

Report of Independent Auditors and Financial Statements  
CORE Electric Cooperative  
December 31, 2025 and 2024

## **Table of Contents**

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	<b>Page</b>
<b>Board of Directors and CEO</b>	1
<b>Report of Independent Auditors</b>	2
<b>Financial Statements</b>	
Balance Sheets	5
Statements of Operations and Comprehensive Income	7
Statements of Equities and Margins	8
Statements of Cash Flows	9
Notes to Financial Statements	11

**CORE Electric Cooperative**  
**Board of Directors and CEO**  
**as of December 31, 2025**

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<u>NAME</u>	<u>TITLE</u>	<u>ADDRESS</u>
Timothy L. White	President / Director	Castle Rock, Colorado
James Anest	Vice President / Director	Parker, Colorado
Michael Kempe	Secretary-Treasurer / Director	Littleton, Colorado
Ron Kilgore	Assistant Secretary-Treasurer / Director	Castle Rock, Colorado
Robert Graf	Director (served through January 2026)	Centennial, Colorado
Stacey Stegman	Director	Centennial, Colorado
Mike Sperry	Director	Woodland Park, Colorado
Pam Feuerstein	Chief Executive Officer	Larkspur, Colorado

## **Report of Independent Auditors**

The Board of Directors  
CORE Electric Cooperative

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of CORE Electric Cooperative, which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations and comprehensive income, equities and margins, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CORE Electric Cooperative as of December 31, 2025 and 2024, and the results of its operations 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 (U.S. 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 CORE Electric Cooperative 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 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 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 CORE Electric Cooperative's ability to continue as a going concern within one year after the date that the financial statements are issued.

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

Our objectives are to obtain reasonable assurance about whether the 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 U.S. 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 financial statements.

In performing an audit in accordance with U.S. GAAS, 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 CORE Electric Cooperative'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 CORE Electric Cooperative'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.

*Baker Tilly US, LLP*

Portland, Oregon

March 26, 2026

## **Financial Statements**

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**CORE Electric Cooperative**  
**Balance Sheets**  
**December 31, 2025 and 2024**

	2025	2024
<b>ASSETS</b>		
<i>(dollars in thousands)</i>		
UTILITY PLANT		
Plant in service	\$ 1,754,906	\$ 1,639,025
Less: accumulated depreciation	(729,412)	(521,976)
Net plant in service	1,025,494	1,117,049
Construction work in progress	107,770	138,508
Net utility plant	1,133,264	1,255,557
INVESTMENTS AND OTHER ASSETS	39,781	38,286
CURRENT ASSETS		
Cash and cash equivalents	37,065	62,888
Receivables (less provision for uncollectible accounts of \$699 and \$567 in 2025 and 2024, respectively)	17,419	16,605
Unbilled revenue	28,083	23,823
Materials and supplies	27,541	30,369
Prepayments and other current assets	2,615	2,643
Total current assets	112,723	136,328
DEFERRED DEBITS	188,952	10,125
Total assets	\$ 1,474,720	\$ 1,440,296

See accompanying notes.

**CORE Electric Cooperative**  
**Balance Sheets**  
**December 31, 2025 and 2024**

	2025	2024
<b>LIABILITIES AND CAPITAL EQUITIES</b>		
<i>(dollars in thousands)</i>		
<b>CAPITAL EQUITIES</b>		
Memberships	\$ 764	\$ 764
Patronage capital	371,142	370,317
Other equities	33,138	28,356
Other comprehensive income	12,692	8,457
Total	417,736	407,894
<b>LONG-TERM LIABILITIES</b>	839,486	828,613
<b>OTHER LONG-TERM OBLIGATIONS</b>	15,640	19,034
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	39,807	38,284
Current advance on line of credit	-	10,000
Accounts payable	38,287	45,084
Accrued expenses	13,151	14,675
Accrued taxes	11,832	11,856
Customer deposits	4,402	3,876
Total	107,479	123,775
<b>DEFERRED AND OTHER LIABILITIES</b>	94,379	60,980
<b>COMMITMENTS AND CONTINGENCIES (NOTE 10)</b>		
Total liabilities and capital equities	\$ 1,474,720	\$ 1,440,296

See accompanying notes.

**CORE Electric Cooperative**  
**Statements of Operations and Comprehensive Income**  
**Years Ended December 31, 2025 and 2024**

