

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION  
JUNE 30, 2025 AND 2024

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CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
DIRECTORY OF OFFICIALS  
UNAUDITED  
JUNE 30, 2025

BOARD OF DIRECTORS

|                      |                               |
|----------------------|-------------------------------|
| Tommy G. Whittaker   | President                     |
| Wesley H. Aymett     | Vice President                |
| Shela K. Williams    | Secretary-Treasurer           |
| Dr. Jeanie Beauchamp | Assistant Secretary-Treasurer |
| Charles R. Hancock   |                               |
| Rex Hawkins          |                               |
| Edward L. Oliver     |                               |
| Rodney Swearingen    |                               |
| Edgar E. Swan        |                               |
| J. Bryan Watson      |                               |

OFFICE PERSONNEL

|                     |  |
|---------------------|--|
| Chris Davis         | General Manager                                |
| David Abernathy     | Manager Engineering and<br>Operations Division |
| Annebelle Pittenger | Manager Administrative Division                |
| Seth Roberts        | Manager Member Services                        |
| Mark Cook           | Manager of Broadband Division                  |
| Michael Blackwell   | Manager District Operations                    |
| Angie Adkins        | Controller                                     |
| Brad Taylor         | Manager of Financial Services                  |
| Jonathan Fielder    | Manager of Engineering Services                |
| Beau Baggett        | Manager of Member Experience                   |
| Linda Thompson      | Supervisor of Billing and<br>Collections       |
| Chris Robinson      | Supervisor of General<br>Accounting            |



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Cumberland Electric Membership Corporation  
Clarksville, Tennessee

**Report on the Consolidated Financial Statements**

**Opinion**

We have audited the accompanying consolidated financial statements of Cumberland Electric Membership Corporation (the Cooperative) and subsidiary (collectively, "the Group"), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of income and retained earnings, comprehensive income, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of June 30, 2025 and 2024, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Consolidated Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Supplementary Information***

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

#### ***Other Information***

Management is responsible for the other information included in the report. The other information comprises the introductory section and other information section but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2025, on our consideration of the Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Group's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Group's internal control over financial reporting and compliance.

**Stone Rudolph & Henry, PLC**

Clarksville, Tennessee  
August 14, 2025

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2025 AND 2024

ASSETS

|  | 2025                      | 2024                      |
|--|---------------------------|---------------------------|
| <b>PLANT - At Cost</b>                   |                           |                           |
| Plant in service                         | \$ 768,097,600            | \$ 708,511,100            |
| Construction work in progress            | 32,296,200                | 35,366,800                |
| Total plant                              | <u>800,393,800</u>        | <u>743,877,900</u>        |
| Less: accumulated depreciation           | 238,283,000               | 220,631,100               |
| Net plant                                | <u>562,110,800</u>        | <u>523,246,800</u>        |
| <b>LONG-TERM INVESTMENTS</b>             |                           |                           |
| Investment in associated organization    | <u>4,079,500</u>          | <u>4,077,500</u>          |
| <b>CURRENT ASSETS</b>                    |                           |                           |
| Cash and cash equivalents                | 40,413,600                | 36,894,900                |
| Accounts receivable                      | 32,199,300                | 30,947,200                |
| Grant receivable                         | 1,030,000                 | 6,250,000                 |
| Unbilled revenue                         | 12,355,700                | 7,006,400                 |
| Interest receivable                      | 157,500                   | 295,300                   |
| Rents receivable                         | 2,442,200                 | 2,309,900                 |
| Materials and supplies - at average cost | 10,334,200                | 11,457,200                |
| Prepayments                              | <u>15,926,900</u>         | <u>34,587,500</u>         |
| Total current assets                     | <u>114,859,400</u>        | <u>129,748,400</u>        |
| <b>OTHER ASSETS</b>                      |                           |                           |
| Intangible assets                        | 3,079,100                 | 2,795,000                 |
| Receivables - TVA Energy Right program   | <u>2,750,800</u>          | <u>2,763,500</u>          |
| Total other assets                       | <u>5,829,900</u>          | <u>5,558,500</u>          |
| <br>Total assets                         | <br><u>\$ 686,879,600</u> | <br><u>\$ 662,631,200</u> |

The accompanying notes are an integral part of the financial statements

LIABILITIES AND CAPITAL

|  | 2025                      | 2024                      |
|--|---------------------------|---------------------------|
| <b>CAPITAL</b>   |                           |                           |
| Memberships  | \$ 1,099,800              | \$ 1,078,700              |
| Retained earnings  | 289,306,900               | 263,777,900               |
| Total capital  | <u>290,406,700</u>        | <u>264,856,600</u>        |
| <b>LONG-TERM DEBT</b>                                    |                           |                           |
| Co-Bank  | 4,683,600                 | 5,163,500                 |
| National Rural Utilities Cooperative Finance Corporation | 2,160,200                 | 2,790,000                 |
| Rural Utilities Service                                  | 308,303,300               | 318,105,600               |
| Total long-term debt                                     | <u>315,147,100</u>        | <u>326,059,100</u>        |
| <b>CURRENT LIABILITIES</b>                               |                           |                           |
| Accounts payable   | 33,862,000                | 31,626,600                |
| Accrued taxes  | 2,798,400                 | 2,874,000                 |
| Accrued interest   | 83,700                    | 85,900                    |
| Current portion of accrued postretirement benefit cost   | 496,600                   | 508,100                   |
| Current portion of accrued sick pay and annual leave     | 2,898,000                 | 2,710,000                 |
| Current portion of long-term debt                        | 10,911,900                | 10,668,800                |
| Unearned revenue   | 1,845,400                 | 1,714,000                 |
| Total current liabilities                                | <u>52,896,000</u>         | <u>50,187,400</u>         |
| <b>OTHER LIABILITIES</b>                                 |                           |                           |
| Accrued postretirement benefit cost                      | 10,121,200                | 9,381,600                 |
| Accrued sick pay and annual leave                        | 8,223,900                 | 2,399,500                 |
| Advances - TVA Energy Right program                      | 2,836,500                 | 2,823,800                 |
| Customer deposits  | 7,248,200                 | 6,923,200                 |
| Total other liabilities                                  | <u>28,429,800</u>         | <u>21,528,100</u>         |
| <br>Total liabilities and capital                        | <br><u>\$ 686,879,600</u> | <br><u>\$ 662,631,200</u> |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS  
YEARS ENDED JUNE 30, 2025 AND 2024

|                                      | <u>2025</u>           | <u>2024</u>           |
|--------------------------------------|-----------------------|-----------------------|
| <u>OPERATING REVENUES</u>            | <u>\$ 399,699,600</u> | <u>\$ 353,361,600</u> |
| <u>OPERATING EXPENSES</u>            |                       |                       |
| Cost of services                     | 260,997,600           | 233,550,100           |
| Distribution expense - operations    | 28,602,600            | 25,222,500            |
| Distribution expense - maintenance   | 22,742,900            | 25,636,700            |
| Customer accounts                    | 8,821,600             | 7,645,600             |
| Sales and customer services          | 4,567,000             | 3,908,700             |
| Administrative and general           | 14,535,000            | 13,091,900            |
| Depreciation                         | 26,995,600            | 24,199,200            |
| Interest                             | 10,530,400            | 9,166,700             |
| Maintenance of general plant         | 1,358,500             | 1,498,200             |
| Total operating expenses             | <u>379,151,200</u>    | <u>343,919,600</u>    |
| Income from operations               | <u>20,548,400</u>     | <u>9,442,000</u>      |
| <u>OTHER INCOME</u>                  |                       |                       |
| Fiber lease income                   | 173,000               | -                     |
| Interest                             | 3,118,800             | 2,925,100             |
| Gain (loss) on sale of property      | (29,100)              | 1,176,600             |
| Federal grants                       | -                     | 5,000,000             |
| Miscellaneous (net)                  | <u>1,717,900</u>      | <u>1,628,300</u>      |
| Total other income                   | <u>4,980,600</u>      | <u>10,730,000</u>     |
| <u>NET INCOME</u>                    | <u>25,529,000</u>     | <u>20,172,000</u>     |
| <u>RETAINED EARNINGS - BEGINNING</u> | <u>263,777,900</u>    | <u>243,605,900</u>    |
| <u>RETAINED EARNINGS - ENDING</u>    | <u>\$ 289,306,900</u> | <u>\$ 263,777,900</u> |

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

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
YEARS ENDED JUNE 30, 2025 AND 2024

|  | Retained<br>Earnings  | Accumulated<br>Other<br>Comprehensive<br>Income | Total                 |
|--|-----------------------|---|-----------------------|
| Balance at July 1, 2023                                      | \$ 243,605,900        | \$ 259,300                                      | \$ 243,865,200        |
| Comprehensive income:  |                       |   |                       |
| Net income   | 20,172,000            | -   | 20,172,000            |
| Other comprehensive income:                                  |                       |   |                       |
| Reclassification into earnings:                              |                       |   |                       |
| amortization of actuarial gain<br>on postretirement benefits | -                     | (259,300)                                       | <u>(259,300)</u>      |
| Total comprehensive income                                   |                       |   | <u>19,912,700</u>     |
| Balance at June 30, 2024                                     | 263,777,900           | -   | 263,777,900           |
| Comprehensive income:  |                       |   |                       |
| Net income   | 25,529,000            | -   | <u>25,529,000</u>     |
| Total comprehensive income                                   |                       |   | <u>25,529,000</u>     |
| Balance at June 30, 2025                                     | <u>\$ 289,306,900</u> | <u>\$ -</u>                                     | <u>\$ 289,306,900</u> |

