

**BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
SUMTER, SOUTH CAROLINA**

**CONSOLIDATED FINANCIAL STATEMENTS AS OF
DECEMBER 31, 2025 AND 2024 AND
INDEPENDENT AUDITOR'S REPORT**

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

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March 10, 2026

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Black River Electric Cooperative, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of **Black River Electric Cooperative, Inc. and Subsidiary**, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in members' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Black River Electric Cooperative, Inc. and Subsidiary as of December 31, 2025 and 2024, and the results of their operations and their 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Black River Electric Cooperative, Inc. and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Black River Electric Cooperative, Inc. and Subsidiary's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Black River Electric Cooperative, Inc. and Subsidiary'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Black River Electric Cooperative, Inc. and Subsidiary'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.

McNair, McLemore, Middlebrooks & Co., LLC
McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

ASSETS

	2025	2024
Utility Plant		
Electric Plant in Service	\$ 176,269,348	\$ 165,393,243
Construction Work in Progress	1,102,897	1,656,540
	177,372,245	167,049,783
Accumulated Depreciation	(77,319,722)	(74,540,694)
	100,052,523	92,509,089
Other Property and Investments		
Investments in Associated Organizations	9,179,481	8,525,610
Nonutility Property	828,689	839,542
Notes Receivable	231,622	358,273
Other Investments	1,049,095	1,217,613
	11,288,887	10,941,038
Current Assets		
Cash and Cash Equivalents	10,328,670	13,952,423
Accounts Receivable (Net of Allowance for Credit Losses of \$509,683 in 2025 and \$573,772 in 2024)	13,379,571	10,577,679
Notes Receivable - Current Portion	172,752	257,403
Materials and Supplies	1,970,745	1,371,035
Other	3,657,108	3,616,924
	29,508,846	29,775,464
Total Assets	\$ 140,850,256	\$ 133,225,591

See accompanying notes which are an integral part of these consolidated financial statements.

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

MEMBERS' EQUITY AND LIABILITIES

	2025	2024
Members' Equity		
Membership Fees	\$ 144,790	\$ 143,585
Patronage Capital	92,284,760	86,227,214
Other Equities	14,160,626	13,281,423
	106,590,176	99,652,222
 Long-Term Debt	 16,316,110	 18,516,050
 Other Long-Term Liabilities - Deferred Compensation	 446,982	 652,287
 Current Liabilities		
Long-Term Debt - Current Portion	2,196,000	2,126,000
Other Long-Term Liabilities - Deferred Compensation - Current Portion	285,238	248,448
Accounts Payable	9,461,415	6,949,506
Consumer Deposits	3,460,667	3,376,516
Accrued and Withheld Taxes	980,717	787,905
Other	949,759	757,464
	17,333,796	14,245,839
 Deferred Credits	 163,192	 159,193
 Total Members' Equity and Liabilities	 \$ 140,850,256	 \$ 133,225,591

See accompanying notes which are an integral part of these consolidated financial statements.

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31

	2025	2024
Operating Revenues	\$ 104,546,747	\$ 90,365,046
Operating Expenses		
Cost of Power	69,823,769	58,811,119
Distribution Operations	4,753,383	4,367,463
Distribution Maintenance	4,546,003	4,554,412
Consumer Accounts	1,940,113	1,863,706
Consumer Service and Information	134,459	115,866
Administrative and General	6,520,366	5,869,031
Depreciation	5,980,166	5,689,408
Taxes	644,911	586,194
	94,343,170	81,857,199
Operating Margins Before Interest Expense	10,203,577	8,507,847
Interest Expense	870,724	920,119
Operating Margins After Interest Expense	9,332,853	7,587,728
Nonoperating Margins	638,342	478,670
Generation and Transmission Cooperative Capital Credits	580,577	582,196
Other Capital Credits and Patronage Capital Allocations	84,090	59,133
Net Margins	\$ 10,635,862	\$ 8,707,727

See accompanying notes which are an integral part of these consolidated financial statements.

**BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**

	Total Members' Equity	Membership Fees	Patronage Capital	Other Equities
Balance, December 31, 2023	\$ 94,250,687	\$ 142,290	\$ 81,601,832	\$ 12,506,565
Net Margins	8,707,727	-	8,145,979	561,748
Retirement of Patronage Capital	(3,437,727)	-	(3,437,727)	-
Membership Fees	1,295	1,295	-	-
Other Equities	130,240	-	(82,870)	213,110
Balance, December 31, 2024	99,652,222	143,585	86,227,214	13,281,423
Net Margins	10,635,862	-	10,149,471	486,391
Retirement of Patronage Capital	(4,001,012)	-	(4,001,012)	-
Membership Fees	1,205	1,205	-	-
Other Equities	301,899	-	(90,913)	392,812
Balance, December 31, 2025	\$ 106,590,176	\$ 144,790	\$ 92,284,760	\$ 14,160,626

See accompanying notes which are an integral part of these consolidated financial statements.

