

Blue Ridge EMC and Subsidiaries
Consolidated Financial Statements
December 31, 2025 and 2024

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Independent Auditor's Report

The Board of Directors
Blue Ridge EMC and Subsidiaries
Lenoir, North Carolina

Opinion

We have audited the accompanying consolidated financial statements of Blue Ridge EMC and Subsidiaries which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, comprehensive income, 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 Blue Ridge EMC and Subsidiaries as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to consolidated 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 Consolidated Financial Statements section of our report. We are required to be independent of Blue Ridge EMC and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 Blue Ridge EMC and Subsidiaries' 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 Blue Ridge EMC and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2026, on our consideration of Blue Ridge EMC and Subsidiaries' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Blue Ridge EMC and Subsidiaries' internal control over financial reporting and compliance.

Richmond, Virginia
March 31, 2026



Consolidated Balance Sheets

Blue Ridge EMC and Subsidiaries

	December 31,	
	2025	2024
Assets		
Electric plant		
Electric plant	\$ 659,959,961	\$ 641,830,677
Less accumulated provision for depreciation	252,655,142	237,771,277
	<u>407,304,819</u>	<u>404,059,400</u>
Other property and investments		
Nonutility property, net	23,753,415	24,124,587
Investments in associated organizations	16,694,767	16,753,046
Restricted cash and investments	5,482,265	3,786,570
Other investments	2,627,506	2,395,454
Intangible assets	129,202	129,202
Other assets	91,018	97,394
	<u>48,778,173</u>	<u>47,286,253</u>
Notes receivable	3,943,107	4,904,855
Current assets		
Cash and cash equivalents	16,964,113	14,518,682
Accounts receivable, net	44,600,502	52,426,679
Inventory	11,101,314	10,644,076
Short-term investments	5,000,000	3,500,000
Other current assets	3,279,626	2,843,616
Current portion of notes receivable	1,232,918	1,176,378
Income taxes receivable	104,172	
	<u>82,282,645</u>	<u>85,109,431</u>
Deferred charges and regulatory assets	<u>1,761,569</u>	<u>1,566,778</u>
	<u>\$ 544,070,313</u>	<u>\$ 542,926,717</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

	December 31,	
	2025	2024
Equities and Liabilities		
Equities		
Patronage capital	\$ 201,991,062	\$ 197,143,373
Other equities	13,399,288	12,444,634
Accumulated other comprehensive loss	(4,622,250)	(3,551,032)
Memberships	73,244	76,354
	<u>210,841,344</u>	<u>206,113,329</u>
Noncurrent liabilities		
Long-term debt	233,729,043	230,637,534
Deferred income taxes, net	4,161,832	3,635,055
Other	13,780,406	12,575,178
	<u>251,671,281</u>	<u>246,847,767</u>
Current liabilities		
Credit line payable	7,400,000	18,000,000
Accounts payable	16,405,680	15,976,503
Other current and accrued liabilities	15,349,445	14,918,312
Current portion of long-term debt	15,147,655	14,447,962
Unearned revenue	3,711,298	3,123,873
Consumer deposits	1,973,641	1,926,049
Deferred credits and regulatory liabilities - current	830,298	830,298
Other	749,831	722,809
Franchise tax payable	16,204	15,000
	<u>61,584,052</u>	<u>69,960,806</u>
Deferred credits and regulatory liabilities	<u>19,973,636</u>	<u>20,004,815</u>
	<u>\$ 544,070,313</u>	<u>\$ 542,926,717</u>

Consolidated Statements of Operations

Blue Ridge EMC and Subsidiaries

	Year Ended December 31,	
	2025	2024
Operating revenues	\$ 193,377,463	\$ 182,131,677
Operating expenses		
Cost of power/sales	91,828,795	88,325,966
Transmission	1,492,389	1,191,728
Distribution - operation	4,293,997	3,904,065
Distribution - maintenance	18,780,079	17,312,277
Consumer accounts	4,017,706	3,715,634
Customer service and informational	2,288,168	2,238,388
Sales expense	2,756,584	2,677,007
Administrative and general	26,810,318	24,272,405
Depreciation and amortization	21,516,551	20,474,856
Taxes	2,084,724	2,315,974
Interest	8,257,737	8,448,486
Interest charged to construction	(152,164)	(318,396)
	<u>183,974,884</u>	<u>174,558,390</u>
Operating Margins Before Patronage Allocations	9,402,579	7,573,287
Patronage allocations	888,902	1,464,759
Net Operating Margins	<u>10,291,481</u>	<u>9,038,046</u>
Nonoperating income (expense)		
Other	1,871,560	1,790,016
Interest income	771,135	1,021,589
Gain (loss) on disposal of assets	(102,815)	16,533
	<u>2,539,880</u>	<u>2,828,138</u>
Net Margins Before Income Taxes	12,831,361	11,866,184
Income tax expense		
Deferred	523,371	371,372
Current	424,234	
	<u>947,605</u>	<u>371,372</u>
Net Margins	<u>\$ 11,883,756</u>	<u>\$ 11,494,812</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

Consolidated Statements of Comprehensive Income

Blue Ridge EMC and Subsidiaries

	Year Ended December 31,	
	<u>2025</u>	<u>2024</u>
Net margins	\$ 11,883,756	\$ 11,494,812
Other comprehensive income (loss):		
Actuarial gain (loss)	(136,504)	223,520
Amortization of actuarial loss	71,967	110,677
Prior service costs	<u>(1,006,681)</u>	<u>(428,463)</u>
	<u>(1,071,218)</u>	<u>(94,266)</u>
Comprehensive Income	<u>\$ 10,812,538</u>	<u>\$ 11,400,546</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

Consolidated Statements of Equities

Blue Ridge EMC and Subsidiaries

Years Ended December 31, 2025 and 2024

	Patronage Capital	Other Equities	Accumulated Other Comprehensive Loss	Memberships	Total
Balance, December 31, 2023	\$ 192,686,763	\$ 11,404,215	\$ (3,456,766)	\$ 79,804	\$ 200,714,016
Net margins	11,494,812				11,494,812
Retirement of capital credits	(7,038,202)	1,040,419			(5,997,783)
Other comprehensive loss			(94,266)		(94,266)
Other changes, net				(3,450)	(3,450)
Balance, December 31, 2024	197,143,373	12,444,634	(3,551,032)	76,354	206,113,329
Net margins	11,883,756				11,883,756
Retirement of capital credits	(7,036,067)	954,654			(6,081,413)
Other comprehensive loss			(1,071,218)		(1,071,218)
Other changes, net				(3,110)	(3,110)
Balance, December 31, 2025	<u>\$ 201,991,062</u>	<u>\$ 13,399,288</u>	<u>\$ (4,622,250)</u>	<u>\$ 73,244</u>	<u>\$ 210,841,344</u>