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

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2025 AND 2024

|   | <u>2025</u>                 | <u>2024</u>                 |
|---|-----------------------------|-----------------------------|
| <b><u>CASH PROVIDED BY OPERATING ACTIVITIES</u></b>                               |                             |                             |
| Net income  | \$ 25,529,000               | \$ 20,172,000               |
| Adjustments to reconcile net income to net cash provided by operating activities: |                             |                             |
| Depreciation  | 26,995,600                  | 24,199,200                  |
| (Gain) loss on sale of property   | 29,100                      | (1,176,600)                 |
| Changes in current and deferred items:  |                             |                             |
| Accounts receivable   | (1,252,100)                 | (4,548,100)                 |
| Unbilled revenue  | (5,349,300)                 | (1,419,100)                 |
| Grant receivable  | 5,220,000                   | 2,476,900                   |
| Interest receivable   | 137,800                     | (75,800)                    |
| Rents receivable  | (132,300)                   | 14,400                      |
| Materials and supplies  | 1,123,000                   | 2,443,500                   |
| Prepayments   | 18,660,600                  | (29,998,100)                |
| Receivables - TVA Energy Right program  | 12,700                      | 54,900                      |
| Accounts payable  | 2,235,400                   | 2,226,500                   |
| Customer deposits   | 325,000                     | 350,600                     |
| Unearned revenue  | 131,400                     | 474,300                     |
| Accrued and other expenses  | 6,662,700                   | 1,726,400                   |
| Net cash provided by operating activities   | <u>80,328,600</u>           | <u>16,921,000</u>           |
| <b><u>CASH USED IN INVESTING ACTIVITIES</u></b>                                   |                             |                             |
| Proceeds from sale of property  | -                           | 4,165,700                   |
| Additions to plant  | (65,888,700)                | (77,014,400)                |
| Purchase of intangible assets   | (284,100)                   | (640,500)                   |
| Investments sold and matured  | (2,000)                     | (295,800)                   |
| Net cash used in investing activities   | <u>(66,174,800)</u>         | <u>(73,785,000)</u>         |
| <b><u>CASH PROVIDED BY FINANCING ACTIVITIES</u></b>                               |                             |                             |
| Memberships   | 21,100                      | 22,900                      |
| Proceeds from long-term debt  | -                           | 60,000,000                  |
| Repayments of long-term debt  | (10,668,900)                | (4,313,600)                 |
| Advances - TVA Energy Right program   | 12,700                      | (65,700)                    |
| Net cash provided by financing activities   | <u>(10,635,100)</u>         | <u>55,643,600</u>           |
| <b><u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u></b>                             | <u>3,518,700</u>            | <u>(1,220,400)</u>          |
| <b><u>CASH AND CASH EQUIVALENTS - BEGINNING</u></b>                               | <u>36,894,900</u>           | <u>38,115,300</u>           |
| <b><u>CASH AND CASH EQUIVALENTS - ENDING</u></b>                                  | <u><u>\$ 40,413,600</u></u> | <u><u>\$ 36,894,900</u></u> |

The accompanying notes are an integral part of the financial statements

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2025 AND 2024

1. Summary of Significant Accounting Policies

General

Cumberland Electric Membership Corporation (the Cooperative) was incorporated under the laws of the State of Tennessee on April 20, 1938, and provides electric power to Cheatham, Montgomery, Robertson, Stewart, and the larger portion of Sumner County, Tennessee. This service area covers all the above counties, except the cities of Clarksville, Gallatin, and Springfield, which have municipally owned plants. The Cooperative purchases all of its electricity from the Tennessee Valley Authority (TVA) under a contract requiring a 20-year notification to terminate. Under this contract, the Cooperative is prohibited from using surplus revenues to make dividend payments. Instead, any surplus revenue is to be reinvested in electric plant or to make debt service payments.

Cumberland Connect, LLC (Connect) was formed in April 2019, under the laws of Tennessee, to provide commercial and residential high-speed internet, video and phone services to their members in the service area described above. Connect is a wholly owned subsidiary of the Cooperative. The liability of the member of Connect is limited in accordance with Tennessee state law. Connect began operations and delivering broadband services during the year ended June 30, 2020. Effective May 1, 2020, the Cooperative began leasing fiber to Connect under a 20-year agreement. The operations of Connect are consolidated in these financial statements. Revenue from these services accounted for less than 7.93 and 6.77 percent of consolidated operating revenue during the years ended June 30, 2025 and 2024, respectively.

The Cooperative is directed by a board of directors whose members are elected on a staggered basis from the various counties served. The board of directors of the Cooperative serve as the board of directors of Connect.

The consolidated financial statements of the Cooperative have been prepared on the accrual basis of accounting and include the accounts of the Cooperative and Connect (together referred to as "the Group"). All material intercompany balances and transactions have been eliminated in the consolidation. At June 30, 2025 and 2024, Connect had a payable to the Cooperative of \$41,977,100 and \$44,342,900, respectively.

Use of Estimates

The Group's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America which require the use of management's estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from estimates in the near term and variances could have a material effect on the consolidated financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist principally of cash, notes receivable and accounts receivable. The Group places its cash with federally-insured financial institutions after a review of the institutions' consolidated financial statements. With respect to accounts receivable, credit risk is dispersed across a large number of customers who are geographically concentrated in the Group's service area. The Group obtains a security deposit or third-party guaranty when necessary. Accounts receivable are otherwise unsecured.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

1. Summary of Significant Accounting Policies (Cont'd)

System of Accounts

The Cooperative maintains its records in accordance with the Uniform System of Accounts prescribed by the Rural Utility Service (RUS).

Functional Accounting

The Cooperative classifies certain expenses under functional classifications as required by the RUS. Specifically, expenses such as taxes, insurance and employee benefits are allocated to the function to which they relate.

Electric Plant, Maintenance and Depreciation

Electric plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the cost of such property, as determined from the continuing property records, is credited to electric plant and such cost, together with cost of removal less salvage, is charged to the accumulated provision for depreciation. Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except that repairs of transportation and service equipment are charged to clearing accounts and redistributed to operating and other accounts. Planned major maintenance costs are expensed as incurred.

When purchased, line transformers and electric meters are added to plant at the cost of material and an estimation for installation costs. The installation cost estimate is recorded as a reduction of operating distribution expense at the time of purchase and is offset with the actual labor and overhead costs upon installation of the equipment.

The electric plant is depreciated by classification on a straight-line basis using rates which estimate the useful life of each classification. The provision for depreciation of \$26,638,700 and \$24,167,800 for the years ended June 30, 2025 and 2024, consists of \$24,695,600 and \$22,428,600 charged directly to operations, and \$1,943,100 and \$1,739,200 charged to transportation expense - clearing.

Telecommunications Plant, Maintenance and Depreciation

Telecommunications plant is stated at the original cost of construction which includes the cost of contracted services, direct labor, material and overhead items. Engineering and other network design-related costs are allocated to work orders based on the work order for each circuit unit. Maintenance and repairs, including the renewal of minor items of plant not comprising a plant unit, are charged to the appropriate expense account.

The telecommunications plant is depreciated by classification on a straight-line basis using rates which estimate the useful life of each classification. Estimated useful lives range from five to thirty years depending on the classification of the asset. The provision for depreciation was \$2,300,000 and \$1,770,600 for the years ended June 30, 2025 and 2024, respectively.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

1. Summary of Significant Accounting Policies (Cont'd)

Cash Equivalents and Cash Flow Information

The Group considers all highly liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents, including investments in repurchase agreements, which are secured by the underlying securities. Cash payments for interest were \$10,532,600 and \$9,168,600 for the years ended June 30, 2025 and 2024, respectively.

Certain financial institutions pledge collateral for deposits exceeding federal assurance limits. At June 30, 2025 and 2024, cash and cash equivalents were represented by deposits at financial institutions totaling \$279,900 and \$99,800, respectively, of which \$278,300 and \$99,800, respectively, was insured by the FDIC and \$1,600 and \$-0-, respectively, was uninsured.

Also included in cash and cash equivalents at June 30, 2025 and 2024 was \$38,980,000 and \$36,134,700 respectively, invested in a constant-dollar mutual fund under a reverse repurchase agreement. These amounts invested in a mutual fund are held under an agreement to resell the investment at a fixed price ("reverse repurchase agreements"). The reverse repurchase agreement may result in market and credit exposure in the event the fund value declines and the counterparty to the transaction is unable to fulfill its contractual obligations. However, the mutual fund's objective is to maintain a constant dollar value with a return on the amount invested. The mutual fund investment is not held by the financial institution; therefore it is not included in the deposits in financial institutions total in the preceding paragraph.

Accounts and Notes Receivable

Accounts receivable for electric services are recorded at the time of billing based upon the reading of the metered electric consumption of the member. Forfeited discounts on accounts receivable are considered earned when the discount period expires. Accounts receivable for telecommunication services are recorded at time of billing based upon the service selected by the customer. Notes receivable are recorded at cost less imputed interest, when applicable, at the time the underlying transaction is completed. Imputed interest income on these notes is recorded as the income is earned.

Material and Supplies Inventories

Inventories are stated at average cost and are determined by the moving average inventory method. A perpetual inventory is maintained by the Group with a physical inventory being taken annually at each inventory location.

