

BOONE POWER AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
UTILITY PLANT IN SERVICE, NET	\$ 145,472,467	\$ 125,690,949
RIGHT-OF-USE ASSETS, NET	1,289,747	1,027,947
INTANGIBLE ASSETS, NET	68,813	71,270
INVESTMENTS	20,497,731	18,814,782
DEFERRED CHARGES, less current portion	60,264	5,273
CURRENT ASSETS		
Cash and cash equivalents	4,581,653	9,326,071
Accounts receivable, consumer, less reserve of \$90,000 for 2025 and \$72,161 for 2024	15,021,817	11,391,052
Materials, supplies and inventories	6,116,013	7,278,135
Recoverable power costs	752,660	2,025,112
Current portion of deferred charges	19,754	28,203
Prepaid expenses	58,433	599,478
TOTAL CURRENT ASSETS	<u>26,550,330</u>	<u>30,648,051</u>
TOTAL ASSETS	<u>\$ 193,939,352</u>	<u>\$ 176,258,272</u>

EQUITIES AND LIABILITIES

LONG-TERM DEBT, less current portion	\$ 66,479,669	\$ 69,271,551
FINANCE LEASE, less current portion	1,052,350	791,456
ACCUMULATED POST RETIREMENT BENEFIT	6,853,497	6,761,367
CUSTOMER DEPOSITS	1,180,128	772,516
RETAINAGE PAYABLE	703,790	-
PATRONAGE CAPITAL AND RETAINED EARNINGS	99,668,338	87,804,980
CURRENT LIABILITIES		
Accounts payable	9,409,633	6,083,725
Accrued expenses	2,058,895	1,823,706
Line of credit	3,500,000	-
Current portion of long-term debt	2,778,244	2,700,557
Current portion of finance lease	254,808	248,414
TOTAL CURRENT LIABILITIES	<u>18,001,580</u>	<u>10,856,402</u>
TOTAL EQUITIES AND LIABILITIES	<u>\$ 193,939,352</u>	<u>\$ 176,258,272</u>

The accompanying notes are an integral part of these statements.

BOONE POWER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE

Years Ended December 31, 2025 and 2024

	Amount		Percent	
	2025	2024	2025	2024
REVENUES	\$ 79,208,269	\$ 73,491,928	100.0	100.0
OPERATING EXPENSES				
Purchased power	47,270,172	42,044,567	59.7	57.2
Operations	4,247,934	3,715,525	5.4	5.1
Maintenance	1,953,422	2,170,844	2.5	3.0
Consumer accounting expense	980,132	920,115	1.2	1.3
Consumer service and sales expense	370,075	379,992	0.5	0.5
Administrative expense	6,961,424	6,151,425	8.8	8.4
Depreciation	5,997,558	5,468,037	7.6	7.4
Taxes	394,913	329,365	0.5	0.4
TOTAL OPERATING EXPENSES	68,175,630	61,179,870	86.2	83.3
OPERATING MARGINS BEFORE				
OTHER ITEMS	11,032,639	12,312,058	13.8	16.7
OTHER OPERATING ITEMS, NET				
Patronage revenue	2,578,622	2,311,040	3.4	3.2
Interest expense	(2,500,207)	(2,579,860)	(3.2)	(3.5)
TOTAL OTHER OPERATING ITEMS, NET	78,415	(268,820)	0.2	(0.3)
OPERATING MARGINS	11,111,054	12,043,238	14.0	16.4
NON-OPERATING ITEMS, NET				
Interest and dividend revenue	302,474	574,516	0.4	0.8
All other, net	243,963	168,456	0.3	0.2
TOTAL NON-OPERATING ITEMS, NET	546,437	742,972	0.7	1.0
NET MARGINS	\$ 11,657,491	\$ 12,786,210	14.7	17.4

The accompanying notes are an integral part of these statements.

