# 2024-2025 ANNUAL REPORT


Members First!

HANCOCK-WOOD ELECTRIC COOPERATIVE

A Touchstone Energy® Cooperative

# Highlights

Trustee Accomplishments
Strategic Planning Update
ACSI
Events
Patronage Capital
Economic Development
Operation Round-Up Summary
Staffing
Safety Improvement Plan
Rural Electric Cyber Advancement Program
Reliability
Operations and Maintenance
Construction
Amplex - Effort to provide FTTH
Political Action
Touchstone Energy Project
Prism Propane Update
Financial Audit


# Board Statistics

12 - Regular meetings

23 - Resolutions Passed

8 - Special and committee meetings

# Trustee Spotlights

Ed Crawford received his Director Gold Certification

Duane Fry received his Director Gold Certification

Lee Anne Dierksheide received her Director Gold Certification

Bill Kale received his Board Leadership Certification

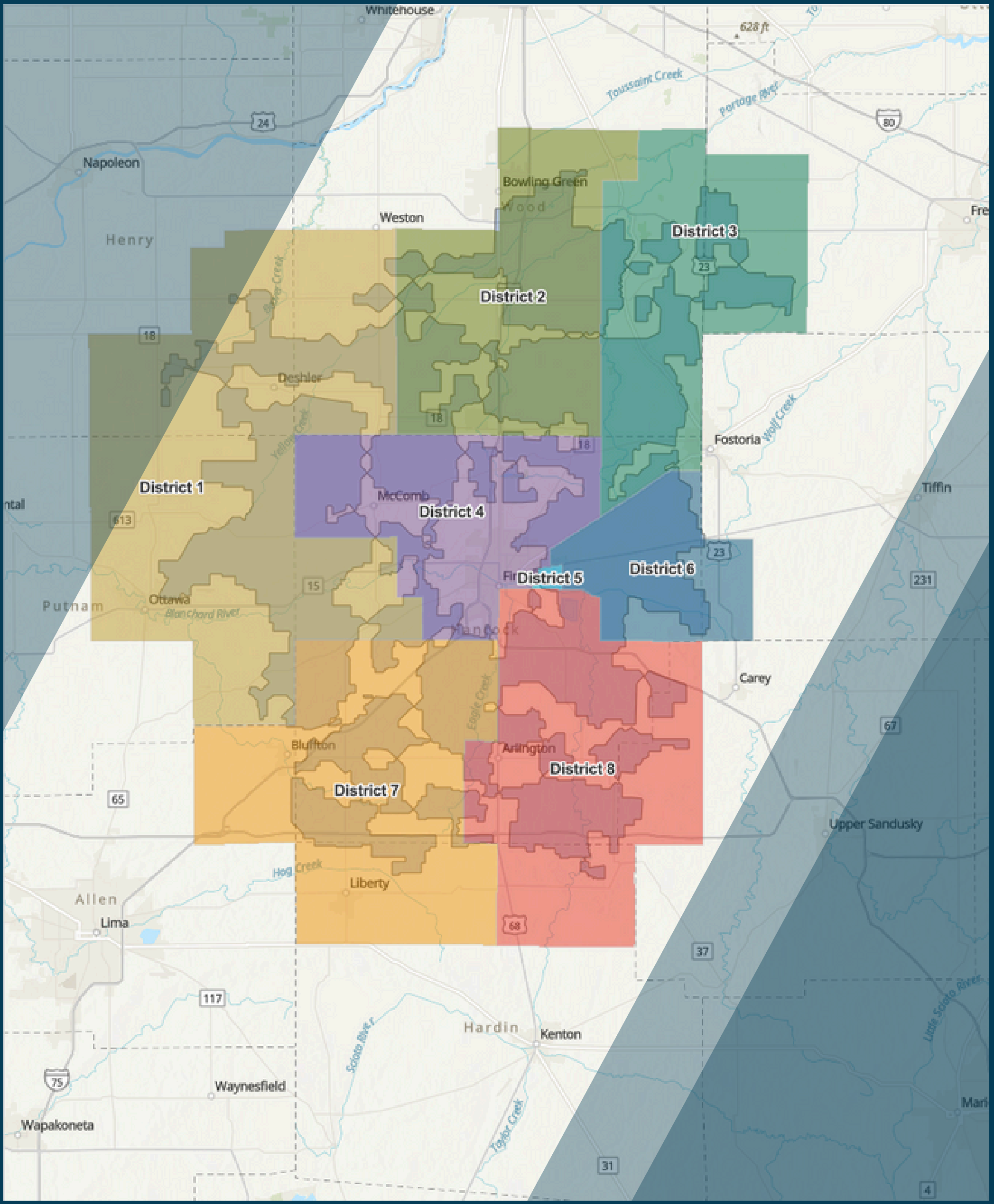
Tim Phillips received his Director Gold Certification

