

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION
JUNE 30, 2026 AND 2025

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CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
DIRECTORY OF OFFICIALS
UNAUDITED
JUNE 30, 2026

BOARD OF DIRECTORS

Tommy G. Whittaker
Wesley H. Aymett
Shela K. Williams
Dr. Jeanie Beauchamp
Charles R. Hancock
Ryne Harper
Rex Hawkins
Rodney Swearingen
Edgar E. Swan
J. Bryan Watson

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Vice President
Secretary-Treasurer
Assistant Secretary-Treasurer

OFFICE PERSONNEL

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David Abernathy

Annebelle Pittenger
Mark Cook
Michael Blackwell
Jonathan Fielder
Brad Taylor
Angie Adkins
Emily Griffey
Linda Thompson

Chris Robinson

Beau Baggett
Seth Roberts
Thomas Talley
Mike Neverdusky

General Manager
Manager Engineering and
Operations Division
Manager Administrative Division
Manager of Broadband Division
Manager District Operations
Manager of Engineering Services
Manager of Financial Services
Controller
Assistant Controller
Supervisor of Billing and
Collections
Supervisor of General
Accounting
Manager of Member Experience
Manager Member Services
Compliance Manager
Network Operations Manager



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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, 2026 and 2025, 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, 2026 and 2025, 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 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 20, 2026, 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 20, 2026

ASSETS

	2026	2025
PLANT - At Cost		
Plant in service	\$ 819,186,800	\$ 768,097,600
Construction work in progress	28,964,700	32,296,200
Total plant	848,151,500	800,393,800
Less: accumulated depreciation	259,483,800	238,283,000
Net plant	588,667,700	562,110,800
LONG-TERM INVESTMENTS		
Investment in associated organization	4,399,900	4,079,500
CURRENT ASSETS		
Cash and cash equivalents	42,631,900	40,413,600
Accounts receivable	33,917,900	32,199,300
Grant receivable	-	1,030,000
Unbilled revenue	11,951,700	12,355,700
Interest receivable	136,200	157,500
Rents receivable	2,478,900	2,442,200
Materials and supplies - at average cost	10,483,600	10,334,200
Prepayments	5,765,300	15,926,900
Total current assets	107,365,500	114,859,400
OTHER ASSETS		
Intangible assets	3,079,100	3,079,100
Receivables - TVA Energy Right program	2,907,600	2,750,800
Total other assets	5,986,700	5,829,900
Total assets	\$ 706,419,800	\$ 686,879,600

The accompanying notes are an integral part of the financial statements

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CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
YEARS ENDED JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
<u>OPERATING REVENUES</u>	<u>\$ 422,175,800</u>	<u>\$ 399,699,600</u>
<u>OPERATING EXPENSES</u>		
Cost of services	275,830,200	260,997,600
Distribution expense - operations	28,725,000	28,602,600
Distribution expense - maintenance	23,285,300	22,742,900
Customer accounts	8,847,100	8,821,600
Sales and customer services	5,225,100	4,567,000
Administrative and general	13,088,000	14,535,000
Depreciation	29,198,600	26,995,600
Interest	10,264,500	10,530,400
Maintenance of general plant	3,240,000	1,358,500
Total operating expenses	<u>397,703,800</u>	<u>379,151,200</u>
Income from operations	<u>24,472,000</u>	<u>20,548,400</u>
<u>OTHER INCOME</u>		
Fiber lease income	173,000	173,000
Interest	1,990,100	3,118,800
Gain (loss) on sale of property	3,800	(29,100)
Miscellaneous (net)	2,775,200	1,717,900
Total other income	<u>4,942,100</u>	<u>4,980,600</u>
<u>NET INCOME</u>	29,414,100	25,529,000
<u>RETAINED EARNINGS - BEGINNING</u>	<u>289,306,900</u>	<u>263,777,900</u>
<u>RETAINED EARNINGS - ENDING</u>	<u><u>\$ 318,721,000</u></u>	<u><u>\$ 289,306,900</u></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, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
<u>CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Net income	\$ 29,414,100	\$ 25,529,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	29,198,600	26,995,600
(Gain) loss on sale of property	(3,800)	29,100
Changes in current and deferred items:		
Accounts receivable	(1,718,600)	(1,252,100)
Unbilled revenue	404,000	(5,349,300)
Grant receivable	1,030,000	5,220,000
Interest receivable	21,300	137,800
Rents receivable	(36,700)	(132,300)
Materials and supplies	(149,400)	1,123,000
Prepayments	10,161,600	18,660,600
Receivables - TVA Energy Right program	(156,800)	12,700
Accounts payable	(1,618,900)	2,235,400
Customer deposits	208,300	325,000
Unearned revenue	202,700	131,400
Accrued and other expenses	2,058,000	6,662,700
Net cash provided by operating activities	<u>69,014,400</u>	<u>80,328,600</u>
<u>CASH USED IN INVESTING ACTIVITIES</u>		
Proceeds from sale of property	3,800	-
Additions to plant	(55,755,500)	(65,888,700)
Purchase of intangible assets	-	(284,100)
Investments sold and matured	(320,400)	(2,000)
Net cash used in investing activities	<u>(56,072,100)</u>	<u>(66,174,800)</u>
<u>CASH PROVIDED BY FINANCING ACTIVITIES</u>		
Memberships	20,800	21,100
Repayments of long-term debt	(10,911,800)	(10,668,900)
Advances - TVA Energy Right program	167,000	12,700
Net cash used in financing activities	<u>(10,724,000)</u>	<u>(10,635,100)</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	2,218,300	3,518,700
<u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	<u>40,413,600</u>	<u>36,894,900</u>
<u>CASH AND CASH EQUIVALENTS - ENDING</u>	<u>\$ 42,631,900</u>	<u>\$ 40,413,600</u>

