

Members First!



HANCOCK-WOOD
ELECTRIC COOPERATIVE

A Touchstone Energy® Cooperative 

2025-26 ANNUAL REPORT





HIGHLIGHTS

- Rebuild Projects
- Outage Stats
- Trustee Spotlight/Board stats
- ACSI Score
- Patronage
- Events
- Employee Updates
- Safety
- Operation Round-Up Summary
- Economic Development
- Community Involvement



REBUILD PROJECTS

- Meters Tested: 2,018
 - Poles Inspected: 15,826
 - Miles of Line Inspected: 633 miles
 - Miles of line rebuilt: 19.1 miles at a cost of \$1.607 million.
 - Poles installed: 214
-



OUTAGE STATISTICS

Total number of outages: 869

Average length of outage per
member: 46 minutes

Total outage hours: 13,945

SAIDI: 61.819 mins





INFORMATION TECHNOLOGY

Technology Workplan – Smart Grid Focused

The cooperative's Technology Workplan establishes a multi-year roadmap to modernize the distribution system, improve reliability, enhance member services, and strengthen operational efficiency. The HWE staff focused on these core areas:

1. Metering
2. Reliability
3. Communications
4. Load Management
5. Distributed Generation (DG)

Together, these initiatives form the foundation of a scalable smart grid architecture that supports current operational needs while positioning the cooperative for future growth and regulatory changes. The staff participated in multiple sessions conducted by an outside firm where there was information gathering and thoughtful conversations on systematic gaps with the goal of finding ways to use time and resources to help close those gaps.



INFORMATION TECHNOLOGY

IT Shared Services

During the 2024-25 year(s) Hancock-Wood Electric and a neighboring electric cooperative Tricouny REC has signed an agreement that allows HWE to provide IT services to Tricouny REC. The HWE IT department team has worked with Tricouny to limit risks and improve their cyber security posture. The team utilized the NRECA RC3 program along with its Ohio Statewide association OEC and its RECAP program.

Cyber Security Training - 2025

HWE employees are assigned cyber security focused training videos throughout the year. In 2025 employees were assigned over 2 hours 30 minutes of training. All employees finished their training in the 2nd half of 2025. Employees are then tested with multiple monthly phishing simulated emails.

INVENTORY UPDATE



- HWE identified the need to replace their vendor management inventory (VMI) system due to inventory availability, rising costs, and to improve workflow.
- HWE responded by ending the VMI relationship and bringing over \$1M in inventory under co-op control.
- HWE now has the ability to purchase material from other vendors, which include UUS, Brownstown, and Wesco which will help us maintain the lowest possible price.
- Co-op ownership of material improves work flow by better use of the tools in Meridian to manage the inventory, forecast needs, and receive enhanced reporting.

TRUSTEE SPOTLIGHT



ED CRAWFORD

**RE-ELECTED TO
NRECA BOARD**



CHARLIE BEAGLE

EARNED CCD



BRIAN TERRY

EARNED BLC

2025 BOARD ELECTION RESULTS



**LEE ANNE
DIERKSHEIDE**

DISTRICT 3



DUANE FRY

DISTRICT 6



JAMES ROSE

DISTRICT 8

TRUSTEE STATISTICS



12: Regular Board meetings
35: Resolutions
7: Special and committee meetings
14: Updated/reviewed polices

2025 ACSI SURVEY



*Increased by
1 point!*

75

Municipal
Utilities

86

Hancock
Wood
Electric
Cooperative

74


Investor-Owned
Utilities

Compared to publicly measured energy utilities in the ACSI® survey of customers rating their own energy utility. Results based on data provided by Hancock-Wood Electric Cooperative, collected between May-June. ACSI did not regulate the survey administration or sample size. ACSI and its logo are registered trademarks of the American Customer Satisfaction Index LLC. For more about the ACSI, visit www.theacsi.org.



2025 PATRONAGE RETIREMENT

\$3M was returned to members in 2025. Credits are refunds to our members just like dividends are to stockholders at for-profit companies. We don't aim to make a profit. Our goal is to provide members with electricity at a price that is as close to cost as possible.



2025 ACCOUNTING STATS



Year end net margin: \$3,696,128

Total assets: \$145,370,530

Equity: 55.85%

Debt borrowed from RUS: \$2,300,000

Total kWh Sales: 359,175,641

Total Sales: \$54,281,583



MEMBER EVENTS

Member events in 2025 included: Member Bingo, The Drive-Thru, Kelleys Island Open House and Annual PAC Meeting



EMPLOYEE ACCOMPLISHMENTS



**CURT CROY COMPLETED
THE MIP PROGRAM**



**BILL BARNHART RECEIVED
IEEE ENGINEER OF THE
YEAR AWARD**



**MELISSA SNYDER - COOPERATIVE
FINANCIAL PROFESSIONAL
CERTIFICATION (CFPC)**



**RYAN GOOLSBY
COMPLETED LEADERSHIP
EDGE**



**ISAAC MORITZ
COMPLETED LEADERSHIP
EDGE**

EMPLOYEE PROMOTIONS



**MARY CASEY PROMOTED
TO HR MANAGER**



**JAKE AULD
PROMOTED TO
LINEMAN III**



**ISAIAH ZAPATA
PROMOTED TO
LINEMAN III**



**BRANDT SCHULTE
PROMOTED TO
LINEMAN II**

EMPLOYEE SERVICE AWARDS



ROD BARNHISEL
25 YEARS



LEE BRODMAN
20 YEARS



LESLIE GUISINGER
10 YEARS



BRUCE WARNECKE
10 YEARS



**KEVIN
VANDEPERRE**
10 YEARS

NEW HIRES



Caleb Masters
IT Technician



Isaac Gaietto
Apprentice Lineworker



Wilson Otto
Lineman III



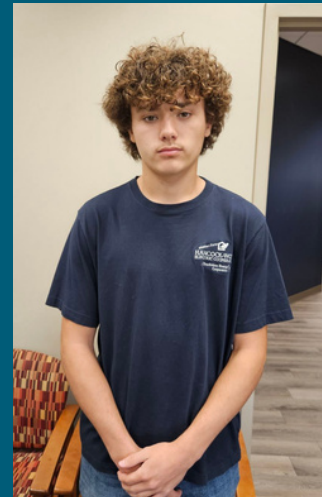
Cole Gibson
Lineman I



Brandon Wise
Lineman III



Katie Johnson
Comm. Intern



Brody Walter
Summer Maintenance



Luke Long
Meter Inspections



SAFETY STATISTICS

3,439 days since lost time accident

58 employee safety observations

1,353 training hours

87,302 hours worked

5 public electric safety demonstrations

DART Rate 0.0

Safety Goals met: Vehicle accident rate. All 2025 safety improvement plan initiatives were completed successfully.



