Jo-Carroll Energy, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2023 and 2022

Contents

FORVIS

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Independent Auditor's Report

Board of Directors
Jo-Carroll Energy, Inc.
Elizabeth, Illinois

Opinion

We have audited the consolidated financial statements of Jo-Carroll Energy, Inc. and its subsidiary (collectively the "Cooperative"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of margin, members' equities 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 consolidated financial position of the Cooperative as of December 31, 2023 and 2022, 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 audits 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 Consolidated Financial Statements" section of our report. We are required to be independent of the 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative'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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

FORVIS, LLP

St. Louis, Missouri
March 8, 2024

Jo-Carroll Energy, Inc.
Consolidated Balance Sheets
December 31, 2023 and 2022

Assets

	2023	2022	Increase (Decrease)
Utility Plant, at Cost			
Electric, gas and broadband plant in service	$ 196,244,346	$ 179,166,518	$ 17,077,828
Construction work in progress	22,114,655	18,830,865	3,283,790
	218,359,001	197,997,383	20,361,618
Accumulated depreciation and amortization	(71,163,083)	(68,090,644)	3,072,439
Net utility plant	147,195,918	129,906,739	17,289,179
Investments and Other Assets			
Investments in associated organizations, at cost	15,931,886	14,531,884	1,400,002
Long-term notes receivable	180,501	302,216	(121,715)
Non-utility property, net of accumulated depreciation: 2023 - $886,298, 2022 - $436,992	1,667,473	1,484,923	182,550
Other investments, at cost	1,426,495	1,485,502	(59,007)
Total investments and other assets	19,206,355	17,804,525	1,401,830
Current Assets			
Cash and cash equivalents	4,138,245	1,725,131	2,413,114
Accounts receivable:			
Customers, net of allowance: 2023 - $50,000 and 2022 - $40,000	3,323,981	3,748,890	(424,909)
Unbilled revenues	1,710,205	2,934,175	(1,223,970)
Other	766,160	655,173	110,987
Notes receivable	121,715	121,715	-
Inventories:			
Materials and supplies	7,150,709	5,950,173	1,200,536
Natural gas	629,758	737,039	(107,281)
Prepaid expenses and other	259,948	293,390	(33,442)
Total current assets	18,100,721	16,165,686	1,935,035
Deferred Charges	4,569,048	3,767,714	801,334
Total assets	$ 189,072,042	$ 167,644,664	$ 21,427,378

Members' Equities and Liabilities

	2023	2022	Increase (Decrease)
Equities			
Patronage capital	$ 28,585,460	$ 27,924,825	$ 660,635
Retained earnings	13,753,121	12,433,021	1,320,100
Members' equities	42,338,581	40,357,846	1,980,735
Accumulated other comprehensive income	65,356	208,248	(142,892)
Total equities	42,403,937	40,566,094	1,837,843
Long-Term Debt	119,160,945	103,802,528	15,358,417
Postretirement Benefits	1,228,364	1,029,312	199,052
Current Liabilities			
Accounts payable	6,741,746	5,593,145	1,148,601
Current maturities of long-term debt	5,927,609	5,522,825	404,784
Lines of credit	5,000,000	3,000,000	2,000,000
Postretirement benefits	83,327	42,963	40,364
Customer deposits	327,424	340,289	(12,865)
Other current liabilities	3,303,771	1,521,282	1,782,489
Total current liabilities	21,383,877	16,020,504	5,363,373
Deferred Credits	4,894,919	6,226,226	(1,331,307)
Total equities and liabilities	$ 189,072,042	$ 167,644,664	$ 21,427,378

Jo-Carroll Energy, Inc.
Consolidated Statements of Margin
Years Ended December 31, 2023 and 2022