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2025	2024
Cash Flows from Operating Activities		
Net Margins	\$ 10,635,862	\$ 8,707,727
Adjustments to Reconcile Net Margins to Net Cash Provided from Operating Activities		
Depreciation	6,520,528	6,170,190
Patronage Capital from Associated Organizations	(847,530)	(822,787)
Deferred Compensation	(168,515)	(386,523)
Change In		
Accounts Receivable	(2,801,892)	(925,308)
Materials and Supplies	(599,710)	(237,778)
Other Current Assets	(40,184)	466,014
Accounts Payable	2,511,909	444,550
Consumer Deposits	84,151	46,882
Other Current Liabilities	385,107	326,157
Deferred Credits	3,999	(389)
	15,683,725	13,788,735
Cash Flows from Investing Activities		
Extension and Replacement of Plant	(14,053,110)	(10,686,507)
Return of Equity from Associated Organizations	193,660	135,444
Notes Receivable	211,302	198,706
Other Investments	168,518	327,650
	(13,479,630)	(10,024,707)
Cash Flows from Financing Activities		
Advances from Long-Term Debt	-	12,000,000
Principal Repayment of Long-Term Debt	(2,129,940)	(1,932,158)
Membership Fees	1,205	1,295
Retirement of Patronage Capital	(4,001,012)	(3,437,727)
Other Equities	301,899	130,240
	(5,827,848)	6,761,650
Net Increase (Decrease) in Cash and Cash Equivalents	(3,623,753)	10,525,678
Cash and Cash Equivalents - Beginning	13,952,423	3,426,745
Cash and Cash Equivalents - Ending	\$ 10,328,670	\$ 13,952,423

See accompanying notes which are an integral part of these consolidated financial statements.

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Nature of Operations

Black River Electric Cooperative, Inc. (BRECI) is a member-owned, not-for-profit cooperative whose purpose is to provide electric service to its members. As a cooperative, all monies in excess of cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account. BRECI's wholly-owned subsidiary, Black River Economic Development Corporation (BREDC), is a for-profit corporation whose purpose is to foster economic development in the service territory of BRECI.

(2) Summary of Significant Accounting Policies

Accounting policies of BRECI and BREDC (the Corporation) reflect practices appropriate to the electric utility industry and generally accepted accounting principles of the United States of America (U.S. GAAP). The records of BRECI are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission.

Basis of Presentation

The Corporation's consolidated financial statements have been prepared in accordance with U.S. GAAP. The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the *Accounting Standards Codification (ASC)* and related *Accounting Standards Updates (ASUs)*.

Consolidation

The consolidated financial statements include the accounts and results of operations of BRECI and its wholly-owned subsidiary, BREDC. Intercompany transactions have been eliminated in consolidation. BRECI and BREDC are collectively known as the Corporation.

Use of Estimates

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

Regulated Operations

Due to regulation of its rates by the board of trustees, the Corporation accounts for certain revenue and expense deferrals in accordance with *ASC 980*. Accordingly, certain costs and income may be capitalized as a regulatory asset or liability that would otherwise be charged to expense or revenue. Regulatory assets and liabilities are recorded when it is probable that future rates will permit recovery.

(2) Summary of Significant Accounting Policies (Continued)

Long-Lived Assets

The Corporation evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is reevaluated when circumstances or events change.

U.S. GAAP requires the present value of the ultimate cost for an asset's future retirement be recorded in the period in which the liability is incurred. The cost should be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. The Corporation has no legal retirement obligations related to its distribution facilities; therefore, a liability for the removal of these assets will not be recorded. Management believes the actual cost of removal, even though not a legal obligation, will be recovered through rates over the life of the distribution assets.

Utility Plant

Construction work in progress (CWIP) consists of construction and retirement costs associated with the Corporation's distribution system, as permitted under 7.CFR. 1767. CWIP charges principally include labor and applicable overheads, major materials, and contractor costs. The Corporation does not capitalize any interest incurred during construction as the majority of its distribution construction projects are of short duration.

Utility plant is capitalized at cost less related contributions in aid of construction. In general, utility plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, transformers, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

Nonutility Property

Nonutility property consists of land and improvements for the development of industrial sites to attract new industry into the Corporation's service area. Nonutility property is accounted for on the cost basis.

(2) Summary of Significant Accounting Policies (Continued)

Depreciation and Maintenance

Depreciation of the capitalized cost is provided using composite straight-line rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to accumulated depreciation.

Provision has been made for depreciation of distribution plant at a straight-line composite rate of 3.4 percent per annum with the exception of automated meters. Automated meters are depreciated based on the manufacturer's useful life which equates to 6.67 percent per annum.

