

**NOLIN RURAL ELECTRIC COOPERATIVE  
CORPORATION AND SUBSIDIARY  
KENTUCKY 51**

**CONSOLIDATED FINANCIAL REPORT**

**December 31, 2025**

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*Jones, Nale & Mattingly PLC*

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Nolin Rural Electric Cooperative Corporation and Subsidiary  
Elizabethtown, Kentucky

### **Opinion**

We have audited the accompanying consolidated financial statements of Nolin Rural Electric Cooperative Corporation and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of revenue and comprehensive income, changes in members' equities, and cash flows for the years 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 Nolin Rural Electric Cooperative Corporation and Subsidiary as of December 31, 2025 and 2024, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Nolin Rural Electric Cooperative Corporation and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nolin Rural Electric Cooperative Corporation 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 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 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, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Nolin Rural Electric Cooperative Corporation 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nolin Rural Electric Cooperative Corporation 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 have identified during the audit.

*Jones, Nale & Mattingly P.C.*

Louisville, Kentucky  
April 1, 2026

**NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEETS**

**December 31, 2025 and 2024**

<u>ASSETS</u>	<u>2025</u>	<u>2024</u>
Utility Plant, at original cost		
In service	\$ 159,201,204	\$ 152,586,129
Under construction	1,286,165	2,323,451
	<u>160,487,369</u>	<u>154,909,580</u>
Less accumulated depreciation	74,667,789	70,700,333
	<u>85,819,580</u>	<u>84,209,247</u>
Investments in Associated Organizations	<u>57,361,026</u>	<u>54,714,159</u>
Current Assets		
Cash and cash equivalents	10,319,691	11,298,761
Accounts receivable, less allowance for credit losses in 2025 of \$1,580,047 and 2024 of \$1,644,762	10,166,690	11,682,187
Accounts receivable, other	1,331,278	3,214,982
Material and supplies, at average cost	1,945,387	1,746,829
Other current assets	77,966	109,575
Total current assets	<u>23,841,012</u>	<u>28,052,334</u>
Non-Current Assets		
Long-term portion of accounts receivable, other	<u>1,154,824</u>	<u>1,267,444</u>
Total assets	<u>\$ 168,176,442</u>	<u>\$ 168,243,184</u>
<u>MEMBERS' EQUITIES AND LIABILITIES</u>		
Members' Equities		
Memberships	\$ 250,360	\$ 249,310
Patronage capital	93,342,105	91,778,694
Other equities	8,026,993	7,755,085
Accumulated other comprehensive income	1,067,415	713,734
Total members' equities	<u>102,686,873</u>	<u>100,496,823</u>
Long-Term Liabilities		
Long-term debt, less current portion	43,779,304	46,589,656
Accumulated postretirement benefits	4,976,692	5,123,080
Total long-term liabilities	<u>48,755,996</u>	<u>51,712,736</u>
Current Liabilities		
Current portion of long-term debt	2,240,786	3,554,350
Accounts payable	9,022,321	7,058,566
Consumer deposits	2,276,132	2,380,442
Accrued expenses	2,527,184	2,661,331
Total current liabilities	<u>16,066,423</u>	<u>15,654,689</u>
Consumer Advances	<u>667,150</u>	<u>378,936</u>
Total members' equities and liabilities	<u>\$ 168,176,442</u>	<u>\$ 168,243,184</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME**

**Years Ended December 31, 2025 and 2024**

	2025	2024
Operating Revenues		
Sales of electric energy	\$ 88,584,143	\$ 86,979,049
Other operating revenues	5,330,733	6,428,395
	<u>93,914,876</u>	<u>93,407,444</u>
Operating Expenses		
Cost of power	68,208,921	63,302,776
Distribution - operations	4,777,318	4,948,970
Distribution - maintenance	6,768,098	7,220,433
Consumer accounts	2,528,996	2,542,899
Customer services	517,774	500,138
Administrative and general	4,280,721	4,312,010
Depreciation, excluding \$507,021 in 2025 and \$462,038 in 2024 charged to clearing accounts	5,477,839	5,296,434
Interest on long-term debt	2,295,414	2,785,547
Other interest charges	94,524	117,697
Other deductions	50,866	45,106
Total cost of electric service	<u>95,000,471</u>	<u>91,072,010</u>
Operating Margins (Deficits)	<u>(1,085,595)</u>	<u>2,335,434</u>
Nonoperating Margins and Capital Credits		
Interest income	708,064	1,131,023
Gain (loss) on sale of equipment	37,829	(2,952)
Other non-operating margins	46,511	35,987
Generation and transmission capital credits	2,404,773	407,966
Other capital credits	547,074	550,278
	<u>3,744,251</u>	<u>2,122,302</u>
Net Margins	2,658,656	4,457,736
Other Comprehensive Income		
Postretirement benefits actuarial net gain	--	1,771,665
Postretirement benefits amortization of net loss	353,681	168,335
	<u>353,681</u>	<u>1,940,000</u>
Net Margins and Comprehensive Income	<u>\$ 3,012,337</u>	<u>\$ 6,397,736</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

**NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITIES**  
**Years Ended December 31, 2025 and 2024**

	Memberships	Patronage Capital				Total	Other Equities	Accumulated Other Comprehensive Income (Loss)	Total Members' Equities
		Assigned	Assignable	Unassigned	Retirements				
Balance - December 31, 2023	\$ 250,980	\$ 125,161,753	\$ 3,609,603	\$ 319,934	\$ (39,969,029)	\$ 89,122,261	\$ 7,398,474	\$ (1,226,266)	\$ 95,545,449
Comprehensive income:									
Net margins			4,457,736			4,457,736			4,457,736
Postretirement benefit obligation									
Amortization of actuarial loss							168,335	168,335	168,335
Adjustments							1,771,665	1,771,665	1,771,665
Total comprehensive income									6,397,736
Net change in memberships	(1,670)								(1,670)
General refund of capital credits					(1,620,261)	(1,620,261)			(1,620,261)
Refunds to estates					(181,042)	(181,042)			(181,042)
Allocate margins		3,609,603	(3,609,603)						--
Other equities							356,611		356,611
Balance - December 31, 2024	249,310	128,771,356	4,457,736	319,934	(41,770,332)	91,778,694	7,755,085	713,734	100,496,823
Comprehensive income:									
Net margins			2,658,656			2,658,656			2,658,656
Postretirement benefit obligation									
Amortization of actuarial loss							353,681	353,681	353,681
Total comprehensive income									3,012,337
Net change in memberships	1,050								1,050
General refund of capital credits					(900,137)	(900,137)			(900,137)
Refunds to estates					(195,108)	(195,108)			(195,108)
Allocate margins		4,457,736	(4,457,736)						--
Other equities							271,908		271,908
Balance - December 31, 2025	\$ 250,360	\$ 133,229,092	\$ 2,658,656	\$ 319,934	\$ (42,865,577)	\$ 93,342,105	\$ 8,026,993	\$ 1,067,415	\$ 102,686,873

The Notes to Consolidated Financial Statements are an integral part of these statements.

**NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2025 and 2024**

	2025	2024
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net margins	\$ 2,658,656	\$ 4,457,736
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation:		
Charged to expense	5,477,839	5,296,434
Charged to clearing accounts	507,021	462,038
Patronage capital credits assigned	(2,951,847)	(958,244)
Amortization of postretirement benefits actuarial loss	353,681	168,335
Postretirement benefits actuarial adjustment	--	1,771,665
(Gain) loss on disposition of equipment	(37,829)	2,952
Change in assets and liabilities, net of the effects of investing and financing activities:		
Accounts and other receivables, net	3,399,201	(684,661)
Material and supplies	(198,558)	171,636
Other current assets	31,609	(41,169)
Accounts payable	1,963,755	(417,277)
Consumer deposits	(104,310)	44,872
Accrued expenses	(134,147)	500,870
Consumer advances	288,214	8,831
Accumulated postretirement benefits	(146,388)	(1,720,074)
Net cash provided by operating activities	11,106,897	9,063,944
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Plant additions	(7,248,364)	(8,191,653)
Plant removal costs	(676,572)	(557,781)
Salvage recovered from retired plant	367,572	342,985
Receipts from investments, net	304,980	190,544
Net cash (used in) investing activities	(7,252,384)	(8,215,905)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net change in memberships	1,050	(1,670)
Other finance receivables	112,620	3,781,743
Principal payments on long-term debt	(4,123,916)	(4,515,455)
Retirement of capital credits	(1,095,245)	(1,801,303)
Other equities	271,908	356,611
Net cash (used in) financing activities	(4,833,583)	(2,180,074)
Net (decrease) in cash and cash equivalents	(979,070)	(1,332,035)
Cash and cash equivalents, beginning of year	11,298,761	12,630,796
Cash and cash equivalents, end of year	\$ 10,319,691	\$ 11,298,761
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 2,450,035	\$ 2,915,737

The Notes to Consolidated Financial Statements are an integral part of these statements.

## NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### Note 1. Significant Accounting Policies

##### Description of business

Nolin Rural Electric Cooperative Corporation (Nolin) maintains its records in accordance with the policies prescribed or permitted by the Kentucky Public Service Commission (PSC) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform in all material respects with accounting principles generally accepted in the United States of America. The significant accounting policies are as follows:

##### Principals of consolidation

The consolidated financial statements include the accounts of Nolin Rural Electric Cooperative Corporation and its wholly-owned subsidiary, Wide Open Utility Service LLC (Wide Open). All significant intercompany accounts and transactions have been eliminated.

##### Business activities

Nolin provides distribution electric service to residential, business, and commercial consumers in a nine-county area of central Kentucky. Wide Open's principal operations consist of providing vegetation management, custodial services, and fleet mechanic services to support the operations of Nolin.

Nolin is operating the distribution system for a local government unit through a privatization process with the United States Federal Government. Nolin is reimbursed for all costs incurred, plus a fixed margin, on a monthly basis. Payments for the construction of plant facilities are recorded as contributions to plant for the total cost of each project, therefore, there is no net original cost for utility plant from the privatization process.

Included in accounts receivable other, is zero and \$1,684,820 for 2025 and 2024, respectively. Nolin charges the government 1.05% times Nolin's current variable interest rate on the unpaid balance. Interest income recognized was \$38,869 and \$296,332 for 2025 and 2024, respectively.

##### Use of estimates

The preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates used in the preparation of the consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (Continued)

#### Utility plant

Utility plant is stated at original cost, which is the cost when first dedicated to public service. Such amount includes applicable supervisory and overhead cost including any construction period interest and taxes. There was no interest required to be capitalized during the years ended December 31, 2025 and 2024.

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense. The cost of replacement of depreciable property units, as distinguished from minor items, is charged to utility plant. The units of property replaced or retired, including cost of removal, net of any salvage value, is charged to accumulated depreciation. Wide Open's fixed assets consist primarily of vehicles, land, and trailers and equipment.

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

	2025	2024
Distribution plant	\$ 132,216,343	\$ 126,286,569
General plant	22,853,846	22,527,451
Subtotal electric plant	155,070,189	148,814,020
Vehicles	1,074,764	927,590
Land	1,096,172	1,096,172
Trailers and equipment	1,960,079	1,748,347
Subtotal subsidiary plant	4,131,015	3,772,109
Utility plant, at original cost	\$ 159,201,204	\$ 152,586,129

#### Depreciation

Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method. Distribution plant depreciation is based on a composite rate of 3.83% per annum. General plant rates are as follows:

Structures and improvements	2.5%
Transportation equipment	10.0 - 20.0%
Other general plant	5.0 - 10.0%

Wide Open's depreciation is computed using the straight-line method over the useful lives of its assets.

#### Cash and cash equivalents

Nolin considers all short-term, highly liquid investments with original maturities of three months or less to be cash equivalents. Nolin maintains its cash balances, which may exceed the federally insured limit, with several financial institutions. Management believes that credit risk related to these accounts is minimal.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (Continued)

#### Accounts receivable and allowance for credit losses

Nolin operates in the electric services distribution industry, and its accounts receivable are primarily derived from the sales of electric energy. Accounts receivable are stated at net realizable value and are usually collected within thirty days. The balance in accounts receivable as of December 31, 2025, 2024, and 2023 was \$10,166,690, \$11,682,187, and \$10,164,908, respectively.

Nolin estimates expected credit losses on accounts receivable in accordance with ASC 326, *Financial Instruments – Credit Losses*. Accounts receivable are typically collected within thirty days.

For periods prior to the adoption of ASU 2025-05, Nolin estimated its allowance for credit losses based on historical loss experience, adjusted for current conditions and reasonable and supportable forecasts of future economic factors that were expected to affect the collectability of outstanding receivables. This estimate was prepared on a pooled basis for receivables with similar risk characteristics. Management updated its estimate at each reporting date to reflect any changes in credit risk since initial recognition.

Effective for the year ended December 31, 2025, Nolin early adopted ASU 2025-05, *Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU introduced two optional simplifications for current accounts receivable arising under ASC 606. Nolin elected both:

1. Current conditions practical expedient – Nolin now estimates expected credit losses using historical loss information adjusted for current conditions as of the balance sheet date without developing forward-looking forecasts, and assumes those conditions remain unchanged for the remaining life of the receivable.
2. Subsequent collections accounting policy election – For receivables collected after year-end and before the financial statements are available to be issued, Nolin records no allowance, consistent with the updated guidance. Remaining uncollected receivables are evaluated based on their delinquency status as of the same subsequent collections evaluation date.

