Consolidated Financial Statements
December 31, 2025 and 2024

Presque Isle Electric & Gas Co-op and Subsidiary

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Presque Isle Electric & Gas Co-op and Subsidiary

Listing of Board of Directors (Unaudited)

December 31, 2025

Sandra Borowicz	Chair
Daryl W. Peterson	Vice Chair
Gerald Smigelski	Secretary
Brentt Lucas	Treasurer
John F. Brown	Director
Kurt Krajniak	Director
Christoper Nagel	Director
Sally L. Knopf	Director
Michael Libby	Director

Independent Auditor's Report

The Board of Directors
Presque Isle Electric & Gas Co-op and Subsidiary
Onaway, Michigan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Presque Isle Electric & Gas Co-op and Subsidiary, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Presque Isle Electric & Gas Co-op and Subsidiary as of December 31, 2025 and 2024, and the results of its operations and cash flows for the years then ended in conformity 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). 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 Presque Isle Electric & Gas Co-op 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 Consolidated Financial Statements

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

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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 Presque Isle Electric & Gas Co-op and Subsidiary's ability to continue as a going concern for 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 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, 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 Presque Isle Electric & Gas Co-op and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Presque Isle Electric & Gas Co-op 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

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The listing of board of directors, consolidating balance sheet, and consolidating statement of operations are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. With the exception of the listing of board of directors, the information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The listing of board of directors has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we do not express and opinion or provide any assurance on it.

Eide Bailly LLP

Fargo, North Dakota
April 27, 2026

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidated Balance Sheets - Assets

December 31, 2025 and 2024

	2025	2024
Assets		
Utility Plant		
In service	$ 281,285,636	$ 258,845,141
Construction work in progress	175,185,230	26,114,380
Total utility plant	456,470,866	284,959,521
Less accumulated depreciation and amortization	(106,771,716)	(99,739,477)
Utility plant - net	349,699,150	185,220,044
Other Assets and Investments		
Investments in associated organizations	30,946,671	28,965,995
Restricted cash - special funds	730,770	-
Total other assets and investments	31,677,441	28,965,995
Current Assets		
Cash and cash equivalents	2,092,247	3,961,932
Accounts receivable, less allowance for credit losses of $121,760 in 2025 and 2024	9,632,649	8,533,804
Materials and supplies	17,692,708	13,324,349
Prepaid expenses	559,337	532,322
Total current assets	29,976,941	26,352,407
Deferred Debits	39,418	41,413
Total Assets	$ 411,392,950	$ 240,579,859

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidated Balance Sheets - Equities and Liabilities

December 31, 2025 and 2024

	2025	2024
Equities and Liabilities		
Equities		
Memberships	$ 338,895	$ 332,540
Patronage capital	56,782,286	49,490,970
Other equities	5,117,592	5,121,850
Total equities	62,238,773	54,945,360
Long-Term Liabilities		
Long-term debt, net of current maturities	150,554,953	147,399,601
Deferred tax liability	355,559	376,000
Accrued post-retirement benefits	615,152	788,968
Total long-term debt	151,525,664	148,564,569
Current Liabilities		
Current maturities of long-term debt	4,845,697	4,553,767
Line of credit	183,093,974	21,869,838
Accounts payable		
Purchased energy	2,356,286	2,295,227
Other	3,035,899	3,131,852
Accrued payroll, sick and vacation	1,177,737	857,996
Accrued property taxes	1,218,458	1,266,799
Customer deposits	478,821	512,688
Accrued interest	593,741	661,617
Other	117,874	90,546
Total current liabilities	196,918,487	35,240,330
Deferred Credits	710,026	1,829,600
Total Equities and Liabilities	$ 411,392,950	$ 240,579,859

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidated Statements of Operations

Years Ended December 31, 2025 and 2024

	2025	2024
Operating Revenues		
Electric and gas sales	$ 67,557,489	$ 60,583,958
Fiber sales	6,444,995	5,563,482
Other sales	479,741	599,026
	74,482,225	66,746,466
Operating Expenses		
Cost of energy	28,805,329	28,479,172
Operation and maintenance	8,765,656	9,164,714
Customer accounts	2,752,100	2,626,907
Customer service and information expense	661,208	925,417
Administrative and general	5,624,743	3,939,668
Fiber	2,584,861	2,363,398
Depreciation and amortization	6,409,621	6,320,520
Depreciation and amortization - fiber	2,170,514	1,590,812
Taxes - property	3,049,554	2,471,987
Taxes - other	30,748	55,749
Total operating expenses	60,854,334	57,938,344
Operating Margins Before Fixed Charges	13,627,891	8,808,122
Fixed Charges		
Interest on long-term debt	8,586,503	7,923,369
Operating Margins after Fixed Charges	5,041,388	884,753
Capital Credits	2,468,039	2,848,308
Net Operating Margins	7,509,427	3,733,061
Non-Operating Margin (Loss)		
Interest income	121,376	46,385
Other income (expense)	(327,294)	(1,822)
Total Non-Operating (Loss) Margin	(205,918)	44,563
Net Margin	$ 7,303,509	$ 3,777,624

