HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

GLENWOOD SPRINGS, COLORADO

CONSOLIDATED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED APRIL 30, 2026

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
LUBBOCK, TEXAS

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Bolinger, Segars, Gilbert & Moss, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Holy Cross Electric Association, Inc. (the Association) and Subsidiary, which comprise the consolidated balance sheet as of April 30, 2026 and the related consolidated statement of revenue and patronage capital, and consolidated cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated 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, 2026, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Holy Cross Electric Association, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association'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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Association's consolidated financial statements as a whole. The consolidating financial statements are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating financial information is fairly stated, in all material respects, in relation to the consolidated 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 June 29, 2026 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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

June 29, 2026

CONSOLIDATED FINANCIAL STATEMENTS

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

Exhibit A

CONSOLIDATED BALANCE SHEET
APRIL 30, 2026

ASSETS

		2026
UTILITY PLANT		
Utility Plant in Service	$	565,426,529
Construction Work in Progress		40,609,319
Right-of-Use Lease Asset		173,627
	$	606,209,475
Less: Accumulated Provision for Depreciation		244,091,883
	$	362,117,592
OTHER ASSETS AND INVESTMENTS		
Investments in Associated Organizations	$	11,868,635
Notes Receivable Less Current Maturities		6,272,304
Other Investments		143,425
	$	18,284,364
CURRENT ASSETS		
Cash and Cash Equivalents	$	11,265,022
Accounts Receivable		
Consumers and Others, less allowance for credit losses of $398,400		12,984,849
Current Maturities of Notes Receivable		912,740
Unbilled Electric Revenue		3,800,643
Materials and Supplies		9,057,405
Other Current Assets		2,670,700
	$	40,691,359
DEFERRED CHARGES		
Deferred Charges	$	2,521,041
TOTAL ASSETS	$	423,614,356

EQUITIES AND LIABILITIES

EQUITIES		
Patronage Capital	$	135,360,893
Other Equities		32,071,755
	$	167,432,648
LONG-TERM DEBT		
Mortgage Notes and Other Long-Term Debt	$	178,272,293
Right-of-Use Lease Obligation		181,003
Less: Current Maturities		9,249,452
	$	169,203,844
CURRENT LIABILITIES		
Current Maturities of Mortgage Notes and Other Long-Term Debt	$	9,231,121
Current Maturities of Lease Obligation		18,331
Notes Payable - Lines of Credit		18,000,000
Accounts Payable - Purchased Power		6,044,108
Accounts Payable - Other		5,142,627
Patronage Capital Payable		2,890,916
Consumer Deposits and Prepayments		664,838
Accrued Interest Payable		105,298
Accrued Taxes Payable		2,058,805
Accrued Employee Compensated Absences		5,719,145
Other Current and Accrued Liabilities		584,344
	$	50,459,533
OTHER LIABILITIES		
Asset Retirement Obligation	$	3,425,537
Deferred Credits		33,092,794
	$	36,518,331
TOTAL EQUITIES AND LIABILITIES	$	423,614,356

See accompanying notes to consolidated financial statements.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