	2023	2022	Increase (Decrease)	% to Total Operating Revenue 2023	% to Total Operating Revenue 2022
Operating Revenues					
Electric	$ 50,279,771	$ 50,453,947	$ (174,176)	78.4%	78.2%
Natural gas	8,925,108	10,029,642	(1,104,534)	13.9%	15.5%
Broadband	4,134,938	3,280,397	854,541	6.4%	5.1%
Other operating revenue	821,465	753,956	67,509	1.3%	1.2%
Total operating revenue	64,161,282	64,517,942	(356,660)	100.0%	100.0%
Operating Expenses					
Purchased power	32,112,003	34,737,529	(2,625,526)	50.0%	53.8%
Distribution - Operations	4,480,868	4,159,065	321,803	7.0%	6.4%
Distribution - Maintenance	6,260,979	6,207,149	53,830	9.8%	9.6%
Consumer accounts	2,401,458	2,028,392	373,066	3.7%	3.1%
Customer services and information	1,070,302	977,131	93,171	1.7%	1.5%
Sales	602,049	488,315	113,734	0.9%	0.8%
General and administrative	5,674,057	4,803,679	870,378	8.8%	7.4%
Depreciation and amortization	5,330,918	5,327,496	3,422	8.3%	8.3%
Taxes, other than income	163,933	142,061	21,872	0.3%	0.2%
Other deductions	236,459	196,129	40,330	0.4%	0.3%
Total operating expenses	58,333,026	59,066,946	(733,920)	90.9%	91.6%
Operating Margin Before Interest Expense	5,828,256	5,450,996	377,260	9.1%	8.4%
Interest Expense	5,007,242	4,110,047	897,195	7.8%	6.4%
Operating Margin After Interest Expense	821,014	1,340,949	(519,935)	1.3%	2.1%
Generation and Transmission and Other Capital Credits	1,688,561	1,405,134	283,427	2.6%	2.2%
Operating Margin	2,509,575	2,746,083	(236,508)		4.3%
Non-Operating Margin					
Interest income	20,240	17,889	2,351	0.0%	0.0%
Gain on disposal of equipment	214,244	62,764	151,480	0.3%	0.1%
Other non-operating margin	26,139	39,745	(13,606)	0.0%	0.1%
	260,623	120,398	140,225	0.4%	0.2%
Net Margin	2,770,198	2,866,481	(96,283)	4.3%	4.4%
Other Comprehensive Margin					
Change in postretirement benefit plan	(142,892)	353,598	(496,490)	-0.2%	0.5%
Comprehensive Margin	$ 2,627,306	$ 3,220,079	$ (592,773)	4.1%	5.0%

Jo-Carroll Energy, Inc.
Consolidated Statements of Members' Equities
Years Ended December 31, 2023 and 2022

	Patronage Capital	Retained Earnings	Accumulated Other Comprehensive Income (Deficit)	Total
Balance, January 1, 2022	$ 27,052,233	$ 11,397,781	$ (145,350)	$ 38,304,664
Net margin	2,746,083	120,398	-	2,866,481
Other comprehensive margin	-	-	353,598	353,598
Patronage capital retirement	(1,873,491)	914,842	-	(958,649)
Balance, December 31, 2022	27,924,825	12,433,021	208,248	40,566,094
Net margin	2,509,575	260,623	-	2,770,198
Other comprehensive loss	-	-	(142,892)	(142,892)
Patronage capital retirement	(1,848,940)	1,059,477	-	(789,463)
Balance, December 31, 2023	$ 28,585,460	$ 13,753,121	$ 65,356	$ 42,403,937

Jo-Carroll Energy, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	2023	2022
Operating Activities		
Net margin	$ 2,770,198	$ 2,866,481
Items not requiring (providing) cash		
Depreciation and amortization	5,855,719	5,646,997
Capital credits	(1,688,561)	(1,405,134)
Postretirement benefits	96,524	45,044
Provision for credit losses on accounts receivable	10,000	(18,000)
Gain on disposal of equipment	(214,244)	(62,764)
Deferred charges	(1,140,256)	3,638,787
Deferred credits	(1,331,307)	1,437,378
Changes in		
Accounts receivable - customers and other	303,922	(276,218)
Unbilled revenues	1,223,970	(944,637)
Inventories	(1,093,255)	(2,240,145)
Prepaid expenses and other	33,442	18,281
Deferred charges	-	4,996
Accounts payable	1,148,601	1,412,068
Customer deposits and other current liabilities	1,769,624	(102,381)
Net cash provided by operating activities	7,744,377	10,020,753
Investing Activities		
Proceeds from disposal of utility plant	247,537	66,508
Additions to utility plant, net and non-utility property	(23,021,819)	(16,140,090)
Proceeds from capital credit retirements	120,038	133,837
Collections on notes receivable	121,715	121,716
Decrease in investments and other assets	227,528	206,306
Net cash used in investing activities	(22,305,001)	(15,611,723)
Financing Activities		
Patronage capital retirement	(789,463)	(958,649)
Borrowings on line of credit agreements	27,682,248	12,000,000
Repayments on line of credit agreements	(25,682,248)	(15,000,000)
Proceeds from issuance of long-term debt	21,000,000	15,000,000
Principal payments on long-term debt	(5,115,084)	(5,143,866)
Payments under USDA REDL program	(121,715)	(121,716)
Net cash provided by financing activities	16,973,738	5,775,769
Net Increase in Cash and Cash Equivalents	2,413,114	184,799
Cash and Cash Equivalents, Beginning of Year	1,725,131	1,540,332
Cash and Cash Equivalents, End of Year	$ 4,138,245	$ 1,725,131
Supplemental Cash Flows Information		
Interest paid	$ 4,875,359	$ 4,104,667
Deferred charges capitalized as utility plant	$ 338,922	$ 355,688