BOONE POWER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2025 and 2024

	Amount		Percent	
	2025	2024	2025	2024
NET MARGINS	\$ 11,657,491	\$ 12,786,210	14.7	17.4
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on postretirement benefit obligation	<u>322,459</u>	<u>-</u>	<u>0.4</u>	<u>0.0</u>
COMPREHENSIVE INCOME	<u>\$ 11,979,950</u>	<u>\$ 12,786,210</u>	<u>15.1</u>	<u>17.4</u>

The accompanying notes are an integral part of these statements.

BOONE POWER AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' EQUITY

Years Ended December 31, 2025 and 2024

	Total	Patronage Capital Assigned	Patronage Capital Assignable	Donated Capital	Boone Cooperative Advantage, LLC	Other Comprehensive Income
BALANCE, December 31, 2023	\$ 75,167,128	\$ 62,696,528	\$ 10,095,358	\$ 1,966,631	\$ (6,360)	\$ 414,971
Net margins	12,786,210	-	12,893,109	-	(106,899)	-
Patronage refunds	(148,358)	(190,044)	-	41,686	-	-
Unrecognized post-retirement benefit cost	-	-	-	-	-	-
Assign 2023 margins	-	10,095,358	(10,095,358)	-	-	-
 BALANCE, December 31, 2024	 \$ 87,804,980	 \$ 72,601,842	 \$ 12,893,109	 \$ 2,008,317	 \$ (113,259)	 \$ 414,971
Net margins	11,657,491	-	11,624,108	-	33,383	-
Patronage refunds	(116,592)	(141,926)	-	25,334	-	-
Unrecognized post-retirement benefit cost	322,459	-	-	-	-	322,459
Assign 2024 margins	-	12,893,107	(12,893,107)	-	-	-
 BALANCE, December 31, 2025	 \$ 99,668,338	 \$ 85,353,023	 \$ 11,624,110	 \$ 2,033,651	 \$ (79,876)	 \$ 737,430

The accompanying notes are an integral part of these statements.

BOONE POWER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from consumers	\$ 75,399,839	\$ 72,758,646
Cash paid to suppliers, vendors and employees	(54,309,317)	(57,577,942)
Interest and dividends received	302,474	574,516
Interest paid	(2,510,268)	(2,594,225)
Patronage revenue received	611,780	274,770
All other, net	222,754	162,669
	<u>19,717,262</u>	<u>13,598,434</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	<u>19,717,262</u>	<u>13,598,434</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of utility plant in service, net of retirements	(25,663,305)	(10,430,627)
Proceeds from sale of utility plant in service	177,226	110,247
Acquisition of right of use assets	(533,588)	(615,661)
Acquisition of intangible assets	-	(73,728)
Proceeds from sale/redemption of investments	283,893	94,795
Acquisition of deferred charges	(70,019)	-
	<u>(25,805,793)</u>	<u>(10,914,974)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES		
	<u>(25,805,793)</u>	<u>(10,914,974)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on borrowings	(2,714,195)	(3,023,981)
Borrowing (repayment) of line of credit, net	3,500,000	-
Patronage refunds paid	(116,592)	(148,358)
Borrowings of capital lease obligations	533,588	615,661
Repayment of capital lease obligations	(266,300)	(213,200)
Repayments of customer advances and deposits	(502,977)	(612,533)
Collection of customer advances and deposits	910,589	430,250
	<u>1,344,113</u>	<u>(2,952,161)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
	<u>1,344,113</u>	<u>(2,952,161)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	(4,744,418)	(268,701)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		
	<u>9,326,071</u>	<u>9,594,772</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		
	<u>\$ 4,581,653</u>	<u>\$ 9,326,071</u>

The accompanying notes are an integral part of these statements.

