




Jo-Carroll Energy, Inc.

Independent Auditor's Report and Financial Statements

December 31, 2025 and 2024



Jo-Carroll Energy, Inc.
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December 31, 2025 and 2024

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jo-Carroll Energy, Inc. (the "Cooperative"), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of margin, members' equities 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 the 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 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 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 the Cooperative's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2026, on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Forvis Mazars, LLP

**St. Louis, Missouri
April 22, 2026**

Jo-Carroll Energy, Inc.
Balance Sheets
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>
ASSETS			
Utility Plant, at Cost			
Electric, gas and broadband plant in service	\$ 222,221,634	\$ 212,167,438	\$ 10,054,196
Construction work in progress	43,267,162	33,478,469	9,788,693
	265,488,796	245,645,907	19,842,889
Accumulated depreciation and amortization	(82,256,019)	(76,475,608)	5,780,411
Net utility plant	<u>183,232,777</u>	<u>169,170,299</u>	<u>14,062,478</u>
Investments and Other Assets			
Investments in associated organizations, at cost	18,494,354	17,142,648	1,351,706
Long-term notes receivable	-	58,786	(58,786)
Non-utility property, net of accumulated depreciation: 2025 - \$1,926,711, 2024 - \$1,342,957	1,686,057	1,283,457	402,600
Other investments, at cost	<u>1,440,428</u>	<u>1,437,878</u>	<u>2,550</u>
Total Investments and Other Assets	<u>21,620,839</u>	<u>19,922,769</u>	<u>1,698,070</u>
Current Assets			
Cash and cash equivalents	17,363,147	25,123,757	(7,760,610)
Accounts receivable:			
Customers, net of allowance: 2025 - \$56,000 and 2024 - \$58,000	4,320,174	3,204,533	1,115,641
Unbilled revenues	1,206,770	1,504,791	(298,021)
Other	462,418	648,877	(186,459)
Notes receivable	58,785	121,715	(62,930)
Inventories:			
Materials and supplies	6,398,580	6,577,063	(178,483)
Natural gas	615,275	592,931	22,344
Prepaid expenses and other	<u>519,419</u>	<u>799,724</u>	<u>(280,305)</u>
Total Current Assets	<u>30,944,568</u>	<u>38,573,391</u>	<u>(7,628,823)</u>
Deferred Charges	<u>3,627,370</u>	<u>4,052,309</u>	<u>(424,939)</u>
Total Assets	<u>\$ 239,425,554</u>	<u>\$ 231,718,768</u>	<u>\$ 7,706,786</u>

Jo-Carroll Energy, Inc.
Balance Sheets
December 31, 2025 and 2024

(Continued)

	<u>2025</u>	<u>2024</u>	<u>Increase (Decrease)</u>
MEMBERS' EQUITIES AND LIABILITIES			
Equities			
Patronage capital	\$ 31,815,144	\$ 28,327,562	\$ 3,487,582
Retained earnings	14,887,343	14,656,863	230,480
Members' equities	46,702,487	42,984,425	3,718,062
Accumulated other comprehensive income	165,357	95,429	69,928
Total Equities	<u>46,867,844</u>	<u>43,079,854</u>	<u>3,787,990</u>
Long-Term Debt	<u>144,224,387</u>	<u>140,524,389</u>	<u>3,699,998</u>
Postretirement Benefits	<u>1,283,474</u>	<u>1,281,935</u>	<u>1,539</u>
Current Liabilities			
Accounts payable	6,145,368	9,034,696	(2,889,328)
Current maturities of long-term debt	6,670,230	6,435,053	235,177
Lines of credit	13,000,000	4,000,000	9,000,000
Postretirement benefits	135,239	125,985	9,254
Customer deposits	328,907	342,989	(14,082)
Other current liabilities	3,102,643	2,859,937	242,706
Total Current Liabilities	<u>29,382,387</u>	<u>22,798,660</u>	<u>6,583,727</u>
Deferred Credits	<u>17,667,462</u>	<u>24,033,930</u>	<u>(6,366,468)</u>
Total Equities and Liabilities	<u>\$ 239,425,554</u>	<u>\$ 231,718,768</u>	<u>\$ 7,706,786</u>

Jo-Carroll Energy, Inc.
Statements of Margin
Years Ended December 31, 2025 and 2024