2025 OPERATION ROUND UP

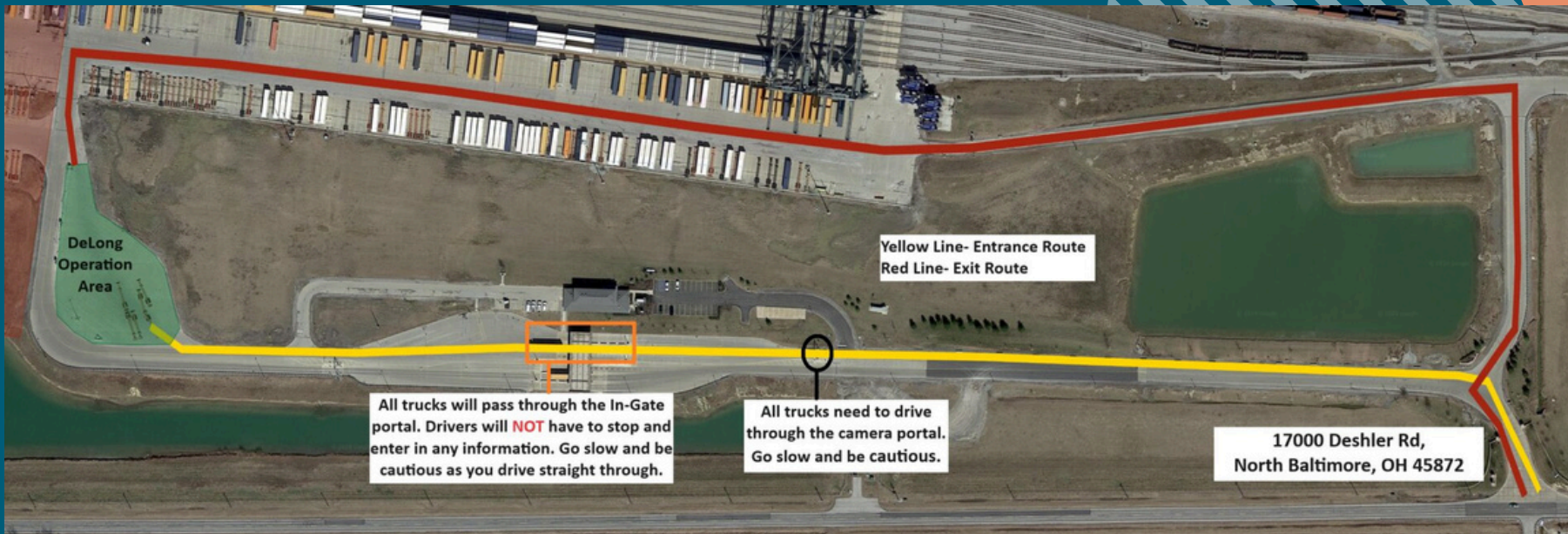
- Center Township Fire Department \$9,700
- Gliding Stars of Findlay \$7,000
- Jackson Twp. Hoytville Fire Department \$6,900
- Wood County Park District \$6,500
- Elmwood Local Schools \$2,750
- Kelleys Island Local School District \$3,130
- Allen Township Fire Department \$2,891
- Hancock County Educational Service Center \$5,000
- Vanlue Fire Department \$3,000
- McComb Elementary School \$1,750
- Vanlue Fire Department \$2,951
- Wood County Educational Service Center \$3,000
- North Baltimore Public Library \$1,920
- Hancock Christian Clearing House \$10,000
- Cancer Patient Services \$10,000
- NRECA International \$1,000
- HWE Board Christmas Donations \$9,000

HANCOCK-WOOD
COMMUNITY TRUST FUND

Operation Round Up - Powering Community Change

ECONOMIC DEVELOPMENT UPDATE

The DeLong Co. will be constructing a grain storage and transporting facility inside the CSX Intermodal complex.

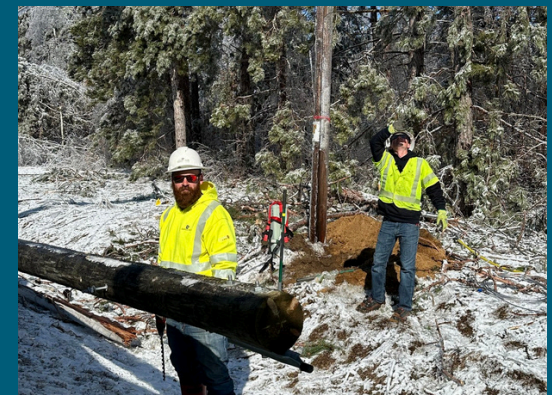


Quarry Road Project

As of December, La Linea Verde has announced it will be taking over the facility at Quarry Road. Officials said the decision to expand into the U.S. arose from a combination of strategic and market factors, including wanting to bring production and distribution closer to the final customer, guaranteeing faster delivery, greater freshness and broader market coverage. In addition, the company has seen a growing demand for fresh, authentic foods with natural taste, and the U.S. represents a mature and receptive market for such an offering.

COMMUNITY INVOLVMENT

Hancock-Wood remains a valued community partner by supporting events such as career days, participating in the Youth Tour, HWE linemen assisting in Project Ohio, HWE crews assisting in mutual aid, and supporting employees' kids at the local fairs and local Halloween events.



HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

Consolidated Financial Statements
with
Additional Information

Years Ended March 31, 2026 and 2025

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

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Independent Auditor's Report

To the Board of Directors
of Hancock-Wood Electric Cooperative, Inc. and Subsidiary

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Hancock-Wood Electric Cooperative, Inc. and Subsidiary, which comprise the consolidated balance sheets as of March 31, 2026 and 2025, and the related consolidated statements of revenue, consolidated statements of changes in members' equity, and consolidated statements of cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Hancock-Wood Electric Cooperative, Inc. and Subsidiary as of March 31, 2026 and 2025, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Hancock-Wood Electric Cooperative, Inc. 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hancock-

Wood Electric Cooperative, Inc. and Subsidiary's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hancock-Wood Electric Cooperative, Inc. and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hancock-Wood Electric Cooperative, Inc. and Subsidiary's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

We were engaged for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information provided on pages 23-28 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management. The information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated May 26, 2026 on our consideration of Hancock-Wood Electric Cooperative, Inc. and Subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana
May 26, 2026

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
<u>ASSETS</u>		
UTILITY PLANT IN SERVICE, NET	\$ 114,049,533	\$ 110,847,945
INVESTMENTS	22,973,648	22,627,071
NOTE RECEIVABLE	143,903	193,242
DEFERRED TAX ASSET	-	19,876
DEFERRED ASSETS	134,786	64,757
GOODWILL	731,892	731,892
CURRENT ASSETS		
Cash and cash equivalents	7,483,694	6,015,987
Short-term investments	515,181	-
Accounts receivable, consumer, less allowance for doubtful accounts of \$90,643 for 2026 and \$96,785 for 2025	5,339,080	5,272,662
Current portion of note receivable	49,339	49,338
Materials and supplies	2,783,512	2,067,197
Prepaid expenses	754,105	504,009
Income tax receivable	92,800	-
TOTAL CURRENT ASSETS	<u>17,017,711</u>	<u>13,909,193</u>
TOTAL ASSETS	<u>\$ 155,051,473</u>	<u>\$ 148,393,976</u>
<u>MEMBERS' EQUITY AND LIABILITIES</u>		
LONG-TERM DEBT, less current portion	\$ 58,528,499	\$ 53,795,705
FINANCE LEASE OBLIGATIONS, less current portion	155,181	222,904
RETIREMENT BENEFITS OTHER THAN PENSIONS	2,042,293	2,097,464
DEFERRED TAX OBLIGATIONS	68,733	-
MEMBERS' EQUITY		
Patronage capital/retained earnings	84,396,822	83,459,359
TOTAL MEMBERS' EQUITY	<u>84,396,822</u>	<u>83,459,359</u>
CURRENT LIABILITIES		
Accounts payable	4,057,547	3,421,418
Accrued expenses	881,041	771,964
Customer prepaid liabilities	381,116	404,344
Current portion of long-term debt	2,537,192	2,341,595
Current portion of finance lease obligations	111,690	107,464
Accrued taxes	1,667,328	1,551,737
Customer deposits	224,031	220,022
TOTAL CURRENT LIABILITIES	<u>9,859,945</u>	<u>8,818,544</u>
TOTAL MEMBERS' EQUITY AND LIABILITIES	<u>\$ 155,051,473</u>	<u>\$ 148,393,976</u>