Prepayments

Prepayments include \$10,056,400 and \$28,286,200 paid to TVA to prepay the Cooperative's monthly power bill. Prepayments also included \$4,281,700 and \$4,096,200, respectively, of deferred installation costs being amortized over 36 months. It is management's intent for prepayments to TVA to be offset against accounts payable owed to TVA greater than 30 days.

The following accounts are offset at June 30, 2025:

| <u>Assets</u>                     |                      | <u>Liabilities:</u>               |                      |
|-----------------------------------|----------------------|-----------------------------------|----------------------|
| Gross prepayments paid to TVA     | \$ 28,309,700        | Gross payables owed to TVA        | \$ 43,575,700        |
| Gross amounts offset for May bill | <u>(18,253,300)</u>  | Gross amounts offset for May bill | <u>(18,253,300)</u>  |
| Net amounts of prepayments        | <u>\$ 10,056,400</u> | Net amount of liabilities to TVA  | <u>\$ 25,322,400</u> |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

1. Summary of Significant Accounting Policies (Cont'd)

Intangible Assets

Intangible assets include purchase of internet protocol addresses necessary for activities of Connect. The IP addresses are not amortized due to the infinite life of these assets.

TVA Energy Right Receivables and Advances

These accounts represent amounts due from members for conservation loans for purchases of electric heat pumps. The loans are pass-through transactions for the Cooperative. The Cooperative does not retain the risk of loss on these receivables as long as they comply with the terms of their agreement with TVA. The Cooperative is in substantial compliance with the terms of this agreement.

Customer Deposits

The Cooperative requires deposits as collateral for electricity usage on certain accounts when the accounts are established. These deposits are applied to accounts receivable when an account becomes uncollectible or is terminated. Once a residential member has demonstrated good credit for three years the deposit is refunded. Deposits refunded or applied to accounts receivable were \$2,351,700 and \$1,916,100 during the years ended June 30, 2025 and 2024, respectively.

Revenue Recognition

Electric sales revenue and cost of power are recognized when power is distributed. Cost of power is billed monthly as of the last day of the month. Revenue is recorded net of sales tax. Electric sales revenue and cost of power are netted with pass-through credits from TVA to customers. During the years ended June 30, 2025 and 2024, total credits were \$4,571,800 and \$4,913,500, respectively. Telecommunication service revenue is recognized in the period in which it is billed in advance of the service being provided. The related unearned revenue is not material to the financial statements.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled revenue (contract assets), and unearned revenue (contract liabilities) on the balance sheet. Amounts are billed monthly. Billing for the Cooperative occurs subsequent to revenue recognition, resulting in contract assets (unbilled revenue). Billing for Connect occurs prior to revenue recognition, resulting in contract liabilities (unearned revenue).

The ending balances were as follows:

|                  | June 30,      |               |               |
|------------------|---------------|---------------|---------------|
|                  | 2025          | 2024          | 2023          |
| Receivables      | \$ 32,199,300 | \$ 30,947,200 | \$ 26,399,100 |
| Grant receivable | 1,030,000     | 6,250,000     | 8,726,900     |
| Unbilled revenue | 12,355,700    | 7,006,400     | 5,587,300     |
| Unearned revenue | (1,845,400)   | (1,714,000)   | 1,239,700     |

Uncollectible Accounts

Bad debts are charged to expense using the direct-write-off method which is not materially different from the current estimated credit losses calculation. Service is terminated for nonpayment approximately twenty-five days after the bill is prepared. Collection efforts continue for thirty to forty-five days after service is terminated. Once these collection efforts are completed, the account is written off to bad debts unless other arrangements for payment are made. These uncollectible amounts are approved monthly by the board of directors. The current estimated credit loss is \$-0- as of June 30, 2025 and 2024, due to minimal historical bad debt expense and the quick turnaround of termination of services after nonpayment.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

**1. Summary of Significant Accounting Policies (Cont'd)**

**Income Taxes**

The Cooperative has been determined by the Internal Revenue Service (IRS) to be a tax exempt organization under Section 501(c)(12) of the Internal Revenue Code. The Cooperative has not been determined to be a private foundation by the IRS. The Cooperative is no longer subject to U.S. federal or state income tax examinations by tax authorities for fiscal years ended before June 30, 2022. Connect is a disregarded entity for federal income tax purposes. Therefore the activity of Connect is included in the tax filings of the consolidated entity. The activities of Connect are not expected to negatively impact the tax exempt status of these tax filings.

**Advertising Costs**

Advertising costs are expensed as incurred. Total advertising costs expensed were \$1,524,800 and \$1,271,500 for the years ended June 30, 2025 and 2024, respectively.

**Date of Management's Review**

Subsequent events have been evaluated through August 14, 2025, which is the date the consolidated financial statements were available to be issued.

**2. Plant**

A summary of changes in Electric Plant for the year ended June 30, 2025, is as follows:

|   | <u>Balance</u>        |                      |                      | <u>Balance</u>        |
|---|-----------------------|----------------------|----------------------|-----------------------|
|   | <u>July 1, 2024</u>   | <u>Additions</u>     | <u>Deletions</u>     | <u>June 30, 2025</u>  |
| <b><u>Distribution and Transmission Plant</u></b> |                       |                      |                      |                       |
| Land and land rights                              | \$ 1,596,700          | \$ -                 | \$ -                 | \$ 1,596,700          |
| Station equipment                                 | 66,631,800            | 284,600              | 18,700               | 66,897,700            |
| Electric transmission system                      | <u>438,700,200</u>    | <u>33,246,800</u>    | <u>6,117,900</u>     | <u>465,829,100</u>    |
|   | <u>506,928,700</u>    | <u>33,531,400</u>    | <u>6,136,600</u>     | <u>534,323,500</u>    |
| <b><u>General Plant</u></b>                       |                       |                      |                      |                       |
| Land and land rights                              | 708,000               | 234,900              | -                    | 942,900               |
| Structures and improvements                       | 21,020,600            | 585,000              | 5,200                | 21,600,400            |
| Transportation equipment                          | 17,689,200            | 2,129,900            | 1,225,300            | 18,593,800            |
| Communication equipment                           | 129,338,500           | 25,680,300           | 620,500              | 154,398,300           |
| Furniture and equipment                           | <u>11,187,100</u>     | <u>527,600</u>       | <u>31,200</u>        | <u>11,683,500</u>     |
|   | <u>179,943,400</u>    | <u>29,157,700</u>    | <u>1,882,200</u>     | <u>207,218,900</u>    |
| Work in progress                                  | 34,449,700            | 21,705,700           | 23,859,200           | 32,296,200            |
| <b>Total electric plant</b>                       | <b>\$ 721,321,800</b> | <b>\$ 84,394,800</b> | <b>\$ 31,878,000</b> | <b>\$ 773,838,600</b> |

A summary of changes in Accumulated Depreciation on Electric Plant for the year ended June 30, 2025, is as follows:

|   | <u>Balance</u>      |                   |                   | <u>Balance</u>       |
|---|---------------------|-------------------|-------------------|----------------------|
|   | <u>July 1, 2024</u> | <u>Additions</u>  | <u>Deletions</u>  | <u>June 30, 2025</u> |
| <b><u>Distribution and Transmission Plant</u></b> |                     |                   |                   |                      |
| Land and land rights                              | \$ -                | \$ -              | \$ -              | \$ -                 |
| Station equipment                                 | 36,985,500          | 940,800           | 18,800            | 37,907,500           |
| Electric transmission system                      | <u>136,541,200</u>  | <u>18,127,500</u> | <u>10,307,600</u> | <u>144,361,100</u>   |
|   | <u>173,526,700</u>  | <u>19,068,300</u> | <u>10,326,400</u> | <u>182,268,600</u>   |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

2. Plant (Cont'd)

|  | Balance<br>July 1, 2024 | Additions            | Deletions            | Balance<br>June 30, 2025 |
|--|-------------------------|----------------------|----------------------|--------------------------|
| <b>General Plant</b>                             |                         |                      |                      |                          |
| Land and land rights                             | \$ -                    | \$ -                 | \$ -                 | \$ -                     |
| Structures and improvements                      | 5,701,500               | 429,500              | 5,300                | 6,125,700                |
| Transportation equipment                         | 9,501,200               | 2,310,700            | 1,225,300            | 10,586,600               |
| Communications equipment                         | 19,139,300              | 5,315,500            | 375,600              | 24,079,200               |
| Furniture and equipment                          | 9,242,400               | 162,500              | 31,100               | 9,373,800                |
|  | <u>43,584,400</u>       | <u>8,218,200</u>     | <u>1,637,300</u>     | <u>50,165,300</u>        |
| Total accumulated depreciation on electric plant | <u>\$ 217,111,100</u>   | <u>\$ 27,286,500</u> | <u>\$ 11,963,700</u> | <u>\$ 232,433,900</u>    |

A summary of changes in Telecommunications Plant for the year ended June 30, 2025, is as follows:

|                                   | Balance<br>July 1, 2024 | Additions           | Deletions           | Balance<br>June 30, 2025 |
|-----------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| <b>Customer premise equipment</b> |                         |                     |                     |                          |
| Customer premise equipment        | \$ 11,334,300           | \$ 3,045,200        | \$ -                | \$ 14,379,500            |
| Network equipment                 | 7,727,000               | 1,425,900           | -                   | 9,152,900                |
| Fiber hubsites                    | 2,577,700               | 445,100             | -                   | 3,022,800                |
|                                   | <u>21,639,000</u>       | <u>4,916,200</u>    | <u>-</u>            | <u>26,555,200</u>        |
| Work in progress                  | 917,100                 | 953,900             | 1,871,000           | -                        |
| Total telecommunications plant    | <u>\$ 22,556,100</u>    | <u>\$ 5,870,100</u> | <u>\$ 1,871,000</u> | <u>\$ 26,555,200</u>     |