			Increase (Decrease)	% to Total Operating Revenue	
	2025	2024		2025	2024
Operating Revenues					
Electric	\$ 57,863,479	\$ 53,582,952	\$ 4,280,527	76.1%	77.9%
Natural gas	9,862,803	8,874,081	988,722	13.0%	12.9%
Broadband	7,474,985	5,653,692	1,821,293	9.8%	8.2%
Other operating revenue	833,907	661,338	172,569	1.1%	1.0%
Total Operating Revenue	76,035,174	68,772,063	7,263,111	100.0%	100.0%
Operating Expenses					
Purchased power	32,117,987	31,472,330	645,657	42.2%	45.8%
Distribution - Operations	5,933,474	4,923,370	1,010,104	7.8%	7.2%
Distribution - Maintenance	10,392,538	8,175,656	2,216,882	13.7%	11.9%
Consumer accounts	3,176,678	2,687,759	488,919	4.2%	3.9%
Customer services and information	1,078,415	1,117,961	(39,546)	1.4%	1.6%
Sales	509,726	671,299	(161,573)	0.7%	1.0%
General and administrative	6,069,630	7,185,397	(1,115,767)	8.0%	10.4%
Depreciation and amortization	6,978,781	5,868,234	1,110,547	9.2%	8.5%
Taxes, other than income	183,451	174,318	9,133	0.2%	0.3%
Other deductions	845	230,206	(229,361)	0.0%	0.3%
Total Operating Expenses	66,441,525	62,506,530	3,934,995	87.4%	90.9%
Operating Margin Before Interest Expense	9,593,649	6,265,533	3,328,116	12.6%	9.1%
Interest Expense	7,583,139	6,373,736	1,209,403	10.0%	9.3%
Operating Margin (Loss) After Interest Expense	2,010,510	(108,203)	2,118,713	2.6%	-0.2%
Generation and Transmission and Other Capital Credits	1,628,798	1,617,886	10,912	2.1%	2.4%
Operating Margin	3,639,308	1,509,683	2,129,625	4.7%	2.2%
Non-Operating Margin (Loss)					
Interest income	59,449	22,737	36,712	0.1%	0.0%
Gain on disposal of equipment	81,359	3,946	77,413	0.1%	0.0%
Other non-operating margin (loss)	16,772	(146,916)	163,688	0.0%	-0.2%
	157,580	(120,233)	277,813	0.2%	-0.2%
Net Margin	3,796,888	1,389,450	2,407,438	4.9%	2.0%
Other Comprehensive Margin					
Change in postretirement benefit plan	69,928	30,073	39,855	0.1%	0.0%
Comprehensive Margin	\$ 3,866,816	\$ 1,419,523	\$ 2,447,293	5.0%	2.0%

Jo-Carroll Energy, Inc.
Statements of Members' Equities
Years Ended December 31, 2025 and 2024

	<u>Patronage Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total</u>
Balance, January 1, 2024	\$ 28,585,460	\$ 13,753,121	\$ 65,356	\$ 42,403,937
Net margin (loss)	1,509,683	(120,233)	-	1,389,450
Other comprehensive margin	-	-	30,073	30,073
Patronage capital retirement	(1,767,581)	1,023,975	-	(743,606)
Balance, December 31, 2024	28,327,562	14,656,863	95,429	43,079,854
Net margin	3,639,308	157,580	-	3,796,888
Other comprehensive margin	-	-	69,928	69,928
Patronage capital retirement	(151,726)	72,900	-	(78,826)
Balance, December 31, 2025	<u>\$ 31,815,144</u>	<u>\$ 14,887,343</u>	<u>\$ 165,357</u>	<u>\$ 46,867,844</u>

