Holy Cross Electric Association, Inc.
and Subsidiary

April 30, 2024

Consolidated Financial Statements

KELSO LYNCH, P.C., P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Holy Cross Electric Association, Inc. and Subsidary

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Holy Cross Electric Association, Inc. and Subsidary

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Independent Auditor's Report

The Board of Directors
Holy Cross Electric Association, Inc. and Subsidiary
Glenwood Springs, Colorado

Opinion
We have audited the accompanying consolidated financial statements of Holy Cross Electric Association, Inc. (the Association) and Subsidiary (a Colorado corporation), which comprise the consolidated balance sheets as of April 30, 2024 and 2023 and the related consolidated statements of revenue and patronage capital, and consolidated cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holy Cross Electric Association, Inc. and Subsidiary as of April 30, 2024 and 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Holy Cross Electric Association, Inc. and Subsidiary and to meet our 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 these 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 Holy Cross Electric Association, Inc. and Subsidiary's ability to continue as a going concern within 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 generally accepted 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

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considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism through 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 Holy Cross Electric Association, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Holy Cross Electric Association, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2024 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Kelso Lynch, P.C., P.A.

Mission, Kansas
July 2, 2024

Independent Auditor's 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*

The Board of Directors
Holy Cross Electric Association, Inc. and Subsidiary
Glenwood Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Holy Cross Electric Association and Subsidiary (the Association), which comprise the consolidated balance sheets as of April 30, 2024 and 2023, and the related consolidated statements of revenue and patronage capital, and consolidated cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated July 2, 2024.

Internal Control over Financial Reporting
In planning and performing our audits of the financial statements, we considered the Association's internal control over financial reporting (internal control) as a basis for designing the 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 Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Association'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*.

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Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kelso Lynch, P.C., P.A.

Mission, Kansas
July 2, 2024

Holy Cross Electric Association, Inc. and Subsidiary
Consolidated Balance Sheets
At April 30, 2024 and 2023

Assets

	2024	2023
Utility Plant		
Electric plant in service - at cost	$ 500,295,163	$ 480,246,563
Construction work-in-progress	35,260,171	28,628,933
	535,555,334	508,875,496
Less accumulated provision for depreciation and amortization	(214,426,153)	(200,245,259)
Net utility plant	321,129,181	308,630,237
Other Assets and Investments		
Subordinated certificates	2,962,873	2,969,073
Investments in associated organizations	8,177,291	7,399,213
Non-utility property	434,164	448,807
Other investments	4,832,502	3,784,644
Total other assets and investments	16,406,830	14,601,737
Current Assets		
Cash and cash equivalents	10,318,862	11,150,925
Accounts receivable		
Customers, less allowance for credit losses of $384,000 and $379,000, respectively	9,756,497	12,539,089
Unbilled revenue	4,235,587	4,489,109
Materials and supplies	7,381,965	7,860,719
Other current assets	5,283,309	5,262,645
Total current assets	36,976,220	41,302,487
Deferred Charges		
Deferred Charges	258,607	295,493
Total deferred charges	258,607	295,493
Total assets	$ 374,770,838	$ 364,829,954

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

Members' Equity and Liabilities

	2024	2023
Members' Equity		
Patronage capital	$ 80,551,081	$ 79,361,143
Other equities	78,529,458	72,879,466
Total members' equity	159,080,539	152,240,609
Long-Term Debt		
Mortgage notes payable	145,241,927	152,389,417
Other long-term debt	4,420,852	2,453,757
Less current maturities	(7,515,000)	(7,360,000)
Total long-term debt	142,147,779	147,483,174
Current Liabilities		
Current maturities on long-term debt	7,515,000	7,360,000
Accounts payable	13,316,251	13,320,417
Notes payable - lines of credit	8,000,000	3,000,000
Accrued liabilities		
Taxes	2,349,919	2,478,777
Interest	112,648	116,601
Other	6,889,997	6,510,325
Total current liabilities	38,183,815	32,786,120
Other Liabilities		
Asset retirement obligation	3,305,666	3,247,217
Deferred credits	32,053,039	29,072,834
Total other liabilities	35,358,705	32,320,051
Total members' equity and liabilities	$ 374,770,838	$ 364,829,954

Holy Cross Electric Association, Inc. and Subsidiary
Consolidated Statements of Revenue and Patronage Capital
For the Years Ended April 30, 2024 and 2023

