

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
A COMPONENT UNIT OF THE DISTRICT OF COLUMBIA GOVERNMENT
FINANCIAL STATEMENTS
(Together with Reports of Independent Public Accountants)
SEPTEMBER 30, 2020

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Mayor and Council of the Government of the District of Columbia
and the Board of Directors of the District of Columbia Green Finance Authority
Washington, DC

Report on the Financial Statements

We have audited the accompanying financial statements of the District of Columbia Green Finance Authority (DC Green Bank), a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2020 (year of inception), and the related notes to the financial statements, which collectively comprise DC Green Bank's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

DC Green Bank's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DC Green Bank as of September 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2020 on our consideration of DC Green Bank's internal controls 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 to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering DC Green Bank's internal controls over financial reporting and compliance.

Washington, D.C.
December 30, 2020

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
(A Component Unit of the Government of the District of Columbia)

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020

FINANCIAL HIGHLIGHTS

Introduction

The following is a discussion and analysis of the District of Columbia Green Finance Authority (DC Green Bank) financial performance as of, and for the fiscal year ended September 30, 2020. This information should be read in conjunction with the financial statements and the accompanying notes, which follow this discussion and analysis.

About Our Business

Pursuant to the Green Finance Authority Establishment Act of 2018 (D.C. Law 22-155; D.C. Official Code § 8-173.01 et seq.), the DC Green Bank was established as an independent instrumentality of the Government of the District of Columbia (District of Columbia). DC Green Bank was created to increase the use of private funds for sustainable projects and programs by offering and promoting the use of loans, loan guarantees, credit enhancements, bonds, or other financing mechanisms for sustainable projects and programs.

DC Green Bank is governed by an 11-member Board of Directors, comprised of seven voting members, appointed by the Mayor, with the advice and consent of the Council of the District of Columbia (the Council). These individuals include: two (2) members with experience at a financial institution operating within the District; three (3) members with financial, project development, or legal experience in clean energy, clean infrastructure, clean transportation, stormwater management, or green infrastructure; and two (2) members with experience in affordable housing or community development.

The Board of Directors also includes four nonvoting ex-officio members, or their designees, which include the Director of Department of Energy and Environment, the Deputy Mayor for Planning and Economic Development, Executive Director of the Office of Public-Private Partnerships, and the District Chief Financial Officer.

Pursuant to DC Green Bank's enabling legislation, the Board of Directors may create additional advisory groups as it considers appropriate. The advisory groups provide the Board of Directors with recommendations on various matters and such groups do not have authority to act for, or on behalf, of the DC Green Bank.

Pursuant to the Green Finance Authority Establishment Act of 2018 (D.C. Law 22-155; D.C. Official Code § 8-173.01 et seq.), DC Green Bank's initial funding of \$7,000,000 a year for five years, fiscal years 2018 through 2023, is provided from the District's Renewable Energy Development Fund (REDF). In addition to the funding from REDF, the Clean Energy DC Omnibus Amendment Act of 2018 calls for the transfer of \$15,000,000 in fiscal year 2020 and 2021 and \$10,000,000 a year for fiscal years 2022 through 2025, from the District's Sustainable Energy Trust Fund (SETF) to support sustainable projects and programs; provided, the transfer is included in an approved budget and financial plan. DC Green Bank received its first funding in FY 2020 of \$14,000,000 from REDF. The District approved \$12,000,000 of the \$15,000,000 in its SETF budget for DC Green Bank of which \$5,000,000 was received in FY 2020 and \$7,000,000 to be received in FY 2021.

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DC Green Bank offers and is developing products that accelerate the clean energy transition and seek to lower barriers to the adoption of clean energy technology and make energy projects more accessible and more affordable through financing instruments and incentives. These products are offered to District residents, small business owners, and commercial developers working towards energy efficiency improvements, clean energy installations, and the construction of green infrastructure.