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidated Statements of Members' Equity

Years Ended December 31, 2025 and 2024

	Memberships	Patronage Capital	Other Equities	Total
Balance, January 1, 2024	$ 325,255	$ 45,713,581	$ 5,153,777	$ 51,192,613
Memberships issued - net	7,285	-	-	7,285
Retirement of capital credits	-	(235)	(31,927)	(32,162)
Current year net margin	-	3,777,624	-	3,777,624
Balance, December 31, 2024	332,540	49,490,970	5,121,850	54,945,360
Memberships issued - net	6,355	-	-	6,355
Retirement of capital credits	-	(12,193)	(4,258)	(16,451)
Current year net margin	-	7,303,509	-	7,303,509
Balance, December 31, 2025	$ 338,895	$ 56,782,286	$ 5,117,592	$ 62,238,773

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidated Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	2025	2024
Operating Activities		
Cash received from customers	$ 71,931,727	$ 63,563,624
Cash received from grantors	1,126,354	1,126,354
Cash paid to suppliers and employees	(49,101,038)	(49,932,073)
Interest received	121,376	46,385
Interest paid	(8,654,379)	(7,891,616)
Taxes paid	(3,128,643)	(2,588,230)
Net Cash From Operating Activities	12,295,397	4,324,444
Investing Activities		
Net utility plant additions and replacements	(173,837,153)	(28,917,303)
Capital credit distributions received	487,363	503,763
Change in materials and supplies	(3,592,403)	3,711,098
Net Cash Used for Investing Activities	(176,942,193)	(24,702,442)
Financing Activities		
Proceeds from debt	8,000,000	15,500,000
Payments of debt	(4,552,718)	(4,279,897)
Draws on line of credit	198,284,597	51,992,100
Payment on line of credit	(37,060,461)	(45,177,600)
Capital credits paid	(16,451)	(32,162)
Proceeds from memberships issued	6,355	7,285
Change in consumer deposits	(33,867)	10,887
Change in deferred credits	(1,119,574)	855,103
Net Cash From Financing Activities	163,507,881	18,875,716
Net Change in Cash, Cash Equivalents, and Restricted Cash	(1,138,915)	(1,502,282)
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	3,961,932	5,464,214
Cash, Cash Equivalents, and Restricted Cash, End of Year	$ 2,823,017	$ 3,961,932
Cash and Cash Equivalents	$ 2,092,247	$ 3,961,932
Restricted Cash - Special Funds	730,770	-
Total Cash, Cash Equivalents, and Restricted Cash	$ 2,823,017	$ 3,961,932

	2025	2024
Reconciliation of Net Margin to Net Cash From Operating Activities		
Net margin	$ 7,303,509	$ 3,777,624
Adjustments to reconcile net margin (loss) to net cash from Operating activities		
Depreciation and amortization	9,598,218	8,997,802
Loss on disposal of assets	-	553,266
Capital credits	(2,468,039)	(2,848,309)
Change in assets and liabilities		
Customer and other accounts receivable	(1,098,845)	(2,771,468)
Unbilled revenue	-	714,661
Prepaid expenses	(27,015)	(280,759)
Deferred debits	1,995	2,142
Accounts payable	(1,051,021)	(3,577,644)
Accrued interest payable	(67,876)	31,753
Accrued property taxes	(48,341)	(60,494)
Accrued post retirement benefits	(173,816)	(108,497)
Deferred tax liability	(20,441)	-
Current and accrued liabilities - other	347,069	(105,633)
Total adjustments	4,991,888	546,820
Net Cash From Operating Activities	$ 12,295,397	$ 4,324,444
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for		
Interest	$ 12,562,048	$ 7,891,616
Income taxes	$ 47,600	$ 46,000
Supplemental Disclosure of Non-Cash Investing Activities		
Accounts payable incurred for plant	$ 240,171	$ 1,015,822
Accounts payable incurred for materials and supplies	$ 775,956	$ 860,248
Capitalized interest	$ 3,907,669	$ -

Note 1 - Summary of Significant Accounting Policies

Principal Business Activity

Presque Isle Electric & Gas Co-op ("PIE&G", "the Cooperative") is a member-owned, not-for-profit corporation whose purpose is to provide retail energy services to its members. As a cooperative, all monies in excess of cost of providing electric and natural gas services are capital, at the moment of receipt, and are credited to each member's capital account.