Exhibit B

CONSOLIDATED STATEMENT OF REVENUE AND PATRONAGE CAPITAL
FOR THE YEAR ENDED APRIL 30, 2026

	2026	
	Amount	%
OPERATING REVENUES	$ 159,090,997	100.00
OPERATING EXPENSES		
Cost of Power	$ 65,930,371	41.44
Power Production	5,779,789	3.63
Transmission	7,368,848	4.63
Distribution - Operation	14,377,393	9.04
Distribution - Maintenance	6,890,394	4.33
Consumer Accounts	4,064,478	2.55
Customer Service and Information	3,522,238	2.21
Administrative and General	19,128,389	12.02
Depreciation and Amortization	16,193,130	10.18
Taxes	1,806,572	1.14
Other Interest Expense	109,648	0.07
Total Operating Expenses	$ 145,171,250	91.24
OPERATING MARGINS - Before Fixed Charges	$ 13,919,747	8.76
FIXED CHARGES		
Interest on Long-Term Debt	$ 7,743,695	4.87
	$ 7,743,695	4.87
OPERATING MARGINS - After Fixed Charges	$ 6,176,052	3.89
Other Capital Credits	983,007	0.62
NET OPERATING MARGINS	$ 7,159,059	4.51
NON-OPERATING INCOME		
Interest Income	$ 481,315	0.30
Gain on Disposition of Property	1,002,038	0.63
Other Non-Operating Income (Expense)	(17,828)	(0.01)
	$ 1,465,525	0.92
NET MARGINS	$ 8,624,584	5.43
PATRONAGE CAPITAL - Beginning of Year	82,324,972	
Transfer of Prior Discounts to Patronage Capital	54,314,453	
Patronage Capital Retired	(7,509,941)	
Transfer Non-Operating Margins to Other Equities	(2,393,175)	
PATRONAGE CAPITAL - End of Year	$ 135,360,893	

See accompanying notes to consolidated financial statements.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

Exhibit C

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED APRIL 30, 2026

		2026
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Margins	$	8,624,584
Adjustments To Reconcile Net Margins to Net Cash From Operating Activities:		
Depreciation and Amortization		17,122,722
Capital Credits		(983,007)
Gain on Sale of Non-Utility Property		(1,388,827)
Net Payments on Right-of-Use Operating Leases		1,448
(Increase) Decrease		
Accounts Receivable		(3,705,814)
Unbilled Revenue		317,527
Materials and Supplies and Other Current Assets		(1,732,557)
Deferred Charges		414,011
Increase (Decrease)		
Payables and Accrued Expenses		516,756
Deferred Credits		642,965
Net Cash From Operating Activities	$	19,829,808
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to Utility Plant	$	(43,974,632)
Salvage Value of Retirements and Other Credits		1,196,020
Plant Removal Costs		(111,014)
Other Property and Investments		2,422,093
On-Bill Financing Issued		(2,782,855)
Collections of On-Bill Financing		777,405
Net Cash From Investing Activities	$	(42,472,983)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt to CFC	$	(7,694,560)
Advances from CFC		22,750,000
Net Activity on Lines of Credit		14,500,000
Payments on Long-Term Debt to USDA - RESP		(895,528)
Advances from USDA - RESP		3,157,412
Other Equities		332,535
Patronage Capital Retired		(7,509,941)
Net Cash From Financing Activities	$	24,639,918
CHANGE IN CASH AND CASH EQUIVALENTS	$	1,996,743
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR		9,268,279
CASH AND CASH EQUIVALENTS - END OF YEAR	$	11,265,022
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest on Long-Term Debt	$	4,747,344
Income Taxes	$	0

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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 geographic region as the Association but was not operational during the fiscal year presented herein.

Basis of Accounting

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.

Although the Association is no longer a Rural Utilities Service (RUS) borrower, its accounting records are maintained in accordance with the RUS Uniform System of Accounts (USOA) prescribed for RUS Electric borrowers. 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 and Cash Equivalents

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

Accounts Receivable and Allowance for Credit Losses

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. As of April 30, 2026, the Association had $3,800,643 of unbilled revenue.

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 to write off accounts when they remain uncollected after 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. Additions to the allowance for credit losses, if any, are made by recording charges to expenses in the income statement. Recoveries consist of consumer payments and application of general patronage retirements for members with outstanding balances. Changes in the allowance for credit losses were as follows:

		2026
Balance, Beginning of Year	$	389,085
Accruals		24,000
Write-Offs		(50,725)
Recoveries		36,040
Balance, End of Year	$	398,400

Materials and Supplies

Materials and supplies inventories are valued at average unit cost.

Investments in Associated Organizations

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

Revenues from Contracts with Customers

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.