<i>(dollars in thousands)</i>	<u>2025</u>	<u>2024</u>
<b>OPERATING REVENUE</b>		
Electric energy revenue	\$ 369,698	\$ 334,996
Miscellaneous electric revenue	3,668	37,185
Total operating revenue	<u>373,366</u>	<u>372,181</u>
<b>OPERATING EXPENSES</b>		
Cost of power purchased	142,644	129,564
Power production expense	24,392	32,945
Maintenance of transmission plant	3,121	2,726
Operating expenses – distribution	10,215	11,200
Maintenance of distribution plant	21,548	21,378
Accounting and collection expenses	4,861	7,556
Other customer expenses	1,631	1,534
Administrative and general	34,818	39,890
Depreciation	54,687	55,556
Regulatory liability/asset expense, net	11,330	5,832
Taxes	10,357	9,104
Total operating expenses	<u>319,604</u>	<u>317,285</u>
<b>ELECTRIC OPERATING MARGINS</b>	53,762	54,896
<b>INTEREST ON LONG-TERM DEBT, NET OF INTEREST CHARGED TO CONSTRUCTION OF \$5,586 AND \$5,944 IN 2025 AND 2024, RESPECTIVELY</b>	<u>41,058</u>	<u>38,625</u>
<b>OPERATING MARGIN BEFORE CAPITAL CREDITS</b>	12,704	16,271
<b>CAPITAL CREDITS</b>	<u>4,274</u>	<u>3,713</u>
<b>OPERATING MARGIN</b>	<u>16,978</u>	<u>19,984</u>
<b>NON-OPERATING MARGINS (DEFICITS)</b>		
Interest revenue	2,156	1,495
Other expense	<u>(301)</u>	<u>(1,953)</u>
Total non-operating margins (deficits)	<u>1,855</u>	<u>(458)</u>
<b>NET MARGINS</b>	<u>18,833</u>	<u>19,526</u>
<b>OTHER COMPREHENSIVE INCOME</b>	<u>4,235</u>	<u>765</u>
<b>COMPREHENSIVE INCOME</b>	<u>\$ 23,068</u>	<u>\$ 20,291</u>

See accompanying notes.

**CORE Electric Cooperative**  
**Statements of Equities and Margins**  
**Years Ended December 31, 2025 and 2024**

<i>(dollars in thousands)</i>	<u>2025</u>	<u>2024</u>
<b>Memberships</b>		
Balance at January 1,	\$ 764	\$ 764
Additions	-	-
Balance at December 31,	<u>764</u>	<u>764</u>
<b>Patronage capital</b>		
Balance at January 1,	370,317	363,326
Transfer of net margins	18,833	19,526
Retirement of capital credits, net	<u>(18,008)</u>	<u>(12,535)</u>
Balance at December 31,	<u>371,142</u>	<u>370,317</u>
<b>Other equity</b>		
Balance at January 1,	28,356	25,530
Additions	<u>4,782</u>	<u>2,826</u>
Balance at December 31,	<u>33,138</u>	<u>28,356</u>
<b>Other comprehensive income</b>		
Balance at January 1,	8,457	7,692
Unrealized gain on pension and post-retirement benefits	<u>4,235</u>	<u>765</u>
Balance at December 31,	<u>12,692</u>	<u>8,457</u>
<b>Total equities and margins</b>	<u><u>\$ 417,736</u></u>	<u><u>\$ 407,894</u></u>

See accompanying notes.

**CORE Electric Cooperative**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

<i>(dollars in thousands)</i>	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net margins	\$ 18,833	\$ 19,526
Adjustments to reconcile net margins to net cash provided by operating activities		
Depreciation	54,687	55,556
Depreciation charged to clearing	780	845
Amortization of terminal facilities	284	293
Amortization of conversion option fee	704	733
Accretion of asset retirement obligation	427	411
Patronage capital credits assigned by associated organizations	(4,274)	(3,713)
Change in assets and liabilities		
Receivables, net	(814)	5,293
Unbilled revenue	(4,260)	(3,933)
Prepayments and other current assets	28	1,871
Other deferred debits	(11,551)	4,995
Accounts payable	(6,797)	9,995
Accrued expenses and taxes	(1,548)	(2,331)
Customer deposits	526	474
Other deferred liabilities	34,539	36,958
Pension and post-retirement benefits	415	200
	<b>81,979</b>	<b>127,173</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in utility plant, net of interest charged to construction of \$5,586, and \$5,944 in 2025 and 2024, respectively	(100,735)	(128,776)
Decrease in materials and supplies	2,828	2,769
Decrease in nonutility property	6	4
Capital credits redeemed	2,773	1,779
	<b>(95,128)</b>	<b>(124,224)</b>

See accompanying notes.

**CORE Electric Cooperative**  
**Statements of Cash Flows**  
**Years Ended December 31, 2025 and 2024**

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<i>(dollars in thousands)</i>	2025	2024
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal borrowings on long-term debt	\$ 50,000	\$ 105,000
Payments on long-term debt	(38,308)	(42,488)
Line of credit activity, net	(10,000)	(28,000)
Capital refunds to members	(18,008)	(12,537)
Customer advances for construction, net	(1,140)	(2,194)
Increase in other capital	4,782	2,826
	<u>(12,674)</u>	<u>22,607</u>
 Net change in financing activities	 <u>(12,674)</u>	 <u>22,607</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	 <u>(25,823)</u>	 <u>25,556</u>
 CASH AND CASH EQUIVALENTS – beginning of year	 <u>62,888</u>	 <u>37,332</u>
 CASH AND CASH EQUIVALENTS – end of year	 <u>\$ 37,065</u>	 <u>\$ 62,888</u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 46,352</u>	<u>\$ 49,096</u>
Cash paid during the year for property taxes	<u>\$ 10,486</u>	<u>\$ 10,240</u>

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See accompanying notes.

