

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, 2022, and 2021

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, and 2021

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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 Audit of the Financial Statements

Opinion

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 years ended September 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of DC Green Bank as of September 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of DC Green Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about DC Green Bank's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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 controls 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 DC Green Bank's internal controls. 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 DC Green Bank'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 controls-related matters that we identified during the audit.

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.



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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 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 15, 2022

A handwritten signature in cursive script that reads "SB & Company, LLC".

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022, and 2021

FINANCIAL HIGHLIGHTS

Introduction

The following is a discussion and analysis of the District of Columbia Green Finance Authority's (DC Green Bank or the Bank) financial performance as of and for the fiscal years ended September 30, 2022, and 2021. 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 \$7.0 million a year for five years, fiscal years 2018 through 2023, will be 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 \$15.0 million in fiscal years 2020 and 2021 and \$10.0 million 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.

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In fiscal year 2021, there was an amendment to the SETF statute stating that the SETF will transfer at least \$10.0 million, but no more than \$15.0 million, to the Green Finance Authority in fiscal years 2022 through 2025, provided that the total amount of money transferred to the Green Finance Authority from the SETF in fiscal years 2020 through 2025 shall not exceed \$70.0 million.

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 \$57.1 million, \$40.7 million, and \$25.5 million as of September 30, 2022, 2021, and 2020, respectively, which is classified and reported as restricted and unrestricted net position in the Statement of Net Position. The restricted net position represents funds that are to be used for specified purposes.
- In the fiscal year, the Bank issued seventeen (17) promissory notes for a total of \$25.0 million compared to 3 promissory notes totaling \$2.0 million in 2021 and 8 promissory notes totaling \$1.8 million in 2022. As of September 30, 2022, the portfolio consists of \$2.5 million in Predevelopment loans, \$2.4 million in permanent financing, \$407 thousand in commercial operating lines of credit, \$5.5 million in solar construction, \$491 thousand in energy efficiency equipment, and \$3.7 million in revolving lines of credit for various projects in help with operational and other costs.
- In the fiscal years 2022 and 2021, the Bank established some Joint Ventures and partnerships with other financial intuitions to reach areas of District populations that would not have been served, with total funding of \$1.3 million and \$100 thousand, respectively.
- Operating revenues earned in the fiscal years ended September 30, 2022, 2021, and 2020 was \$514 thousand, \$100 thousand, and \$41 thousand, respectively. Non-Operating revenue decreased by \$78 thousand over the 2021 balance of \$36 thousand and remained constant in 2021 compared to the 2020 balance of \$37 thousand. Included in non-operating expense is \$122 thousand for unrealized loss on the investment portfolio in fiscal year 2022.
- Operating expenses were \$4.9 million, \$2.9 million, and \$591 thousand for fiscal years ended September 30, 2022, 2021, and 2020, respectively, which were greater than operating and non-operating revenues resulting in a loss before transfers of \$4.4 million, \$2.9 million, and \$550 thousand for the fiscal years ended September 30, 2022, 2021, and 2020, respectively.
- Transfers from the District government totaled \$20.8 million, \$18.0 million, and \$26.0 million for the fiscal years ended September 30, 2022, 2021, and 2020, respectively, resulting in the net position of \$57.0 million and \$40.7 million as of September 30, 2022, and 2021, respectively. Refer to Table II on page 8 for further detail.

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022, and 2021

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 and 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022, and 2021

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, 2022, 2021, and 2020.

Table I - Condensed Schedule of Net Position
As of September 30, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Assets			
Cash and cash equivalents - unrestricted	\$ 12,770,428	\$ 14,055,606	\$ 5,022,300
Cash and cash equivalents - restricted	21,598,862	13,253,832	12,390,830
Investments	4,869,806	4,996,850	-
Due from District of Columbia	5,000,000	7,000,000	7,000,000
Program loans receivable	14,772,876	1,956,117	1,462,460
Prepaid expenses	65,079	12,397	8,469
Total Assets	59,077,051	41,274,802	25,884,059
Liabilities			
Current Liabilities	1,059,423	388,950	386,736
Noncurrent Liabilities	950,811	195,210	10,241
Total Liabilities	2,010,234	584,160	396,977
Net Position			
Unrestricted	37,010,569	27,012,783	12,022,300
Restricted	20,056,248	13,677,859	13,464,782
Total Net Position	\$ 57,066,817	\$ 40,690,642	\$ 25,487,082

For the fiscal years ended September 30, 2022, 2021 and 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.