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

Consumer Revenue		2026
Electric		
Residential	$	82,537,626
Irrigation		334,788
Commercial and Industrial		61,180,382
Lighting		119,227
Sales for Resale		10,634,173
Other		4,284,801
Total Revenue	$	159,090,997

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.

Capitalized Interest

The accounting policies of the Association provide for the capitalization of interest on construction work in progress. Interest is capitalized based on the interest paid on the lines of credit. Interest of $494,826 was capitalized for the year ended April 30, 2026.

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 year ended April 30, 2026.

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 Association 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 that it has a material legal obligation to remove long-lived assets, and accordingly, a liability has been recorded for the year ended April 30, 2026 (see Note 12).

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 2022.

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 may differ from those estimates.

Group Concentrations of Credit Risk

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.

2. 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.

3. Utility Plant

Listed below are the major classes of the electric utility plant as of April 30, 2026.

		2026	Annual Depreciation Rates
Production Plant	$	140,312,268	3.10% - 6.67%
Transmission Plant		46,642,049	2.75% - 10.00%
Distribution Plant		263,294,736	2.70% - 10.00%
General Plant		81,167,874	2.00% - 33.33%
Electric Plant Not Classified		34,009,602	3.50%
Total Utility Plant in Service	$	565,426,529	

Depreciation and amortization for the year ended April 30, 2026, was $17,122,722, of which $16,193,130 was charged to depreciation and amortization expense, and $929,592 allocated to other accounts.

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.

4. Investments in Associated Organizations

Investments in associated organizations consisted of the following as of April 30, 2026:

	2026
CFC	
Patronage Capital	$ 5,326,665
Capital Term Certificates	2,884,798
Western United	
Patronage Capital	2,549,128
Federated Rural Insurance	
Patronage Capital	741,124
NISC	
Patronage Capital	333,156
Other	33,764
	$ 11,868,635

5. Notes Receivable

Notes Receivable consisted of the following as of April 30, 2026:

	2026
Member On-Bill Financing Receivable	$ 6,432,922
Mortgage Assistance Loans	752,122
Less: Current Maturities	912,740
	$ 6,272,304

The member on-bill financing receivable consists of zero-percent interest installment loans to members for energy efficiency equipment. The loans are all current as of April 30, 2026, and management considers them to be fully collectible. They are secured by letters of credit or the energy efficiency equipment financed.

6. Deferred Charges

Deferred Charges consisted of the following as of April 30, 2026:

	2026
Comanche 3 O&M Deposit	$ 1,357,000
Pitkin Solar Deposit	876,706
Other Deferred Charges	287,335
	$ 2,521,041

7. Patronage Capital

As of April 30, 2026, patronage capital consisted of:

		2026
Assigned to Date	$	170,747,085
Assigned to Date (Discounts)		108,083,188
Assignable		5,067,988
	$	283,898,261
Less: Retired		148,537,368
	$	135,360,893

The mortgage agreement contains provision to make patronage capital retirements. These provisions include minimum equity, debt service and earnings ratios. The Cooperative is in compliance with these provisions as of April 30, 2026. The total equities and margins of the Association are approximately 40% of the total assets as of April 30, 2026.

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. The 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. The 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.

8. Other Equities

As of April 30, 2026, Other equities consisted of the following:

		2026
Non-Operating Margins	$	19,350,889
Unclaimed Property		11,861,495
Retired Capital Credit Gains		652,448
Retired No Checks		92,193
Other		114,730
	$	32,071,755

Per Article VII of its bylaws, the Association will operate on a non-profit basis and is obligated to account on a patronage basis to all its members for net operating margins. As a result, the Association retains non-operating margins as permanent equity.