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Jo-Carroll Energy, Inc. ("Cooperative" or "Jo-Carroll") is a not-for-profit organization engaged in the distribution of electric, natural gas and fiber services to its members located throughout northwest Illinois, Iowa, and Wisconsin. The primary purpose of the Cooperative is to provide electricity, natural gas, and fiber to its members through the purchase of electricity, natural gas, and fiber from wholesale providers and the subsequent distribution of these services to its members. The Cooperative extends unsecured credit to its members.

The Cooperative's rates charged to members are established by the board of directors. The board of directors consists of 10 members elected by the members of the Cooperative to serve three-year terms. Such rates charged to members are determined on a cost of service basis. The Cooperative is not subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) or the regulatory authority of the Illinois Commerce Commission.

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary, Cooperative Community Solar, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The accounting records of the Cooperative are substantially maintained in accordance with the Uniform System of Accounts prescribed by FERC. In accordance with FERC guidelines, the Cooperative also maintains its accounts in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*. The accompanying consolidated financial statements and the related notes have been prepared on the basis of U.S. generally accepted accounting principles (GAAP).

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 as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for credit losses, unbilled revenues, and postretirement benefits.

Cash and Cash Equivalents

The Cooperative considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of a daily investment sweep account.

At December 31, 2023, the Cooperative's cash accounts exceeded federally insured limits by approximately $3,410,000.

Accounts Receivable

Accounts receivable include billed and unbilled amounts for goods and services provided to members for which the Cooperative has an unconditional right to payment. The Cooperative provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts.

Accounts receivable are generally due within 21 days after the date of the billing. Accounts that are unpaid after the due date are charged a late payment penalty. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the member.

During the years ended December 31, 2023 and 2022, credit loss expense related to doubtful accounts receivable, where collectability is not reasonably assured, was approximately $59,000 and $28,000, respectively.

Notes Receivable

Notes receivable are stated at the outstanding principal amount. The Cooperative provides an allowance for credit losses for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. The Cooperative determined no allowance for credit losses was necessary at December 31, 2023 and 2022.

Inventories

Inventories consist of materials, supplies and natural gas. Materials and supplies inventory is valued at the lower of cost or net realizable value using the average unit cost method. Natural gas is valued at the average cost of the gas constituting the common supply of the system.

Utility Plant

Utility plant is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset group. Maintenance, repairs, and major renewals are expensed as incurred.

Intangible plant includes acquisition adjustments from purchase of electric and gas distribution assets. Acquisition adjustments are amortized on a straight-line basis over the estimated life of the assets acquired, ranging from 26 - 27 years.

Electric transmission and distribution plants is depreciated on the group basis using the straight-line method at an average composite rate of 2.68% and 2.95% per annum in 2023 and 2022, respectively, except for certain underground conductor, which is being depreciated at rates up to 6.66%.

Gas distribution plant is depreciated on the group basis using the straight-line method at an average composite rates of 3.02% and 2.56% per annum in 2023 and 2022, respectively.