A summary of changes in Accumulated Depreciation on Telecommunications Plant for the year ended June 30, 2025, is as follows:

|  | Balance<br>July 1, 2024 | Additions           | Deletions   | Balance<br>June 30, 2025 |
|--|-------------------------|---------------------|-------------|--------------------------|
| <b>Customer premise equipment</b>                          |                         |                     |             |                          |
| Customer premise equipment                                 | \$ 2,177,600            | \$ 1,314,700        | \$ -        | \$ 3,492,300             |
| Network equipment  | 1,165,000               | 918,700             | -           | 2,083,700                |
| Fiber hubsites   | 177,400                 | 95,700              | -           | 273,100                  |
| Total accumulated depreciation on telecommunications plant | <u>\$ 3,520,000</u>     | <u>\$ 2,329,100</u> | <u>\$ -</u> | <u>\$ 5,849,100</u>      |

A summary of changes in Electric Plant for the year ended June 30, 2024, is as follows:

|  | Balance<br>July 1, 2023 | Additions         | Deletions        | Balance<br>June 30, 2024 |
|--|-------------------------|-------------------|------------------|--------------------------|
| <b>Distribution and Transmission Plant</b> |                         |                   |                  |                          |
| Land and land rights                       | \$ 1,520,800            | \$ 75,900         | \$ -             | \$ 1,596,700             |
| Station equipment                          | 66,606,000              | 25,800            | -                | 66,631,800               |
| Electric transmission system               | 409,049,000             | 36,061,500        | 6,410,300        | 438,700,200              |
|  | <u>477,175,800</u>      | <u>36,163,200</u> | <u>6,410,300</u> | <u>506,928,700</u>       |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

2. Plant (Cont'd)

|                             | Balance<br>July 1, 2023      | Additions                   | Deletions                   | Balance<br>June 30, 2024     |
|-----------------------------|------------------------------|-----------------------------|-----------------------------|------------------------------|
| <b>General Plant</b>        |                              |                             |                             |                              |
| Land and land rights        | 3,697,100                    | -                           | 2,989,100                   | 708,000                      |
| Structures and improvements | 19,664,300                   | 1,362,400                   | 6,100                       | 21,020,600                   |
| Transportation equipment    | 16,756,300                   | 1,827,700                   | 894,800                     | 17,689,200                   |
| Communication equipment     | 94,333,700                   | 35,150,200                  | 145,400                     | 129,338,500                  |
| Furniture and equipment     | <u>11,211,200</u>            | <u>294,700</u>              | <u>318,800</u>              | <u>11,187,100</u>            |
|                             | <u>145,662,600</u>           | <u>38,635,000</u>           | <u>4,354,200</u>            | <u>179,943,400</u>           |
| Work in progress            | <u>39,970,200</u>            | <u>22,457,300</u>           | <u>27,977,800</u>           | <u>34,449,700</u>            |
| <b>Total electric plant</b> | <b><u>\$ 662,808,600</u></b> | <b><u>\$ 97,255,500</u></b> | <b><u>\$ 38,742,300</u></b> | <b><u>\$ 721,321,800</u></b> |

A summary of changes in Accumulated Depreciation on Electric Plant for the year ended June 30, 2024, is as follows:

|  | Balance<br>July 1, 2023 | Additions         | Deletions        | Balance<br>June 30, 2024 |
|--|-------------------------|-------------------|------------------|--------------------------|
| <b>Distribution and Transmission Plant</b> |                         |                   |                  |                          |
| Land and land rights                       | \$ -                    | \$ -              | \$ -             | \$ -                     |
| Station equipment                          | 36,046,300              | 939,200           | -                | 36,985,500               |
| Electric transmission system               | <u>129,189,300</u>      | <u>16,970,800</u> | <u>9,618,900</u> | <u>136,541,200</u>       |
|  | <u>165,235,600</u>      | <u>17,910,000</u> | <u>9,618,900</u> | <u>173,526,700</u>       |

|   | Balance<br>July 1, 2023      | Additions                   | Deletions                   | Balance<br>June 30, 2024     |
|---|------------------------------|-----------------------------|-----------------------------|------------------------------|
| <b>General Plant</b>                                    |                              |                             |                             |                              |
| Land and land rights                                    | -                            | 2,989,100                   | 2,989,100                   | -                            |
| Structures and improvements                             | 5,302,400                    | 405,100                     | 6,000                       | 5,701,500                    |
| Transportation equipment                                | 8,656,800                    | 1,739,200                   | 894,800                     | 9,501,200                    |
| Communication equipment                                 | 15,125,800                   | 4,199,400                   | 185,900                     | 19,139,300                   |
| Furniture and equipment                                 | <u>9,274,300</u>             | <u>287,000</u>              | <u>318,900</u>              | <u>9,242,400</u>             |
|   | <u>38,359,300</u>            | <u>9,619,800</u>            | <u>4,394,700</u>            | <u>43,584,400</u>            |
| <b>Total accumulated depreciation on electric plant</b> | <b><u>\$ 203,594,900</u></b> | <b><u>\$ 27,529,800</u></b> | <b><u>\$ 14,013,600</u></b> | <b><u>\$ 217,111,100</u></b> |

A summary of changes in Telecommunications Plant for the year ended June 30, 2024, is as follows:

|                                   | Balance<br>July 1, 2023 | Additions        | Deletions      | Balance<br>June 30, 2024 |
|-----------------------------------|-------------------------|------------------|----------------|--------------------------|
| <b>Customer premise equipment</b> |                         |                  |                |                          |
| Network equipment                 | \$ 8,413,100            | \$ 3,037,100     | \$ 115,900     | \$ 11,334,300            |
| Fiber hubsites                    | <u>5,749,300</u>        | <u>2,609,200</u> | <u>631,500</u> | <u>7,727,000</u>         |
|                                   | <u>1,871,700</u>        | <u>706,000</u>   | <u>-</u>       | <u>2,577,700</u>         |
|                                   | <u>16,034,100</u>       | <u>6,352,300</u> | <u>747,400</u> | <u>21,639,000</u>        |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

**2. Plant (Cont'd)**

|                                | Balance<br>July 1, 2023 | Additions           | Deletions           | Balance<br>June 30, 2024 |
|--------------------------------|-------------------------|---------------------|---------------------|--------------------------|
| Work in progress               | 669,800                 | 3,562,500           | 3,315,200           | 917,100                  |
| Total telecommunications plant | <u>\$ 16,703,900</u>    | <u>\$ 9,914,800</u> | <u>\$ 4,062,600</u> | <u>\$ 22,556,100</u>     |

A summary of changes in Accumulated Depreciation on Telecommunications Plant for the year ended June 30, 2024, is as follows:

|   | Balance<br>July 1, 2023 | Additions           | Deletions         | Balance<br>June 30, 2024 |
|---|-------------------------|---------------------|-------------------|--------------------------|
| Customer premise equipment                                    | \$ 1,268,500            | \$ 1,025,000        | \$ 115,900        | \$ 2,177,600             |
| Network equipment   | 1,120,400               | 674,700             | 630,100           | 1,165,000                |
| Fiber hubsites  | <u>108,000</u>          | <u>69,400</u>       | -                 | <u>177,400</u>           |
| Total accumulated depreciation<br>on telecommunications plant | <u>\$ 2,496,900</u>     | <u>\$ 1,769,100</u> | <u>\$ 746,000</u> | <u>\$ 3,520,000</u>      |

**3. Investments**

The investments in Capital Term Certificates (CTCs) are required investments issued by the National Rural Utilities Cooperative Finance Corporation (NRUCFC) and are classified as held-to-maturity. The CTCs are required as a condition of borrowing from NRUCFC and are not readily marketable except through redemption with the NRUCFC. The estimated value shown is the cost which was verified by NRUCFC. These CTCs bear interest at the rate of 3 - 5%.

Contractual maturities of these investments at June 30, 2025 are as follows:

After Ten Years \$ 4,079,500

**4. Unbilled Revenue**

Included in accounts payable at June 30, 2025 and 2024, is \$8,288,900 and \$5,085,300 respectively, of power costs representing the amount billed by TVA for power costs incurred by the Cooperative but not yet billed to customers. The unbilled revenue of \$12,355,700 and \$7,006,400 at June 30, 2025 and 2024, respectively, is an estimate of the revenue related to these power costs.

**5. Credit Quality on Long-Term Receivables**

Long-term receivables consist of notes receivable from sales of plant and amounts due under the TVA Energy Right Receivables and Advances program, described in note one.

Notes receivable from sales of plant are considered past due according to the terms of their respective contracts. At June 30, 2025 and 2024, there were no amounts past due for notes receivable from the sales of plant.

As of June 30, 2025 and 2024, the amounts past due under the TVA Energy Right Receivables and Advances program were not material to the consolidated financial statements taken as a whole.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

**5. Credit Quality on Long-Term Receivables (Cont'd)**

The Cooperative is required to abide by the requirements of TVA in attempting to collect on any past due accounts. The Cooperative obtains approval from TVA to write-off accounts and is released from any liability associated with the written-off accounts. TVA reimburses the third-party financer for any loans written-off; therefore the Cooperative bears no risk associated with the TVA Energy Right loan program and has not established an allowance for doubtful accounts in regard to this program.