During 2021, the Cooperative entered into another like business activity, to provide high speed internet services (fiber to the home) to its electric members, with the goal to build out to all of its members. The fiber business is considered a division within the cooperative.

Presque Isle Aurora Gas Assets ("PIAGA") is a wholly-owned subsidiary of Presque Isle Electric & Gas Cooperative, acquired in 2018. PIE&G has a rental agreement with PIAGA for use of building, equipment, and transportation assets. In addition, there is an irrevocable right to use agreement that grants PIE&G access and use of PIAGA natural gas pipelines and related property. In consideration, PIE&G manages, operates, and maintains the assets.

Consolidation Policy and Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements combine the accounts of the Cooperative and its wholly owned subsidiary, Presque Isle Aurora Gas Assets, as required. Presque Isle Electric and Gas Cooperative, Inc. has accounted for the investment using the equity method. All significant inter-company transactions have been eliminated. The consolidated financial statements have been prepared on the accrual basis of accounting.

Utility Plant and Depreciation

Property and equipment are carried at cost less contributions in aid of construction. The cost of additions to electric, fiber and natural gas plant includes contracted work, direct labor and materials and allocable overheads. When units of property that are specifically identifiable are retired, sold, or otherwise disposed of in the ordinary course of business, their book cost less net salvage is recognized as a gain or loss. All other units of property that are retired, sold, or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

The Cooperative utilizes composite depreciation methods for each distribution plant account. The rates are determined based on management's estimate of the average useful life of the assets along with future cost of removal and salvage factor estimates. Industry guidelines are also utilized to assist with determining the appropriate rates.

Depreciation of the following assets is determined by straight-line method based upon the estimated useful lives of the various classes of property.

	Years
Structures and improvements	10-50
Office furniture equipment	1.5-7
Transportation equipment	4-7
Power operated equipment	3-16
Other	4-5

Recoverability of Long-Lived Assets

The Cooperative reviews the carrying value of electric and natural gas plant for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized when estimated undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset are less than the carrying value of the asset. Management has determined that no impairment exists at December 31, 2025 and 2024.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Cooperative considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Restricted Cash – Special Funds

Amounts included in restricted cash represent special funds required to be set aside for the deferred compensation plan including unvested amounts.

Investments

The Cooperative has investments in associated companies and other investments which are accounted for as equity securities. The Cooperative has determined that these investments do not have a readily determinable fair value. Investments in associated companies are recorded at the Cooperative's share of allocated patronage capital and the other investments are recorded at cost. These investments are assessed for impairment, if any, and adjusted for changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Cooperative has not identified any impairments and there has not been observable price changes during the years ended December 31, 2025 and 2024.

Receivables and Allowance for Credit Losses

The Cooperative's revenue contracts provide it with the unconditional right to consideration upon delivery of electricity, fiber, and natural gas to its customers; therefore, a receivable is recognized in the period the Cooperative provides them to its customers, so no contract assets or liabilities exist. The unconditional right to consideration is represented by contract receivables which are presented on the balance sheet as accounts receivable.

The Cooperative has tracked historical loss information for its receivables and compiled historical credit loss percentages for different aging categories (current, 1-30 days past due, 31-60 days past due, 61-90 days past due, and more than 90 days past due). When a member's account becomes past due and uncollectible, the member's service is terminated. The Board of Directors approves all accounts charged off.

Management believes that the historical loss information it has compiled is a reasonable base on which to determine expected credit losses for receivables held at December 31, 2025 and 2024 because the composition of the receivables at those dates are consistent with that used in developing the historical credit-loss percentage (i.e., the similar risk characteristics of its customers and its lending practices have not changed significantly over time). Additionally, management has determined that the current and reasonable and supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Accordingly, the allowance for credit losses at December 31, 2025 and 2024 totaled $121,760.

Changes in the allowance for credit losses for receivables are as follows for the years ended December 31:

	2025	2024
Opening Allowance for Credit Losses	$ 121,760	$ 121,760
Provision for credit losses	70,302	69,542
Charge-offs	(70,302)	(69,542)
	$ 121,760	$ 121,760

Payments on trade receivables are allocated to the earliest unpaid billings. The carrying amounts of trade receivables are reduced by an allowance for credit loss.

The beginning and ending balances of customer prepayments, accounts receivable, and unbilled revenues, net of allowances for credit losses, were as follows:

	December 31, 2025	December 31, 2024	January 1, 2024
Billed	$ 9,632,649	$ 8,533,804	$ 5,762,336
Unbilled	-	-	714,661
Customer deposits (contract liability)	(478,821)	(512,688)	(501,801)

Materials and Supplies

Electric, natural gas, and fiber materials and supplies are valued at average cost. Natural gas inventory is stated at the lower of cost or net realizable value. Cost is determined on a first-in, first out (FIFO) method.