These changes were applied prospectively and did not affect prior-period amounts.

Under the updated policy, the allowance for credit losses is derived from Nolin's historical loss rates for receivables with similar risk characteristics, adjusted for current conditions as of year-end. The allowance is further adjusted to remove receivables collected prior to the date the consolidated financial statements are available to be issued. Management believes this methodology appropriately reflects expected credit losses under the updated guidance.

Nolin writes off receivables when specific information indicates the customer is experiencing significant financial difficulty and collection is not expected. Any recoveries of amounts previously written off are recognized in the period received.

#### Materials and supplies

Nolin values materials and supplies at the lower of average cost or net realizable value.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (Continued)

#### Taxes

Nolin is required to collect, on behalf of the Commonwealth of Kentucky, sales taxes based on six percent of gross sales from non-residential consumers, a three percent school tax from certain counties on most gross sales, and franchise fees in certain cities. Nolin's policy is to exclude taxes from revenues when collected and expenses when paid and instead, record collection and payment of taxes through a liability account.

#### Cost of power

Nolin is one of 16 members of East Kentucky Power Cooperative, Inc. (East Kentucky). Under a wholesale power agreement, Nolin is committed to purchase its electric power and energy requirements from East Kentucky until 2068. The rates charged by East Kentucky are subject to approval of the PSC. The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from East Kentucky. There are certain surcharges, clauses, and credits that East Kentucky includes to Nolin that are passed on to consumers using a methodology prescribed by the PSC.

#### Advertising

Nolin expenses advertising costs as incurred. Advertising expenses were \$51,185 and \$46,914 for the years ended December 31, 2025 and 2024, respectively.

#### Comprehensive income (loss)

Comprehensive income (loss) includes both net margin and other comprehensive income (loss). Other comprehensive income (loss) represents the change in funded status of the accumulated postretirement benefit obligation.

#### Risk management

Nolin is exposed to various forms of losses of assets associated with, but not limited to, fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, workers compensation, etc. Each of these areas is covered through the purchase of commercial insurance.

#### Credit risk

Nolin grants credit to residents within its service territory. Concentrations of credit risk with respect to accounts receivables are limited due to its large number of customers.

#### Commitments

Nolin has various other agreements outstanding with local contractors. Under these agreements, the contractors will perform certain construction and maintenance work at specified hourly rates or unit cost, or on an as needed basis. The duration of these contracts are one to three years.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (Continued)

#### Environmental contingency

Nolin from time to time is required to work with and handle PCBs, herbicides, automotive fluids, lubricants, and other hazardous materials in the normal course of business. As a result, there is the possibility that environmental conditions may arise which would require Nolin to incur cleanup costs. The likelihood of such an event, or the amount of such costs, if any, cannot be determined at this time. However, management does not believe such costs, if any, would materially affect Nolin's financial position or its future cash flows.

#### Income tax status

Nolin qualifies as a tax-exempt organization under Section 501(c)(12) of the Internal Revenue Code. As a single member limited liability company, Wide Open is considered a disregarded entity for federal income tax purposes. Income from certain activities not directly related to Nolin's tax-exempt purpose is subject to taxation as unrelated business income. Nolin is responsible for reporting any unrelated business income generated by Wide Open.

Nolin's accounting policy provides that a tax expense/benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Nolin has no uncertain tax positions resulting in an accrual of tax expense or benefit.

Nolin recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. Nolin did not recognize any interest or penalties during the years ended December 31, 2025 and 2024.

Nolin's Federal Return of Organization Exempt from Income Tax is subject to possible examination by taxing authorities until the expiration of related statutes of limitations on the return, which is generally three years.

#### Pension accounting

In May 2017, the Financial Accounting Standards Board (FASB) issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The standard specifies how the amount of pension costs and costs for post-retirement benefits other than pensions (PBOP) should be presented on the income statement under accounting principles generally accepted in the United States of America, and what components of those costs are eligible for capitalization in assets. This standard is effective for years beginning after December 15, 2018. The Federal Energy Regulatory Commission (FERC) issued Docket No. A118-1-000 that allowed jurisdictional public utilities to continue to record PBOP costs in their entirety, less amounts capitalized, without change. Pension and PBOP costs are made up of several components: service cost, interest cost, actual return on plan assets, gain or loss, amortization of prior service cost or credit, and amortization of FASB Accounting Standards Codification (ASC) Subtopic 715-30. Though pension and PBOP costs are computed using the aggregate total of these various components, the Commission's longstanding policy is to consider the amount as a singular cost to the employer. This cost is calculated based on ASC 715 and reported as an expense under net margins from continuing operations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Significant Accounting Policies (Continued)

#### Subsequent Events

Management has evaluated subsequent events through April 1, 2026, the date the consolidated financial statements were available to be issued.