The annual depreciation rates for each major depreciable classification of the general plant and non-utility property are as follows:

Structures and improvements	3 - 10%
Office furniture and equipment	6 - 20%
Certain computer equipment	20 - 33%
Transportation equipment	10 - 15%
Power operated equipment	6 - 20%
Communications equipment	3 - 15%
Broadband/SCADA equipment	5 - 20%
Other general plant	6 - 20%

Nonutility Property

Nonutility property consists of land and improvements not currently used for utility purposes.

Long-Lived Asset Impairment

The Cooperative evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair market value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2023 and 2022.

Investments in Associated Organizations

Investments in associated organizations consist of allocated patronage capital and capital term certificates. Patronage capital allocations are generally recorded in the year in which the assignments are related to. Retirements of patronage capital are generally recorded when cash is received or upon notification from the association organization. Patronage capital allocations are included in G&T and other capital credits in the statements of margin. These equity investments are measured under the practicability exception and do not have readily determinable fair values and are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. No impairment or observable price changes were recording during 2023 and 2022.

Patronage Capital

Current and future margins will be assigned as patronage capital.

Income Taxes

The Cooperative is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Cooperative is subject to federal and certain state income tax on any unrelated business taxable income. The Cooperative files income tax returns in the U.S. federal and state of Illinois jurisdictions. Cooperative Community Solar, LLC is treated as a disregarded entity for tax purposes.

Revenue Recognition

The Cooperatives revenues are primarily derived from the sale of electric power, natural gas, and fiber services to members.

Revenue is recognized when control of electricity, natural gas, and fiber services is transferred to the Cooperative's members in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. Unbilled revenues of $1,710,205 and $2,934,175 at December 31, 2023 and 2022, respectively, represent amounts delivered through December 31 and not billed to the members until the following month. See Note 12 for additional information about the Cooperative's revenue.

Taxes Collected from Members and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statements of margin on a net basis.

Comprehensive Margin

Comprehensive margin consists of net margin and other comprehensive margin. Other comprehensive margin includes changes in the funded status of the postretirement benefit plan.

Accounting Standards Adopting During the Year

Effective January 1, 2023, the Cooperative adopted ASU 2016-13, *Financial Instrument - Credit Losses* (Topic 326), *Measurement of Credit Losses on Financial Instruments*, related to the impairment of financial instruments. This guidance, commonly referred to as current expected credit loss (CECL), changes impairment recognition to a model that is based on expected losses rather than incurred losses. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including notes receivables and trade receivables. Upon adoption on January 1, 2023, there was no impact to members' equities.

Note 2. Utility Plant

Utility plant consists of the following at December 31, 2023 and 2022:

	2023	2022
Intangible plant	$ 7,532,686	$ 7,532,686
Electric transmission plant	499,221	499,221
Electric distribution plant	134,450,279	125,799,125
Gas distribution plant	18,095,884	17,276,462
General plant	35,666,276	28,059,024
	196,244,346	179,166,518
Construction work in progress	22,114,655	18,830,865
	218,359,001	197,997,383
Accumulated depreciation and amortization	(71,163,083)	(68,090,644)
	$ 147,195,918	$ 129,906,739

Note 3. Investments

Associated Organizations

The Cooperative is a voting member in both Dairyland Power Cooperative and Prairie Power, Inc., generation and transmission facilities supplying power to distribution cooperatives. As voting members or owners, the Cooperative share margins, on the cooperative principle, based on power purchased. These investments or patronage capital earned by voting members are being returned annually as approved by their Board of Directors. These investments are recorded at cost, minus impairment, if any, plus undistributed patronage capital allocations.

National Rural Utilities Cooperative Finance Cooperation (“NRUCFC”) investments and capital term certificates are required pursuant to certain loan and guarantee agreements held by the Cooperative. NRUCFC capital term certificates include investments in NRUCFC capital term certificates, loan term certificates, and zero term certificates. Capital term certificates bear interest at 5% and begin maturing in the year 2070; loan term certificates bear interest at 3% and begin maturing in the year 2025; and zero term certificates bear interest of 0% and begin maturing in the year 2025. Such investments and investments in other associated organizations are carried at cost.