- The D.C. Law 22-155. Green Finance Authority Establishment Act of 2018 became effective on August 22, 2018. DC Green Bank began operations on October 1, 2019, the start of the fiscal year 2020.
- As noted in Table I on page 6, DC Green Bank's total assets exceeded liabilities by \$25,487,082, as of September 30, 2020, which is classified and reported as restricted and unrestricted net position in the Statement of Net Position. The restricted net position are funds that are to be used for specified purposes.
- DC Green Bank issued a total of eight (8) promissory notes: seven (7) promissory notes in June 2020, totaling \$1,021,864, which are due in full including interest on March 15, 2021; one promissory note in August 2020 for \$762,125. Operating revenue earned in the fiscal year ended September 30, 2020 in the amount of \$41,066, and operating expenses of \$590,800 which were greater than operating and non-operating revenues resulting in a loss before transfers of \$512,918. Transfers from the District government totaling \$26,000,000 showing the net position of \$25,487,082. Refer to Table II on page 7 for further detail.

In September 2020, DC Green Bank established a Commercial Loan for Energy Efficiency and Renewables (CLEER) Program (the "Program") to facilitate the financing, acquisition, and installation of energy efficiency improvements and related equipment and renewable energy technologies in commercial properties located in Washington, D.C. owned or leased by eligible borrowers.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Overview of the Financial Statements

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the DC Green Bank's basic financial statements. DC Green Bank's financial statements include three financial statements: The Statement of Net Position, the Statement of Revenues, Expenses, and Change in Net Position, and the Statement of Cash Flows. These financial statements and the related notes provide information about the financial activities of DC Green Bank.

1. ***Statement of Net Position*** – The Statement of Net Position presents information on DC Green Bank's assets, liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of DC Green Bank is improving or deteriorating.

2. ***Statement of Revenues, Expenses, and Change in Net Position*** – The Statement of Revenues, Expenses, and Change in Net Position report operating and non-operating revenues and expenses for the fiscal year. The increase or decrease in net position is presented as the change in net position for the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses that are reported for some items will result in cash flows in future fiscal periods.

3. ***Statement of Cash Flows*** – The Statement of Cash Flows presents information showing how DC Green Bank's cash and cash equivalents changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments resulting from operating activities, noncapital financing activities, capital and related financing activities, and investing activities. The net result of those activities is reconciled to the cash and cash equivalents balances reported as of the end of the fiscal year. This statement is prepared using the direct method, which allows the reader to easily understand the amount of cash received, and how much cash was disbursed. The statement also reconciles the change in operating net position to the net cash used in operating activities.

4. ***Notes to the Financial Statements*** – The Notes to the Financial Statements provide additional information that is essential for a complete understanding of the data provided in the basic financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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FINANCIAL ANALYSIS

Condensed Financial Information

The following table provides a summary of DC Green Bank's total assets, liabilities, and net position as of September 30, 2020 (its first year of operations).

Table I - Condensed Schedule of Net Position
As of September 30, 2020

Cash and cash equivalents - unrestricted	\$ 5,022,300
Cash and cash equivalents - restricted	12,390,830
Due from District of Columbia	7,000,000
Program loans receivable	1,462,460
Prepaid expenses	8,469
Total Assets	25,884,059
Current Liabilities	396,977
Total Liabilities	396,977
Net Position	
Unrestricted	12,022,300
Restricted	13,464,782
Total Net Position	\$ 25,487,082

For the fiscal year ended September 30, 2020, DC Green Bank engaged in several start-up activities including hiring staff and developing systems, operating policies, processes, and protocols to establish a variety of financial products targeted toward its mandate to advancing sustainability, the clean economy and inclusive prosperity in the District.

FY 2020 DC Green Bank portfolio investments relate to energy efficiency finance, which is focused on funding solar projects. Pursuant to the contractual loan arrangements, not all funds that DC Green Bank approved are disbursed immediately. Once the project is implemented, borrowers begin drawing down on capital over time. These financings are "delayed draw" by design in that funds are not deployed until the projects meet certain construction milestones or levels of percentage of completion.

In June 2020, DC Green Bank partnered with a local solar developer to fund and construct their Solar For All projects on affordable housing. The project was launched in Wards 7 and 8. Funds committed for this project include seven (7) loans totaling \$1,021,864. The funds drawn on these loans as of September 30, 2020, totaled \$967,294. In August 2020, DC Green Bank approved an eight (8th) loan in the amount of \$762,125 in Ward 4, of which \$495,166 of funds were disbursed.