Brian Terry received his Credential Cooperative Director

# Strategic Planning Update

Service Area Protection & Economic Development

Rates & Cost continue to be a key strategic goal



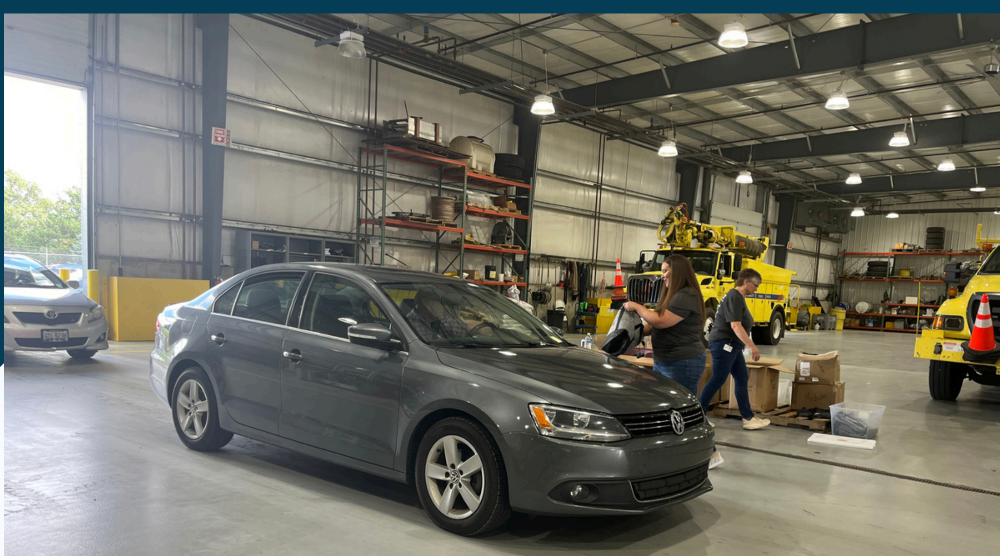
Congratulations to Hancock-Wood Electric Cooperative on their high member satisfaction score!


*ACSI® and its logo are registered trademarks of the American Customer Satisfaction Index LLC.*



# MEMBER EVENTS

Member events in 2024 included: Member Bingo, Cardinal Power Plant Tour, Family Fun Day at Children's Museum, The Drive-Thru Member Appreciation Day, and Annual PAC Meeting



# Patronage

## $3.25 million was returned

### The largest return in the last 26 years

Patronage or Capital 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.

# Economic Development Partners Inc.

- Sheetz gas station located in North Baltimore was energized in October.
- Ohio Logistics warehouse in Findlay to be completed in 2025.
- USDA Rural Economic Development Loan & Grant Program helped the Northwest Hancock Joint Fire District to purchase a fire truck with a 0% interest loan.

2024 Grants

# OPERATION ROUND UP

- **February**
  - Gliding Stars
  - Kelleys Island School
  - Hancock County Special Deputies

- **May**
  - Hancock County Educational Service Center
  - Perry Township Fire Department
  - Special Horseman Connection
  - Van Buren Local Schools
  - Wood County Department on Aging

- **August**
  - Allen Township Fire Department
  - Findlay Digital Academy
  - Findlay Hope House
  - Forest-Jackson Public Library
  - Cooperative Family Fund
  - NRECA International

- **November**
  - Eagleville Joint Ambulance District
  - Hancock Christian Clearing House
  - Hancock Public Health
  - Krout Cemetery Association
  - Liberty Benton Elementary
  - Vanlue Fire Department
  - HWE Trustee Donations