Deferred Debits

Deferred debits consists of prepaid tap fees, prepaid years of service, and under collection of amounts.

Patronage Capital

The Cooperative operates on a nonprofit basis. Amounts received from the furnishing of electric energy, fiber sales, and natural gas in excess of operating costs and expenses are assigned to patrons on a patronage basis. All other amounts received by the Cooperative from its operations in excess of costs and expenses, to the extent they are not needed to offset current or prior losses, may be credited to a general unallocated reserve, at the discretion and determination of the Board of Directors.

Revenue Recognition

The Cooperative's performance obligation related to the sale of energy and natural gas is satisfied as energy and natural gas are delivered to customers; therefore, revenue from the delivery of energy and natural gas are recognized over time as energy and natural gas are delivered to the customers. The Cooperative's members read their meters and bills are sent to customers each month.

The Cooperative's performance obligation related to the sale of broadband fiber through fiber plant is satisfied each day broadband fiber is made available to customers; therefore, revenue is recognized evenly over the contract period. The Cooperative bills one month in advance of services being provided and recognized revenue evenly over the month covered by the billing.

The Cooperative's performance obligation related to service and other services are satisfied at the point in time when projects have been completed; therefore, revenue is recorded upon the completion of the service.

The Cooperative does not have any significant financing components related to contracts with customers as payment is received shortly after being billed to customers.

The following table depicts revenues by timing of revenue recognition and type of revenue for the years ended December 31, 2025 and 2024, respectively:

	2025	2024
Electric revenues (transferred over time)	$ 52,758,878	$ 47,999,718
Gas revenues (transferred over time)	14,798,458	12,584,240
Fiber revenues (transferred over time)	6,444,995	5,563,482
Service charge (transferred at point in time)	312,112	396,443
Other revenue (transferred at point in time)	167,782	202,583
Revenue from contracts with customers	$ 74,482,225	$ 66,746,466

Power Costs

Power costs include all power delivered to the Cooperative, regardless of whether the power supplier has billed the Cooperative for power delivered.

Deferred Credits

Deferred credits consist primarily of advance payments made by consumers in connection with electric, fiber and natural gas service, and excess collections of contribution in aid to construction.

Business and Credit Risk

Financial instruments which potentially subject the Cooperative to concentrations of credit risk consist primarily of temporary cash instruments and trade receivables. The Cooperative provides electrical and natural gas service on account to its members located in Michigan. The Cooperative has established policies for extending the credit based upon factors surrounding the credit risk of specified members, historical trends, and other information. Concentrations of credit risk with respect to trade receivables are limited due to the Cooperative's large number of members. Nonetheless, the Cooperative's ability to collect from its members is affected by the economic conditions in which it operates.

The Cooperative maintains cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2025 and 2024, the Cooperative had approximately $2,310,000 and $3,050,000, respectively, in excess of FDIC-insured limits.

Estimates

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

Sales Taxes

The Cooperative has members in a state which imposes a sales tax on certain sales. The Cooperative collects the sales taxes from its members and remits the entire amount to the State of Michigan. The Cooperative's accounting policy is to exclude the tax collected and remitted from revenue and cost of revenue.

Fair Value Measurements

The Cooperative has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

The Cooperative does not have any assets or liabilities subject to level 1, 2, or 3 valuation as of December 31, 2025 and 2024 and does not anticipate participating in transactions of this type in the future.

Income Taxes

Income taxes are provided for the tax effects of transactions reporting in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of receivables, inventories, property and equipment, intangible property, and accrued expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of December 31, 2025 and 2024, the unrecognized tax benefits accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Advertising Costs

Advertising costs of $381,200 and $385,964 in 2025 and 2024, respectively, are expensed as incurred.

Retirement Plan

Presque Isle has a retirement savings plan for substantially all employees. Under the terms of the plan, Presque Isle is required to contribute 10 to 16 percent of the employee's total base earnings to the retirement plan.

Contributions in Aid of Construction

Contributions in aid of construction are received from members on electrical, fiber and gas service requests and re-applied against the construction costs.

Regulation

Electric accounting and rate matters are subject to the Board of Directors and membership approval. Natural gas accounting and rate matters are either subject to Home Rule approval pursuant to the Michigan Home Rule Statute or subject to the approval of the Michigan Public Service Commission.

As a result of the ratemaking process, the Cooperative applies Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*. The application of generally accepted accounting principles by the Cooperative differs in certain respects from the application by non-regulated businesses as a result of applying ASC 980. Such differences generally relate to the time at which certain items enter into the determination of net margins in order to follow the principle of matching costs and revenues.