The accompanying notes are an integral part of the financial statements

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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 8.71 and 7.93 percent of consolidated operating revenue during the years ended June 30, 2026 and 2025, 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, 2026 and 2025, Connect had a payable to the Cooperative of \$39,313,100 and \$41,977,100, 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
JUNE 30, 2026 AND 2025

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 \$28,964,500 and \$26,638,700 for the years ended June 30, 2026 and 2025, consists of \$26,577,800 and \$24,695,600 charged directly to operations, and \$2,386,700 and \$1,943,100 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 \$2,620,800 and \$2,300,000 for the years ended June 30, 2026 and 2025, respectively.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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 \$10,267,700 and \$10,532,600 for the years ended June 30, 2026 and 2025, respectively.

Certain financial institutions pledge collateral for deposits exceeding federal assurance limits. At June 30, 2026 and 2025, cash and cash equivalents were represented by deposits at financial institutions totaling \$99,200 and \$279,900, respectively, of which \$99,200 and \$278,300, respectively, was insured by the FDIC and \$-0- and \$1,600, respectively, was uninsured.

Also included in cash and cash equivalents at June 30, 2026 and 2025 was \$41,130,000 and \$38,980,000 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 \$-0- and \$10,056,400 paid to TVA to prepay the Cooperative's monthly power bill. Prepayments also included \$3,979,000 and \$4,281,700, 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:

Assets

Gross prepayments paid to TVA	\$ 28,309,700
Gross amounts offset for May bill	<u>(18,253,300)</u>
Net amounts of prepayments	<u>\$ 10,056,400</u>

Liabilities:

Gross payables owed to TVA	\$ 43,575,700
Gross amounts offset for May bill	<u>(18,253,300)</u>
Net amount of liabilities to TVA	<u>\$ 25,322,400</u>

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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 \$2,318,600 and \$2,351,700 during the years ended June 30, 2026 and 2025, 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, 2026 and 2025, total credits were \$4,506,900 and \$4,571,800, 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:

	<u>June 30,</u>		
	<u>2026</u>	<u>2025</u>	<u>2024</u>
Receivables	\$ 33,917,900	\$ 32,199,300	\$ 30,947,200
Grant receivable	-	1,030,000	6,250,000
Unbilled revenue	11,951,700	12,355,700	7,006,400
Unearned revenue	(2,048,100)	(1,845,400)	(1,714,000)

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, 2026 and 2025, 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
JUNE 30, 2026 AND 2025

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, 2023. 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 \$2,108,900 and \$1,524,800 for the years ended June 30, 2026 and 2025, respectively.

Date of Management's Review

Subsequent events have been evaluated through August 20, 2026, 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, 2026, is as follows:

	<u>Balance</u> <u>July 1, 2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2026</u>
<u>Distribution and</u>				
<u>Transmission Plant</u>				
Land and land rights	\$ 1,596,700	\$ -	\$ -	\$ 1,596,700
Station equipment	66,897,700	153,000	-	67,050,700
Electric transmission system	<u>465,829,100</u>	<u>24,889,000</u>	<u>5,425,900</u>	<u>485,292,200</u>
	<u>534,323,500</u>	<u>25,042,000</u>	<u>5,425,900</u>	<u>553,939,600</u>
<u>General Plant</u>				
Land and land rights	942,900	262,700	-	1,205,600
Structures and improvements	21,600,400	13,800,600	-	35,401,000
Transportation equipment	18,593,800	3,601,300	1,655,500	20,539,600
Communication equipment	154,398,300	12,771,100	393,300	166,776,100
Furniture and equipment	<u>11,683,500</u>	<u>785,600</u>	<u>-</u>	<u>12,469,100</u>
	<u>207,218,900</u>	<u>31,221,300</u>	<u>2,048,800</u>	<u>236,391,400</u>
Work in progress	<u>32,296,200</u>	<u>14,104,600</u>	<u>17,436,100</u>	<u>28,964,700</u>
Total electric plant	<u>\$ 773,838,600</u>	<u>\$ 70,367,900</u>	<u>\$ 24,910,800</u>	<u>\$ 819,295,700</u>

A summary of changes in Accumulated Depreciation on Electric Plant for the year ended June 30, 2026, is as follows:

	<u>Balance</u> <u>July 1, 2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2026</u>
<u>Distribution and</u>				
<u>Transmission Plant</u>				
Land and land rights	\$ -	\$ -	\$ -	\$ -
Station equipment	37,907,500	944,700	-	38,852,200
Electric transmission system	<u>144,361,100</u>	<u>18,905,900</u>	<u>7,930,800</u>	<u>155,336,200</u>
	<u>182,268,600</u>	<u>19,850,600</u>	<u>7,930,800</u>	<u>194,188,400</u>

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

2. Plant (Cont'd)

	<u>Balance</u> <u>July 1, 2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2026</u>
<u>General Plant</u>				
Land and land rights	\$ -	\$ -	\$ -	\$ -
Structures and improvements	6,125,700	658,000	100	6,783,600
Transportation equipment	10,586,600	2,409,100	1,478,600	11,517,100
Communications equipment	24,079,200	6,147,000	508,400	29,717,800
Furniture and equipment	<u>9,373,800</u>	<u>101,100</u>	<u>176,800</u>	<u>9,298,100</u>
	<u>50,165,300</u>	<u>9,315,200</u>	<u>2,163,900</u>	<u>57,316,600</u>
Total accumulated depreciation on electric plant	<u>\$ 232,433,900</u>	<u>\$ 29,165,800</u>	<u>\$ 10,094,700</u>	<u>\$ 251,505,000</u>

A summary of changes in Telecommunications Plant for the year ended June 30, 2026, is as follows:

	<u>Balance</u> <u>July 1, 2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2026</u>
Customer premise equipment	\$ 14,379,500	\$ 2,551,400	\$ 491,100	\$ 16,439,800
Network equipment	9,152,900	239,200	-	9,392,100
Fiber hubsites	<u>3,022,800</u>	<u>1,100</u>	<u>-</u>	<u>3,023,900</u>
	<u>26,555,200</u>	<u>2,791,700</u>	<u>491,100</u>	<u>28,855,800</u>
Work in progress	<u>-</u>	<u>240,300</u>	<u>240,300</u>	<u>-</u>
Total telecommunications plant	<u>\$ 26,555,200</u>	<u>\$ 3,032,000</u>	<u>\$ 731,400</u>	<u>\$ 28,855,800</u>

A summary of changes in Accumulated Depreciation on Telecommunications Plant for the year ended June 30, 2026, is as follows:

	<u>Balance</u> <u>July 1, 2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2026</u>
Customer premise equipment	\$ 3,492,300	\$ 1,565,700	\$ 491,100	\$ 4,566,900
Network equipment	2,083,700	954,400	-	3,038,100
Fiber hubsites	<u>273,100</u>	<u>100,700</u>	<u>-</u>	<u>373,800</u>
Total accumulated depreciation on telecommunications plant	<u>\$ 5,849,100</u>	<u>\$ 2,620,800</u>	<u>\$ 491,100</u>	<u>\$ 7,978,800</u>

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

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2025</u>
<u>Distribution and Transmission Plant</u>				
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>

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

2. Plant (Cont'd)

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
<u>General Plant</u>				
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	<u>34,449,700</u>	<u>21,705,700</u>	<u>23,859,200</u>	<u>32,296,200</u>
Total electric plant	<u>\$ 721,321,800</u>	<u>\$ 84,394,800</u>	<u>\$ 31,878,000</u>	<u>\$ 773,838,600</u>