Jo-Carroll Energy, Inc.
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Net margin	\$ 3,796,888	\$ 1,389,450
Items not requiring (providing) cash		
Depreciation and amortization	7,638,030	6,400,388
Capital credits	(1,628,798)	(1,617,886)
Postretirement benefits	80,721	126,302
Provision for credit losses on accounts receivable	18,400	38,500
Gain on disposal of equipment	(81,359)	(3,946)
Deferred credits	(19,966,468)	(1,073,853)
Loss on sale of Cooperative Community Solar, LLC	-	164,576
Changes in		
Accounts receivable - customers and other	(947,582)	198,231
Unbilled revenues	298,021	205,414
Inventories	156,139	610,473
Prepaid expenses and other	280,305	(539,776)
Deferred charges	(25,061)	66,739
Accounts payable	(4,805,003)	(2,455,677)
Customer deposits and other current liabilities	228,624	1,056,614
Net Cash Provided by (Used in) Operating Activities	<u>(14,957,143)</u>	<u>4,565,549</u>
Investing Activities		
Proceeds from disposal of utility plant	486,783	8,969
Additions to utility plant, net and non-utility property	(20,142,857)	(22,797,149)
Proceeds from capital credit retirements	175,128	130,023
Collections on notes receivable	121,716	121,715
Decrease in investments and other assets	99,414	101,142
Net Cash Used in Investing Activities	<u>(19,259,816)</u>	<u>(22,435,300)</u>
Financing Activities		
Patronage capital retirement	(78,826)	(743,606)
Borrowings on line of credit agreements	19,000,000	19,500,000
Repayments on line of credit agreements	-	(20,500,000)
Proceeds from issuance of long-term debt	-	27,500,000
Principal payments on long-term debt	(5,943,109)	(5,507,397)
Payments under USDA REDL program	(121,716)	(121,715)
Grant proceeds received	13,600,000	18,727,981
Net Cash Provided by Financing Activities	<u>26,456,349</u>	<u>38,855,263</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(7,760,610)</u>	<u>20,985,512</u>
Cash and Cash Equivalents, Beginning of Year	<u>25,123,757</u>	<u>4,138,245</u>
Cash and Cash Equivalents, End of Year	<u>\$ 17,363,147</u>	<u>\$ 25,123,757</u>
Supplemental Cash Flows Information		
Interest paid	\$ 7,547,184	\$ 6,243,848
Deferred charges capitalized as utility plant	\$ 450,000	\$ 450,000
Utility plant in accounts payable	\$ 1,915,675	\$ 4,748,627
Line of credit converted to long-term debt	\$ 10,000,000	\$ -

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 9 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 Cooperative previously held a wholly owned subsidiary, Cooperative Community Solar, LLC, which was sold during 2024. Accordingly, the financial statements for the year ended December 31, 2025 do not include the accounts of Cooperative Community Solar, LLC. The loss recognized on the sale of the subsidiary of \$164,576 was included in other non-operating margin (loss) in the 2024 statements of margin.

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 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 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, 2025 and 2024, cash equivalents consisted primarily of a daily investment sweep account.

At December 31, 2025, the Cooperative’s cash accounts exceeded federally insured limits by approximately \$16,543,000.

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.

Jo-Carroll Energy, Inc.
Notes to Financial Statements
December 31, 2025 and 2024

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, 2025 and 2024, credit loss expense related to doubtful accounts receivable, where collectability is not reasonably assured, was approximately \$18,000 and \$39,000, 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, 2025 and 2024.

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 2.81% and 2.65% per annum in 2025 and 2024, 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 2.69% and 2.67% per annum in 2025 and 2024, 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, 2025 and 2024.

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 2025 and 2024.

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 was treated as a disregarded entity for tax purposes until the time it was sold in 2024.

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 \$1,204,770 and \$1,504,791 at December 31, 2025 and 2024, 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 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.

Note 2. Utility Plant

Utility plant consists of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Intangible plant	\$ 7,532,686	\$ 7,532,686
Electric transmission plant	499,221	499,221
Electric distribution plant	152,422,668	144,066,159
Gas distribution plant	19,390,987	18,740,093
General plant	<u>42,376,072</u>	<u>41,329,279</u>
	222,221,634	212,167,438
Construction work in progress	<u>43,267,162</u>	<u>33,478,469</u>
	265,488,796	245,645,907
Accumulated depreciation and amortization	<u>(82,256,019)</u>	<u>(76,475,608)</u>
	<u>\$ 183,232,777</u>	<u>\$ 169,170,299</u>

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 2030; and zero term certificates bear interest of 0% and begin maturing in the year 2038. Such investments and investments in other associated organizations are carried at cost.