Subsequent Events

The Cooperative has evaluated subsequent events through April 27, 2026, the date which the financial statements were available to be issued.

Note 2 - Utility Plant

Plant in service consists of the following:

	2025	2024
Distribution plant	$ 242,779,435	$ 220,556,577
General plant	36,000,407	35,782,770
Transmission plant	834,898	834,898
Intangible plant	1,670,896	1,670,896
	281,285,636	258,845,141
Construction work in progress	175,185,230	26,114,380
	$ 456,470,866	$ 284,959,521

Note 3 - Investments in Associated Organizations

Investments in associated organizations consisted of the following at December 31, 2025 and 2024:

	2025	2024
Wolverine Power Supply Cooperative, Inc. - Patronage Capital Credits	$ 24,802,337	$ 23,034,582
National Rural Utilities Cooperative Finance Corporation		
Capital term certificates	1,270,626	1,318,462
Patronage capital credits	2,624,297	2,603,703
RESCO - Patronage Capital Credits	681,056	652,089
National Information Services Cooperative - Patronage Capital Credits	264,658	264,613
CoBank - Patronage Capital Credits	174,101	152,911
Other	1,129,596	939,635
	$ 30,946,671	$ 28,965,995

Note 4 - Deferred Debits and Credits

Following is a summary of the amounts recorded as deferred debits as of December 31, 2025 and 2024:

	2025	2024
Prepaid tap fees	$ 39,418	$ 41,413

Following is a summary of the amounts recorded as deferred credits as of December 31, 2025 and 2024:

	2025	2024
Deferred compensation	$ 437,597	$ 437,597
Customer prepayments	348,141	436,985
Excess contribution in aid to construction	(75,712)	1,392,615
	$ 710,026	$ 1,829,600

Note 5 - Patronage Capital

Patronage capital consisted of the following at December 31, 2025 and 2024:

	2025	2024
Assignable	$ 7,303,509	$ 3,777,624
Assigned to date	73,527,570	69,749,946
	80,831,079	73,527,570
Less retirements to date	(24,048,793)	(24,036,600)
	$ 56,782,286	$ 49,490,970

Under the provisions of the Mortgage Agreements, until the equities and margins equal or exceed thirty percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited generally to twenty-five percent of the patronage capital or margins received by the Cooperative in the next preceding year.

The equities and margins of the Cooperative represent 15.12% and 22.84% of the total assets at December 31, 2025 and 2024, respectively.

Note 6 - Memberships and Other Equities

At December 31, 2025 and 2024, other equities consisted of:

	2025	2024
Unclaimed patronage capital	$ 979,571	$ 1,275,712
Patronage capital abandoned	3,405,483	3,113,599
Donated capital	613,246	613,246
Capital gains and losses	119,292	119,293
	$ 5,117,592	$ 5,121,850

Memberships have been adjusted to reflect the number of members currently receiving service. In accordance with the Co-op by-laws, memberships are not refunded when a member leaves the service area. The membership fee is transferred to donated capital when the member terminates service.

Note 7 - Mortgage Notes

Long-term debt consists of the following:

	2025	2024
NRUCFC mortgage notes payable in equal quarterly installments including interest at 2.84%-6.34%, maturing through 2051, secured by utility plant assets	$ 155,400,650	$ 151,953,368
Less current maturities	(4,845,697)	(4,553,767)
	$ 150,554,953	$ 147,399,601

As of December 31, 2025, approximate annual maturities of long-term debt outstanding are as follows:

Years Ending December 31,	Amount
2026	$ 4,845,697
2027	5,072,027
2028	5,309,910
2029	5,559,954
2030	5,822,801
Thereafter	128,790,261
	$ 155,400,650

Substantially all assets are pledged as collateral on long-term debt payable to the National Rural Utilities Cooperative Finance Corporation (NRUCFC). Additionally, the Cooperative has $22,000,000 of unadvanced loan funds available from NRUCFC as of December 31, 2025.

Note 8 - Line of Credit

Lines of credit consists of the following:

	2025	2024
NRUCFC Line of Credit (Perpetual)		
Available at December 31	$ 8,000,000	$ 8,000,000
Outstanding at December 31	3,841,016	3,930,161
Interest rate at December 31	5.75%	6.50%
NRUCFC Line of Credit		
Available at December 31	$ 20,000,000	$ 20,000,000
Outstanding at December 31	19,964,227	10,070,515
Interest rate at December 31	5.75%	6.50%
NRUCFC Emergency Line of Credit		
Available at December 31	$ 8,324,558	$ -
Outstanding at December 31	151,675,442	-
Interest rate at December 31	5.35%	0.00%
CoBank Line of Credit		
Available at December 31	$ 8,000,000	$ 8,000,000
Outstanding at December 31	7,613,289	7,868,962
Interest rate at December 31	5.97%	6.59%

The line of credit agreement requires that when the agreement is for a term of more than twelve months, then within 360 days of the first advance, the cooperative will reduce to zero for a period of at least five consecutive business days amounts outstanding. The Cooperative was in compliance with this requirement for 2025 and 2024.