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

	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025
<u>Distribution and Transmission Plant</u>				
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>
<u>General Plant</u>				
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
Communication equipment	19,139,300	5,315,500	375,600	24,079,200
Furniture and equipment	<u>9,242,400</u>	<u>162,500</u>	<u>31,100</u>	<u>9,373,800</u>
	<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 July 1, 2024	Additions	Deletions	Balance June 30, 2025
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	<u>2,577,700</u>	<u>445,100</u>	-	<u>3,022,800</u>
	<u>21,639,000</u>	<u>4,916,200</u>	-	<u>26,555,200</u>
Work in progress	<u>917,100</u>	<u>953,900</u>	<u>1,871,000</u>	<u>-</u>
Total telecommunications plant	<u>\$ 22,556,100</u>	<u>\$ 5,870,100</u>	<u>\$ 1,871,000</u>	<u>\$ 26,555,200</u>

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

2. Plant (Cont'd)

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

	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2025</u>
Customer premise equipment	\$ 2,177,600	\$ 1,314,700	\$ -	\$ 3,492,300
Network equipment	1,165,000	918,700	-	2,083,700
Fiber hubsites	<u>177,400</u>	<u>95,700</u>	<u>-</u>	<u>273,100</u>
Total accumulated depreciation on telecommunications plant	<u>\$ 3,520,000</u>	<u>\$ 2,329,100</u>	<u>\$ -</u>	<u>\$ 5,849,100</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, 2026 are as follows:

After Ten Years \$ 4,399,900

4. Unbilled Revenue

Included in accounts payable at June 30, 2026 and 2025, is \$7,894,500 and \$8,288,900 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 \$11,951,700 and \$12,355,700 at June 30, 2026 and 2025, 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, 2026 and 2025, there were no amounts past due for notes receivable from the sales of plant.

As of June 30, 2026 and 2025, 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.

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 financier 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.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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, 2026:

Non-construction clearing accounts	\$ 10,500
Energy Rights loans	<u>2,907,600</u>
Total deferred debits	<u>\$ 2,918,100</u>

Under RUS guidelines, we have identified the following that meet the definition of deferred credits as of June 30, 2026:

First install costs of equipment	<u>\$ 92,500</u>
Total deferred debits	<u>\$ 92,500</u>

7. Long-Term Debt and Line of Credit

Long-term debt is represented by mortgage notes payable as follows as of June 30:

<u>Payee</u>	<u>Rate</u>	<u>2026</u>	<u>2025</u>
FFB	1.421%-1.707%	\$ 71,381,200	\$ 73,568,100
FFB	2.144%-2.788%	93,603,300	97,092,600
FFB	3.010-3.981%	109,360,600	112,957,200
FFB	4.626%	33,958,200	34,487,600
Co-Bank	3.62-4.61%	4,683,600	5,163,500
NRUCFC	6.35-6.75%	<u>2,160,300</u>	<u>2,790,000</u>
Total long-term debt		315,147,200	326,059,000
Less: current portion		<u>10,698,000</u>	<u>10,911,900</u>
Long-term debt excluding current portion		<u>\$ 304,449,200</u>	<u>\$ 315,147,100</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, 2026, was as follows:

	<u>Balance</u> <u>July 1, 2025</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2026</u>
Mortgage notes payable	<u>\$ 326,059,000</u>	<u>\$ -</u>	<u>\$ 10,911,800</u>	<u>\$ 315,147,200</u>

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

<u>Year ending</u> <u>June 30,</u>	
2027	\$ 10,698,000
2028	11,005,800
2029	11,317,100
2030	11,405,800
2031	11,544,700
Later years	<u>259,175,800</u>
Total	<u>\$ 315,147,200</u>

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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

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, 2026. There was no outstanding balance and the amount unused was \$15,000,000 at June 30, 2026.

The Cooperative has a \$5,000,000 line of credit established with CoBank. 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 5.50% at June 30, 2026. There was no outstanding balance of and the amount unused was \$5,000,000 at June 30, 2026. The Cooperative also has an uncommitted revolving credit line of \$20,000,000 at June 30, 2026, all of which was unused.

The Cooperative had a \$100,000,000 loan available to draw as of June 30, 2026, to be used to finance construction costs. No draws have been made as of June 30, 2026.

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.