	2024		2023	
Operating Revenue	$ 153,844,043	100.00%	$ 155,237,132	100.00%
Operating Expenses				
Cost of power	65,407,362	42.52%	70,824,042	45.62%
Power production	10,999,952	7.15%	10,699,778	6.89%
Transmission	3,624,783	2.36%	3,132,703	2.02%
Distribution - operations	12,056,287	7.84%	10,907,659	7.03%
Distribution - maintenance	5,899,845	3.83%	5,727,004	3.69%
Consumer accounts	3,718,002	2.42%	3,630,600	2.34%
Customer service and information	2,686,725	1.75%	2,771,016	1.79%
Administrative and general	16,455,315	10.70%	14,490,811	9.33%
Depreciation and amortization	15,168,444	9.86%	14,475,696	9.32%
Taxes	1,900,643	1.24%	2,196,198	1.41%
Total operating expenses	137,917,358	89.65%	138,855,507	89.45%
Operating Margins Before Fixed Charges	15,926,685	10.35%	16,381,625	10.55%
Fixed Charges				
Interest expense	6,862,204	4.46%	7,158,298	4.61%
Total fixed charges	6,862,204	4.46%	7,158,298	4.61%
Operating Margins After Fixed Charges	9,064,481	5.89%	9,223,327	5.94%
Other Capital Credits	1,285,162	0.84%	1,083,320	0.70%
Net Operating Margins	10,349,643	6.73%	10,306,647	6.64%
Nonoperating Income				
Interest income	611,743	0.40%	337,388	0.22%
Other nonoperating income	36,695	0.02%	350,543	0.23%
Total nonoperating income	648,438	0.42%	687,931	0.45%
Net Margins for the Year	10,998,081	7.15%	10,994,578	7.09%
Patronage Capital at Beginning of Year	79,361,143		77,527,749	
Other changes	(2,241,791)		(1,693,376)	
Retirement of Capital Credits	(7,566,352)		(7,467,808)	
Patronage Capital at End of Year	$ 80,551,081		$ 79,361,143	

Holy Cross Electric Association, Inc. and Subsidiary
Consolidated Statements of Cash Flows
For the Years Ended April 30, 2024 and 2023

	2024	2023
Cash Flows From (Used For) Operating Activities		
Net margins	$ 10,998,081	$ 10,994,578
Adjustments to reconcile net margins to net cash provided by operating activities		
Depreciation and accretion on utility plant	15,168,444	14,475,696
Depreciation on non-utility property	28,143	27,843
Capital credits	(1,285,162)	(1,083,320)
Depreciation charged to vehicle and equipment clearing	904,471	880,535
Changes in operating assets and liabilities		
(Increase) decrease in operating assets		
Accounts receivable	2,782,592	(1,410,484)
Materials and supplies	478,754	(2,949,863)
Deferred charges	36,886	(14,143)
Other assets	232,858	1,492,579
Increase (decrease) in operating liabilities		
Accounts payable	(4,166)	958,636
Accrued taxes	(128,858)	100,073
Accrued interest	(3,953)	(3,317)
Deferred credits	2,980,205	9,289,284
Accrued liabilities	379,672	(684,306)
Net cash from operating activities	32,567,967	32,073,791
Cash Flows From (Used For) Investing Activities		
Net additions of property and equipment	(28,513,410)	(22,698,622)
Patronage capital recovery	507,084	501,004
Other investing activities	(1,055,158)	(2,786,609)
Net cash used for investing activities	(29,061,484)	(24,984,227)
Cash Flows From (Used For) Financing Activities		
Proceeds from long-term debt	2,358,283	2,474,552
Principal payments on long-term debt	(7,538,678)	(6,741,262)
Proceeds from line of credit	10,500,000	8,000,000
Payments on line of credit	(5,500,000)	(5,000,000)
Retirement of capital credits	(7,566,352)	(7,467,808)
Other financing activities	3,408,201	3,382,244
Net cash used for financing activities	(4,338,546)	(5,352,274)
Net Increase (Decrease) in Cash and Cash Equivalents	(832,063)	1,737,290
Cash and Cash Equivalents at Beginning of Year	11,150,925	9,413,635
Cash and Cash Equivalents at End of Year	$ 10,318,862	$ 11,150,925
Supplemental Cash Flows Information		
Cash paid for interest	$ 6,866,157	$ 7,161,615
Noncash investing and financing transactions		
Acquisitions of property and equipment in accounts payable	$ 794,528	$ 220,212
Asset retirement obligation in plant and long term liabilities	$ 58,449	$ 57,416

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

Note 1 - Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of Holy Cross Electric Association, Inc. (a Colorado not-for-profit corporation), and its wholly owned subsidiary Energy and Services Experts, Inc. (a Colorado for-profit corporation). All significant intercompany transactions and balances have been eliminated among these entities.