**6. Schedule of Deferred Debit and Deferred Credits**

Under RUS guidelines, we have identified the following that meet the definition of deferred debits as of June 30, 2025:

|                                    |                     |
|------------------------------------|---------------------|
| Non-construction clearing accounts | \$ 30,600           |
| Energy Rights loans                | 2,750,800           |
| Other deferred debits              | <u>16,100</u>       |
| Total deferred debits              | <u>\$ 2,797,500</u> |

Under RUS guidelines, we have identified the following that meet the definition of deferred credits as of June 30, 2025:

|                                  |                   |
|----------------------------------|-------------------|
| First install costs of equipment | \$ 100,100        |
| Other deferred credits           | <u>14,800</u>     |
| Total deferred debits            | <u>\$ 114,900</u> |

**7. Long-Term Debt and Line of Credit**

Long-term debt is represented by mortgage notes payable as follows:

| Payee                                    | Rate          | 2025                  | 2024                  |
|--|---------------|-----------------------|-----------------------|
| FFB                                      | 1.421%-1.707% | \$ 73,568,100         | \$ 75,728,000         |
| FFB                                      | 2.144%-2.788% | 97,092,600            | 100,505,100           |
| FFB                                      | 3.010-3.981%  | 112,957,200           | 116,449,400           |
| FFB                                      | 4.626%        | 34,487,600            | 35,000,000            |
| Co-Bank                                  | 3.62-4.61%    | 5,163,500             | 5,666,300             |
| NRUCFC                                   | 6.35-6.75%    | <u>2,790,000</u>      | <u>3,379,100</u>      |
| Total long-term debt                     |               | 326,059,000           | 336,727,900           |
| Less: current portion                    |               | <u>10,911,900</u>     | <u>10,668,800</u>     |
| Long-term debt excluding current portion |               | <u>\$ 315,147,100</u> | <u>\$ 326,059,100</u> |

The mortgage notes payable described is secured by various deeds of trust on the properties of the Cooperative and all rights, title and interest in and to the electric transmission and distribution lines and facilities. The FFB notes are notes that are payable to Federal Financing Bank and guaranteed by RUS, for 17-34 year periods with payments due quarterly. The Co-Bank notes are for 10-15 year periods with payments due monthly. The NRUCFC notes are due in quarterly installments and are not eligible for prepayment without penalty.

Changes in mortgage notes payable during the year ended June 30, 2025, was as follows:

|                        | Balance<br>July 1, 2024 | Additions   | Reductions           | Balance<br>June 30, 2025 |
|------------------------|-------------------------|-------------|----------------------|--------------------------|
| Mortgage notes payable | <u>\$ 336,727,900</u>   | <u>\$ -</u> | <u>\$ 10,668,900</u> | <u>\$ 326,059,000</u>    |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

**7. Long-Term Debt and Line of Credit (Cont'd)**

Long-term debt matures in each of the next five years and thereafter as follows:

| Year ending<br><u>June 30,</u> |                              |
|--------------------------------|------------------------------|
| 2026                           | \$ 10,911,900                |
| 2027                           | 10,698,000                   |
| 2028                           | 11,005,800                   |
| 2029                           | 11,273,200                   |
| 2030                           | 11,403,100                   |
| Later years                    | <u>270,767,000</u>           |
| Total                          | <u><u>\$ 326,059,000</u></u> |

The Cooperative has a line of credit established with the NRUCFC for \$15,000,000, secured by various deeds of trust on the properties of the Cooperative and all rights, title and interest in and to the electric transmission and distribution lines and facilities. The interest rate, which varies with the lender's cost of funds, was 7.05% at June 30, 2025. There was no outstanding balance and the amount unused was \$15,000,000 at June 30, 2025.

The Cooperative has a line of credit established with CoBank. The line limit was \$5,000,000 and \$10,000,000 at June 30, 2025 and 2024, respectively. The line is secured by equity of the Cooperative as well as all real and personal property of the Cooperative. The interest rate, which is based on the Farm Credit System's 30-day average cost of funding, was 6.23% at June 30, 2025. There was no outstanding balance of and the amount unused was \$5,000,000 at June 30, 2025. The Cooperative also has an uncommitted revolving credit line of \$20,000,000 at June 30, 2025, all of which was unused.

The Cooperative had a \$100,000,000 loan available to draw as of June 30, 2025, to be used to finance construction costs. No draws have been made as of June 30, 2025.

All interest incurred has been charged to expense.

**8. Pension Plan**

**Narrative Description**

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (NRECA), is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer 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 multi-employer 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.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

**8. Pension Plan (Cont'd)**

**Plan Information**

The Cooperative's contributions to the RS Plan during the years ended June 30, 2025 and 2024, represented less than 5 percent of the total contributions to the RS Plan by all participating employers. The Cooperative made contributions to the RS Plan of \$7,149,900 and \$6,537,300 during the years ended June 30, 2025 and 2024, respectively. There have been no significant changes that affect the comparability of 2025 and 2024 contributions.

For 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 at January 1, 2024 and January 1, 2023 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.

**9. Postretirement Benefits**

The Cooperative provides health care benefits for substantially all retired employees until they reach age 65. Retirement can begin at age 55. Approximately 24 retirees were eligible to receive benefits as of June 30, 2025. The Cooperative currently pays the cost of medical insurance for these retirees. The postretirement prescription plan ceases for retirees once they reach age 65, therefore the Medicare Prescription Drug, Improvement and Modernization Act of 2003 has no effect on the plan.

In the actuarial report dated August 9, 2023, a discount rate of 4.89% was used to measure the accumulated postretirement benefit obligation (APBO). The postretirement benefit plan is unfunded.

The APBO and annual net periodic postretirement benefit cost consisted of the following:

|                         | <u>2025</u>          | <u>2024</u>         |
|-------------------------|----------------------|---------------------|
| APBO – Beginning        | \$ 9,889,700         | \$ 9,241,500        |
| Service cost            | 743,800              | 716,800             |
| Interest cost           | 471,700              | 439,500             |
| Estimated benefits paid | <u>(487,400)</u>     | <u>(508,100)</u>    |
| APBO – Ending           | <u>\$ 10,617,800</u> | <u>\$ 9,889,700</u> |

The following table sets forth the status of the plans and the amounts recognized in the Cooperative's balance sheets:

|  | <u>2025</u>          | <u>2024</u>         |
|--|----------------------|---------------------|
| Retirees                                       | \$ 1,073,600         | \$ 1,223,300        |
| Eligible active employees                      | 2,704,200            | 2,397,500           |
| Other active employees                         | <u>6,840,000</u>     | <u>6,268,900</u>    |
| Total APBO                                     | 10,617,800           | 9,889,700           |
| Less: Fair value of plan assets                | -                    | -                   |
| Postretirement liability recognized at June 30 | \$ 10,617,800        | \$ 9,889,700        |
| Plus: Unrecognized net actuarial gain          | -                    | -                   |
| Net postretirement benefit liability           | <u>\$ 10,617,800</u> | <u>\$ 9,889,700</u> |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

**9. Postretirement Benefits (Cont'd)**

Contributions expected to be paid to the plan in fiscal year 2026 are \$496,600.

Amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit cost in the 2025 fiscal year is \$-0-.

Benefits expected to be paid in each of the next five years and five years thereafter as follows:

| Year ended<br><u>June 30,</u> |            |
|-------------------------------|------------|
| 2026                          | \$ 496,600 |
| 2027                          | 433,400    |
| 2028                          | 527,400    |
| 2029                          | 553,800    |
| 2030                          | 581,500    |
| 2031-2035                     | 3,373,600  |

A 6.0% annual increase in health care costs is assumed in fiscal year 2025. The rate of increase is assumed to decline to an ultimate 5% by the year 2027. Should the health care costs trend rate increase by 1% each year, the fiscal year impact increases the APBO by \$1,298,500 and the aggregate of the service and interest cost components of the net period cost by \$209,100.

**10. Defined Contribution 401(k) Plan**

The Cooperative administers a defined contribution 401(k) plan sponsored by NRECA. Expenses of \$713,700 and \$651,900 were incurred during the years ended June 30, 2025 and 2024, respectively, for matching employee contributions to the 401(k) plan.

**11. Accumulated Unpaid Vacation, Compensatory, and Sick Leave**

Accumulated unpaid vacation is accrued as it is earned. At December 31<sup>st</sup> of each year employees are divested of all accumulated vacation in excess of the amount earned in the prior two years. Final compensation includes payment for all unused vacation leave for those having been employed longer than 6 months.

In case of disability or retirement, final compensation includes payment for any unused sick leave, not to exceed 2,250 hours, less 800 hours, multiplied by 80%.

Effective June 2024, compensatory leave is accrued in lieu of overtime pay. A maximum of 360 hours can be accrued at any given time. In the event of separation from employment, remaining compensatory leave balance will be paid.