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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**Note 1 – Nature of Organization and Operations**

CORE Electric Cooperative (the Cooperative or CORE) is a Colorado cooperative engaged in the generation, transmission, and distribution of electric energy in a 5,000 square mile service territory which includes portions of eleven counties surrounding the Denver metropolitan area. CORE serves approximately 183,000 meters and related distribution assets and, by this measure, is the largest of the twenty-two electric distribution cooperatives in the state. The Cooperative also owns and operates approximately 314 miles of energized transmission lines. The Cooperative's headquarters is located in Sedalia, Colorado.

CORE owns 25 1/3% of a supercritical, pulverized coal-fired generating plant, Comanche III, located in Pueblo, Colorado. The plant is operated by Public Service Company of Colorado (PSCo) which owns 66 2/3% of the unit. Holy Cross Energy owns the remaining 8%. Comanche III achieved commercial operation on July 6, 2010. The plant was originally designed to produce 750 megawatts (MW) net output. Following an equipment failure in 2025, the plant capacity is expected to be derated by 25 MW through its retirement. The Cooperative pays its proportionate share of operating, maintenance, and capital expenditures and is entitled to its ownership share of the plant's generation.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of accounting and presentation** – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to regulated enterprises, which conform to policies prescribed by the Federal Energy Regulatory Commission (FERC) Uniform System of Accounts – Electric. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*, the Cooperative records certain assets and liabilities in accordance with the economic effects of the rate making process.

**Utility plant and depreciation** – Utility plant assets are stated at cost (see Note 3). Cost includes contracted services, direct labor and materials, interest capitalized during construction, and indirect charges. Contributions in aid of construction are credited to the applicable plant accounts. The provision for depreciation is determined by the straight-line method over estimated useful asset lives (as specified by FERC for utility plant) ranging from five to thirty-six years.

A provision has been made for depreciation of the generation plant on a straight-line composite rate averaging 3.96%. A provision has been made for depreciation of transmission and distribution plant on a straight-line composite rate averaging 2.66%. Depreciation rates for other electric plant are applied on a straight-line composite rate as determined to be appropriate based on the asset category. General plant depreciation rates have been applied on a straight-line basis at rates which will depreciate the assets over their estimated useful lives.

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 expense and other accounts. For utility plant, the actual or average cost of property replaced or renewed is removed from utility plant, and such cost, together with costs of removal less salvage, is charged to accumulated depreciation.

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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Management assesses impairment and the existence of asset retirement obligations annually and as circumstances warrant.

**Investments** – Investments in associated organizations are carried at cost, plus capital credits allocated and not retired (see Note 4).

**Cash and cash equivalents** – The Cooperative considers short-term investments with original maturities of three months or less to be cash equivalents.

The Cooperative maintains its temporary cash investments and checking accounts in federally chartered depository financial institutions located in its service territory, the National Rural Utilities Cooperative Finance Corporation (CFC), and in CoBank, ACB (CoBank). The Federal Deposit Insurance Corporation (FDIC) insures cash deposits up to certain limits. The Cooperative maintains accounts at FDIC insured institutions and at times deposits may exceed insured amounts.

**Receivables** – Receivables are recorded when invoices are issued and stated at the amount that management expects to collect. The Cooperative provides an allowance for credit losses to estimate losses from uncollectible accounts. The allowance for credit losses is estimated based on historical losses, review of specific problem accounts, current and reasonably supportable expected future economic conditions, and the financial stability of customers. Generally, receivables are considered past due after 30 days.

**Fair value of financial instruments** – Financial instruments include cash and investments. Investments in associated organizations are not considered a financial instrument because they represent nontransferable interests in such associated organizations.

The Cooperative has established a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

**Materials and supplies** – Materials and supplies consist primarily of items for construction and maintenance of the utility plant and are stated at average cost.

**Deferred debits and liabilities** – Deferred debits and liabilities consist of deferrals in accordance with generally accepted accounting principles, which include regulatory assets and liabilities. Due to regulation of its rates by its Board, the Cooperative is subject to regulatory accounting requirements. Accordingly, certain costs and income may be deferred as a regulatory asset or liability that would otherwise be charged to expenses or revenues. Regulatory assets and liabilities are recorded when it is probable that future rates will permit recovery (see Note 5 and Note 9).

**Asset retirement obligations** – Accounting standards require the recognition of an Asset Retirement Obligation (ARO), measured at estimated fair value, for legal obligations related to decommissioning and restoration costs associated with the retirement of tangible long-lived assets in the period in which the liability is incurred. The initial capitalized asset retirement costs are depreciated over the life of the related asset, with accretion of the ARO liability classified as an operating expense.

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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**Income taxes** – The Cooperative is exempt from federal income taxes under the provisions of Section 501(c)(12) of the Internal Revenue Code. The Cooperative files an exempt organization tax return in the U.S. federal jurisdiction. As of December 31, 2025 and 2024, the Cooperative had no uncertain tax positions, and no provision for income taxes, consistent with its tax-exempt status.

**Patronage capital** – Margins are assigned to individual Cooperative members' capital credit accounts based upon their share of energy usage for electric service provided by the Cooperative during the year. Amounts are assigned to members subsequent to year end. Non-operating margins are allocated to members at the discretion of the Board of Directors. Capital credits are returned to members in accordance with the Cooperative's bylaws, subject to the covenants contained in the long-term debt agreements.

