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DELTA REPORT

10-Q

ESA.U - ENERGY SERVICES OF AMERIC

10-Q - DECEMBER 31, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1127
CHANGES	233
DELETIONS	512
ADDITIONS	382

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark One)

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2023 December 31, 2023.

Commission File Number: 001-32998

Energy Services of America Corporation

(Exact Name of Registrant as Specified in Its Charter)

Delaware	20-4606266
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
75 West 3rd Ave., Huntington, West Virginia	**25701**
(Address of Principal Executive Office)	(Zip Code)

(304) 522-3868
(Registrant's Telephone Number Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbols	Name of Each Exchange On Which Registered
Common Stock, Par Value $0.0001	ESOA	The Nasdaq Stock Market LLC

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such requirements for the past 90 days. YES ☒ NO ☐.

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer", "smaller reporting company", or an "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of June 11, 2023 February 9, 2024, there were 16,567,185 16,610,848 outstanding shares of the Registrant's Common Stock.

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Part 1. Financial Information

Item 1. Financial Statements (Unaudited):

Energy Services of America Corporation

Consolidated Balance Sheets

Unaudited

	June 30, 2023	As Restated September 30, 2022	December 31, 2023	September 30, 2023
Assets				
Current assets				
Cash and cash equivalents	$ 9,038,562	$ 7,427,474	$ 11,255,020	$ 16,431,572
Accounts receivable-trade	47,875,592	38,525,223	43,217,068	51,219,958
Allowance for doubtful accounts	(51,063)	(70,310)	(51,063)	(51,063)
Retainages receivable	7,324,964	4,443,679	9,691,713	7,589,749
Other receivables	567,031	10,866	1,221,330	516,968
Contract assets	12,198,918	16,109,593	21,795,592	15,955,220
Prepaid expenses and other	4,849,731	3,945,968	2,687,286	3,520,178
Total current assets	81,803,735	70,392,493	89,816,946	95,182,582
Property, plant and equipment, at cost	82,131,349	73,736,433	85,900,210	84,329,349
less accumulated depreciation	(45,933,846)	(41,074,646)	(49,618,944)	(47,799,840)
Total property and equipment, net	36,197,503	32,661,787		
Total fixed assets			36,281,266	36,529,509
Right-of-use assets-operating lease	3,674,455	1,611,321	2,917,341	3,326,405
Intangible assets, net	3,472,469	3,873,690	3,274,957	3,383,099
Goodwill	4,087,554	4,087,554	4,087,554	4,087,554
Total assets	$ 129,235,716	$ 112,626,845	$136,378,064	$142,509,149
Liabilities and shareholders' equity				
Current liabilities				
Current maturities of long-term debt	$ 4,858,795	$ 4,060,016	$ 6,726,605	$ 6,107,277
Lines of credit and short-term borrowings	28,248,900	23,164,851		
Lines of credit and short term borrowings			14,909,464	19,847,470
Current maturities of operating lease liabilities	1,213,496	588,653	1,229,348	1,075,815
Accounts payable	18,833,990	20,314,408	22,262,695	22,026,639
Accrued expenses and other current liabilities	10,318,491	11,266,008	11,575,093	13,103,944
Contract liabilities	16,576,181	6,027,578	17,663,714	17,743,001
Total current liabilities	80,049,853	65,421,514	74,366,919	79,904,146
Long-term debt, less current maturities	12,731,183	13,494,084	17,030,429	18,870,529
Long-term operating lease liabilities, less current maturities	2,431,780	1,015,624	1,691,185	2,274,975
Deferred tax liability	5,155,011	4,455,079	7,652,378	6,870,510
Total liabilities	100,367,827	84,386,301	100,740,911	107,920,160
Shareholders' equity				
Common stock, $.0001 par value Authorized 50,000,000 shares, 17,885,615 issued and 16,567,185 outstanding at June 30, 2023 and 17,885,615 issued and 16,667,185 outstanding at September 30, 2022	1,789	1,789		
Treasury stock, 1,318,430 shares at June 30, 2023 and 1,218,430 shares at September 30, 2022	(132)	(122)		
Common stock, $.0001 par value Authorized 50,000,000 shares, 17,885,615 issued and 16,567,185 outstanding at December 31, 2023 and September 30, 2023			1,789	1,789

Treasury stock, 1,318,430 shares at December 31, 2023 and September 30, 2023			(132)	(132)
Additional paid in capital	60,288,745	60,508,350	60,288,745	60,288,745
Retained deficit	(31,422,513)	(32,269,473)	(24,653,249)	(25,701,413)
Total shareholders' equity	28,867,889	28,240,544	35,637,153	34,588,989
Total liabilities and shareholders' equity	$ 129,235,716	$ 112,626,845	$136,378,064	$142,509,149

The Accompanying Notes are an Integral Part of These Financial Statements

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Energy Services of America Corporation

Consolidated Statements of Income

Unaudited

	Three Months Ended June 30, 2023	As Restated Three Months Ended June 30, 2022	Nine Months Ended June 30, 2023	As Restated Nine Months Ended June 30, 2022	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Revenue	$ 85,529,892	$ 51,171,939	$ 199,245,920	$ 129,223,642	$ 90,163,187	$ 60,042,585
Cost of revenues	74,650,897	44,754,346	178,480,010	114,632,057	79,324,226	54,056,323
Gross profit	10,878,995	6,417,593	20,765,910	14,591,585	10,838,961	5,986,262
Selling and administrative expenses	5,283,617	3,821,043	16,487,502	10,870,677	7,198,720	5,316,138
Income from operations	5,595,378	2,596,550	4,278,408	3,720,908	3,640,241	670,124
Other income (expense)						
Interest income	—	—	196	576	—	72
Other nonoperating expense	(72,338)	(174,957)	(163,525)	(438,195)		
Other nonoperating income (expense)					75,001	(80,663)
Interest expense	(639,888)	(231,265)	(1,713,862)	(623,498)	(601,684)	(499,428)
Gain on sale of equipment	30,136	58,311	47,073	418,103		
Loss on sale of equipment					(13,328)	(31,343)
	(682,090)	(347,911)	(1,830,118)	(643,014)	(540,011)	(611,362)
Income before income taxes	4,913,288	2,248,639	2,448,290	3,077,894	3,100,230	58,762
Income tax expense	1,497,742	651,396	767,970	945,216		
Income tax expense (benefit)					1,058,035	(79,612)
Net income	$ 3,415,546	$ 1,597,243	$ 1,680,320	$ 2,132,678	$ 2,042,195	$ 138,374
Weighted average shares outstanding-basic	16,602,556	16,449,829	16,659,169	16,270,499	16,567,185	16,667,185

Weighted average shares-diluted	16,602,556	16,449,829	16,659,169	16,270,499	16,607,185	16,667,185
Earnings per share-basic	$ 0.21	$ 0.10	$ 0.10	$ 0.13	$ 0.12	$ 0.01
Earnings per share-diluted	$ 0.21	$ 0.10	$ 0.10	$ 0.13	$ 0.12	$ 0.01

The Accompanying Notes are an Integral Part of These Financial Statements

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Energy Services of America Corporation

Consolidated Statements of Cash Flows

Unaudited

	Nine Months Ended June 30, 2023	As Restated Nine Months Ended June 30, 2022	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Cash flows from operating activities:				
Net income	$ 1,680,320	$ 2,132,678	$ 2,042,195	$ 138,374
Adjustments to reconcile net income to net cash provided by operating activities:				
Accreted interest on PPP Loans	74,613	74,613		
Depreciation expense	5,356,166	4,006,663	2,068,479	1,762,322
Gain on sale of equipment	(47,073)	(418,103)		
Accreted interest on PPP loans			25,144	25,144
Loss on sale of equipment			13,328	31,343
Provision for deferred taxes	699,932	845,216	781,868	(421,878)
Amortization of intangible assets	401,221	307,698	108,142	132,780
Accreted interest on notes payable	31,200	27,326		
Increase in accounts receivable	(9,369,616)	(3,086,194)		
Accreted interest on note payable			23,239	10,599
Decrease in accounts receivable			8,002,890	3,153,393
Increase in retainage receivable	(2,881,285)	(2,221,588)	(2,101,964)	(545,772)
(Increase) decrease in other receivables	(556,165)	489,771		
Decrease (increase) in contract assets	3,910,675	(3,206,678)		
Increase in other receivables			(704,362)	(2,833)
(Increase) decrease in contract assets			(5,840,372)	1,711,912
Decrease in prepaid expenses and other	2,907,881	2,424,047	832,892	775,487
(Decrease) increase in accounts payable	(1,480,418)	4,050,532		
(Decrease) increase in accrued expenses and other current liabilities	(969,652)	2,229,419		
Increase in contract liabilities	10,548,603	2,961,585		
Increase (decrease) in accounts payable			214,863	(5,330,386)
Decrease in accrued expenses and other current liabilities			(2,522,882)	(2,451,871)
(Decrease) increase in contract liabilities			(79,287)	2,584,305
Net cash provided by operating activities	10,306,402	10,616,985	2,864,173	1,572,919

Cash flows from investing activities:				
Investment in property and equipment	(8,498,746)	(4,671,687)	(1,385,883)	(2,348,901)
Proceeds from sales of property and equipment	546,672	643,603	365,234	92,815
Net cash used in investing activities	(7,952,074)	(4,028,084)	(1,020,649)	(2,256,086)
Cash flows from financing activities:				
Preferred stock redemption	—	(1,210,525)		
Dividends on common stock	(833,360)	—		
Treasury stock purchased	(219,615)	—		
Borrowings on lines of credit and short-term debt, net of (repayments)	1,197,792	(4,884,880)		
Borrowings on lines of credit and short term debt, net of (repayments)			(4,963,150)	(580,320)
Proceeds from long-term debt	3,100,000	—	—	3,100,000
Principal payments on long-term debt	(3,988,057)	(3,324,838)		
Net cash used in financing activities	(743,240)	(9,420,243)		
Increase (decrease) in cash and cash equivalents	1,611,088	(2,831,342)		
Principal payments on long term debt			(2,056,926)	(1,733,080)
Net cash (used in) provided by financing activities			(7,020,076)	786,600
(Decrease) increase in cash and cash equivalents			(5,176,552)	103,433
Cash and cash equivalents beginning of period	7,427,474	8,226,739	16,431,572	7,427,474
Cash and cash equivalents end of period	$ 9,038,562	$ 5,395,397	$ 11,255,020	$ 7,530,907
Supplemental schedule of noncash investing and financing activities:				
Purchases of property & equipment under financing agreements	$ 892,735	$ 461,784	$ 812,915	$ 88,192
Prepaid insurance premiums financed	$ 3,811,644	$ 3,352,971		
Debt assumed in acquisitions for equipment	$ —	$ 390,445		
Sellers' note Tri-State Paving acquisition	$ —	$ 936,000		
Note payable to finance Tri-State Paving acquisition	$ —	$ 7,500,000		
Common stock issued to finance Tri-State Paving acquisition	$ —	$ 1,048,218		
Par value of common stock issued from preferred stock conversion	$ —	$ 263		
Operating lease right-of-use assets acquired in exchange for operating lease liabilities	$ 2,618,530	$ 365,379		
Net operating lease right-of-use assets received in exchange for operating lease liabilities			$ 252,259	$ —
Common dividends declared but not paid			$ 994,031	$ —
Supplemental disclosures of cash flows information:				
Cash paid during the year for:				
Interest	$ 1,636,404	$ 548,885	$ 574,067	$ 472,960
Income taxes	$ —	$ 6,706		

The Accompanying Notes are an Integral Part of These Financial Statements

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Energy Services of America Corporation

Consolidated Statements of Changes in Shareholders' Equity

For the three and nine months ended June 30, 2023 December 31, 2023 and 2022

Unaudited

	Common Stock		Additional Paid	Retained	Treasury	Total Shareholders'	Common Stock		Additional Paid	Retained	Treasury	Total Shareholder
	Shares	Amount	in Capital	Deficit	Stock	Equity	Shares	Amount	in Capital	Deficit	Stock	Equity
Balance at September 30, 2022, as restated	16,667,185	$1,789	$60,508,350	$(32,269,473)	$ (122)	$28,240,544						
Net income, as restated	—	—	—	138,374	—	138,374						
Balance at December 31, 2022, as restated	16,667,185	$1,789	$60,508,350	$(32,131,099)	$ (122)	$28,378,918						
Net loss	—	—	—	(1,873,600)	—	(1,873,600)						
Dividends on common stock ($0.05 per share on 16,667,185 shares)	—	—	—	(833,360)	—	(833,360)						
Treasury stock purchased by company	(32,181)	—	(71,652)	—	(3)	(71,655)						
Balance at March 31, 2023	16,635,004	$1,789	$60,436,698	$(34,838,059)	$ (125)	$25,600,303						
Balance at September 30, 2023							16,567,185	$1,789	$60,288,745	$(25,701,413)	$ (132)	$34,588,98
Net income	—	—	—	3,415,546	—	3,415,546	—	—	—	2,042,195	—	2,042,19
Treasury stock purchased by company	(67,819)	—	(147,953)	—	(7)	(147,960)						
Balance at June 30, 2023	16,567,185	$1,789	$60,288,745	$(31,422,513)	$ (132)	$28,867,889						

Dividends on common stock ($0.06 per share on 16,567,185 shares)	—	—	—	(994,031)	—	(994,03
Balance at December 31, 2023	16,567,185	$1,789	$60,288,745	$(24,653,249)	$ (132)	$35,637,15

	Common Stock		Additional Paid	Retained	Treasury	Total Shareholders'	Common Stock		Additional Paid	Retained	Treasur
	Shares	Amount	in Capital	Deficit	Stock	Equity	Shares	Amount	in Capital	Deficit	Stock
Balance at September 30, 2021, as restated	13,621,406	$1,484	$60,670,699	$(36,019,788)	$ (122)	$24,652,273					
Balance at September 30, 2022							16,667,185	$1,789	$60,508,350	$(32,269,473)	$ (122
Net income, as restated	—	—	—	1,145,836	—	1,145,836					
Net income							—	—	—	138,374	—
Preferred share redemption, net of accrued dividends at September 30, 2021	—	—	(1,210,525)	—	—	(1,210,525)					
Preferred share conversion	2,626,492	263	—	—	—	263					
Balance at December 31, 2021, as restated	16,247,898	$1,747	$59,460,174	$(34,873,952)	$ (122)	$24,587,847					
Net loss, as restated	—	—	—	(610,401)	—	(610,401)					
Balance at March 31, 2022, as restated	16,247,898	$1,747	$59,460,174	$(35,484,353)	$ (122)	$23,977,446					
Net income, as restated	—	—	—	1,597,243	—	1,597,243					
Shares issued for Tri-State Paving acquisition	419,287	42	1,048,176	—	—	1,048,218					
Balance at June 30, 2022, as restated	16,667,185	$1,789	$60,508,350	$(33,887,110)	$ (122)	$26,622,907					
Balance at December 31, 2022							16,667,185	$1,789	$60,508,350	$(32,131,099)	$ (122

The Accompanying Notes are an Integral Part of These Financial Statements

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1. BUSINESS AND ORGANIZATION

Energy Services of America Corporation (“Energy Services” or the “Company”), formed in 2006, is a contractor and service company that operates primarily in the mid-Atlantic and central regions of the United States and provides services to customers in the natural gas, petroleum, water distribution, automotive, chemical, and power industries. For the gas industry, the Company is primarily engaged in the construction, replacement and repair of natural gas pipelines and storage facilities for utility companies and private natural gas companies. Energy Services is involved in the construction of both interstate and intrastate pipelines, with an emphasis on the latter. For the oil industry, the Company provides a variety of services relating to pipeline, storage facilities and plant work. For the power, chemical, and automotive industries, the Company provides a full range of electrical and mechanical installations and repairs including substation and switchyard services, site preparation, equipment setting, pipe fabrication and installation, packaged buildings, transformers, and other ancillary work with regards thereto. Energy Services’ other pipeline services include corrosion protection services, horizontal drilling services, liquid pipeline construction, pump station construction, production facility construction, water and sewer pipeline installations, various maintenance and repair services and other services related to pipeline construction. The Company has also added the ability to install residential, commercial, broadband and industrial solar electric systems and perform civil and general contracting services.

C.J. Hughes Construction Company, Inc. (“C.J. Hughes”), a wholly owned subsidiary of the Company, is a general contractor primarily engaged in pipeline construction for utility companies. Contractors Rental Corporation (“Contractors Rental”), a wholly owned subsidiary of C.J. Hughes, provides union building trade employees for projects managed by C.J. Hughes.

Nitro Construction Services, Inc. (“NCS”), a wholly owned subsidiary of C.J. Hughes, provides electrical, mechanical, HVAC/R, and fire protection services to customers primarily in the automotive, chemical, and power industries. Revolt Energy, LLC (“Revolt”), a wholly owned subsidiary of NCS, performs residential solar installation projects. Nitro Electric Company, LLC (“Nitro Electric”), a wholly owned subsidiary of NCS, performs industrial electrical work and is has a satellite office registered in Michigan. Pinnacle Technical Solutions, Inc. (“Pinnacle”), a wholly owned subsidiary of NCS, operates as a data storage facility within Nitro’s office building. Pinnacle is supported by NCS and has no employees of its own. NCS and its subsidiaries will collectively be referred to “Nitro”.

All C.J. Hughes, Nitro, and Contractors Rental construction personnel are union members of various related construction trade unions and are subject to collective bargaining agreements that expire at varying time intervals.

West Virginia Pipeline, Inc. (“West Virginia Pipeline” or “WVP”), a wholly owned subsidiary of Energy Services, operates as a gas and water distribution contractor primarily in southern West Virginia. The employees of West Virginia Pipeline are non-union and are managed independently of the Company’s union subsidiaries.

SQP Construction Group, Inc. (“SQP”), a wholly owned subsidiary of Energy Services, operates as a general contractor primarily in West Virginia. SQP engages in the construction and renovation of buildings and other civil construction projects for state and local government agencies and commercial customers. As a general contractor, SQP manages the overall construction project and subcontracts most of the work. The employees of SQP are non-union and are managed independently of the Company’s union subsidiaries.

Tri-State Paving & Sealcoating, Inc. (“TSP” or “Tri-State Paving”), a wholly owned subsidiary of Energy Services, completed the acquisition of substantially all of the assets of Tri-State Paving & Sealcoating, LLC (“Tri-State Paving, LLC”) on April 29, 2022. Tri-State Paving provides utility paving services to water distribution customers in the Charleston, West Virginia, Lexington, Kentucky, and Chattanooga, Tennessee markets. The employees of TSP are non-union and are managed independently of the Company’s union subsidiaries.