Holy Cross Electric Association, Inc. (the Association) is an electric power distribution cooperative serving residences and businesses located in central Colorado. Energy and Services Experts, Inc. (EASE) was created to provide various non-electric services in the same geographical region as the Association but was non-operational during both fiscal years presented herein.

Accounting policies - As a regulated enterprise with a member-elected Board of Directors, the Association accounts for such regulation under professional accounting standards ASC 980, *Regulated Industries*. The accounting policies followed by the Association are in conformity with accounting principles generally accepted in the United States of America as they apply to a regulated electric utility. The Association has recorded certain deferred charges and credits using ASC 980.

The Association follows the Uniform System of Accounts prescribed by the Rural Utilities Service (RUS). As a result, the application of accounting principles generally accepted in the United States of America by the Association differs in certain respects from such application by nonregulated enterprises. These differences primarily concern the recognition of revenue and expense items. The more significant policies of the Association are described below.

Cash equivalents - The Association considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts receivable - The Association extends credit to its customers who are primarily located in central Colorado. Unbilled revenues arise when electricity has been delivered but amounts have not yet been billed due to the timing of the various billing cycles. At April 30, 2024 and 2023, the Association had $4,235,587 and $4,489,189, respectively, of unbilled revenues. For the year ended April 30, 2023, the Association carried its receivables at cost less an allowance for doubtful accounts based on a review of outstanding receivables, unbilled revenue, historical collection information and existing economic conditions.

On May 1, 2023, the Association adopted ASU 2016-13 Financial Instruments - Credit Losses (Topic 326). This standard replaced the incurred loss methodology with an expected loss methodology that requires an estimate of credit losses using historical experience, current conditions, and reasonable and supportable forecasts. The Association's method for estimating credit losses takes into consideration the current aging of balances and existing economic conditions for trade accounts receivable. The Association did not identify any forecasted economic or other conditions that would require forecasting an additional amount for credit losses in the current year.

Electric receivables are considered past due if the Association has not received payment by the due date. It is the Association's policy that accounts are written off if they remain uncollected and all collection efforts have been exhausted. Recoveries of trade receivables previously written off are recorded as revenue when received and do not accrue interest. The collectability of sales is very high with less than 1% written off as a credit loss expense annually.

Contract receivables from contracts with customers for the years ended April 30, 2024 and 2023 were as follows:

	2024	2023	
Receivables	**End of Year**	**End of Year**	**Beginning of Year**
Customers	$ 9,756,497	$ 12,539,089	$ 11,588,552

Materials and supplies - Materials and supplies are priced at historical cost. Cost is determined using the average cost method applied on a first-in, first-out basis.

Investments - Investments in associated organizations are carried at cost plus allocated equities. Other investments are generally carried at cost.

Recognition of revenue - Electric revenue and the related cost of power (purchased and produced) is recognized when electricity is consumed by the ultimate customer under ASC 606. Customers are billed monthly and electric revenue is recognized over the period of time the services are provided to the consumer. Other revenue not accounted for under ASC 606 is out of scope revenue related to investments and amounts to less than 1% of total revenue. The Association collects taxes from its members on behalf of taxing authorities and revenue is reported net of these taxes in the statements of revenue and patronage capital.

The Association uses a single five-step model to identify and recognize revenue from contracts with members (member revenue) upon transfer of control of promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services.

The Association, when it adopted ASC 606, elected to use the portfolio approach to evaluate its contracts. As a practical expedient (shortcut), a portfolio approach is permitted if it is reasonably expected that the approach's impact on the consolidated financial statements will not be materially different from the impact of applying the standard on an individual contract basis. In conjunction, the Association also elected to use the right to invoice practical expedient. This shortcut allows the Association to recognize revenue in the amount of consideration to which the Association has the right to bill when the amount that the Association has the right to bill its customer corresponds directly to the value transferred to the customer.

The following table summarizes the Association's revenue by member class, including a reconciliation to the Association's reportable operating revenue on the Statements of Revenue and Patronage Capital.

Customer Revenue	2024	2023
Electric		
Residential	$ 82,428,849	$ 85,294,063
Commercial and Industrial	59,891,554	60,246,375
Other	11,523,640	9,696,694
Total electric energy revenue	$ 153,844,043	$ 155,237,132

Property, plant, and equipment - Costs associated with utility plant additions and improvements are capitalized. This results in the capitalization of direct costs such as labor and materials and also includes capitalization of indirect costs including labor, material charges, taxes, insurance, transportation, depreciation, pensions, contract work, and other related expenses. These costs are accumulated in work-in-process accounts and are capitalized to the proper plant accounts at the completion of the construction activity.