See Independent Auditor's Report and Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

Blue Ridge EMC and Subsidiaries

	Year Ended December 31,	
	2025	2024
Cash Flows from Operating Activities		
Net margins	\$ 11,883,756	\$ 11,494,812
Adjustments to reconcile net margins to net cash provided by operating activities:		
Depreciation and amortization	21,516,551	20,474,856
Deferred income tax expense	523,371	371,372
(Gain) loss on disposal of assets	102,815	(16,533)
Allowance for funds used during construction	(152,164)	(318,396)
Noncash capital credits assigned	(888,902)	(1,464,759)
Provision for credit losses	28,688	21,076
(Increase) decrease in:		
Accounts receivable, net	696,533	(1,751,880)
Inventory	42,096	(125,927)
Other current assets	(429,634)	(53,814)
Other noncurrent assets	(232,052)	(302,642)
Income taxes receivable	(104,172)	
Deferred charges and regulatory assets	(194,791)	2,779,354
Increase (decrease) in:		
Accounts payable	429,177	2,714,210
Other current and accrued liabilities	1,050,190	1,463,926
Other noncurrent liabilities	134,010	108,999
Deferred credits and regulatory liabilities	(31,179)	5,876,760
Net Cash Provided by Operating Activities	34,374,293	41,271,414
Cash Flows from Investing Activities		
Investments in electric plant	(17,660,903)	(52,959,511)
Investments in nonutility property, plant and equipment	(1,525,030)	(1,636,371)
Proceeds from disposition of nonutility plant and equipment	80,203	216,040
Cost of removals	(1,258,910)	(774,401)
Contributions in aid of construction	2,624,813	3,474,126
Receipts from notes receivable	2,570,280	1,307,134
Issuance of notes receivable	(1,665,072)	(540,000)
Purchases of short term investments	(12,500,000)	(9,500,000)
Maturity of short term investments	11,000,000	6,000,000
Net Cash Used by Investing Activities	(18,334,619)	(54,412,983)

See Independent Auditor's Report and Notes to Consolidated Financial Statements

	Year Ended December 31,	
	2025	2024
Cash Flows from Financing Activities		
Line of credit advances	20,000,000	18,000,000
Line of credit repayments	(30,600,000)	
Proceeds from long-term debt	19,177,780	10,000,000
Principal payments of long-term debt	(15,386,578)	(14,391,496)
Consumer deposits, net	47,592	54,911
Memberships issued, net of terminations and other	(3,110)	(3,450)
Capital credits received from suppliers	947,181	756,031
Patronage capital retirements	(6,081,413)	(5,997,783)
Net Cash Provided (Used) by Financing Activities	<u>(11,898,548)</u>	<u>8,418,213</u>
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	4,141,126	(4,723,356)
Cash, cash equivalents and restricted cash - beginning of year	<u>18,305,252</u>	<u>23,028,608</u>
Cash, Cash Equivalents and Restricted Cash - End of Year	<u>\$ 22,446,378</u>	<u>\$ 18,305,252</u>

Supplemental Disclosures

The Corporation paid approximately \$8,300,000 and \$8,490,000 in interest expense for the years ended December 31, 2025 and 2024, respectively.

Blue Ridge Energies (BRE) paid \$528,406 in income taxes for the year ended December 31, 2025. BRE paid no income taxes for the year ended December 31, 2024.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note A - Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Blue Ridge Electric Membership Corporation (the “Corporation”) is primarily an electric distribution cooperative engaged in the retail sale of electricity to its members. The Corporation’s main office is located in Lenoir, North Carolina, and the service area extends through portions of the counties of Alexander, Alleghany, Ashe, Avery, Caldwell, Watauga and Wilkes, North Carolina.

Blue Ridge Energies, LLC (BRE), a wholly owned subsidiary of the Corporation, provides propane and other petroleum products and appliances throughout the Western North Carolina and Southwestern Virginia areas. BRE’s principal business offices are located in Lenoir, Boone, Sparta, West Jefferson and Morganton, North Carolina.

RidgeLink, LLC (RidgeLink), a wholly owned subsidiary of the Corporation, leases excess fiber optic capacity from the Corporation and subleases such capacity to data and voice network providers throughout northwest North Carolina and northeast Tennessee. All administrative and operational support is provided by the Corporation as RidgeLink has no employees.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, BRE and RidgeLink. Significant intercompany transactions have been eliminated in consolidation.

Basis of Presentation

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), including GAAP for regulated operations.

The system of accounts of the Corporation are maintained in accordance with the Uniform System of Accounts as prescribed by the Federal Energy Regulatory Commission (FERC) for Class A and B electric utilities modified for electric borrowers of the Rural Utilities Service (RUS).

Accounting Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note A - Nature of Operations and Summary of Significant Accounting Policies - Continued

Electric Plant

Electric plant is stated at the original cost of construction, which includes the cost of contracted services, direct labor, materials and overhead items. Contributions from others toward the construction of electric plant are credited to the applicable plant accounts.

When property which represents a retirement unit is replaced or removed, the average cost of such property as determined from the continuing property records is credited to electric plant and such cost, together with the cost of removal less salvage, is charged to the accumulated provision for depreciation.

Maintenance and repairs, including the renewal of minor items of plant not comprising a retirement unit, are charged to the appropriate maintenance accounts, except for the repairs of transportation and service equipment which are charged to clearing accounts and redistributed to operating expense and other accounts.

Depreciation

Provision for depreciation has been made by application of the straight-line composite method to the original cost, by groups of depreciable properties in service. Current depreciation rates, which are estimated to amortize the cost of plant over the service lives, were as follows:

Transmission plant	2.76%
Fiber optic	2.76%
Distribution plant	2.76 - 20.00%
Buildings and improvements	3.00%
Equipment	7.00 - 20.00%
Furniture and fixtures	7.00 - 10.00%
Vehicles	12.00%

Nonutility Property

Nonutility property, plant and equipment acquired through acquisitions are stated at the fair market value at the time of the acquisitions. Property acquired outside of the aforementioned acquisitions is stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years. Accelerated methods, as provided by federal income tax laws, are used for income tax purposes.

The cost of maintenance and repairs is charged to operations when incurred and renewals and betterments are capitalized. When properties are retired or otherwise disposed of, the related costs and allowance for depreciation are removed from the respective accounts and any gain or loss on disposition is reflected in income.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note A - Nature of Operations and Summary of Significant Accounting Policies - Continued

Investments in Associated Organizations

Investments in associated organizations are primarily composed of patronage capital assigned from associated organizations. These investments are recorded at costs plus allocated equities.