Investments in associated organizations consist of the following at December 31, 2023 and 2022:

	2023	2022
Dairyland Power Cooperative - patronage capital	$ 9,261,625	$ 8,200,691
NRUCFC - patronage capital	2,977,321	2,786,011
NRUCFC capital term certificates	1,233,225	1,241,814
Prairie Power, Inc. - patronage capital	1,463,403	1,352,330
Four County Renewable Energy, LLC	164,576	165,229
Other associated organizations	831,736	785,809
	$ 15,931,886	$ 14,531,884

Other Investments

Other investments include investments in organizations that are related to the operations of the Cooperative or are expected to enhance the performance of the Cooperative. These investments are carried at cost.

Note 4. Notes Receivable

The Cooperative participates in the U.S. Department of Agriculture (“USDA”) Rural Economic Development Loans (“REDL”) Program. In the REDL Program, the USDA provides zero interest loans to local utility companies, who then provide loans to local business recipients. The local business recipients repay the utility companies in accordance with promissory notes.

During 2016, the Cooperative entered into two 10-year loans through the REDL Program. In February 2016, the Cooperative received the first loan for $447,155 which went to a large family owned potato and vegetable farm who received the loan to expand business and add equipment. In August 2016, the Cooperative received the second loan for $770,000 which went to a local agricultural cooperative who received the loan to build a Fast Stop station. Each note is payable in monthly installments of $3,716 and $6,417, respectively, and is secured by an irrevocable letter of credit. The Company receives monthly payments then, in turn, repays the USDA. At December 31, 2023 and 2022, the total notes receivable balance was $302,216 and $423,931, respectively.

Note 5. Deferred Charges

Deferred charges consist of the following at December 31, 2023 and 2022:

	2023	2022
Fiber capacity - DPC N-38 line	$ 285,277	$ 298,051
Preliminary survey and investigation - natural gas	672,410	736,962
NRECA RS pension prepayments (See Note 10)	3,500,000	1,838,922
Morgan Stanley settlement (See Note 13)	-	825,000
Other	111,361	68,779
	$ 4,569,048	$ 3,767,714

The Cooperative is amortizing these charges over various periods ranging from two to 30 years.

Note 6. Patronage Capital and Retained Earnings

The following is a summary of patronage capital assignable and assigned at December 31, 2023 and 2022:

	2023	2022
Assignable	$ 2,509,575	$ 2,746,083
Assigned	26,075,885	25,178,742
	$ 28,585,460	$ 27,924,825

Outstanding loan agreements restrict the retirement of patronage capital unless after retirement, the capital of the Cooperative equals at least 20% of total assets of the Cooperative; provided, however, that retirements can be made if such distributions do not exceed 30% of the preceding year's margin. No distribution can be made if there are unpaid, when due, any installments of principal and interest on the notes.

The Cooperative's capital credit retirement policy is a hybrid calculation where the total credits earned in 1998 along with 5% of all remaining credits earned from 1998 through 2022, at a discounted rate, is paid out.

Distributions to estates are made at the request of the estates on a discounted basis. Special retirements may also be recorded on a discounted basis to recover from patrons who are indebted to the Cooperative. Discounts are retained by the Cooperative and transferred to gain on retirement of patronage capital. As of December 31, 2023, capital credits through 1998 for the Cooperative's system had been fully retired.

Retained earnings consist of the following at December 31, 2023 and 2022:

	2023	2022
Reserve for storm damage contingency	$ -	$ 747,388
Non-operating margin	2,095,191	1,834,568
Donated capital	182,328	182,328
Gain on retirement of patronage capital	9,244,100	8,184,623
Other margin	2,231,502	1,484,114
	$ 13,753,121	$ 12,433,021

The Cooperative segregates electric patronage capital margin in order to provide for contingency and other reserves as determined by the board of directors and Cooperative By-Laws. These contingency and other reserves are based on the results of prior year margin using a formula approved by the Board of Directors.

The Cooperative, with By-Law authority, allocates interest and dividend non-operating margin to Retained Earnings.

Note 7. Lines of Credit

The Cooperative has a $20,000,000 unsecured, perpetual line of credit with NRUCFC. The line of credit has an annual paydown requirement. For each 12 month period and for a period of at least five consecutive business days, the Cooperative shall pay down the entire outstanding principal balance. At December 31, 2023 and 2022, there was $5,000,000 and $3,000,000, borrowed against this line, respectively. Interest varies with the CFC's line of credit rate, which was 7.25% and 5.75% on December 31, 2023 and 2022, respectively.