The Cooperative has a letter of credit agreement issued by NRUCFC with Sequent Energy Management as beneficiary. The agreement provides a letter of credit up to $3,000,000 and $1,500,000 at December 31, 2025 and 2024. There were no outstanding balances on the letter of credit at December 31, 2025 and 2024. This letter of credit is required in order to mitigate counter party risk in natural gas purchase transactions. This also is a risk management tool for the Co-op with respect to mark to market issues.

The Cooperative has a letter of credit agreement issued by NRUCFC with Universal Service Administrative Company (USAC) as beneficiary. The agreement provides a letter of credit up to $3,379,061 and $2,252,707 at December 31, 2025 and 2024, respectively. There were no outstanding balances on the letter of credit at December 31, 2025 and 2024.

Note 9 - Benefit 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 a multiemployer plan under the accounting standards.

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

A unique characteristic of a 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 Cooperative's contributions to the RS Plan in 2025 and 2024 represented less than five percent of the total contributions made to the RS Plan by all participating employers. The Cooperative made contributions to the plan of $943,393 and $922,049 for the years ended December 31, 2025 and 2024, respectively.

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 on January 1, 2025 and 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.

Postretirement Health Insurance Benefits

The cooperative has chosen to recognize the accounting method required by the Statement of Financial Accounting Standards No. 106 for Employer's Accounting for Post-retirement Benefits Other Than Pensions. The statement requires a transition from accounting, for these benefits, on a pay-as-you go (cash basis) to recognizing the benefit cost as they are earned (accrual basis). The change in accounting method requires the accounting for costs incurred to date but unpaid, which is called the Transition amount. This amount may be either expensed in the year of transition or it may be amortized over either the benefit period or twenty-years.

The plan sponsored by the company is a defined benefit post-retirement plan that covers all employees who retire from the cooperative before April 1, 1997, after (i) attainment of age 55 and completion of 30 years of service, or (ii) attainment of age 62. Spouses of pensioners are also insured until the pensioner's death. At the end of 2020 there were no active participants and the accounting rules of the Financial Accounting Standards Board Statement No. 88 regarding curtailment must be recognized. The reconciliation of the funded status at December 31, 2025 and 2024 is as follows:

	2025	2024
Accumulated postretirement benefit obligation, beginning of year	$ 788,968	$ 897,465
Actuarial gain on assumption changes	(156,193)	-
Benefit payments	(17,623)	(108,497)
Net periodic postretirement cost (benefit)	(173,816)	(108,497)
Contribution to plan	17,623	108,497
Benefit payments	(17,623)	(108,497)
Net plan funding	-	-
Accumulated postretirement benefit obligation end of year	615,152	788,968
Less: current obligation	-	-
Long-term	$ 615,152	$ 788,968

For measurement purposes, a 5.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2025; the rate was assumed to decrease gradually to an ultimate rate of 4.5% per annum. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point in each year would increase the accumulated post-retirement benefit obligation $2,599. Decreasing the assumed health care cost trend rates by 1 percentage point in each year would decrease the accumulated post-retirement benefit obligation $2,477.

The weighted-average discount rate used in determining the accumulated post-retirement benefit obligation was 4.96 percent.

Note 10 - Commitments and Contingencies

Power Supply Cost Recovery Clause

On October 12, 1982, the Governor of the State of Michigan signed PA 304 of 1982 into law creating the Power Supply Cost Recovery Clause (PSCR), a power cost recovery mechanism.

Wolverine Power Supply Cooperative, Inc. (Wolverine) and the member-distribution Cooperatives, including Presque Isle, obtained authority to implement and apply PSCR clauses and monthly factors. Presque Isle's monthly base rate is $0.08785 per kWh for the current period.

Due to fluctuations in market conditions, over-collections or under-collections could result between the generation cooperative and distribution cooperative as well as between the distribution cooperatives and their member-consumers.

The PSCR clause includes provisions whereby power cost recovery over-collections must be remedied by refunds and power cost recovery under-collections must be remedied by additional collections.

Presque Isle's balance sheets reflect an amount due from (to) member-consumers for (over) under collections in the amounts of ($1,026,252) and $(689,318) at December 31, 2025 and 2024, respectively.