**Revenue recognition and unbilled revenue** – Revenue is recognized when obligations under the terms of a contract with members are satisfied. Generally, this satisfaction of performance obligations and transfer of control occurs, and revenues are recognized as electricity is delivered to members, including any services provided. The prices charged, and amount of consideration the Cooperative receives in exchange for its goods and services provided, are established and approved by the Cooperative's Board of Directors. The Cooperative recognizes revenue through the following steps: i) identifying the contract with the member; ii) identifying the performance obligations in the contract; iii) determining the transaction price; iv) allocating the transaction price to the performance obligations; and v) recognizing revenue when or as each performance obligation is satisfied. Revenue is recognized to period-end through an accrual of unbilled revenue.

**Other comprehensive income** – Accounting principles generally require that recognized revenue, expense, gains, and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses in pension and post-retirement benefits, are reported as a separate component of the equity section of the balance sheet, such items are components of comprehensive income.

**Pension and other post-retirement benefits** – The Cooperative has defined benefit pension plans (Plans) and a defined contribution 401(k) plan for employees meeting eligibility requirements. The Cooperative reports the current economic status (the overfunded or underfunded status) of the Plans in its balance sheet and measures the Plans assets and Plans obligations as of the balance sheet date based upon an actuarial analysis (see Note 8).

**Net metering** – During the year ended December 31, 2025, the Cooperative revised its accounting treatment for net metering arrangements to record amounts owed to members for excess generation as a liability on the balance sheet. Under the Cooperative's net metering program, participating members may accumulate credits for electricity generated in excess of their consumption, which are subsequently settled through bill credits or cash payments in accordance with approved net metering tariffs.

Previously, net metering credits were recognized when settled with members. Under the revised accounting treatment, the Cooperative records a liability for accumulated net metering credits as of each reporting date, with changes in the liability recognized in power supply expense in the period incurred. This treatment more appropriately reflects the Cooperative's obligation to members and improves the matching of energy costs and related revenues. The net metering liability is included in accrued expenses on the accompanying balance sheets.

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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**Accrued paid time off** – The Cooperative accrues accumulated paid time off as the obligation is incurred. Accumulated paid time off is included in accrued expenses on the accompanying balance sheets.

**Concentration of credit risk** – Financial instruments that are exposed to concentrations of credit risk consist primarily of cash and receivables. The Cooperative's noninterest-bearing cash balances may exceed federally insured limits of \$250 per account. The Cooperative has not experienced any losses in such accounts to date.

Credit is extended to customers generally without collateral requirements; however, deposits are obtained from certain customers and formal shut-off procedures are in place.

**Leases** – The Cooperative determines if an arrangement contains a lease at inception. At commencement of the lease, the Cooperative records a right-of-use (ROU) asset and lease liability on the balance sheets. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Cooperative's obligation to make lease payments arising from the lease. As of December 31, 2025, the Cooperative had lease arrangements; however, the related amounts were immaterial to the financial statements. As of December 31, 2024, the Cooperative had no agreements that met the definition of a commenced lease.

**Use of estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Specific estimates include allowance for credit losses, inventory allowance, unbilled revenue, depreciation, asset retirement obligation, and pension and post-retirement benefit obligations. Actual results could differ from those estimates.

**Subsequent events** – Accounting standards require disclosure of the date through which subsequent events have been evaluated, as well as whether the date is the date the financial statements were issued or the date the financial statements were available to be issued. The Cooperative has evaluated subsequent events through March 26, 2026, the date the financial statements were available to be issued (see Note 13).

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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**Note 3 – Utility Plant**

Utility plant consists of the following as of December 31:

	2025	2024
Distribution plant	\$ 1,024,530	\$ 993,057
Generation plant	420,354	407,455
General plant	158,226	94,344
Transmission plant	144,728	137,102
Generation asset retirement obligation	7,051	7,050
Intangible plant	17	17
	<b>\$ 1,754,906</b>	<b>\$ 1,639,025</b>
Construction work in progress – distribution and general	\$ 104,370	\$ 128,687
Construction work in progress – Comanche III generation	3,400	9,821
	<b>\$ 107,770</b>	<b>\$ 138,508</b>

**Note 4 – Investments and Other Assets**

The Cooperative is a member of various cooperatives and associated organizations. Patronage capital from associated organizations is recorded at the stated amount of the certificates. Patronage capital will be returned to the Cooperative based upon the respective entities' bylaws subject to certain restrictions and the financial health of these cooperatives.