The accompanying notes are an integral part of these statements.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF REVENUE

Years Ended March 31, 2026 and 2025

	Amount		Percent	
	2026	2025	2026	2025
OPERATING REVENUES	\$ 59,924,630	\$ 57,701,050	100.0	100.0
OPERATING EXPENSES				
Purchased power/cost of sales	37,114,060	35,876,601	62.0	62.2
Operations	3,027,766	2,612,232	5.1	4.5
Maintenance	2,218,602	1,988,515	3.7	3.4
Customer account expense	578,608	530,726	1.0	0.9
Administrative and general expense	6,358,326	5,986,819	10.6	10.4
Depreciation	4,737,527	4,598,134	8.0	8.0
Taxes other than income taxes	1,508,117	1,508,614	2.5	2.6
Income taxes				
Deferred	88,609	(252,644)	0.1	(0.4)
Currently payable	-	92,690	0.0	0.2
TOTAL OPERATING EXPENSES	55,631,615	52,941,687	93.0	91.8
OPERATING MARGINS BEFORE OTHER ITEMS	4,293,015	4,759,363	7.0	8.2
OTHER OPERATING ITEMS, NET				
Patronage revenue	1,368,389	1,104,567	2.3	1.8
Interest expense	(2,179,225)	(2,040,646)	(3.6)	(3.5)
TOTAL OTHER OPERATING ITEMS, NET	(810,836)	(936,079)	(1.3)	(1.7)
OPERATING MARGINS	3,482,179	3,823,284	5.7	6.5
NON-OPERATING ITEMS, NET				
Gain (loss) on disposition and exchange of property and equipment	62,714	32,610	0.1	0.1
Interest and dividend revenue	223,009	213,912	0.4	0.4
All other, net	(39,002)	(20,642)	(0.1)	0.0
TOTAL NON-OPERATING ITEMS, NET	246,721	225,880	0.4	0.5
NET MARGINS	\$ 3,728,900	\$ 4,049,164	6.1	7.0

The accompanying notes are an integral part of these statements.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended March 31, 2026 and 2025

	<u>Amount</u>		<u>Percent</u>	
	<u>2026</u>	<u>2025</u>	<u>2026</u>	<u>2025</u>
NET MARGINS	\$ 3,728,900	\$ 4,049,164	6.1	7.0
OTHER COMPREHENSIVE INCOME				
Unrealized gain (loss) on postretirement benefit obligation	<u>(26,770)</u>	<u>(128,715)</u>	<u>0.0</u>	<u>(0.2)</u>
COMPREHENSIVE INCOME	<u>\$ 3,702,130</u>	<u>\$ 3,920,449</u>	<u>6.1</u>	<u>6.8</u>

The accompanying notes are an integral part of these statements.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

Years Ended March 31, 2026 and 2025

	<u>Total</u>	<u>Patronage Capital Assigned</u>	<u>Patronage Capital Assignable</u>	<u>Donated Capital</u>	<u>Unallocated Margins</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Retained Earnings</u>
BALANCE, March 31, 2024	\$ 82,503,899	\$ 76,565,775	\$ (619,412)	\$ 2,092,219	\$ 1,062,390	\$ (46,291)	\$ 3,449,218
Net margins	4,049,164	-	3,523,348	-	-	-	525,816
Transfers at 12/31/2024	-	5,726,979	(5,959,087)	-	232,108	-	-
General retirement of capital credits	(2,775,424)	(3,087,845)	323,148	-	-	-	(10,727)
Estates	(188,809)	(292,811)	-	104,002	-	-	-
Voided capital credit	(756)	-	(756)	-	-	-	-
Unrecognized postretirement benefit cost	(128,715)	-	-	-	-	(128,715)	-
BALANCE, March 31, 2025	\$ 83,459,359	\$ 78,912,098	\$ (2,732,759)	\$ 2,196,221	\$ 1,294,498	\$ (175,006)	\$ 3,964,307
Net margins	3,728,900	-	3,427,977	-	-	-	300,923
Transfers at 12/31/2025	-	3,280,092	(3,362,824)	-	82,732	-	-
Retirement of capital credits/dividends	(2,601,521)	(3,021,171)	429,815	-	-	-	(10,165)
Estates	(163,146)	(267,893)	-	104,747	-	-	-
Voided capital credits	-	-	-	-	-	-	-
Unrecognized postretirement benefit cost	(26,770)	-	-	-	-	(26,770)	-
BALANCE, March 31, 2026	\$ <u>84,396,822</u>	\$ <u>78,903,126</u>	\$ <u>(2,237,791)</u>	\$ <u>2,300,968</u>	\$ <u>1,377,230</u>	\$ <u>(201,776)</u>	\$ <u>4,255,065</u>

The accompanying notes are an integral part of these statements.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from consumers	\$ 59,858,212	\$ 57,477,308
Cash paid to suppliers and vendors	(50,989,625)	(47,345,625)
Interest and dividends received	223,009	213,912
Interest paid	(2,179,225)	(2,040,646)
Income taxes paid	(92,800)	(67,890)
All other, net	(26,164)	(24,253)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>6,793,407</u>	<u>8,212,806</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of utility plant in service, net	(7,884,921)	(6,649,732)
Proceeds from sale of utility plant in service	62,714	32,610
Proceeds from note receivable	49,338	4,112
Purchase of deferred assets	(92,657)	(538)
Purchase of investments	(719,994)	(54,556)
Proceeds from sale/redemption of investments	1,213,787	1,423,944
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(7,371,733)</u>	<u>(5,244,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on borrowings	(2,371,609)	(2,196,939)
Borrowings of long-term funds	7,300,000	3,250,000
Repayments on capital lease obligations	(117,691)	(131,212)
Retirement of capital credits/dividends	(2,764,667)	(2,964,989)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>2,046,033</u>	<u>(2,043,140)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,467,707	925,506
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>6,015,987</u>	<u>5,090,481</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 7,483,694</u>	<u>\$ 6,015,987</u>

The accompanying notes are an integral part of these statements.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended March 31, 2026 and 2025

	<u>2026</u>	<u>2025</u>
RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Net margins	\$ 3,728,900	\$ 4,049,164
Non-cash items		
Depreciation	4,737,527	4,598,134
Amortization	22,628	116,946
Patronage revenue / non-cash revenue	(1,368,389)	(1,104,567)
(Gain) loss on sale or exchange of property and equipment	(62,714)	(32,610)
K-1 investment (income) loss	12,838	(3,611)
Deferred tax benefit	88,609	(252,644)
Decrease (increase) in assets		
Accounts receivable, consumer	(66,418)	(223,742)
Materials and supplies	(716,315)	(663,405)
Income tax receivable	(92,800)	24,800
Prepaid expenses	(250,096)	1,541,547
Increase (decrease) in liabilities		
Accounts payable	636,129	463,845
Customer deposits	4,009	956
Customer prepaid liabilities	(23,228)	(128,030)
Post retirement expense	(81,941)	(118,429)
Accrued expenses	224,668	(55,548)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 6,793,407</u>	<u>\$ 8,212,806</u>

The accompanying notes are an integral part of these statements.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

1. Summary of significant accounting policies

The significant accounting policies followed by Hancock-Wood Electric Cooperative, Inc. and Subsidiary are summarized below.

Principles of consolidation – The accompanying consolidated financial statements reflect the consolidated accounts of Hancock-Wood Electric Cooperative, Inc. (the “Cooperative” or “HWE”) its wholly-owned subsidiary, Prism Solutions, Inc. (“Solutions”), and Solutions wholly-owned Prism Propane Services of Ohio, LLC (“Propane”), collectively the “Company”. All significant intercompany transactions have been eliminated.