Income Taxes

The Corporation has been granted exemption from income tax under Internal Revenue Service (IRS) Code Section 501(c)(12) of the Internal Revenue Code. The Corporation evaluates the components of the annual test for compliance to maintain its filing status as a tax-exempt entity. In accordance with Accounting Standards Codification (ASC) Topic 740 for “uncertain tax positions”, the Corporation, BRE, and RidgeLink had determined that it is more likely than not that their tax positions will be sustained upon examination by the IRS.

BRE and RidgeLink have elected to be taxed as corporations for Federal and State income taxes. BRE and RidgeLink account for income taxes in accordance with U.S. GAAP. Under the liability method specified by U.S. GAAP, deferred tax assets and liabilities are based on the difference between the financial statement and tax basis of assets and liabilities as measured by tax rates that are anticipated to be in effect when these differences reverse. The deferred tax provision represents the net change in the assets and liabilities for deferred tax. A valuation is established when it is necessary to reduce deferred tax assets to amounts for which realization is reasonably assumed. Currently, BRE and RidgeLink have no significant uncertain tax positions or tax liability for benefits in trust or penalties accrued at December 31, 2025 and 2024.

Inventory

Inventories of the Corporation consist of materials and supplies that are generally used for construction, operation, and maintenance work and are not held for resale. Inventories are valued at the lower of cost, determined by using the moving average unit cost method, and net realizable value.

The inventory of BRE consisted primarily of fuel oils, propane, and merchandise. Inventory is valued at the lower of average cost or net realizable value. Cost is determined by applying the weighted average cost to purchases and the first-in, first-out (FIFO) method for each type of fuel.

Advertising Costs

The Corporation, BRE and RidgeLink expense advertising costs as incurred.

Reclassifications

Certain reclassifications have been made to the December 31, 2024 consolidated financial statements to conform to the December 31, 2025 presentation.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note A - Nature of Operations and Summary of Significant Accounting Policies - Continued

Accounts Receivable

Accounts receivable from customers are recorded at the billed amount and do not bear interest. The Corporation maintains an allowance based on the expected collectability of accounts receivable. The allowance is determined based on historical experience and other circumstances which may affect the ability of customers to meet their obligations. The Corporation reviews its allowance for expected credit losses on a monthly basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Accounts receivable for BRE and RidgeLink are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectable amounts through a charge to expense and a credit to the allowance for credit losses based on its assessment of the current status of individual accounts. When accounts are deemed to be uncollectible, they are charged against the allowance for credit losses.

Revenue Recognition

The Corporation's primary source of revenue and accounts receivable is derived from implied contractual agreements with its customers for the provision of electric service. Electric revenue and the related cost of power are recognized when electricity is consumed, which complies with the requirements of Financial Accounting Standards Board (FASB) ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606). The Corporation recognizes revenue from consumed electricity in the appropriate reporting period through its estimation of unbilled revenue, on a monthly basis. See Note G for unbilled revenue recorded as of December 31, 2025 and 2024.

RidgeLink recognizes revenue from its contracts with customers in accordance with FASB ASC 606. Revenue relating to other fiber optic leases is recognized on a straight-line basis over the terms of the respective lease. Maintenance income is recognized and generally collected on a monthly basis under agreements which run concurrent with the indefeasible right of use agreements (IRU's). Construction income is recognized using the completed-contract method which is not significantly different than the use of percentage-of-completion method given the typically short duration of the construction contracts.

BRE's primary source of revenue and accounts receivable is derived from sales of propane, fuel oils and other fuels. Sales of propane, fuel oil and other fuels are recognized at the time the product is delivered to the customer, which complies with the requirements of FASB ASC 606. In some instances, BRE receives advance payments from certain customers who seek to lock in the price of propane. Such advance payments are recognized as unearned revenue until the product is delivered to the respective customers. Revenue from the sale of appliances and equipment is recognized at the time of the sale or when installation is complete, as applicable. Revenue from repairs, maintenance and other service activities are recognized upon completion of the service. Sales are recorded net of sales and sales-related taxes collected from customers.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note A - Nature of Operations and Summary of Significant Accounting Policies - Continued

Revenue Recognition - Continued

The following table presents the Corporation, BRE, and RidgeLink's revenues disaggregated by the timing of such revenue recognized:

	December 31,	
	2025	2024
Timing of revenue and recognition		
At a point of time	\$ 191,263,199	\$ 180,359,437
Over a period of time	5,543,046	6,065,137
	<u>\$ 196,806,245</u>	<u>\$ 186,424,574</u>

Subsequent Events

Subsequent events have been evaluated through March 31, 2026, which is the date the consolidated financial statements were available to be issued.

Cash, Cash Equivalents and Restricted Cash

For purposes of the consolidated balance sheets and the consolidated statements of cash flows, cash and cash equivalents consist of cash and other highly liquid resources with an original maturity of three months or less when purchased. Restricted cash represents cash received from members to be donated to charitable organizations (Blue Ridge Energy Members Foundation) or scholarship funds, deferred compensation for the exclusive purpose of paying postretirement benefits, and the proceeds of economic development loans not yet reinvested. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	December 31,	
	2025	2024
Cash and cash equivalents	\$ 16,964,113	\$ 14,518,682
Restricted cash	5,482,265	3,786,570
Total cash, cash equivalents and restricted cash presented in the consolidated statements of cash flows	<u>\$ 22,446,378</u>	<u>\$ 18,305,252</u>

Regulatory Assets and Liabilities

The Corporation currently complies with accounting guidance set forth by the ASC Topic 980 regarding the effect of certain types of regulation. This guidance allows a regulated corporation to record certain costs or credits that have been or are expected to be allowed in the rate-making process in a period different from the period in which the costs would be charged to expense or income by a non-regulated enterprise. Accordingly, the Corporation records certain assets and liabilities that result from the regulated rate-making process that would not be recorded under GAAP for non-regulated entities.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note B - Electric Plant

Listed below were the major classes of electric plant:

	December 31,	
	2025	2024
Distribution plant	\$ 423,283,640	\$ 406,844,334
Transmission plant	137,051,709	137,086,397
General plant	97,505,882	94,651,367
Electric plant in service	657,841,231	638,582,098
Construction work in progress	2,118,730	3,248,579
	<u>\$ 659,959,961</u>	<u>\$ 641,830,677</u>

The Corporation followed the guidance as set forth in the ASC Topic 410, *Asset Retirement and Environmental Obligations* in determining that it had no legal asset retirement obligations for the years ended December 31, 2025 and 2024. Regarding the non-legal retirement costs, the Corporation follows the regulatory principle of inter-generational cost allocation by including net salvage (gross salvage less cost of removal) as a component of depreciation rates.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note C - Nonutility Property

Nonutility property consisted of the following:

	December 31,	
	2025	2024
Machinery and equipment	\$ 21,589,456	\$ 20,873,572
Fiber lines	12,073,958	11,993,073
Trucks and autos	6,675,663	6,414,927
Capitalized software	753,947	754,542
Buildings	566,828	566,828
Furniture and fixtures	150,451	150,451
Leasehold improvements	109,289	109,289
Land improvements	43,195	43,195
Easements	9,404	9,404
	<u>41,972,191</u>	<u>40,915,281</u>
Less accumulated depreciation	18,940,857	17,569,908
	<u>23,031,334</u>	<u>23,345,373</u>
Land	347,649	347,649
Construction work in progress	374,432	431,565
	<u>\$ 23,753,415</u>	<u>\$ 24,124,587</u>

Note D - Concentrations of Credit Risk

The Corporation places its cash on deposit with financial institutions located in the United States of America which are insured by the Federal Deposit Insurance Corporation (FDIC). The FDIC provides insurance coverage for up to \$250,000 of cash held by the Corporation in each separate FDIC insured bank and savings institution. From time to time, the Corporation may have amounts on deposit in excess of the insured limits. As of December 31, 2025, the Corporation had approximately \$8,881,000 of deposits that exceed the \$250,000 limit.