Investments and other assets consist of the following as of December 31:

	2025	2024
Investment in associated organizations, at cost	\$ 39,725	\$ 38,224
Nonutility property, net	56	62
	<b>\$ 39,781</b>	<b>\$ 38,286</b>

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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	2025	2024
CFC:		
Capital credits	\$ 13,312	\$ 13,242
Zero term certificates, maturing through 2043	4,012	4,076
Capital term certificates, 5.00% maturing through 2080	2,037	2,037
Loan term certificates, 3.00% maturing through 2030	125	864
Membership	1	1
CoBank:		
Capital credits	13,177	12,693
Membership	1	1
Other organizations	7,060	5,310
Total	\$ 39,725	\$ 38,224

**Note 5 – Deferred Debits**

**Regulatory asset – Comanche III outage costs** – A regulatory balancing account was authorized by the Cooperative’s Board of Directors to normalize the costs associated with periodic maintenance outages of Comanche III as well as any extraordinary maintenance or repair expenses and purchases of replacement power incurred as a result of unscheduled outages. The regulatory balance has been established under the provisions of ASC 980 – *Regulated Operations*. The outage costs are recorded as a regulatory asset and are recovered through member rates. For the year ended December 31, 2025, outage expenses of \$10,455 were deferred as a regulatory asset. For the year ended December 31, 2024, no outage expenses were deferred as a regulatory asset.

**Regulatory asset – Comanche III impairment** – During the year ended December 31, 2025, management determined that the Comanche III generating facility is expected to cease operations no later than January 1, 2031. Based on this determination, management evaluated the recoverability of the plant’s net book value and recorded an impairment which reduced the carrying value of the facility to its estimated recoverable amount prior to the plant’s scheduled end of life.

As a rate-regulated entity, the Cooperative is entitled to recovery of prudently incurred generation costs through future member rates. The Cooperative, therefore, established a regulatory asset for the impaired portion of its Comanche III investment. The creation of the regulatory asset and the related recovery period were authorized by the Cooperative’s rate-setting body, its Board of Directors. For the year ended December 31, 2025, impairment costs of \$167,560 were deferred as a regulatory asset.

The impairment and corresponding regulatory asset had no immediate impact on margins, as the impairment charge was offset by the recognition of the regulatory asset. The regulatory asset will be amortized to expense beginning January 1, 2031, and will be recognized over the remaining period of the related indebtedness to ensure recovery through rates.

**Terminal facilities** – This deferral represents the cost of substation high-side equipment that was transferred to PSCo during the years 2000 to 2008. The Cooperative is amortizing this deferral over the expected life of this equipment. \$284 and \$293 was amortized for the years ended December 31, 2025 and 2024, respectively.

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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**LiDAR testing** – This deferral represents a reclassification of expenses related to transmission line testing from utility plant to deferred debits to be amortized through December 31, 2029.

Deferred debits at December 31 were as follows:

	2025	2024
Regulatory asset – Comanche III impairment	\$ 167,560	\$ -
Regulatory asset – Comanche III outage costs	10,455	-
Regulatory asset – other	2	-
Terminal facilities	4,390	4,674
Xcel Energy operating deposit	4,298	4,298
LiDAR testing - transmission lines	1,257	-
Long-term prepaids	660	771
Retired employee life/long-term care insurance	308	323
Long-range study	22	59
	<u>\$ 188,952</u>	<u>\$ 10,125</u>
Total	<u>\$ 188,952</u>	<u>\$ 10,125</u>

**Note 6 – Long-Term Liabilities**

Long-term debt is represented by mortgage notes payable to CFC, CoBank, and New York Life. Such notes are secured equally and ratably under the Cooperative’s Indenture of Mortgage, Security Agreement and Financing Statement (Indenture). The agreements governing the mortgage notes contain certain financial and non-financial covenants. Substantially all assets are pledged under the Indenture as security for long-term debt to CFC, CoBank, and New York Life.

The following is a summary of outstanding long-term liabilities as of December 31:

	2025	2024
CFC		
4.58% to 6.85% notes, maturing through 2058	\$ 282,338	\$ 291,546
CoBank		
2.39% to 6.54% distribution construction loans maturing through 2055	323,379	316,647
6.65% to 6.76% generation loans maturing through 2039	254,354	265,187
New York Life		
5.32% note, maturing 2040	25,000	-
	<u>885,071</u>	<u>873,380</u>
Subtotal	885,071	873,380
Less: current maturities	39,807	38,284
Less: conversion option fees	5,778	6,483
	<u>\$ 839,486</u>	<u>\$ 828,613</u>
Total long-term liabilities	<u>\$ 839,486</u>	<u>\$ 828,613</u>

Conversion option fees were incurred in connection with restructuring certain CFC notes in March 2016. In accordance with generally accepted accounting principles, these fees are recorded as contra-debt.

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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Maturities of long-term debt for the next five years ending December 31 and thereafter are as follows:

2026	39,807
2027	38,857
2028	39,698
2029	40,470
2030	38,207
Thereafter	<u>688,032</u>
	<u>\$ 885,071</u>

**Note 7 – Lines of Credit**

The Cooperative has two general lines of credit at variable interest rates, one with CoBank in the amount of \$150,000, and one with CFC in the amount of \$50,000. The CoBank line has a maturity date of October 31, 2026. The CFC line automatically renews yearly subject to Board of Directors approval, unless terminated by either party through December 31, 2049.

As of December 31, 2025, no funds had been advanced on the CFC line of credit or the CoBank line of credit. As of December 31, 2024, no funds had been advanced on the CFC line of credit, and \$10,000 had been advanced on the CoBank line of credit.