BOONE POWER AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net margins	\$ 11,657,491	\$ 12,786,210
Non-cash items		
Depreciation	5,997,558	5,468,037
Amortization	25,934	35,388
(Gain) loss on disposal of assets	(21,209)	(5,787)
Patronage revenue	(1,966,842)	(2,036,270)
Decrease (increase) in assets		
Accounts receivable, consumer	(3,630,765)	(697,282)
Materials and supplies	1,162,122	(1,375,992)
Prepaid expenses	541,045	(546,355)
Increase (decrease) in liabilities		
Accounts payable	3,325,908	1,083,047
Retainage payable	703,790	-
Accrued expenses	235,189	(14,896)
Postretirement benefit expense	414,589	433,854
Refundable / recoverable power costs	1,272,452	(1,531,520)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 19,717,262</u>	<u>\$ 13,598,434</u>

The accompanying notes are an integral part of these statements.

BOONE POWER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(1) Summary of significant accounting policies

The significant accounting policies followed by Boone Power and Subsidiary are summarized below.

Nature of operations – Boone Power (the REMC) is a non-profit organization engaged principally in the distribution and sale of electricity in Boone and parts of Clinton, Montgomery, Hendricks, and Hamilton counties in central Indiana. Boone Cooperative Advantage, LLC (the Subsidiary) is a for profit entity that operates the REMC's non-exempt activities, specifically fiber. These entities are collectively referred to as the REMC, as the Subsidiary's policies are substantially the same as Boone Power, where applicable.

Principles of consolidation – The consolidated financial statements include the accounts of the REMC and its wholly owned subsidiary. All significant intercompany transactions have been eliminated.

Accounting records – The REMC maintains its records in accordance with policies prescribed or permitted by the Indiana Utility Regulatory Commission (IURC) and United States Department of Agriculture Rural Utilities Service (RUS), although the REMC is not regulated by these two agencies. The applicable uniform system of accounts prescribed by these regulatory bodies conform in all material respects with generally accepted accounting principles as applied to rate regulated utilities.

Regulation – Effective April 20, 1998, the membership of the REMC voted to remove itself from the regulation of the IURC.

Financial statement estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Additions to utility plant – Additions to utility plant are capitalized at cost, which includes material, direct and indirect labor and related operating overhead but does not include capitalized interest during construction. Although the capitalization of interest during construction is a generally accepted accounting principle, the effect on the financial statements is immaterial. The cost of maintenance and repairs of utility property, including renewals of minor items of property, are charged to operations and maintenance.

Retirements of transmission and distribution property – Transmission and distribution property retired or otherwise disposed, including the cost of removal, are charged to accumulated depreciation. Accordingly, no gain or loss is recognized upon retirement or disposition of transmission and distribution property.

Intangible assets – Intangible assets represent IP addresses purchased by the Subsidiary and are being amortized over 30 years. Amortization expense was \$2,458 for both the years ended December 31, 2025 and 2024.

BOONE POWER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(1) Summary of significant accounting policies (continued)

Depreciation – Depreciation of utility plant is computed by the straight-line method of depreciation using the following rates: distribution plant, 3.6%; transmission plant, 2.4%; structures and improvements, 2%; transportation equipment, 10%-15%; power operated equipment, communication equipment, stores, tools and work, and laboratory equipment, 10%; office furniture and equipment, 7-33%.

Deferred charges – Deferred charges represent costs incurred for future periods and include work plan costs. The work plan charges are being amortized over a period of 36 months. Amortization of deferred charges was \$23,477 and \$32,930 for the years ended December 31, 2025 and 2024.

Cash and cash equivalents – Cash and cash equivalents represent cash on hand and in bank accounts, certificates of deposits and commercial paper. At times, such cash and cash equivalents may be in excess of the FDIC insurance limits.

Accounts receivable – The REMC carries its accounts receivable at cost, less an allowance for doubtful accounts. Management reviews all receivables on a regular basis. Any amounts written off for nonpayment must be approved by the Board. Amounts written off are first applied to customer deposits on hand, then patronage refunds, prior to being recorded in the statement of revenues and expenses. The Subsidiary writes off amounts for nonpayment directly to the statement of revenues and expenses. Interest does not accrue on accounts receivable. The collection policy is to turn over accounts to a collection agency for services provided if no payment has been received within 90 days.