### Note 2. Revenue Recognition

#### *Revenue from contracts*

Nolin is engaged in the distribution and sale of electricity to residential and commercial customers in nine counties in central Kentucky. Revenue from these activities is generated from tariffs approved by the PSC. Nolin satisfies their performance obligation upon the delivery of electricity to customers. Revenue is recognized over-time as the customer simultaneously receives and consumes the benefits provided by Nolin. The amount of revenue recognized is the billed volume of electricity multiplied by a tariff rate per-unit of energy, plus any applicable fixed or additional regulatory charges. Customers are billed monthly and outstanding amounts are typically due within 18 days of the date of the bill. Revenue for pole attachments is invoiced at the end of the year. The performance obligation is satisfied ratably over the time of the contract and revenue is recognized monthly as earned.

Nolin is also engaged in the operation and maintenance of Fort Knox Army Base (Fort Knox) through a privatization process with the United States Federal government. The contract includes an energy security and power efficiency program and a solar array project. The contract is renewed annually and runs from June 1<sup>st</sup> through May 31<sup>st</sup>. The annual contract amount is based on estimated management and maintenance costs, and Nolin earns a fixed margin on top of the actual costs incurred for maintenance and improvements.

#### *Significant judgements*

Nolin bills consumers on monthly cycles based on meter readings taken at approximately the same day each month. There are four billing cycles each month consisting of an approximate thirty-day period. Nolin calculates customer bills based on actual kilowatt hour usage obtained through meter readings using advanced metering infrastructure. There is no material difference in revenue recognition from the timing difference of the billing cycles as a full 30-days of revenue is recognized monthly for each cycle. This method of revenue recognition presents fairly, Nolin's transfer of electricity to customers as the amount recognized is based on actual volumes delivered and the tariff rate per-unit of energy and any applicable fixed charges as set by the PSC.

Nolin bills Fort Knox in twelve equal monthly installments in accordance with the annual contract. Revenue is recognized each month based on the actual cost of maintenance and improvements multiplied by a fixed margin. The revenue is recognized as work is completed each month. When the costs of maintenance and improvements exceed the budgeted amount, Nolin records a receivable from Fort Knox. Conversely, when the costs of maintenance and improvements are less than the budgeted amount, Nolin records a payable to Fort Knox. The payable or receivable due to or from Fort Knox is settled annually after the end of the contract year, which is in May when the contract expires.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 2. Revenue Recognition (Continued)

#### *Performance obligations*

Nolin customers generally have no minimum purchase commitments. Performance obligations are limited to the service requested and received to date. There are no performance obligations remaining related to revenues recognized through year-end related to the Fort Knox contract. Accordingly, there is no unsatisfied performance obligation to recognize as of December 31, 2025 and 2024.

#### *Disaggregation of revenue*

The following table shows revenues from contracts with customers disaggregated by customer class for the years ended December 31, 2025 and 2024:

	2025	2024
<u>Sales of electric energy:</u>		
Residential rural	\$ 64,699,079	\$ 63,753,691
Small commercial	14,646,248	13,917,980
Large commercial	8,808,564	8,878,883
Public lights	430,252	428,495
	\$ 88,584,143	\$ 86,979,049
 <u>Other operating revenues:</u>		
Ft. Knox privatization	\$ 3,559,764	\$ 4,319,920
Ft. Knox modifications	150,320	205,416
Rent of electric property	371,550	371,102
Late charges	477,955	460,678
Miscellaneous charges	201,984	201,264
Private party	569,160	870,015
	\$ 5,330,733	\$ 6,428,395

#### *Contract liabilities*

Contract liabilities related to electric distribution include consumer deposits. Contract cost liabilities related to the Fort Knox privatization contract include the annual true-up included in accounts payable on the consolidated balance sheets. The balances in contract liabilities were as follows as of December 31:

	2025	2024	2023
Consumer deposits	\$ 2,276,132	\$ 2,380,442	\$ 2,335,570
Ft. Knox true-up	927,624	(40,505)	847,089
	\$ 3,203,756	\$ 2,339,937	\$ 3,182,659