The Cooperative also has a $3,000,000 unsecured line of credit with Illinois Bank & Trust expiring in November 2024. At December 31, 2023 and 2022, there were no borrowings against this line. Interest varied with the bank's prime rate plus 2%, which was 9.5% and 4.5% on December 31, 2023 and 2022, respectively, and is payable quarterly.

The Cooperative also has a $1,000,000 unsecured line of credit with CoBank expiring in December 31, 2024. At December 31, 2023 and 2022, there were no borrowings against this line. Interest varies with the bank's prime rate, which was 7.61% and 6.55% on December 31, 2023 and 2022, respectively, and is payable monthly.

Note 8. Long-Term Debt

	2023	2022
NRUCFC secured promissory notes 2.74% - 7.40% notes due 2025 - 2056	$ 118,563,825	$ 101,121,557
USDA Rural Development, maturing in 2026; payable approximately $10,000 monthly, no interest; secured by a letter of credit guarantee	302,216	423,932
Morgan Stanley Termination and Transition Agreement, maturing in 2028; payable monthly based on power consumption estimated at $155,000 per month, no interest (See Note 13)	6,165,197	7,711,085
Unamortized premium	57,316	68,779
	125,088,554	109,325,353
Less current maturities	5,927,609	5,522,825
	$ 119,160,945	$ 103,802,528

The NRUCFC loan agreements impose certain restrictions upon the Cooperative relating to the purchase, sale, construction, and maintenance of distribution plant, as well as future financing and retirement of patronage capital. These notes are secured by substantially all assets of the Cooperative.

As of December 31, 2023, the Cooperative has an additional available borrowing balance with NRUCFC beyond the operating line of credit of approximately $20,750,000.

Aggregate annual maturities of long-term debt at December 31, 2023, are:

2024	$ 5,927,609
2025	6,094,306
2026	6,191,212
2027	5,067,448
2028	4,702,695
Thereafter	97,105,284
	$ 125,088,554

Note 9. Postretirement Benefits

The Cooperative has a postretirement health care benefit plan whereby the Cooperative pays 80% of the cost of health insurance premiums for retired employees and dependents when the retiree's age is between 62 and 65 years old. Outside union employees are eligible for benefits prior to age 62, upon completion of 30 years of service. The Cooperative pays 80% of the cost of health insurance premiums between retirement and age 65, for those eligible outside union employees. All other employees are required to pay 100% of their premiums between retirement and age 62, in order to participate in the plan between ages 62 and 65. The plan does not provide for the payment of benefits after age 65 and is unfunded as of December 31, 2023 and 2022.

The Cooperative uses a December 31 measurement date for the plan. Information about the plan's funded status follows:

	2023	2022
Benefit obligation	$ (1,311,691)	$ (1,072,275)
Fair value of plan assets	-	-
Funded status	$ (1,311,691)	$ (1,072,275)

Amounts recognized in the consolidated balance sheets:

	2023	2022
Current liability	$ 83,327	$ 42,963
Noncurrent liability	1,228,364	1,029,312
	$ 1,311,691	$ 1,072,275

Amounts recognized in accumulated other comprehensive income (deficit) not yet recognized as components of net periodic benefit cost consist of:

	2023	2022
Net income	$ 65,356	$ 208,248

The accumulated benefit obligation for the plan was $1,311,691 and $1,072,275 at December 31, 2023 and 2022, respectively.

Employer contributions were $103,386 and $74,663 for 2023 and 2022, respectively.

The discount rate used to determine the benefit obligation was 5.70% and 5.70% for 2023 and 2022, respectively.

For measurement purposes, a 6.63% annual rate of increase in the per capita cost of covered medical care benefits was assumed for 2023. The rate for 2023 is assumed to decrease by 0.18% to 0.42% annually until reaching 5.0% and remain at that level thereafter. Further, the annual rate of increase in the per capita costs of covered dental and vision care benefits was assumed to be 5.00% for 2023 and 2022, respectively.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

2024	$	83,327
2025		129,622
2026		146,281
2027		196,276
2028		227,621
2029 - 2033		665,760

The Cooperative applies ASU 2017-07, *Compensation - Retirement Benefits* (Topic 715): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which was deemed to be immaterial to the consolidated financial statements as there was no effect on net margins.