Depreciation of general plant is provided on a straight-line basis over the estimated useful lives of the various assets. The rates range from 2.5 percent to 20.0 percent per annum.

The costs of maintenance, repairs, and replacements of minor items of property are charged to maintenance expense accounts.

Investments in Associated Organizations

Investments in associated organizations include investments in other cooperative organizations. Investments in other cooperative organizations represent capital investments made primarily to obtain an economical source of supply, financing, product, or service. Investments in other cooperative organizations are carried at cost plus allocated equities in accordance with *ASC 905-325-30*.

Capital credit allocations from associated organizations are included on the consolidated statements of operations as generation and transmission cooperative capital credits and other capital credits and patronage capital allocations. Generation and transmission cooperative capital credits represent the annual capital furnished to generation and transmission cooperatives through payment of power bills. The capital is recorded in the year provided, even though notification of the capital allocation is not received until later.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash equivalents typically include time deposits, certificates of deposit, commercial paper, U.S. Treasury Bills, and all highly liquid investments with original maturities of three months or less.

Receivables and Allowance for Credit Losses

Accounts receivable include billed and unbilled receivables and are stated at the amount expected to be collected. Once an electric customer's service ceases and the account is approximately 60 days past due, the Corporation writes off the associated accounts receivable. An allowance is made for credit losses based on experience and other circumstances which may affect the ability of customers to meet their obligations. Accounts considered uncollectible are charged against the allowance. Recoveries of accounts receivable previously written off are recorded against the allowance when received. Accounts receivable are reported on the consolidated balance sheets net of accumulated provision for credit losses.

Credit evaluations are performed on most potential customers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If a customer does not pay in accordance with the terms of service, the Corporation may require an additional deposit as a condition of continued service. Expected credit losses are determined based on how long a receivable has been outstanding, current economic conditions, supportable forecasts, and historical loss information.

(2) Summary of Significant Accounting Policies (Continued)

Receivables and Allowance for Credit Losses (Continued)

The allowance for credit loss activity was as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Beginning Balance	\$ 573,772	\$ 596,692
Credit Loss Accruals	-	-
Write-Offs, Net of Recoveries	<u>(64,089)</u>	<u>(22,920)</u>
	<u>\$ 509,683</u>	<u>\$ 573,772</u>

Materials and Supplies

Materials and supplies are generally used for construction and for operation and maintenance work and are not for resale. Cost is determined by the moving average method of inventory valuation. Materials and supplies are charged to construction or operations at moving average cost when used.

Patronage Capital

The Corporation is organized and operates under the Corporation form of organization. As provided in the bylaws, any excess revenues over expenses from operations are treated as advances of capital by the patrons and credited to each of them on an individual basis. Distributions to customers are made at the discretion of the board of trustees in accordance with the bylaws, subject to the restrictions contained in the long-term debt agreements. Patronage capital returned to members prior to the established rotation cycle is adjusted for present value. The present value adjustment is included in patronage capital and will remain assigned to customers until dissolution or liquidation of BRECI. In the event of dissolution or liquidation, the amounts will be returned on a pro rata basis along with any remaining patronage capital. The present value adjustment included in assigned patronage capital totaled \$34,300,800 and \$32,090,455 for the years ended December 31, 2025 and 2024, respectively.

Revenue Recognition

Sales of Electricity

Electric revenue is generated from contracts (service agreements) with the Corporation's retail electric customers. This revenue, generated from the integrated service to deliver electricity when and if called upon by the customer, is recognized as a single performance obligation satisfied over time and as electricity is delivered to the customer during the month. Unbilled revenue related to retail sales is accrued at the end of each fiscal period and is included as a component of accounts receivable on the consolidated balance sheets.

Electric revenue is billed monthly to customers on a cycle basis. The Corporation's electric rates include provisions to permit the board of directors to adjust billings for fluctuations in fuel costs, purchased power costs, and certain other costs.

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Pole Attachments

The Corporation has contractual agreements with customers for the attachment of other utility services to existing utility poles which it owns. Revenue is recognized monthly over the term of the agreements. Customers are billed in accordance with the respective contracts; either annually in arrears or semi-annual in advance depending on the type of utility service attached to the poles. Payment is due within 30 days of the bill date.

Economic Development

Revenue generated from the sale of economic development property is recognized when the customer obtains control of the specified property under the terms of the contract (purchase agreement) with the customer. Revenue is recognized at the time the performance obligation is met, when control is transferred to the customer. Revenue from economic development activities, net of expenses, are reported on the consolidated statements of operations as a component of nonoperating margins.