**Note 8 – Other Long-Term Obligations**

At December 31, other long-term obligations were as follows:

	<u>2025</u>	<u>2024</u>
Pension plan obligations	\$ 2,669	\$ 3,220
Post-retirement benefit obligations	1,042	4,312
Asset retirement obligations	<u>11,929</u>	<u>11,502</u>
Total	<u>\$ 15,640</u>	<u>\$ 19,034</u>

The Cooperative has two active noncontributory defined benefit pension plans that, in total, cover substantially all employees. The plans provide defined benefits based on years of service and compensation rates near retirement. The Cooperative had one noncontributory defined benefit pension plan that was frozen in May 2022 and closed out in 2025.

**Postretirement Welfare Benefits (PRBO)** – The Cooperative provides certain postretirement health care benefits to eligible retirees, including health care and long-term care insurance. The health care plan is contributory, with participant contributions adjusted annually. The long-term care plan is purchased at retirement and participants make yearly contributions toward the cost. The Cooperative will pay up to one-half of the retiree and dependent premiums for any retiree based on the following formula:

Ten percent vesting per year beginning at age 55, times the number of service years, times 0.01677.

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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The obligation associated with these benefits is actuarially determined and reported as the Post Retirement Benefit Obligation (PRBO), with related expense recognized as net periodic postretirement benefit cost. The plan is unfunded, and no plan assets are held as of December 31, 2025.

During 2025, the Cooperative amended its postretirement benefit plan, eliminating certain benefits previously provided under the plan. As a result, the PRBO decreased as of December 31, 2025, as reflected in the actuarial valuation prepared by the Cooperative's independent actuary. The impact of the plan amendments resulted in the recognition of prior service cost credits, which are being amortized over the remaining service period of plan participants and reflected as a reduction of net periodic postretirement benefit cost.

Net periodic postretirement benefit cost, the funded status of the plan, and key actuarial assumptions are presented in the accompanying schedules and are based on actuarial valuations as of January 1, 2025, and January 1, 2026.

FASB ASC 715 requires recognition of the funded status of post-retirement benefits on the balance sheet, on a prospective basis. The change in the liability for post-retirement benefits is recorded as an adjustment to comprehensive income.

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

The following disclosure reflects the obligation and funded status as of December 31:

**Obligation and funded status**

	Pension Benefits		Post-Retirement Benefit Obligations	
	2025	2024	2025	2024
Actuarial present value of benefit obligations				
Accumulated benefit obligation	\$ 31,372	\$ 25,178	\$ 1,042	\$ 4,312
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 28,284	\$ 24,195	\$ 4,312	\$ 4,425
Service cost	5,668	5,506	341	353
Interest cost	1,458	1,238	242	233
Retiree contributions received	-	-	129	138
Assumption changes	-	-	17	-
Plan Amendments	-	-	(3,258)	-
Actuarial loss (gain)	1,367	(988)	(424)	(437)
Benefits paid	(2,326)	(1,667)	(317)	(400)
Benefit obligation at end of year	\$ 34,451	\$ 28,284	\$ 1,042	\$ 4,312
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 25,064	\$ 20,524	\$ -	\$ -
Actual return on plan assets	3,777	972	-	-
Employer contributions	5,267	5,235	188	262
Plan participants' contributions	-	-	129	138
Benefits and expenses paid	(2,326)	(1,667)	(317)	(400)
Fair value of plan assets at end of year	\$ 31,782	\$ 25,064	\$ -	\$ -
Reconciliation of funded status				
Funded status (underfunded)	\$ (2,669)	\$ (3,220)	\$ (1,042)	\$ (4,312)
Components of net periodic benefit cost				
Service cost	\$ 5,668	\$ 5,506	\$ 341	\$ 353
Interest cost	1,458	1,238	242	233
Expected return on plan assets	(1,355)	(1,149)	-	-
Amortization of net gain	-	-	(470)	(479)
Net periodic benefit cost	\$ 5,771	\$ 5,595	\$ 113	\$ 107
Amounts recognized in accumulated other comprehensive (income) loss				
Net actuarial gain	\$ (1,040)	\$ (808)	\$ (407)	\$ (437)
New prior service cost	-	-	(3,258)	-
Amortization of net gain	-	-	470	480
Total recognized in other comprehensive (income) loss	\$ (1,040)	\$ (808)	\$ (3,195)	\$ 43

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

**Actuarial assumptions** – The total pension benefits and post-retirement benefit obligations in the actuarial valuations were determined using the following actuarial assumptions:

	Pension Benefits		Post-Retirement Benefit Obligations	
	2025	2024	2025	2024
Assumptions used to determine net periodic benefit				
Discount rate	5.76%	5.34%	5.76%	5.79%
Expected return on plan assets	5.00%	5.00%	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A
Assumptions used to determine benefit obligations				
Discount rate	5.75%	5.76%	5.79%	5.39%
Expected return on plan assets	N/A	N/A	N/A	N/A
Rate of compensation increase	4.00%	4.00%	N/A	N/A

For measurement purposes, an annual rate of increase beginning in 2023 at 7%, gradually declining to a 5.0% ultimate trend rate of increase by 2025 in the cost per capita of covered health care benefits was assumed.

The Cooperative had one fully insured pension fund which was frozen in May 2022. Total pension costs for this plan amount to \$0 for the years ended December 31, 2025 and 2024.