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 3. Allowance for Credit Losses

The allowance for credit losses for accounts receivable and the related activity are as follows:

	2025	2024
Beginning balance	\$ 1,644,762	\$ 1,659,888
Provision for credit losses	20,776	33,214
Write-offs	(111,404)	(83,163)
Recoveries	25,913	34,823
Ending balance	\$ 1,580,047	\$ 1,644,762

### Note 4. Investments in Associated Organizations

Investments in associated organizations consist of the following as of December 31:

	2025	2024
East Kentucky, patronage capital	\$ 51,425,744	\$ 49,020,971
CFC, patronage capital and CTCs	3,166,089	3,327,494
KAEC, patronage capital	1,946,833	1,539,208
Federated Insurance, patronage capital	480,995	461,099
Other associated organizations	341,365	365,387
	\$ 57,361,026	\$ 54,714,159

Nolin records patronage capital assigned by associated organizations in the year in which such assignments are received. The Capital Term Certificates (CTCs) of CFC are recorded at cost. The CTCs were purchased from CFC as a condition of obtaining long-term financing. The CTCs bear interest at 3.00% and 5.00% and are scheduled to mature at varying times from 2030 to 2080.

### Note 5. Patronage Capital

Under provisions of CFC's long-term debt agreement, return to patrons of capital contributed by them is limited to a maximum of 30.00% of total margins for the preceding calendar year, unless, after giving effect to the distribution, the total equity will be at least 20.00% of total assets. Nolin returned \$900,137 and \$1,620,261 of capital to members for the years ended December 31, 2025 and 2024, respectively. Total members' equity as of December 31, 2025 and 2024 was 61.06% and 59.73% of total assets, respectively.

### Note 6. Long-Term Debt

All assets, except vehicles, are pledged as collateral on the long-term debt to CFC under its mortgage agreement. The long-term debt is due in quarterly installments of varying amounts through 2048. Nolin received a \$25,000,000 loan from CFC in 2019, of which no funds were advanced as of December 31, 2025 and 2024. These funds will be used for future plant additions.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 6. Long-Term Debt (Continued)

Long-term debt consists of the following as of December 31:

	2025	2024
First mortgage notes due CFC:		
5.62% to 5.75% variable rate notes	\$ 5,310,433	\$ 6,520,203
3.85% to 4.30% fixed rate notes	25,737,991	27,872,528
5.75% variable rate notes for local government programs	14,971,666	15,751,275
	46,020,090	50,144,006
Less current portion	(2,240,786)	(3,554,350)
	\$ 43,779,304	\$ 46,589,656

As of December 31, 2025, the annual principal portion of long-term debt outstanding for the next five years and thereafter are as follows:

2026	\$ 2,240,786
2027	2,352,825
2028	2,470,467
2029	2,593,990
2030	2,723,689
Thereafter	33,638,333
	\$ 46,020,090

### Note 7. Short-Term Note Payable

As of December 31, 2025 and 2024, Nolin had a short-term line of credit of \$7,000,000 available from CFC with a variable interest rate of 7.25%. There were no advances against the line of credit as of December 31, 2025 and 2024. The line of credit renews on a regular basis throughout the term of the long-term debt (See Note 6).

### Note 8. Pension Plans

All eligible employees of Nolin participate in the NRECA Retirement and Security Plan (RS Plan), a defined benefit pension plan qualified under section 401 and tax exempt under section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The Plan sponsor's identification number is 53-0116145 and the Plan Number is 333. A unique characteristic of a multiemployer plan compared to a single employer plan is that all plan assets are available to pay benefits of any plan participant. Separate asset accounts are not maintained for participating employers. This means that assets contributed by one employer may be used to provide benefits to employees of other participating employers.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 8. Pension Plans (Continued)

Nolin's contributions to the RS Plan in 2025 and 2024 represent less than 5.00% of the total contributions made to the plan by all participating employers. Nolin made contributions to the plan for eligible employees of \$2,271,602 in 2025 and \$1,879,588 in 2024. There have been no significant changes that affect the comparability of 2025 and 2024. Nolin employees hired prior to January 1, 2021 can also participate in the NRECA 401(k) plan. Employer contributions to the 401(k) plan for these employees totaled \$138,310 and \$136,569 for 2025 and 2024, respectively. Nolin employees hired on or after January 1, 2021, can only participate in the NRECA 401(k) plan. Employer contributions to the 401(k) plan for these employees totaled \$34,372 and \$28,080 for 2025 and 2024, respectively. Wide Open employees are also eligible to participate in the NRECA 401(k) plan. Employer contributions totaled \$19,823 and \$15,736 for 2025 and 2024, respectively.