Revenue is comprised of the following for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Electric Revenue	\$ 104,196,250	\$ 90,028,536
Pole Rental	39,167	31,991
Fees and Other Revenue	311,330	304,519
	<u>\$ 104,546,747</u>	<u>\$ 90,365,046</u>

Sales, Use, and Other Value Added Taxes

Certain portions of the Corporation's sales are subject to sales tax imposed by jurisdictions. When required, the Corporation collects sales tax from customers and remits it to the applicable jurisdiction. The Corporation's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

Cost of Purchased Power

The Corporation has evaluated its wholesale power contracts and determined them to be capacity contracts that meet the criteria of *ASC 815-10-15-45-51*, qualifying them for the normal purchase and normal sales scope exception from the requirements of derivative accounting and reporting. For these contracts, the Corporation has elected to apply the normal purchase and normal sales scope exception. As such, the cost of power is expensed as consumed.

(2) Summary of Significant Accounting Policies (Continued)

Income Taxes

BRECI is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code which provides, in part, that the Corporation derives at least 85 percent of its annual gross income from customers to retain the exemption. The Corporation expects to meet the requirement for the tax year ended December 31, 2025. Accordingly, no provision for income taxes has been made in the consolidated financial statements.

BREDC, is a taxable entity, and any taxes resulting from operations are not considered to be significant. Net operating losses (NOL) that may be used in future years are subject to adjustment by taxing authorities. The calculation of tax assets involves various management estimates and assumptions as to the future taxable earnings. A valuation allowance is provided against deferred tax assets to the extent that it is more likely than not, based on management's estimate, that they will not be realized. Management does not believe it is more likely than not that the NOL carryforward will be utilized; as a result, a valuation allowance has been recorded.

Subsequent Events

In preparing these consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 10, 2026, the date the consolidated financial statements were available to be issued.

(3) Utility Plant

Listed below are the major classes of the electric plant as of December 31:

	<u>2025</u>	<u>2024</u>
Electric Plant		
Intangible	\$ 360	\$ 360
Distribution	159,332,144	149,169,222
General	<u>16,936,844</u>	<u>16,223,661</u>
Electric Plant in Service	176,269,348	165,393,243
Construction Work in Progress	<u>1,102,897</u>	<u>1,656,540</u>
	<u><u>\$ 177,372,245</u></u>	<u><u>\$ 167,049,783</u></u>

(4) Investments in Associated Organizations

Investments in associated organizations consist of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Central Electric Power Cooperative, Inc.	\$ 5,153,988	\$ 4,573,411
Cooperative Electric Energy Utility Supply, Inc.	2,246,845	2,097,947
National Rural Utilities Cooperative Finance Corporation (CFC)	977,245	1,090,585
Federated Rural Electric Insurance Exchange	436,848	417,719
CoBank	283,318	276,068
Meridian Cooperative, Inc.	52,410	42,748
Cooperative Response Center, Inc.	28,727	27,032
National Cooperative Services Corporation	100	100
	<u>\$ 9,179,481</u>	<u>\$ 8,525,610</u>

(5) Notes Receivable

Notes receivable consist of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Shaw Air Force Base Electrical Resiliency Loan	\$ 121,243	\$ 314,718
Energy Efficiency Loans	283,131	300,958
	404,374	615,676
Current Portion	<u>(172,752)</u>	<u>(257,403)</u>
	<u>\$ 231,622</u>	<u>\$ 358,273</u>

BRECI made an electrical resiliency loan to Shaw Air Force Base. The loan is payable over a five-year period. The loan carries a four percent interest rate and is payable in a combination of monthly installments and capital credit retirements.

BRECI provides up to \$10,000 in energy efficiency loans to its consumers. The loans carry a 5 percent interest rate and are payable in monthly installments not to exceed 120 months.

Based on ongoing credit evaluations of the notes receivable, the Corporation does not expect payment defaults or delinquencies, and has not recorded an allowance for credit losses for these notes receivable as of December 31, 2025 and 2024.

(6) Accounts Receivable, Contract Assets, and Contract Liabilities

Accounts receivable, contract assets, and contract liabilities related to revenue from contracts with customers consist of the following as of December 31:

	<u>2025</u>	2024	2023
Accounts Receivable			
Billed Receivables	\$ 7,723,523	\$ 5,615,424	\$ 4,787,509
Unbilled Receivables	<u>6,165,731</u>	<u>5,536,027</u>	<u>5,461,554</u>
	13,889,254	11,151,451	10,249,063
Less: Allowance for Credit Losses	<u>(509,683)</u>	<u>(573,772)</u>	<u>(596,692)</u>
	<u>\$ 13,379,571</u>	<u>\$ 10,577,679</u>	<u>\$ 9,652,371</u>

The Corporation had no contract assets or liabilities as of December 31, 2025, 2024, and 2023.

(7) Other Investments

Other investments consist of the following as of December 31:

	<u>2025</u>	2024
Investment in Industrial Park	\$ 316,875	\$ 316,875
Deferred Compensation Investments (See Note 11)	<u>732,220</u>	<u>900,738</u>
	<u>\$ 1,049,095</u>	<u>\$ 1,217,613</u>

The investment in industrial park is BREDC's investment in a joint venture with a government entity to develop an industrial park to foster economic development in the area. The investment is one without a readily determinable fair value and is on the cost basis minus impairment.

