THE PHILADELPHIA ENERGY AUTHORITY

FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Independent Auditors' Report

To the Board of Directors
The Philadelphia Energy Authority
Philadelphia, Pennsylvania

Opinion

We have audited the accompanying financial statements of **The Philadelphia Energy Authority** (a municipal authority) which comprise the statements of net position as of June 30, 2025 and 2024, and the related statements of revenue, expenses, and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller 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 The Philadelphia Energy Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters 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 on pages 4 through 7, be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate

Required Supplementary Information – CONT'D

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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2026, on our consideration of The Philadelphia Energy Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The Philadelphia Energy Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Philadelphia Energy Authority's internal control over financial reporting and compliance.

David A. Lopez & Co., LLC

Philadelphia, Pennsylvania
March 17, 2026

PHILADELPHIA ENERGY AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Report the auditor issued on whether the financial Statements audited were prepared in accordance with GAAP	**Unmodified**
Internal control over financial reporting Material weakness(es) identified?	______Yes __**X**__No
Significant weakness(es) identified?	______Yes __**X**__No

Federal Awards

Internal control over financial reporting Material weakness(es) identified?	______Yes __**X**__No
Significant weakness(es) identified?	______Yes __**X**__No
Type of auditor's report issued on compliance for major Federal program	**Unmodified**
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a) of the Uniformed Guidance	______Yes __**X**__No
Auditee qualified as low-risk auditee?	______Yes __**X**__No
Dollar threshold used to distinguish between Type A and Type B programs	**$750,000**

Identification of major Federal program:
11.307 – Good Jobs Challenge – Economic Development Cluster

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

Current Status of Prior Year Findings

Finding 2024 – 001

Summary

The organization had to propose and record several adjustments to the general ledger in order to properly capture expenditures in the proper accounting period. The finding was primarily because the fiscal year ended June 30, 2024, was the first operating year for which the organization was required to report under Uniform Guidance.

Response

The organization has engaged with an external accounting team that are experienced in the rules and reporting requirements under Uniformed Guidance. Philadelphia Energy Authority has provided the auditor with documentation that substantiates their newly developed and implemented policies and procedures.

Finding 2024 – 002

Summary

The organization did not design and implement a comprehensive strategy that properly addressed the compliance items required to be considered with the expenditure of Federal funds. The internal accounting team did not fully understand the CFDA compliance matrix and the relationship to their control structure.

Response

The organization has hired a compliance expert that is designing and implementing an internal control structure that will address all requirements under Uniform Guidance.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings

No matters were reported

Questions Costs

None identified