The GCR mechanism includes provisions whereby gas cost recovery over-collections must be remedied by refunds and gas cost recovery under-collections must be remedied by additional collections. Presque Isle's balance sheet reflects an amount due from member-consumers for under collections in the amounts of $40,829 and $472,050 for the years ended December 31, 2025 and 2024, respectively. This amount is recorded in accounts receivable.

Transportation and Storage Contract

PIE&G has entered into a transportation and storage contract expiring March 31, 2026, requiring PIE&G to deliver certain daily quantities of gas to designated points, and to receive certain daily quantities of gas at designated points. Transportation will be billed at $0.28 per Dth, paid in monthly installment of $54,180 through March 2026. Storage costs will be billed at $0.76 per Dth, paid in monthly installments of $15,200 through March 2026.

Concentration of Sources of Labor

At December 31, 2025, the Cooperative has approximately 69% of its employees covered by a collective bargaining agreement. The collective bargaining agreement for employees will expire on March 31, 2026.

Forward Contracts

Certain contracts that literally meet the definition of a derivative may be exempted from derivative accounting as normal purchases or normal sales. Normal purchases and normal sales are contracts that provide for the purchase or sale of something other than a financial instrument or derivative instrument that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Contracts that meet the requirements of normal and are documented as normal are exempted from the derivative accounting and reporting requirements.

The Company uses forward contracts to reduce the risk related to changes in market prices of fixed natural gas purchases contracts that meet the requirements of normal purchases and normal sales.

All contracts are entered into at a specified price and quantity that is not subject to change. The quantities are based on projected future demand and the sales price of natural gas to customers is determined by the aggregate cost of the contracts.

The future commitments on gas forward contracts is as follows:

Years Ending December 31,	Amount
2026	$ 3,980,240
2027	2,769,901
2028	1,423,419
2029	388,372
Total commitment	$ 8,561,932

Note 11 - Related Party Transactions

The Cooperative is a member of and purchases its energy requirements from Wolverine Power Supply Company, a related party.

Following is a summary of material transactions with Wolverine for the years ended December 31, 2025 and 2024:

	2025	2024
Purchase of wholesale power	$ 22,943,552	$ 22,758,113
Accounts payable for purchased power at December 31	$ 2,356,286	$ 2,295,227
Accumulated investment in patronage capital credits	$ 24,802,337	$ 23,034,582
Capital credits allocated during the year	$ 1,767,755	$ 1,631,945

Note 12 - Major Storm Event

During the year ended December 31, 2025, the Cooperative experienced a significant winter storm that caused widespread damage to its electric distribution and transmission system. As a result of this event, the Cooperative incurred approximately $150 million of storm-related restoration and recovery costs. These costs included labor, materials, contractor services, and other directly attributable expenditures necessary to restore electric service to members.

Storm-related costs that met the criteria for capitalization were recorded as utility plant in service or construction work in progress in accordance with the Cooperative’s capitalization policy and applicable industry guidance.

Note 13 - Subsequent Events

The Cooperative has evaluated subsequent events through April 27, 2026, the date which the financial statements were available to be issued. The Cooperative advanced long-term debt through CFC totaling $3,000,000 in February 2026.

Supplementary Information
December 31, 2025 and 2024

Presque Isle Electric & Gas Co-op and Subsidiary

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidating Balance Sheet - Assets

December 31, 2025

(With Comparative totals for 2024)

	Presque Isle Electric & Gas Cooperative	Presque Isle Aurora Gas Assets	Eliminations	Consolidated Totals 2025	Consolidated Totals 2024
Assets					
Utility Plant					
In service	$ 276,117,354	$ 5,168,282	$ -	$ 281,285,636	$ 258,845,141
Construction work in progress	175,185,230	-	-	175,185,230	26,114,380
Total utility plant	451,302,584	5,168,282	-	456,470,866	284,959,521
Less accumulated depreciation and amortization	(103,049,729)	(3,721,987)	-	(106,771,716)	(99,739,477)
Utility plant - net	348,252,855	1,446,295	-	349,699,150	185,220,044
Other Assets and Investments					
Investments in associated organizations	30,946,671	-	-	30,946,671	28,965,995
Investment in subsidiary	1,261,293	-	(1,261,293)	-	-
Restricted cash - special funds	730,770	-	-	730,770	-
Total other assets and investments	32,938,734	-	(1,261,293)	31,677,441	28,965,995
Current Assets					
Cash and cash equivalents	1,919,830	172,417	-	2,092,247	3,961,932
Accounts receivable, less allowance for credit losses of $121,760 in 2025 and 2024	9,625,348	7,301	-	9,632,649	8,533,804
Materials and supplies	17,692,708	-	-	17,692,708	13,324,349
Prepaid expenses	559,337	-	-	559,337	532,322
Total current assets	29,797,223	179,718	-	29,976,941	26,352,407
Deferred Debits	39,418	-	-	39,418	41,413
Total assets	$ 411,028,230	$ 1,626,013	$ (1,261,293)	$ 411,392,950	$ 240,579,859