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Total assets of the DC Green Bank as of September 30, 2020, were \$25,884,059. This was mainly the result of the District government's initial capitalization of the DC Green Bank. Pursuant to the Green Finance Authority Establishment Act of 2018 (D.C. Law 22-155; D.C. Official Code § 8-173.01 et seq.) and the Clean Energy DC Omnibus Amendment Act of 2018, an initial capitalization of approximately \$26,000,000 was made available to the DC Green Bank in fiscal year 2020. The funding consists of \$14,000,000 from the District's Renewable Energy Development Fund (REDF) and \$12,000,000 from the District's Sustainable Energy Trust Fund (SETF). Total cash and cash equivalents unrestricted and restricted as of September 30, 2020 were \$5,022,300 and \$12,390,830, respectively. Program loans receivable amount of \$1,462,459 represents loans as of September 30, 2020. DC Green Bank's total liabilities of \$396,977 as of September 30, 2020 are comprised of current liabilities, which include accounts payable \$145,145, accrued payroll \$27,796, construction loan retainage \$130,007, unearned interest \$83,788 and compensated absences \$10,241.

Net position, the difference between DC Green Bank's assets and its liabilities, as of September 30, 2020 was \$25,487,082.

The following table presents condensed financial information from the Statement of Revenues, Expenses, and Change in Net Position for the fiscal years ended September 30, 2020.

Table II - Condensed Schedule of Revenues, Expenses, and Change in Net Position
For the Year Ended September 30, 2020

Operating Revenues	\$ 41,066
Operating Expenses	<u>590,800</u>
Operating Loss	(549,734)
Non-Operating Revenues	36,816
Transfers from the District of Columbia	<u>26,000,000</u>
Change in Net Position	<u>\$ 25,487,082</u>

During the fiscal year ended September 30, 2020, DC Green Bank's operating revenues totaled \$41,066. The operating revenues are from program fees and interest charged to the project loans.

The non-operating revenues of \$36,816 were derived from funds provided by the District government, for operating purposes. DC government transfers represent the initial capitalization of \$26,000,000 that was made available to the DC Green Bank in fiscal year 2020.

Capital Assets and Debt Administration

The DC Green Bank has no capital assets and no long-term liabilities as of September 30, 2020.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Budgetary Controls

DC Green Bank will adopt an operating budget, that will be approved by its Board of Directors in September of each year, for the subsequent fiscal year. Before approval by the Board, the budget is reviewed in detail, and adjusted, if necessary. After approval by the Board of Directors, DC Green Bank will submit its annual operating budgets to the Mayor and Council of the District of Columbia. The budget for fiscal year 2020 was \$27,966,292.

Fees and other income were originally budgeted assuming more favorable interest rates during the fiscal year. Total operating expenses were approximately \$590,800. Salaries and benefits were lower than anticipated principally due to vacancies not filled as early as anticipated, which resulted in a lower than anticipated allocation of fringe benefits and allocated administrative salary expenses. Other operating costs were less than budgeted primarily due to lower than anticipated general and administrative operating costs.

Economic Outlook

Programs and future capitalization of the DC Green Bank will be impacted by the unpredictable and devastating impacts from the COVID-19 pandemic (see footnote 7).

Request for Information

This financial report is designed to provide a general overview of the Bank's finances for all those with an interest in its finances. Additional information regarding the Bank's financial statements may be obtained from the Banks' Controller, Jean Houpert, jhoupert@dcbank.org.

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
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STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2020

ASSETS	
Cash and cash equivalents - unrestricted	\$ 5,022,300
Cash and cash equivalents - restricted	12,390,830
Due from District of Columbia	7,000,000
Program loans receivable	1,462,460
Prepaid expenses	8,469
Total Assets	<u>25,884,059</u>
LIABILITIES	
Accounts payable	145,145
Accrued payroll	27,796
Compensated absences	10,241
Interest reserve	83,788
Construction loan retainage	130,007
Total Liabilities	<u>396,977</u>
NET POSITION	
Unrestricted	12,022,300
Restricted	13,464,782
Total Net Position	<u>\$ 25,487,082</u>

The accompanying notes are an integral part of this financial statement.