Effective June 2025, vacation and sick time are accumulated in one category of paid time off. Employees can carry up to 1,040 hours of paid time off to the next calendar year. In the event of retirement, paid time off is utilized until the balance is exhausted. Employees who resign or are terminated are paid a maximum of 520 hours. For all other reasons of separation, employees will receive their balance of paid time off. This change resulted in an increase of \$5,749,900 to accrued compensated absences liability. Of this amount, \$4,895,200 increased expenses, and \$854,700 increased plant-related accounts.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

**12. Memberships**

During 2025, changes in memberships were as follows:

| Memberships | Balance                      |                         |                         | Balance<br>June 30, 2025<br>\$ 1,099,800 |
|-------------|------------------------------|-------------------------|-------------------------|--|
|             | July 1, 2024<br>\$ 1,078,700 | Additions<br>\$ 101,200 | Reductions<br>\$ 80,100 |  |
|             |                              |                         |                         |  |

**13. Unrelated Business Tax – Income Tax Loss Carryforwards**

At June 30, 2025, the Utility had net operating loss carryforwards totaling \$1,281,700 that may be offset against future unrelated business income. If not used, the carryforwards will expire as follows:

| Year ended<br>June 30, |                     |
|------------------------|---------------------|
| 2031                   | \$ 223,200          |
| 2032                   | 235,600             |
| 2035                   | 286,800             |
| 2036                   | 368,200             |
| 2037                   | 107,600             |
| 2038                   | 60,300              |
|                        | <u>\$ 1,281,700</u> |

**14. Collective Bargaining Agreement**

The Cooperative employs electrical workers of the International Brotherhood of Electrical Workers (IBEW). Approximately forty-four percent of the Cooperative's labor force is covered by an agreement with the IBEW which expires October 31, 2025.

**15. Contingencies**

The Cooperative is party to various lawsuits whose ultimate outcomes are not determinable. The Cooperative's management believes that the outcome of those proceedings will not have a materially adverse effect on the accompanying financial statements.

**16. Revenue Disaggregation**

The following is total operating revenue disaggregated by customer type:

|  | 2025                  | 2024                  |
|--|-----------------------|-----------------------|
| Residential - electric                       | \$ 232,945,700        | \$ 205,451,300        |
| Commercial – electric                        | 121,584,300           | 111,049,600           |
| Residential – telecommunications             | 29,509,200            | 22,385,000            |
| Commercial – telecommunications              | 1,803,300             | 1,270,500             |
| Street and outdoor lights – electric         | 4,137,600             | 4,000,200             |
| Other operating revenue – electric           | 9,339,400             | 8,942,800             |
| Other operating revenue – telecommunications | 380,100               | 262,200               |
|  | <u>\$ 399,699,600</u> | <u>\$ 353,361,600</u> |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)  
JUNE 30, 2025 AND 2024

**17. Rural Digital Opportunity Fund**

During the year ended June 30, 2021, Connect was awarded funds from the FCC initiative Rural Digital Opportunity Fund. The funds will be paid over a ten-year period, beginning during the year ended June 30, 2022. Total expected revenue from RDOF is \$8,527,400. During the years ended June 30, 2025 and 2024, Connect recognized \$852,700 and \$852,700, respectively, in revenue in conjunction with this program.

**18. Grants**

During the year ended June 30, 2023, the Cooperative was awarded a \$17.5 million grant under the Tennessee Emergency Broadband Fund grant funded through the American Rescue Plan. As of June 30, 2025, the Cooperative had expended all of the \$17.5 million. Since this grant pertains to the construction of fiber plant, the grant is recorded as a reduction to plant as contribution in aid per RUS accounting policies.

During the year ended June 30, 2024, the Cooperative was awarded a \$3.7 million grant from the Federal Emergency Management Agency related to storm damage which took place in March 2023. The Cooperative had expended all of the \$3.7 million as of June 30, 2024. Since this grant pertains to the construction of plant, the grant is recorded as a reduction to plant as contribution in aid per RUS accounting policies.

During the year ended June 30, 2024, the Cooperative was awarded a \$5 million grant under the State and Local Fiscal Recovery Funds. The Cooperative had expended all of the \$5 million as of June 30, 2024. The Cooperative used these funds for right-of-way clearing. Since this grant pertains to right-of-way clearing instead of the construction of plant, the grant is recorded as revenue.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATED SCHEDULES OF OPERATING REVENUES  
JUNE 30, 2025 AND 2024

|                                  | 2025                      | 2024                      |
|----------------------------------|---------------------------|---------------------------|
| <b><u>OPERATING REVENUES</u></b> |                           |                           |
| Residential                      | \$ 264,258,200            | \$ 229,106,800            |
| Small commercial                 | 24,876,200                | 22,708,300                |
| Large commercial                 | 96,708,100                | 88,341,300                |
| Street and outdoor lights        | 4,137,600                 | 4,000,200                 |
| Rent                             | 5,666,500                 | 5,568,000                 |
| Forfeited discounts              | 2,062,200                 | 1,850,300                 |
| Miscellaneous services           | <u>1,990,800</u>          | <u>1,786,700</u>          |
| <br>Total operating revenues     | <br><u>\$ 399,699,600</u> | <br><u>\$ 353,361,600</u> |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES  
JUNE 30, 2025 AND 2024

|  | 2025                  | 2024                  |
|--|-----------------------|-----------------------|
| <b><u>OPERATING EXPENSES</u></b>         |                       |                       |
| Cost of services                         | <u>\$ 260,997,600</u> | <u>\$ 233,550,100</u> |
| <br>Distribution expense - operations    |                       |                       |
| Supervision and engineering              | 5,721,500             | 4,562,900             |
| Stations                                 | 2,167,200             | 1,841,200             |
| Overhead lines                           | 6,623,300             | 6,207,700             |
| Removing and resetting line transformers | 271,900               | 536,400               |
| Underground lines                        | 1,152,500             | 881,400               |
| Street lighting and signal systems       | 194,100               | 187,300               |
| Meters                                   | 1,895,600             | 1,645,200             |
| Customer installations                   | 2,987,900             | 2,846,200             |
| Security lights                          | 701,800               | 658,400               |
| Building expense                         | 430,500               | 416,900               |
| Maps and records                         | 2,415,000             | 1,770,800             |
| Miscellaneous                            | 2,444,100             | 2,591,800             |
| Tech support                             | 583,300               | 467,500               |
| Fiber lines                              | 847,700               | 463,500               |
| Rents                                    | 166,200               | 145,300               |
| Total                                    | <u>28,602,600</u>     | <u>25,222,500</u>     |
| <br>Distribution expense - maintenance   |                       |                       |
| Supervision and engineering              | 600,300               | 476,700               |
| Station equipment                        | 1,782,700             | 1,537,400             |
| Overhead lines                           | 9,269,600             | 7,518,800             |
| Rights of way                            | 9,110,400             | 14,354,600            |
| Oil circuit reclosures                   | 105,700               | 132,000               |
| Underground lines                        | 187,700               | 151,100               |
| Line transformers                        | 152,200               | 156,200               |
| Fiber lines                              | 1,336,600             | 1,156,400             |
| Miscellaneous                            | 197,700               | 153,500               |
| Total                                    | <u>22,742,900</u>     | <u>25,636,700</u>     |
| <br>Customer accounts                    |                       |                       |
| Supervision                              | 1,159,600             | 882,300               |
| Meter reading                            | 520,700               | 412,600               |
| Consumer contracts and orders            | 3,559,100             | 3,115,300             |
| Collecting                               | 1,426,600             | 1,347,900             |
| Uncollectible accounts                   | 452,000               | 286,000               |
| Billing and accounting                   | 1,703,600             | 1,601,500             |
| Total                                    | <u>8,821,600</u>      | <u>7,645,600</u>      |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES (CONT'D)  
JUNE 30, 2025 AND 2024

|   | <u>2025</u>                  | <u>2024</u>                  |
|---|------------------------------|------------------------------|
| Sales and customer services             |                              |                              |
| Supervision                             | 241,100                      | 181,000                      |
| Customer assistance                     | 2,242,100                    | 1,888,000                    |
| Advertising                             | 1,524,800                    | 1,271,500                    |
| Selling expenses                        | 559,000                      | 568,200                      |
| Total                                   | <u>4,567,000</u>             | <u>3,908,700</u>             |
| Administrative and general              |                              |                              |
| Compensation                            | 7,298,500                    | 6,376,700                    |
| Office supplies and expense             | 3,711,500                    | 3,175,000                    |
| General management and area development | 90,900                       | 85,200                       |
| Outside services                        | 1,506,900                    | 1,729,100                    |
| Duplicate charges                       | (299,300)                    | (247,300)                    |
| Miscellaneous                           | 2,226,500                    | 1,973,200                    |
| Total                                   | <u>14,535,000</u>            | <u>13,091,900</u>            |
| Depreciation                            | <u>26,995,600</u>            | <u>24,199,200</u>            |
| Interest                                | <u>10,530,400</u>            | <u>9,166,700</u>             |
| Maintenance of general plant            | <u>1,358,500</u>             | <u>1,498,200</u>             |
| Total operating expenses                | <u><u>\$ 379,151,200</u></u> | <u><u>\$ 343,919,600</u></u> |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATING BALANCE SHEET SCHEDULE  
JUNE 30, 2025