Investments in associated organizations consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Dairyland Power Cooperative - patronage capital	\$ 11,461,600	\$ 10,397,342
NRUCFC - patronage capital	3,216,006	3,080,269
NRUCFC capital term certificates	1,203,407	1,224,148
Prairie Power, Inc. - patronage capital	1,696,940	1,577,548
Other associated organizations	<u>916,401</u>	<u>863,341</u>
	<u>\$ 18,494,354</u>	<u>\$ 17,142,648</u>

Jo-Carroll Energy, Inc.
Notes to Financial Statements
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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, 2025 and 2024, the total notes receivable balance was \$58,785 and \$180,501, respectively.

Note 5. Deferred Charges

Deferred charges consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Fiber capacity - DPC N-38 line	\$ 259,730	\$ 272,504
Preliminary survey and investigation - natural gas	543,308	607,859
NRECA RS pension prepayments (See Note 10)	2,600,000	3,050,000
Other	224,332	121,946
	<u>\$ 3,627,370</u>	<u>\$ 4,052,309</u>

The Cooperative is amortizing these charges over various periods ranging from 2 to 30 years.

Note 6. Patronage Capital and Retained Earnings

The following is a summary of patronage capital assignable and assigned at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Assignable	\$ 3,639,308	\$ 1,509,683
Assigned	28,175,836	26,817,879
	<u>\$ 31,815,144</u>	<u>\$ 28,327,562</u>

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 2023, at a discounted rate, is paid out.

Jo-Carroll Energy, Inc.
Notes to Financial Statements
December 31, 2025 and 2024

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, 2025, capital credits through 1998 for the Cooperative's system had been fully retired.

Retained earnings consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Non-operating margin	\$ 2,132,538	\$ 1,974,958
Donated capital	182,328	182,328
Gain on retirement of patronage capital	10,368,784	10,284,842
Other margin	<u>2,203,693</u>	<u>2,214,735</u>
	<u>\$ 14,887,343</u>	<u>\$ 14,656,863</u>

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. During 2024, an additional \$30,000,000 unsecured, perpetual line of credit with NRUCFC was opened. These lines of credit have annual paydown requirements. 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, 2025 and 2024, there was \$13,000,000 and \$4,000,000, borrowed against these lines, respectively. Interest varies with the CFC's line of credit rate, which was 5.75% and 6.50% on December 31, 2025 and 2024, respectively.

The Cooperative also has a \$3,000,000 unsecured line of credit with Illinois Bank & Trust, originally expiring in February 2026 and subsequently renewed in 2026 to extend through March 31, 2027. At December 31, 2024, there were no borrowings against this line. Interest varied with the bank's prime rate plus 2%, which was 8.5% on December 31, 2024, and is payable quarterly. In 2025, Illinois Bank & Trust was acquired by another financial institution; however, the terms of the line of credit remained in place. At December 31, 2025, there were no borrowings against the line. Interest on the line varies based on the lender's variable rate, which was 5.7% at December 31, 2025.

The Cooperative also has a \$1,000,000 unsecured line of credit with CoBank, originally expiring January 30, 2026, which was subsequently renewed in 2026 and is on month-to-month extensions. At December 31, 2025 and 2024, there were no borrowings against this line. Interest varies with the bank's prime rate, which was 5.97% and 6.60% on December 31, 2025 and 2024, respectively, and is payable monthly.

Jo-Carroll Energy, Inc.
Notes to Financial Statements
December 31, 2025 and 2024

Note 8. Long-Term Debt

	<u>2025</u>	<u>2024</u>
NRUCFC secured promissory notes 2.74% - 7.40% notes due 2026 - 2064	\$ 147,571,851	\$ 142,066,608
USDA Rural Development, maturing in 2026; payable approximately \$10,000 monthly, no interest; secured by a letter of credit guarantee	58,785	180,501
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)	<u>3,263,981</u>	<u>4,712,333</u>
	150,894,617	146,959,442
Less current maturities	<u>6,670,230</u>	<u>6,435,053</u>
	<u>\$ 144,224,387</u>	<u>\$ 140,524,389</u>

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, 2025, the Cooperative has an additional available borrowing balance with NRUCFC beyond the operating line of credit of approximately \$18,250,000.