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
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STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020 (YEAR OF INCEPTION)

Revenue	
Interest on program loans receivable	\$ 18,766
Program fees	22,300
Total Revenue	<u>41,066</u>
Operating Expenses	
Salaries and benefits	153,663
General and administrative	249,176
Other operating expenses	187,961
Total Operating Expenses	<u>590,800</u>
Operating Loss	<u>(549,734)</u>
Non-Operating Revenue	
Interest income	6,132
Investment income	30,684
Total Non-Operating Revenue	<u>36,816</u>
Loss Before Transfers	<u>(512,918)</u>
Transfers from the District of Columbia	
Local funding (REDF) - Renewable Energy Development Fund	14,000,000
Local funding (SETF) - Sustainable Energy Trust Fund	12,000,000
Total Transfers from the District of Columbia	<u>26,000,000</u>
Change in net position	25,487,082
Net position, beginning of year	-
Net Position, End of Year	<u>\$ 25,487,082</u>

The accompanying notes are an integral part of this financial statement.

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020 (YEAR OF INCEPTION)

Cash Flows Used for Operating Activities	
Payment to employees and benefit providers	\$ (115,626)
Payments to suppliers and contractors	(300,461)
Community Solar Loan program disbursement	<u>(1,207,599)</u>
Net Cash Flows Used for Operating Activities	<u>(1,623,686)</u>
 Cash Flows from Non-capital Financing Activities	
Transfers from the District of Columbia	<u>19,000,000</u>
 Cash Flows from Investing Activities	
Interest Income	6,132
Investment Income	<u>30,684</u>
Net Cash Flows from Investing Activities	<u>36,816</u>
 Net change in cash and cash equivalents	 17,413,130
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,413,130</u>

**RECONCILIATION TO NET CASH USED IN
OPERATING ACTIVITIES:**

Loss from operation	\$ (549,734)
Change in assets and liabilities:	
Increase in program loans receivable	(1,462,460)
Increase in prepaid expenses	(8,469)
Increase in accounts payable	145,145
Increase in accrued payroll	27,796
Increase in retainage	130,007
Increase in interest reserve	83,788
Increase in compensated absences	<u>10,241</u>
Net cash used for operating activities	<u>\$ (1,623,686)</u>

The accompanying notes are an integral part of this financial statement.

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
(A Component Unit of the Government of the District of Columbia)

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District of Columbia Green Finance Authority (DC Green Bank) conform to U.S. Generally Accepted Accounting Principles (GAAP) as applicable to government enterprises. The following is a summary of DC Green Bank's significant accounting policies:

• ***Reporting Entity***

On July 2, 2018, Mayor Bowser signed the District of Columbia Green Finance Authority Establishment Act of 2018 (the Act), creating DC Green Finance Authority, commonly known as DC Green Bank, as an independent instrumentality of the District of Columbia. As a part of DC's Sustainable DC Plan, the DC Department of Energy & Environment (DOEE) incubated the launch of DC Green Bank after the passage of the Act.

Our Board of Directors organized at its inaugural meeting held on July 25, 2019, officially setting DC Green Bank on its journey. DC Green Bank launched its virtual operations in April 2020 amidst the global COVID-19 pandemic crisis and acute civil unrest, highlighting the urgent need to advance sustainability and social justice together.

In pursuit of DC's ambitious Sustainable DC, Clean Energy and Climate Readiness goals, DC Green Bank acts as a catalytic force for the District's clean economy, supporting our city's alignment with the Paris Climate Agreement. We seek to make clean energy and sustainable choices the most affordable, practical and easiest ones for all.

As DC's clean economy accelerator, we will serve as a model sustainable capital provider that drives local businesses and stakeholders to achieve inclusive prosperity in a clean economy for the people of DC.

Shortly after launching operations, in June 2020, DC Green Bank closed and funded its first construction loan portfolio to the Solar For All award recipient to deploy solar renewable energy technologies at multifamily buildings located in District Wards 7 and 8.

DC Green Bank is a component unit of the District of Columbia Government, operating as an independent instrumentality.

• ***Measurement Focus, Basis of Accounting, and Basis of Presentation***

DC Green Bank's basic financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The economic measurement focus reports all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operations and are included on the Statement of Net Position.

The financial statements have been prepared in accordance with GAAP as prescribed by the Governmental Accounting Standards Board (GASB) and are presented as required by these standards to provide a comprehensive perspective of DC Green Bank's net position, change in net position, and cash flows.

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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Measurement Focus, Basis of Accounting, and Basis of Presentation (continued)***

For the purposes of financial reporting, DC Green Bank is considered to be a single enterprise fund. However, for accounting purposes, and to ensure observation of limitations and restrictions placed on the use of the resources available to DC Green Bank, accounts are maintained in accordance with the principles of fund accounting.