| <u>ASSETS</u>                            |  |                             |                               |                              |
|--|--|-----------------------------|-------------------------------|------------------------------|
|  | Cumberland<br>Electric Membership<br>Corporation | Cumberland<br>Connect, LLC  | Eliminations                  | Total                        |
| <u>PLANT - At Cost</u>                   |  |                             |                               |                              |
| Plant in service                         | \$ 741,542,400                                   | \$ 26,555,200               | \$ -                          | \$ 768,097,600               |
| Construction work in progress            | 32,296,200                                       | -                           | -                             | 32,296,200                   |
| Total plant                              | 773,838,600                                      | 26,555,200                  | -                             | 800,393,800                  |
| Less: accumulated depreciation           | 232,433,900                                      | 5,849,100                   | -                             | 238,283,000                  |
| Net plant                                | <u>541,404,700</u>                               | <u>20,706,100</u>           | <u>-</u>                      | <u>562,110,800</u>           |
| <u>LONG-TERM INVESTMENTS</u>             |  |                             |                               |                              |
| Investment in associated organization    | 4,079,500  | -                           | -                             | 4,079,500                    |
| <u>CURRENT ASSETS</u>                    |  |                             |                               |                              |
| Cash and cash equivalents                | 38,661,800                                       | 1,751,800                   | -                             | 40,413,600                   |
| Accounts receivable                      | 29,194,600                                       | 3,004,700                   | -                             | 32,199,300                   |
| Unbilled revenue                         | 12,355,700                                       | -                           | -                             | 12,355,700                   |
| Grant receivable                         | 1,030,000  | -                           | -                             | 1,030,000                    |
| Interest receivable                      | 584,000  | 5,300                       | (431,800)                     | 157,500                      |
| Rents receivable                         | 2,442,200  | -                           | -                             | 2,442,200                    |
| Materials and supplies - at average cost | 9,223,000  | 1,111,200                   | -                             | 10,334,200                   |
| Prepayments                              | 11,264,400                                       | 4,662,500                   | -                             | 15,926,900                   |
| Total current assets                     | <u>104,755,700</u>                               | <u>10,535,500</u>           | <u>(431,800)</u>              | <u>114,859,400</u>           |
| <u>OTHER ASSETS</u>                      |  |                             |                               |                              |
| Intangible assets                        | -  | 3,079,100                   | -                             | 3,079,100                    |
| Due from related party                   | 41,977,100                                       | -                           | (41,977,100)                  | -                            |
| Receivables - TVA Energy Right program   | 2,750,800  | -                           | -                             | 2,750,800                    |
| Total other assets                       | <u>44,727,900</u>                                | <u>3,079,100</u>            | <u>(41,977,100)</u>           | <u>5,829,900</u>             |
| Total assets                             | <u><u>\$ 694,967,800</u></u>                     | <u><u>\$ 34,320,700</u></u> | <u><u>\$ (42,408,900)</u></u> | <u><u>\$ 686,879,600</u></u> |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATING BALANCE SHEET SCHEDULE (CONT'D)

JUNE 30, 2025

LIABILITIES AND CAPITAL

|  | Cumberland<br>Electric Membership<br>Corporation | Cumberland<br>Connect, LLC | Eliminations           | Total                 |
|--|--|----------------------------|------------------------|-----------------------|
| <b>CAPITAL</b>   |  |                            |                        |                       |
| Memberships  | \$ 1,099,800                                     | \$ -                       | \$ -                   | \$ 1,099,800          |
| Retained earnings (deficit)                              | 299,261,000                                      | (9,954,100)                | -                      | 289,306,900           |
| Total capital  | <u>300,360,800</u>                               | <u>(9,954,100)</u>         | -                      | <u>290,406,700</u>    |
| <b>LONG-TERM DEBT</b>                                    |  |                            |                        |                       |
| Co-Bank  | 4,683,600  | -                          | -                      | 4,683,600             |
| Related party payable                                    | -  | 41,977,100                 | (41,977,100)           | -                     |
| National Rural Utilities Cooperative Finance Corporation | 2,160,200  | -                          | -                      | 2,160,200             |
| Rural Utilities Service                                  | 308,303,300                                      | -                          | -                      | 308,303,300           |
| Total long-term debt                                     | <u>315,147,100</u>                               | <u>41,977,100</u>          | <u>(41,977,100)</u>    | <u>315,147,100</u>    |
| <b>CURRENT LIABILITIES</b>                               |  |                            |                        |                       |
| Accounts payable   | 33,862,000                                       | -                          | -                      | 33,862,000            |
| Accrued taxes  | 2,777,900  | 20,500                     | -                      | 2,798,400             |
| Accrued interest   | 83,700   | 431,800                    | (431,800)              | 83,700                |
| Current portion of accrued postretirement benefit cost   | 496,600  | -                          | -                      | 496,600               |
| Current portion of accrued sick pay and annual leave     | 2,898,000  | -                          | -                      | 2,898,000             |
| Current portion of long-term debt                        | 10,911,900                                       | -                          | -                      | 10,911,900            |
| Unearned revenue   | -  | 1,845,400                  | -                      | 1,845,400             |
| Total current liabilities                                | <u>51,030,100</u>                                | <u>2,297,700</u>           | <u>(431,800)</u>       | <u>52,896,000</u>     |
| <b>OTHER LIABILITIES</b>                                 |  |                            |                        |                       |
| Accrued postretirement benefit cost                      | 10,121,200                                       | -                          | -                      | 10,121,200            |
| Accrued sick pay and annual leave                        | 8,223,900  | -                          | -                      | 8,223,900             |
| Advances - TVA Energy Right program                      | 2,836,500  | -                          | -                      | 2,836,500             |
| Customer deposits  | 7,248,200  | -                          | -                      | 7,248,200             |
| Total other liabilities                                  | <u>28,429,800</u>                                | <u>-</u>                   | <u>-</u>               | <u>28,429,800</u>     |
| Total liabilities and capital                            | <u>\$ 694,967,800</u>                            | <u>\$ 34,320,700</u>       | <u>\$ (42,408,900)</u> | <u>\$ 686,879,600</u> |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATING SCHEDULE OF INCOME AND RETAINED EARNINGS  
YEAR ENDED JUNE 30, 2025

|  | Cumberland<br>Electric Membership<br>Corporation | Cumberland<br>Connect, LLC   | Eliminations       | Total                        |
|--|--|------------------------------|--------------------|------------------------------|
| <u>OPERATING REVENUES</u>                      | <u>\$ 368,007,000</u>                            | <u>\$ 31,692,600</u>         | <u>\$ -</u>        | <u>\$ 399,699,600</u>        |
| <u>OPERATING EXPENSES</u>                      |  |                              |                    |                              |
| Cost of services                               | 259,902,300                                      | 1,095,300                    | -                  | 260,997,600                  |
| Distribution expenses - operations             | 21,107,500                                       | 7,495,100                    | -                  | 28,602,600                   |
| Distribution expenses - maintenance            | 22,742,900                                       | -                            | -                  | 22,742,900                   |
| Customer accounts                              | 7,189,000  | 1,632,600                    | -                  | 8,821,600                    |
| Sales and customer services                    | 3,581,900  | 985,100                      | -                  | 4,567,000                    |
| Administrative and general                     | 12,306,900                                       | 2,228,100                    | -                  | 14,535,000                   |
| Depreciation                                   | 24,695,600                                       | 2,300,000                    | -                  | 26,995,600                   |
| Interest                                       | 10,530,400                                       | 1,359,100                    | (1,359,100)        | 10,530,400                   |
| Maintenance of general plant                   | 1,358,500  | -                            | -                  | 1,358,500                    |
| Total operating expenses                       | <u>363,415,000</u>                               | <u>17,095,300</u>            | <u>(1,359,100)</u> | <u>379,151,200</u>           |
| Income (loss) from operations                  | <u>4,592,000</u>                                 | <u>14,597,300</u>            | <u>1,359,100</u>   | <u>20,548,400</u>            |
| <u>OTHER INCOME (EXPENSE)</u>                  |  |                              |                    |                              |
| Fiber lease income (expense)                   | 10,816,700                                       | (10,643,700)                 | -                  | 173,000                      |
| Interest                                       | 4,388,600  | 89,300                       | (1,359,100)        | 3,118,800                    |
| Loss on sale of property                       | -  | (29,100)                     | -                  | (29,100)                     |
| Miscellaneous                                  | 804,600  | 913,300                      | -                  | 1,717,900                    |
| Total other income (expense)                   | <u>16,009,900</u>                                | <u>(9,670,200)</u>           | <u>(1,359,100)</u> | <u>4,980,600</u>             |
| <u>NET INCOME</u>                              | <u>20,601,900</u>                                | <u>4,927,100</u>             | <u>-</u>           | <u>25,529,000</u>            |
| <u>RETAINED EARNINGS (DEFICIT) - BEGINNING</u> | <u>278,659,100</u>                               | <u>(14,881,200)</u>          | <u>-</u>           | <u>263,777,900</u>           |
| <u>RETAINED EARNINGS (DEFICIT) - ENDING</u>    | <u><u>\$ 299,261,000</u></u>                     | <u><u>\$ (9,954,100)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 289,306,900</u></u> |

**CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION**  
**CONSOLIDATING SCHEDULE OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2025**

|   | Cumberland<br>Electric Membership<br>Corporation | Cumberland<br>Connect, LLC | Eliminations       | Total               |
|---|--|----------------------------|--------------------|---------------------|
| <b>CASH PROVIDED BY OPERATING ACTIVITIES</b>                                      |  |                            |                    |                     |
| Net income  | \$ 20,601,900                                    | \$ 4,927,100               | \$ -               | \$ 25,529,000       |
| Adjustments to reconcile net income to net cash provided by operating activities: |  |                            |                    |                     |
| Depreciation  | 24,695,600                                       | 2,300,000                  | -                  | 26,995,600          |
| Loss on disposal of property  | -  | 29,100                     | -                  | 29,100              |
| Changes in current and deferred items:  |  |                            |                    |                     |
| Accounts receivable   | (331,800)  | (920,300)                  | -                  | (1,252,100)         |
| Unbilled revenue  | (5,349,300)                                      | -                          | -                  | (5,349,300)         |
| Grant receivable  | 5,220,000  | -                          | -                  | 5,220,000           |
| Interest receivable   | 220,500  | 600                        | (83,300)           | 137,800             |
| Rents receivable  | (132,300)  | -                          | -                  | (132,300)           |
| Materials and supplies  | 766,000  | 357,000                    | -                  | 1,123,000           |
| Prepayments   | 18,439,600                                       | 221,000                    | -                  | 18,660,600          |
| Receivables - TVA Energy Right program  | 12,700   | -                          | -                  | 12,700              |
| Due from related party  | 2,365,800  | -                          | (2,365,800)        | -                   |
| Accounts payable  | 2,235,400  | -                          | -                  | 2,235,400           |
| Customer deposits   | 325,000  | -                          | -                  | 325,000             |
| Unearned revenue  | -  | 131,400                    | -                  | 131,400             |
| Accrued and other expenses  | 6,662,600  | (83,200)                   | 83,300             | 6,662,700           |
| Net cash provided by in operating activities                                      | <u>75,731,700</u>                                | <u>6,962,700</u>           | <u>(2,365,800)</u> | <u>80,328,600</u>   |
| <b>CASH USED IN INVESTING ACTIVITIES</b>  |  |                            |                    |                     |
| Proceeds from sale of property  | -  | -                          | -                  | -                   |
| Additions to plant  | (61,889,600)                                     | (3,999,100)                | -                  | (65,888,700)        |
| Purchase of intangible assets   | -  | (284,100)                  | -                  | (284,100)           |
| Investments sold and matured  | (2,000)  | -                          | -                  | (2,000)             |
| Net cash used in investing activities   | <u>(61,891,600)</u>                              | <u>(4,283,200)</u>         | <u>-</u>           | <u>(66,174,800)</u> |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
CONSOLIDATING SCHEDULE OF CASH FLOWS (CONT'D)  
YEAR ENDED JUNE 30, 2025

|  | Cumberland<br>Electric Membership<br>Corporation | Cumberland<br>Connect, LLC | Eliminations     | Total                |
|--|--|----------------------------|------------------|----------------------|
| <u>CASH PROVIDED BY FINANCING ACTIVITIES</u>   |  |                            |                  |                      |
| Memberships                                    | 21,100   | -                          | -                | 21,100               |
| Proceeds from related party payable            | -  | (2,365,800)                | 2,365,800        | -                    |
| Repayments of long-term debt                   | (10,668,900)                                     | -                          | -                | (10,668,900)         |
| Advances - TVA Energy Right program            | 12,700   | -                          | -                | 12,700               |
| Net cash used in financing activities          | <u>(10,635,100)</u>                              | <u>(2,365,800)</u>         | <u>2,365,800</u> | <u>(10,635,100)</u>  |
| <u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u> | 3,205,000  | 313,700                    | -                | 3,518,700            |
| <u>CASH AND CASH EQUIVALENTS - BEGINNING</u>   | <u>35,456,800</u>                                | <u>1,438,100</u>           | <u>-</u>         | <u>36,894,900</u>    |
| <u>CASH AND CASH EQUIVALENTS - ENDING</u>      | <u>\$ 38,661,800</u>                             | <u>\$ 1,751,800</u>        | <u>\$ -</u>      | <u>\$ 40,413,600</u> |

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2025

| Federal Grantor/Program Title  | Project Number | Number      | Federal Assistance Listing |              | Accrued Receivable | Receipts     | Expenditures | Accrued Receivable |
|--|----------------|-------------|----------------------------|--------------|--------------------|--------------|--------------|--------------------|
|  |                |             | July 1, 2024               | July 1, 2024 | July 1, 2024       |              |              |                    |
| <u>U.S. Treasury:</u>  |                |             |                            |              |                    |              |              |                    |
| Passed through Tennessee Department of Economic and Community Development              |                |             |                            |              |                    |              |              |                    |
| Tennessee Emergency Broadband Fund - American Rescue Plan                              | COVID-19       | 33007-44323 | 21.027                     | \$ 3,078,300 | \$ 6,100,600       | \$ 4,048,800 | \$ 1,026,500 |                    |
| Total U.S. Treasury  |                |             |                            | 3,078,300    | 6,100,600          | 4,048,800    | 1,026,500    |                    |
| <u>Federal Emergency Management Agency</u>   |                |             |                            |              |                    |              |              |                    |
| Passed through Tennessee Department of Military, Tennessee Emergency Management Agency |                |             |                            |              |                    |              |              |                    |
| FEMA-4712-DR-TN  |                | 34101-31524 | 97.036                     | 3,171,700    | 3,171,700          | -            | -            | -                  |
| FEMA-4751-DR-TN  |                | 34101-10025 | 97.036                     | -            | 348,300            | 351,800      | 3,500        |                    |
| Total Federal Emergency Management Agency  |                |             |                            | 3,171,700    | 3,520,000          | 351,800      | 3,500        |                    |
| Total federal awards   |                |             |                            | \$ 6,250,000 | \$ 9,620,600       | \$ 4,400,600 | \$ 1,030,000 |                    |

See accompanying notes to schedule of expenditures of federal awards.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2025

**NOTE A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the Cooperative and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE B – Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Cooperative has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
NONCONSOLIDATED SCHEDULES OF STATISTICAL DATA  
UNAUDITED  
JUNE 30, 2025 AND 2024

|   | Consumers      |                | Kilowatt-Hours       |                      |
|---|----------------|----------------|----------------------|----------------------|
|   | 2025           | 2024           | 2025                 | 2024                 |
| Class of Electric Service:                              |                |                |                      |                      |
| Residential   | 104,132        | 101,863        | 1,685,409,563        | 1,613,834,142        |
| Small lighting and power sales                          | 10,574         | 10,502         | 137,818,694          | 135,954,329          |
| Large lighting and power sales                          | 895            | 882            | 1,084,158,849        | 1,056,985,298        |
| Street and outdoor lighting sales                       | 557            | 542            | 25,207,041           | 27,149,574           |
| Total   | <u>116,158</u> | <u>113,789</u> | <u>2,932,594,147</u> | <u>2,833,923,343</u> |
| Purchased power   |                |                | <u>3,072,546,701</u> | <u>2,950,334,035</u> |
| Kilowatt-hours sold<br>(As above)                       |                |                | 2,932,594,147        | 2,833,923,343        |
| Kilowatt-hours in unbilled revenue - previous year      |                |                | (56,086,890)         | (36,066,852)         |
| Kilowatt-hours in unbilled revenue - current year       |                |                | 87,504,552           | 56,086,890           |
| Kilowatt-hours for own use                              |                |                | <u>1,990,835</u>     | <u>1,727,525</u>     |
| Total kilowatt-hours sold and used                      |                |                | <u>2,966,002,644</u> | <u>2,855,670,906</u> |
| Line losses and kilowatt-hours unaccounted for          |                |                | <u>106,544,057</u>   | <u>94,663,129</u>    |
| Percent of losses and unaccounted for                   |                |                |                      |                      |
| Kilowatt-hours to purchases                             |                |                | 3.47%                | 3.21%                |
| Cost per kilowatt-hour purchases (cents)                |                |                | 8.46                 | 7.89                 |
| Miles of line (pole miles) in service<br>at end of year |                |                | 8,752                | 8,543                |



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Cumberland Electric Membership Corporation  
Clarksville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Cumberland Electric Membership Corporation (the Cooperative) and subsidiary (collectively, "the Group"), as of and for the year ended June 30, 2025, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 14, 2025.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Group's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the Group's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Group's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Group's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Group's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stone, Rudolph & Henry, PLC*

Clarksville, Tennessee

August 14, 2025



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Cumberland Electric Membership Corporation  
Clarksville, Tennessee

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Cumberland Electric Membership Corporation and subsidiary's (the Group) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Group's major federal programs for the year ended June 30, 2025. The Group's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Group complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Group and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Group's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Group's federal programs.

## ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Group's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Group's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Group's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Group's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control

over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Stone Rudolph & Henry, PLC*

Clarksville, Tennessee

August 14, 2025

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2025

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP [unmodified, qualified, adverse, or disclaimer]:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes  X no

none

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X no

*Federal Awards*

Internal control over major federal programs:

Material weakness(es) identified? \_\_\_\_\_ yes  X no

none

Significant deficiency(ies) identified? \_\_\_\_\_ yes  X reported

Type of auditor's report issued on compliance for major federal programs [unmodified, qualified, adverse, or disclaimer]: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? \_\_\_\_\_ yes  X no

Identification of major federal programs:

| Assistance Listing Number(s) | Name of Federal Program or Cluster |
|------------------------------|------------------------------------|
| 21.027                       | Tennessee Emergency Broadband Fund |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  X yes \_\_\_\_\_ no

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)  
YEAR ENDED JUNE 30, 2025

SECTION II - FINANCIAL STATEMENT FINDINGS

*RELATED TO INTERNAL CONTROL*

None

*RELATED TO COMPLIANCE*

None

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

*RELATED TO INTERNAL CONTROL*

None

*RELATED TO COMPLIANCE*

None

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
YEAR ENDED JUNE 30, 2025

FINANCIAL STATEMENT FINDINGS

*RELATED TO INTERNAL CONTROL*

None

*RELATED TO COMPLIANCE*

None

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

| Prior Year Finding Number | Finding Title       | Status    |
|---------------------------|---------------------|-----------|
| 2024-001                  | Usage Discrepancies | Corrected |