Nature of operations – HWE is a not-for-profit rural electric membership cooperative, engaged principally in the distribution and sale of electricity in Hancock, Wood and nine surrounding counties in Northwest Ohio. The Subsidiary is a for-profit corporation engaged in the distribution of propane gas and related products.

Accounting records – HWE maintains its books and records in accordance with policies prescribed or permitted by the United States Department of Agriculture Rural Utilities Services (RUS). The applicable uniform system of accounts prescribed by these regulatory bodies conform in all material respects with accounting principles generally accepted in the United States of America (GAAP) as applied to rate regulated utilities.

Use of estimates – The preparation of these consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying disclosures. These estimates include, but are not limited to, allowance for doubtful accounts, long-lived asset impairment, unbilled revenue, the effects of regulation, and long-lived asset recovery. The estimates and assumptions used are based on management’s evaluation of the relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could ultimately differ from those estimates.

Utility plant – Distribution plant is stated at original cost. Such cost includes materials and supplies, direct and indirect labor, allocable overhead, and asset retirement costs. Upon the partial sale or retirement of distribution plant assets, the original asset cost and current disposal costs less sales proceeds, if any, are charged or credited to accumulated depreciation. In accordance with industry practice, no profit or loss is recognized in connection with normal sales and retirements of property units. General plant is stated at fair market value at acquisition plus the original cost of property acquired or constructed since the acquisition, less disposals. Additions, major replacements and betterments are added to the plant accounts. Maintenance and repair costs are charged to expense as incurred. Both distribution and general plant do not include capitalized interest during construction. Although the capitalization of interest during construction is GAAP, the effect on the consolidated financial statements is immaterial.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

1. Summary of significant accounting policies (continued)

Depreciation – Depreciation is recorded on the composite basis for distribution plant and the unit basis for general plant, and is charged to capital and operating accounts at rates adopted by the Board of Directors. HWE's straight-line depreciation rates are as follows: distribution plant, 2.7 - 3.2%; transmission plant, 2.75%; structures and improvements, 2.0 - 20.0%; transportation equipment, 12.5 - 14.28%; office furniture and fixtures, 6.66 - 33.33%; and other general plant, 3.6 – 6.0%.

Goodwill – In 1998, the acquisition of a 50% interest in Propane resulted in the recognition of goodwill in the amount of \$731,892. An annual assessment for impairments is performed as of the balance sheet dates. Based on this analysis, management determined that goodwill was not impaired as March 31, 2026 and 2025.

Cash and cash equivalents – HWE considers all short-term deposits and highly liquid investments with an original maturity date of three months or less to be cash and cash equivalents. Cash and cash equivalents consist of demand deposits and money market funds. At times such investments may be in excess of the FDIC insurance limits.

Short-term investments – Short-term investments consist of certificates of deposits with an original maturity of greater than three months and less than one year.

Accounts receivable customer – Customer accounts receivable include receivables from the sales to its electric and propane customers. Credit is extended based on evaluation of a customer's financial condition; sometimes a deposit is required based on these evaluations. Accounts receivable are due within 30 days and are stated net of an allowance for doubtful accounts. Accounts that are outstanding longer than the contractual payment terms are considered past due. Interest is not charged on delinquent account balances. Management determines its allowance by considering a number of factors, including previous loss history, the customer's current ability to pay its obligation and the condition of the general economy and industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments are subsequently received on such receivables are credited to the allowance of doubtful accounts.

Note receivable – Note receivable is related to a project to move electric equipment for a customer. The cost of the project is being repaid over 5 years by the customer. Note receivable will mature in March 2030.

Investments in associated organizations – Investments in associated organizations are carried at cost plus the share of patronage capital credits allocated, reduced by distributions received.

Materials and supplies – Materials and supplies include items used in the distribution of energy to consumers and propane gas inventories. They are carried at average cost.

Deferred charges – Deferred charges represent costs incurred, which are chargeable to future periods. These costs are amortized to operations by the straight-line method over the period of benefit. See Note 7 for further information.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

1. Summary of significant accounting policies (continued)

Patronage capital – HWE is operated on a cooperative not-for-profit basis for the mutual benefit of its members. Accordingly, annual operating revenues, in excess of the cost of providing service, are allocated in the form of capital credits to the member's capital accounts on the basis on patronage.

Revenue recognition – HWE follows Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (“Contract Revenue”). Under Contract Revenue, a performance obligation is a promise within a contract to transfer a distinct good or service, or a series of distinct goods and services, to a customer. Revenue is recognized when performance obligations are satisfied and the customer obtains control of promised goods or services. The amount of revenue recognized reflects the consideration to which the HWE and subsidiary expects to be entitled to receive in exchange for goods or services. See Note 14 for further information on Contract Revenue

Taxes on revenue producing transactions – It is the Company's policy to show revenues as net income on the Consolidated Statements of Revenue after sales tax payments to government entities.

Income taxes – HWE operates as a not-for-profit organization as provided for in Section 501(c)(12) of the Internal Revenue Code, and therefore, is exempt from income taxes. Solutions is a for profit corporation and as such, files a Form 1120 corporate income tax return annually. As such, a provision has been made for deferred income taxes for Solutions. See Note 11 for further information on income taxes.

Accounting for uncertain tax positions – The Company follows “Accounting for Uncertainty in Income Taxes.” The generally accepted accounting principal provides detailed guidance for the consolidated financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. The accounting principal requires an entity to recognize the consolidated financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this accounting principal does not have a material effect on its financial position, results of operations or cash flows as the Company does not believe they are taking any uncertain tax positions.

Advertising – Advertising costs are expensed when incurred and were \$8,268 and \$6,745 for 2026 and 2025, respectively

Subsequent events – Subsequent events have been evaluated through May 26, 2026, the date of which the consolidated financial statements were available to be issued.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

2. Utility plant in service, net

Utility plant in service consists of the following:

	<u>2026</u>	<u>2025</u>
Cost		
General plant	\$ 23,102,971	\$ 22,802,460
Transmission plant	411,204	411,204
Distribution plant	120,675,157	116,902,849
Propane property and equipment	10,580,249	9,882,087
Construction in progress	<u>3,376,586</u>	<u>2,045,177</u>
Total cost	158,146,167	152,043,777
Accumulated depreciation	<u>44,096,634</u>	<u>41,195,832</u>
UTILITY PLANT IN SERVICE, NET	<u>\$ 114,049,533</u>	<u>\$ 110,847,945</u>

The aggregate depreciation charged to operations was \$4,737,527 for 2026 and \$4,598,134 for 2025. The depreciation policies followed by the Company are described in Note 1.

Utility plant in service is pledged to secure long-term debt as described in Note 5.

3. Investments in associated organizations

Investments in associated organizations consist of the following:

	<u>2026</u>	<u>2025</u>
Patronage capital		
Buckeye Power, Inc.	\$ 20,278,892	\$ 20,090,005
National Rural Utilities Cooperative Finance Corporation (CFC)	204,707	222,665
Rural Electric Supply Cooperative	220,236	172,824
CoBank	708,446	680,577
Federated Rural Electric Insurance Exchange	286,326	281,142
Capital term certificates issued by CFC	599,010	628,871
All other	<u>676,031</u>	<u>550,987</u>
TOTAL INVESTMENTS	<u>\$ 22,973,648</u>	<u>\$ 22,627,071</u>

The accounting policies for recognition of patronage revenue are described in Note 1.