For the fiscal years 2022, 2021, and 2020, DC Green Bank portfolio investments relate to solar construction, energy efficiency, storm water abatement, and pre-development financing. Pursuant to the contractual loan arrangements, not all funds that DC Green Bank approved are disbursed immediately. These financings are "delayed draw" by design in that funds are not deployed until the projects meet certain set milestones or levels of percentage of completion. These funds are deposited in a secured account with our loan servicers to be disbursed over time as draws are requested from borrowers. Once the project is implemented, borrowers begin drawing down on capital over time.

In fiscal years 2022 and 2021, DC Green Bank continues to partner with the help of local developers to fund the construction of portfolio of Solar for All projects on affordable housing sites, predevelopment projects, stormwater retention mitigation projects, and building efficiency projects across all Wards across the District.

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Total assets of the DC Green Bank as of September 30, 2022, 2021 and 2020, were \$59.1 million, \$41.3 million, and \$25.9 million, respectively. This was mainly the result of the District government's 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, approximately \$10.0 million in 2022, \$18.0 million in 2021, and \$26.0 million in 2020 was made available to the DC Green Bank. The funding consists of \$10.0 million, \$15.0 million, and \$12.0 million in fiscal years 2022, 2021, and 2020, respectively, from the District's Sustainable Energy Trust Fund (SETF), and \$3.0 million and \$14.0 million from the District's Renewable Energy Development Fund (REDF) in fiscal years 2021 and 2020.

Unrestricted cash and cash equivalents as of September 30, 2022, 2021, and 2020 were \$12.8 million, \$14.1 million, and \$5.0 million, respectively. Restricted cash and cash equivalents were \$21.6 million, \$13.3 million, and \$12.4 million, respectively. Program loans receivable amounts of \$14.8 million in 2022 net of the Allowance for Loan losses of \$286 thousand compared to program loans receivable of \$2.0 million as of September 30, 2021, and \$1.5 million as of September 30, 2020. The bank did not record a provision in fiscal years 2021 and 2020.

DC Green Bank's total liabilities were \$2.01 million, \$584 thousand, and \$397 thousand as of September 30, 2022, 2021, and 2020, respectively, which comprised accrued payroll and bonuses, accrued expenses, and loan-related liabilities.

Net position, the difference between DC Green Bank's assets and its liabilities, as of September 30, 2022, 2021, and 2020 was \$57.1 million, \$40.7 million, and \$25.5 million respectively.

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2022, and 2021

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, 2022, 2021, and 2020.

Table II - Condensed Schedule of Revenues, Expenses, and Change in Net Position
For the Years Ended September 30, 2022, 2021, and 2020

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating Revenues	\$ 513,532	\$ 100,208	\$ 41,066
Operating Expenses	4,889,733	2,932,476	590,800
Operating Loss	(4,376,201)	(2,832,268)	(549,734)
Non-Operating Revenues	(41,728)	35,828	36,816
Transfers from the District of Columbia	20,794,104	18,000,000	26,000,000
Change in Net Position	16,376,175	15,203,560	25,487,082
Net position, beginning of the year	40,690,642	25,487,082	-
Net Position, End of the Year	\$ 57,066,817	\$ 40,690,642	\$ 25,487,082

During the fiscal years ended September 30, 2022, 2021, and 2020, DC Green Bank's operating revenues totaled \$514 thousand, \$100 thousand, and \$41 thousand, respectively. The operating revenues are from program fees and interest charged on the project loans.

The non-operating revenues of \$81 thousand, \$36 thousand, and \$37 thousand were derived from funds provided by the District government, for operating purposes in fiscal years 2022, 2021, and 2020, respectively. DC government transfers represent the capitalization of \$10.0 million, \$18.0 million, and \$26.0 million that was made available to the DC Green Bank in fiscal years 2022, 2021 and 2020, respectively.

Capital Assets and Debt Administration

The DC Green Bank has no capital assets and no debt obligations as of September 30, 2022, 2021, and 2020.

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 years 2022, 2021, and 2020 was \$42.2 million, \$30.5 million, and \$28.0 million, respectively.