(8) Other Current Assets

Other current assets are primarily composed of a prepayment to Central Electric Power Cooperative, Inc. for electric energy in the amount of \$3,139,818 and \$3,141,105 as of December 31, 2025 and 2024, respectively. The remaining balance of other current assets consists of other prepaid expenses.

(9) Other Equities

Other equities are comprised of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Operating Margins	\$ 11,967	\$ 11,967
Nonoperating Margins	70,695	70,695
Unbilled Revenue Prior to 2018	3,611,000	3,611,000
Undistributed Loss in Subsidiary	(1,401,584)	(1,307,399)
Capital Credits Earned - Central Electric Power Cooperative, Inc.	5,316,598	4,736,021
Retired Capital Credits - Gain	3,480,610	3,178,713
Donated Capital	3,071,340	2,980,426
	<u>\$ 14,160,626</u>	<u>\$ 13,281,423</u>

(10) Debt

Long-Term Debt

Long-term debt consists primarily of mortgage notes payable to CFC, CoBank, and the Federal Agricultural Mortgage Corporation (Farmer Mac). Substantially all the assets of BRECI are pledged as security for long-term debt of BRECI. The loans have 10-year maturity periods and are payable on an installment basis. The loans contain certain affirmative and negative covenants, including maintenance of certain financial ratios as defined in the agreement. As of December 31, 2025 and 2024, the Corporation was in compliance with the covenants.

BRECI has received loan funds from the Rural Energy Savings Program (RESP) for the purpose of relending to qualified consumers for up to 10 years.

Long-term debts consist of the following as of December 31:

<u>Holder of Note</u>	<u>Weighted Interest Rate at December 31, 2025</u>	<u>2025</u>	<u>2024</u>
CFC	1.91%	\$ 2,794,464	\$ 3,340,090
CoBank	4.66%	1,799,728	2,329,455
Farmer Mac	4.97%	13,783,101	14,819,250
RESP	5.00%	134,817	153,255
		<u>18,512,110</u>	<u>20,642,050</u>
Maturities Due Within One Year		<u>(2,196,000)</u>	<u>(2,126,000)</u>
		<u>\$ 16,316,110</u>	<u>\$ 18,516,050</u>

(10) Debt (Continued)

Long-Term Debt (Continued)

BRECI has \$3,000,000 in unadvanced loan funds on commitment from CFC. The availability of the funds is contingent on the Corporation's compliance with one or more preconditions set forth in the mortgage agreement. As of December 31, 2025, the unadvanced loan funds were fully available to the Corporation.

Approximate principal maturities of long-term debt are as follows:

Year	Amount
2026	\$ 2,196,000
2027	2,267,000
2028	2,341,000
2029	1,830,000
2030	1,705,000
Thereafter	<u>8,173,110</u>
	<u><u>\$ 18,512,110</u></u>

Line-of-Credit

BRECI has a \$3,000,000 line-of-credit with CFC. The line-of-credit carries a variable interest rate set by the financial institution. The stated interest rate was 7.25 percent as of December 31, 2025. There was no outstanding balance on the line-of-credit as of December 31, 2025 and 2024. The availability of funds is contingent on preconditions set forth in the loan agreement and approval by the lender.

Cash Payment of Interest

Cash payments of interest totaled \$873,456 and \$923,356 for the years ended December 31, 2025 and 2024, respectively.

(11) Retiree Benefits

Pension Plan (Defined Benefit)

Pension benefits for substantially all employees of the Corporation are provided through participation in the NRECA Retirement Security Plan (RS Plan), a defined benefit plan qualified under Section 401 and tax-exempt under 501(a) of the IRC. 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.

The Corporation's annual contributions to the program represented less than 5 percent of total contributions made to the plan by all participating employers and are equal to the amounts recorded for pension cost. Contributions were \$2,020,399 and \$1,771,698 for the years ended December 31, 2025 and 2024, respectively.

(11) Retiree Benefits (Continued)

Pension Plan (Defined Benefit) (Continued)

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

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

Pension Plan (Defined Contribution Plan)

The Corporation also provides additional employee benefits to substantially all employees through the NRECA sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation’s contributory portion of costs of this plan totaled \$82,313 and \$104,324 for the years ended December 31, 2025 and 2024, respectively.

Deferred Compensation Plan

The Corporation sponsors a deferred compensation plan. Eligible employees are defined as highly compensated individuals within the definition of IRC Section 414(q). The annual deferral to the deferred compensation plan is calculated in accordance with IRC Section 457, subject to changes under IRC Section 457(b). The obligations, totaling \$732,221 and \$900,735 as of December 31, 2025 and 2024, respectively, are recorded as other long-term liabilities - deferred compensation and the related assets are reflected as a component of other investments. Plan assets are measured at fair value (See Note 15).