Note 10. Employee Benefit Plans

Multiemployer Pension Plan

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

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

The Cooperative's contributions to the RS Plan in 2023 and 2022 represented less than 5% of the total contributions made to the Plan by all participating employers. The Cooperative made contributions to the Plan totaling $1,558,994 and $1,378,926 in 2023 and 2022, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the *Pension Protection Act* ("PPA") of 2006. In addition, the accumulated benefit obligations and Plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2023 and 2022, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of 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.

RS Plan Prepayments

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a prepayment and reduce future required contributions. The prepayment amount is a cooperative's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However, changes in interest rates, asset returns and other plan experience different from that expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15 year period.

Two prepayment options were available to participating cooperatives:

1. Use current assets to make the prepayment over a period of not more than four years.
2. Borrow funds sufficient to make the prepayment in a lump sum, with the repayment of the borrowed amount determined by the loan's amortization schedule.

On March 31, 2013, the Cooperative made a prepayment of $3,532,278 to the NRECA RS Plan. This prepayment was funded with the line of credit through NRUCFC. The Cooperative recorded this prepayment on the balance sheets as a deferred charge. The Cooperative is amortizing this amount over 10 years and amortized $88,922 and $355,688 for 2023 and 2022, respectively.

Starting in 2018, participating cooperatives in the NRECA RS Plan may make an additional contribution prepayment as a Voluntary Contribution Acceleration Program ("VCAP") contribution in order to reduce future required contributions. The reduction in future contributions (contribution discount) and the length of the period over which the contribution reduction extends (discount period), is selected by the Cooperative. The VCAP contribution amount is then determined such that it is expected to fund the contribution discount over the discount period. After making the VCAP contribution, the RS Plan billing rate is reduced to reflect the selected contribution discount, which becomes effective the subsequent January 1. The VCAP contribution is accounted for on a monthly basis by crediting it with the actual monthly RS Plan investment return, and reducing it by the reduction in monthly contributions obtained through the contribution discount, until the account value reduces to zero. Note that change in Plan provisions, demographic changes, asset returns different from the long term expected return on Plan assets, and other factors will have an impact on the length of the discount period. On December 13, 2019, the Cooperative made a VCAP contribution of $2,500,000 to the NRECA RS Plan. The Cooperative recorded this prepayment on the consolidated balance sheets as a deferred charge. The Cooperative is amortizing this amount over 10 years and amortized $250,000 for 2023 and 2022.

On December 28, 2023, the Cooperative made a VCAP contribution of $2,000,000 to the NRECA RS Plan. The Cooperative recorded this prepayment on the consolidated balance sheets as a deferred charge. The Cooperative is amortizing this amount over 10 years. No amortization was recorded for 2023.

Defined Contribution Plan

The Cooperative has a 401(k) defined-contribution plan covering substantially all employees, which allows for both employee and Cooperative contributions. The Cooperative contribution for 2023 consists of matching contributions of employee contributions, up to 5% of participating non-union employees' compensation and up to 3% of participating union employee's compensation. Contributions to the Plan were approximately $338,000 and $303,000 for 2023 and 2022, respectively. Prior to January 1, 2022, the matching contributions of employee contributions was 4% and 2% for non-union and union employees' compensation, respectively.

Note 11. Deferred Credits

Deferred credits consist of the following at December 31, 2023 and 2022:

	2023	2022
Customer prepayments	$ 533,349	$ 466,736
Unclaimed capital credit checks	81,239	85,383
Special equipment installation charges	31,790	25,660
Deferred revenue	3,250,000	4,750,000
Unamortized gain on reacquired debt	478	1,644
Over recovered purchased gas	975,004	871,416
Other	23,059	25,387
	$ 4,894,919	$ 6,226,226

The board of directors has established a deferred revenue plan, which seek to stabilize members' rates to mitigate the effects of expected increases in rates. The plans defers margins resulting from reduced capacity charges.