Materials, supplies, and inventory – Material, supplies, and inventory are carried at average cost.

Refundable or recoverable power costs – Changes in the cost of power not recovered through rates are deferred and are being refunded or recovered in future periods.

Patronage capital – The REMC is operated on a cooperative not-for-profit basis for the mutual benefit of its members. The REMC is obligated to account on a patronage basis to all its members for annual revenue, in excess of the cost of providing service. Such amount is allocated in the form of capital credits to the members' capital accounts on the basis of patronage. The REMC maintains a separate allocation and retirement of the capital credited to the account of the REMC by the organization furnishing electric service to the REMC. The REMC allocates said generation and transmission patronage capital to the members when such capital is allocated to the REMC. Patronage revenue is recognized in the year in which the cooperative allocates its earnings to their respective members.

Retainage payable – The REMC is currently constructing a new headquarters. A five percent retainage is being held from invoices paid to the contractor. At the conclusion of the project, the retainage will be released to the contractor. The project is expected to be completed in 2028.

BOONE POWER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(1) Summary of significant accounting policies (continued)

Advertising – Advertising costs are charged to administrative expense when incurred. Total advertising expense was \$13,732 and \$14,319 for the year ended December 31, 2025 and 2024, respectively.

Revenue recognition – The REMC follows Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“Contract Revenue”). Under Contract Revenue, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the REMC expects to be entitled to receive in exchange for goods or services. See Note 12 for further information on Contract Revenue.

Accounting for Uncertain Tax Positions – The REMC follows “Accounting for Uncertainty in Income Taxes.” The generally accepted accounting principal provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise’s financial statements. The accounting principal requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this accounting principal does not have a material effect on its financial position, results of operations or cash flows as the REMC does not believe they are taking any uncertain tax positions.

Taxes on revenue producing transactions – It is the REMC’s policy to show revenues associated with the collection of sales tax net of any remittance to the taxing authority on the Statement of Revenue.

Subsequent events – Subsequent events have been evaluated through February 25, 2026, the date of the independent auditor’s report, which is the date the financial statements were available to be issued.

(2) Utility plant in service, net

Utility plant in service consists of the following:

	<u>2025</u>	<u>2024</u>
Cost		
Distribution system	\$ 157,856,027	\$ 146,688,433
General plant	28,524,168	11,871,608
Construction in progress	<u>985,218</u>	<u>4,581,556</u>
Total cost	187,365,413	163,141,597
Less Accumulated depreciation	<u>41,892,946</u>	<u>37,450,648</u>
UTILITY PLANT IN SERVICE, NET	<u>\$ 145,472,467</u>	<u>\$ 125,690,949</u>

BOONE POWER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(2) Utility plant in service, net (continued)

The aggregate depreciation charged to operations was \$5,997,558 and \$5,468,037 for the year ended December 31, 2025 and 2024, respectively. The depreciation policies followed by the REMC are described in Note 1. Utility plant in service is pledged to secure long-term debt as described in Note 6.

(3) Investments

Investments in associated organizations consist of the following:

	<u>2025</u>	<u>2024</u>
Capital term certificates, at cost, issued by National Rural Utilities Cooperative Finance Corp. (CFC)	\$ 382,327	\$ 382,327
Patronage capital		
Wabash Valley Power Association (WVPA)	17,815,088	16,141,119
CFC	444,004	430,623
National Information Solutions Cooperative	140,597	143,111
United Utility Supply Cooperative Corporation	438,080	319,099
CoBank	818,408	932,992
Federated Rural Electric Insurance Exchange	152,234	143,734
IEC	80,065	80,065
ERMCO	133,976	148,858
NRTC	73,590	74,338
All other	19,362	18,516
TOTAL INVESTMENTS	<u>\$ 20,497,731</u>	<u>\$ 18,814,782</u>

The accounting policies for recognition of patronage revenue are described in Note 1. Investments are pledged to secure long-term debt as described in Note 6.