Fees and other income were originally budgeted assuming more favorable interest rates during the fiscal years presented. Total operating expenses were approximately \$4.4 million, \$2.9 million, and \$591 thousand for the fiscal years ended September 30, 2022, 2021, and 2020, respectively. The increase was driven primarily by increases in salaries and benefits. In 2022, due to the growth of the bank, it was imperative for the organization to increase personnel resources. In 2022, salaries were \$2.6 million, compared to \$1.6 million in 2021, and \$154 thousand in 2020, increases of \$1.0 million and \$1.5 million, respectively, which were well within the budgeted amount. Other operating costs increased to \$456 thousand in 2022 compared to \$138 thousand in 2021 and \$188 thousand in 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, 2022, and 2021

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 8). During 2022 the economy showed signs of a recession and will continue in 2023 and will likely impact DC Green Bank. (See footnote 9).

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 DC Green Banks' CFO, Jean Houpert, jhoupert@dgreenbank.com.

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

STATEMENTS OF NET POSITION
AS OF SEPTEMBER 30, 2022, AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents - unrestricted	\$ 12,770,428	\$ 14,055,606
Cash and cash equivalents - restricted	21,598,862	13,253,832
Investments	4,869,806	4,996,850
Due from District of Columbia	5,000,000	7,000,000
Program loans receivable, net	14,772,876	1,956,117
Prepaid expenses and other assets	65,079	12,397
Total Assets	59,077,051	41,274,802
LIABILITIES		
Accounts payable and accrued expenses	447,098	254,396
Accrued payroll	354,929	61,003
Unearned revenue	183,254	15,987
Compensated absences	74,142	57,564
Noncurrent liabilities:		
Interest reserve	661,856	46,963
Construction loan retainage	238,619	148,247
Debt service reserve	50,336	-
Total Liabilities	2,010,234	584,160
NET POSITION		
Unrestricted	37,010,569	27,012,783
Restricted	20,056,248	13,677,859
Total Net Position	\$ 57,066,817	\$ 40,690,642

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

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
 FOR THE YEARS ENDED SEPTEMBER 30, 2022, AND 2021

	<u>2022</u>	<u>2021</u>
Operating Revenues		
Interest on program loans receivable	\$ 270,637	\$ 82,597
Program fees	242,895	17,611
Total Operating Revenues	<u>513,532</u>	<u>100,208</u>
Operating Expenses		
Salaries and benefits	2,557,833	1,647,911
General and administrative	1,589,553	1,146,118
Provision for loan loss	286,014	-
Other operating expenses	456,333	138,447
Total Operating Expenses	<u>4,889,733</u>	<u>2,932,476</u>
Operating Loss	<u>(4,376,201)</u>	<u>(2,832,268)</u>
Non-Operating Revenues (Expense)		
Interest income	81,066	37,716
Investment income	-	460
Unrealized loss on investments	(122,794)	(2,348)
Total Non-Operating Revenues (Expense)	<u>(41,728)</u>	<u>35,828</u>
Loss Before Transfers	<u>(4,417,929)</u>	<u>(2,796,440)</u>
Transfers from the District of Columbia		
Local funding (REDF) - Renewable Energy Development Fund	-	3,000,000
Local funding (SETF) - Sustainable Energy Trust Fund	10,000,000	15,000,000
Local funding (DOEE) - Department of Energy & Environment	10,794,104	-
Total Transfers from the District of Columbia	<u>20,794,104</u>	<u>18,000,000</u>
Change in net position	16,376,175	15,203,560
Net position, beginning of year	40,690,642	25,487,082
Net Position, End of Year	<u>\$ 57,066,817</u>	<u>\$ 40,690,642</u>

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

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022, AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Payment to employees and benefit providers	\$ (2,247,329)	\$ (1,567,381)
Payments to suppliers and contractors	(1,738,599)	(1,163,255)
Loan program disbursement	(11,833,640)	(412,034)
Net Cash Flows Used by Operating Activities	<u>(15,819,568)</u>	<u>(3,142,670)</u>
Cash Flows From Non-Capital Financing Activities		
Transfers from the District of Columbia	22,794,104	18,000,000
Net Cash Flows Provided by Non-Capital Financing Activities	<u>22,794,104</u>	<u>18,000,000</u>
Cash Flows From Investing Activities		
Purchase of investments	-	(5,000,743)
Sales of investments	4,250	1,545
Interest Income	81,066	37,716
Investment Income	-	460
Net Cash Flows Provided (Used) by Investing Activities	<u>85,316</u>	<u>(4,961,022)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,059,852	9,896,308
Cash and cash equivalents, October 1	27,309,438	17,413,130
Cash and Cash Equivalents, September 30	<u>\$ 34,369,290</u>	<u>\$ 27,309,438</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Loss from operation	\$ (4,376,201)	\$ (2,832,268)
Provision for loan loss	286,014	-
Change in non-cash operating assets and liabilities:		
Increase in program loans receivable	(13,102,773)	(493,657)
Increase in prepaid expenses and other assets	(52,682)	(3,928)
Increase in accounts payable and accrued expenses	192,702	109,251
Increase in accrued payroll	293,926	33,207
Increase in unearned revenue	167,267	15,987
Increase in compensated absences liability	16,578	47,323
Increase (decrease) in interest reserve	614,893	(36,825)
Increase in construction loan retainage	90,372	18,240
Increase in debt service reserve	50,336	-
Net cash Provided (Used) By Operating Activities	<u>\$ (15,819,568)</u>	<u>\$ (3,142,670)</u>