As of December 31, 2025 the Corporation has approximately \$619,000 and \$2,366,000 of deposits in CFC Daily Fund investments and Homestead fund investments, respectively, which were not insured.

BRE maintains cash balances at institutions that are insured by the FDIC. As of December 31, 2025, BRE had approximately \$2,583,000 in deposits that exceeded the \$250,000 limit. BRE also had CFC Select Notes and Daily Funds totaling approximately \$10,199,000, which were not insured.

RidgeLink maintains cash balances at institutions that are insured by the FDIC. As of December 31, 2025, RidgeLink had approximately \$345,000 in deposits that exceeded the \$250,000 limit. RidgeLink also has approximately \$1,887,000 of deposits in CFC Daily Fund investments which were not insured.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note E - Investments in Associated Organizations

Investments in associated organizations consisted of the following:

	December 31,	
	2025	2024
Patronage capital:		
CoBank	\$ 5,165,713	\$ 5,160,458
North Carolina Electric Membership Corporation (NCEMC)	4,499,928	4,421,928
Tarheel Electric Membership Association (TEMA)	3,109,777	3,161,174
Federated Rural Electric Insurance Corporation	676,426	633,293
National Rural Utilities Cooperative Finance Corporation (CFC)	503,030	524,126
Other	202,327	186,225
	<u>14,157,201</u>	<u>14,087,204</u>
Capital Term Certificates (CFC):		
SCTC's	1,869,410	1,869,410
LCTC's	142,100	271,100
	<u>2,011,510</u>	<u>2,140,510</u>
Other:		
CFC member capital securities	500,000	500,000
Other	20,496	19,772
Memberships	5,560	5,560
	<u>526,056</u>	<u>525,332</u>
	<u>\$ 16,694,767</u>	<u>\$ 16,753,046</u>

The capital term certificates invested in CFC are unsecured and subordinated. The SCTC's and LCTC's bear interest at an annual rate of 5.00% and 3.00% respectively, and are payable semiannually. The capital term certificates are required to be maintained under the note agreement with CFC and are similar to compensating bank balances. The CFC member capital securities are unsecured and unsubordinated and bear interest at an annual rate of 5.00%, payable semiannually.

BRE had \$5,000,000 invested in CFC Medium Term Notes, which are held-to-maturity, as of December 31, 2025 and are recorded as short term investments on the balance sheet. The notes mature at various dates through February 2026 and bear interest at various rates ranging from 4.19% to 4.22%.

Note F - Intangible Asset

The goodwill acquired in the purchase of assets is being accounted for in accordance with ASC Topic 350. BRE evaluates the goodwill on an annual basis for potential impairment. After estimating the value of the goodwill at December 31, 2025 and 2024, using standard valuation techniques and comparing that value to the carrying cost, BRE did not recognize an impairment loss for the years ended December 31, 2025 and 2024.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note G - Accounts Receivable

Accounts receivable consisted of the following:

	December 31,	
	2025	2024
FEMA	\$ 18,774,321	\$ 25,875,277
Consumers	16,034,586	16,126,760
Unbilled revenue	9,075,966	8,889,283
Other	2,239,215	3,030,257
	<u>46,124,088</u>	<u>53,921,577</u>
Less provision for credit losses	<u>1,523,586</u>	<u>1,494,898</u>
	<u>\$ 44,600,502</u>	<u>\$ 52,426,679</u>

On September 28, 2024, the President of the United States declared a major disaster in response to Tropical Storm Helene. The storm caused significant damage within the Corporation's service territory, with total system restoration costs estimated at approximately \$30.6 million. In connection with this event, the Corporation submitted a request for federal assistance to the Federal Emergency Management Agency (FEMA) to help offset these costs. Based on preliminary estimates, the anticipated reimbursement has been recorded in accounts receivable on the consolidated balance sheets as of December 31, 2025 and 2024. The request is currently under FEMA review and pending final approval; however, management believes the recorded amount represents a reasonable and conservative estimate as of the date of this report.

Note H - Notes Receivable

Notes receivable consisted of the following:

	December 31,	
	2025	2024
Economic development loans	\$ 5,176,025	\$ 6,081,233
Less - current portion	<u>(1,232,918)</u>	<u>(1,176,378)</u>
	<u>\$ 3,943,107</u>	<u>\$ 4,904,855</u>

Economic development loans receivable consisted of loans made to local organizations within the Corporation's service territory to promote economic development. The notes are interest free and payable in equal monthly installments over 7 years.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note I - Deferred Charges and Regulatory Assets

Deferred charges and regulatory assets consisted of the following:

	December 31,	
	2025	2024
Preliminary survey and investigation costs	\$ 896,086	\$ 635,535
IRUs - RidgeLink	465,368	507,287
Deferred commissions - RidgeLink	400,115	423,956
	<u>\$ 1,761,569</u>	<u>\$ 1,566,778</u>

RidgeLink obtains and subleases most of its network capacity under IRU's which generally require up-front payments that are amortized into income and expense, on a straight-line basis, over the term of the respective agreements. RidgeLink classifies the expected revenue and expense which it expects to recognize during the next year as current assets and liabilities.

Note J - Income Taxes

Activity in the income tax receivable is as follows:

	Year Ended December 31,	
	2025	2024
Income tax receivable at beginning of year	\$	\$
Current income tax expense	(424,234)	
Tax payments	528,406	
	<u>\$ 104,172</u>	<u>\$</u>

Provision for current federal and state income taxes in the consolidated statements of operations consisted of the following components:

	December 31,	
	2025	2024
Current:		
Federal	\$ 305,402	\$
State	118,832	
	<u>\$ 424,234</u>	<u>\$</u>

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note J - Income Taxes - Continued

Deferred Income Taxes

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax basis, as well as from net operating loss and tax credit carryforwards, and are stated at enacted tax rates expected to be in effect when taxes are paid or recovered. Deferred income tax assets represent amounts available to reduce income taxes payable on taxable income in future years. The Corporation evaluates the recoverability of these future deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of taxable temporary differences, forecasted operating earnings and available tax planning strategies. To the extent we consider it more likely than not that a deferred tax asset will not be recovered, a valuation allowance is established. The total net operating loss (NOL) at December 31, 2025 was approximately \$1,156,000. These net operating loss carryforwards, which begin to expire in 2038, may be used to offset federal and state taxable income in future years.