The cost of depreciable property, when retired, is computed at the average unit cost along with removal costs less salvage. The net retirement cost is charged to accumulated depreciation. Maintenance and repairs, including minor items of property, and removal of items determined to be less than complete units are charged to maintenance expense as incurred. Depreciation is recognized on the straight-line basis based on the useful life of the assets and is accounted for under the group depreciation method for production, transmission and distribution plant, and specific identification for general plant.

Long-lived asset impairment - The Association 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 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 April 30, 2024 or 2023.

Asset retirement obligation - Accounting principles generally accepted in the United States of America require that an asset retirement obligation associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event.

When the liability is initially recorded, the entity capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset.

The Association has determined it does have a material legal obligation to remove long-lived assets, and accordingly, a liability has been recorded for both the years ended April 30, 2024 and 2023, respectively (see Note 13).

Income taxes - In conformity with its by-laws, the Association conducts its operations on a cooperative basis. Annual revenue, in excess of the cost of providing service, is allocated in the form of capital credits to the members' capital accounts on the basis of patronage.

The Association has a letter of exemption from federal income tax, issued by the Internal Revenue Service and files IRS Form 990 annually. The state of Colorado recognizes this exemption for state income tax purposes.

EASE has been recognized as a C Corporation for income tax purposes. EASE accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. EASE determines deferred income taxes using the liability (or balance sheets) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

An evaluation of whether or not it has any uncertain tax positions is determined on an annual basis by the Association. While the Association believes it has adequately provided for all tax positions, amounts asserted by taxing authorities could be different than the positions taken by the Association. The Association recognizes any interest and penalties assessed by taxing authorities in income tax expense and, with few exceptions, is no longer subject to federal, state and local income tax examinations for years prior to 2020.

Use of estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain items from the prior year have been reclassified to conform with the current year's presentation.

Note 2 - Cash, Cash Equivalents and Temporary Cash Investments
The Association maintains its cash in bank deposit accounts, which at times exceed federally insured limits. The Association has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash, cash equivalents or temporary cash investments.

Note 3 - Assets Pledged
Substantially all assets are pledged as security for long-term debt to Farmer Mac and the National Rural Utilities Cooperative Financing Corporation (CFC) without preference, priority or distinction. Assets constructed with the Rural Energy Savings Program (RESP) loan funds are pledged as security for the corresponding long-term debt to USDA Rural Development Program.

Note 4 - Electric Utility Plant and Depreciation
Listed below are the major classes of the electric utility plant as of April 30, 2024 and 2023.

	Plant Balances		Annual
	2024	**2023**	**Depreciation Rates**
Production plant (generation)	$ 133,337,578	$ 132,511,438	3.45%
Transmission plant	42,512,894	42,453,395	2.71%
Distribution plant	247,262,894	234,288,043	2.99%
General plant	77,181,797	70,993,687	2.00% - 20.00%
Total	$ 500,295,163	$ 480,246,563	

Provision has been made for depreciation on the items of electric utility plant, as noted above. Depreciation charges taken on depreciable electric utility plant for the years ended April 30, 2024 and 2023 were $16,014,465 and $15,298,815, respectively.

The Association entered into a Joint Ownership Agreement with Public Service Company of Colorado (PSCo) and a second Colorado electric cooperative for the purpose of the construction and operations of a pulverized coal electric generating facility during 2005. This facility produces approximately 750 megawatts (MW) of electric power, with the Association's share of that total at 8% or 60 MW. The facility, known as Comanche 3, went online during the year ended April 30, 2011. The Association capitalized its share of the accumulated cost at that point and is depreciating this production plant using the straight-line composite method following the Rural Utilities Service (RUS) prescribed rates for steam production plant that range from 3.1% - 6.7%. These rates approximate the useful lives of the assets.

Note 5 - Nonutility Property
At April 30, 2024 and 2023, nonutility property consisted of:

	2024	**2023**	**Depreciation Method and Years**
Real estate	$ 917,584	$ 907,493	S/L 33-38 Years
Less accumulated depreciation	(483,420)	(458,686)	
Net non-utility property	$ 434,164	$ 448,807	

This real estate is primarily used for employee housing.

Note 6 - Subordinated Certificates

	2024	2023
Capital term certificates	$ 859,377	$ 859,377
Loan term certificate	185,100	185,100
Zero term certificates	1,918,396	1,924,596
Total	$ 2,962,873	$ 2,969,073

The capital term certificates yield 5%, the loan term certificate yields 3%, and the zero term certificates have no yield. All the certificates have various maturity dates through 2080.