Ryan Construction Services Inc. (“Ryan Construction” or “RCS”), a wholly owned subsidiary of Energy Services, formed in August 2022 in connection with the acquisition of substantially all the assets of Ryan Environmental, LLC and Ryan Environmental Transport, LLC (collectively “Ryan Environmental”), provides directional drilling services for broadband service providers along with offering natural gas distribution services, cathodic protection and corrosion prevention services, and civil construction services. Ryan Construction operates primarily in West Virginia and Pennsylvania. The employees of RCS are non-union and are managed independently of the Company’s union subsidiaries.

Interim Financial Statements

The accompanying unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and should be read in conjunction with the Company's audited consolidated financial statements and footnotes thereto for the years ended September 30, 2022 September 30, 2023, and 2021 2022 included in the Company's Amendment No. 1 to the Company's Annual Report on Form 10-K/A 10-K filed with the SEC on May 31, 2023. January 16,2024. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted pursuant to the interim financial reporting rules and regulations of the SEC. The financial statements reflect all adjustments (consisting primarily of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company's financial position and results of operations. The operating results for the three and nine months ended June 30, 2023 December 31, 2023 and 2022 are not necessarily indicative of the results to be expected for the full year or any other interim period.

Principles of Consolidation

The consolidated financial statements of Energy Services include the accounts of Energy Services, its wholly owned subsidiaries West Virginia Pipeline, SQP, Ryan Construction, Tri-State Paving and C.J. Hughes and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in the consolidation. Unless the context requires otherwise, references to Energy Services include Energy Services, West Virginia Pipeline, SQP, Ryan Construction, Tri-State Paving and C.J. Hughes and its subsidiaries.

Use of Estimates and Assumptions

The preparation of financial statements, in conformity with U.S. GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and loss during the reporting period. Actual results could differ materially from those estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Please refer to Note 2 "*Summary of Significant Accounting Policies*" of the Consolidated Financial Statements in the Company's Amendment No. 1 to the Company's our Annual Report on Form 10-K/A 10-K for the year ended September 30, 2022 September 30, 2023, for a more detailed discussion of our significant accounting policies. There were no material changes to these significant accounting policies during the three and nine months ended June 30, 2023 December 31, 2023.

3. RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS ACCOUNTING FOR PPP LOANS

On May 12, 2023, the audit committee of the Board of Directors of Energy Services, after considering the recommendation of management, concluded: that (a) the Company's previously issued audited consolidated financial statements for the fiscal years ended September 30, 2022 and 2021 included in the Company's annual reports on Form 10-K for the fiscal years ended September 30, 2022 and 2021, and (b) the Company's unaudited consolidated financial statements for the periods ended June 30, 2021, December 31, 2021, March 31, 2022, June 30, 2022 and December 31, 2022 as reported in the Company's quarterly reports on Form 10-Q for those periods (together, the "Reports") should no longer be relied upon and have been restated.

Due to the economic uncertainties created by COVID-19 and limited operating funds available, the Company applied for loans under the Paycheck Protection Program ("PPP"). PPP. On April 15, 2020, the Company and its subsidiaries, C.J. Hughes, Contractors Rental and Nitro, entered into separate PPP notes effective April 7, 2020, with United Bank as the lender ("Lender") its Lender in an aggregate principal amount of $13.1 million pursuant to the PPP (collectively, the "PPP Loans"). Loans. In a special meeting held on April 27, 2020, the Board of Directors of the Company unanimously voted to return $3.3 million of the PPP Loans after discussing the financing needs of the Company and subsidiaries. That left the Company and subsidiaries with $9.8 million in PPP Loans to fund operations. During fiscal year 2021, the Company received notice that the Small Business Administration (the "SBA") SBA had granted forgiveness of the $9.8 million of PPP Loans and the SBA repaid the Lender in full. The forgiveness was recorded as other income for the fiscal year ended September 30, 2021.

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During April 2023, management received notification from the SBA that one of the Company's forgiveness applications related to the PPP Loans was under review. As part of the review, the SBA requested additional payroll information. Additionally, the SBA requested information regarding the ability of the

Company's affiliates to meet SBA size standards and/or PPP corporate maximum limits. The requested information was subsequently provided to the SBA through the Lender. The Company recognizes that there is a possibility that the SBA could reverse its previous determination on the forgiveness of the PPP Loans. As a result of this uncertainty, the Company restated the previously issued financial statements of the Company that were included in the Reports. The Company has recorded a short-term borrowing due to the SBA inquiry for the full $9.8 million, plus accrued interest for all periods presented.

During July 2023, management received notification from the SBA that two additional forgiveness applications related to the PPP Loans were under review. As part of the review, the SBA requested information regarding the ability of the Company's affiliates

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to meet SBA size standards and/or PPP corporate maximum limits. The requested information was subsequently provided to the SBA through the Lender.

Borrowers must retain PPP documentation for at least six years after the income statement impact "As previously reported" date the loan is forgiven or paid in full, and "restated" the SBA and SBA Inspector General must be granted these files upon request. The SBA could revisit its forgiveness decision and determine that the Company does not qualify in whole or in part for Paycheck Protection Program loan forgiveness and interest expense for demand repayment of the three loans. In addition, it is unknown what type of penalties could be assessed against the Company if the SBA disagrees with the Company's certification. Any penalties in addition to the potential repayment of the PPP Loans could negatively impact the Company's business, financial condition and nine months ended June 30, 2022 are below:

	Three Months Ended June 30, 2022		
	As Previously Reported	Restated	Change
Interest expense	$ 206,394	$ 231,265	$ 24,871
Net income	1,622,114	1,597,243	(24,871)

	Nine Months Ended June 30, 2022		
	As Previously Reported	Restated	Change
Interest expense	$ 548,885	$ 623,498	$ 74,613
Net income	2,207,291	2,132,678	(74,613)

A table for the balance sheet impact "As previously reported" results of operations and "restated" for Paycheck Protection Program loan forgiveness and interest expense at September 30, 2022 is below:

	September 30, 2022		
	As Previously Reported	Restated	Change
Lines of credit and short-term borrowings	$ 13,080,320	$ 23,164,851	$ 10,084,531
Shareholders' equity	38,325,075	28,240,544	(10,084,531)

4. REVENUE RECOGNITION

Our revenue is primarily derived from construction contracts that can span several quarters. We recognize revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("ASC 606" or "Topic 606") which provides for a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract
- Identify performance obligations
- Determine the transaction price

- Allocate the transaction price
- Recognize revenue

The accuracy of our revenue and profit recognition in a given period depends on the accuracy of our estimates of the cost to complete each project. We believe our experience allows us to create materially reliable estimates. There are a number of factors that can contribute to changes in estimates of contract cost and profitability. The most significant of these include:

- the completeness and accuracy of the original bid;
- costs associated with scope changes;
- changes in costs of labor and/or materials;

- extended overhead and other costs due to owner, weather and other delays;
- subcontractor performance issues;
- changes in productivity expectations;
- site conditions that differ from those assumed in the original bid;
- changes from original design on design-build projects;
- the availability and skill level of workers in the geographic location of the project;
- a change in the availability and proximity of equipment and materials;
- our ability to fully and promptly recover on affirmative claims and back charges for additional contract costs; and
- the customer's ability to properly administer the contract.

The foregoing factors, as well as the stage of completion of contracts in process and the mix of contracts at different margins may cause fluctuations in gross profit from period to period. Significant changes in cost estimates, particularly in our larger, more complex projects, could have a significant effect on our profitability.

Our contract assets include cost and estimated earnings in excess of billings that represent amounts earned and reimbursable under contracts, including claim recovery estimates, but have a conditional right for billing and payment such as achievement of milestones or completion of the project. With the exception of customer affirmative claims, generally, such unbilled amounts will become billable according to the contract terms and generally will be billed and collected over the next three months. Settlement with the customer of outstanding affirmative claims is dependent on the claims resolution process and could extend beyond one year. Based on our historical experience, we generally consider the collection risk related to billable amounts to be low. When events or conditions indicate that it is probable that the amounts outstanding become unbillable, the transaction price and associated contract asset is reduced.

Our contract liabilities consist of provisions for losses and billings in excess of costs and estimated earnings. Provisions for losses, if incurred, are recognized in the consolidated statements of income at the uncompleted performance obligation level for the amount of total estimated losses in the period that evidence indicates that the estimated total cost of a performance obligation exceeds

its estimated total revenue. Billings in excess of costs and estimated earnings are billings to customers on contracts in advance of work performed, including advance payments negotiated as a contract condition. Generally, unearned project-related costs will be earned over the next twelve months.

5. DISAGGREGATION OF REVENUE

The Company disaggregates revenue based on the following lines of service: (1) Gas & Water Distribution, (2) Gas & Petroleum Transmission, and (3) Electrical, Mechanical, & General services and construction. Our contract types are: Lump Sum, Unit Price, Cost Plus and Time and Materials ("T&M"). The following tables present our disaggregated revenue for the three and nine months ended June 30, 2023 December 31, 2023 and 2022:

	Three Months Ended June 30, 2023				Three Months Ended December 31, 2023			
	Gas & Water Distribution	Gas & Petroleum Transmission	Electrical, Mechanical, and General	Total revenue from contracts	Gas & Water Distribution	Gas & Petroleum Transmission	Electrical, Mechanical, & General	Total revenue from contracts
Lump sum contracts	$ —	$ —	$ 29,132,537	$ 29,132,537	$ —	$ —	$28,689,030	$28,689,030
Unit price contracts	17,906,005	28,488,329	1,568,962	47,963,296	17,082,895	27,848,185	2,262,695	47,193,775
Cost plus and T&M contracts	—	—	8,434,059	8,434,059	—	715,058	13,565,324	14,280,382
Total revenue from contracts	$ 17,906,005	$ 28,488,329	$ 39,135,558	$ 85,529,892	$17,082,895	$ 28,563,243	$44,517,049	$90,163,187
Earned over time	$ 7,738,419	$ 28,488,329	$ 35,991,934	$ 72,218,682	$ 4,372,583	$ 27,848,185	$30,227,914	$62,448,682
Earned at point in time	10,167,586	—	3,143,624	13,311,210	12,710,312	715,058	14,289,135	27,714,505
Total revenue from contracts	$ 17,906,005	$ 28,488,329	$ 39,135,558	$ 85,529,892	$17,082,895	$ 28,563,243	$44,517,049	$90,163,187

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	Three Months Ended June 30, 2022				Three Months Ended December 31, 2022			
	Gas &Water Distribution	Gas & Petroleum Transmission	Electrical, Mechanical, and General	Total revenue from contracts	Gas &Water Distribution	Gas & Petroleum Transmission	Electrical, Mechanical, & General	Total revenue from contracts
Lump sum contracts	$ —	$ —	$ 13,033,786	$ 13,033,786	$ —	$ —	$17,186,157	$17,186,157
Unit price contracts	13,667,005	15,443,917	—	29,110,922	12,389,558	16,840,150	1,537,438	30,767,146
Cost plus and T&M contracts	—	—	9,027,231	9,027,231	—	—	12,089,282	12,089,282
Total revenue from contracts	$ 13,667,005	$ 15,443,917	$ 22,061,017	$ 51,171,939	$12,389,558	$ 16,840,150	$30,812,877	$60,042,585
Earned over time	$ 3,315,407	$ 15,443,917	$ 21,269,782	$ 40,029,106	$ 4,878,647	$ 16,840,150	$29,890,148	$51,608,945
Earned at point in time	10,351,598	—	791,235	11,142,833	7,510,911	—	922,729	8,433,640
Total revenue from contracts	$ 13,667,005	$ 15,443,917	$ 22,061,017	$ 51,171,939	$12,389,558	$ 16,840,150	$30,812,877	$60,042,585

	Nine Months Ended June 30, 2023			
	Gas & Water Distribution	Gas & Petroleum Transmission	Electrical, Mechanical, and General	Total revenue from contracts
Lump sum contracts	$ —	$ —	$ 68,633,633	$ 68,633,633
Unit price contracts	43,825,957	50,718,004	4,368,041	98,912,002
Cost plus and T&M contracts	—	—	31,700,285	31,700,285
Total revenue from contracts	$ 43,825,957	$ 50,718,004	$ 104,701,959	$ 199,245,920
Earned over time	$ 21,328,177	$ 50,718,004	$ 97,618,445	$ 169,664,626
Earned at point in time	22,497,780	—	7,083,514	29,581,294
Total revenue from contracts	$ 43,825,957	$ 50,718,004	$ 104,701,959	$ 199,245,920

Nine Months Ended June 30, 2022			
Gas & Water	Gas & Petroleum	Electrical, Mechanical, and	Total revenue

	Distribution	Transmission	General	from contracts
Lump sum contracts	$ —	$ —	$ 32,918,955	$ 32,918,955
Unit price contracts	36,282,234	35,217,113	—	71,499,347
Cost plus and T&M contracts	—	—	24,805,340	24,805,340
Total revenue from contracts	$ 36,282,234	$ 35,217,113	$ 57,724,295	$ 129,223,642
Earned over time	$ 17,263,257	$ 35,217,113	$ 55,768,374	$ 108,248,744
Earned at point in time	19,018,977	—	1,955,921	20,974,898
Total revenue from contracts	$ 36,282,234	$ 35,217,113	$ 57,724,295	$ 129,223,642

6. CONTRACT BALANCES

The Company's accounts receivable consists of amounts that have been billed to customers and collateral is generally not required. Most of the Company's contracts have monthly billing terms; however, billing terms for some are based on project completion. Payment terms are generally within 30 to 45 days after invoices have been issued. The Company attempts to negotiate two-week billing terms and 15-day payment terms on larger projects. The timing of billings to customers may generate contract assets or contract liabilities.

During the three and nine months ended June 30, 2023 December 31, 2023, we recognized revenue of $100,000 and $5.7 million, respectively, $13.5 million that was included in the contract liability balance at September 30, 2022 September 30, 2023.

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Accounts receivable-trade, net of allowance for doubtful accounts, contract assets and contract liabilities consisted of the following:

	June 30, 2023	September 30, 2022	Change	December 31, 2023	September 30, 2023	Change
Accounts receivable-trade, net of allowance for doubtful accounts	$ 47,824,529	$ 38,454,913	$ 9,369,616	$ 43,166,005	$ 51,168,895	$ (8,002,890)
Contract assets						
Cost and estimated earnings in excess of billings	$ 12,198,918	$ 16,109,593	$ (3,910,675)	$ 21,795,592	$ 15,955,220	$ 5,840,372
Contract liabilities						
Billings in excess of cost and estimated earnings	$ 16,576,181	$ 6,027,578	$ 10,548,603	$ 17,663,714	$ 17,743,001	$ (79,287)

7. PERFORMANCE OBLIGATIONS

For the three and nine months ended June 30, 2023 December 31, 2023, there was no significant revenue recognized as a result of changes in contract transaction price related to performance obligations that were satisfied prior to September 30, 2022 September 30, 2023. Changes in contract transaction price can result from items such as executed or estimated change orders, and unresolved contract modifications and claims.

At June 30, 2023 December 31, 2023, the Company had $157.0 $132.2 million in remaining unsatisfied performance obligations, in which revenue is expected to be recognized over the next twelve months.

8. UNCOMPLETED CONTRACTS

Costs, estimated earnings, and billings on uncompleted contracts as of June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, are summarized as follows:

	June 30, 2023	September 30, 2022	December 31, 2023	September 30, 2023
Costs incurred on contracts in progress	$ 165,370,815	$ 192,957,145	$ 369,542,545	$ 287,347,650
Estimated earnings, net of estimated losses	19,220,491	28,150,060	47,271,768	38,976,895
	184,591,306	221,107,205	416,814,313	326,324,545
Less billings to date	188,968,569	211,025,190	412,682,435	328,112,326
	$ (4,377,263)	$ 10,082,015	$ 4,131,878	$ (1,787,781)
Costs and estimated earnings in excess of billed on uncompleted contracts	$ 12,198,918	$ 16,109,593	$ 21,795,592	$ 15,955,220
Less billings in excess of costs and estimated earnings on uncompleted contracts	16,576,181	6,027,578	17,663,714	17,743,001
	$ (4,377,263)	$ 10,082,015	$ 4,131,878	$ (1,787,781)

Backlog The Company's unaudited backlog at June 30, 2023 December 31, 2023 and September 30, 2022, September 30, 2023 was $185.9 million and $142.3 million $229.8 million, respectively.

9. FAIR VALUE MEASUREMENTS

The fair value measurement guidanceof the Financial Accounting Standards Board ("FASB") ASC defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP GAAP") and specifies disclosures about fair value measurements.

Under the FASB's authoritative guidance on fair value measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value

measurement guidance of the FASB ASC establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 — Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 — Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data. Level 2 also includes derivative contracts whose value is determined using a pricing model with observable market inputs or can be derived principally from or corroborated by observable market data.

Level 3 — Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs for nonbinding single dealer quotes not corroborated by observable market data.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying amount for borrowings under the Company's revolving credit facility approximates fair value because of the variable market interest rate charged to the Company for these borrowings. The fair value of the Company's long term fixed-rate debt was estimated using a discounted cash flow analysis and a yield rate that was estimated based on the borrowing rates currently available to the Company for bank loans with similar terms and maturities. The fair value of the aggregate principal amount of the Company's fixed-rate debt of $27.2 million $31.9 million at June 30, 2023 December 31, 2023 was $25.3 million $30.3 million. The fair value of the aggregate principal amount of the Company's fixed-rate debt of $25.1 million, as restated, $33.8 million at September 30, 2022 September 30, 2023 was $24.3 million, as restated. $32.1 million.

All other current assets and liabilities are carried at a net realizable value which approximates fair value because of their short duration to maturity.

10. EARNINGS PER SHARE

The amounts used to compute the earnings per share for the three and nine months ended June 30, 2023 December 31, 2023 and 2022 are summarized below.