Plan Information

The Cooperative's contributions to the RS Plan during the years ended June 30, 2026 and 2025, 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 \$7,708,500 and \$7,149,900 during the years ended June 30, 2026 and 2025, respectively. There have been no significant changes that affect the comparability of 2026 and 2025 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.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

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, 2026. 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>2026</u>	<u>2025</u>
APBO – Beginning	\$ 10,617,800	\$ 9,889,700
Service cost	771,700	743,800
Interest cost	507,300	471,700
Estimated benefits paid	<u>(485,500)</u>	<u>(487,400)</u>
APBO – Ending	<u>\$ 11,411,300</u>	<u>\$ 10,617,800</u>

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

	<u>2026</u>	<u>2025</u>
Retirees	\$ 1,011,000	\$ 1,073,600
Eligible active employees	3,296,400	2,704,200
Other active employees	<u>7,103,900</u>	<u>6,840,000</u>
Total APBO	11,411,300	10,617,800
Less: Fair value of plan assets	<u>-</u>	<u>-</u>
Postretirement liability recognized at June 30	\$ 11,411,300	\$ 10,617,800
Plus: Unrecognized net actuarial gain	<u>-</u>	<u>-</u>
Net postretirement benefit liability	<u>\$ 11,411,300</u>	<u>\$ 10,617,800</u>

Contributions expected to be paid to the plan in fiscal year 2027 are \$478,400.

Amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit cost in the 2026 fiscal year is \$-0-.

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

Year ended <u>June 30,</u>	
2027	\$ 478,400
2028	527,400
2029	553,800
2030	581,500
2031	610,500
2032-2036	4,152,800

A 5.50% annual increase in health care costs is assumed in fiscal year 2026. 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 \$1,299,900 and the aggregate of the service and interest cost components of the net period cost by \$209,500.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

10. Defined Contribution 401(k) Plan

The Cooperative administers a defined contribution 401(k) plan sponsored by NRECA. Expenses of \$768,600 and \$713,700 were incurred during the years ended June 30, 2026 and 2025, respectively, for matching employee contributions to the 401(k) plan.

11. Accumulated Unpaid Vacation, Compensatory, and Sick Leave

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.

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.

12. Memberships

During 2026, changes in memberships were as follows:

	Balance July 1, 2025	Additions	Reductions	Balance June 30, 2026
Memberships	\$ 1,099,800	\$ 105,200	\$ 84,400	\$ 1,120,600

13. Unrelated Business Tax – Income Tax Loss Carryforwards

At June 30, 2026, the Utility had net operating loss carryforwards totaling \$1,215,600 that may be offset against future unrelated business income. If not used, the carryforwards will expire as follows:

Year ended June 30,	
2031	\$ 157,100
2032	235,600
2035	286,800
2036	368,200
2037	107,600
2038	60,300
	<u>\$ 1,215,600</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, 2029.

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.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026 AND 2025

16. Revenue Disaggregation

The following is total operating revenue disaggregated by customer type:

	<u>2026</u>	<u>2025</u>
Residential - electric	\$ 243,454,500	\$ 232,945,700
Commercial – electric	128,762,300	121,584,300
Residential – telecommunications	34,185,100	29,509,200
Commercial – telecommunications	2,158,800	1,803,300
Street and outdoor lights – electric	4,179,100	4,137,600
Other operating revenue – electric	9,022,200	9,339,400
Other operating revenue – telecommunications	<u>413,800</u>	<u>380,100</u>
	<u>\$ 422,175,800</u>	<u>\$ 399,699,600</u>

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, 2026 and 2025, Connect recognized \$852,700 and \$852,700, respectively, in revenue in conjunction with this program.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
CONSOLIDATED SCHEDULES OF OPERATING REVENUES
JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
<u>OPERATING REVENUES</u>		
Residential	\$ 279,798,400	\$ 264,258,200
Small commercial	25,636,300	24,876,200
Large commercial	103,126,000	96,708,100
Street and outdoor lights	4,179,100	4,137,600
Rent	5,486,000	5,666,500
Forfeited discounts	1,985,500	2,062,200
Miscellaneous services	<u>1,964,500</u>	<u>1,990,800</u>
 Total operating revenues	 <u><u>\$ 422,175,800</u></u>	 <u><u>\$ 399,699,600</u></u>

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES
JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
<u>OPERATING EXPENSES</u>		
Cost of services	<u>\$ 275,830,200</u>	<u>\$ 260,997,600</u>
Distribution expense - operations		
Supervision and engineering	5,559,500	5,721,500
Stations	2,084,100	2,167,200
Overhead lines	7,164,200	6,623,300
Removing and resetting line transformers	142,100	271,900
Underground lines	1,079,900	1,152,500
Street lighting and signal systems	202,700	194,100
Meters	1,592,500	1,895,600
Customer installations	3,206,700	2,987,900
Security lights	656,600	701,800
Building expense	520,100	430,500
Maps and records	2,292,700	2,415,000
Miscellaneous	2,294,500	2,444,100
Tech support	562,100	583,300
Fiber lines	1,224,600	847,700
Rents	142,700	166,200
Total	<u>28,725,000</u>	<u>28,602,600</u>
Distribution expense - maintenance		
Supervision and engineering	522,800	600,300
Station equipment	1,849,400	1,782,700
Overhead lines	9,132,600	9,269,600
Rights of way	9,575,300	9,110,400
Oil circuit reclosures	122,300	105,700
Underground lines	196,500	187,700
Line transformers	218,200	152,200
Fiber lines	1,495,400	1,336,600
Miscellaneous	172,800	197,700
Total	<u>23,285,300</u>	<u>22,742,900</u>
Customer accounts		
Supervision	969,900	1,159,600
Meter reading	563,200	520,700
Consumer contracts and orders	3,614,200	3,559,100
Collecting	1,429,800	1,426,600
Uncollectible accounts	512,600	452,000
Billing and accounting	1,757,400	1,703,600
Total	<u>8,847,100</u>	<u>8,821,600</u>

