position.

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE O – RETIREMENT PLAN

The Organization sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code. The plan covers all employees, except interns, who work at least twenty hours per week. The plan allows the Organization to make discretionary contributions each year and allocate the contributions based on each participant's proportionate share of total compensation paid during the year to all participants in the plan. The Organization's contributions to the plan totaled \$44,831 during the year ended December 31, 2024.

NOTE P – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a policy to manage its liquidity by structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization has maintained sufficient reserves that are invested in short-term investment accounts. Occasionally, the Board will designate a portion of any operating surplus to reserves for unanticipated liquidity needs. There is a fund established by the Board that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities.

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 1,797,757
Accounts receivable	1,043,988
Investments	1,791,331
Current portion of note receivable	9,603
Other receivables	<u>537,987</u>
 Total financial assets	 5,180,666
 Less amounts unavailable for general expenditures within one year:	
Board-designated funds	(250,021)
Donor imposed restrictions	(1,913,476)
Endowment funds	<u>(1,566,245)</u>
	 <u><u>\$ 1,450,924</u></u>

The Organization's endowment fund is a donor-restricted endowment; therefore, since income from this endowment is restricted for a specific purpose, it is not available for general expenditures.

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE Q – FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the program activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services while other costs are directly charged to the functions they benefit. Expenses have been classified based on actual direct expenditures and costs allocations based on estimates made by the Organization.

NOTE R – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,789,146	\$ 4,340,852
Restricted cash included in assets restricted to endowment	<u>8,611</u>	<u>21,159</u>
	<u><u>\$ 1,797,757</u></u>	<u><u>\$ 4,362,011</u></u>

Supplemental Disclosures of Cash Flow Information

Cash paid during the year ended December 31, 2024:

Interest	<u><u>\$ 3,372</u></u>
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All interest incurred was expensed.

Noncash investing and financing transactions:

In-kind contributions:

Miscellaneous	<u><u>\$ 66,883</u></u>
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Supplemental Information

SOUTHFACE ENERGY INSTITUTE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Identification of major federal programs:	
Name of Federal Program or Cluster	CFDA No.
Conservation Research and Development	81.086
Energy Efficiency and Renewable Energy Information	81.117
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SOUTHFACE ENERGY INSTITUTE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2024

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>U.S. Department of Energy:</u>			
<u>Pass-Through Programs from:</u>			
Office of Technology Transitions (OTT)	81.010		
<i>U.S. Department of Energy</i>		DE-EE0010491	\$ 62,500
State Energy Programs	81.041		
<i>Alabama Department of Economic and Community Affairs</i>		1SEP24 DOE11	24,999
Conservation Research and Development	81.086		
<i>U.S. Department of Energy</i>		DE-SE0001002	135,597
<i>U.S. Department of Energy</i>		DE-EE0008698	129,700
<i>U.S. Department of Energy</i>		DE-EE0011142	14,175
<i>U.S. Department of Energy</i>		DE-EE0009866	9,900
<i>U.S. Department of Energy</i>		DE-EE0010620	19,338
Renewable Energy Research and Development	81.087		
<i>National Renewable Energy Laboratory</i>		DE-AC36-08GO28308	39,455
<i>U.S. Department of Energy</i>		DE-EE0010409	174,589
Energy Efficiency Information Dissemination	81.117		
<i>U.S. Department of Energy</i>		DE-EE0009456	274,617
<i>U.S. Department of Energy</i>		DE-EE0009711	111,485
Total US DOE & US DOE Pass-Through Programs			996,355
<u>Total Expenditures of Federal Awards</u>			\$ 996,355

SOUTHFACE ENERGY INSTITUTE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Southface Energy Institute, Inc. (the Organization) under programs of the federal government for the year ended December 31, 2024. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. 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.

NOTE C – INDIRECT COST RATE

On July 19, 2021, the Organization signed a negotiated indirect cost rate agreement with the U.S. Department of Energy covering the effective period from January 1, 2021 to December 31, 2025.

The Organization has established final indirect cost rates that are allowable in accordance with the principles of the Federal Acquisition Regulation and its supplements applicable to the contracts to which the final indirect cost rates applied.

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Supplemental Reports



Santi & Associates, PC

Certified Public Accountants

**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***

To the Board of Directors of
Southface Energy Institute, Inc.

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 financial statements of Southface Energy Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southface Energy Institute, Inc.'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southface Energy Institute, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Southface Energy Institute, Inc.'s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in blue ink that reads "Santi: Ciponite, PC". The signature is written in a cursive, flowing style.

Alpharetta, Georgia

June 12, 2025



Santi & Associates, PC

Certified Public Accountants

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

To the Board of Directors of
Southface Energy Institute, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Southface Energy Institute, 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 Southface Energy Institutes, Inc.'s major federal programs for the year ended December 31, 2024. Southface Energy Institute, 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, Southface Energy Institute, 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, 2024.

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 Southface Energy Institute, Inc. 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 Southface Energy Institute, 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 provisions of contracts or grant agreements applicable to Southface Energy Institute, 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 Southface Energy Institute, 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 a material noncompliance when it exists. The risk of not detecting a 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 Southface Energy Institute, 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 Southface Energy Institute, 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 Southface Energy Institute, 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 Southface Energy Institute, 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.



Alpharetta, Georgia

June 12, 2025