	Three Months Ended June 30, 2023	As Restated Three Months Ended June 30, 2022	Nine Months Ended June 30, 2023	As Restated Nine Months Ended June 30, 2022	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Net income, as restated	$ 3,415,546	$ 1,597,243	$ 1,680,320	$ 2,132,678		
Net income					$ 2,042,195	$ 138,374
Weighted average shares outstanding-basic	16,602,556	16,449,829	16,659,169	16,270,499	16,567,185	16,667,185
Weighted average shares-diluted	16,602,556	16,449,829	16,659,169	16,270,499		
Weighted average shares outstanding-diluted					16,607,185	16,667,185
Earnings per share-basic	$ 0.21	$ 0.10	$ 0.10	$ 0.13		
Earnings per share available to common shareholders					$ 0.12	$ 0.01
Earnings per share-diluted	$ 0.21	$ 0.10	$ 0.10	$ 0.13		
Earnings per share available to common shareholders-diluted					$ 0.12	$ 0.01

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11. INCOME TAXES

The components of income taxes are as follows:

	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Federal		
Current	$ 214,795	$ 266,966
Deferred	602,038	(329,064)

Total	816,833	(62,098)
State		
Current	61,370	75,299
Deferred	179,832	(92,813)
Total	241,202	(17,514)
Total income tax expense (benefit)	$ 1,058,035	$ (79,612)

The Company's income tax expense and deferred tax assets and liabilities reflect management's best estimate of current and future taxes to be paid. Significant judgments and estimates are required in the determination of the consolidated income tax expense. The Company's provision for income taxes is computed by applying a federal rate of 21.0% and a state rate of 6.0% to taxable income or loss after consideration of non-taxable and non-deductible items.

The effective income tax rate for the three and nine months ended June 30, 2023 December 31, 2023, was 30.5% and 31.4% 34.1%, respectively, as compared to 29.0% as restated, and 30.7%, as restated, (135.5)% for the same periods period in fiscal year 2022. Effective income tax rates are estimates and may vary from period to period due to changes in the amount of taxable income and non-deductible expenses.

Major items that can affect the effective tax rate include state taxes, amortization of goodwill and intangible assets and non-deductible amounts for per diem expenses.

	Three Months Ended	
	June 30, 2023	June 30, 2022
Federal		
Current	$ 68,038	$ 100,000
Deferred	1,104,844	408,087
Total	1,172,882	508,087
State		
Current	—	—
Deferred	324,860	143,309
Total	324,860	143,309
Total income tax expense	$ 1,497,742	$ 651,396

	Nine Months Ended	
	June 30, 2023	June 30, 2022
Federal		
Current	$ 68,038	$ 100,000
Deferred	542,938	637,268
Total	610,976	737,268
State		
Current	—	—
Deferred	156,994	207,948
Total	156,994	207,948
Total income tax expense	$ 767,970	$ 945,216

The income tax effects of temporary differences giving rise to the deferred tax assets and liabilities are as follows:

	June 30, 2023	September 30, 2022	December 31, 2023	September 30, 2023
Deferred tax liabilities				
Property and equipment	$ 7,940,727	$ 7,686,064	$7,937,214	$8,141,025

Other	564,978	7,632	608,562	588,632
Total deferred tax liabilities	$ 8,505,705	$ 7,693,696	$8,545,776	$8,729,657
Deferred income tax assets				
Other	$ 879,717	$ 404,093		
Accruals & other			$ 893,398	$ 948,704
Net operating loss carryforward	2,470,977	2,834,524	—	910,443
Total deferred tax assets	$ 3,350,694	$ 3,238,617	$ 893,398	$1,859,147
Total net deferred tax liabilities	$ 5,155,011	$ 4,455,079	$7,652,378	$6,870,510

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements, which will result in taxable or deductible amounts in the future. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. At June 30, 2023, the

The Company expects all had $0 and $3.0 million of federal net operating loss carryforwards at December 31, 2023 and September 30, 2023, respectively. The Company had state net operating loss carryforwards at December 31, 2023 and September 30, 2023, respectively that begin to be realized expire in the near future. 2025, that were not significant.

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The Company does not believe that it has any unrecognized tax benefits included in its consolidated financial statements that require recognition. The Company has not had any settlements in the current period with taxing authorities, nor has it recognized tax

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benefits as a result of a lapse of the applicable statute of limitations. The Company recognizes interest and penalties accrued related to unrecognized tax benefits, if applicable, in general and administrative expenses.

The Company and all subsidiaries file a consolidated federal and various state income tax returns on a fiscal year basis. With few exceptions, the Company is no longer subject to U.S. federal, state, or local income tax examinations for years ended prior to September 30, 2018.

12. SHORT-TERM AND LONG-TERM DEBT

Operating Line of Credit

On July 13, 2022, the Company received a one-year extension on its $15.0 million operating line of credit effective June 28, 2022. The interest rate on the line of credit is the "*Wall Street Journal*" Prime Rate (the index) with a floor of 4.99%. Based on a borrowing base calculation, the Company had borrowed all $12.5 million available on the line of credit as of September 30, 2022. The interest rate at September 30, 2022, was 5.5%.

On January 19, 2023, the Company received an amendment to the agreement which increased the line of credit to $30.0 million with a maturity date of June 28, 2023. On June 1, 2023, the agreement was renewed through June 28, 2024.

The line of credit is limited to a borrowing base calculation which was approximately $24.4 million at June 30, 2023. The outstanding balance on the line of credit was $16.2 million at June 30, 2023. The line of credit has a variable interest rate equal to the *"Wall Street Journal"* Prime Rate with a floor of 4.5%, which was 9.25% at June 30, 2023. as summarized below:

	December 31, 2023	September 30, 2023
Eligible borrowing base	$ 15,950,633	$ 23,942,868
Borrowed on line of credit	4,700,000	8,712,915
Line of credit balance available	$ 11,250,633	$ 15,229,953
Interest rate	8.5 %	8.5 %

The modified financial covenants for the quarter ended June 30, 2023, and all subsequent quarters, are below:

- Minimum tangible net worth of $28.0 million,
- Minimum traditional debt service coverage of 1.50x on a rolling twelve- month basis,
- Minimum current ratio of 1.20x,
- Maximum debt to tangible net worth ratio ("TNW") of 2.75x,
- Each ratio and covenant shall be determined, tested, and measured as of each calendar quarter beginning June 30, 2023,
- The Company shall maintain a ratio of Maximum Senior Funded Debt ("SFD") to Earnings before Interest, Taxes, Depreciation and Amortization ("EBDITA") equal to or less than 3.5:1. SFD shall mean any funded debt or lease of the Company, other than subordinated debt. The covenant shall be tested quarterly, at the end of each fiscal quarter, with EBITDA based on the preceding four quarters.

The Company's lender has agreed to omit the effect of the PPP loan restatement from the Company's covenant compliance calculations while a final decision on PPP loan forgiveness remains in question. Thus, the Company was not in compliance with all covenants at June 30, 2023; however, a waiver was received from the Company's lender. December 31, 2023. The Company projects to meet all covenant requirements for the next twelve months.

Insurance Premiums Financed

The Company also finances financed its captive insurance policy premiums on a short-term basis through a financing company. company for the calendar years ended December 31, 2023 and 2022. These insurance policies include workers' compensation, general liability, automobile, umbrella, and equipment policies. The Company makes a made down payment payments in January 2023 and finances 2022 and financed the remaining premium amount over eleven monthly payments. At June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, the remaining balance of the insurance premiums was $1.9 million $0 and $580,000, $950,000, respectively.

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Paycheck Protection Program Loans

Due to the economic uncertainties created by COVID-19 and limited operating funds available, the Company applied for loans under the PPP. On April 15, 2020, the Company and its subsidiaries, C.J. Hughes, Contractors Rental and Nitro, entered into separate PPP notes effective April 7, 2020, with its Lender in an aggregate principal amount of $13.1 million pursuant to the PPP Loans. In a special meeting held on April 27, 2020, the Board of Directors of the Company unanimously voted to return $3.3 million of the PPP Loans after discussing the financing needs of the Company and subsidiaries. That left the Company and subsidiaries with $9.8 million in PPP Loans to fund operations. During fiscal year 2021, the Company received notice that the SBA had granted forgiveness of the $9.8 million of PPP Loans and the SBA repaid the Lender in full. The forgiveness was recorded as other income for the fiscal year ended September 30, 2021.

During April 2023, management received notification from the SBA that one of the Company's forgiveness applications related to the PPP Loans was under review. As part of the review, the SBA requested additional payroll information. Additionally, the SBA requested information regarding the ability of the Company's affiliates to meet SBA size standards and/or PPP corporate maximum limits. The requested information was subsequently provided to the SBA through the Lender. The Company recognizes that there is a possibility that the SBA could reverse its previous determination on the forgiveness of the PPP Loans. As a result of this uncertainty, the Company restated the previously issued audited financial statements of the Company that were included in for the Reports. fiscal years 2022 and 2021. The Company has recorded a short-term borrowing due to the SBA inquiry for the full $9.8 million, plus accrued interest for all periods presented. interest.

During July 2023, management received notification from the SBA that two additional forgiveness applications related to the PPP Loans were under review. As part of the review, the SBA requested information regarding the ability of the Company's affiliates to meet SBA size standards and/or PPP corporate maximum limits. The requested information was subsequently provided to the SBA through the Lender.

Borrowers must retain PPP documentation for at least six years after the date the loan is forgiven or paid in full, and the SBA and SBA Inspector General must be granted these files upon request. The SBA could revisit its forgiveness decision and determine that the Company does not qualify in whole or in part for loan forgiveness and demand repayment of the loans. In addition, it is unknown what type of penalties could be assessed against the Company if the SBA disagrees with the Company's certification. Any penalties in addition to the potential repayment of the PPP Loans could negatively impact the Company's business, financial condition and results of operations and prospects.

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A summary of short-term and long-term debt as of June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023 is as follows:

	June 30, 2023	As Restated September 30, 2022	December 31, 2023	September 30, 2023
Line of credit payable to bank, monthly interest with variable rate of 8.5% at December 31, 2023, final payment due by June 28, 2024, guaranteed by certain directors of the Company.			$ 4,700,000	$ 8,712,915
Line of credit payable to bank, monthly interest at 9.25%, final payment due by June 28, 2024, guaranteed by certain directors of the Company.	$ 16,200,000	$ 12,500,000		
Equipment line of credit payable to United Bank, $9.3 million available with no borrowings at June 30, 2023. All borrowings between June 1, 2023 and December 1, 2023 have a fixed interest rate of 7.25%. After December 1, 2023, the line of credit turns into a fifty-four-month term note with a fixed interest rate of 7.25%, final payment due June 1, 2028.	—	—		
Note payable to bank, due in monthly installments totaling $202,000, including fixed interest at 7.25%, final payment due June 2028, secured by equipment, guaranteed by certain directors of the Company.			9,155,573	8,487,085
Paycheck Protection Program loans from Small Business Administration, 1.0% simple interest, initially forgiven in the fiscal year ended September 30, 2021. Final forgiveness decision has not been determined.	10,159,144	10,084,531	10,209,464	10,184,320
Term note payable to United Bank, WV Pipeline acquisition, due in monthly installments of $64,853, including interest at 4.25%, final payment due by March 25, 2026, secured by receivables and equipment, guaranteed by certain directors of the Company.	1,963,324	2,529,421		
Term note payable to United Bank, WV Pipeline acquisition, due in monthly installments of $64,853 with fixed interest at 4.25%, final payment due by March 25, 2026, secured by receivables and equipment, guaranteed by certain directors of the Company.			1,671,534	1,790,051
Notes payable to finance companies, due in monthly installments totaling $48,000 at June 30, 2023 and $60,000 at September 30, 2022, including interest ranging from 0.00% to 5.50%, final payments due July 2023 through August 2026, secured by equipment.	1,324,858	889,165		
Notes payable to finance companies, due in monthly installments totaling $51,000 at December 31, 2023 and $50,000 at September 30, 2023, including interest ranging from 0.00% to 6.92%, final payments due January 2024 through August 2026, secured by equipment.			1,172,920	1,290,148
Note payable to finance company for insurance premiums financed, due in monthly installments totaling $327,000 in FY 2023 and $282,000 in FY 2022, including interest at 3.27%, final payment due November 2023.	1,889,756	580,320		

Note payable to finance company for insurance premiums financed, due in monthly installments totaling $327,000 in calendar year 2023 and $282,000 in calendar year 2022, including interest rate at 6.70%, final payment due December 2023.			—	950,235
Notes payable to bank, due in monthly installments totaling $7,848, including interest at 4.82%, final payment due November 2034, secured by building and property.	827,019	867,383		
Notes payable to bank, due in monthly installments totaling $7,848, including interest at 4.82%, final payment due November 2034 secured by building and property.			798,448	813,242
Notes payable to bank, due in monthly installments totaling $11,602, including interest at 4.25%, final payment due November 2025, secured by building and property, guaranteed by certain directors of the Company.	324,941	412,917		
Notes payable to bank, due in monthly installments totaling $12,580, including variable interest of 9.5% at December 31, 2023, final payment due November 2025 secured by building and property, guaranteed by certain directors of the Company.			263,836	294,761
Notes payable to bank, due in monthly installments totaling $59,932, including fixed interest at 6.0%, final payment due October 2027, secured by receivables and equipment, guaranteed by certain directors of the Company.	2,739,910	—		
Notes payable to bank, due in monthly installments totaling $59,932, including fixed interest at 6.0%, final payment due October 2027 secured by receivables and equipment, guaranteed by certain directors of the Company.			2,460,330	2,601,404
Notes payable to David Bolton and Daniel Bolton, due in annual installments totaling $500,000, including interest at 3.25%, final payment due December 31, 2026, unsecured	1,652,500	2,380,000		
Notes payable to David Bolton and Daniel Bolton, due in annual installments totaling $500,000, including fixed interest at 3.25%, final payment due December 31, 2026, unsecured.			917,500	1,660,000
Notes payable to bank, interest at 4.25% of outstanding balance due in monthly installments between January 2021 and January 2022. Note payments due in monthly installments totaling $68,150, including interest at 9.25%, with final payment due September 2026, secured by equipment, guaranteed by certain directors of the Company.	2,030,636	2,549,281		
Notes payable to bank, interest at 4.25% of outstanding balance due in monthly installments between January 2021 and January 2022. Beginning February 2022, note payments due in monthly installments totaling $68,150, including variable interest of 9.5% at December 31, 2023, with final payment due September 2026, secured by equipment, guaranteed by certain directors of the Company.			1,713,569	1,873,831
Term note payable to United Bank, Tri-State Paving acquisition, due in monthly installments of $129,910, including interest at 4.25%, final payment due by June 1, 2027, secured by receivables and equipment, guaranteed by certain directors of the Company.	6,024,254	6,982,097		
Term note payable to United Bank, Tri-State Paving acquisition, due in monthly installments of $129,910, fixed interest at 4.50%, final payment due by June 1, 2027, secured by receivables and equipment, guaranteed by certain directors of the Company.			5,369,062	5,698,761
Notes payable to Corns Enterprises, $1,000,000 with fair value of $936,000, due in annual installments totaling $250,000, including interest at 3.50%, final payment due April 29, 2026, unsecured	702,536	943,836		
Notes payable to Corns Enterprises, $1,000,000 with fair value of $936,000, due in annual installments totaling $250,000, including fixed interest at 3.50%, final payment due April 29, 2026, unsecured.			234,262	468,523
Total debt	$ 45,838,878	$ 40,718,951	$ 38,666,498	$ 44,825,276
Less current maturities	33,107,695	27,224,867	21,636,069	25,954,747
Total long term debt	$ 12,731,183	$ 13,494,084		
Total long term debt, less current maturities			$ 17,030,429	$ 18,870,529

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13. GOODWILL AND INTANGIBLE ASSETS

The Company follows the guidance of ASC Topic 350, *Intangibles-Goodwill and Other*, which requires a company to record an impairment charge based on the excess of a reporting unit's carrying amount of goodwill over its fair value. Under the current guidance, companies can first choose to assess any impairment based on qualitative factors (Step 0). If a company fails this test or decides to bypass this step, it must proceed with a quantitative assessment of goodwill impairment. The Company did not have a goodwill impairment at June 30, 2023 December 31, 2023 or September 30, 2022 September 30, 2023.

A table of the Company's goodwill is below:

	June 30, 2023	September 30, 2022	December 31, 2023	September 30, 2023
Beginning balance	$ 4,087,554	$ 1,814,317	$4,087,554	$4,087,554
Acquired	—	2,273,237	—	—
Ending balance	$ 4,087,554	$ 4,087,554	$4,087,554	$4,087,554

A table of the Company's intangible assets subject to amortization at June 30, 2023 and September 30, 2022 is below:

Intangible assets:	Remaining Life (in months) at June 30, 2023	Original Cost	Accumulated Amortization and Impairment at June 30, 2023	Accumulated Amortization and Impairment at September 30, 2022	Amortization and Impairment Three Months Ended June 30, 2023	Amortization and Impairment Nine Months Ended June 30, 2023	Net Book Value at June 30, 2023
West Virginia Pipeline:							
Customer Relationships	90	$ 2,209,724	$ 573,225	$ 386,693	$ 65,643	$ 186,532	$ 1,636,499
Tradename	90	263,584	65,909	46,136	6,591	19,773	197,675
Non-competes	—	83,203	83,203	72,806	—	10,397	—
Revolt Energy:							
Employment agreement/non-compete	—	100,000	100,000	77,779	13,887	22,221	—
Tri-State Paving:							
Customer Relationships	106	1,649,159	190,468	66,781	41,229	123,687	1,458,691
Tradename	106	203,213	23,609	8,368	5,080	15,241	179,604
Non-competes	—	39,960	39,960	16,590	3,390	23,370	—
Total intangible assets		$ 4,548,843	$ 1,076,374	$ 675,153	$ 135,820	$ 401,221	$ 3,472,469

Intangible assets:	Remaining Life (in months) at December 31, 2023	Original Cost	Accumulated Amortization and Impairment at December 31, 2023	Accumulated Amortization and Impairment at September 30, 2023	Amortization and Impairment Three Months Ended December 31, 2023	A an Th Ende
West Virginia Pipeline:						
Customer Relationships	84	$ 2,209,724	662,903	$ 607,661	55,242	
Tradename	84	263,584	79,091	72,500	6,591	
Non-competes	—	83,203	83,203	83,203	—	
Revolt Energy:						
Employment agreement/non-compete	—	100,000	100,000	100,000	—	
Tri-State Paving:						
Customer Relationships	100	1,649,159	274,860	233,631	41,229	
Tradename	100	203,213	33,869	28,789	5,080	
Non-competes	—	39,960	39,960	39,960	—	
Total intangible assets		$ 4,548,843	$ 1,273,886	$ 1,165,744	$ 108,142	$

The amortization on identifiable intangible assets for the three and nine months ended June 30, 2023 December 31, 2023 and 2022 was $136,000 $108,142 and $401,000, respectively. The amortization on identifiable intangible assets for the three and nine months ended June 30, 2022 was

$112,000 and $308,000, $132,780, respectively.