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
CONSOLIDATED SCHEDULES OF OPERATING EXPENSES (CONT'D)
JUNE 30, 2026 AND 2025

	<u>2026</u>	<u>2025</u>
Sales and customer services		
Supervision	274,200	241,100
Customer assistance	2,288,700	2,242,100
Advertising	2,108,900	1,524,800
Selling expenses	553,300	559,000
Total	<u>5,225,100</u>	<u>4,567,000</u>
Administrative and general		
Compensation	6,975,900	7,298,500
Office supplies and expense	2,796,000	3,711,500
General management and area development	107,700	90,900
Outside services	972,400	1,506,900
Duplicate charges	(318,700)	(299,300)
Miscellaneous	2,554,700	2,226,500
Total	<u>13,088,000</u>	<u>14,535,000</u>
Depreciation	<u>29,198,600</u>	<u>26,995,600</u>
Interest	<u>10,264,500</u>	<u>10,530,400</u>
Maintenance of general plant	<u>3,240,000</u>	<u>1,358,500</u>
Total operating expenses	<u><u>\$ 397,703,800</u></u>	<u><u>\$ 379,151,200</u></u>

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
CONSOLIDATING BALANCE SHEET SCHEDULE
JUNE 30, 2026

ASSETS

	Cumberland Electric Membership Corporation	Cumberland Connect, LLC	Eliminations	Total
<u>PLANT - At Cost</u>				
Plant in service	\$ 790,331,000	\$ 28,855,800	\$ -	\$ 819,186,800
Construction work in progress	28,964,700	-	-	28,964,700
Total plant	819,295,700	28,855,800	-	848,151,500
Less: accumulated depreciation	251,505,000	7,978,800	-	259,483,800
Net plant	567,790,700	20,877,000	-	588,667,700
<u>LONG-TERM INVESTMENTS</u>				
Investment in associated organization	4,399,900	-	-	4,399,900
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	36,777,900	5,854,000	-	42,631,900
Accounts receivable	31,106,300	3,454,500	(642,900)	33,917,900
Unbilled revenue	11,951,700	-	-	11,951,700
Interest receivable	523,600	15,400	(402,800)	136,200
Rents receivable	2,478,900	-	-	2,478,900
Materials and supplies - at average cost	8,689,900	1,793,700	-	10,483,600
Prepayments	1,398,400	4,366,900	-	5,765,300
Total current assets	92,926,700	15,484,500	(1,045,700)	107,365,500
<u>OTHER ASSETS</u>				
Intangible assets	-	3,079,100	-	3,079,100
Due from related party	39,313,100	-	(39,313,100)	-
Receivables - TVA Energy Right program	2,907,600	-	-	2,907,600
Total other assets	42,220,700	3,079,100	(39,313,100)	5,986,700
Total assets	\$ 707,338,000	\$ 39,440,600	\$ (40,358,800)	\$ 706,419,800