- ***Use of Restricted Components of Net Position***

As of September 30, 2020, DC Green Bank's funding primarily came from the Renewable Energy Development Fund (REDF) and the Sustainable Energy Trust Fund (SETF). Funds from the SETF can be used to support all of DC Green Bank's operating purpose and thus are considered unrestricted funds in net position. Funds from the REDF can also be used for DC Green Bank's operations that support the creation of new solar in the District, and any project or program which DC Green Bank funds with REDF funds must also support the creation of new solar in the District. As such, DC Green Bank considers any net position from REDF funds to be restricted.

- ***Cash and Cash Equivalents***

DC Green Bank considers all highly liquid instruments purchased with an original maturity of less than ninety (90) days to be cash equivalents. As of September 30, 2020, cash equivalents consisted of a money market sweep account.

- ***Program Loans Receivable***

Program loans receivable, which is recorded at cost disbursed, is related to the solar portfolio offered by DC Green Bank, less any write off for impairment.

- ***Allowance for Uncollectible Loans***

DC Green Bank establishes an allowance for uncollectible loans for all loans receivable based on management review of the status of each specific loan. As of September 30, 2020, management believes all loans are fully collectible and has not recorded an allowance.

- ***Construction Loan Retainage***

With respect to each loan in the current portfolio, DC Green Bank holds a 10 percent retainage on the current loan proceeds that will be paid to the borrower at the completion of the project. As of September 30, 2020, construction loan retainage due to borrowers is \$130,007.

- ***Interest Reserve***

Each loan in the current portfolio contains an interest reserve, which allows the interest payments that become due during the construction period to be paid out of loan proceeds. DC Green Bank holds the interest reserve funds in a segregated bank account. As monthly interest payments become due, funds are moved from the interest reserve bank account to the operating bank account to signify payment and are recognized as interest revenue in the accompanying statement of revenues, expenses, and change in net position.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Revenue Recognition***

Revenues are recorded when earned. Interest revenue on program loans receivable is recorded monthly as interest becomes due in accordance with the executed loan agreement. Program fee revenue is recognized on the closing date of the loan and is fully earned and non-refundable. Investment income includes interest on the money market sweep account and is recorded on the accrual basis.

DC Green Bank receives funding from the District of Columbia to fund the sustainable projects, including new solar and solar-related projects and programs as well as the sustainable energy program and to support general operations. This revenue is recorded when funds are committed by the District of Columbia and is recorded as transfers from the District of Columbia in the accompanying statement of revenues, expenses, and change in net position.

- ***Compensated Absences***

DC Green Bank accrues a liability for annual leave based on salary rates and accumulated leave hours as of September 30 and the related employer's share of FICA. Generally, employees earn up to 160 hours of annual leave during the year and may carry over an unlimited amount of annual leave. The accrued maximum annual leave balance is payable to employees upon termination of employment.

- ***Components of Net Position***

Restricted - Restricted net position consists of funds from the REDF held to fund the loan program and was \$13,464,782 as of September 30, 2020.

Unrestricted - This amount is the portion of net position that does not meet the definition of restricted. As of September 30, 2020, unrestricted funds totaled \$12,022,300.

- ***Revenues and Expenses***

DC Green Bank distinguishes between operating revenues and expenses and non-operating items. Operating revenues and expenses generally result from providing services in connection with the DC Green Bank's ongoing operations. The principal operating revenues of DC Green Bank consist of interest on program loans receivable and program fees. Operating expenses include salaries and benefits, information technology costs, web development and design costs, professional, contractual, loan servicing, and accounting service costs, and other miscellaneous expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses, which primarily consist of investment interest and income.

- ***Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements. Estimates and assumptions may also affect the reported amounts of revenues and expenses. Accordingly, actual results could differ from those estimates.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2 CASH DEPOSITS

DC Green Bank maintains cash and cash equivalents balances at several financial institutions. The cash balance at each financial institution is insured under the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, the balances on deposit will exceed the balance insured by the FDIC. DC Green Bank has a sweep investment account that is a repurchase sweep investment and is in accordance with the District Financial Institutions and Deposit Act of 1997. Cash equivalents are subject to interest rate risk which is the risk that changes in interest rates will adversely affect the value of the investment. As of September 30, 2020, the bank balances of cash deposits and cash equivalent deposits were \$1,302,426 and \$16,110,704, respectively.