Aggregate annual maturities of long-term debt at December 31, 2025, are:

2026	\$ 6,670,230
2027	6,399,605
2028	5,251,556
2029	5,521,556
2030	5,785,848
Thereafter	<u>121,265,822</u>
	<u>\$ 150,894,617</u>

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, 2025 and 2024.

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

	<u>2025</u>	<u>2024</u>
Benefit obligation	\$ (1,418,713)	\$ (1,407,920)
Fair value of plan assets	-	-
Funded status	<u>\$ (1,418,713)</u>	<u>\$ (1,407,920)</u>

Amounts recognized in the balance sheets:

	<u>2025</u>	<u>2024</u>
Current liability	\$ 135,239	\$ 125,985
Noncurrent liability	<u>1,283,474</u>	<u>1,281,935</u>
	<u>\$ 1,418,713</u>	<u>\$ 1,407,920</u>

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

	<u>2025</u>	<u>2024</u>
Net income	<u>\$ 165,357</u>	<u>\$ 95,429</u>

The accumulated benefit obligation for the plan was \$1,418,713 and \$1,407,920 at December 31, 2025 and 2024, respectively.

Employer contributions were \$125,985 and \$83,327 for 2025 and 2024, respectively.

The discount rate used to determine the benefit obligation was 5.95% and 5.65% for 2025 and 2024, respectively.

For measurement purposes, a 7% annual rate of increase in the per capita cost of covered medical care benefits was assumed for 2025. The rate for 2025 is assumed to decrease by 0.25% annually until reaching 4.75% in 2034 and remain at that level thereafter.

Jo-Carroll Energy, Inc.
Notes to Financial Statements
December 31, 2025 and 2024

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

2026	\$	135,239
2027		183,455
2028		215,235
2029		158,255
2030		159,354
2031 - 2035		463,049
		<hr/>
	\$	1,314,587
		<hr/>

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 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 2025 and 2024 represented less than 5% of the total contributions made to the Plan by all participating employers. The Cooperative made contributions to the Plan totaling approximately \$2,154,000 and \$1,935,000 in 2025 and 2024, 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, 2025 and 2024, 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

Jo-Carroll Energy, Inc.
Notes to Financial Statements
December 31, 2025 and 2024

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.

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 balance sheets as a deferred charge. The Cooperative is amortizing this amount over 10 years and amortized \$250,000 for 2025 and 2024.

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 balance sheets as a deferred charge. The Cooperative is amortizing this amount over 10 years and amortized \$200,000 for 2025 and 2024.

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 2025 and 2024 consists of matching contributions of employee contributions, up to 5% of participating non-union employees' compensation, up to 4% of participating inside union employee's compensation and up to 3% of participating outside union employee's compensation. Contributions to the Plan were approximately \$433,000 and \$418,000 for 2025 and 2024, respectively.

Note 11. Deferred Credits

Deferred credits consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Deferred grant proceeds	\$ 14,836,492	\$ 20,212,864
Customer prepayments	473,494	596,082
Unclaimed capital credit checks	70,488	84,462
Deferred revenue	500,000	1,500,000
Unamortized gain on reacquired debt	-	9
Over recovered purchased gas	1,769,623	1,619,722
Other	17,365	20,791
	<u>\$ 17,667,462</u>	<u>\$ 24,033,930</u>

Deferred Grant Proceeds

Beginning in 2023, the Cooperative became a United States Department of Agriculture (“USDA”) Rural Utilities Services (“RUS”) grantee, specifically for the ReConnect Program. These funds are being utilized to facilitate fiber deployment in areas of rural America that currently do not have sufficient access to fiber. During 2025, the Cooperative received approximately \$3,579,000 of grant advances to be utilized in aid of the fiber buildout. As of December 31, 2025, approximately \$6,836,000 had been utilized, leaving approximately \$1,743,000 of deferred grant proceeds to be used in future periods. During 2024, the Cooperative received approximately \$11,710,000 of grant advances to be utilized in aid of the fiber buildout. As of December 31, 2024, approximately \$8,195,000 had been utilized, leaving approximately \$5,000,000 of deferred grant proceeds to be used in future periods.