The deferred tax assets, liabilities and the related valuation allowance are summarized as follows:

	December 31,	
	2025	2024
Deferred tax asset (liability)		
Net operating loss carryforwards	\$ 243,000	\$ 487,000
Other	104,000	93,000
Depreciation	(4,508,832)	(4,014,000)
	(4,161,832)	(3,434,000)
Valuation allowance		(201,055)
Deferred income tax liability, net	\$ (4,161,832)	\$ (3,635,055)

The income tax provision could differ from the expense that would result from applying federal statutory rates to income before income taxes because BRE and RidgeLink are subject to state income taxes, and also uses marginal federal tax rates to compute deferred taxes.

During 2025 and 2024, the Corporation reduced its valuation allowance due to the increased likelihood that the Corporation would generate sufficient taxable income to utilize expiring NOLs recorded as deferred income taxes as of December 31, 2025 and 2024.

Provision for deferred federal and state income taxes in the consolidated statements of operations consisted of the following components:

	December 31,	
	2025	2024
Deferred:		
Federal	\$ 444,419	\$ 313,087
State	78,952	58,285
	\$ 523,371	\$ 371,372

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note K - Patronage Capital

Patronage capital consisted of the following:

	December 31,	
	2025	2024
Assigned	\$ 305,122,407	\$ 293,627,595
Assignable	11,883,756	11,494,812
	317,006,163	305,122,407
Retired	(115,015,101)	(107,979,034)
	<u>\$ 201,991,062</u>	<u>\$ 197,143,373</u>

Under provisions of the long-term debt agreement and Title 7 of the Code of Federal Regulations (Part 1717.617), the Corporation may refund capital to patrons without limitation if total equity is equal to or greater than 30% of total assets, and there are no instances of default. If equities are between 20% and 30% of total assets, general refunds are limited to 25% (adjusted for returns to estates, which are not limited) of patronage capital or margins received in the next preceding year. Total equities and margins amounted to 40% and 39% of total assets for the years ended December 31, 2025 and 2024, respectively.

Note L - Long-Term Debt

Long-term debt consisted of the following:

	December 31,	
	2025	2024
Federal Financing Bank (FFB) - Mortgage notes, fixed	\$ 148,569,464	\$ 134,194,876
CoBank - Mortgage notes, fixed	76,082,653	86,527,225
CFC - Mortgage notes, fixed	17,470,261	17,885,376
Rural Business Cooperative Development Service (RBCDS)		
Economic development grant	6,754,320	6,478,019
	248,876,698	245,085,496
Less current maturities	15,147,655	14,447,962
	<u>\$ 233,729,043</u>	<u>\$ 230,637,534</u>

Substantially all of the Corporation's assets have been pledged as collateral for the long-term debt to CFC, FFB and CoBank. Under the terms of the loan agreements with FFB and CFC, there are certain restrictions which include requirements to maintain a TIER (times interest earned ratio) and DSC (debt service coverage) of 1.25, respectively. In addition, the Corporation has other ratios that must be maintained in accordance with the CoBank loan covenants. There were also restrictions on the return of capital to patrons as discussed in Note K. For the years ending December 31, 2025 and 2024, the Corporation was in compliance with the covenants and restrictions.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note L - Long-Term Debt - Continued

Long-term debt payable to CoBank is represented by mortgage notes with fixed rates ranging from 3.05% to 6.03% at December 31, 2025. The notes mature at various dates through January 2040. Principal and interest installments are payable monthly in the amount of approximately \$1,121,000. There was \$34,000,000 of loan funds available to the Corporation on loan commitments from CoBank at December 31, 2025 and 2024.

The security and repayment terms for the CFC notes, with the exception of the interest rates of 4.80% at December 31, 2025, were the same as the CoBank notes. The notes mature in August 2048. Principal and interest installments are payable quarterly in the amount of approximately \$317,000. Unadvanced loan funds of \$25,000,000 were available to the Corporation on loan commitments from CFC at December 31, 2025 and 2024.

Long-term debt payable to the FFB is represented by mortgage notes with interest rates ranging from 1.81% to 4.66% at December 31, 2025. The notes mature at various dates through January 2056. Principal and interest installments are payable quarterly in the amount of approximately \$2,114,000. Unadvanced loan funds of \$34,000,000 and \$52,000,000 were available to the Corporation on loan commitments from FFB at December 31, 2025 and 2024, respectively.

The debt to the RBCDS (an agency of the U.S. Department of Agriculture) resulted from a grant made to the Corporation under the Rural Economic Development Grant and Loan Program to fund local economic development projects. Principal installments are payable monthly in the amount of approximately \$32,000. The grant must be repaid to the federal government (without interest) upon termination of the program by the Corporation.

The Corporation participates in a revolving loan fund program with the United States Department of Agriculture (USDA) Rural Utilities Service (RUS) to support economic development within its service territory. Funds received under the program are recorded as long-term debt and are loaned to eligible borrowers for qualified projects, with principal repayments retained and re-loaned as part of a revolving loan fund. Repayment of the USDA obligation is not required under normal operating conditions and would only occur upon program termination or noncompliance; accordingly, no principal or interest payments are currently due. See Note H for additional details of the economic development loans.

Approximate future maturities of long-term debt were as follows:

<u>Year Ending December 31,</u>	
2026	\$ 15,147,655
2027	15,051,092
2028	15,401,446
2029	14,723,702
2030	15,218,267
Thereafter	<u>173,334,536</u>
	<u>\$ 248,876,698</u>

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note L - Long-Term Debt - Continued

The Corporation had a line of credit with CoBank in the amount of \$1,000,000 for the years ended December 31, 2025 and 2024. The interest rate on the CoBank line of credit was 5.77% and 6.39% at December 31, 2025 and 2024, respectively. There was no outstanding balance on the CoBank line of credit at December 31, 2025 and 2024. The Corporation also had lines of credit with CFC in the amount of \$31,500,000 and \$22,600,000 and \$31,500,000 and \$30,000,000 for the years ended December 31, 2025 and 2024, respectively. The interest rate on the CFC lines of credit were 5.55% and 5.35% and 7.05% and 5.90% at December 31, 2025 and 2024, respectively. There was an outstanding balance of \$7,400,000 and \$18,000,000 on the lines of credit for the years ended December 31, 2025 and 2024, respectively.