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidating Balance Sheet - Equities and Liabilities

December 31, 2025

(With Comparative totals for 2024)

	Presque Isle Electric & Gas Cooperative	Presque Isle Aurora Gas Assets	Eliminations	Consolidated Totals 2025	Consolidated Totals 2024
Equities and Liabilities					
Equities					
Memberships	$ 338,895	$ -	$ -	$ 338,895	$ 332,540
Patronage capital	56,782,286	-	-	56,782,286	49,490,970
Other equities	5,117,592	1,261,293	(1,261,293)	5,117,592	5,121,850
Total equities	62,238,773	1,261,293	(1,261,293)	62,238,773	54,945,360
Long-Term Liabilities					
Long-term debt, less current maturities	150,554,953	-	-	150,554,953	147,399,601
Deferred tax liability	-	355,559	-	355,559	376,000
Accrued post-retirement benefits	615,152	-	-	615,152	788,968
Total long-term debt	151,170,105	355,559	-	151,525,664	148,564,569
Current Liabilities					
Current maturities of long-term debt	4,845,697	-	-	4,845,697	4,553,767
Line of credit	183,093,974	-	-	183,093,974	21,869,838
Accounts payable					
Purchased power	2,356,286	-	-	2,356,286	2,295,227
Other	3,035,899	-	-	3,035,899	3,131,852
Accrued payroll and vacation	1,177,737	-	-	1,177,737	857,996
Accrued property taxes	1,209,297	9,161	-	1,218,458	1,266,799
Customer deposits and prepayments	478,821	-	-	478,821	512,688
Accrued interest	593,741	-	-	593,741	661,617
Other	117,874	-	-	117,874	90,546
Total current liabilities	196,909,326	9,161	-	196,918,487	35,240,330
Deferred Credits	710,026	-	-	710,026	1,829,600
Total equities and liabilities	$ 411,028,230	$ 1,626,013	$ (1,261,293)	$ 411,392,950	$ 240,579,859

Presque Isle Electric & Gas Co-op and Subsidiary

Consolidating Statement of Operations

Year Ended December 31, 2025

(With Comparative totals for 2024)

	Presque Isle Electric & Gas Cooperative	Presque Isle Aurora Gas Assets	Eliminations	Consolidated Totals 2025	Consolidated Totals 2024
Operating Revenues					
Electric and gas sales	$ 67,557,489	$ -	$ -	$ 67,557,489	$ 60,583,958
Fiber sales	6,444,995	-	-	6,444,995	5,563,482
Other sales	479,741	-	-	479,741	599,026
Total operating revenues	74,482,225	-	-	74,482,225	66,746,466
Operating Expenses					
Cost of power and gas	28,805,329	-	-	28,805,329	28,479,172
Distribution - operation and maintenance	8,765,656	-	-	8,765,656	9,164,714
Customer accounts	2,752,100	-	-	2,752,100	2,626,907
Customer service	661,208	-	-	661,208	925,417
Administrative and general	5,759,313	8,392	(142,962)	5,624,743	3,939,668
Fiber	2,584,861	-	-	2,584,861	2,363,398
Depreciation and amortization	6,318,695	90,926	-	6,409,621	6,320,520
Depreciation and amortization - fiber	2,170,514	-	-	2,170,514	1,590,812
Taxes - property	3,034,636	14,918	-	3,049,554	2,471,987
Taxes - other	2,022	28,726	-	30,748	55,749
Total operating expenses	60,854,334	142,962	(142,962)	60,854,334	57,938,344
Operating Margin (Loss) Before Fixed Charges	13,627,891	(142,962)	142,962	13,627,891	8,808,122
Fixed Charges					
Interest on long-term debt	8,586,503	-	-	8,586,503	7,923,369
Operating Margin (Loss) After Fixed Charges	5,041,388	(142,962)	142,962	5,041,388	884,753
Capital Credits	2,468,039	-	-	2,468,039	2,848,308
Net Operating Margin (Loss)	7,509,427	(142,962)	142,962	7,509,427	3,733,061
Non-Operating Margins					
Interest income	121,376	772	(772)	121,376	46,385
Other income (expense)	(327,294)	142,190	(142,190)	(327,294)	(1,822)
Total Non-Operating (Loss) Margins	(205,918)	142,962	(142,962)	(205,918)	44,563
Net Margins	$ 7,303,509	$ -	$ -	$ 7,303,509	$ 3,777,624