Investments are pledged to secure long-term debt as described in Note 5.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

4. Fair value measurement

The Company follows generally accepting accounting principles relating to accounting for fair value measurements and disclosures. These principles define fair value, establish a framework for measuring fair value and expand disclosures on fair value measurements. Disclosure is required surrounding the various inputs that are used in determining the fair value of the Company's investments. These inputs are summarized into three broad levels listed below.

Level 1 - quoted prices in active markets for identical securities

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risks, etc.)

Level 3 - significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments.)

Investments in other entities are unsecured and measured using level 3 inputs. Factors such as historical and project financial results economic conditions, financial conditions of investee, and other factors and events subject to change are considered in the determination of fair value. Because of the inherent uncertainty in level 3 inputs, the values of assets required to be valued in this manner are subject to a higher degree of uncertainty and variability.

Short-term investments consist of certificates of deposits and are measured using level 2 inputs. Short-term investments held at March 31, 2026 and 2025 are valued at \$515,181 and \$0, respectively based on cost. Redemptions of Level 2 investments totaled \$0 for both the years ended March 31, 2026 and 2025. Increases resulting from purchases of investments totaled \$515,181 and \$0 for the year ended March 31, 2026 and 2025, respectively.

Investments held at March 31, 2026 and 2025, valued at \$22,973,648 and \$22,627,071, respectively, are valued with level 3 inputs, due to the nature of the investment (investments in other cooperatives/associations). No gains or losses have been recognized for the period on the level 3 investments. Increases resulting from patronage totaled \$1,368,389 and \$1,104,567 for the years ended March 31, 2026 and 2025, respectively. Increases (decreases) resulting from K-1 allocations totaled (\$12,838) and \$3,611 for the years ending March 31, 2026 and 2025, respectively. Increases resulting from additional purchases totaled \$204,813 and \$54,556 for the years ended March 31, 2026 and 2025, respectively. Redemptions of level 3 investments totaled \$1,213,787 and \$1,423,944 for the years ended March 31, 2026 and 2025, respectively.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

5. Long-term debt

Long-term debt consists of the following:

	<u>2026</u>	<u>2025</u>
1.753% - 5.22% notes, payable to RUS in quarterly and montly installments of approximately \$600,000 and \$73,000, including interest, with final maturities ranging from 2036 to 2057. Secured by all assets.	\$ 46,108,757	\$ 40,239,352
4.12% - 6.30% notes, payable to CoBank in quarterly and monthly installments of approximately \$97,000 and \$150,000, including interest, with final maturities ranging from 2037 to 2040. Secured by all assets.	14,422,890	15,301,879
6.60% note, payable to CFC in quarterly installments of approximately \$19,000, including interest, with final maturity in 2029. Secured by all assets.	174,044	236,069
0% notes, issued by United States Department of Agriculture ("USDA"), Rural Economic Grant Program and Hancock-Wood Electric Economic Development Partners, Inc. Grants are not required to be repaid as long as funds continue to be used for approved projects.	<u>360,000</u>	<u>360,000</u>
Total long-term debt	61,065,691	56,137,300
Less current portion	<u>2,537,192</u>	<u>2,341,595</u>
LONG-TERM DEBT, less current portion	<u>\$ 58,528,499</u>	<u>\$ 53,795,705</u>

The future maturities of long-term debt are as follows:

2025	\$ 2,537,192
2026	2,638,800
2027	2,712,775
2028	2,790,237
2029	2,689,246
Thereafter	47,697,441

Unadvanced long-term loan fund are available to HWE from RUS in the amount of \$6,510,000.

HWE maintains a perpetual line of credit with CFC in the amount of \$3,850,000 bearing an interest rate of 7.25% and 7.25% at March 31, 2026 and 2025, respectively. There was no outstanding balance at March 31, 2026 and 2025.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

5. Long-term debt (continued)

HWE also has a line of credit with CoBank with a maximum borrowing capacity of \$2,000,000. The outstanding balance was \$0 and \$0 at March 31, 2026 and 2025, respectively. The interest rate was 5.72% and 6.37% at March 31, 2026 and 2025, respectively. The line of credit matures on January 31, 2027.

Propane has a line of credit with CoBank with a maximum borrowing capacity of \$1,700,000. The outstanding balance was \$0 and \$0 at March 31, 2026 and 2025, respectively. The interest rate was 5.72% and 6.37% at March 31, 2026 and 2025, respectively. The line of credit matures on January 31, 2026.

6. Finance lease obligations

HWE and Propane has leased certain equipment with CoBank. During the year ended March 31, 2023, HWE and Propane adopted Accounting Standards Update No. 2016-02, Leases (Topic 842) to account for these transactions as finance leases using the cumulative effect which did not result in a prior period adjustment. These leases have an original term ranging from 60 months to 84 months.

Total cost of the equipment financed was approximately \$718,822 and \$783,003 as of March 31, 2026 and 2025, respectively. Accumulated depreciation was \$661,896 and \$604,145 as of March 31, 2026 and 2025, respectively. Finance leases are included in utility plant in service, net, on the balance sheet. The components of lease expense are as follows:

	<u>2026</u>	<u>2025</u>
Finance lease cost		
Amortization of right-of-use assets	\$ 123,642	\$ 168,036
Interest on lease liabilities	<u>13,254</u>	<u>14,897</u>
Total finance lease cost	<u>\$ 136,896</u>	<u>\$ 182,933</u>

Supplemental cash flow information related to leases is as follows:

	<u>2026</u>	<u>2025</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 13,254	\$ 14,897
Financing cash flows from finance leases	117,691	131,212

The weighted average remaining lease term is 2 years. The weighted average discount rate is 3.6%.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

6. Finance lease obligations (continued)

The future minimum lease payments under capital lease together with the present value of the net minimum lease payments as of March 31, 2026 are as follows:

Year Ended March 31,		
2025	\$	128,780
2026		99,489
2027		46,743
2028		14,239
2029		2,069
Thereafter		<u>-</u>
Total future minimum lease payments		291,320
Less amounts representing interest		<u>24,449</u>
Present value of net minimum lease payments		266,871
Less current portion of capital lease obligations		<u>111,690</u>
Long-term capital lease obligations	\$	<u><u>155,181</u></u>

7. Deferred charges and credits

The following is a summary of deferred charges and credits as of March 31:

	<u>2026</u>	<u>2025</u>
Work plan and system studies	\$ <u>134,786</u>	\$ <u>64,757</u>
TOTAL DEFERRED CHARGES	\$ <u><u>134,786</u></u>	\$ <u><u>64,757</u></u>

Work plan and system studies are being amortized over the estimated life of each study, from one year to ten years. Deferred charges are amortized to operations.

8. Retirement plans

The National Rural Electric Cooperative Association (NRECA) Retirement Security Plan (RS Plan) is a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. It is a multiemployer plan under the accounting standards. The plan sponsor's Employer Identification Number is 53-0116145 and the Plan Number is 333.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

8. Retirement plans (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.

HWE and Propane contributions to the RS Plan in 2026 and in 2025 represented less than 5 percent of the total contributions made to the plan by all participating employers. HWE and Propane made contributions to the plan of approximately \$910,058 in 2026 and \$835,889 in 2025.

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 Retirement Security Plan was over 80% funded on both January 1, 2026 and 2025 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.