(12) Deferred Credits

Deferred credits consist of the following as of December 31:

	<u>2025</u>	<u>2024</u>
Unclaimed Capital Credits Settlement	\$ 86,530	\$ 86,530
Lot Deposits	58,000	54,000
Other	18,662	18,663
	<u>\$ 163,192</u>	<u>\$ 159,193</u>

(13) Commitments

The Corporation is committed to purchase all electric energy requirements from Central Electric Power Cooperative, Inc., in accordance with the wholesale power contract expiring in 2058. Under the contract, rates paid for electric power are subject to periodic review and adjustment.

Under current law, the Corporation has the ability to recover these costs from its members; however, any change to existing laws could adversely affect the ability to recover these costs.

(14) Contingencies

The Corporation is periodically involved in litigation arising in the ordinary course of business. After consultation with legal counsel, management estimates that any legal matters will be resolved without a material adverse effect on the Corporation's future financial position or results from operations.

(15) Fair Value of Financial Instruments

The Corporation records certain financial and nonfinancial assets using fair value measurements. The Corporation uses a hierarchical disclosure framework that prioritizes the level of market price observability to measure investments at fair value.

The guidance establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 - Valuations based on quoted market prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 - Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair values of the Corporation's deferred compensation investments as of December 31 by asset category are as follows:

<u>Description</u>	<u>Level</u>	<u>2025</u>	<u>2024</u>
Deferred Compensation Investments			
Short-Term Bond Funds	(1)	\$ 128,352	\$ 140,511
Stock Funds	(1)	603,868	760,227
		<u>\$ 732,220</u>	<u>\$ 900,738</u>

(16) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents and consumer accounts receivable. The Corporation maintains its cash balances in several financial institutions; cash balances throughout the year periodically exceed federally insured limits of \$250,000. As of December 31, 2025, the carrying amount of the Corporation's cash and cash equivalents was \$10,328,670. Of this balance, \$9,807,000 was covered under a repurchase agreement, maturing January 2, 2026. The repurchase agreement was collateralized by interests that include Government National Mortgage Association securities. As of December 31, 2025, the Corporation's uninsured cash totaled \$30,322.

The Corporation serves consumers in the state of South Carolina. The geographic concentration of the Corporation's consumers results in a concentration of credit risk with respect to the collection of accounts receivable. Credit evaluations are performed on most potential consumers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If a consumer does not pay based on the terms of the service agreement, the Corporation may require a consumer deposit as a condition for continued service.

March 10, 2026

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY INFORMATION**

The Board of Trustees
Black River Electric Cooperative, Inc.

We have audited the consolidated financial statements of **Black River Electric Cooperative, Inc. and Subsidiary** as of and for the years ended December 31, 2025 and 2024 and have issued our report thereon dated March 10, 2026, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying information on pages 22 through 25 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 information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McNair, McLemore, Middlebrooks & Co., LLC
McNAIR, MCLEMORE, MIDDLEBROOKS & CO., LLC