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

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

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

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 is 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.

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

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

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 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, 2022, and 2021, 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 purposes and thus are considered unrestricted funds in a 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 that 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. In 2022, the bank did not receive any funding from REDF funds due to rate payor reductions and other budgetary constraints from the District.

- ***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, 2022, and 2021, cash equivalents consisted of a money market sweep account.

- ***Short-Term Investments***

DC Green Bank considers short-term investments as an investment that can be converted to cash after a period of only 3-12 months. DC Green Bank categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are valuations based on unadjusted quoted prices for identical assets or liabilities in active markets; Level 2 inputs are valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and Level 3 inputs are valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

- ***Program Loans Receivable***

Program loans receivable, which are recorded at cost disbursed, is related to any loans 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, 2022, and 2021, management recorded an allowance in the amount of \$286 thousand and \$0, respectively

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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Construction Loan Retainage***

For each construction loan in the current portfolio, DC Green Bank holds a 10 percent retainage on the current loan proceeds that will be paid back to the borrower at the completion of the project. As of September 30, 2022, and 2021, construction loan retainage due to borrowers was \$239 thousand and \$148 thousand, respectively.

- ***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.

- ***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. Following Accounting Standards Codification (ASC 310-20-25-2) DC Green Bank defers loan origination fees and is recognized over the term of the executed loan agreement. Investment income includes interest on the money market sweep account and is recorded on an accrual basis.

DC Green Bank receives funding from the District of Columbia to fund sustainable projects, including new solar and solar-related projects and programs, 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 80 hours 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 \$20.1 million and \$13.7 million as of September 30, 2022, and 2021, respectively.

Unrestricted - This amount is the portion of net position that does not meet the definition of restricted. As of September 30, 2022, and 2021, unrestricted funds totaled \$37.0 million and \$27.0 million, respectively.

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022, AND 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

• ***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 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.

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 thousand. At times, the balances on deposit will exceed the balance insured by the FDIC. DC Green Bank has sweep investment accounts that are Insured Cash Sweep (ICS) and is a repurchase sweep investment 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, 2022, and 2021, the bank balances of cash deposits and cash equivalent deposits were \$34.4 million and \$27.3 million, respectively.

NOTE 3 INVESTMENTS

DC Green Bank uses its securities portfolio to provide a source of liquidity and risk management and provide an appropriate return on funds invested. The Banks investment portfolio totaled \$4.9 million and \$5.0 million as of September 30, 2022 and 2021, respectively.

As of September 30, 2022, DC Green Bank’s investments had the following maturities:

Investment Type	Fair Value			
	September 30, 2022	0-18 Months	18-24 Months	> 24 Months
U.S. Treasury Bonds	\$ 4,555,501	\$ 4,555,501	\$ -	\$ -
Money Market Funds	314,305	314,305	-	-
Total investments	\$ 4,869,806	\$ 4,869,806	\$ -	\$ -

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NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022, AND 2021

NOTE 3 INVESTMENTS (continued)

As of September 30, 2021, DC Green Bank's investments had the following maturities:

Investment Type	Fair Value			
	September 30, 2021	0-18 Months	18-24 Months	> 24 Months
U.S. Treasury Bonds	\$ 4,690,772	\$ 4,690,772	\$ -	\$ -
Money Market Funds	306,078	306,078	-	-
Total investments	\$ 4,996,850	\$ 4,996,850	\$ -	\$ -

As of September 30, 2022, and 2021, DC Green Bank's investments had the following balances:

Investments by Fair Value Level	September 30, 2022			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury Bonds	\$ 4,555,501	\$ 4,555,501	\$ -	\$ -
Money Market Funds	314,305	314,305	-	-
Total Investments by Fair Value Level	\$ 4,869,806	\$ 4,869,806	\$ -	\$ -

Investments by Fair Value Level	September 30, 2021			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury Bonds	\$ 4,690,772	\$ 4,690,772	\$ -	\$ -
Money Market Funds	306,078	306,078	-	-
Total Investments by Fair Value Level	\$ 4,996,850	\$ 4,996,850	\$ -	\$ -

Interest rate risk. In accordance with its investment policy for its operating funds, the DC Green Bank manages its exposure to declines in fair value due to rising interest rates by limiting the maturity of securities to no more than 12 months from the date of purchase, unless it is matched to a specific cash flow requirement.