Amortization expense associated with the identifiable intangible assets is expected to be as follows:

		Amortization Expense
July 2023 to June 2024	$	430,008
July 2024 to June 2025		430,008
July 2025 to June 2026		430,008
July 2026 to June 2027		430,008
July 2027 to June 2028		430,008
After		1,322,429
Total	$	3,472,469

		Amortization Expense
January 2024 to December 2024	$	432,564
January 2025 to December 2025		432,564
January 2026 to December 2026		432,564
January 2027 to December 2027		432,564
January 2028 to December 2028		432,564
After		1,112,137
Total	$	3,274,957

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14. LEASE OBLIGATIONS

The Company leases office space for SQP for $1,500 per month. The lease, which was originally signed on March 25, 2021, is for a period of two years with five one-year renewals available immediately following the end of the base term. Rental terms The Company has only committed to a one-year renewal and is evaluating the intent to renew for the option periods shall be negotiated and agreed mutually between the parties and shall not exceed five percent increases to rent, if any. additional periods.

The Company has two lease agreements for construction equipment with a combined amount of $160,000. The leases have a term of twenty-two months with a stated interest rate of 0%, combined monthly installment payments of $6,645 and are cancellable at any time without penalty. The Company has the right to purchase the equipment at the expiration of the leases by applying the two-month deposit paid. The related assets and finance lease obligations associated with these lease agreements are included in the consolidated balance sheets within property, plant and equipment and long-term debt.

The Company has two right-of-use operating leases acquired on April 29, 2022, as part of the Tri-State Paving, LLC transaction. The first operating lease, for the Hurricane, West Virginia facility, had a net present value of $236,000 at inception, and a carrying value of $148,000 $106,000 at June 30, 2023 December 31, 2023. The second operating lease, for the Chattanooga, Tennessee facility, had a net present value of $144,000 at inception, and a carrying value of $72,000 $40,000 at June 30, 2023 December 31, 2023. The 4.5% interest rate on the operating leases is based on the Company's incremental borrowing rate at inception.

The Company has a right-of-use operating lease with Enterprise Fleet Management, Inc. (Enterprise) acquired on August 11, 2022, as part of the Ryan Environmental acquisition. This lease agreement was initially for thirty-one vehicles with a net present value of $1.2 million. The Company has subsequently added twenty-six leased had sixty-nine vehicles with a net present value of $2.4 million on lease at December 31, 2023. The right-of-use operating lease has a carrying value of $3.2 million $2.5 million at June 30, 2023 December 31, 2023. The 4.5% interest Each vehicle leased under the master lease program has its own implicit rate on the operating lease is based on the Company's incremental borrowing rate at inception. ranging from 12.8% to 15.6%.

The Company has a right-of-use operating lease with RICA Developers, LLC acquired on August 12, 2022, as part of the Ryan Environmental acquisition. and renewed for one year effective October 1, 2023. This lease, for the Bridgeport, West Virginia facility, had a net present value of $140,000 $125,000 at inception and a carrying value of $21,000 $83,000 at June 30, 2023 December 31, 2023. The 4.5% 8.5% interest rate on the operating lease is was based on the Company's incremental borrowing rate at inception. renewal.

The Company has a right-of-use operating lease acquired on March 28, 2023. This lease, for the Winchester, Kentucky facility, had a net present value of $290,000 at inception and a carrying value of $247,000 $231,000 at June 30, 2023 December 31, 2023. The 7.75% interest rate on the operating lease is based on the Company's incremental borrowing rate at inception.

Schedules related to the Company's operating leases at June 30, 2023 December 31, 2023 can be found below:

		Remaining liability			
	Years left	June 30, 2023	September 30, 2022	Lease end	Fiscal year end
Operating lease 1	1.8	$ 148,107	$ 205,267	4/30/2025	2025
Operating lease 2	0.9	72,334	119,032	5/31/2024	2024
Operating lease 3	3.5	3,156,145	1,166,498	8/10/2026	2027
Operating lease 4	0.3	21,214	113,480	8/11/2023	2023
Operating lease 5	2.6	247,476	—	3/31/2026	2026
		$ 3,645,276	$ 1,604,277		
Weighted average remaining term		3.3 years			

Operating Lease-Weighted Average Remaining Term

Operating Lease Maturity Schedule	
July 2023 to June 2024	$ 1,234,784
July 2024 to June 2025	1,140,516
July 2025 to June 2026	1,016,679
July 2026 to June 2027	545,026
	3,937,005
Less amounts representing interest	(291,729)
Present value of operating lease liabilities	$ 3,645,276

	Years left	Present value of remaining liability	Lease end	Fiscal year end
Operating lease 1	1.3	$ 106,295	4/30/2025	2025
Operating lease 2	0.4	40,426	5/31/2024	2024
Operating lease 3	4.0	2,459,525	12/31/2027	2027
Operating lease 4	0.8	82,974	9/30/2024	2024
Operating lease 5	2.3	231,313	3/31/2026	2026
		$ 2,920,533		
Weighted average remaining term		3.6 years		

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Operating Lease Expense	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2023	Three Months Ended June 30, 2022	Nine Months Ended June 30, 2022
Amortization				
Operating lease 1	$ 19,267	$ 57,160	$ 12,305	$ 12,305
Operating lease 2	15,741	46,698	5,072	5,072
Operating lease 3	160,836	338,521	—	—
Operating lease 4	30,947	92,266	—	—
Operating lease 5	35,880	42,886	—	—
Total amortization	262,671	577,531	17,377	17,377
Interest				
Operating lease 1	1,733	5,840	1,695	1,695
Operating lease 2	870	3,135	465	465
Operating lease 3	27,240	59,452	—	—
Operating lease 4	703	2,684	—	—
Operating lease 5	5,016	6,776	—	—
Total interest	35,562	77,887	2,160	2,160
Total amortization and interest	$ 298,233	$ 655,418	$ 19,537	$ 19,537

Operating Lease Maturity Schedule	
2024	$ 1,419,055
2025	1,048,659
2026	711,465
2027	330,132
	3,509,311
Less amounts representing interest	(588,778)
Present value of operating lease liabilities	$ 2,920,533

Cash Paid for Operating Leases	Three Months Ended June 30, 2023	Nine Months Ended June 30, 2023	Three Months Ended June 30, 2022	Nine Months Ended June 30, 2022
Operating lease 1	$ 21,000	$ 63,000	$ 14,000	$ 14,000
Operating lease 2	16,611	49,833	5,537	5,537
Operating lease 3	185,942	397,973	—	—
Operating lease 4	42,180	94,950	—	—
Operating lease 5	32,500	49,662	—	—
	$ 298,233	$ 655,418	$ 19,537	$ 19,537

Operating Lease Expense	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Amortization		
Operating lease 1	$ 26,705	$ 18,841
Operating lease 2	16,605	15,559
Operating lease 3	161,724	68,528
Operating lease 4	41,728	29,612
Operating lease 5	30,858	—
Total amortization	277,620	132,540
Interest		
Operating lease 1	1,295	2,160
Operating lease 2	504	1,219
Operating lease 3	68,910	12,570
Operating lease 4	1,472	1,162

Operating lease 5	4,206	—
Total interest	76,387	17,111
Total amortization and interest	$ 354,007	$ 149,651

Cash Paid for Operating Leases	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Operating lease 1	$ 28,000	$ 21,001
Operating lease 2	17,109	16,778
Operating lease 3	230,634	81,098
Operating lease 4	43,200	30,774
Operating lease 5	35,064	—
	$ 354,007	$ 149,651

The Company rents equipment for use on construction projects with rental agreements being week to week or month to month. Rental expense can vary by reporting period due to equipment requirements on construction projects and the availability of Company owned equipment. Rental expense, which is included in cost of goods sold on the consolidated statements of income, was $2.5 million $5.4 million and $1.7 million $2.7 million, respectively, for the three months ended June 30, 2023 and 2022 and $6.8 million and $5.3 million, respectively, for the nine months ended June 30, 2023 December 31, 2023 and 2022.

15. SUBSEQUENT EVENTS

On November 15, 2023, the Company's Board of Directors approved an annual dividend of $0.06 per common share. The 2024 dividend was paid on January 2, 2024 to holders of record as of December 15, 2023. While this is expected to be an annual dividend, factors such as income from operations, cash flows, and overall financial outlook may affect future dividend payments.

Management has evaluated all subsequent events for accounting and disclosure. There have been no other material events during the period, other than noted above, that would either impact the results reflected in the report or the Company's results going forward.

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ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of the financial condition and results of operations of Energy Services in conjunction with the "Financial Statements" appearing in this report as well as the historical financial statements and related notes contained elsewhere herein. Among other things, those historical consolidated financial statements include more detailed information regarding the basis of presentation for the following information. The term "Energy Services" refers to the Company, West Virginia Pipeline, SQP, Tri-State Paving, Ryan Construction, and C.J. Hughes and C.J. Hughes' wholly owned subsidiaries on a consolidated basis.

Restatement

The accompanying information gives effect to certain adjustments made to the previously reported financial statements for the three and nine months ended June 30, 2022, and as of September 30, 2022. Refer to Note 3, "Restatement of Previously Issued Financial Statements" in the accompanying consolidated financial statements for further details related to the restatement and impact on our financial statements.

Forward Looking Statements

Within the Energy Services' (as defined below) consolidated financial statements of Energy Services of America Corporation ("Energy Services" or the "Company") and this discussion and analysis of the financial condition and results of operations, Annual Report on Form 10-K, there are included statements reflecting assumptions, expectations, projections, intentions, or beliefs about future events that are intended as "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "anticipate," "estimate," "project," "forecast," "may," "will," "should," "could," "expect," "believe," "intend" and other words of similar meaning.

These forward-looking statements are do not guarantees of guarantee future performance and involve or rely on a number of risks, uncertainties, and assumptions that are difficult to predict or beyond Energy Services' control. Energy Services has based its forward-looking statements on management's beliefs and assumptions based on information available to management at the time the statements are made. Actual outcomes and results may differ materially from what is expressed, implied, and forecasted by forward-looking statements and any or all of Energy Services' forward-looking statements may turn out to be wrong. The accuracy of such statements can be affected by inaccurate assumptions and by known or unknown risks and uncertainties.

All of the forward-looking statements, whether written or oral, are expressly qualified by these cautionary statements and any other cautionary statements that may accompany such forward-looking statements or that are otherwise included in this report. In addition, Energy Services does not undertake and expressly disclaims any obligation to update or revise any forward-looking statements to reflect events or circumstances after the date of this report or otherwise.

Company Overview

Energy Services of America Corporation ("Energy Services" or the "Company"), formed in 2006, is a contractor and service company that operates primarily in the mid-Atlantic and central regions of the United States and provides services to customers in the natural gas, petroleum, water distribution, automotive, chemical, and power industries. For the gas industry, the Company is primarily engaged in the construction, replacement and repair of natural gas pipelines and storage facilities for utility companies and private natural gas companies. Energy Services is involved in the construction of both interstate and intrastate pipelines, with an emphasis on the latter. For the oil industry, the Company provides a variety of services relating to pipeline, storage facilities and plant work. For the power, chemical, and automotive industries, the Company provides a full range of electrical and mechanical installations and repairs including substation and switchyard services, site preparation, equipment setting, pipe fabrication and installation, packaged buildings, transformers, and other ancillary work with regards thereto. Energy Services' other pipeline services include corrosion protection services, horizontal drilling services, liquid pipeline construction, pump station construction, production facility construction, water and sewer pipeline installations, various maintenance and repair services and other services related to pipeline construction. The Company has also added the ability to install residential, commercial, broadband and industrial solar electric systems and perform civil and general contracting services.

Energy Services' customers include many of the leading companies in the industries it serves, including:

TransCanada Corporation
NiSource, Inc.
Marathon Petroleum

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Mountaineer Gas
American Electric Power
Toyota Motor Manufacturing
Bayer Chemical
Dow Chemical
Kentucky American Water
West Virginia American Water
Various state, county and municipal public service districts.

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The majority of the Company's customers are in West Virginia, Virginia, Ohio, Pennsylvania, and Kentucky. However, the Company also performs work in other states including Alabama, Michigan, Illinois, Tennessee, and Indiana.

Energy Services' sales force consists of industry professionals with significant relevant sales experience, who utilize industry contacts and available public data to determine how to market the Company's line of products most appropriately. The Company relies on direct contact between its sales force and customers' engineering and contracting departments to obtain new business.

A substantial portion of the Company's workforce are union members of various construction-related trade unions and are subject to separately negotiated collective bargaining agreements that expire at varying time intervals. The Company believes its relationship with its unionized workforce is good.

C.J. Hughes Construction Company, Inc. ("C.J. Hughes"), a wholly owned subsidiary of the Company, is a general contractor primarily engaged in pipeline construction for utility companies. Contractors Rental Corporation ("Contractors Rental"), a wholly owned subsidiary of C.J. Hughes, provides union building trade employees for projects managed by C.J. Hughes.

Nitro Construction Services, Inc. ("NCS"), a wholly owned subsidiary of C.J. Hughes, provides electrical, mechanical, HVAC/R, and fire protection services to customers primarily in the automotive, chemical, and power industries. Revolt Energy, LLC ("Revolt"), a wholly owned subsidiary of NCS, performs residential solar installation projects. Nitro Electric Company, LLC ("Nitro Electric"), a wholly owned subsidiary of NCS, performs industrial electrical work and is has a satellite office registered in Michigan. Pinnacle Technical Solutions, Inc. ("Pinnacle"), a wholly owned subsidiary of NCS, operates as a data storage facility within Nitro's office building. Pinnacle is supported by NCS and has no employees of its own. NCS and its subsidiaries will collectively be referred to "Nitro".

All C.J. Hughes, Nitro, and Contractors Rental construction personnel are union members of various related construction trade unions and are subject to collective bargaining agreements that expire at varying time intervals.

West Virginia Pipeline, Inc. ("West Virginia Pipeline" or "WVP"), a wholly owned subsidiary of Energy Services, operates as a gas and water distribution contractor primarily in southern West Virginia. The employees of West Virginia Pipeline are non-union and are managed independently of the Company's union subsidiaries.

SQP Construction Group, Inc. ("SQP"), a wholly owned subsidiary of Energy Services, operates as a general contractor primarily in West Virginia. SQP engages in the construction and renovation of buildings and other civil construction projects for state and local government agencies and commercial customers. As a general contractor, SQP manages the overall construction project and subcontracts most of the work. The employees of SQP are non-union and are managed independently of the Company's union subsidiaries.

Tri-State Paving & Sealcoating, Inc. ("TSP" or "Tri-State Paving"), a wholly owned subsidiary of Energy Services, completed the acquisition of substantially all of the assets of Tri-State Paving & Sealcoating, LLC ("Tri-State Paving, LLC") on April 29, 2022. Tri-State Paving provides utility paving services to water distribution customers in the Charleston, West Virginia, Lexington, Kentucky, and Chattanooga, Tennessee markets. The employees of TSP are non-union and are managed independently of the Company's union subsidiaries.

Ryan Construction Services Inc. ("Ryan Construction" or "RCS"), a wholly owned subsidiary of Energy Services, formed in August 2022 in connection with the acquisition of substantially all the assets of Ryan Environmental, LLC and Ryan Environmental Transport, LLC (collectively "Ryan Environmental"), provides directional drilling services for broadband service providers along with offering natural gas distribution services, cathodic protection and corrosion prevention services, and civil construction services. Ryan Construction operates primarily in West Virginia and Pennsylvania. The employees of RCS are non-union and are managed independently of the Company's union subsidiaries.

The Company's website address is www.energyservicesofamerica.com.

Seasonality: Fluctuation of Results

Our revenues and results of operations can and usually are subject to seasonal variations. These variations are the result of weather, customer spending patterns, bidding seasons and holidays. The first quarter of the calendar year is typically the slowest in terms of revenues because inclement weather conditions cause delays in production and customers usually do not plan large projects during that time. While usually better than the first quarter, the second calendar year quarter often has some inclement weather which can cause delays in production, reducing the revenues the Company receives and/or increasing the production costs. The third and fourth calendar year quarters usually are less impacted by weather and usually have the largest number of projects underway. Many projects are completed in the fourth calendar year quarter and revenues are often impacted by customers seeking to either spend their capital budget for the year or scale back projects due to capital budget overruns.

In addition to the fluctuations discussed above, the pipeline industry can be highly cyclical, reflecting variances in capital expenditures in proportion to energy price fluctuations. As a result, our volume of business may be adversely affected by where our customers are in the cycle and thereby their financial condition as to their capital needs and access to capital to finance those needs.