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

JUNE 30, 2026

LIABILITIES AND CAPITAL

	Cumberland Electric Membership Corporation	Cumberland Connect, LLC	Eliminations	Total
<u>CAPITAL</u>				
Memberships	\$ 1,120,600	\$ -	\$ -	\$ 1,120,600
Retained earnings (deficit)	321,070,700	(2,349,700)	-	318,721,000
Total capital	322,191,300	(2,349,700)	-	319,841,600
<u>LONG-TERM DEBT</u>				
Co-Bank	4,528,800	-	-	4,528,800
Related party payable		39,313,100	(39,313,100)	-
National Rural Utilities Cooperative Finance Corporation	1,690,600	-	-	1,690,600
Rural Utilities Service	298,229,800	-	-	298,229,800
Total long-term debt	304,449,200	39,313,100	(39,313,100)	304,449,200
<u>CURRENT LIABILITIES</u>				
Accounts payable	32,877,700	8,300	(642,900)	32,243,100
Accrued taxes	2,916,200	18,000	-	2,934,200
Accrued interest	80,500	402,800	(402,800)	80,500
Current portion of accrued postretirement benefit cost	478,400	-	-	478,400
Current portion of accrued sick pay and annual leave	3,380,000	-	-	3,380,000
Current portion of long-term debt	10,698,000	-	-	10,698,000
Unearned revenue	-	2,048,100	-	2,048,100
Total current liabilities	50,430,800	2,477,200	(1,045,700)	51,862,300
<u>OTHER LIABILITIES</u>				
Accrued postretirement benefit cost	10,932,900	-	-	10,932,900
Accrued sick pay and annual leave	8,873,800	-	-	8,873,800
Advances - TVA Energy Right program	3,003,500	-	-	3,003,500
Customer deposits	7,456,500	-	-	7,456,500
Total other liabilities	30,266,700	-	-	30,266,700
Total liabilities and capital	\$ 707,338,000	\$ 39,440,600	\$ (40,358,800)	\$ 706,419,800

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
CONSOLIDATING SCHEDULE OF INCOME AND RETAINED EARNINGS
YEAR ENDED JUNE 30, 2026

	Cumberland Electric Membership Corporation	Cumberland Connect, LLC	Eliminations	Total
<u>OPERATING REVENUES</u>	\$ 385,418,100	\$ 36,757,700	\$ -	\$ 422,175,800
<u>OPERATING EXPENSES</u>				
Cost of services	274,552,400	1,277,800	-	275,830,200
Distribution expenses - operations	20,833,700	7,891,300	-	28,725,000
Distribution expenses - maintenance	23,285,300	-	-	23,285,300
Customer accounts	7,180,000	1,667,100	-	8,847,100
Sales and customer services	3,708,700	1,516,400	-	5,225,100
Administrative and general	11,231,900	1,856,100	-	13,088,000
Depreciation	26,577,800	2,620,800	-	29,198,600
Interest	10,264,500	1,310,200	(1,310,200)	10,264,500
Maintenance of general plant	3,240,000	-	-	3,240,000
Total operating expenses	380,874,300	18,139,700	(1,310,200)	397,703,800
Income (loss) from operations	4,543,800	18,618,000	1,310,200	24,472,000
<u>OTHER INCOME (EXPENSE)</u>				
Fiber lease income (expense)	12,298,600	(12,125,600)	-	173,000
Interest	3,145,200	155,100	(1,310,200)	1,990,100
Gain on sale of property	-	3,800	-	3,800
Miscellaneous	1,822,100	953,100	-	2,775,200
Total other income (expense)	17,265,900	(11,013,600)	(1,310,200)	4,942,100
<u>NET INCOME</u>	21,809,700	7,604,400	-	29,414,100
<u>RETAINED EARNINGS (DEFICIT) - BEGINNING</u>	299,261,000	(9,954,100)	-	289,306,900
<u>RETAINED EARNINGS (DEFICIT) - ENDING</u>	\$ 321,070,700	\$ (2,349,700)	\$ -	\$ 318,721,000

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
CONSOLIDATING SCHEDULE OF CASH FLOWS
YEAR ENDED JUNE 30, 2026

	Cumberland Electric Membership Corporation	Cumberland Connect, LLC	Eliminations	Total
<u>CASH PROVIDED BY OPERATING ACTIVITIES</u>				
Net income	\$ 21,809,700	\$ 7,604,400	\$ -	\$ 29,414,100
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	26,577,800	2,620,800	-	29,198,600
Loss on disposal of property	-	(3,800)	-	(3,800)
Changes in current and deferred items:				
Accounts receivable	(1,911,700)	(449,800)	642,900	(1,718,600)
Unbilled revenue	404,000	-	-	404,000
Grant receivable	1,030,000	-	-	1,030,000
Interest receivable	60,400	(10,100)	(29,000)	21,300
Rents receivable	(36,700)	-	-	(36,700)
Materials and supplies	533,100	(682,500)	-	(149,400)
Prepayments	9,866,000	295,600	-	10,161,600
Receivables - TVA Energy Right program	(156,800)	-	-	(156,800)
Due from related party	2,664,000	-	(2,664,000)	-
Accounts payable	(984,300)	8,300	(642,900)	(1,618,900)
Customer deposits	208,300	-	-	208,300
Unearned revenue	-	202,700	-	202,700
Accrued and other expenses	2,060,500	(31,500)	29,000	2,058,000
Net cash provided by in operating activities	<u>62,124,300</u>	<u>9,554,100</u>	<u>(2,664,000)</u>	<u>69,014,400</u>
<u>CASH USED IN INVESTING ACTIVITIES</u>				
Proceeds from sale of property	-	3,800	-	3,800
Additions to plant	(52,963,800)	(2,791,700)	-	(55,755,500)
Investments sold and matured	(320,400)	-	-	(320,400)
Net cash used in investing activities	<u>(53,284,200)</u>	<u>(2,787,900)</u>	<u>-</u>	<u>(56,072,100)</u>