Credit risk. DC Green Bank's investments in U.S. Treasury Securities are rated AA+ by Standard and Poor's.

Concentration of credit risk. DC Green Bank's policy is to diversify its investments by security type and institution. With the exception of the U.S. Treasury Securities and authorized pools, no more than 50% of the DC Green Bank's total investments portfolio will be invested in a single security type or with a single financial institution.

Custodial credit risk. In the case of deposits, this is the risk that in the event of a bank failure, DC Green Bank's deposits may not be returned to it. As of September 30, 2022, and 2021, all the DC Green Bank's deposits were either covered by federal depository insurance or were covered by collateral held by the bank's agent in the DC Green Bank's name and DC Green Bank was in compliance with the collateralization level required by its investment policy.

DISTRICT OF COLUMBIA GREEN FINANCE AUTHORITY
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NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2022, AND 2021

NOTE 4 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, 2022, and 2021, DC Green Bank has committed \$26.3 million and \$2.6 million to the borrowers, respectively. Actual draws on program loans totaled \$15.1 million and \$2.0 million as of September 30, 2022, and 2021, respectively. The bank also partners with other capital providers with commitments of \$1.3 million dollars through partnerships and joint ventures to crowd in outside capital to fund programs across the District for underserved communities and individual borrowers. Loans have various maturity dates between November 2022 to March 2037.

Program loans receivable consisted of the following as of September 30, 2022, and 2021:

	2022	2021
Construction Loans	\$ 5,538,885	\$ 1,568,466
Pre-Development Loans	2,480,332	211,759
Revolving Loans	3,770,975	175,892
Term Loans	2,370,553	-
Commercial Lines of Credit	407,268	-
CII Equipment Financing	490,877	-
Total	15,058,890	1,956,117
Less: provision for loan loss	286,014	-
Total Program Loans Receivable	\$ 14,772,876	\$ 1,956,117

NOTE 5 RELATED-PARTY TRANSACTIONS

For fiscal years 2022 and 2021, DC Green Bank received the majority of its funding from the District of Columbia. During the years ended September 30, 2022, and 2021, approximately 99% of DC Green Bank's funding was from the District of Columbia.

NOTE 6 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 fiscal years 2022 and 2021.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Commitments

As of September 30, 2022, DC Green Bank has total unused commitments of \$9.6 million relating to the undrawn funds in the portfolio. Based on the progression of the projects DC Green Bank is expecting more drawdowns in early fiscal year 2023.

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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

NOTE 7 COMMITMENTS AND CONTINGENCIES (continued)

Commitments (continued)

In December 2021, DC Green Bank entered into a Small Business Pool agreement with City First Enterprise to fund small business in the amount of \$825 thousand with DC Green Bank contributing \$495 thousand with a \$100 thousand loan loss reserve that will cover 20% of a given loan on first loss. This facility includes projects that are Solar, Green Buildings, Stormwater Resilience, and Energy Storage. Projects must include sustainability and or resiliency measures that identify the standard and or projected impact.

In January 2022, DC Green Bank entered into a loan loss reserve agreement with Clean Energy Credit Union (CECU), a federally chartered credit union to provide lending to District residents looking to finance energy efficiency on their homes. The loan loss reserve committed was \$225 thousand with the first tranche of \$75 thousand funded as the signing of the agreement, the remaining amount will be funded when the balance of the portfolio balance reaches \$3.0 million. Eligible borrowers must include an owner of the real property where the financed assets are installed. If the resident is not the homeowner, then the resident should have legal consent by the homeowner to make all planned improvements that are part of the loan proceeds. The original principal amount of the loans eligible to be backed by this loan loss reserve may be from \$3 thousand up to and including \$90 thousand. Loans may be secured by a lien on the financial assets using a UCC-1 financing statement and as required, fixture filings against the borrowers with a loan term from 36 to 240 months. The interest rate on this loan program will be the rate advertised by CECU less 50 basis points.