9. Mortgage Notes and Other Long-Term Debt

As of April 30, 2026, Mortgage Notes and Other Long-Term Debt consisted of the following:

Description		2026
Mortgage Notes Payable - CFC; fixed interest rates from 3.55% to 6.24%; notes due at various times to October 2055	$	157,595,291
Mortgage Notes Payable - Farmer Mac; fixed interest rates from 2.45 to 4.86%; notes due August 2040		11,615,582
USDA Rural Development - Rural Energy Savings Program Loan (RESP) - 0%; notes at various times to December 2035		9,061,420
Less: Current Maturities		9,231,121
	$	169,041,172

As of April 30, 2026, the Association had $36,250,000 in loan funds available from CFC for which a loan agreement has been executed.

As of April 30, 2026, the Association had $0 in loan funds available from USDA Rural Development (RESP), for which a loan agreement has been executed.

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

2027	$	9,231,121
2028		9,336,181
2029		9,491,403
2030		9,921,647
2031		9,547,527

10. Lines of Credit

The Association has available a perpetual line of credit with CFC at a variable interest rate on which it may borrow up to $15,000,000. As of April 30, 2026, nothing had been drawn and remained outstanding on this line of credit.

The Association has available an “as-offered uncommitted” line of credit with CFC at a variable interest rate on which it may borrow, conditional upon funds available from CFC, up to $15,000,000 also. As of April 30, 2026, $14,000,000 had been drawn and remained outstanding on the line of credit.

The Association has entered into agreements on which it may borrow, with CoBank for one line of credit up to $1,000,000 and another line of credit up to $3,000,000 at variable interest rates. These lines of credit are renewable annually on October 31st. As of April 30, 2026, $1,000,000 and $3,000,000 had been drawn on these lines of credit and remained outstanding, respectively.

11. Leasing Activities

The Association executed a land lease agreement for a solar farm for a period of 25 years. The lease is considered an operating lease and the Association has recorded a right-of-use (ROU) lease asset and corresponding liability associated with the lease.

As of April 30, 2026, the balance of the Right-of-Use assets are as follows:

		2026
Land Lease - ROU	$	228,224

The schedule of future minimum lease payments under these leases are as follows:

2027	$	18,331
2028		18,606
2029		18,885
2030		19,168
2031		19,456
Thereafter		166,526
	$	260,972
Less: Current Maturities		18,331
Less: Interest on Right-of-Use Lease Obligation		79,969
Present Value of Net Lease Obligations	$	162,672

12. 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 year ended April 30, 2026, is included in the table below.

		2026
Liability, Beginning of Year	$	3,365,168
Accretion Expense		60,369
Liability, End of Year	$	3,425,537

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

13. Deferred Credits

Deferred credits consisted of the following as of April 30, 2026:

		2026
Customers' Advances for Construction	$	12,801,226
Indeterminate Services		12,377,804
Deferred Revenue		5,743,187
Solar Electric Generation Station		1,142,748
Renewable Energy Reserve - PuRE WeCare Fund		283,667
Other Deferred Credits		744,162
	$	33,092,794

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 April 30, 2026.

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 2025, the Board of Directors of the Association moved to defer electric revenues of $4,082,740 to future periods from calendar year 2024 in accordance with ASC 980 *Regulated Industries*. Per the 2024 plan, the amount will be recognized in operating revenue over the 2025 and 2026 and 2027 calendar years. 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 and 2026 calendar years.

During the year ended April 30, 2026, $2,709,100 of previously deferred revenue was recognized as operating revenue in the statement of revenue and patronage capital. The amounts as of April 30, 2026, represent the unamortized portion of approved deferred revenue from both plans.

14. 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 2026 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 $2,346,533 in 2026. There have been no significant changes that affect the comparability of the 2026 and 2025 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, 2026, 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 $4,332,829 for 2026.

15. 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.

Comanche 3 – The Association is a joint owner with PSCo and CORE Electric Cooperative in Comanche 3. Ownership percentages are 8%, 66.67%, and 25.33%, respectively. The Association is obligated to fund its percentage of ownership share of the operating, maintenance and capital costs of the plant and is entitled to that share of the plant's generation.