In addition, HWE also participates in the NRECA 401(k) plan, a multi-employer defined contribution plan. All employees who have been employed in excess of one full month are eligible to participate in the contributory plan. HWE makes matching contributions up to 5% for all eligible employees hired prior to June 1, 2007 after six full months of employment. HWE also makes matching contributions up to 6% for all eligible employees hired on or after June 1, 2007. HWE’s contribution expense was \$241,913 and \$204,824 for 2026 and 2025, respectively.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

9. Postretirement benefits other than pensions

HWE sponsors an unfunded defined benefit postretirement medical insurance plan, which covers substantially all employees retiring from HWE who were hired prior to January 1, 2004. The accounting for the health care plan anticipates future cost-sharing equal to 30% of the premium cost paid by the employee. A study was last prepared as of March 31, 2026.

The accumulated postretirement benefit obligation was \$2,042,293 and \$2,097,464 at March 31, 2026 and 2025. The accumulated other comprehensive income (loss) was \$(201,776) and \$(175,006) at March 31, 2026 and 2025. The accrued benefit cost of \$1,840,517 and \$1,922,458 as of March 31, 2026 and 2025. The plan assets were \$0 for 2026 and 2025. The following table details the net periodic benefit cost for 2026 and 2025.

	<u>2026</u>	<u>2025</u>
Service cost	\$ 18,478	\$ 26,802
Interest cost	118,025	114,822
Net prior service cost amortization	(93,500)	(121,100)
Net loss / (gain) amortization	<u>5,441</u>	<u>13,521</u>
Net periodic benefit cost	<u>\$ 48,444</u>	<u>\$ 34,045</u>

Amounts recognized in the current period as comprehensive income include the following:

	<u>2026</u>	<u>2025</u>
Net actuarial gain / (loss)	\$ 61,289	\$ (21,136)
Amortization of gain / (loss)	5,441	13,521
Prior service amortization	<u>(93,500)</u>	<u>(121,100)</u>
Net periodic benefit cost	<u>\$ (26,770)</u>	<u>\$ (128,715)</u>

Amounts recognized in accumulated other comprehensive income include the following:

	<u>2026</u>	<u>2025</u>
Net actuarial loss / (gain)	\$ 201,776	\$ 268,506
Net prior service cost / (credit)	<u>0</u>	<u>(93,500)</u>
Net periodic benefit cost	<u>\$ 201,776</u>	<u>\$ 175,006</u>

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

9. Postretirement benefits other than pensions (continued)

The estimated net loss that will be amortized from accumulated other comprehensive income into net periodic benefit cost of the next year is \$0. The estimated prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year is \$0.

The study used a weighted average discount rate of 6.25% at March 31, 2026 and 6.00% at March 31, 2025. For measurement purposes, a 2% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2026. The rate was assumed to gradually decrease to 4.75% in the year 2035 and remain at that level thereafter.

The following benefit payments, which reflect expected future service, are expected to be paid to the plan participants: 2027 - \$148,150; 2028 - \$130,736; 2029 - \$130,573; 2030 - \$133,632; 2031 - \$150,879; 2032-2036 - \$685,223.

Mortality rates used in the study were: Healthy - Pri-2012 (headcount-weighted) tables, projected generationally with Scale MP-2021 and Disabled – Pri-2012 disabled annuitant tables, projected generationally with Scale MP-2021.

10. Commitments

At times, Propane may enter into various propane supply agreements requiring purchase of specified quantities of propane. At March 31, 2026, Propane has contracts to purchase propane, which require the purchase of 2,300,000 gallons of propane at prices ranged from \$0.685 to \$0.735 per gallon. These contracts also required a deposit of \$0.05 per gallon to be purchased, which Propane recorded as a prepaid asset in the balance sheet.

HWE is committed to purchase its electric power and energy requirements from Buckeye Power, Inc. under a wholesale power supply contract expiring in year 2057. The rates paid for such purchases are subject to review annually.

11. Income taxes

Solutions operates as a for profit corporation. The net deferred tax liabilities recorded at March 31, 2026 and 2025 are comprised of temporary timing differences resulting from differences between book and tax depreciation and the allowance for doubtful accounts.

The deferred tax assets (liabilities) are as follows at March 31:

	<u>2026</u>	<u>2025</u>
Property and equipment	\$ (72,814)	\$ 13,944
Net operating loss carryforward	-	-
Allowance for doubtful accounts	<u>4,081</u>	<u>5,932</u>
DEFERRED TAX ASSET / (LIABILITY)	<u>\$ (68,733)</u>	<u>\$ 19,876</u>

HWE and Solutions have open tax years for 2025, 2024, and 2023 for income tax filings. No interest or penalties related to income tax are included in these financial statements.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

12. Concentrations of credit risks

HWE provides electric service in portions of 10 northwest Ohio counties with its customers representing residents and local businesses. A deposit is required before services are rendered for potential members with inadequate credit ratings, and for existing customers if disconnection occurs. Such deposits are applied to any amounts owed to the Cooperative in the event of non-payment.

Developers and certain potential customers are required to deposit the estimated construction cost to serve locations when there is no guarantee of immediate electric revenue from the areas served. All or part of the amount deposited is returned when there is new electric revenue from the area served.

13. Specialized labor concentration

HWE employes 42 people full time and 2 part time, of which 25 are represented under union contract. The current contract expires on February 28, 2029.

14. Revenue recognition

Customer payments for contracts are generally due within 30 days of billing and none of the contracts with customers have payment terms that exceed one year; therefore, the Company has elected to apply the significant financing component practical expedient and no amount of consideration has been allocated as a financing component.

Nature of products and services

Revenue for HWE is generated primarily from electric services delivered to customers. These contracts contain a single performance obligation, the delivery of electricity, as the promise to transfer the individual good or service is not separately identifiable from other promises within the contracts and, therefore, is not distinct. Revenues are recognized over time, as services are provided. There are generally no significant financing components or variable consideration.

Propane earns revenues primarily through the sale of propane to residential and commercial customers and propane cylinders used in industrial applications. Additionally, Propane earns revenue through ancillary activities including line locating, maintenance charges, part sales, and similar services. Revenues are recognized at a point-in-time based on management's best depiction of when title, ownership and risk of loss pass to the customer. For propane and propane cylinder sales this generally occurs upon delivery of the product to the customer's on-site storage location. Revenues from any miscellaneous activities are recognized upon completion of the job or delivery of the product.

Contract Balances

Timing of revenue recognition may differ from the timing of invoicing to customers. HWE records unbilled receivables when revenue is recognized prior to invoicing and are included in accounts receivable. As of March 31, 2026 and 2025, HWE had unbilled revenues of \$4,395,036 and \$4,175,171, included in accounts receivable, respectively.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Years Ended March 31, 2026 and 2025

14. Revenue recognition (continued)

Propane customers may participate in the Company's "pre-buy" program which provides for the prepayment, at a fixed price, for future deliveries of propane. The Company does not consider this to take the form of a significant financing component given that the timing for future deliveries of propane are generally not in excess of one year from the time of the prepayment. Upon receipt of the prepayment from customers participating in the "pre-buy" program, the Company recognizes a corresponding liability for future deliveries. As of March 31, 2026 and 2025, the contract liability associated with the "pre-buy" program and prepaid propane are \$381,116 and \$404,344, respectively. The following table provides operating revenues disaggregated for the years ended March 31, 2026 and 2025.