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2025

	Black River Electric Cooperative, Inc.	Black River Economic Development Corporation	Totals	Elimination Entries	Consolidated Balances
ASSETS					
Utility Plant					
Electric Plant in Service	\$ 176,269,348	\$ -	\$ 176,269,348	\$ -	\$ 176,269,348
Construction Work in Progress	1,102,897	-	1,102,897	-	1,102,897
	177,372,245	-	177,372,245	-	177,372,245
Accumulated Depreciation	(77,319,722)	-	(77,319,722)	-	(77,319,722)
	100,052,523	-	100,052,523	-	100,052,523
Other Property and Investments					
Investments in Associated Organizations	9,179,481	-	9,179,481	-	9,179,481
Investment in Subsidiary	(1,401,584)	-	(1,401,584)	1,401,584	-
Nonutility Property	2,950	825,739	828,689	-	828,689
Notes Receivable	1,492,192	-	1,492,192	(1,260,570)	231,622
Other Investments	732,221	316,874	1,049,095	-	1,049,095
	10,005,260	1,142,613	11,147,873	141,014	11,288,887
Current Assets					
Cash and Cash Equivalents	10,328,670	-	10,328,670	-	10,328,670
Accounts Receivable (Net)	13,379,571	-	13,379,571	-	13,379,571
Accounts Receivable - Intercompany	1,264,965	-	1,264,965	(1,264,965)	-
Notes Receivable - Current Portion	172,752	-	172,752	-	172,752
Materials and Supplies	1,970,745	-	1,970,745	-	1,970,745
Other	3,657,108	-	3,657,108	-	3,657,108
	30,773,811	-	30,773,811	(1,264,965)	29,508,846
Total Assets	\$ 140,831,594	\$ 1,142,613	\$ 141,974,207	\$ (1,123,951)	\$ 140,850,256
MEMBERS' EQUITY AND LIABILITIES					
Members' Equity					
Membership Fees	\$ 144,790	\$ -	\$ 144,790	\$ -	\$ 144,790
Patronage Capital	92,284,760	-	92,284,760	-	92,284,760
Other Equities	14,160,626	(1,401,584)	12,759,042	1,401,584	14,160,626
	106,590,176	(1,401,584)	105,188,592	1,401,584	106,590,176
Long-Term Debt	16,316,110	-	16,316,110	-	16,316,110
Other Long-Term Liabilities - Deferred Compensation	446,982	-	446,982	-	446,982
Current Liabilities					
Long-Term Debt - Current Portion	2,196,000	-	2,196,000	-	2,196,000
Other Long-Term Liabilities - Deferred Compensation - Current Portion	285,238	-	285,238	-	285,238
Accounts Payable	9,461,415	-	9,461,415	-	9,461,415
Accounts Payable - Intercompany	-	1,264,965	1,264,965	(1,264,965)	-
Demand Note Payable to Parent Company	-	1,260,570	1,260,570	(1,260,570)	-
Consumer Deposits	3,460,667	-	3,460,667	-	3,460,667
Accrued and Withheld Taxes	980,717	-	980,717	-	980,717
Other	949,759	-	949,759	-	949,759
	17,333,796	2,525,535	19,859,331	(2,525,535)	17,333,796
Deferred Credits	144,530	18,662	163,192	-	163,192
Total Members' Equity and Liabilities	\$ 140,831,594	\$ 1,142,613	\$ 141,974,207	\$ (1,123,951)	\$ 140,850,256

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2025

	Black River Electric Cooperative, Inc.	Black River Economic Development Corporation	Totals	Elimination Entries	Consolidated Balances
Operating Revenues	\$ 104,546,747	\$ 57,073	\$ 104,603,820	\$ (57,073)	\$ 104,546,747
Operating Expenses					
Cost of Power	69,823,769	-	69,823,769	-	69,823,769
Cost of Revenues	-	10,853	10,853	(10,853)	-
Distribution Operations	4,753,383	-	4,753,383	-	4,753,383
Distribution Maintenance	4,546,003	97,602	4,643,605	(97,602)	4,546,003
Consumer Accounts	1,940,113	-	1,940,113	-	1,940,113
Consumer Service and Information	134,459	-	134,459	-	134,459
Administrative and General	6,520,366	41,645	6,562,011	(41,645)	6,520,366
Depreciation	5,980,166	-	5,980,166	-	5,980,166
Taxes	644,911	1,159	646,070	(1,159)	644,911
	<u>94,343,170</u>	<u>151,259</u>	<u>94,494,429</u>	<u>(151,259)</u>	<u>94,343,170</u>
Operating Margins Before Interest Expense	10,203,577	(94,186)	10,109,391	94,186	10,203,577
Interest Expense	870,724	-	870,724	-	870,724
Operating Margins After Interest Expense	9,332,853	(94,186)	9,238,667	94,186	9,332,853
Nonoperating Margins	638,342	-	638,342	-	638,342
Generation and Transmission Cooperative Capital Credits	580,577	-	580,577	-	580,577
Other Capital Credits and Patronage Capital Allocations	84,090	-	84,090	-	84,090
Net Margins	<u>\$ 10,635,862</u>	<u>\$ (94,186)</u>	<u>\$ 10,541,676</u>	<u>\$ 94,186</u>	<u>\$ 10,635,862</u>