Beginning in 2024, the Cooperative became an Illinois ReConnect Loan and Grant Program grantee. These funds are being utilized to facilitate fiber deployment in areas of rural Illinois that currently do not have sufficient access to fiber. During 2025, the Cooperative received approximately \$10,021,000 of grant advances to be utilized in aid of the fiber deployment. As of December 31, 2025, approximately \$12,140,000 had been utilized, leaving approximately \$13,093,000 of deferred grant proceeds to be used in future years, expiring in 2026. During 2024, the Cooperative received approximately \$17,475,000 of grant advances to be utilized in aid of the fiber deployment. As of December 31, 2024, approximately \$2,263,000 had been utilized, leaving approximately \$15,212,000 of deferred grant proceeds to be used in future years, expiring in 2026.

Deferred Revenue

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 plan 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 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.

Jo-Carroll Energy, Inc.
Notes to Financial Statements
December 31, 2025 and 2024

Contract Balances

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

	<u>2025</u>	<u>2024</u>
Accounts receivable - customers, beginning of year	\$ 3,204,533	\$ 3,323,981
Accounts receivable - customers, end of year	\$ 4,320,174	\$ 3,204,533
Unbilled revenues, beginning of year	\$ 1,504,791	\$ 1,710,205
Unbilled revenues, end of year	\$ 1,206,770	\$ 1,504,791

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.

The Cooperative entered into a natural gas purchase agreement on September 7, 2007, with the Illinois Public Energy Agency (IPEA). This agreement was set to expire March 31, 2024. In March 2024, it was extended for a period of 4 years and is now set to expire March 31, 2028.

Labor Agreements

Approximately 58% of the Cooperative’s employees are covered by collective bargaining agreements. Two collective bargaining agreements covering these employees expire in 2028.

**Jo-Carroll Energy, Inc.
Notes to Financial Statements
December 31, 2025 and 2024**

Letter of Credit

The Cooperative had \$333,355 at December 31, 2025 and 2024, in an outstanding letter of credit to be used for the purchase of natural gas.

Inventory Futures – Natural Gas

As of December 31, 2025, the Cooperative has committed to purchase natural gas in various periods through December 2027, for a total value of approximately \$3,579,000.

Note 14. Subsequent Events

Subsequent events have been evaluated through April 22, 2026, which is the date the financial statements were available to be issued.

Supplementary Information

Jo-Carroll Energy, Inc.
Schedule of Expenditures of Federal Awards
December 31, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Treasury Coronavirus Capital Projects Fund	21.029	N/A	\$ -	\$ 12,615,269

Jo-Carroll Energy, Inc.
Notes to Schedule of Expenditures of Federal Awards
December 31, 2025

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Jo-Carroll Energy, Inc. (the "Cooperative") under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position, changes in members' equities, or cash flows of the Cooperative.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

Management has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4. Federal Loan Programs

The Cooperative did not participate in any federal loan programs.

Note 5. Federal Awards to Subrecipients

No federal awards were provided to subrecipients.

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of Jo-Carroll Energy, Inc. (the "Cooperative"), which comprise the balance sheet as of December 31, 2025, and the related statements of margin, members' equities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 22, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Forvis Mazars, LLP

**St. Louis, Missouri
April 22, 2026**

Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Jo-Carroll Energy, Inc's (the "Cooperative") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Cooperative's major federal programs for the year ended December 31, 2025. The Cooperative's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Cooperative complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2025.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the “Auditor’s Responsibilities for the Audit of Compliance” section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Forvis Mazars, LLP

**St. Louis, Missouri
April 22, 2026**

Jo-Carroll Energy, Inc.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2025

Section I – Summary of Auditor’s Results

Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:
 (Check each description that applies)
 Unmodified Qualified Adverse Disclaimer

2. Internal control over financial reporting:
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No

3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

4. Internal control over major federal awards programs:
 Significant deficiency(ies) identified? Yes None reported
 Material weakness(es) identified? Yes No

5. Type of auditor’s report issued on compliance for major federal program(s):
 Unmodified Qualified Adverse Disclaimer

6. Any audit findings disclosed that are required to be reported by 2 CFR 200.516(a)? Yes No

7. Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.029	Coronavirus Capital Projects Fund

8. Dollar threshold used to distinguish between Type A and Type B programs: \$1,000,000.

9. Auditee qualified as a low-risk auditee? Yes No

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

Jo-Carroll Energy, Inc.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2025

No matters are reportable.