On February 2, 2021, the Cooperative commenced litigation in the District Court of Denver, Colorado, in a dispute with PSCo concerning its failure in the operation and maintenance of Comanche 3. The lawsuit alleged that PSCo breached its contractual obligations related to the operations and maintenance of Comanche 3 and was negligent in the operation of the transmission system at Comanche 3. The parties have confidentially resolved their dispute on mutually agreeable terms.

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.

16. Environmental and Regulatory Matters

The Association is subject to climate and clean energy legislation in the State of Colorado, including requirements under Section 40-2-125.5, C.R.S., which requires the filing and approval of a Clean Energy Plan (CEP) with the Colorado Public Utilities Commission (PUC).

The CEP includes commitments to reduce greenhouse gas emissions and transition generation resources, including the retirement of coal-fired facilities and the addition of renewable energy resources.

As referenced in note #1, the Association owns 8% of a supercritical, pulverized coal-fired generating plant, Comanche 3, located in Pueblo, Colorado. The plant is operated by Public Service Company of Colorado (PSCo). PSCo has plans to retire or convert to natural gas all of its existing coal generation by the end of 2030. Comanche 3 is currently scheduled for retirement in 2030.

The Association believes that prudent costs incurred to comply with CEP requirements will be recoverable through rates. Accordingly, in the event there are stranded costs incurred related to Comanche 3 these costs will be deferred as a regulatory asset.

17. Grants

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 is administering the grant funds for all 39 other rural electric cooperatives. During the year ended April 30, 2026, the Association submitted reimbursement requests of $3,123,398, of which $2,436,685 was passed through to other cooperatives and received payments totaling $2,362,779.

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.

19. Subsequent Events

The Association has evaluated subsequent events through June 29, 2026, which is the date these consolidated financial statements were available to be issued. Other than disclosed below, management concluded that no other subsequent events have occurred that would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

Schedule 1

CONSOLIDATING INFORMATION
BALANCE SHEET
APRIL 30, 2026

ASSETS

	Holy Cross Electric, Inc.	Energy and Services Experts, Inc.	Eliminating Entries	Consolidated Totals
UTILITY PLANT				
Utility Plant in Service	$ 565,426,529	$	$	$ 565,426,529
Construction Work in Progress	40,609,319			40,609,319
Right-of-Use Lease Asset	173,627			173,627
	$ 606,209,475	$ 0	$ 0	$ 606,209,475
Less: Accumulated Provision for Depreciation	244,091,883			244,091,883
	$ 362,117,592	$ 0	$ 0	$ 362,117,592
OTHER ASSETS AND INVESTMENTS				
Notes Receivable Less Current Maturities	$ 6,272,304	$	$	$ 6,272,304
Investments in Associated Organizations	11,868,635			11,868,635
Other Investments	143,425			143,425
	$ 18,284,364	$ 0	$ 0	$ 18,284,364
CURRENT ASSETS				
Cash and Cash Equivalents	$ 11,265,022	$	$	$ 11,265,022
Accounts Receivable				
Consumers and Others, less allowance for credit losses of $398,400	12,984,849			12,984,849
Current Maturities of Notes Receivable	912,740			912,740
Unbilled Electric Revenue	3,800,643			3,800,643
Materials and Supplies	9,057,405			9,057,405
Other Current Assets	2,670,700			2,670,700
	$ 40,691,359	$ 0	$ 0	$ 40,691,359
DEFERRED CHARGES				
Deferred Charges	$ 2,521,041	$	$	$ 2,521,041
TOTAL ASSETS	$ 423,614,356	$ 0	$ 0	$ 423,614,356