In April 2022, DC Green Bank entered into a Joint Venture with the Latino Economic Development Corporation of Washington D.C.(LEDC) to operate a loan pool fund in the amount of \$1.0 million for the purposes of the origination and ownership of loans serving the community that seek capital for smaller projects with the community serves by LEDC. By partnering with a seasoned CDFI that is accustomed to working in this segment of the market, DCGB can leverage its staff resources while still serving small project financing. Moreover, LEDC will benefit from DCGB's clean energy and sustainable infrastructure financing expertise to allow it to grow its financing portfolio in this space. The loan pool will be funded in two tranches of \$500,000 (each tranche will have a \$450,000 contribution from DCGB and a \$50,000 contribution from LEDC), with the second tranche being funded upon satisfactory utilization of the funds. over the first six months.

NOTE 8 COVID-19 IMPACT

Since January 30, 2020, when the World Health Organization declared the coronavirus to be a public health emergency, the Bank has been complying with all the mandates issued by the Mayor of the District of Columbia.

On September 14, 2022, District employees will no longer be required to provide proof of vaccination, submit negative test results, or seek accommodations in lieu of vaccination. Accordingly, we are rescinding COVID-19 Vaccination Requirements as provided in the April 2022 update. DC Green Bank will comply with this new mandate.

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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

NOTE 8 COVID-19 IMPACT (continued)

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. The 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.

The COVID-19 health crisis has had and continuing material impact on the capitalization funds of DC Green Bank as of September 30, 2022, and 2021, respectively. In 2022, the bank was scheduled to receive \$7 million from the REDF, but it was not received due to the reduction of rate payor revenue to the fund. In 2021, there was a shortfall of \$4.0 million, resulting in an overall deficit of \$11 million. In fiscal 2021, funding to DC Green District's Sustainable Energy Trust Fund (SETF) resulted in a shortfall of \$3.0 million which is still outstanding.

With the 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.

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.

NOTE 9 SUBSEQUENT EVENTS

On October 30, 2022, DC Green Bank received the outstanding capitalization funds of \$5.0 million from the SETF funds which were included in due from District of Columbia on the accompanying statements of net position as of September 30, 2022.

On November 8, 2022, the Bank closed on a solar construction loan in the amount of \$335 thousand to finance up to 125 kW's of rooftop solar projects at various households in the District at an estimated cost of \$3.10 watt. The project will reduce annual GHFs by approximately 3,160 tons over 20 years, cut 12-15 household utility bills by approximately 50%, and would support a local emerging developer to expand and scale their business operations to serve the District residents. The construction loan covers equipment and installation cost beginning at the Notice to Proceed pursuant to the EPC Contract. This is the third loan to this borrower, we previously issued two construction loans and a line of credit. The previous loans have led to the successful construction of 12 Solar for All projects as well as the development of their project pipeline and operational capacity.

On November 18, 2022, DC Green Bank and City First Enterprise under the Small Business Loan Pool agreement closed on a \$120 thousand construction-to-permanent term loan to a developer to finance a 56.8 kW portfolio of six (6) rooftop solar photovoltaic systems on residential properties throughout Washington, DC, and Maryland. The Borrower will own the solar arrays and will provide electricity to the owners of the Subject Properties at zero cost through contracts known as power purchase agreements ("PPAs"). All the projects are permitted, ready to be constructed, and are expected to provide benefits to residents by Q1 2023. The Maryland projects are located in Pepco's DC Cross-Border Feeder Map, making them eligible for DC Solar Renewable Energy Credits ("SRECs"). The Cross-Border Feeder Map illustrates areas within PEPCO territory where electricity feeders may be located in Maryland but serve customers in DC. When on-site generation exceeds on-site demand, the excess power flows into the feeder line and is available for all consumers through the distribution network, with the potential to be consumed by users closer to the

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NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022, AND 2021

NOTE 9 **SUBSEQUENT EVENTS** (continued)

point of injection which in this case may include Wards 7 and 8. As part of the agreement, DC Green Bank's share of the loans is 60% in the amount of \$72 thousand, with City First Enterprises' portion of 40% in the amount of \$24 thousand.

DC Green Bank evaluated the subsequent events and transactions through December 15, 2022, the date these financial statements were available for issue, and has determined that no material subsequent events have occurred, other than that 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 District of Columbia Green Finance Authority (DC Green Bank or the Bank), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2022 and 2021, 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 15, 2022.

Report on Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the DC Green Bank's internal controls over financial reporting (internal controls) as a basis for designing 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



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Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal 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 15, 2022

SB & Company, LLC