In 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 80.00% funded at January 1, 2025 and 2024 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.

### Note 9. Postretirement Benefits

Nolin sponsors a defined benefit plan that provides medical insurance coverage to retired employees and dependents. Participating retirees and dependents contribute 10.00% of the cost of coverage. For measurement purposes, an annual rate of increase of 5.00% in 2024, then decreasing by .25% per year until 3.00% per year, in the per capita cost of covered health care benefit was assumed. The discount rate used in determining the accumulated postretirement benefit obligation was 4.50%. There have been no significant changes that affect the comparability of 2025 and 2024.

The funded status of the plan was as follows as of December 31:

	2025	2024
Projected benefit obligation	\$ (4,976,692)	\$ (5,123,080)
Plan assets at fair value	-	-
Funded status (deficit)	\$ (4,976,692)	\$ (5,123,080)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### Note 9. Postretirement Benefits (Continued)

The components of net periodic postretirement benefit costs are as follows:

	2025	2024
Benefit obligation - beginning of period	\$ 5,123,080	\$ 6,843,154
Net periodic benefit cost:		
Service cost	33,259	71,685
Interest cost	124,916	269,240
Net period cost	158,175	340,925
Actuarial gain	-	(1,771,665)
Benefit payments to participants	(304,563)	(289,334)
Benefit obligation - end of period	\$ 4,976,692	\$ 5,123,080

Amounts recognized in the consolidated balance sheets consist of:

Unrecognized actuarial gain	\$ 1,067,415	\$ 713,734
Accumulated postretirement benefits	\$ 4,976,692	\$ 5,123,080

Amounts included in other comprehensive income:

Actuarial gain	\$ -	\$ 1,771,665
Amortization of actuarial loss	\$ 353,681	\$ 168,335

Effect of 1% increase in the health care trend:

Postemployment benefit obligation	\$ 5,250,000
Net periodic benefit cost	\$ 167,000

Projected retiree benefit payments for the next five years are expected to be as follows: 2026 - \$325,600; 2027 - \$343,500; 2028 - \$362,400; 2029 - \$382,400; 2030 - \$403,400.

### Note 10. Related Party Transactions

Several of the Directors of Nolin, its President and General Manager, and another employee are on the Boards of Directors of various associated organizations.

### Note 11. Contingencies

Nolin, from time to time, may be involved in litigation arising in the normal course of business. While the results of such litigation cannot be predicted with certainty, management, based upon advice of counsel, believes that the final outcome will not have a material adverse effect on the consolidated financial statements.



*Jones, Nale & Mattingly PLC*

## **INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Nolin Rural Energy Cooperative Corporation and Subsidiary  
Elizabethtown, Kentucky

We have audited the consolidated financial statements of Nolin Rural Energy Cooperative Corporation and Subsidiary as of and for the years ended December 31, 2025 and 2024, and our report thereon dated April 1, 2026, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating supplementary information shown on pages 19 and 20 is presented for purposes of additional analysis and is not a required part of the 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 consolidating 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Jones, Nale & Mattingly PLC*