	<u>2026</u>	<u>2025</u>
Residential electric	\$ 26,246,643	\$ 25,607,083
Commerical electric	27,753,528	26,591,915
Residential propane	3,849,842	3,520,337
Commercial propane	608,332	570,656
Propane cylinder	832,684	793,271
Other revenues	<u>633,601</u>	<u>617,788</u>
 TOTAL REVENUES	 \$ <u>59,924,630</u>	 \$ <u>57,701,050</u>

ADDITIONAL INFORMATION

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

ADDITIONAL INFORMATION – 2026 CONSOLIDATED BALANCE SHEET

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
<u>ASSETS</u>					
UTILITY PLANT IN SERVICE, NET	\$ 114,049,533	\$ -	\$ 110,626,141	\$ -	\$ 3,423,392
INVESTMENTS	22,973,648	(4,242,000)	25,652,619	1,553,774	9,255
NOTE RECEIVABLE	143,903	-	143,903	-	-
DEFERRED ASSETS	134,786	-	134,786	-	-
GOODWILL	731,892	-	-	731,892	-
CURRENT ASSETS					
Cash and cash equivalents	7,483,694	-	6,005,942	7,000	1,470,752
Short-term investments	515,181	-	-	-	515,181
Accounts receivable, consumers	5,339,080	-	5,063,745	-	275,335
Current portion of note receivable	49,339	-	49,339	-	-
Intercompany receivable	-	(92,800)	-	-	92,800
Materials, supplies and inventories	2,783,512	-	2,676,683	-	106,829
Prepaid expenses	754,105	-	611,717	-	142,388
Income tax receivable	92,800	-	-	92,800	-
TOTAL CURRENT ASSETS	17,017,711	(92,800)	14,407,426	99,800	2,603,285
TOTAL ASSETS	\$ 155,051,473	\$ (4,334,800)	\$ 150,964,875	\$ 2,385,466	\$ 6,035,932

See independent auditors' report.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

ADDITIONAL INFORMATION – 2026 CONSOLIDATED BALANCE SHEET

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
<u>EQUITIES AND LIABILITIES</u>					
LONG-TERM DEBT, less current portion	\$ 58,528,499	\$ -	\$ 57,528,017	\$ -	\$ 1,000,482
FINANCE LEASE OBLIGATIONS, less current portion	155,181	-	108,217	-	46,964
RETIREMENT BENEFITS OTHER THAN PENSIONS	2,042,293	-	2,042,293	-	-
DEFERRED TAX	68,733	-	-	68,733	-
PATRONAGE CAPITAL AND OTHER EQUITIES	84,396,822	(4,242,000)	82,204,452	2,222,563	4,211,807
CURRENT LIABILITIES					
Accounts payable	4,057,547	-	3,926,498	-	131,049
Accrued expenses	881,041	-	813,699	1,370	65,972
Customer prepaid liabilities	381,116	-	-	-	381,116
Current portion of long-term debt	2,537,192	-	2,475,295	-	61,897
Current portion of finance lease obligations	111,690	-	45,177	-	66,513
Intercompany payable	-	(92,800)	-	92,800	-
Accrued taxes	1,667,328	-	1,667,328	-	-
Customer deposits	224,031	-	153,899	-	70,132
TOTAL CURRENT LIABILITIES	9,859,945	(92,800)	9,081,896	94,170	776,679
TOTAL EQUITIES AND LIABILITIES	\$ 155,051,473	\$ (4,334,800)	\$ 150,964,875	\$ 2,385,466	\$ 6,035,932

See independent auditors' report.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
ADDITIONAL INFORMATION – 2026 CONSOLIDATED STATEMENT OF REVENUE

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
OPERATING REVENUES	\$ 59,924,630	\$ -	\$ 54,592,571	\$ -	\$ 5,332,059
OPERATING EXPENSES					
Purchased power/cost of sales	37,114,060	-	34,141,376	-	2,972,684
Operations	3,027,766	-	3,027,766	-	-
Maintenance	2,218,602	-	2,218,602	-	-
Customer account expense	578,608	-	578,608	-	-
Administrative and general	6,358,326	(10,165)	4,880,938	10,165	1,477,388
Depreciation	4,737,527	-	4,251,989	-	485,538
Taxes other than income taxes	1,508,117	-	1,489,501	-	18,616
Income taxes					
Deferred	88,609	-	-	88,609	-
TOTAL OPERATING EXPENSES	55,631,615	(10,165)	50,588,780	98,774	4,954,226
OPERATING MARGINS BEFORE OTHER ITEMS					
	4,293,015	10,165	4,003,791	(98,774)	377,833
OTHER OPERATING ITEMS, NET					
Patronage revenue	1,368,389	-	1,367,805	-	584
Interest expense	(2,179,225)	-	(2,144,810)	-	(34,415)
TOTAL OTHER OPERATING ITEMS, NET	(810,836)	-	(777,005)	-	(33,831)
OPERATING MARGINS	3,482,179	10,165	3,226,786	(98,774)	344,002
NON-OPERATING ITEMS, NET					
Gain (loss) on disposition and exchange of property and equipment	62,714	-	54,214	-	8,500
Interest and dividend revenue	223,009	-	190,502	-	32,507
All other, net	(39,002)	-	(43,525)	-	4,523
TOTAL NON-OPERATING ITEMS, NET	246,721	-	201,191	-	45,530
NET MARGINS	\$ 3,728,900	\$ 10,165	\$ 3,427,977	\$ (98,774)	\$ 389,532

See independent auditors' report.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

ADDITIONAL INFORMATION – 2025 CONSOLIDATED BALANCE SHEET

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
<u>ASSETS</u>					
UTILITY PLANT IN SERVICE, NET	\$ 110,847,945	\$ -	\$ 107,654,115	\$ -	\$ 3,193,830
INVESTMENTS	22,627,071	(4,252,165)	25,304,882	1,563,939	10,415
NOTES RECEIVABLE	193,242	-	193,242	-	
DEFERRED TAX ASSET	19,876	-	-	19,876	-
DEFERRED ASSETS	64,757	-	64,757	-	-
GOODWILL	731,892	-	-	731,892	-
CURRENT ASSETS					
Cash and cash equivalents	6,015,987	-	3,833,002	7,000	2,175,985
Accounts receivable, consumers	5,272,662	-	5,009,378	-	263,284
Current portion of note receivable	49,338	-	49,338	-	-
Intercompany receivable	-	(92,690)	-	92,690	-
Materials, supplies and inventories	2,067,197	-	1,860,845	-	206,352
Prepaid expenses	504,009	-	447,374	-	56,635
TOTAL CURRENT ASSETS	13,909,193	(92,690)	11,199,937	99,690	2,702,256
TOTAL ASSETS	\$ 148,393,976	\$ (4,344,855)	\$ 144,416,933	\$ 2,415,397	\$ 5,906,501

See independent auditors' report.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

ADDITIONAL INFORMATION – 2025 CONSOLIDATED BALANCE SHEET

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
<u>EQUITIES AND LIABILITIES</u>					
LONG-TERM DEBT, less current portion	\$ 53,795,705	\$ -	\$ 52,733,326	\$ -	\$ 1,062,379
CAPITAL LEASE OBLIGATIONS, less current portion	222,904	-	109,380	-	113,524
RETIREMENT BENEFITS OTHER THAN PENSIONS	2,097,464	-	2,097,464	-	-
PATRONAGE CAPITAL AND OTHER EQUITIES	83,459,359	(4,252,165)	81,557,747	2,321,337	3,832,440
CURRENT LIABILITIES					
Accounts payable	3,421,418	-	3,279,500	-	141,918
Accrued expenses	771,964	-	705,567	1,370	65,027
Customer prepaid liabilities	404,344	-	-	-	404,344
Current portion of long-term debt	2,341,595	-	2,281,604	-	59,991
Current portion of capital lease obligations	107,464	-	42,585	-	64,879
Intercompany payable	-	(92,690)	-	-	92,690
Accrued taxes	1,551,737	-	1,459,047	92,690	-
Customer deposits	220,022	-	150,713	-	69,309
TOTAL CURRENT LIABILITIES	8,818,544	(92,690)	7,919,016	94,060	898,158
TOTAL EQUITIES AND LIABILITIES	\$ 148,393,976	\$ (4,344,855)	\$ 144,416,933	\$ 2,415,397	\$ 5,906,501

See independent auditors' report.

HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
ADDITIONAL INFORMATION – 2025 CONSOLIDATED STATEMENT OF REVENUE

	Consolidated Balance	Consolidating Entries	Cooperative	Solutions	Propane
OPERATING REVENUES	\$ 57,701,050	\$ -	\$ 52,779,734	\$ -	\$ 4,921,316
OPERATING EXPENSES					
Purchased power/cost of sales	35,876,601	-	33,212,082	-	2,664,519
Operations	2,612,232	-	2,612,232	-	-
Maintenance	1,988,515	-	1,988,515	-	-
Customer account expense	530,726	-	530,726	-	-
Administrative and general	5,986,819	(103,417)	4,658,843	10,727	1,420,666
Depreciation	4,598,134	-	4,074,962	-	523,172
Taxes other than income taxes	1,508,614	-	1,489,451	-	19,163
Income taxes					
Deferred	(252,644)	-	-	(252,644)	-
Currently payable	92,690	92,690	-	-	-
TOTAL OPERATING EXPENSES	52,941,687	(10,727)	48,566,811	(241,917)	4,627,520
OPERATING MARGINS BEFORE OTHER ITEMS	4,759,363	10,727	4,212,923	241,917	293,796
OTHER OPERATING ITEMS, NET					
Patronage revenue	1,104,567	-	1,103,533	-	1,034
Interest expense	(2,040,646)	-	(2,004,345)	-	(36,301)
TOTAL OTHER OPERATING ITEMS, NET	(936,079)	-	(900,812)	-	(35,267)
OPERATING MARGINS	3,823,284	10,727	3,312,111	241,917	258,529
NON-OPERATING ITEMS, NET					
Gain (loss) on disposition and exchange of property and equipment	32,610	-	32,610	-	-
Interest and dividend revenue	213,912	-	203,151	-	10,761
All other, net	(20,642)	-	(24,524)	-	3,882
TOTAL NON-OPERATING ITEMS, NET	225,880	-	211,237	-	14,643
NET MARGINS	\$ 4,049,164	\$ 10,727	\$ 3,523,348	\$ 241,917	\$ 273,172

See independent auditors' report.



REPORT ON COMPLIANCE WITH ASPECTS OF CONTRACTUAL AGREEMENTS AND REGULATORY REQUIREMENTS

Board of Directors
Hancock-Wood Electric Cooperative, Inc. and Subsidiary
1399 Business Park Drive South
North Baltimore, Ohio 45872

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hancock-Wood Electric Cooperative, Inc. and Subsidiary, which comprise the balance sheet as of March 31, 2026, and the related statements of revenue, comprehensive income, changes in members equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 26, 2026. In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2026, on our consideration of Hancock-Wood Electric Cooperative, Inc. and Subsidiary' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. No reports other than the reports referred to above and our schedule of findings and recommendations related to our audit have been furnished to management.

In connection with our audit, nothing came to our attention that caused us to believe that Hancock-Wood Electric Cooperative, Inc. and Subsidiary failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below. However, our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Hancock-Wood Electric Cooperative, Inc. and Subsidiary' noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters. In connection with our audit, we noted no matters regarding Hancock-Wood Electric Cooperative, Inc. and Subsidiary' accounting and records to indicate that Hancock-Wood Electric Cooperative, Inc. and Subsidiary did not:

Maintain adequate and effective accounting procedures;

Utilize adequate and fair methods for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;

Reconcile continuing property records to the controlling general ledger plant accounts;

Clear construction accounts and accrue depreciation on completed construction;

Record and properly price the retirement of plant;

Seek approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;

Maintain adequate control over materials and supplies;

Prepare accurate and timely Financial and Operating Reports;

Obtain written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;

Disclose material related party transactions in the financial statements, in accordance with requirements for related parties in generally accepted accounting principles;

Record depreciation in accordance with RUS requirements (See RUS Bulletin 183-1, Depreciation Rates and Procedures);

Comply with the requirements for the detailed schedule of deferred debits and deferred credits; and

Comply with the requirements for the detailed schedule of investments, attached.

This report is intended solely for the information and use of the board of directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana
May 26, 2026



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

To the Board of Directors of
Hancock-Wood Electric Cooperative, Inc. and Subsidiary

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Hancock-Wood Electric Cooperative, Inc. and Subsidiary (the “Company”) as of and for the years ended March 31, 2026 and 2025, and the related notes to the financial statements, which collectively comprise the Company’s basic financial statements, and have issued our report thereon dated May 26, 2026.

Internal Control Over Financial Reporting

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

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

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

There is an absence of appropriate segregation of duties in certain accounting areas consistent with control objectives. The Company’s response to the findings is the hiring of additional employees in order to segregate the duties may not be economically practical for the benefit to be derived. The Company’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Compliance and Other Matters

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

Purpose of This Report

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

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana
May 26, 2026



May 26, 2026

To the Board of Directors of
Hancock-Wood Electric Cooperative, Inc. and Subsidiary

We have audited the financial statements of Hancock-Wood Electric Cooperative, Inc. and Subsidiary as of and for the year ended March 31, 2026, and have issued our report thereon, dated May 26, 2026. As part of our reporting requirements, the National Rural Utilities Cooperative Finance Corporation (CFC) has requested that we make the following certification regarding loan fund expenditures:

Loan Funds - During the period of our audit, Hancock-Wood Electric Cooperative, Inc. and Subsidiary received no long-term loan fund advances from CFC on loans controlled by the 100% CFC Electric Mortgage and Loan Agreement.

This letter supplements the information included in the financial statements and notes. It is intended solely for the use of management, the National Rural Utilities Cooperative Finance Corporation, and supplemental lenders and should not be used for any other purposes.

LWG CPAs & Advisors

LWG CPAs & Advisors
Indianapolis, Indiana



May 26, 2026

Board of Directors
Hancock-Wood Electric Cooperative, Inc. and Subsidiary
1399 Business Park Drive South
North Baltimore, Ohio 45872

We have audited the financial statements of Hancock-Wood Electric Cooperative, Inc. and Subsidiary as of and for the year ended March 31, 2026, and have issued our report thereon dated May 26, 2026. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 2, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Hancock-Wood Electric Cooperative, Inc. and Subsidiary solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control and other matters noted during our audit in a separate letter to you dated May 26, 2026.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks:

Management override of controls – Due to the size of the Company and the limited accounting staff there is a significant risk of management override of controls.

Cash – The company receives cash and other forms of payment from customers and pays invoices to vendors. We consider this a significant risk, specifically related to misappropriation of assets.

Revenue recognition – Under AU-C Section 240, recognizing revenue is a presumed significant risk. We are required to identify if the Company properly recognized revenue based on Accounting Standards Codification Top 606, Revenue from Contracts with Customers.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Hancock-Wood Electric Cooperative, Inc. and Subsidiary is included in Note 1 to the financial statements. There have been no initial accounting selections in 2026. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Company's financial statements relate to: Contracts with Customers.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. The attached schedule summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule summarizes misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Hancock-Wood Electric Cooperative, Inc. and Subsidiary's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management that are included in the attached letter dated May 26, 2026.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultation with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Company, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Company's auditors.

This information is intended solely for the use of the board of directors and management of Hancock-Wood Electric Cooperative, Inc. and Subsidiary and is not intended to be and should not be used by anyone other than these specified parties.

LWG CPAs & Advisors

LWG CPAs & Advisors