Three and Nine Months Ended June 30, 2023 December 31, 2023 and 2022 Overview

The following is an overview of results from operations for the three and nine months ended June 30, 2023 December 31, 2023 and 2022:

	Three Months Ended June 30, 2023	As Restated Three Months Ended June 30, 2022	Nine Months Ended June 30, 2023	As Restated Nine Months Ended June 30, 2022	Three Months Ended December 31, 2023	Three Months Ended December 31, 2022
Revenue	$ 85,529,892	$ 51,171,939	$ 199,245,920	$ 129,223,642	$ 90,163,187	$ 60,042,585
Cost of revenues	74,650,897	44,754,346	178,480,010	114,632,057	79,324,226	54,056,323
Gross profit	10,878,995	6,417,593	20,765,910	14,591,585	10,838,961	5,986,262
Selling and administrative expenses	5,283,617	3,821,043	16,487,502	10,870,677	7,198,720	5,316,138
Income from operations	5,595,378	2,596,550	4,278,408	3,720,908	3,640,241	670,124
Other income (expense)						
Interest income	—	—	196	576	—	72
Other nonoperating expense	(72,338)	(174,957)	(163,525)	(438,195)		
Other nonoperating income (expense)					75,001	(80,663)
Interest expense	(639,888)	(231,265)	(1,713,862)	(623,498)	(601,684)	(499,428)
Gain on sale of equipment	30,136	58,311	47,073	418,103		
Loss on sale of equipment					(13,328)	(31,343)
	(682,090)	(347,911)	(1,830,118)	(643,014)	(540,011)	(611,362)
Income before income taxes	4,913,288	2,248,639	2,448,290	3,077,894	3,100,230	58,762
Income tax expense	1,497,742	651,396	767,970	945,216		
Income tax expense (benefit)					1,058,035	(79,612)
Net income	$ 3,415,546	$ 1,597,243	$ 1,680,320	$ 2,132,678	$ 2,042,195	$ 138,374
Weighted average shares outstanding-basic	16,602,556	16,449,829	16,659,169	16,270,499	16,567,185	16,667,185
Weighted average shares-diluted	16,602,556	16,449,829	16,659,169	16,270,499	16,607,185	16,667,185
Earnings per share-basic	$ 0.21	$ 0.10	$ 0.10	$ 0.13	$ 0.12	$ 0.01
Earnings per share-diluted	$ 0.21	$ 0.10	$ 0.10	$ 0.13	$ 0.12	$ 0.01

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Results of Operations for the Three and Nine Months Ended June 30, 2023 December 31, 2023 Compared to the Three and Nine Months Ended June 30, 2022 December 31, 2022

Revenues. A table comparing the Company's revenues for the three and nine months ended June 30, 2023 December 31, 2023 compared to the three and nine months ended June 30, 2022 December 31, 2022, is below:

	Three Months Ended					
	June 30, 2023	% of total	June 30, 2022	% of total	Change	% Change
Gas & Water Distribution	$ 17,906,005	20.9 %	$ 13,667,006	26.7 %	$ 4,238,999	31.0 %
Gas & Petroleum Transmission	28,488,329	33.3 %	15,443,917	30.2 %	13,044,412	84.5 %
Electrical, Mechanical, and General	39,135,558	45.8 %	22,061,016	43.1 %	17,074,542	77.4 %
Total	$ 85,529,892	100.0 %	$ 51,171,939	100.0 %	$ 34,357,953	67.1 %

	Nine Months Ended						Three Months Ended					
	June 30, 2023	% of total	June 30, 2022	% of total	Change	% Change	December 31, 2023	% of total	December 31, 2022	% of total	Change	% Ch
Gas & Water Distribution	$ 43,825,957	22.00 %	$ 36,282,234	28.08 %	$ 7,543,723	20.79 %	$ 17,082,895	18.9 %	$ 12,389,558	20.6 %	$ 4,693,337	3
Gas & Petroleum Transmission	50,718,004	25.45 %	35,217,113	27.25 %	15,500,891	44.02 %	28,563,243	31.7 %	16,840,150	28.0 %	11,723,093	6
Electrical, Mechanical, and General	104,701,959	52.55 %	57,724,295	44.67 %	46,977,664	81.38 %						
Electrical, Mechanical, & General							44,517,049	49.4 %	30,812,877	51.3 %	13,704,172	4
Total	$199,245,920	100.0 %	$129,223,642	100.0 %	$70,022,278	54.19 %	$ 90,163,187	100.0 %	$ 60,042,585	100.0 %	$30,120,602	5

Total revenues increased by $34.4 million$30.1 million to $85.5 million$90.1 million for the three months ended June 30, 2023 December 31, 2023, as compared to $51.2 million$60.0 million for the three months ended June 30, 2022. Total revenues increased by $70.0 million to $199.2 million for the nine months ended June 30, 2023, as compared to $129.2 million for the nine months ended June 30, 2022 December 31, 2022. The increases were increase was a result of increased work in all categories of business.

Gas & Water Distribution revenues totaled $17.9 million$17.1 million for the three months ended June 30, 2023 December 31, 2023, a $4.2 million$4.7 million increase from $13.7 million$12.4 million for the three months ended June 30, 2022. Gas & Water Distribution revenues totaled $43.8 million for the nine months ended June 30, 2023, a $7.5 million increase from $36.3 million for the nine months ended June 30, 2022 December 31, 2022. The revenue increase for both the three and nine month 2023 periods as compared to the prior year periods was primarily related to increased paving services performed on water projects. projects and increased gas and water distribution work.

Gas & Petroleum Transmission revenues totaled $28.5 million$28.6 million for the three months ended June 30, 2023 December 31, 2023, a $13.0 million an $11.7 million increase from $15.4 million$16.8 million for the three months ended June 30, 2022. Gas & Petroleum Transmission revenues totaled $50.7 million for the nine months ended June 30, 2023, a $15.5 million increase from $35.2 million for the nine months ended June 30, 2022 December 31, 2022. The revenue increase for both the three and nine month 2023 periods as compared to the prior year periods was primarily related to an increase in gas transmission projects work that was awarded in 2023 as compared to 2022. during the fiscal year ended September 30, 2023 and continued into the first quarter of fiscal year 2024.

Electrical, Mechanical, & General construction services revenues totaled $39.1 million$44.5 million for the three months ended June 30, 2023 December 31, 2023, a $17.1 million$13.7 million increase from $22.1 million$30.8 million for the three months ended June 30, 2022. Electrical, Mechanical, & General construction services revenues totaled $104.7 million for the nine months ended June 30, 2023, a $47.0 million increase from $57.7 million for the nine months ended June 30, 2022 December 31, 2022. The revenue increases were increase was primarily related to increased mechanical an increase in general contracting and electrical maintenance services performed during the three and nine months ended June 30, 2023 December 31, 2023, as compared to the same period in the prior year and an increase in new construction opportunities. year.

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Cost of Revenues. A table comparing the Company's costs of revenues for the three and nine months ended June 30, 2023 December 31, 2023, compared to the three and nine months ended June 30, 2022 December 31, 2022, is below:

	Three Months Ended					
	June 30, 2023	% of total	June 30, 2022	% of total	Change	% Change
Gas & Water Distribution	$ 13,256,617	17.8 %	$ 10,887,169	24.3 %	$ 2,369,448	21.8 %
Gas & Petroleum Transmission	24,517,102	32.8 %	14,286,300	31.9 %	10,230,802	71.6 %
Electrical, Mechanical, and General	36,627,738	49.1 %	20,432,562	45.7 %	16,195,176	79.3 %
Unallocated Shop Expenses	249,440	0.3 %	(851,685)	(1.9)%	1,101,125	(129.3)%
Total	$ 74,650,897	100.0 %	$ 44,754,346	100.0 %	$ 29,896,551	66.80 %

	Nine Months Ended						Three Months Ended					
	June 30, 2023	% of total	June 30, 2022	% of total	Change	% Change	December 31, 2023	% of total	December 31, 2022	% of total	Change	% Ch
Gas & Water Distribution	$ 34,521,047	19.3 %	$ 29,425,050	25.7 %	$ 5,095,997	17.32 %	$ 13,096,993	16.5 %	$ 10,573,986	19.6 %	$ 2,523,007	2
Gas & Petroleum Transmission	44,352,812	24.9 %	31,600,023	27.6 %	12,752,789	40.36 %	25,166,606	31.7 %	14,026,448	25.9 %	11,140,158	7
Electrical, Mechanical, and General	98,125,733	55.0 %	53,861,256	47.0 %	44,264,477	82.18 %						
Unallocated Shop Expenses	1,480,418	0.8 %	(254,272)	(0.2)%	1,734,690	(682.22)%						
Electrical, Mechanical, & General							41,055,133	51.8 %	29,159,581	53.9 %	11,895,552	4
Unallocated Shop Expense							5,494	0.0 %	296,308	0.5 %	(290,814)	(9
Total	$178,480,010	100.0 %	$114,632,057	100.0 %	$63,847,953	55.70 %	$ 79,324,226	100.0 %	$ 54,056,323	100.0 %	$25,267,903	4

Total cost of revenues increased by $29.9 million $25.3 million to $74.7 million $79.3 million for the three months ended June 30, 2023 December 31, 2023, as compared to $44.8 million $54.1 million for the three months ended June 30, 2022. Total cost of revenues increased by $63.8 million to $178.5 million for the nine months ended June 30, 2023, as compared to $114.6 million for the nine months ended June 30, 2022 December 31, 2022. The cost of revenues increase was a result of increased work in all categories of business. business, partially offset by less unallocated shop expenses.

Gas & Water Distribution cost of revenues totaled $13.3 million $13.1 million for the three months ended June 30, 2023 December 31, 2023, a $2.4 million $2.5 million increase from $10.9 million $10.6 million for the three months ended June 30, 2022. Gas & Water Distribution cost of revenues totaled $34.5 million for the nine months ended June 30, 2023, a $5.1 million increase from $29.4 million for the nine months ended June 30, 2022 December 31, 2022. The cost of revenues revenue increase for both the three and nine month 2023 periods as compared to the prior year periods was primarily related to increased paving services performed on water projects. projects and increased gas and water distribution work.

Gas & Petroleum Transmission cost of revenues totaled $24.5 million $25.2 million for the three months ended June 30, 2023 December 31, 2023, a $10.2 million an $11.1 million increase from $14.3 million $14.0 million for the three months ended June 30, 2022 December 31, 2022. Gas The cost of revenue increase was primarily related to gas transmission work that was awarded during the fiscal year ended September 30, 2023 and continued into the first quarter of fiscal year 2024.

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Electrical, Mechanical, & Petroleum Transmission General construction services cost of revenues totaled $44.4 million $41.1 million for the nine three months ended June 30, 2023 December 31, 2023, a $12.8 million an $11.9 million increase from $31.6 million $29.2 million for the nine three months ended June 30, 2022 December 31, 2022. The cost of revenues revenue increase for both the three and nine month 2023 periods as compared to the prior year periods was primarily related to an increase in transmission projects awarded in 2023 as compared to 2022.

Electrical, Mechanical, & General construction services cost revenues totaled $36.6 million for the three months ended June 30, 2023, a $16.2 million increase from $20.4 million for the three months ended June 30, 2022. Electrical, Mechanical, & General construction services cost revenues totaled $98.1 million for the nine months ended June 30, 2023, a $44.3 million increase from $53.9 million for the nine months ended June 30, 2022. The cost of revenues increases was primarily related to increased mechanical general contracting and electrical maintenance services performed during the three and nine months ended June 30, 2023, as compared to the same period in the prior year and an increase in new construction opportunities.

Unallocated shop expenses totaled $249,000 for the three months ended June 30, 2023, a $1.1 million increase from ($852,000) for the three months ended June 30, 2022. Unallocated shop expenses totaled $1.5 million for the nine months ended June 30, 2023, a $1.7 million increase from ($254,000) for the nine months ended June 30, 2022. The increases in unallocated shop expenses were due to decreased internal equipment charges to projects for the three and nine months ended June 30, 2023 December 31, 2023, as compared to the same period in the prior year.

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Gross Profit. A table comparing the Company's gross profit for the three and nine months ended June 30, 2023 compared to the three and nine months ended June 30, 2022, is below:

	Three Months Ended					
	June 30, 2023	% of revenue	June 30, 2022	% of revenue	Change	% Change
Gas & Water Distribution	$ 4,649,388	26.0 %	$ 2,779,837	20.3 %	$ 1,869,551	67.3 %
Gas & Petroleum Transmission	3,971,227	13.9 %	1,157,617	7.5 %	2,813,610	243.1 %
Electrical, Mechanical, and General	2,507,820	6.4 %	1,628,454	7.4 %	879,366	54.0 %
Unallocated Shop Expenses	(249,440)		851,685		(1,101,125)	(129.3)%
Total	$ 10,878,995	12.7 %	$ 6,417,593	12.5 %	$ 4,461,402	69.5 %

	Nine Months Ended					
	June 30, 2023	% of revenue	June 30, 2022	% of revenue	Change	% Change
Gas & Water Distribution	$ 9,304,910	21.2 %	$ 6,857,184	18.9 %	$ 2,447,726	35.7 %
Gas & Petroleum Transmission	6,365,192	12.6 %	3,617,090	10.3 %	2,748,102	76.0 %
Electrical, Mechanical, and General	6,576,226	6.3 %	3,863,039	6.7 %	2,713,187	70.2 %
Unallocated Shop Expenses	(1,480,418)		254,272		(1,734,690)	(682.2)%

Total	$ 20,765,910	10.4 %	$ 14,591,585	11.3 %	$ 6,174,325	42.3 %
Gross profit percentage	10.4 %		11.3 %			

Total gross profit increased by $4.5 million to $10.9 million Unallocated shop expenses totaled $5,500 for the three months ended June 30, 2023 December 31, 2023, as compared to $6.4 million a $291,000 decrease from $296,000 for the three months ended June 30, 2022. Total gross profit increased by $6.2 million to $20.8 million for the nine months ended June 30, 2023, as compared to $14.6 million for the nine months ended June 30, 2022.

Gas & Water Distribution gross profit totaled $4.6 million for the three months ended June 30, 2023, a $1.9 million increase from $2.8 million for the three months ended June 30, 2022. Gas & Water Distribution gross profit totaled $9.3 million for the nine months ended June 30, 2023, a $2.4 million increase from $6.9 million for the nine months ended June 30, 2022 December 31, 2022. The gross profit increase for both the three and nine month 2023 periods as compared to the prior year periods decrease in unallocated shop expenses was primarily related to paving services performed on water projects. The Company has increased its gross profit percentage on Gas & Water Distribution work due partially to project mix and improved pricing on renewed contracts.

Gas & Petroleum Transmission gross profit totaled $4.0 million for the three months ended June 30, 2023, a $2.8 million increase from $1.2 million for the three months ended June 30, 2022. Gas & Petroleum Transmission gross profit totaled $6.4 million for the nine months ended June 30, 2023, a $2.7 million increase from $3.6 million for the nine months ended June 30, 2022. The gross profit increase for both the three and nine month 2023 periods as compared to the prior year periods was primarily related to an increase in transmission projects awarded in 2023 as compared to 2022. Gross profit percentage in fiscal year 2023 has increased on Gas & Petroleum Transmission projects due to increased production, as compared to fiscal year 2022.

Electrical, Mechanical, & General construction services gross profit totaled $2.5 million for the three months ended June 30, 2023, an $879,000 increase from $1.6 million for the three months ended June 30, 2022. Electrical, Mechanical, & General construction services gross profit totaled $6.6 million for the nine months ended June 30, 2023, a $2.7 million increase from $3.9 million for the nine months ended June 30, 2022. The gross profit increases were primarily related to increased mechanical and electrical maintenance services performed during the three and nine months ended June 30, 2023, as compared to the same period in the prior year and an increase in new construction opportunities.

Gross (loss) profit from unallocated shop expenses totaled ($249,000) for the three months ended June 30, 2023, a $1.1 million decrease from $852,000 for the three months ended June 30, 2022. Gross (loss) profit from unallocated shop expenses totaled ($1.5 million) for the nine months ended June 30, 2023, a $1.7 million decrease from $254,000 for the nine months ended June 30, 2022. The increases in gross loss from unallocated shop expenses were due to decreased internal equipment charges to projects for the three and nine months ended June 30, 2023 December 31, 2023, as compared to the same period in the prior year.

Gross Profit (Loss). A table comparing the Company's gross profit for the three months ended December 31, 2023, compared to the three months ended December 31, 2022, is below:

	Three Months Ended					
	December 31, 2023	% of revenue	December 31, 2022	% of revenue	Change	% Change
Gas & Water Distribution	$ 3,985,902	36.77 %	$ 1,815,572	30.33 %	$ 2,170,330	119.5 %
Gas & Petroleum Transmission	3,396,637	31.34 %	2,813,702	47.00 %	582,935	20.7 %
Electrical, Mechanical, & General	3,461,916	31.94 %	1,653,296	27.62 %	1,808,620	109.4 %
Unallocated Shop Expense	(5,494)	(0.05)%	(296,308)	(4.95)%	290,814	(98.1)%
Total	$ 10,838,961	100.0 %	$ 5,986,262	100.0 %	$ 4,852,699	81.1 %
Gross profit percentage	12.0 %		10.0 %			

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Table Total gross profit increased by $4.9 million to $10.8 million for the three months ended December 31, 2023, as compared to $6.0 million for the three months ended December 31, 2022.

Gas & Water Distribution gross profit totaled $4.0 million for the three months ended December 31, 2023, a $2.2 million increase from $1.8 million for the three months ended December 31, 2022. The gross profit increase was primarily related to increased paving services provided for water projects and increase water distribution services performed during the three months ended December 31, 2023 as compared to the same period in the prior year.

Gas & Petroleum Transmission gross profit totaled $3.4 million for the three months ended December 31, 2023, a $583,000 increase from $2.8 million for the three months ended December 31, 2022. The gross profit increase was primarily related to gas transmission work that was awarded during the fiscal year ended September 30, 2023 and continued into the first quarter of Contentsfiscal year 2024.

Electrical, Mechanical, & General construction services gross profit totaled $3.5 million for the three months ended December 31, 2023, a 1.8 million increase from $1.7 million for the three months ended December 31, 2022. The increase was primarily related to an increase in general contracting and electrical services performed during the three months ended December 31, 2023, as compared to the same period in the prior year.

Gross loss attributable to unallocated shop expenses totaled $5,500 for the three months ended December 31, 2023, a $291,000 decrease from $296,000 for the three months ended December 31, 2022. The decrease in unallocated shop expenses was due to increased internal equipment charges to projects for the three months ended December 31, 2023, as compared to the same period in the prior year.

Selling and administrative expenses. Total selling and administrative expenses increased by $1.5 million $1.9 million to $5.3 million $7.2 million for the three months ended June 30, 2023 December 31, 2023, as compared to $3.8 million $5.3 million for the same period in the prior year. Total selling and administrative expenses increased by $5.6 million to $16.5 million for the nine months ended June 30, 2023, as compared to $10.9 million for the same period in the prior year. Selling and administrative expenses increased by $1.0 million and $2.5 million, respectively, for the three and nine months ended June 30, 2023, as compared to the same periods in 2022, for acquired businesses that were not in operation for all fiscal year 2022. The remaining increase was primarily related to additional personnel hired to secure and manage work for expected growth in fiscal year 2023 and beyond. growth.

Other nonoperating expense. income (expense). Other nonoperating expenses income totaled $72,000 $75,000 for the three months ended June 30, 2023 December 31, 2023, as compared to a decrease nonoperating expense of $103,000 from $175,000 ($81,000) for the same period in the prior year. Other nonoperating expense totaled $164,000 for the nine months ended June 30, 2023, The change was primarily related to an immaterial legal settlement that recouped costs expended in a decrease prior period.

Table of $275,000 from $438,000 for the same period in the prior year. Contents

Interest expense. expense. Interest expense totaled $640,000 $602,000 for the three months ended June 30, 2023 December 31, 2023, an increase of $409,000 $102,000 from $231,000, as restated, for the same period in the prior year. Interest expense totaled $1.7 million for the nine months ended June 30, 2023, an increase of $1.1 million from $623,000, as restated, $499,000 for the same period in the prior year. The increase in interest expense was primarily due to the interest paid for equipment financing of recent acquisitions, an increase added in line of credit borrowings due to increased work, late fiscal year 2023 and an increase in interest rates.