Note 7 - Investments in Associated Organizations

Investments in associated organizations consisted of the following at April 30, 2024 and 2023:

	2024	2023
Patronage capital - CFC	$ 5,068,714	$ 4,785,538
Patronage capital - Western United	2,077,549	1,619,126
Patronage capital - Federated Rural Insurance	675,686	648,319
Patronage capital - NISC	314,352	302,652
Other investments in associated organizations	40,990	43,578
Total	$ 8,177,291	$ 7,399,213

Note 8 - Other Investments

Other investments consisted of the following at April 30, 2024 and 2023:

	2024	2023
Member loans receivable	$ 4,710,229	$ 3,687,366
Other investments	122,273	97,278
Total	$ 4,832,502	$ 3,784,644

The member loans receivable consists of zero-percent interest installment loans to members for energy efficiency equipment. The loans are all current, and management considers them to be fully collectible. They are secured by letters of credit or the energy efficiency equipment financed.

Note 9 - Other Current Assets

Other current assets consisted of the following at April 30, 2024 and 2023:

	2024	2023
Prepaid insurance	$ 338,489	$ 264,557
Comanche 3 O&M deposit	1,357,000	1,357,000
Carbon offsets	1,614,976	1,614,976
Pitkin Solar deposit	1,200,000	1,360,000
Other prepayments & current assets	772,844	666,112
Total	$ 5,283,309	$ 5,262,645

Note 10 - Members' Equity

	Patronage Capital		Other	
	Allocated	Unallocated	Equities	Total
Balance, April 30, 2022	$ 63,758,904	$ 13,768,845	$ 67,803,846	$ 145,331,595
Net margin		10,994,578		10,994,578
Allocation, 2022	9,577,641	(11,271,859)	1,694,218	
Retirement of capital credits	(7,467,808)		2,667,527	(4,800,281)
Other changes		842	713,875	714,717
Balance, April 30, 2023	65,868,737	13,492,406	72,879,466	152,240,609
Net margin		10,998,081		10,998,081
Allocation, 2023	9,621,127	(11,862,918)	2,241,791	
Retirement of capital credits	(2,759,999)	4,359	(2,114,006)	(4,869,646)
Other changes	(4,810,712)		5,522,207	711,495
Balance, April 30, 2024	$ 67,919,153	$ 12,631,928	$ 78,529,458	$ 159,080,539

At April 30, 2024 and 2023, patronage capital consisted of:

	2024	2023
Assigned to date	$ 67,919,153	$ 65,868,737
Assignable	12,631,928	13,492,406
Total	$ 80,551,081	$ 79,361,143

Under the provisions of the CFC mortgage agreement, until the equities and margins equal or exceed 20% of the total assets of the Association, the return to patrons of capital contributed by them is limited generally to 30% of the patronage capital or margins received by the Association in the prior calendar year. This limitation does not usually apply to capital credit retirements made exclusively to estates.

The total equities and margins of the Association are approximately 42% of the total assets at both April 30, 2024 and 2023, respectively. Other equities consist of donated capital, non-operating margins, and retired capital credits gains.

Allocation and retirement of members' equity - Recommendations are made to the board by management for allocation and retirement of members' equity. While the Association's bylaws govern the way that members' equity is allocated and retired, in the end it is a board decision on a calendar-year basis. Current practice is to allocate margins around the first quarter of the following year. The margins that have been allocated to members are calendar year operating margins, as noted. Once the allocation has been approved, the board will vote on the amounts that will be retired. Current practice has included a retirement of 50% of the current members' equity allocation on a discounted net present value basis to be paid in the second quarter of the current year typically. In addition, the board has the discretion to include an additional retirement for amounts that remain unpaid from all prior years. These amounts are retired on a first-in-first-out basis.

The discounted portion and unallocated nonoperating margins will increase other equities, as noted in the table above.

Note 11 - Long-Term Debt and Lines of Credit

Long-term debt - Long-term debt at April 30, 2024 and 2023 consisted of the following:

Description	2024	2023
Mortgage notes payable - CFC; fixed interest rates from 3.42% to 6.15%; notes due at various times to October 2051.	$ 132,428,551	$ 139,006,267
Mortgage notes payable - Farmer Mac; fixed interest rates from 2.45 to 5.04%; notes due October 2040.	12,813,376	13,383,150
USDA Rural Development - Rural Energy Savings Program Loan (RESP) - 0%; notes due at various times to May 2040.	4,420,852	2,453,757
Less current maturities	(7,515,000)	(7,360,000)
Total long-term debt	$ 142,147,779	$ 147,483,174

The USDA RESP loan agreement and the CFC/Farmer Mac mortgage agreements in effect on April 30, 2024 contain restrictive covenants relating to certain financial ratios. The Association is in compliance with these covenants as of December 31, 2023, as required.