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
CONSOLIDATING SCHEDULE OF CASH FLOWS (CONT'D)
YEAR ENDED JUNE 30, 2026

	Cumberland Electric Membership Corporation	Cumberland Connect, LLC	Eliminations	Total
<u>CASH PROVIDED BY FINANCING ACTIVITIES</u>				
Memberships	20,800	-	-	20,800
Proceeds from related party payable	-	(2,664,000)	2,664,000	-
Repayments of long-term debt	(10,911,800)	-		(10,911,800)
Advances - TVA Energy Right program	167,000	-	-	167,000
Net cash used in financing activities	<u>(10,724,000)</u>	<u>(2,664,000)</u>	<u>2,664,000</u>	<u>(10,724,000)</u>
 <u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	 (1,883,900)	 4,102,200	 -	 2,218,300
 <u>CASH AND CASH EQUIVALENTS - BEGINNING</u>	 <u>38,661,800</u>	 <u>1,751,800</u>	 <u>-</u>	 <u>40,413,600</u>
 <u>CASH AND CASH EQUIVALENTS - ENDING</u>	 <u>\$ 36,777,900</u>	 <u>\$ 5,854,000</u>	 <u>\$ -</u>	 <u>\$ 42,631,900</u>

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2026

<u>Federal Grantor/Program Title</u>	<u>Project Number</u>	<u>Federal Assistance Listing Number</u>	<u>Accrued Receivable July 1, 2025</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Accrued Receivable June 30, 2026</u>
<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	\$ 1,026,500	\$ 1,026,500	\$ -	\$ -
Total U.S. Treasury			1,026,500	1,026,500	-	-
<u>Federal Emergency Management Agency</u>						
Passed through Tennessee Department of Military, Tennessee Emergency Management Agency FEMA-4751-DR-TN	34101-10025	97.036	3,500	3,500	-	-
Total Federal Emergency Management Agency			3,500	3,500	-	-
<u>U.S. Department of Energy</u>						
Passed through NRECA Research Cybersecurity, Energy Security, and Emergency Response	DE-CR0000014	81.008	-	231,200	231,200	-
Total U.S. Department of Energy			-	231,200	231,200	-
Total federal awards			\$ 1,030,000	\$ 1,261,200	\$ 231,200	\$ -

See accompanying notes to schedule of expenditures of federal awards.

CUMBERLAND ELECTRIC MEMBERSHIP CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2026 AND 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, 2026 AND 2025

	<u>Consumers</u>		<u>Kilowatt-Hours</u>	
	<u>2026</u>	<u>2025</u>	<u>2026</u>	<u>2025</u>
Class of Electric Service:				
Residential	106,071	104,132	1,752,967,966	1,685,409,563
Small lighting and power sales	10,626	10,574	143,521,054	137,818,694
Large lighting and power sales	911	895	1,139,284,055	1,084,158,849
Street and outdoor lighting sales	574	557	25,764,091	25,207,041
Total	<u>118,182</u>	<u>116,158</u>	<u>3,061,537,166</u>	<u>2,932,594,147</u>
Purchased power			<u>3,166,725,583</u>	<u>3,072,546,701</u>
Kilowatt-hours sold				
(As above)			3,061,537,166	2,932,594,147
Kilowatt-hours in unbilled revenue - previous year			(87,504,552)	(56,086,890)
Kilowatt-hours in unbilled revenue - current year			84,033,732	87,504,552
Kilowatt-hours for own use			<u>2,087,379</u>	<u>1,990,835</u>
Total kilowatt-hours sold and used			<u>3,060,153,725</u>	<u>2,966,002,644</u>
Line losses and kilowatt-hours unaccounted for			<u>106,571,858</u>	<u>106,544,057</u>
Percent of losses and unaccounted for				
Kilowatt-hours to purchases			3.37%	3.47%
Cost per kilowatt-hour purchases (cents)			8.67	8.46
Miles of line (pole miles) in service				
at end of year			8,854	8,752



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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, 2026, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 20, 2026.

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 20, 2026