*Loss Gain on sale of equipment. equipment*Gain. Loss on sale of equipment totaled $30,000 $13,000 for the three months ended June 30, 2023 December 31, 2023, a decrease of $28,000 $18,000 from $58,000 for the same period in the prior year. Gain on sale of equipment totaled $47,000 for the nine months ended June 30, 2023, a decrease of $371,000 from $418,000 $31,000 for the same period in the prior year. The Company sold certain underutilized or non-working pieces of equipment at auction during the nine three months ended June 30, 2022 December 31, 2023, with no comparable sale occurring during the three and nine months ended June 30, 2023 December 31, 2022.

Net income. Income before income taxes was $4.9 million $3.1 million for the three months ended June 30, 2023 December 31, 2023, as compared to $2.2 million for the same period in the prior year. Income before income taxes was $2.4 million for the nine months ended June 30, 2023, compared to an income before tax of $3.1 million $59,000 for the same period in the prior year. The changes were increase was primarily related to the items mentioned above.

Income tax expense for the three months ended June 30, 2023 December 31, 2023, was $1.5 million $1.1 million compared to $651,000 for the same period in the prior year. Income tax expense for the nine months ended June 30, 2023, was $768,000 compared to an income tax expense benefit of $945,000 ($80,000) for the same period in the prior year. The changes increase in income tax expense were was due to the changes increase in taxable income for the three and nine months ended June 30, 2023 December 31, 2023, as compared to the prior period.

Net income for the three and nine months ended June 30, 2023 December 31, 2023, was $3.4 million and $1.6 million $2.0 million, respectively, as compared to $1.7 million and $2.1 million $138,000 for the same periods period in the prior year.

Comparison of Financial Condition at June 30, 2023 December 31, 2023, and September 30, 2022 September 30, 2023

The Company had total assets of $129.2 million $136.4 million at June 30, 2023 December 31, 2023, an increase a decrease of $16.6 million $6.1 million from the prior fiscal year end balance of $112.6 million $142.5 million.

Accounts receivable, net of allowance for doubtful accounts, totaled $47.8 million $43.2 million at June 30, 2023 December 31, 2023, an increase a decrease of $9.4 million $8.0 million from the prior fiscal year end balance of $38.5 million $51.2 million. The increase decrease was primarily due to the timing of cash collections and project invoicing since September 30, 2022 September 30, 2023.

Cash and cash equivalents totaled $11.3 million at December 31, 2023, an increase of $5.2 million from the prior fiscal year end balance of $16.4 million. The decrease was primarily due to a net $2.9 million provided from operating activities, partially offset by a net $1.0 million investment in equipment, and $7.0 million in net short-term and long-term debt repayments.

Prepaid expenses and other totaled $2.7 million at December 31, 2023, a decrease of $833,000 from the prior fiscal year end balance of $3.5 million. The decrease was primarily due to expensing prepaid insurance during the three months ended December 31, 2023.

Right-of-use assets totaled $2.9 million at December 31, 2023, a decrease of $409,000 from the prior fiscal year end balance of $3.3 million. The decrease was primarily due to the amortization of operating leases during the three months ended December 31, 2023, partially offset by a net increase in leased vehicles.

The Company had net property, plant and equipment of $36.2 million $36.3 million at June 30, 2023 December 31, 2023, an increase a decrease of $3.5 million $248,000 from the prior fiscal year end balance of $32.7 million $36.5 million. The increase decrease was due to an $8.5 million cash investment $2.2 million in property, plant and equipment and a $893,000 addition of financed equipment, asset additions, partially offset by $5.4 million $2.1 million in depreciation and net equipment disposals of $500,000. $379,000.

Retainage receivable Intangible assets, net totaled $7.3 million $3.3 million at June 30, 2023 December 31, 2023, an increase a decrease of $2.9 million $108,000 from the prior fiscal year end balance of $4.4 million $3.4 million. The decrease was due to the amortization of intangible assets during the three months ended December 31, 2023.

Contract assets totaled $21.8 million at December 31, 2023, an increase of $5.8 million from the prior fiscal year end balance of $16.0 million. The increase was due to a difference in the timing of project billings at December 31, 2023, compared to September 30, 2023.

Retainage receivable totaled $9.7 million at December 31, 2023, an increase of $2.1 million from the prior fiscal year end balance of $7.6 million. The increase was primarily due to more current year projects that require retainages to be withheld.

Right-of-use assets Goodwill totaled $3.7 million $4.1 million at June 30, 2023, an increase of $2.1 million from the prior fiscal year end balance of $1.6 million. The increase was primarily due to $2.6 million in operating lease additions, partially offset by $578,000 in amortization expense, during the nine months ended June 30, 2023 December 31, 2023 and September 30, 2023.

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Cash and cash equivalents totaled $9.0 million The Company had total liabilities of $100.7 million at June 30, 2023 December 31, 2023, an increase a decrease of $1.6 million $7.2 million from the prior fiscal year end balance of $7.4 million $107.9 million. The increase was primarily due to $3.1 million in proceeds from long-term debt, $1.2 million in net short-term borrowings, and a net $10.3 million provided from operating activities, partially offset by a net $8.0 million investment in equipment, $4.0 million in long-term debt repayments, $833,000 in dividend payments on common stock, and $220,000 paid for treasury stock.

Prepaid expenses and other totaled $4.8 million at June 30, 2023, an increase of $904,000 from the prior fiscal year end balance of $3.9 million. The increase was primarily due to financed insurance premiums, net of expense, during the nine months ended June 30, 2023.

Other receivables totaled $567,000 at June 30, 2023, an increase of $556,000 from the prior fiscal year end balance of $11,000. The increase was primarily related to an advance payment on a construction project.

Contract assets totaled $12.2 million at June 30, 2023, a decrease of $3.9 million from the prior fiscal year end balance of $16.1 million. The decrease was primarily due to a difference in the timing of project billings at June 30, 2023, compared to September 30, 2022.

Intangible assets, net totaled $3.5 million at June 30, 2023, a decrease of $401,000 from the prior fiscal year end balance of $3.9 million. The decrease was due to the amortization of intangible assets during the nine months ended June 30, 2023.

Goodwill totaled $4.1 million at June 30, 2023 and September 30, 2022.

The Company had total liabilities of $100.4 million at June 30, 2023, an increase of $16.0 million from the prior fiscal year end balance of $84.4 million.

Contract liabilities totaled $16.6 million at June 30, 2023, an increase of $10.5 million from the prior fiscal year end balance of $6.0 million. The increase was due to a difference in the timing of project billings at June 30, 2023, as compared to September 30, 2022.

Lines of credit and short-term borrowings totaled $28.2 million $14.9 million at June 30, 2023 December 31, 2023, an increase a decrease of $5.1 million $4.9 million from the prior fiscal year end balance of $23.2 million, as restated. $19.8 million. The increase decrease was primarily due to the financed insurance premiums, net of repayments and additional on the line of credit borrowings. and insurance premiums financed.

Current Accrued expenses and long-term operating lease other current liabilities totaled $3.6 million $11.6 million at June 30, 2023, an increase of $2.0 million from the prior fiscal year end balance of $1.6 million. The increase was due to operating lease additions of $2.6 million, partially offset by $655,000 in operating lease payments for the nine months ended June 30, 2023.

Deferred tax liabilities totaled $5.2 million at June 30, 2023, an increase of $700,000 from the prior fiscal year end balance of $4.5 million. The increase was primarily related to a decrease in the net operating loss carry forward other tax assets during the nine months ended June 30, 2023.

Long-term debt totaled $17.6 million at June 30, 2023, an increase of $36,000 from the prior fiscal year end balance. The increase in long-term debt was primarily due to $4.0 million in new debt agreements, partially offset by $4.0 million in debt repayments. The new long-term debt was primarily related to the financing of the equipment obtained in the Ryan Construction acquisition, which was a cash transaction at the time of the acquisition.

Accounts payable totaled $18.8 million at June 30, 2023 December 31, 2023, a decrease of $1.5 million from the prior fiscal year end balance of $20.3 million. The decrease was due to the timing of accounts payable payments as compared to September 30, 2022.

Accrued expenses and other current liabilities, including income tax payable, totaled $10.3 million at June 30, 2023, a decrease of $948,000 from the prior fiscal year end balance of $11.3 million $13.1 million. The decrease was due to the timing of accrued expense payments, as compared to September 30, 2022 September 30, 2023.

Shareholders' equity was $28.9 million Long-term debt totaled $23.8 million at June 30, 2023 December 31, 2023, an increase a decrease of $627,000 $1.2 million from the prior fiscal year end balance of $28.2 million $25.0 million. The decrease in long-term debt was primarily due to $2.1 million in payments on long-term debt, partially offset by $813,000 in new equipment financing.

Current and long-term operating lease liabilities totaled $2.9 million at December 31, 2023, a decrease of $430,000 from the prior fiscal year end balance of $3.4 million. The decrease was due to payments made during the three months ended December 31, 2023.

Contract liabilities totaled $17.7 million at December 31, 2023, a decrease of $79,000 from the prior fiscal year end balance of $17.7 million. The decrease was due to a difference in the timing of project billings at December 31, 2023, as compared to September 30, 2023.

Deferred tax liabilities totaled $7.7 million at December 31, 2023, an increase of $782,000 from the prior fiscal year end balance of $6.9 million. The decrease was primarily related to the reduction of the net operating loss carry forward during the three months ended December 31, 2023.

Accounts payable totaled $22.3 million at December 31, 2023, an increase of approximately $0.2 million from the prior fiscal year end balance of $22.0 million. The increase was due to the timing of accounts payable payments as compared to September 30, 2023.

Shareholders' equity was $35.6 million at December 31, 2023, an increase of $1.0 million from the prior fiscal year end balance of $34.6 million. The increase was due to net income of $1.7 million $2.0 million for the nine three months ended June 30, 2023 December 31, 2023, partially offset by common stock an annual cash dividend payments declaration of $833,000, and treasury stock repurchases of $220,000. $994,000 paid on January 2, 2024.

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Liquidity and Capital Resources

Operating Line of Credit

On July 13, 2022, the Company received a one-year extension on its $15.0 million operating line of credit effective June 28, 2022. The interest rate on the line of credit is the "*Wall Street Journal*" Prime Rate (the index) with a floor of 4.99%. Based on a borrowing base calculation, the Company had borrowed all $12.5 million available on the line On January 19,

On January 19, 2023, 2023, the Company received an amendment to the agreement which increased the line of credit to $30.0 million with a maturity date of June 28, 2023. On June 1, 2023, the agreement was renewed through June 28, 2024.

The line of credit is limited to a borrowing base calculation which was approximately $24.4 million at June 30, 2023. The outstanding balance on the line of credit was $16.2 million at June 30, 2023. The line of credit has a variable interest rate equal to the *"Wall Street Journal"* Prime Rate with a floor of 4.5%, which was 9.25% at June 30, 2023. as summarized below:

	December 31, 2023	September 30, 2023
Eligible borrowing base	$ 15,950,633	$ 23,942,868
Borrowed on line of credit	4,700,000	8,712,915
Line of credit balance available	$ 11,250,633	$ 15,229,953
Interest rate	8.5 %	8.5 %

The modified financial covenants for the quarter ended June 30, 2023, and all subsequent quarters, are below:

- Minimum tangible net worth of $28.0 million,
- Minimum traditional debt service coverage of 1.50x on a rolling twelve- month basis,
- Minimum current ratio of 1.20x,
- Maximum debt to tangible net worth ratio ("TNW") of 2.75x,
- Each ratio and covenant shall be determined, tested, and measured as of each calendar quarter beginning June 30, 2023,
- The Company shall maintain a ratio of Maximum Senior Funded Debt ("SFD") to Earnings before Interest, Taxes, Depreciation and Amortization ("EBDITA") equal to or less than 3.5:1. SFD shall mean any funded debt or lease of the Company, other than subordinated debt. The covenant shall be tested quarterly, at the end of each fiscal quarter, with EBITDA based on the preceding four quarters.

The Company's lender has agreed to omit the effect of the PPP loan restatement from the Company's covenant compliance calculations while a final decision on PPP loan forgiveness remains in question. Thus, the Company was not in compliance with all covenants at June 30, 2023; however, a waiver was received from the Company's lender. December 31, 2023. The Company projects to meet all covenant requirements for the next twelve months.

Insurance Premiums Financed

The Company also finances financed its captive insurance policy premiums on a short-term basis through a financing company. company for the calendar years ended December 31, 2023 and 2022. These insurance policies include workers' compensation, general liability, automobile, umbrella, and equipment policies. The Company makes a made down payment payments in January 2023 and finances 2022 and financed the remaining premium amount over eleven monthly payments. At June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023, the remaining balance of the insurance premiums was $1.9 million $0 and $580,000, $950,000, respectively.

Paycheck Protection Program Loans

Due to the economic uncertainties created by COVID-19 and limited operating funds available, the Company applied for loans under the PPP. On April 15, 2020, the Company and its subsidiaries, C.J. Hughes, Contractors Rental and Nitro, entered into separate PPP notes effective April 7, 2020, with the its Lender in an aggregate principal amount of $13.1 million pursuant to the PPP Loans. In a special meeting held on April 27, 2020, the Board of Directors of the Company unanimously voted to return $3.3 million of the PPP Loans after discussing the financing needs of the Company and subsidiaries. That left the Company and subsidiaries with $9.8 million in PPP Loans to fund operations. During fiscal year 2021, the Company received notice that the SBA had granted forgiveness of the $9.8 million of PPP Loans and the SBA repaid the Lender in full. The forgiveness was recorded as other income for the fiscal year ended September 30, 2021.

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During April 2023, management received notification from the SBA that one of the Company's forgiveness applications related to the PPP Loans was under review. As part of the review, the SBA requested additional payroll information. Additionally, the SBA requested information regarding the ability of the Company's affiliates to meet SBA size standards and/or PPP corporate maximum limits. The requested information was subsequently provided to the SBA through the Lender. The Company recognizes that there is a possibility that the SBA could reverse its previous determination on the forgiveness of the PPP Loans. As a result of this uncertainty, on May 12, 2023, the audit committee Company restated the previously audited financial statements of the Board of Directors of Energy Services, after considering the recommendation of management, concluded: that (a) the Company's previously issued audited consolidated financial statements Company for the fiscal years ended September 30, 2022 2022 and 2021, and the related reports of its independent registered public accounting firm, Baker Tilly, included in the Company's annual reports on Form 10-K for the fiscal years ended September 30, 2022 and 2021, and (b) the Company's unaudited consolidated financial statements for the periods ended June 30, 2021, December 31, 2021, March 31, 2022, June 30, 2022 and December 31, 2022 as reported in the Company's quarterly reports on Form 10-Q for those periods should no longer be relied upon and have been restated. 2021. The Company has recorded a short-term borrowing due to the SBA inquiry for the full $9.8 million, plus accrued interest for all periods presented. interest.

During July 2023, management received notification from the SBA that two additional forgiveness applications related to the PPP Loans were under review. As part of the review, the SBA requested information regarding the ability of the Company's Company's affiliates to meet SBA size standards and/or PPP corporate maximum limits. The requested information was subsequently provided to the SBA through the Lender.

Borrowers must retain PPP documentation for at least six years after the date the loan is forgiven or paid in full, and the SBA and SBA Inspector General must be granted these files upon request. The SBA could revisit its forgiveness decision and determine that the Company does not qualify in whole or in part for loan forgiveness and demand repayment of the loans. In addition, it is unknown what type of penalties could be assessed against the Company if the SBA disagrees with the Company's certification. Any penalties in addition to the potential repayment of the PPP Loans could negatively impact the Company's business, financial condition and results of operations and prospects.

Long-Term Debt

On December 16, 2014, the Company's Nitro subsidiary entered into a 20-year $1.2 million loan agreement with a bank to purchase the office building and property it had previously been leasing for $6,300 monthly. leasing. The interest rate on this loan agreement is 4.82% with monthly payments of $7,800. The interest rate on this note is subject to change from time to time based on changes in the U.S. Treasury yield, adjusted to a constant maturity of three years as published by the Federal Reserve weekly. As of June 30, 2023 December 31, 2023, the Company had made principal payments of $373,000. $402,000. The loan is collateralized by the building purchased under this agreement. The note is currently held by Peoples Bank, Inc., formerly First Bank of Charleston, Inc. (West Virginia).

On November 13, 2015, the Company entered into a 10-year $1.1 million loan agreement with United Bank to purchase the fabrication shop and property Nitro had previously been leasing for $12,900 each month. leasing. The variable interest rate on the loan agreement is 9.0% 9.5% at June 30, 2023 with monthly payments of $12,500. December 31, 2023. As of June 30, 2023 December 31, 2023, the Company had made principal payments of $775,000. $836,000. The loan is collateralized by the building and property purchased under this agreement.

On December 31, 2020, West Virginia Pipeline Acquisition Company, later renamed West Virginia Pipeline, Inc., entered into a $3.0 million sellers' note agreement with David and Daniel Bolton for the remaining purchase price of West Virginia Pipeline, Inc. For the purchase price allocation, the $3.0 million note had a fair value of $2.85 million. As part of the $6.35 million acquisition price, the Company paid $3.5 million in cash in addition to the note. The unsecured five-year term note requires annual payments of at least $500,000 with a fixed interest rate of 3.25% on the $3.0 million sellers' note, which equates to 5.35% on the carrying value of the note. The As of December 31, 2023, the Company has had made principal annual installment payments of $1.3 million on this note as of June 30, 2023 $2.1 million.

On January 4, 2021, the Company entered into a $3.0 million Non-Revolving Note agreement with United Bank. This five-year agreement gave the Company access to a $3.0 million line of credit ("Equipment Line of Credit 2021"), specifically for the purchase of equipment, for a period of twelve months with a variable interest rate initially established at 4.25% as based on the Prime Rate as

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published by *The Wall Street Journal Journal.*. After twelve months, all borrowings against the Equipment Line of Credit 2021 were converted to a four-year term note agreement with a variable interest rate initially established at 4.25%. The loan is collateralized by the equipment purchased under this agreement. As of June 30, 2023 December 31, 2023, the Company borrowed $3.0 million against this line of credit with monthly payments of $68,000 $68,150 that started in February 2022. The interest rate at June 30, 2023 December 31, 2022 was 9.25% 9.5%. The Company has made principal payments of $969,000 $1.3 million on this note as of June 30, 2023 December 31, 2023.