As of both April 30, 2024 and 2023, the Association had $25,000,000 in loan funds available from CFC for which a loan agreement has been executed.

As of April 30, 2024 and 2023, the Association had $6,167,165 and $8,525,448 in loan funds available from USDA Rural Development (RESP) respectively, for which a loan agreement has been executed.

Estimated maturities on long-term debt for the next five years are as follows:

For The Year Ending	Amounts
April 30, 2025	$ 7,515,000
April 30, 2026	$ 7,860,000
April 30, 2027	$ 8,090,000
April 30, 2028	$ 8,160,000
April 30, 2029	$ 8,285,000

Lines of credit - The Association has available a perpetual line of credit with CFC on which it may borrow up to $15,000,000. As of April 30, 2024 and 2023, nothing had been drawn and remained outstanding on this line of credit. The interest rate was 7.25% as of April 30, 2024.

The Association has available an “as-offered uncommitted” line of credit with CFC on which it may borrow, conditional upon funds available from CFC, up to $15,000,000 also. As of April 30, 2024 and 2023, $8,000,000 and $3,000,000, respectively, had been drawn and remained outstanding on the line of credit, at an interest rate of 7.05% as of April 30, 2024 and 6.55% as of April 30, 2023.

The Association has entered into agreements with CoBank for one line of credit up to $1,000,000 and another line of credit up to $3,000,000. These perpetual lines of credit are renewable annually on October 31st. As of both April 30, 2024 and 2023, no funds have been drawn and no amounts were outstanding. The interest rate was 7.37% as of April 30, 2024.

Note 12 - Other Current Liabilities

Other current liabilities consisted of the following at April 30, 2024 and 2023:

	2024	2023
Customers' deposits	$ 537,163	$ 495,302
Accrued payroll	971,766	840,744
Accrued vacation	3,874,079	3,688,212
Patronage capital payable	1,060,351	1,097,064
Other current liabilities	446,638	389,003
Total	$ 6,889,997	$ 6,510,325

Note 13 - Asset Retirement Obligation

Accounting principles generally accepted in the United States of America require that an asset retirement obligation associated with the retirement of a tangible long-lived asset be recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event.

The Association's conditional asset retirement obligation primarily relates to the dismantling and removal of the Comanche 3 generating facility. The facility's construction was completed in 2010. The useful life of the facility is estimated to be 30 years. By 2040, the facility will be substantially depreciated. If the facility closes prior to 2040, any remaining balances are expected to be treated as a regulatory asset and amortized so that amounts would be fully amortized by 2040.

A summary of changes in asset retirement obligations for the years ended April 30, 2024 and 2023, is included in the table below.

	2024	2023
Liability, beginning of year	$ 3,247,217	$ 3,189,800
Accreation expense	58,449	57,417
Liability, end of year	$ 3,305,666	$ 3,247,217

The actual costs incurred related to the asset retirement obligation could differ materially from the current estimates.

Note 14 - Deferred Credits

Deferred credits consisted of the following at April 30, 2024 and 2023:

	2024	2023
Customers' advances for construction	$ 8,739,644	$ 8,965,003
Indeterminate services	10,621,042	9,188,359
Renewable energy reserve	947,882	484,748
Deferred revenue	6,696,022	6,609,297
Solar electric generation station	1,354,650	1,457,500
Renewable energy reserve - PuRE WeCare Fund	1,419,156	1,663,516
Escrow - Hunter Solar PPA	1,506,945	-
Other deferred credits	767,698	704,411
Total	$ 32,053,039	$ 29,072,834

Customer advances for construction represent deposits required of customers in accordance with the Association's line extension policy. These are applied against construction costs with any excess being either refunded or applied to indeterminate service, in accordance with Association policy or the individual agreements.

Indeterminate services are customer provided construction advances towards plan construction for which the customers are to receive an annual refund for 10 years based on usage. Any portion of the unrefunded advance at the end of the 10-year period may revert to the Association. In accordance with the Association's line extension policy, the unrefunded balance is used to offset plant construction costs. The status of potential forfeiture cannot be determined by management at either April 30, 2024 or 2023.

The renewable energy reserve is the unused portion of monies set aside for the purposes of renewable energy and conservation expenditures at the end of a calendar year. The reserve is funded with a 2.00% rate rider of member operating revenue and is adjusted accordingly each month. The renewable energy reserve - PuRE WeCare Fund is the unused portion of monies from customers who have elected to purchase 100% renewable energy. The reserve is funded through an additional charge per kWh for wind, solar, and hydro energy.