The Corporation had a line of credit with First Citizens Bank in the amount of \$2,000,000, accruing interest at variable rates (5.94% at December 31, 2025) which expires July 2026. There was no outstanding balance with First Citizens Bank at December 31, 2025 and 2024.

BRE has a line of credit with First Citizens Bank in the amount of \$1,000,000, accruing interest at variable rates (5.94% at December 31, 2025), which expires July 2026. BRE also has a line of credit with CoBank in the amount of \$1,000,000, accruing interest at weekly quoted variable rates (5.77% at December 31, 2025), which expires in July 2026. There was no outstanding balance on either line of credit at December 31, 2025 and 2024. Both lines of credit are guaranteed by the Corporation.

RidgeLink had a line of credit with National Cooperative Services Corporation in the amount of \$1,000,000, accruing interest at variable rates (6.50% at December 31, 2025). There were no advances outstanding at December 31, 2025 or 2024.

Note M - Other Noncurrent Liabilities

Other noncurrent liabilities consisted of the following:

	December 31,	
	2025	2024
Other postretirement benefits	\$ 9,346,456	\$ 8,332,145
Deferred compensation	4,994,175	4,610,366
Other	189,606	355,476
	<u>14,530,237</u>	<u>13,297,987</u>
Less current portion of APBO	<u>749,831</u>	<u>722,809</u>
	<u>\$ 13,780,406</u>	<u>\$ 12,575,178</u>

The Corporation (BREMC) sponsors an unfunded defined benefit postretirement medical and dental insurance plan that covers substantially all of its employees and their dependents. The premium for future retirees is subsidized by the employer.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note M - Other Noncurrent Liabilities - Continued

According to the provisions of the plan the pre-65 retirees and spouses/dependent(s) will receive \$11,109/\$5,555 per year, respectively. Post-65 retirees and spouses/dependents will receive up to \$3,533/\$1,766 per year, respectively. The dependent defined contribution is capped at \$5,555 regardless of number of dependents. These credits will not vary by service and will not be indexed. Employees of the Corporation must have 20 years of service and be at least 59.5 years old to be eligible to retire with these postretirement benefits.

The Corporation recognizes the funded status of its other postretirement medical, dental and vision benefit programs as a liability in its consolidated balance sheets and recognizes changes in the funded status as a component of other comprehensive income in the year in which the changes occur in accordance with FASB ASC Topic 715. The funded status is measured as the difference between the fair value of the plan’s assets and the benefit obligation.

BRE sponsors an unfunded defined benefit postretirement medical, dental, and vision plan for eligible employees and their dependents. The plan provides postretirement health benefits, including a Medicare supplement. The plan was implemented during 2025 to increase the Medicare supplement and HRA amounts for both retirees and dependents. The plan covers eligible employees who meet certain age and service requirements at retirement. Retirees may also cover eligible dependents under the plan. The plan is not funded and no assets are held in trust for the plan’s obligations.

The following sets forth the consolidated accumulated postretirement plan benefit obligations (APBO) with the funded status of the plans in accordance with ASC Topic 715:

	December 31,	
	2025	2024
APBO - The Corporation	\$ 9,064,678	\$ 8,332,145
APBO - BRE	281,778	
Fair value of plan assets at end of year		
Funded status	\$ (9,346,456)	\$ (8,332,145)

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note M - Other Noncurrent Liabilities - Continued

The components of the consolidated net periodic postretirement benefit cost included:

	Year Ended December 31,	
	2025	2024
The Corporation:		
Interest cost on benefit obligations	\$ 451,700	\$ 425,963
Service cost, benefits earned during the period	105,233	115,962
Amortization of prior service credit	89,959	(121,574)
Amortization of actuarial loss	71,967	110,677
BRE:		
Interest cost on benefit obligations	13,158	
Service cost, benefits earned during the period	13,081	
Amortization	10,703	
	<u>\$ 755,801</u>	<u>\$ 531,028</u>

Amounts in consolidated Accumulated Other Comprehensive Income (Loss) (AOCI) not recognized in net periodic benefit cost consisted of the following:

	Year Ended December 31,	
	2025	2024
The Corporation:		
Net actuarial loss	\$ 2,248,626	\$ 2,225,837
Prior service cost	2,137,038	1,325,195
BRE:		
Net actuarial loss	49,998	
Prior service cost	186,588	
Unrecognized actuarial loss	<u>\$ 4,622,250</u>	<u>\$ 3,551,032</u>

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note M - Other Noncurrent Liabilities - Continued

Assumptions and effects:

	<u>Year Ended December 31,</u>	
	<u>2025</u>	<u>2024</u>
Actuarial assumptions:		
The Corporation:		
Discount rate	5.50%	5.70%
Measurement date	12/31/2025	12/31/2024
Expected subsequent accretion (amortization) from AOCI, net	\$ 212,000	\$ 176,000
Expected subsequent year benefit payments	\$ 746,000	\$ 723,000
Expected subsequent year contributions	\$ 746,000	\$ 723,000
BRE:		
Discount rate	5.80%	
Measurement date	12/31/2025	
Expected subsequent accretion (amortization) from AOCI, net	\$ 13,000	
Expected subsequent year benefit payments	\$ 4,000	
Expected subsequent year contributions	\$ 4,000	

Estimated consolidated future benefit payments reflecting expected future service:

<u>Year Ending December 31,</u>	
2026	\$ 750,000
2027	\$ 721,000
2028	\$ 713,000
2029	\$ 717,000
2030	\$ 719,000
2031 - 2035	\$ 3,434,000

Note N - Retirement Plans

Pension Plan

The Retirement Security Plan (RS Plan), sponsored by the National Rural Electric Cooperative Association (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 multiemployer plan under the accounting standards.

The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note N - Retirement Plans - Continued

Pension Plan - Continued

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

The Corporation's contributions to the RS Plan in 2025 and 2024 represented less than 5 percent of the total contributions made to the RS Plan by all participating employers. The Corporation made contributions to the RS Plan of approximately \$4,372,000 and \$4,845,000 in 2025 and 2024, respectively. There have been no significant changes that affect the comparability of 2025 and 2024 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 percent funded at January 1, 2025 and over 80 percent funded on January 1, 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.

Deferred Compensation Programs

In addition to the NRECA RS Plan, substantially all employees of the Corporation are eligible to participate in the NRECA SelectRE Plan (the "Plan"), a defined contribution multi-employer deferred income plan qualified under Section 401(k) and tax exempt under Section 501(a) of the Internal Revenue Code. The Corporation's required contributions to the Plan and its net pension cost was approximately \$380,000 and \$368,000 for the years ended December 31, 2025 and 2024, respectively.

BRE has a defined contribution 401(k) plan, which covers substantially all employees who have completed at least one year of service. BRE contributed approximately \$146,000 and \$290,000 for the years ended December 31, 2025 and 2024, respectively.