(4) Retirement plan

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

BOONE POWER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025 and 2024

(4) Retirement plan (continued)

The REMC contributions to the RS Plan in 2025 and in 2024 represented less than 5 percent of the total contributions made to the plan by all participating employers. The REMC made contributions to the plan of \$1,022,087 and \$905,176 for the year ended December 31, 2025 and 2024, respectively.

In the RS Plan, a “zone status” determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2025 and over 80 percent funded on January 1, 2024 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

The REMC sponsors a 401(k) savings plan, under which eligible employees may choose to save up to the maximum allowed by IRS limits. The Cooperative contributes 1% of all base salary and matches employee contributions up to a maximum of 4% of base salary. The expense for the 401(k) match was approximately \$374,000 and \$335,000 for the year ended December 31, 2025 and 2024, respectively.

(5) Fair value measurement

The REMC has adopted generally accepting accounting principles relating to accounting for fair value measurements and disclosures. These principles define fair value, establish a framework for measuring fair value and expand disclosures on fair value measurements. Disclosure is required surrounding the various inputs that are used in determining the fair value of the REMC's investments. These inputs are summarized into three broad levels listed below.

Level 1 - quoted prices in active markets for identical securities

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.)

Level 3 - significant unobservable inputs (including the REMC's own assumptions in determining the fair value of investments)

Investments in other entities are unsecured and measured using level 3 inputs. Factors such as historical and project financial results economic conditions, financial conditions of investee, and other factors and events subject to change are considered in the determination of fair value. Because of the inherent uncertainty in level 3 inputs, the values of assets required to be valued in this manner are subject to a higher degree of uncertainty and variability.

BOONE POWER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(5) Fair value measurement (continued)

Investments held at December 31, 2025 and 2024, valued at \$20,497,731 and \$18,814,782, respectively, are valued with level 3 inputs, due to the nature of the investment (investments in other cooperative's or associations). No gains or losses were recognized for the period ended December 31, 2025 and December 31, 2024 on the level 3 investments. Increases resulting from patronage totaled \$1,966,842 and \$2,036,270 for the year ended December 31, 2025 and 2024, respectively. Redemptions of level 3 investments totaled \$283,893 and \$94,795 for the year ended December 31, 2025 and 2024, respectively. Purchases of level 3 investments totaled \$0 for both years ended December 31, 2025 and 2024.

(6) Long-term debt

Long-term debt consists of the following:

	<u>2025</u>	<u>2024</u>
3.95% to 4.75% fixed rate notes, payable to CFC in quarterly installments approximating \$442,000, including interest, with maturities ranging from 2037 to 2050. Secured by all REMC assets.	\$ 22,503,168	\$ 23,233,324
1.78% to 6.30% fixed rate notes, payable to CoBank in quarterly and monthly installments approximating \$120,000 and \$243,000, including interest, with final maturities ranging from 2027 to 2052. Secured by all REMC assets.	<u>46,754,745</u>	<u>48,738,784</u>
Total long-term debt	69,257,913	71,972,108
Less current portion	<u>2,778,244</u>	<u>2,700,557</u>
LONG-TERM DEBT, less current portion	<u>\$ 66,479,669</u>	<u>\$ 69,271,551</u>

As of December 31, 2025, future maturities of long-term debt principal are as follows: 2026 - \$2,778,244; 2027 - \$2,771,272; 2028 - \$2,526,326; 2029 - \$2,553,683; 2030 - \$2,643,398; thereafter - \$55,984,990. In addition, the loan agreements require the REMC to meet certain financial ratios, which have been met at December 31, 2025.

Unadvanced long-term loan funds of \$23,000,000 are available to the REMC under a loan agreement with CFC. The REMC also has unadvanced long-term loan funds of \$115,000,000 available under a loan agreement with CoBank.