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2024

	Black River Electric Cooperative, Inc.	Black River Economic Development Corporation	Totals	Elimination Entries	Consolidated Balances
ASSETS					
Utility Plant					
Electric Plant in Service	\$ 165,393,243	\$ -	\$ 165,393,243	\$ -	\$ 165,393,243
Construction Work in Progress	1,656,540	-	1,656,540	-	1,656,540
	167,049,783	-	167,049,783	-	167,049,783
Accumulated Depreciation	(74,540,694)	-	(74,540,694)	-	(74,540,694)
	92,509,089	-	92,509,089	-	92,509,089
Other Property and Investments					
Investments in Associated Organizations	8,525,610	-	8,525,610	-	8,525,610
Investment in Subsidiary	(1,307,398)	-	(1,307,398)	1,307,398	-
Nonutility Property	2,950	836,592	839,542	-	839,542
Notes Receivable	1,624,042	-	1,624,042	(1,265,769)	358,273
Other Investments	900,737	316,876	1,217,613	-	1,217,613
	9,745,941	1,153,468	10,899,409	41,629	10,941,038
Current Assets					
Cash and Cash Equivalents	13,952,423	-	13,952,423	-	13,952,423
Accounts Receivable (Net)	10,577,679	-	10,577,679	-	10,577,679
Accounts Receivable - Intercompany	1,176,434	-	1,176,434	(1,176,434)	-
Notes Receivable - Current Portion	257,403	-	257,403	-	257,403
Materials and Supplies	1,371,035	-	1,371,035	-	1,371,035
Other	3,616,924	-	3,616,924	-	3,616,924
	30,951,898	-	30,951,898	(1,176,434)	29,775,464
Total Assets	\$ 133,206,928	\$ 1,153,468	\$ 134,360,396	\$ (1,134,805)	\$ 133,225,591
MEMBERS' EQUITY AND LIABILITIES					
Members' Equity					
Membership Fees	\$ 143,585	\$ -	\$ 143,585	\$ -	\$ 143,585
Patronage Capital	86,227,214	-	86,227,214	-	86,227,214
Other Equities	13,281,423	(1,307,399)	11,974,024	1,307,399	13,281,423
	99,652,222	(1,307,399)	98,344,823	1,307,399	99,652,222
Long-Term Debt	18,516,050	-	18,516,050	-	18,516,050
Other Long-Term Liabilities - Deferred Compensation	652,287	-	652,287	-	652,287
Current Liabilities					
Long-Term Debt - Current Portion	2,126,000	-	2,126,000	-	2,126,000
Other Long-Term Liabilities - Deferred Compensation - Current Portion	248,448	-	248,448	-	248,448
Accounts Payable	6,949,506	-	6,949,506	-	6,949,506
Accounts Payable - Intercompany	-	1,176,435	1,176,435	(1,176,435)	-
Demand Note Payable to Parent Company	-	1,265,769	1,265,769	(1,265,769)	-
Consumer Deposits	3,376,516	-	3,376,516	-	3,376,516
Accrued and Withheld Taxes	787,905	-	787,905	-	787,905
Other	757,464	-	757,464	-	757,464
	14,245,839	2,442,204	16,688,043	(2,442,204)	14,245,839
Deferred Credits	140,530	18,663	159,193	-	159,193
Total Members' Equity and Liabilities	\$ 133,206,928	\$ 1,153,468	\$ 134,360,396	\$ (1,134,805)	\$ 133,225,591

BLACK RIVER ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2024

	Black River Electric Cooperative, Inc.	Black River Economic Development Corporation	Totals	Elimination Entries	Consolidated Balances
Operating Revenues	\$ 90,365,046	\$ 88,040	\$ 90,453,086	\$ (88,040)	\$ 90,365,046
Operating Expenses					
Cost of Power	58,811,119	-	58,811,119	-	58,811,119
Distribution Operations	4,367,463	-	4,367,463	-	4,367,463
Distribution Maintenance	4,554,412	83,616	4,638,028	(83,616)	4,554,412
Consumer Accounts	1,863,706	-	1,863,706	-	1,863,706
Consumer Service and Information	115,866	-	115,866	-	115,866
Administrative and General	5,869,031	23,723	5,892,754	(23,723)	5,869,031
Depreciation	5,689,408	-	5,689,408	-	5,689,408
Taxes	586,194	1,149	587,343	(1,149)	586,194
	<u>81,857,199</u>	<u>108,488</u>	<u>81,965,687</u>	<u>(108,488)</u>	<u>81,857,199</u>
Operating Margins Before Interest Expense	8,507,847	(20,448)	8,487,399	20,448	8,507,847
Interest Expense	<u>920,119</u>	<u>-</u>	<u>920,119</u>	<u>-</u>	<u>920,119</u>
Operating Margins After Interest Expense	7,587,728	(20,448)	7,567,280	20,448	7,587,728
Nonoperating Margins	478,670	-	478,670	-	478,670
Generation and Transmission Cooperative Capital Credits	582,196	-	582,196	-	582,196
Other Capital Credits and Patronage Capital Allocations	<u>59,133</u>	<u>-</u>	<u>59,133</u>	<u>-</u>	<u>59,133</u>
Net Margins	<u>\$ 8,707,727</u>	<u>\$ (20,448)</u>	<u>\$ 8,687,279</u>	<u>\$ 20,448</u>	<u>\$ 8,707,727</u>

March 10, 2026

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Trustees
Black River Electric Cooperative, Inc.

In planning and performing our audit of the consolidated financial statements of **Black River Electric Cooperative, Inc. and Subsidiary** (the Corporation) as of and for the year ended December 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the Corporation'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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation'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 over financial reporting, 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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 may exist that have not been identified.

This communication is intended solely for the information and use of management and the board of trustees and is not intended to be, and should not be, used by anyone other than these specified parties.

McNair, McLemore, Middlebrooks & Co., LLC
MCNAIR, MCLEMORE, MIDDLEBROOKS & CO., LLC