In February 2024, the Board of Directors of the Association moved to defer electric revenues of $4,568,947 to future periods from the calendar year 2023 in accordance with ASC 980 *Regulated Industries*. Per the 2023 plan, the amount will be recognized in operating revenue over the 2024 and 2025 calendar years. In February 2023, the Board of Directors of the Association moved to defer electric revenues of $5,783,741 from the calendar year 2022 per ASC 980. Per this plan, the amount will be recognized in revenue over the 2023 and 2024 calendar years, and during the year ended April 30, 2024, $4,482,222 was recognized as operating revenue in the statement of revenue and patronage capital . The values at April 30, 2024 and 2023 represent the unamortized portion of approved deferred revenue from both plans.

Note 15 - Accounting for Pension Benefits

Pension plan - The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Company (NRECA), is a defined benefit pension plan qualified under Section 401 and tax exempt under Section 501(a) of the Internal Revenue Code. It is considered a multi-employer plan under the accounting standards. The Plan Sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

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

The Association's contributions to the RS Plan in 2024 and 2023 represented less than 5% of the total contributions made to the RS Plan by all participating employers. The Association made contributions to the RS Plan of $1,954,264 in 2024 and $1,761,088 in 2023. There have been no significant changes that affect the comparability of the 2024 and 2023 contributions.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80% funded on January 1, 2024 and 2023 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

401(k) plan - The Association also has a defined contribution 401(k) plan, which covers substantially all of the employees of the Association. Effective January 1, 2014, the Association amended the plan to contribute 14% of the employees' qualified salary and will additionally match up to 4% of the employees' voluntary contributions. The total expenses related to this plan were $3,552,708 and $3,272,072 for 2024 and 2023, respectively.

Note 16 - Commitments
The Association obtains a substantial amount of its wholesale purchased power under a contract with Public Service Company of Colorado (PSCo), a subsidiary of Xcel Energy. Although there are a limited number of electric power suppliers, management believes there would be no lapse in service if PSCo were to default on its contract. Such a change might result in higher cost of power to the Association and, in turn, higher billing rates to its members.

Under its wholesale power agreement, PSCo is committed to provide the Association's electric power and energy requirements until April 15, 2042, subject to an opt-out provision in 2029.

The Association has entered into an energy purchase agreement with an independent energy company. The purpose of the agreement is to increase the renewable energy component of the Association's electrical generation mix by purchasing energy generated from renewable sources from the independent energy company. In return, the Association will sell fossil fueled energy to the independent energy company.

The Association has also entered into several renewable energy Purchase Power Agreements (PPA) with various entities, contract terms and expiration dates. These are contracts entered into to provide additional sources of green power to meet the Association's energy requirements and the Board's goals on the makeup of the purchased power portfolio. Subsequent to April 30, 2024 and prior to the financial statement issuance date, one of these entities filed for bankruptcy. Management expects to be able to terminate the agreement in compliance with its rights in the agreement. Management further believes the financial risk exposure is low because the Association can fulfill its future electrical generation resource needs from existing PPA portfolio or new PPA added to the Association portfolio.

Note 17 - Government Assistance
In October 2023, the Association, in conjunction with NRECA Research and 39 other rural electric cooperatives in high-threat wildfire areas, was awarded a Wildfire Assessment and Resilience for Networks (WARN) grant through the U.S. Department of Energy Grid Resilience and Innovation Partnerships (GRIP) Program. The purpose of the grant is to assist the Association and the 39 other rural electric cooperatives in hardening their networks by utilizing existing methods and advanced technologies to reduce wildfires and increase wildfire resilience. The total project cost for the Association and the 39 other rural electric cooperatives is $145,091,246 with a federal cost share of $99,328,430 and a recipient cost share of $45,762,816. The Association did not expend or receive any grant funds related to this project during the year ended April 30, 2024.

Note 18 - Contingencies
The Association is a party to various claims and other routine legal matters arising in the ordinary course of business. The Association does not believe that the results of these plus any other claims and other legal matters, individually or in aggregate, will have a material adverse effect on its operations or financial positions.

Note 19 - Subsequent Events
The Association has evaluated subsequent events through July 2, 2024, which is the date these consolidated financial statements were available to be issued. Management concluded that no other subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements. See note 16 above for a subsequent event relating to its electric generation portfolio.

Supplemental Information

KELSO
LYNCH
Certified Public Accountants

Independent Auditor's Report on Supplemental Information

The Board of Directors
Holy Cross Electric Association, Inc. and Subsidiary
Glenwood Springs, Colorado

We have audited the consolidated financial statements of Holy Cross Electric Association, Inc. and Subsidiary as of and for the year ended April 30, 2024 and 2023, and our report thereon, dated July 2, 2024, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements (collectively, the financial statements) as a whole.