BOONE POWER AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024

(6) Long-term debt (continued)

The REMC has a variable line of credit with CoBank of up to \$25,000,000 which expires October 31, 2026. The outstanding balance with CoBank on the line was \$3,500,000 and \$0 for December 31, 2025 and 2024, respectively. The interest rate on the line was 5.77% and 6.39% at December 31, 2025 and 2024.

The REMC has variable lines of credit with CFC of up to \$115,000,000. The outstanding balance with CFC on the line of credit was \$0 for December 31, 2025 and 2024. The interest rate on the line was 5.75% to 7.25% at December 31, 2025 and 7.25% at December 31, 2024.

Both lenders require that the outstanding balance on the combined lines of credit is no greater than \$40,000,000.

(7) Postretirement benefits other than pension

The REMC sponsors a defined benefit postretirement plan that covers employees. The plan provides for medical benefits. The postretirement health care plan is contributory, with retiree contributions reviewed for adjustment annually.

The accumulated postretirement benefit obligation was \$6,853,497 and \$6,761,367 at December 31, 2025 and 2024, respectively. The REMC's pay-as-you-go funding policy means that the fair value of plan assets was \$0 for 2025 and 2024, with an accrued postretirement benefit cost liability of \$7,590,927 and \$7,176,338 for 2025 and 2024, respectively. The net periodic benefit cost was \$532,017 and \$532,017 for the year ended December 31, 2025 and 2024, respectively. Amounts included in other comprehensive income are unrecognized actuarial gains / (losses) of \$322,459 and \$0 and at December 31, 2025 and 2024, respectively.

For actuarial measurement purposes, the annual rate of increase in the per capita cost of covered health care benefits was assumed; the rate was assumed to decrease gradually from 9% to 5% by the year 2035 and remain at that level thereafter. The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 5.65% and 4.83% for December 31, 2025 and 2024, respectively. A postretirement actuarial study was last prepared as of December 31, 2025.

The estimated amortization from accumulated other comprehensive income to the net periodic benefit cost over the next fiscal year is \$3,604. The estimated net periodic benefit cost for 2026 is \$598,675.

Amounts recognized in accumulated other comprehensive income include the following:

	<u>2025</u>	<u>2024</u>
Net actuarial gain/(loss)	\$ <u>737,430</u>	\$ <u>414,971</u>
Total amount recognized in accumulated other comprehensive income	\$ <u><u>737,430</u></u>	\$ <u><u>414,971</u></u>

BOONE POWER AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Years Ended December 31, 2025 and 2024

(7) Postretirement benefits other than pension (continued)

The net periodic postretirement benefit cost is comprised of the following:

	2025	2024
Service cost	\$ 228,829	\$ 228,829
Interest cost	303,188	303,188
Total net periodic postretirement benefit cost	\$ 532,017	\$ 532,017

The following benefit payments, which reflect future service, are expected to be paid to plan participants: 2026 - \$208,193; 2027 - \$217,953; 2028 - \$232,370; 2029 - \$281,286; 2030 - \$260,451; 2031 through 2035 - \$1,529,624.

(8) Income taxes

No provision for income tax, for the REMC, has been included in these statements since the REMC operates as a not-for-profit organization as provided for in Section 501(c)(12) of the Internal Revenue Code, and therefore is exempt from income taxes. The Subsidiary is a single member LLC which has elected to be disregarded as an entity separate from its owner for income tax purposes. Thus, any income or loss recognized by the Subsidiary is reported by the REMC as unrelated business income, and is subject to tax. No income taxes have been included in these statements for unrelated business income for the year ended December 31, 2025 and 2024. Both the REMC and Subsidiary have open tax years for 2024, 2023 and 2022 for both Federal and State filings. No interest or penalties for income taxes have been included in these financial statements.

(9) Commitments

The REMC is committed to purchase its electric power and energy requirements from WVPA under a wholesale power supply contract expiring in year 2060. The rates paid for such purchases are subject to review annually.