BRE provided a Top Hat Plan under Section 409A of the Internal Revenue Code (the 409A Plan) to permit a select group of management or highly compensated employees to defer a portion of their current compensation in accordance with the provisions of the 409A Plan. Participants direct the investment of these contributions to various options offered through the 409A Plan. This plan was terminated as of December 31, 2024. The balance of the plan assets and liability were approximately \$2,600,000 as of December 31, 2025. The plan will be paid out over a number of years.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note N - Retirement Plans - Continued

Deferred Compensation Programs - Continued

BRE had a Long-Term Incentive Plan that ensures senior management stay focused on key goals that build value for its owner, BREMC. These incentives are awarded based on BRE's performance for each period. This plan was terminated as of December 31, 2024. The remaining balances, totaling approximately \$284,000, are to be paid out over time per the plan document.

During 2025, BRE implemented a noncontributory cash balance plan for eligible employees, administered through the NRECA Retirement and Security Plan. BRE funds the full cost of the plan, and eligibility and benefits are determined in accordance with plan documents.

Note O - Deferred Credits and Regulatory Liabilities

Deferred credits and regulatory liabilities consisted of the following:

	December 31,	
	2025	2024
Deferred revenue - RidgeLink	\$ 9,288,789	\$ 10,114,241
Regulatory liability - WPCA	5,868,912	5,624,000
Customer deposits on construction	5,173,635	4,621,856
Unclaimed capital credits	472,598	475,016
	<u>20,803,934</u>	<u>20,835,113</u>
Less current portion	<u>(830,298)</u>	<u>(830,298)</u>
	<u>\$ 19,973,636</u>	<u>\$ 20,004,815</u>

RidgeLink subleases fiber optic cables as further described in Note P. RidgeLink anticipates recognizing approximately \$800,000 of revenue annually through 2042 in connection with amounts received from IRU's. Approximately \$830,000 has been included as a current liability on the consolidated balance sheets as of December 31, 2025 and 2024.

The Corporation utilizes a wholesale power cost adjustment ("WPCA") to recover or refund changes in the cost of purchased power from its members. Rates are established by the Corporation's Board of Directors and are designed to allow for the recovery of actual power costs. Differences between actual power costs and amounts billed to members are recorded as a regulatory asset or liability and are expected to be recovered or refunded through future rate adjustments. At December 31, 2025 and 2024, the Corporation recorded a regulatory liability of \$5,868,912 and \$5,624,000, respectively, related to over-collections under the WPCA.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note P - Leases and IRU’s, Lessee Considerations

RidgeLink has entered into a Fiber, Pole and Ground Lease Agreement (Master Fiber Agreement) with the Corporation under which it agreed to lease certain strands of fiber optic cable. The Master Fiber Agreement with the Corporation was amended January 1, 2023, whereas RidgeLink pays the Corporation approximately 50% of gross revenue received under the leases related to the Corporation. Lease payments under the Master Fiber Agreement totaled approximately \$432,000 and \$430,000 for the years ended December 31, 2025 and 2024, respectively.

RidgeLink will recognize approximately \$300,000 of expense annually through 2042 in connection with the amounts paid to the Corporation for the IRU’s and related legal and other executory costs capitalized in connection with the IRU’s.

During the years ended December 31, 2025 and 2024, RidgeLink recognized approximately \$283,000 and \$288,000, respectively, of deferred cost associated with the periods in which such fibers were lit.

RidgeLink subleases fiber optic cables it obtains under the Master Fiber Agreement to third parties. The terms of the subleases provide for fixed monthly payments. Lease payments under these agreements totaled approximately \$1,550,000 and \$1,343,000 for the years ended December 31, 2025 and 2024, respectively.

Future minimum lease payments under these non-cancellable subleases are as follows:

<u>Year Ending December 31,</u>		
2026	\$	1,567,000
2027		1,567,000
2028		1,567,000
2029		1,567,000
2030		1,567,000
Thereafter		<u>20,371,000</u>
	\$	<u><u>28,206,000</u></u>

Note Q - Financial Instruments Carried at Cost

The Corporation has recorded all financial instruments based on the carrying amount (book value) in the consolidated financial statements in accordance with ASC Topic 825. According to the guidance, the Corporation is required to disclose the fair value of those financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using discounted cash flow analysis. This technique involves subjective judgment and is significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. As a result, the derived fair value estimates cannot be substantiated by comparison to independent markets, and in many cases, could not be realized in immediate settlement of the instrument. Accordingly, the following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it was practicable to estimate that value.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note Q - Financial Instruments Carried at Cost - Continued

Cash and Cash Equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the short maturity of these instruments.

Accounts Receivable

The carrying amount of accounts receivable approximates fair value due to the short period of time amounts are outstanding.

Investments in Associated Organizations

Fair value of capital term certificates was determined by computing the present value of estimated future cash flows, discounted at the long-term treasury rate of 4.84% and 4.78% for the years ending December 31, 2025 and 2024, respectively. The fair value of patronage capital is not determinable since no legal obligation exists to retire capital credits. The carrying value of memberships approximates fair value. The fair value of short term investments approximates fair value due to the short period of time amounts are outstanding.

Notes Receivable

Fair value of notes receivable was computed at present value of future cash flows, discounted at market rates for the same or similar issues of notes for the years ending December 31, 2025 and 2024 which was 3.73% and 4.38%, respectively.

Accounts Payable

The carrying amount of accounts payable approximates fair value due to the short period of time amounts are outstanding.

Long-Term Debt

The carrying amount of the Corporation's fixed long-term debt includes certain interest rates that are below quoted market prices for the same or similar issues. Therefore, the fair value of fixed long-term debt is estimated based on current market prices for the same or similar issues offered for debt of the same and remaining maturities which was 6.70% and 6.77% for the years ending December 31, 2025 and 2024, respectively.

Lines of Credit

The carrying amount of lines of credit approximates fair value due to the short period of time amounts are outstanding.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note Q - Financial Instruments Carried at Cost – Continued

Consumer Deposits

The carrying amount approximates fair value due to the relatively short maturity of the deposits.

The estimated fair values of the Corporation's financial instruments were as follows:

	December 31,			
	2025		2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Capital term certificates	\$ 2,011,510	\$ 2,153,000	\$ 2,140,510	\$ 2,305,000
CFC member capital securities	\$ 500,000	\$ 526,000	\$ 500,000	\$ 531,000
Notes receivable	\$ 5,176,025	\$ 4,824,000	\$ 6,081,233	\$ 5,287,000
Liabilities:				
Long-term debt, fixed notes	\$ 248,876,698	\$ 190,550,000	\$ 245,085,496	\$ 185,059,000

Note R - Commitments

Purchased Power

The Corporation has a contract to purchase power from NCEMC, a generation and transmission cooperative, through December 31, 2046. In addition, the Corporation had a full requirements service agreement with Duke Energy Carolinas, LLC (Duke) through December 31, 2021. The First Amended and Restated Electric Full Requirements Power Purchase and REPS Compliance Service Agreement with Duke dated October 1, 2010, extended the power purchase agreement to December 31, 2031.