Louisville, Kentucky  
April 1, 2026

**NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY**

**CONSOLIDATING BALANCE SHEET**

**December 31, 2025**

ASSETS	Nolin	Wide Open	Eliminations	Consolidated
Utility Plant, at original cost				
In service	\$ 155,070,189	\$ 4,131,015	\$ --	\$ 159,201,204
Under construction	1,286,165	--	--	1,286,165
	<u>156,356,354</u>	<u>4,131,015</u>	<u>--</u>	<u>160,487,369</u>
Less accumulated depreciation	73,887,135	780,654	--	74,667,789
	<u>82,469,219</u>	<u>3,350,361</u>	<u>--</u>	<u>85,819,580</u>
Investments				
Associated organizations	57,361,026	--	--	57,361,026
Investment in subsidiary	3,934,650	--	(3,934,650)	--
Total investments	<u>61,295,676</u>	<u>--</u>	<u>(3,934,650)</u>	<u>57,361,026</u>
Current Assets				
Cash and cash equivalents	9,855,379	464,312	--	10,319,691
Accounts receivable, less allowance for credit losses of \$1,580,047	10,164,779	312,709	(310,798)	10,166,690
Accounts receivable, other	1,331,278	--	--	1,331,278
Materials and supplies, at average cost	1,945,387	--	--	1,945,387
Other current assets	41,751	36,215	--	77,966
Total current assets	<u>23,338,574</u>	<u>813,236</u>	<u>(310,798)</u>	<u>23,841,012</u>
Non-Current Assets				
Long-term portion of other receivables	1,154,824	--	--	1,154,824
Total non-current assets	<u>1,154,824</u>	<u>--</u>	<u>--</u>	<u>1,154,824</u>
Total assets	<u>\$ 168,258,293</u>	<u>\$ 4,163,597</u>	<u>\$ (4,245,448)</u>	<u>\$ 168,176,442</u>
Members' Equities and Liabilities				
Members' Equities				
Capital investment	\$ --	\$ 3,934,650	\$ (3,934,650)	\$ --
Memberships	250,360	--	--	250,360
Patronage capital	93,342,105	--	--	93,342,105
Other equities	8,026,993	--	--	8,026,993
Accumulated other comprehensive income (loss)	1,173,953	(106,538)	--	1,067,415
Total members's equities	<u>102,793,411</u>	<u>3,828,112</u>	<u>(3,934,650)</u>	<u>102,686,873</u>
Long-Term Liabilities				
Long-term debt, less current portion	43,779,304	--	--	43,779,304
Accumulated postretirement benefits	4,688,158	288,534	--	4,976,692
Total long-term liabilities	<u>48,467,462</u>	<u>288,534</u>	<u>--</u>	<u>48,755,996</u>
Current Liabilities				
Current portion of long-term debt	2,240,786	--	--	2,240,786
Accounts payable	9,328,891	4,228	(310,798)	9,022,321
Consumer deposits	2,276,132	--	--	2,276,132
Accrued expenses	2,484,461	42,723	--	2,527,184
Total current liabilities	<u>16,330,270</u>	<u>46,951</u>	<u>(310,798)</u>	<u>16,066,423</u>
Consumer Advances	667,150	--	--	667,150
Total members' equities and liabilities	<u>\$ 168,258,293</u>	<u>\$ 4,163,597</u>	<u>\$ (4,245,448)</u>	<u>\$ 168,176,442</u>

**NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AND SUBSIDIARY**

**CONSOLIDATING STATEMENTS OF REVENUE AND COMPREHENSIVE INCOME**

**Year Ended December 31, 2025**

	Nolin	Wide Open	Eliminations	Consolidated
Operating Revenues				
Sales of electric energy	\$ 88,584,143	\$ --	\$ --	\$ 88,584,143
Other operating revenues	4,759,070	3,493,749	(2,922,086)	5,330,733
	<u>93,343,213</u>	<u>3,493,749</u>	<u>(2,922,086)</u>	<u>93,914,876</u>
Operating Expenses				
Cost of power	68,208,921	--	--	68,208,921
Distribution - operations	4,760,003	333,745	(316,430)	4,777,318
Distribution - maintenance	6,635,737	2,581,263	(2,448,902)	6,768,098
Consumer accounts	2,526,808	2,188	--	2,528,996
Customer services	480,018	37,756	--	517,774
Administrative and general	4,012,659	424,816	(156,754)	4,280,721
Depreciation, excluding \$507,021 charged to clearing accounts	5,364,193	113,646	--	5,477,839
Interest on long-term debt	2,295,414	--	--	2,295,414
Other interest charges	94,524	--	--	94,524
Other deductions	47,715	3,151	--	50,866
Total operating expenses	<u>94,425,992</u>	<u>3,496,565</u>	<u>(2,922,086)</u>	<u>95,000,471</u>
Operating (Deficits)	<u>(1,082,779)</u>	<u>(2,816)</u>	<u>--</u>	<u>(1,085,595)</u>
Nonoperating Margins and Capital Credits				
Interest income	708,064	--	--	708,064
Gain on sale of equipment	35,013	2,816	--	37,829
Other non-operating margins	46,511	--	--	46,511
Generation and transmission capital credits	2,404,773	--	--	2,404,773
Other capital credits	547,074	--	--	547,074
	<u>3,741,435</u>	<u>2,816</u>	<u>--</u>	<u>3,744,251</u>
Net Margins	2,658,656	--	--	2,658,656
Other Comprehensive Income				
Postretirement benefits amortization of net loss	328,493	25,188	--	353,681
Net Margins and Comprehensive Income	<u>\$ 2,987,149</u>	<u>\$ 25,188</u>	<u>\$ --</u>	<u>\$ 3,012,337</u>