The Cooperative adopted a variable defined benefit plan in 2022. Pension costs for this plan for the years ended December 31, 2025 and 2024, amounted to \$4,644 and \$4,336, respectively.

The Cooperative sponsors a defined benefit pension plan for employees covered under a collective bargaining agreement. Pension costs for this plan for the years ended December 31, 2025 and 2024, amounted to \$1,127 and \$1,259, respectively.

The Cooperative has a 401(k) savings plan for employees. Employer contributions for the years ended December 31, 2025 and 2024, amounted to \$1,372 and \$1,217, respectively.

**Plan assets** – Average asset allocations, by asset category:

	Pension Benefits		Post-Retirement Benefit Obligations		Fair Value Level	
	2025	2024	2025	2024	2025	2024
Mutual funds	63%	54%	N/A <sup>1</sup>	N/A <sup>1</sup>	1	1
Collective investment trusts	33%	45%	N/A <sup>1</sup>	N/A <sup>1</sup>	2	2
Money market deposit account	4%	1%	N/A <sup>1</sup>	N/A <sup>1</sup>	1	1
Total	100%	100%	N/A <sup>1</sup>	N/A <sup>1</sup>		

<sup>1</sup> There were no post-retirement benefit obligation plan assets as of December 31, 2025 and 2024.

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

---

**Estimated future benefit payments** – The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	Pension Benefits	Post-Retirement Benefit Obligations
2026	\$ 581	\$ 84
2027	1,861	61
2028	3,468	65
2029	1,437	68
2030	1,737	71
Years 2031–2035	13,663	312

**Asset retirement obligations** – During 2010, construction was completed on the Comanche III generating facility. As of the date of completion, the Cooperative became legally obligated to share in the costs to dismantle and remove Comanche III at the termination of its then estimated useful life of sixty years. Accordingly, a liability was established equal to the present value of the Cooperative’s obligation, and the carrying amount of Comanche III was increased by the same amount. This liability has increased by applying the interest method of accretion to the liability and the capitalized costs have been depreciated over the useful life of Comanche III. Effective December 31, 2025, the Cooperative revised its estimate of the remaining useful life of Comanche III to six years. The facility is expected to cease operations by January 1, 2031.

The following is a reconciliation of the aggregate retirement liability associated with the Cooperative’s obligation to dismantle and remove Comanche III:

BALANCE, December 31, 2023	\$ 11,092
Increase in the present value of the obligation (accretion)	411
BALANCE, December 31, 2024	11,503
Increase in the present value of the obligation (accretion)	426
BALANCE, December 31, 2025	\$ 11,929

**Note 9 – Deferred and Other Liabilities**

At December 31, deferred credits were as follows:

	2025	2024
Customers’ advances for construction	\$ 225	\$ 1,365
Unamortized joint use income	98	115
Regulatory liability - deferred revenue	75,000	59,500
Regulatory liability - WPCA	19,056	-
Total	\$ 94,379	\$ 60,980

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

---

During the year ended December 31, 2022, the Cooperative adopted a Deferred Revenue plan in accordance with *Accounting Standards Codification 980, Regulated Operations*. This plan was designed to help offset the potential increase of power cost in future years. The net revenue deferred under this plan was \$15,500 and \$37,000 for the years then ended December 31, 2025 and 2024, respectively. The balance of deferred revenue as of December 31, 2025 and 2024, was \$75,000 and \$59,500, respectively. The balance of the plan will be recognized over the years 2026–2030.

**Wholesale Power Cost Adjustment (WPCA)** – Effective January 1, 2025, the Cooperative revised its accounting treatment for the Wholesale Power Cost Adjustment (WPCA). The WPCA is a Board-approved rate mechanism designed to recover or refund differences between actual wholesale power supply costs and the baseline power costs included in member rates.

Under the revised accounting treatment, WPCA over-collections and under-collections are recorded as a regulatory liability or regulatory asset, respectively, on the balance sheet as of each reporting date. These balances represent amounts owed to, or recoverable from, members through future WPCA billings and credits, consistent with the Cooperative's approved WPCA procedure.

Previously, WPCA amounts were recognized in the statement of operations when billed or refunded to members, which could result in timing differences between the recognition of wholesale power costs and the related revenue recovery. The revised approach reflects the economic substance of the WPCA mechanism by matching power supply costs with the period in which they are incurred and appropriately presenting amounts due to or from members at period end.

The balance of the WPCA liability as of December 31, 2025, was \$19,056.

**Note 10 – Commitments and Contingencies**

**Comanche III** – The Cooperative is a joint owner with PSCo and Holy Cross Energy in Comanche III. Ownership percentages are 25  $\frac{1}{3}$ %, 66  $\frac{2}{3}$ %, and 8%, respectively. The Cooperative is obligated to fund its percentage ownership share of the operating, maintenance and capital costs of the plant and is entitled to that share of the plant's generation.

On September 7, 2021, the Cooperative commenced litigation in the District Court of Denver, Colorado, in a dispute with PSCo concerning its failure in the operation and maintenance of Comanche III. The lawsuit alleged that PSCo breached its contractual obligations related to the operations and maintenance of Comanche III and was negligent in the operation of the transmission system at Comanche. In 2024, the parties confidentially resolved their dispute on mutually agreeable terms.