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On April 2, 2021, the Company entered into a $3.5 million Non-Revolving Note agreement with United Bank. This five-year agreement repaid the outstanding $3.5 million line of credit that was used for the down payment on the West Virginia Pipeline acquisition. This loan has monthly installment payments of $65,000 $64,853 and has a fixed interest rate of 4.25%. The loan is collateralized by the Company's equipment and receivables. As of June 30, 2023 December 31, 2023, the Company had made principal payments of $1.5 million $1.8 million.

On April 29, 2022, the Company entered into a $7.5 million Non-Revolving Note agreement with United Bank. This five-year agreement was used to finance the purchase of Tri-State Paving and has monthly payments of $129,910 with a fixed interest rate of 4.25%. The Company has made principal payments of $1.5 million $2.1 million on this note as of June 30, 2023 December 31, 2023.

On October 10, 2022, the Company entered into a $3.1 million promissory note agreement with United Bank. This five-year agreement financed the previous cash value of equipment purchased in the Ryan Construction acquisition. This loan has monthly installment payments of $59,932 and has a fixed interest rate of 6.0%. The loan is collateralized by the Company's equipment and receivables. As of December 31, 2022, the Company had made principal payments of $640,000.

On April 29, 2022, the Company entered into a $1.0 million promissory note agreement with Corns Enterprises, a related party, as partial consideration for the purchase of Tri-State Paving. David E. Corns remained as president of Tri-State Paving. This four-year agreement requires $250,000 principal installment payments on or before the end of each twelve (12) full calendar month period beginning April 29, 2022. Interest payments due shall be calculated on the principal balance remaining and shall be at the stated rate of 3.5% per year. The Company had has made principal payments of $250,000 $750,000 on this note as of June 30, 2023 December 31, 2023.

On October 10, 2022, the Company entered into a $3.1 million promissory note agreement with United Bank. This five-year agreement financed the previous cash value of equipment purchased in the Ryan Construction acquisition. This loan has monthly installment payments of $60,000 and has a fixed interest rate of 6.0%. The loan is collateralized by the Company's equipment and receivables. As of June 30, 2023, the Company had made principal payments of $360,000.

On June 1, 2023, the Company entered into a $9.3 million Non-Revolving Note agreement with United Bank. This five-year agreement gave the Company access to a $9.3 million line of credit (" ("Equipment Line of Credit 2023" 2023"), specifically for the purchase of equipment, for a period of six months with a fixed interest rate of 7.25%. After six months, all borrowings against the Equipment Line of Credit 2023 will convert to a fifty-four-month term note agreement with a fixed interest rate of 7.25%. The loan will be is collateralized by the equipment purchased under this agreement. As of June 30, 2023 December 31, 2023, the Company had not borrowed $9.3 million against this line of credit. credit and made $144,000 in principal payments.

Lease Obligations Operating Leases

The Company leases office space for SQP for $1,500 per month. The lease, which was originally signed on March 25, 2021, is for a period of two years with five one-year renewals available immediately following the end of the base term. Rental terms The Company has only committed to a one-year renewal and is evaluating the intent to renew for the option periods shall be negotiated and agreed mutually between the parties and shall not exceed five percent increases to rent, if any. additional periods.

The Company has two lease agreements for construction equipment with a combined amount of $160,000. The leases have a term of twenty-two months with a stated interest rate of 0%, combined monthly installment payments of $6,645 and are cancellable at any time without penalty. The Company has the right to purchase the equipment at the expiration of the leases by applying the two-month deposit paid. The related assets and finance lease obligations associated with these lease agreements are included in the consolidated balance sheets within property, plant and equipment and long-term debt.

The Company has two right-of-use operating leases acquired on April 29, 2022, as part of the Tri-State Paving, LLC transaction. The first operating lease, for the Hurricane, West Virginia facility, had a net present value of $236,000 at inception, and a carrying value of $148,000 $106,000 at June 30, 2023 December 31, 2023. The second operating lease, for the Chattanooga, Tennessee facility, had a net present value of $144,000 at inception, and a carrying value of $72,000 $40,000 at June 30, 2023 December 31, 2023. The 4.5% interest rate on the operating leases is based on the Company's incremental borrowing rate at inception.

The Company has a right-of-use operating lease with Enterprise Fleet Management, Inc. acquired on August 11, 2022, as part of the Ryan Environmental acquisition. This lease agreement was initially for thirty-one vehicles with a net present value of $1.2 million. The Company has subsequently added twenty-six leased had sixty-nine vehicles with a net present value of $2.4 million on lease at December 31, 2023. The right-of-use operating lease has a carrying value of $3.2 million $2.5 million at June 30, 2023 December 31, 2023. The 4.5% interest Each vehicle leased under the master lease program has its own implicit rate on the operating lease is based on the Company's incremental borrowing rate at inception. ranging from 12.8% to 15.6%.

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The Company has a right-of-use operating lease with RICA Developers, LLC acquired on August 12, 2022, as part of the Ryan Environmental acquisition. and renewed for one year effective October 1, 2023. This lease, for the Bridgeport, West Virginia facility, had a net present value of $140,000 $125,000 at inception and a carrying value of $21,000 $83,000 at June 30, 2023 December 31, 2023. The 4.5% 8.5% interest rate on the operating lease is was based on the Company's incremental borrowing rate at inception. renewal.

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The Company has a right-of-use operating lease acquired on March 28, 2023. This lease, for the Winchester, Kentucky facility, had a net present value of $290,000 at inception and a carrying value of $247,000 $231,000 at June 30, 2023 December 31, 2023. The 7.75% interest rate on the operating lease is based on the Company's incremental borrowing rate at inception.

Off-Balance Sheet Arrangements

Due to the nature of our industry, we often enter into certain off-balance sheet arrangements in the ordinary course of business that result in risks not directly reflected in our balance sheets. Though for the most part not material in nature, some of these are:

Rental Agreements

The Company rents equipment for use on construction projects with rental agreements being week to week or month to month. Rental expense can vary by reporting period due to equipment requirements on construction projects and the availability of Company owned equipment. Rental expense, which is included in cost of goods sold on the consolidated statements of income, was $2.5 million $5.4 million and $1.7 million $2.7 million, respectively, for the three months ended June 30, 2023 and 2022 and $6.8 million and $5.3 million, respectively, for the nine months ended June 30, 2023 December 31, 2023 and 2022.

Letters of Credit

Certain customers or vendors may require letters of credit to secure payments that the vendors are making on our behalf or to secure payments to subcontractors and vendors on various customer projects. At June 30, 2023 December 31, 2023, the Company did not have any letters of credit outstanding.

Performance Bonds

Some customers, particularly new ones or governmental agencies require the Company to post bid bonds, performance bonds and payment bonds (collectively, performance bonds). These performance bonds are obtained through insurance carriers and guarantee to the customer that we will perform under the terms of a contract and that we will pay subcontractors and vendors. If the Company fails to perform under a contract or to pay subcontractors and vendors, the customer may demand that the insurer make payments or provide services under the bond. The Company must reimburse the insurer for any expenses or outlays it is required to make.

Currently, the Company has an agreement with a surety company to provide bonding which will suit the Company's immediate needs. The ability to obtain bonding for future contracts is an important factor in the contracting industry with respect to the type and value of contracts that can be bid. Depending upon the size and conditions of a particular contract, the Company may be required to post letters of credit or other collateral in favor of the insurer. Posting of these letters or other collateral will reduce our borrowing capabilities. The Company does not anticipate any claims in the foreseeable future. At June 30, 2023 December 31, 2023, the Company had $139.8 million $98.4 million in performance bonds outstanding.

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Concentration of Credit Risk

In the ordinary course of business, the Company grants credit under normal payment terms, generally without collateral, to our customers, which include natural gas and oil companies, general contractors, and various commercial and industrial customers located within the United States. Consequently, the Company is subject to potential credit risk related to business and economic factors that would affect these companies. However, the Company generally has certain statutory lien rights with respect to services provided. Under certain circumstances such as foreclosure, the Company may take title to the underlying assets in lieu of cash in settlement of receivables.

Please see the tables below for customers that represent 10.0% or more of the Company's revenue or accounts receivable, net of retention for the three and nine months ended June 30, 2023 December 31, 2023 and 2022:

	Three Months Ended		Three Months Ended	Three Months Ended
Revenue	June 30, 2023	June 30, 2022	December 31, 2023	December 31, 2022
NiSource	15.5 %	*		
NiSource and subsidiaries			10.9 %	14.0 %
TransCanada Corporation	15.1 %	19.1 %	22.8 %	13.6 %
All other	69.4 %	80.9 %	66.3 %	72.4 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

* Less than 10.0% and included in "All other" if applicable

	Nine Months Ended	
Revenue	June 30, 2023	June 30, 2022
TransCanada Corporation	11.1 %	16.4 %
NiSource	10.7 %	*
All other	78.2 %	83.6 %
Total	100.0 %	100.0 %

* Less than 10.0% and included in “All other” if applicable

Please see the tables below for customers that represent 10.0% or more of the Company’s accounts receivable, net of retention at June 30, 2023 and September 30, 2022:

Accounts receivable, net of retention	June 30, 2023	September 30, 2022	at December 31, 2023	at September 30, 2023
NiSource	21.5 %	*		
TransCanada Corporation	12.2 %	*		
NiSource and subsidiaries			*	11.8 %
All other	66.3 %	100.0 %	100.0 %	88.2 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

* Less than 10.0% and included in “All other” if applicable

Litigation

In February 2018, the Company filed a lawsuit against a former customer ("Defendant") in the United States District Court for the Western District of Pennsylvania. The lawsuit is related to a dispute over work performed on a pipeline construction project. On November 21, 2022, a Judgment Order was issued, and the Company was awarded $13.1 million, of which $5.8 million was the jury award, $1.6 million was for attorney’s fees, and $5.7 million was for penalties and interest. The amounts awarded by the Judgment Order have not been recognized in the Company’s consolidated financial statements as of June 30, 2023 December 31, 2023. The Company’s attorney’s fees have been expensed as incurred. The case has been appealed to the United States Court of Appeals for the Third Circuit and is expected to be heard within the next 10 to 12 months.

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On November 12, 2021, the Company received a withdrawal liability claim from a pension plan to which the Company made pension contributions for union construction employees performing covered work in a particular jurisdiction. The Company has not performed covered work in their jurisdiction since 2011; however, the Company disagrees with the withdrawal claim and believes it is covered by an exemption under federal law. The demand called for thirty-four quarterly installment payments of $41,000 starting December 15, 2021. The Company must comply with the demand under federal pension law; however, the Company firmly believes no withdrawal liability exists. The Company is in negotiations with the pension fund to resolve the matter and all future payments have been suspended as part of the negotiation. The Company has expensed all $164,000 in payments made through June 30, 2023 September 30, 2022 and does not expect any future liabilities related to this claim. The Company did not make any payments during the three months ended December 31, 2023.

Other than described above, at June 30, 2023 December 31, 2023, the Company was not involved in any legal proceedings other than in the ordinary course of business. The Company is a party from time to time to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, punitive damages, civil penalties, or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims, and proceedings, we record reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. At June 30, 2023 December 31, 2023, the Company does not believe that any of these proceedings, separately or in aggregate, would be expected to have a material adverse effect on our financial position, results of operations or cash flows.

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Related Party Transactions

We intend that all transactions between us and our executive officers, directors, holders of 10% or more of the shares of any class of our common stock and affiliates thereof, will be on terms no less favorable than those terms given to unaffiliated third parties and will be approved by a majority of our independent outside directors not having any interest in the transaction.

On December 16, 2014, the Company's Nitro subsidiary entered into a 20-year $1.2 million loan agreement with First Bank of Charleston, Inc. (West Virginia) to purchase the office building and property it had previously been leasing for $6,300 each month. The interest rate on the loan agreement is 4.82% with monthly payments of $7,800. As of March 31, 2023, the Company had paid approximately $373,000 in principal and approximately $424,000 in interest since the beginning of the loan. Mr. Douglas Reynolds, President of Energy Services, was a director and secretary of First Bank of Charleston. Mr. Samuel Kapourales, a director of Energy Services, was also a director of First Bank of Charleston. On October 15, 2018, First Bank of Charleston was merged into Premier Bank, Inc., a wholly owned subsidiary of Premier Financial Bancorp, Inc. Mr. Marshall Reynolds, Chairman of the Board of Energy Services, held the same position with Premier Financial Bancorp, Inc. Mr. Douglas Reynolds is the president and a director of Energy Services and was a director of Premier Financial Bancorp, Inc. On September 17, 2021, Peoples Bancorp, Inc., parent company of Peoples Bank, completed an acquisition of Premier Financial Bancorp, Inc. and its wholly owned subsidiaries, Premier Bank and Citizens Deposit Bank & Trust. On October 26, 2021, Mr. Douglas Reynolds was elected director of Peoples Bancorp, Inc., and its subsidiary Peoples Bank (collectively "Peoples Bank"). On February 21, 2023, Mr. Reynolds resigned from the board of directors of Peoples Bank.

On April 29, 2022, the Company entered into a $1.0 million promissory note agreement with Corns Enterprises as partial consideration for the purchase of Tri-State Paving. This four-year agreement requires $250,000 principal installment payments on or before the end of each twelve (12) full calendar month period beginning April 29, 2022. Interest payments due shall be calculated on the principal balance remaining and shall be at the stated rate of 3.5% per year. The Company has made $750,000 in principal payments on this note as of December 31, 2023.

Subsequent to the April 29, 2022 acquisition of Tri-State Paving, the Company entered into an operating lease for facilities in Hurricane, West Virginia with Corns Enterprises. This thirty-six-month lease is treated as a right-of-use right to use asset and has payments of $7,000 per month. The total net present value at inception was $236,000 at inception, and had with a carrying value of $148,000 $106,000 at June 30, 2023 December 31, 2023.

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SQP made an equity investment of $156,000 in 1030 Quarrier Development, LLC ("Development") in August 2022. Development is a variable interest entity ("VIE") that is 75% owned by 1030 Quarrier Ventures, LLC ("Ventures") and 25% owned by SQP. SQP is not the primary beneficiary of the VIE and therefore will not consolidate Development into its consolidated financial statements. Instead, SQP will apply the equity method of accounting for its investment in Development. Development, a 1% owner, and United Bank, a 99% owner, formed 1030 Quarrier Landlord, LLC ("Landlord"). Landlord decided to pursue the following development project (the "Project"): a historical building at 1030 Quarrier Street, Charleston, West Virginia as well as associated land (the "Property") was purchased to be developed/rehabilitated into a commercial project including apartments and commercial space. Upon the completion of development, the Property will be used to generate rental income. SQP has been awarded the construction contract for the Project. United Bank provided $5.0 million in loans to fund the Project. SQP and Ventures have jointly provided an unconditional guarantee for the $5.0 million of obligations associated with the Project. As of June 30, 2023, there is no significant impact on our consolidated financial statements in connection with this investment by SQP.

Other than mentioned above, there were no new material related party transactions entered into during the three months ended June 30, 2023 December 31, 2023.

Certain Energy Services subsidiaries routinely engage in transactions in the normal course of business with each other, including sharing employee benefit plan coverage, payment for insurance and other expenses on behalf of other affiliates, and other services incidental to business of each of the affiliates. All revenue and related expense transactions, as well as the related accounts payable and accounts receivable have been eliminated in consolidation.

Inflation

Most significant project materials, such as pipe or electrical wire, are provided by the Company's customers. When possible, the Company attempts to lock in pricing with vendors and include qualifications regarding material costs increases in bids. Where allowed by contract, the Company will address fuel cost increases with customers. Significant inflation or supply chain issues could cause customers to delay or cancel planned projects; however, inflation did not have a significant effect on our results for the nine three months ended June 30, 2023 December 31, 2023 and 2022.

Critical Accounting Estimates

The discussion and analysis of the Company's financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities known to exist at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis, based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. There can be no assurance that actual results will not differ from those estimates. Management believes the following accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenues

The Company recognizes revenue as performance obligations are satisfied and control of the promised good goods and service is transferred to the customer. For Lump Sum and Unit Price contracts, revenue is ordinarily recognized over time as control is transferred to the customers by measuring the progress toward complete satisfaction of the performance obligation(s) using an input (i.e., "cost to

cost") method. For Cost Plus and Time and Material ("T&M") contracts, revenue is ordinarily recognized over time as control is transferred to the customers by measuring the progress toward satisfaction of the performance obligation(s) using an output method. The Company also does certain T&M service work that is generally completed in a short duration and is recognized at a point in time.

The accuracy of our revenue and profit recognition in a given period depends on the accuracy of our estimates of the cost to complete each project. We believe our experience allows us to create materially reliable estimates. There are a number of factors that can contribute to changes in estimates of contract cost and profitability.

The most significant of these include:

- the completeness and accuracy of the original bid;
- costs associated with scope changes;
- changes in costs of labor and/or materials;
- extended overhead and other costs due to owner, weather and other delays;
- subcontractor performance issues;
- changes in productivity expectations;
- site conditions that differ from those assumed in the original bid;
- changes from original design on design-build projects;
- the availability and skill level of workers in the geographic location of the project;
- a change in the availability and proximity of equipment and materials;
- our ability to fully and promptly recover on affirmative claims and back charges for additional contract costs; and
- the customer's ability to properly administer the contract.

The foregoing factors, as well as the stage of completion of contracts in process and the mix of contracts at different margins may cause fluctuations in gross profit from period to period. Significant changes in cost estimates, particularly in our larger, more complex projects could have a significant effect on our profitability.

Our contract assets include cost and estimated earnings in excess of billings that represent amounts earned and reimbursable under contracts, including claim recovery estimates, but have a conditional right for billing and payment such as achievement of milestones or completion of the project. With the exception of customer affirmative claims, generally, such unbilled amounts will become billable according to the contract terms and generally will be billed and collected over the next three months. Settlement with the customer of outstanding affirmative claims is dependent on the claims resolution process and could extend beyond one year. Based on our historical experience, we generally consider the collection risk related to billable amounts to be low. When events or conditions indicate that it is probable that the amounts outstanding become unbillable, the transaction price and associated contract asset is reduced.