The accompanying consolidating balance sheet and consolidating statement of revenue shown on pages 20 through 22, is presented for purpose of additional analysis of the financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the basic 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 consolidating 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 auditing standards generally accepted in the United States of America.

Kelso Lynch, P.C., P.A.

Mission, Kansas
July 2, 2024

Kelso Lynch, P.C., P.A.
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Holy Cross Electric Association, Inc. and Subsidiary
Consolidating Balance Sheet
At April 30, 2024

Assets

	Holy Cross Electric, Inc.	Energy and Services Experts, Inc.	Elimination Entries	Consolidated Balances
Utility Plant				
Electric plant in service - at cost	$ 500,295,163			$ 500,295,163
Construction work-in-progress	35,260,171			35,260,171
	535,555,334			535,555,334
Less accumulated provision for depreciation and amortization	(214,426,153)			(214,426,153)
Net utility plant	321,129,181			321,129,181
Other Assets and Investments				
Subordinated certificates	2,962,873			2,962,873
Investments in associated organizations	8,177,291	$ 7,273	$ (7,273)	8,177,291
Non-utility property	434,164			434,164
Other investments	4,832,502			4,832,502
Total other assets and investments	16,406,830	7,273	(7,273)	16,406,830
Current Assets				
Cash and cash equivalents	10,318,862			10,318,862
Accounts receivable				
Customers, less allowance for credit losses of $384,000	9,756,497			9,756,497
Unbilled revenue	4,235,587			4,235,587
Materials and supplies	7,381,965			7,381,965
Other current assets	5,283,309			5,283,309
Total current assets	36,976,220			36,976,220
Deferred Charges				
Deferred Charges	258,607			258,607
Total deferred charges	258,607			258,607
Total assets	$ 374,770,838	$ 7,273	$ (7,273)	$ 374,770,838

Members' Equity and Liabilities

	Holy Cross Electric, Inc.	Energy and Services Experts, Inc.	Elimination Entries	Consolidated Balances
Equities				
Patronage capital	$ 80,551,081			$ 80,551,081
Other equities	78,529,458	$ 7,273	$ (7,273)	78,529,458
Total equities	159,080,539	7,273	(7,273)	159,080,539
Long-Term Debt				
Mortgage notes	145,241,927			145,241,927
Other long-term debt	4,420,852			4,420,852
Less current maturities	(7,515,000)			(7,515,000)
Total long-term debt	142,147,779			142,147,779
Current Liabilities				
Current maturities on long-term debt	7,515,000			7,515,000
Accounts payable	13,316,251			13,316,251
Notes payable - lines of credit	8,000,000			8,000,000
Accrued liabilities				
Taxes	2,349,919			2,349,919
Interest	112,648			112,648
Other current liabilities	6,889,997			6,889,997
Total current liabilities	38,183,815			38,183,815
Other Liabilities				
Asset retirement obligation	3,305,666			3,305,666
Deferred credits	32,053,039			32,053,039
Total other liabilities	35,358,705			35,358,705
Total members' equity and liabilities	$ 374,770,838	$ 7,273	$ (7,273)	$ 374,770,838

Holy Cross Electric Association, Inc. and Subsidiary
Consolidating Statement of Revenue
For the Year Ended April 30, 2024

	Holy Cross Electric, Inc.	Energy and Services Experts, Inc.	Elimination Entries	Consolidated Balances
Operating Revenue	$ 153,844,043			$ 153,844,043
Operating Expenses				
Cost of power	65,407,362			65,407,362
Power production	10,999,952			10,999,952
Transmission	3,624,783			3,624,783
Distribution - operations	12,056,287			12,056,287
Distribution - maintenance	5,899,845			5,899,845
Consumer accounts	3,718,002			3,718,002
Customer service and information	2,686,725			2,686,725
Administrative and general	16,455,315			16,455,315
Depreciation and amortization	15,168,444			15,168,444
Taxes	1,900,643			1,900,643
Total operating expenses	137,917,358			137,917,358
Operating Margins (Loss) Before Fixed Charges	15,926,685			15,926,685
Fixed Charges				
Interest expense	6,862,204			6,862,204
Total fixed charges	6,862,204			6,862,204
Operating Margins After Fixed Charges	9,064,481			9,064,481
Other Capital Credits	1,285,162			1,285,162
Net Operating Margins	10,349,643			10,349,643
Nonoperating Income				
Interest income	611,743			611,743
Other nonoperating income (expense)	36,695			36,695
Total nonoperating income	648,438			648,438
Net Margins for the Year	$ 10,998,081	$ -	$ -	$ 10,998,081