**Wholesale power agreements** – The Cooperative purchases wholesale power under long-term agreements with PSCo and WAPA. The PSCo agreement expired on December 31, 2025.

**Purchase power agreements** – The Cooperative has entered into various solar, wind, battery, and natural gas purchased power agreements extending up to 30 years. These agreements have various provisions and fixed and variable cost elements.

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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**1% franchise commitment** – Certain municipal franchises require the Company to commit a percentage of the previous year’s adjusted gross revenue derived from the customers within the franchise area. The amount is to be used when the municipality deems it necessary or desirable to change the location or nature of any Company facilities including but not limited to pole relocations, electrical facility improvements or relocations, underground conversion, or changes related to sustainability or energy efficiency initiatives. The commitment does not have a redeemable cash value to the municipalities. The following table presents activity of the commitment for the years ended December 31, 2025 and 2024:

	2025	2024
Balance, beginning of the year	\$ 2,659	\$ 2,108
Additions	-	883
Reductions based on plant constructed	(579)	(332)
Balance, end of year	\$ 2,080	\$ 2,659

**Letter of credit** – On September 5, 2024, CoBank issued an irrevocable standby letter of credit valued at \$4,973 naming Elbert County Government as beneficiary and providing financial security for the Spring Valley Substation Project, including the associated 115kV transmission line. The letter of credit was to be maintained for the duration of the project to ensure compliance with Elbert County 1041 Regulations. Spring Valley’s 115kV transmission and substation have both been energized, and the letter of credit will expire on March 31, 2026.

**General litigation** – In the normal course of business, the Cooperative is a party to claims and matters of litigation. The ultimate outcome of these matters cannot precisely be determined; however, in the opinion of management of the Cooperative, the resolution of these matters will not have material adverse effect on the Cooperative’s financial position, results of operations, or liquidity.

**Note 11 – Revenue Recognition**

The following table presents the Cooperative’s revenue, disaggregated by member type for the years ended December 31:

	2025	2024
Residential	\$ 266,472	\$ 254,611
Commercial and industrial	111,057	106,621
Public street and highway lighting	2,285	2,165
Irrigation	670	1,154
Other revenue and change in unbilled revenue	8,382	44,630
Deferred revenue plan – regulatory liability	(15,500)	(37,000)
Total	\$ 373,366	\$ 372,181

**CORE Electric Cooperative**  
**(dollars in thousands)**  
**Notes to Financial Statements**

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**Electric energy revenues** – The Cooperative’s primary revenue source is generated through the sale of electricity to members located within its service territory. Retail members are classified as residential, commercial, industrial, or public street and highway lighting. Residential members include single family housing, multiple family housing (such as apartments, duplexes, and town homes), manufactured homes and general service. Residential demand is sensitive to the effects of weather, with demand highest during the summer cooling season. Commercial and industrial members consist of non-residential members who accept energy deliveries at voltages generally in excess to those delivered to residential members. Commercial members include most businesses and other large power users. Public street and highway lighting accounts are billed per wattage of light. Demand from commercial and industrial members is primarily driven by economic conditions, with weather having little impact on energy use by this member class. Revenue is recognized to period-end through an accrual of unbilled revenue.

The Cooperative’s retail member prices are based on the Cooperative’s cost of service and are approved by the Cooperative’s Board of Directors. The Cooperative’s obligation to sell electricity to retail members generally represents a single performance obligation representing a series of distinct goods that are substantially the same and have the same pattern of transfer to the member that is satisfied over time as members simultaneously receive and consume the benefits provided. The Cooperative applies the invoice method to measure its progress towards satisfactorily completing its performance obligations to transfer each distinct delivery of electricity in the series to the member.

**Miscellaneous electric revenues** – Other operating revenues consist primarily of miscellaneous service revenues, other electric services provided to members, and as received pursuant to Note 10, if any.

**Note 12 – Concentration of Risk**

During the years ended December 31, 2025 and 2024, no customers accounted for more than 10% of the Company’s revenue. At December 31, 2025 and 2024, no customers accounted for more than 10% of the Company’s total electric accounts receivable and unbilled revenues.

During the years ended December 31, 2025 and 2024, one power supplier accounted for 35.05% and 35.31%, respectively, of the Company’s operating expenses. At December 31, 2025 and 2024, that same power supplier accounted for 22.22% and 17.69%, respectively, of the total accounts payable and accrued expenses.

**Note 13 – Subsequent Event**

**Future lease commitments** – The Cooperative has entered into multiple long-term power purchase agreements (PPAs) that are expected to meet the definition of leases under ASC 842 – *Leases*, upon commencement. These agreements had not yet commenced as of December 31, 2025, and, therefore, no right-of-use assets or lease liabilities have been recognized in the accompanying financial statements related to PPAs.

Upon commencement, the Cooperative expects to recognize significant right-of-use assets and corresponding lease liabilities. Management is currently evaluating the specific accounting treatment, lease terms, and discount rates applicable to these agreements. The adoption of these leases is expected to have a material impact on the Cooperative’s balance sheet beginning in 2026.