(10) Concentrations of credit risk

The REMC provides electric service in an approximate five county territory with its customers representing local residents and businesses. Customers with prior credit problems may be required to pay a deposit to continue or reinstate service. Such deposits are applied to any amounts owed to the REMC in the event of nonpayment. Also, customers whose costs for the initial service exceed the normal standard may be required to deposit a portion of such cost, which may be reimbursed after service has been established.

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(11) Finance lease obligations

The REMC leases certain vehicles, which have been classified as finance leases, and follows Accounting Standards Update No. 2016-02, Leases (Topic 842) to account for these transactions as capital leases. The leases have an original term of 84 months. The components of the lease were as follows:

	<u>2025</u>	<u>2024</u>
Finance lease cost		
Amortization of right-of-use assets	\$ 271,788	\$ 211,858
Interest on lease liabilities	<u>42,163</u>	<u>15,309</u>
 Total finance lease cost	 <u>\$ 313,951</u>	 <u>\$ 227,167</u>

Supplemental cash flow information related to leases is as follows:

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 42,163	\$ 15,309
Financing cash flows from finance leases	\$ 266,300	\$ 213,200
 Right-of-use assets obtained in exchange for finance lease obligations	 \$ 533,588	 \$ 615,661

Supplemental balance sheet information related to leases is as follows:

	<u>2025</u>	<u>2024</u>
Finance leases		
Utility plant in service, gross	\$ 1,912,788	\$ 1,713,891
Accumulated depreciation	<u>(623,041)</u>	<u>(685,944)</u>
 Utility plant in service, net	 <u>\$ 1,289,747</u>	 <u>\$ 1,027,947</u>

The weighted average remaining lease term is 67 months. The weighted average interest rate is 4.0%.

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(11) Finance lease obligations (continued)

Maturities of lease liabilities are as follows:

Year ending December 31,		
2026	\$	307,168
2027		300,461
2028		266,106
2029		219,552
2030		202,476
Thereafter		<u>254,170</u>
Total minimum future rentals		1,549,933
Less amounts representing interest		<u>242,775</u>
Present value of net minimum lease payments		1,307,158
Less current portion of lease obligations		<u>254,808</u>
Finance lease obligation, less current portion	\$	<u><u>1,052,350</u></u>

(12) Revenue recognition

Customer payments for contracts are generally due within 17 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the REMC elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Revenue is generated primarily from electric services delivered to customers. These contracts contain a single performance obligation, the delivery of electricity, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration.

Revenues include amounts billed to customers on a cycle basis. Revenues include amounts billed to customers on a cycle basis. The REMC reads meters throughout the month therefore has unbilled revenues at December 31, 2025.

The amounts that the REMC has a right to invoice are determined by each customer's actual usage, an indicator that the invoice amount corresponds directly to the value transferred to the customer. The REMC also recognizes revenue when it is probable that future recovery of previously incurred costs or future refunds that are to be credited to customers will occur through the ratemaking process. The Subsidiary invoices based on previously agreed upon monthly amounts.

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(12) Revenue recognition (continued)

Contract assets and contract liabilities are the result of timing differences between revenue recognition billings and cash collection. The REMC has contract assets on the financial statements for recoverable power costs of \$752,660 and \$2,025,112 for the years ended December 31, 2025 and 2024. Additional contract assets in the financial statements are as follows:

	2025	2024	2023
Accounts receivable, less reserve	\$ 5,606,404	\$ 4,913,636	\$ 5,113,900
Unbilled revenues	6,538,850	5,781,013	4,890,562
Other accounts receivable	2,876,563	696,403	689,308
Total	\$ 15,021,817	\$ 11,391,052	\$ 10,693,770

The following table provides operating revenues disaggregated for the years ended December 31, 2025 and 2024.

	2025	2024
Residential	\$ 44,451,694	\$ 41,967,345
Small Commercial	5,174,405	5,949,604
Large Commercial	24,766,496	20,772,540
All other electric revenue	4,531,220	4,626,550
Fiber revenue	284,454	175,889
Total revenues	\$ 79,208,269	\$ 73,491,928