NOTE 3 PROGRAM LOANS RECEIVABLE

DC Green Bank has issued construction loans for sustainable projects and programs to promote energy efficiency improvements, clean energy installations, and the construction of green infrastructure. Program loans receivable are funded by DC Green Bank as expenditures are incurred by the borrower. As of September 30, 2020, DC Green Bank has committed \$1,781,989 to the borrowers. Actual draws on program loans totaled \$1,462,460 as of September 30, 2020. Loans have various maturity dates between March 2021 and May 2021.

NOTE 4 RELATED PARTY TRANSACTIONS

In fiscal year 2020, DC Green Bank received the majority of its funding from the District of Columbia. During the year ended September 30, 2020, approximately 99% of DC Green Bank's funding was from the District of Columbia.

NOTE 5 RISK MANAGEMENT

DC Green Bank is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; cyber threats and natural disasters. DC Green Bank maintains commercial insurance coverage for property, liability, errors and omissions, Directors and Officers, and employee accidents. There have been no losses for the fiscal year 2020.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Commitments

As of September 30, 2020, DC Green Bank has total unused commitments in the amount of \$321,529 relating to the Flywheel projects. Based on the progression of the projects DC Green Bank is expecting another drawdown in early fiscal year 2021.

Contingencies

DC Green Bank entered into a contract with Sandy Spring Bank to establish a loan loss reserve to reimburse Sandy Spring Bank for program loans which have defaulted. The initial amount of the loan loss reserve required under the contract is \$100,000. As discussed in Note 8 below, this amount was funded subsequent to year end. Under the terms of the contract, the maximum loss reserve to be funded by DC Green Bank would be \$500,000, if necessary.

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NOTE 7 COVID-19 IMPACT

On January 30, 2020, the World Health Organization declared the coronavirus to be a public health emergency, a pandemic. On Tuesday, March 24, 2020, the Mayor of the District of Columbia declared a public health emergency and a civil preparedness emergency due to COVID-19.

While DC Green Bank does not have any residential and commercial sector lending currently, the immediate impact on its future investment in commercial and construction is unknown due to the uncertainty of how long the pandemic will last. Future potential impacts may include a reduction in the monies received from the District from the REDF and SETF funds, and changes in the regulatory environments.

During this unprecedented pandemic period, DC Green Bank has been an intentional partner working with other financial institutions, nonprofits, private companies and government agencies to support struggling businesses and residents of DC. By providing economic incentives for continued clean economic development, DC Green Bank will support the economic recovery of the District.

The COVID-19 health crisis has had a material impact on the initial capitalization funds of DC Green Bank as of September 30, 2020. The initial capitalization funding to DC Green Bank was impacted by a delay in receipt of \$10,000,000 from the District's Sustainable Energy Trust Fund (SETF); \$7,000,000 was subsequently received in fiscal 2021 and \$3,000,000 is still outstanding.

DC Green Bank is working with its partners to mitigate the impact of these and other unforeseen disruptions to the operations of DC Green Bank.

As operations started in the middle of this pandemic, DC Green Bank is following all guidelines for the public health emergency issued by the Mayor.

NOTE 8 SUBSEQUENT EVENTS

On October 29, 2020, DC Green Bank received the outstanding capitalization funds of \$7,000,000 from the SETF fund. Additionally, on November 10, 2020, in compliance with the contract executed for the CLEER program, DC Green Bank funded the Loan Loss Reserve with Sandy Spring Bank for \$100,000.

DC Green Bank evaluated the subsequent events and transactions through December 30, 2020, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred, other than those disclosed above, that would affect the information presented in the accompanying financial statements or require additional disclosure.



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Mayor and Council of the Government of the District of Columbia
and the Board of Directors of the District of Columbia Green Finance Authority
Washington, DC

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 the DC Green Finance Authority (DC Green Bank), a component unit of the Government of the District of Columbia, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise DC Green Bank's basic financial statements, and have issued our report thereon dated December 30, 2020.

Internal Controls over Financial Reporting

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

A *deficiency in internal controls* 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DC Green Bank'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 determination of financial statement amounts. 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*.



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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, D.C.
December 30, 2020

A handwritten signature in black ink that reads "SB & Company, LLC". The signature is written in a cursive, flowing style.