Our contract liabilities consist of provisions for losses and billings in excess of costs and estimated earnings. Provisions for losses are recognized in the consolidated statements of income at the uncompleted performance obligation level for the amount of total estimated losses in the period that evidence indicates that the estimated total cost of a performance obligation exceeds its estimated total revenue. Billings in excess of costs and estimated earnings are billings to customers on contracts in advance of work performed, including advance payments negotiated as a contract condition. Generally, unearned project-related costs will be earned over the next twelve months.

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The following table presents our costs and estimated earnings in excess of billings and billings in excess of costs and estimated earnings at June 30, 2023 December 31, 2023 and September 30, 2022 September 30, 2023:

	June 30, 2023	September 30, 2022	December 31, 2023	September 30, 2023
Costs incurred on contracts in progress	$ 165,370,815	$ 192,957,145	$ 369,542,545	$ 287,347,650
Estimated earnings, net of estimated losses	19,220,491	28,150,060	47,271,768	38,976,895
	184,591,306	221,107,205	416,814,313	326,324,545
Less billings to date	188,968,569	211,025,190	412,682,435	328,112,326
	$ (4,377,263)	$ 10,082,015	$ 4,131,878	$ (1,787,781)
Costs and estimated earnings in excess of billed on uncompleted contracts	$ 12,198,918	$ 16,109,593	$ 21,795,592	$ 15,955,220
Less billings in excess of costs and estimated earnings on uncompleted contracts	16,576,181	6,027,578	17,663,714	17,743,001
	$ (4,377,263)	$ 10,082,015	$ 4,131,878	$ (1,787,781)

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Allowance for doubtful accounts

The Company provides an allowance for doubtful accounts when collection of an account is considered doubtful. Inherent in the assessment of the allowance for doubtful accounts are certain judgments and estimates relating to, among others, our customers' access to capital, our customers' willingness or ability to pay, general economic conditions and the ongoing relationship with the customers. While most of our customers are large well capitalized companies, should they experience material changes in their revenues and cash flows or incur other difficulties and not be able to pay the amounts owed, this could cause reduced cash flows and losses in excess of our current reserves.

Materially incorrect estimates of bad debt reserves could result in an unexpected loss in profitability for the Company. Additionally, frequently changing reserves could be an indication of risky or unreliable customers. At June 30, 2023 December 31, 2022, the management review deemed that the allowance for doubtful accounts was adequate.

Please see the allowance for doubtful accounts table below:

	June 30, 2023	September 30, 2022	December 31, 2023	September 30, 2023
Beginning balance	$ 70,310	$ 70,310		
Balance at beginning of period			$ 51,063	$ 51,063
Charged to expense	—	—	—	—
Deductions for uncollectible receivables written off, net of recoveries	19,247	—	—	—
Ending Balance	$ 51,063	$ 70,310		
Balance at end of period			$ 51,063	$ 51,063

Impairment of goodwill and intangible assets

The Company follows the guidance of ASC Topic 350, *Intangibles-Goodwill**Accounting Standards Codification (“ASC”) 350-20-35-3 “Intangibles-Goodwill* *and Other*, (Topic 350)” which requires a company to record an impairment charge based on the excess of a reporting unit’s carrying amount of goodwill over its fair value. Under the current guidance, companies can first choose to assess any impairment based on qualitative factors (Step 0). If a company fails this test or decides to bypass this step, it must proceed with a quantitative assessment of goodwill impairment. The Company did not have a goodwill impairment at June 30, 2023 or September 30, 2022December 31, 2023.

Materially incorrect estimates could cause an impairment to of goodwill or intangible assets and result in a loss in profitability for the Company.

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A table of the Company’s intangible assets subject to amortization is below:

Intangible assets:	Remaining Life (in months) at June 30, 2023	Original Cost	Accumulated Amortization and Impairment at June 30, 2023	Accumulated Amortization and Impairment at September 30, 2022	Amortization and Impairment Three Months Ended June 30, 2023	Amortization and Impairment Nine Months Ended June 30, 2023	Net Book Value at June 30, 2023	Remaining Life (in months) at December 31, 2023	Original Cost	Accumulated Amortization and Impairment at December 31, 2023	Accumulated Amortization and Impairment at September 30, 2023
West Virginia Pipeline:											
Customer Relationships	90	$ 2,209,724	$ 573,225	$ 386,693	$ 65,643	$ 186,532	$ 1,636,499	84	$ 2,209,724	662,903	$ 607,661
Tradename	90	263,584	65,909	46,136	6,591	19,773	197,675	84	263,584	79,091	72,500
Non-competes	—	83,203	83,203	72,806	—	10,397	—	—	83,203	83,203	83,203
Revolt Energy:											
Employment agreement/non-compete	—	100,000	100,000	77,779	13,887	22,221	—	—	100,000	100,000	100,000
Tri-State Paving:											
Customer Relationships	106	1,649,159	190,468	66,781	41,229	123,687	1,458,691	100	1,649,159	274,860	233,631
Tradename	106	203,213	23,609	8,368	5,080	15,241	179,604	100	203,213	33,869	28,789
Non-competes	—	39,960	39,960	16,590	3,390	23,370	—	—	39,960	39,960	39,960

Total intangible assets	$ 4,548,843	$ 1,076,374	$ 675,153	$ 135,820	$ 401,221	$ 3,472,469	$ 4,548,843	$ 1,273,886	$ 1,165,744	$

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Depreciation and Amortization

The purpose of depreciation and amortization is to represent an accurate value of assets on the books. Every year, as assets are used, their values are reduced on the balance sheet and expensed on the income statement. As depreciation and amortization are a noncash expense, the amount must be estimated. Each year a certain amount of depreciation and amortization is written off and the book value of the asset is reduced.

Property and equipment are recorded at cost. Costs which extend the useful lives or increase the productivity of the assets are capitalized, while normal repairs and maintenance that do not extend the useful life or increase productivity of the asset are expensed as incurred. Property and equipment are depreciated principally on the straight-line method over the estimated useful lives of the assets: buildings 39 years; operating equipment and vehicles 5-7 years; and office equipment, furniture and fixtures 5-7 years.

Acquired intangible assets subject to amortization are amortized on a straight-line basis, which approximates the pattern in which the economic benefit of the respective intangible assets is realized, over their respective estimated useful lives. The definite-lived identifiable intangible assets recognized as part of the Company's business combinations are initially recorded at their estimated fair value.

The Company's depreciation expense expenses for the nine three months ended June 30, 2023 December 31, 2023 and 2022 was $5.4 million $2.1 million and $4.0 million $1.8 million, respectively. In general, depreciation is included in "cost of revenues" on the Company's consolidated statements of income.

The Company's intangible amortization expense expenses for the nine three months ended June 30, 2023 December 31, 2023 and 2022 was $401,000 were $108,142 and $308,000, $132,780, respectively. In general, amortization is included in "selling and administrative expenses" "cost of revenues" on the Company's consolidated statements of income.

Materially incorrect estimates of depreciation and amortization and/or the useful lives of assets could significantly impact the value of long-lived assets on the Company's consolidated financial statements. A material overvaluation could result in impairment charges and reduced profitability for the Company.

Income Taxes

The Company's income tax expenses and deferred tax assets and liabilities reflect management's best estimate of current and future taxes to be paid. Significant judgments and estimates are required in the determination of the consolidated income tax expense. The Company's provision for income taxes is computed by applying a federal rate of 21.0% and a state rate of 6.0% (net of federal tax benefit) to taxable income or loss after consideration of non-taxable and non-deductible items.

Permanent The income tax differences result in an increase or decrease in taxable income and impact the Company's effective tax rates, which were 30.5% and 29.0%, as restated, expense for the three months ended June 30, 2023 December 31, 2023 was $1.1 million as compared to an income tax benefit of ($80,000) for the three months ended December 31, 2022. The increase was due to an increase in taxable income for the three months ended December 31, 2023, and 2022, respectively. as compared to the same period in 2022.

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The effective income tax rate for the nine three months ended June 30, 2023 December 31, 2023, was 31.4% 34.1%, as compared to 30.7%, as restated, (135.5) % for the same period in the prior year. Our 2022. Effective income tax rate is affected by recurring items, such as non-deductible expenses, which we expect rates are estimates and may vary from period to be fairly consistent period due to changes in the near term.

Deferred amount of taxable income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements, which will result in taxable or deductible amounts in the future. At June 30, 2023, the Company had a net deferred income tax liability of $5.2 million as compared to $4.5 million at September 30, 2022. The Company's deferred income tax liabilities at June 30, 2023 totaled $8.5 million and primarily related to depreciation on property and equipment. The Company's deferred income tax assets at June 30, 2023, totaled $3.4 million and primarily related to a NOL carryforward. The Company believes that it is more likely than not that all NOL carryforwards will be realized. non-deductible expenses.

Accounting for PPP loans Loans

The Company's accounting for PPP loans reflects management's best estimate of current and future amounts to be paid. The Company applies significant judgment regarding the determination of PPP loan forgiveness based on the rules established, and subsequently clarified by the SBA, including rules related to the Company's affiliations and meeting SBA size standards.

Refer to Note 3 "Restatement of Previously Issued Financial Statements" "Accounting for PPP Loans" in the accompanying consolidated financial statements for additional details.

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New Accounting Pronouncements

On October 28, 2021, the Financial Accounting Standards Board ("FASB") released Accounting Standards Update ("ASU") 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. The amendments of this ASU require entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The amendments improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The amendments are effective for public business entities for the fiscal years, including interim periods within those the fiscal years, beginning after December 15, 2022. For all other entities they are effective for the fiscal years, including interim periods within those the fiscal years, beginning after December 15, 2023. Entities should apply the amendments prospectively to business combinations that occur after the effective date. Early adoption is permitted, including in any interim period, for public business entities for periods for which financial statements have not yet been issued, and for all other entities for periods for which financial statements have not yet been made available for issuance. The Company is currently assessing the effect that ASU 2021-08 will have on their results of operations, financial position and cash flows; however, the Company does not expect a significant impact.

The FASB recently issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which aims to provide increased transparency by requiring business entities to disclose information about certain types of government assistance they receive in the notes to the financial statements. Entities are required to provide the new disclosures prospectively for all transactions with a government entity that are accounted for under either a grant or a contribution accounting model and are reflected in the financial statements at the date of initially applying the new amendments, and to new transactions entered into after that date. Retrospective application of the guidance is permitted. The guidance in ASU 2021-10 is effective for financial statements of all entities for annual periods beginning after December 15, 2021, with early application permitted.The Company adopted ASU 2021-10 on October 1, 2022, and its adoption did not have a significant impact on the Company's consolidated financial statements.

Subsequent Events

On November 15, 2023, the Company's Board of Directors approved an annual dividend of $0.06 per common share. The 2024 dividend was paid on January 2, 2024 to holders of record as of December 15, 2023. While this is expected to be an annual dividend, factors such as income from operations, cash flows, and overall financial outlook may affect future dividend payments.

Management has evaluated all subsequent events for accounting and disclosure. There have been no other material events during the period, other than noted above, that would either impact the results reflected in the report or the Company's results going forward.

Outlook

The following statements are based on current expectations. These statements are forward-looking, forward looking, and actual results may differ materially.

The Company is seeing a significant increase in bid opportunities for natural gas transmission and distribution projects along with electrical, mechanical, and general construction projects. The Company's backlog at June 30, 2023 December 31, 2023, was $185.9 million, as compared to $135.0 million $206.9 million and $142.3 million $229.8 million at June 30, 2022 December 31, 2022, and September 30, 2022 September 30, 2023, respectively. While adding additional projects appears likely, no assurances can be given that the Company will be successful in bidding on projects that become available. Moreover, even if the Company obtains contracts, there can be no guarantee that the projects will go forward.

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ITEM 3. Quantitative and Quantitative Disclosures About Market Risk

Not required for a smaller reporting company.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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The Company's management carried out an evaluation, under Under the supervision and with the participation of the Company's our management, including our Chief Executive Officer and the Company's Chief Financial Officer, of we evaluated the effectiveness of the design and operation of the our disclosure controls and procedures as (as defined in Rules Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, 1934) as of the end of the period covered by this report. Based upon that evaluation, management identified a material weakness in our internal control over financial reporting which was also disclosed in our Amendment No. 1 to the Annual Report on Form 10-K/A. As a result of this material weakness, management Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective as to ensure that information required to be disclosed in the reports that Energy Services of September 30, 2022, March 31, 2023, America Corporation files or submits under the Securities Exchange Act of 1934, is (1) recorded, processed, summarized and June 30, 2023.

Remediation Plan reported, within the time periods specified in the SEC's rules and Status

In response forms, and (2) accumulated and communicated to the identified material weakness, our management, with the oversight including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in Energy Services of the Audit Committee of our Board of Directors, has dedicated significant resources, including the involvement of outside advisors, and efforts to improve our America Corporation's internal control over financial reporting and has taken immediate action to remediate the material weakness identified. Certain remedial actions have been completed including ongoing involvement during Energy Services of outside advisors to review compliance with the SBA's rules and regulations for loan forgiveness. The Company will further enhance these controls over the remainder America Corporation's first quarter of fiscal year 2023.

Inherent Limitations on Control Systems

Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance 2024 that all control issues and instances of fraud, if any, will be or have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control Over Financial Reporting

Except as noted above, no changes in the Company's internal control over financial reporting occurred during the Company's most recently completed fiscal quarter that have has materially affected, or are is reasonably likely to materially affect, the Company's Energy Services of America Corporation's internal control over financial reporting.

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PART II

OTHER INFORMATION

ITEM 1. Legal Proceedings

In February 2018, the Company filed a lawsuit against a former customer ("Defendant") in the United States District Court for the Western District of Pennsylvania. The lawsuit is related to a dispute over work performed on a pipeline construction project. On November 21, 2022, a Judgment Order was issued, and the Company was awarded $13.1 million, of which $5.8 million was the jury award, $1.6 million was for attorney's fees, and $5.7 million was for penalties and interest. The amounts awarded by the Judgment Order have not been recognized in the Company's consolidated financial statements as of June 30, 2023 December 31, 2023. The Company's attorney's fees have been expensed as incurred. The case has been appealed to the United States Court of Appeals for the Third Circuit and is expected to be heard within the next 10 to 12 months.

On November 12, 2021, the Company received a withdrawal liability claim from a pension plan to which the Company made pension contributions for union construction employees performing covered work in a particular jurisdiction. The Company has not performed covered work in their jurisdiction since 2011; however, the Company disagrees with the withdrawal claim and believes it is covered by an exemption under federal law. The demand called for thirty-four quarterly installment payments of $41,000 starting December 15, 2021. The Company must comply with the demand under federal pension law; however, the Company firmly believes no withdrawal liability exists. The Company is in negotiations with the pension fund to resolve the matter and all future payments have been suspended as part of the negotiation. The Company has expensed all $164,000 in payments made through June 30, 2023 September 30, 2022 and does not expect any future liabilities related to this claim. The Company did not make any payments during the three months ended December 31, 2023.

Other than described above, at June 30, 2023 December 31, 2023, the Company was not involved in any legal proceedings other than in the ordinary course of business. The Company is a party from time to time to various lawsuits, claims and other legal proceedings that arise in the ordinary course of business. These actions typically seek, among other things, compensation for alleged personal injury, breach of contract and/or property damages, punitive damages, civil penalties, or other losses, or injunctive or declaratory relief. With respect to all such lawsuits, claims, and proceedings, we record reserves when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. At June 30, 2023 December 31, 2023, the Company does not believe that any of these proceedings, separately or in aggregate, would be expected to have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 1A. Risk Factors

Please see the information disclosed in the “Risk Factors” section of our Annual Report on Form 10-K as filed with the Securities and Exchange Commission on January 16, 2024. There have been no material changes in our to the risk factors from those previously disclosed in Item 1A since the filing of Part 1 of our Amendment No.1 to the Annual Report on Form 10-K/A for the year ended September 30, 2022. 10-K.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities

(a) There have been no unregistered sales of equity securities during the period covered by the report.
(b) None.
(c) (c)On July 6, 2022, the Company announced a share repurchase program (“Program”), pursuant to which the Company may, from time to time, purchase shares of its common stock for an aggregate repurchase not to exceed 1,000,000 shares, which is approximately 6.0% of its outstanding common stock. The Program has no expiration date.

The repurchases of Energy Services of America Corporation’s shares of its common stock during the three months ended June 30, 2023 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Value of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
April 1, 2023-April 30, 2023	31,047	2.21	$ 68,498	936,772
May 1, 2023-May 30, 2023	36,772	2.16	79,462	900,000
June 1, 2023-June 30, 2023	—	—	—	900,000
Total	67,819	$ 2.18	$ 147,960	

(1) On July 6, 2022 the Company announced that the Board of Directors authorized a stock repurchase program under which the Company would repurchase up to 1,000,000 shares, or approximately 6%, of the Company's issued and outstanding stock. The repurchase program started on August 16, 2022 and has no expiration date. There were no repurchases of Energy Services of America Corporation’s shares of its common stock during the three months ended December 31, 2023.

ITEM 6. Exhibits

31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENERGY SERVICES OF AMERICA CORPORATION

Date: August 14, 2023 February 12, 2024	By: /s/ Douglas V. Reynolds Douglas V. Reynolds Chief Executive Officer
Date: August 14, 2023 February 12, 2024	By: /s/ Charles P. Crimmel Charles P. Crimmel Chief Financial Officer

Exhibit 31.1

Certification of Chief Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Douglas V. Reynolds, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Energy Services of America Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	August 14, 2023	/s/ Douglas V. Reynolds
		Douglas V. Reynolds
		Chief Executive Officer

Exhibit 31.2

Certification of Chief Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Charles P. Crimmel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Energy Services of America Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	August 14, 2023	/s/ Charles P. Crimmel
		Charles P. Crimmel
		Chief Financial Officer

Exhibit 32

Certification pursuant to
18 U.S.C. Section 1350,
as adopted pursuant to tos
Section 906 of the Sarbanes-Oxley Act of 2002

Douglas V. Reynolds, Chief Executive Officer and Charles P. Crimmel, Chief Financial Officer of Energy Services of America Corporation (the "Company") each certify in their capacity as officers of the Company that they have reviewed this Quarterly Report on Form 10-Q for the quarter ended June 30, 2023 December 31, 2023, and that to the best of their knowledge:

1. the report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	August 14, 2023	/s/ Douglas V. Reynolds
		Douglas V. Reynolds
		Chief Executive Officer

Date:	August 14, 2023	/s/ Charles P. Crimmel
		Charles P. Crimmel
		Chief Financial Officer

DISCLAIMER