Description of Leasing Arrangements

BRE leases propane tanks to customers under multi-year lease arrangements, for which they receive annual payments. These leases are indefinite and remain in effect until the customer terminates the lease. Propane tank leases do not transfer ownership of the leased assets and do not provide an option for the lessees to purchase the assets. Leased tanks and the related accumulated depreciation are recorded as nonutility property on the consolidated balance sheets (Note C).

Lease income is included in the consolidated statements of operations as part of operating income. BRE received lease income of \$650,027 and \$585,712 for the years ended December 31, 2025 and 2024, respectively. Cash receipts from operating leases are classified within cash flows from operating activities.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note R - Commitments - Continued

The following is an analysis of the maturity of the operating lease payments for the next 5 years:

<u>Year Ending December 31,</u>		
2026	\$	650,000
2027		675,000
2028		700,000
2029		725,000
2030		750,000
		<u>3,500,000</u>

The following is an analysis of the carrying amounts of the underlying assets related to BRE operating leases:

	<u>December 31,</u>	
	<u>2025</u>	<u>2024</u>
Propane tanks	\$ 17,792,459	\$ 15,464,590
Less accumulated depreciation	<u>(7,998,064)</u>	<u>(6,759,215)</u>
	<u>\$ 9,794,395</u>	<u>\$ 8,705,375</u>

Purchase Commitments

During 2025 and 2024, BRE entered into propane purchase contracts with key suppliers. The contracts vary in length and require certain advance payments at the time of the negotiation, with the remaining due at the time of delivery. The advances are included in other current assets on the accompanying consolidated balance sheets. BRE had commitments to purchase approximately \$992,000 and \$841,000 of propane from key suppliers, as of December 31, 2025 and 2024, respectively.

Note S - Contingencies

The Corporation, BRE and RidgeLink, are involved in certain litigation in the ordinary course of business. In management's opinion, the ultimate resolution of these matters will not have a material adverse effect on the financial position, results of operations or cash flows.

Note T - Related Party Transactions

The Corporation was a member of the following organizations and conducted business transactions during the current and prior years as set forth below:

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note T - Related Party Transactions - Continued

CFC

The Corporation is a member of CFC, a national financing organization, and, as explained in Notes E and L, had investment assets, mortgage notes payable, and a line of credit at various interest rates and maturities.

NCEMC

The Corporation, as an independent member of NCEMC, an organization composed of electric cooperatives, has entered into a contract for the acquisition of wholesale power. The cost of wholesale power to members is determined by the Board of Directors of NCEMC. Additionally, as explained in Note E, the Corporation had an investment in NCEMC.

TEMA

As a member of TEMA, a statewide organization composed of electric cooperatives and others, the Corporation purchases a substantial amount of materials and supplies for construction and maintenance of the utility plant. Additionally, as explained in Note E, the Corporation has an investment in TEMA.

Federated Rural Electric Insurance Corporation (Federated)

The Corporation is a shareholder of Federated, as explained in Note E, and purchases its general property and liability coverage from this corporation.

BRE

The Corporation allocates certain costs to BRE on a monthly basis, including labor expense, lease expense, medical insurance premiums, and operating expenses for shared services, which amounted to approximately \$1,963,000 and \$1,640,000 for the years ending December 31, 2025 and 2024, respectively. Sales to the Corporation were approximately \$91,000 and \$81,000 for the years ended December 31, 2025 and 2024, respectively. During 2025 and 2024, BRE allocated expenses of approximately \$253,000 and \$310,000, respectively, to the Corporation. Amounts owed to the Corporation at December 31, 2025 and 2024 were approximately \$173,000 and \$130,000 respectively.

BRE leases real property from the Corporation at terms which can be modified by mutual agreement of both parties. This is a 12 month lease that is not affected by ASU 2016-02. Rent expense, which is included as a component of allocated expenses referred to above, was approximately \$251,000 and \$208,000 for the years ended December 31, 2025 and 2024, respectively.

During the years ended December 31, 2025 and 2024, BRE paid a \$2,000,000 distribution to the Corporation. The effects of this transaction were eliminated as a part of the consolidation.

Notes to Consolidated Financial Statements

Blue Ridge EMC and Subsidiaries

December 31, 2025 and 2024

Note T - Related Party Transactions - Continued

RidgeLink

The Corporation provides administrative and operational support for RidgeLink's operations. Substantially all expenses of RidgeLink during the years ended December 31, 2025 and 2024 were directly incurred by the Corporation in support of RidgeLink operations and charged to RidgeLink under the terms of the Master Fiber Agreement. During the years ended December 31, 2025 and 2024, RidgeLink paid the Corporation approximately \$1,074,000 and \$1,115,000, respectively, for administrative services. RidgeLink had accounts payable of approximately \$417,000 and \$1,482,000 due to the Corporation at December 31, 2025 and 2024, respectively. RidgeLink has also entered into certain leases and IRUs with the Corporation as more fully described in Note P.

Blue Ridge Energy Members Foundation ("the Foundation")

The directors of the Foundation are the same as the directors of the Corporation. The Corporation provides the Foundation with various services, including rent, professional and other minor services. The value of these services received during the years ended December 31, 2025 and 2024 was \$34,466 and \$30,798, respectively.

The Foundation receives contributions from members and employees of the Corporation. Total amounts received were approximately \$305,000 and \$290,000 for the years ended December 31, 2025 and 2024, respectively.

The Foundation received donations from the profits of BRE and RidgeLink of \$50,000 and \$65,000 as of December 31, 2025 and 2024, respectively.

Note U - Fair Value of Financial Instruments

The fair value of BRE's other investments measured on a recurring basis are as follows:

At December 31, 2025:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds and money market funds	<u>\$ 2,627,506</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,627,506</u>

At December 31, 2024:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds and money market funds	<u>\$ 2,395,454</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,395,454</u>

There were no transfer between levels during the years ended December 31, 2025 and 2024.

**Supplemental Matters Required by the
Rural Utilities Service**



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

The Board of Directors
Blue Ridge EMC and Subsidiaries
Lenoir, North Carolina

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 Blue Ridge EMC and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, comprehensive income, equities and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 31, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audits of the consolidated financial statements, we considered the Corporation’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s consolidated financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our 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 Corporation's consolidated 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 determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, 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 Blue Ridge EMC and Subsidiaries' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Blue Ridge EMC and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Allama, Jenkins & Cheatham

Richmond, Virginia
March 31, 2026