EQUITIES AND LIABILITIES

	Holy Cross Electric, Inc.	Energy and Services Experts, Inc.	Eliminating Entries	Consolidated Totals
EQUITIES				
Patronage Capital	$ 135,360,893	$	$	$ 135,360,893
Other Equities	32,071,755			32,071,755
	$ 167,432,648	$ 0	$ 0	$ 167,432,648
LONG-TERM DEBT				
Mortgage Notes and Other Long-Term Debt	$ 178,272,293	$	$	$ 178,272,293
Right-of-Use Lease Obligation	181,003			181,003
Less: Current Maturities	9,249,452			9,249,452
	$ 169,203,844	$ 0	$ 0	$ 169,203,844
CURRENT LIABILITIES				
Current Maturities of Mortgage Notes and Other Long-Term Debt	$ 9,231,121	$	$	$ 9,231,121
Current Maturities of Lease Obligation	18,331			18,331
Notes Payable - Lines of Credit	18,000,000			18,000,000
Accounts Payable - Purchased Power	6,044,108			6,044,108
Accounts Payable - Other	5,142,627			5,142,627
Patronage Capital Payable	2,890,916			2,890,916
Consumer Deposits and Prepayments	664,838			664,838
Accrued Interest Payable	105,298			105,298
Accrued Taxes Payable	2,058,805			2,058,805
Accrued Employee Compensated Absences	5,719,145			5,719,145
Other Current and Accrued Liabilities	584,344			584,344
	$ 50,459,533	$ 0	$ 0	$ 50,459,533
DEFERRED CREDITS				
Asset Retirement Obligation	$ 3,425,537	$	$	$ 3,425,537
Deferred Credits	33,092,794			33,092,794
	$ 36,518,331	$ 0	$ 0	$ 36,518,331
TOTAL EQUITIES AND LIABILITIES	$ 423,614,356	$ 0	$ 0	$ 423,614,356

HOLY CROSS ELECTRIC ASSOCIATION, INC. AND SUBSIDIARY

Schedule 2

CONSOLIDATING INFORMATION
STATEMENT OF REVENUE
FOR THE YEAR ENDED APRIL 30, 2026

	Holy Cross Electric, Inc.	Energy and Services Experts, Inc.	Eliminating Entries	Consolidated Totals
OPERATING REVENUES	$ 159,090,997	$	$	$ 159,090,997
OPERATING EXPENSES				
Cost of Power	$ 65,930,371	$	$	$ 65,930,371
Power Production	5,779,789			5,779,789
Transmission	7,368,848			7,368,848
Distribution - Operation	14,377,393			14,377,393
Distribution - Maintenance	6,890,394			6,890,394
Consumer Accounts	4,064,478			4,064,478
Customer Service and Information	3,522,238			3,522,238
Administrative and General	19,128,389			19,128,389
Depreciation and Amortization	16,193,130			16,193,130
Taxes	1,806,572			1,806,572
Other Interest Expense	109,648			109,648
Total Operating Expenses	$ 145,171,250	$ 0	$ 0	$ 145,171,250
OPERATING MARGINS- Before Fixed Charges	$ 13,919,747	$ 0	$ 0	$ 13,919,747
FIXED CHARGES				
Interest on Long-Term Debt	$ 7,743,695	$	$	$ 7,743,695
	$ 7,743,695	$ 0	$ 0	$ 7,743,695
OPERATING MARGINS - After Fixed Charges	$ 6,176,052	$ 0	$ 0	$ 6,176,052
Other Capital Credits	983,007			983,007
NET OPERATING MARGINS	$ 7,159,059	$ 0	$ 0	$ 7,159,059
NON-OPERATING INCOME				
Interest Income	$ 481,315	$	$	$ 481,315
Gain on Disposition of Property	1,002,038			1,002,038
Other Non-Operating Income (Expense)	(17,828)	(285)	285	(17,828)
	$ 1,465,525	$ (285)	$ 285	$ 1,465,525
NET MARGINS (LOSS)	$ 8,624,584	$ (285)	$ 285	$ 8,624,584

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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 sheet as of April 30, 2026, and the related consolidated statement of revenue and patronage capital, and consolidated cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2026.

Report on 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.

Report on 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*.

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.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

June 29, 2026