Note 12. Revenue from Contracts with Customers

Performance Obligations

Rates charged for distribution of electric, natural gas, and fiber service are established at least annually by the Cooperative's Board of Directors. The Cooperative provides energy and capacity to members as one stand-ready performance obligation. Revenue is recognized by the Cooperative upon transfer of control of promised services to members in an amount that reflects the consideration expected to be received in exchange for those services.

The Cooperative transfers control of the electric power and natural gas to members at each member's meter point and the members simultaneously receive and consume the benefits of the energy provided. Electric power and natural gas provided to members is accounted for as a series of performance obligations. Progress towards completion is measured using the output method (kilowatt hour (Kwh) received by the customer), meter readings are taken at the end of each month for billing purposes, the quantity of power and gas transferred is determined after the meter readings. Payments from members are typically received in accordance with each member's contract, which is less than 21 days from the invoice date.

The Cooperative transfers control of fiber services as members receive and consume the benefits over the service period. The transfer of service is accounted for as one performance obligation and revenue is recognized primarily based on monthly billings for the service period as this corresponds directly with the services provided to date. Payments from members are typically received in accordance with each member's contract, which is less than 21 days from the invoice date.

Revenue associated with electric power, natural gas, and fiber service performance obligations to members are recorded as sales to members in our accompanying consolidated statements of margin.

The Cooperative has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are primarily affected by factors that impact demand.

Contract Balances

The following table provides information about the Cooperative's receivables from contracts with members:

	2023	2022
Accounts receivable - customers, beginning of year	$ 3,748,890	$ 3,590,073
Accounts receivable - customers, end of year	$ 3,323,981	$ 3,748,890
Unbilled revenues, beginning of year	$ 2,934,175	$ 1,989,539
Unbilled revenues, end of year	$ 1,710,205	$ 2,934,175

Note 13. Commitments and Contingencies

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Concentration of Credit

The Cooperative provides electric, natural gas and fiber services to its members located throughout northwest Illinois, Iowa, and Wisconsin. The accounts receivable balance represents amounts due from these consumers. The collectability of the accounts receivable arising from sales is based on the economy of the service area. Credit is issued after payment of a deposit and approval by the board of directors.

Power Supply

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Dairyland Power Cooperative ("Dairyland Power") through December 31, 2060, for the Alliant service area. The rates are subject to review annually.

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Prairie Power, Inc. through December 31, 2060, for the Farmers Mutual Electric Company service area. The rates are subject to review annually.

The Cooperative entered into a five year agreement on May 13, 2014, with Morgan Stanley Capital Group ("Morgan Stanley"), to purchase its electric power and energy requirements currently supplied by Interstate Power and Light Company ("IPL") beginning April 1, 2018 through March 31, 2023. On October 27, 2017, the Cooperative, Morgan Stanley and Dairyland Power agreed to a Termination and Release Agreement which released the Cooperative from the five year agreement with Morgan Stanley. At that time, a Termination and Transition Agreement was signed with Dairyland Power to transition the former IPL load to Dairyland Class "A" Member load, beginning April 1, 2018, and through the end date of the current Wholesale Power Contract between Jo-Carroll and Dairyland Power, which is December 31, 2060. The Termination and Release Agreement also requires the Cooperative to pay $16,500,000 to Dairyland Power over a period of 10 years from April 1, 2018 through March 31, 2028, as a pass-through cost from Dairyland Power to Jo-Carroll as a result of the assumption by Dairyland Power of release fees owed to Morgan Stanley relating to the original five year agreement between Jo-Carroll and Morgan Stanley. This amount was recorded as a deferred charge as of April 1, 2018, and is being amortized over a period of five years.

The Cooperative entered into a natural gas purchase agreement on September 7, 2007, with the Illinois Public Energy Agency (IPEA). This agreement extends through March 31, 2024.

Labor Agreements

Approximately 56% of the Cooperative's employees are covered by collective bargaining agreements, none of which will expire within the next year.

Letter of Credit

The Cooperative had $333,355 at December 31, 2023 and 2022, in an outstanding letter of credit to be used for the purchase of natural gas.

Inventory Futures – Natural Gas

As of December 31, 2023, the Cooperative has committed to purchase natural gas in various periods through October 2027, for a total value of approximately $5,721,000.

Note 14. Subsequent Events

Subsequent events have been evaluated through March 8, 2024, which is the date the consolidated financial statements were available to be issued.