# Employee Recognition

JAKE AULD

Promoted to Lineman III

ROSS BENTON

Promoted to Lineman I

MARY CASEY

Promoted to HR Manager

ANDY FISHER

Completed Leadership Edge program

MELISSA SNYDER

Completed Cooperative Financial Professional Certification (CFPC) program

ISAAC SCHONLAU

Completed Leadership Edge program

# Employees Hired

ERIN MOORE

Member Services Representative

CALEB MASTERS

IT Technician

WILSON OTTO

Lineman III

ISAAC GAIETTO

Apprentice Lineworker

KATIE JOHNSON

Communications and Marketing Summer Intern

BRODY WALTER

Summer Facilities Intern

# SAFETY IMPROVEMENT PLAN

- Update prearrangements with station switch numbers
- Safety manual review with Operations employees
- Create operational manual for each substation

# Rural Electric Cyber Advancement Program (RECAP)

**RECAP helps identify, protect, detect, respond, and recover from a cyber-attack**

**Hancock-Wood is committed to ensuring member data security**

# Reliability

24/7 response availability

Average outage length: 80 minutes

Provide mutual aid to other cooperatives

# Outage Stats for 2024

Total number of outages: 787

Avg. length of Outage per Member: 80 minutes

Total Outage Hours: 18,065


Meters tested: 867
Poles inspected: 14,565
Miles of line inspected: 583
Obsolete poles replaced: 117

Joint use proposals from different companies processed: 6
Miles of contracted tree trimming for overhead lines: 581

Approximately 15 miles of old and obsolete overhead distribution lines were replaced for approximately $1.9M

# OPERATIONS, MAINTENANCE, AND CONSTRUCTION

AMPLEX INTERNET

**Hancock-Wood continues to partner with Amplex Internet to provide fiber-optic internet service throughout service territory.**

Connects to 15 substations and 31 locations

211 joint use proposals

12,250 new pole attachments

Replacement of over 300 poles

# Political Action

Hancock-Wood continues to be politically active

Representatives advocate concerns over power reliability, EPA regulations, RUS funding, FEMA efficiency, and data center growth in Ohio.

America's Electric Cooperatives | PAC

# Touchstone Energy Commercial Shoot

In June, Hancock-Wood employees assisted Touchstone Energy with the 2024 commercial shoot.


# Prism Propane Update

Focus on heating, cylinder gas, and Autogas for local school systems

www.prismpropane.com

# Community Involvement

In 2024, Hancock-Wood remained a valued community partner through our scholarship program, a Cobank matching donation to local townships, and mutual aid to help hurricane victims.


# Hancock-Wood Electric Cooperative, Inc. and Subsidiary

Consolidated Financial Statements
with
Additional Information

Years Ended March 31, 2025 and 2024

# HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

## CONTENTS

CPAS ADVISORS

# 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, 2025 and 2024, 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, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to 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-

### *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 27, 2025 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 27, 2025

# HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

## CONSOLIDATED BALANCE SHEETS
**March 31, 2025 and 2024**

| | 2025 | 2024 |
|---|---|---|
| **ASSETS** | | |
| UTILITY PLANT IN SERVICE, NET | $ 110,847,945 | $ 108,996,019 |
| INVESTMENTS | 22,627,071 | 22,888,281 |
| NOTE RECEIVABLE | 193,242 | - |
| DEFERRED TAX ASSET | 19,876 | - |
| DEFERRED ASSETS | 64,757 | 181,165 |
| GOODWILL | 731,892 | 731,892 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 6,015,987 | 5,090,481 |
| Accounts receivable, consumer, less allowance for doubtful accounts of $96,785 for 2025 and $223,605 for 2024 | 5,272,662 | 5,021,596 |
| Current portion of note receivable | 49,338 | - |
| Materials and supplies | 2,067,197 | 1,403,792 |
| Prepaid expenses | 504,009 | 2,045,556 |
| Income tax receivable | - | 24,800 |
| TOTAL CURRENT ASSETS | 13,909,193 | 13,586,225 |
| TOTAL ASSETS | $ 148,393,976 | $ 146,383,582 |
| **MEMBERS' EQUITY AND LIABILITIES** | | |
| LONG-TERM DEBT, less current portion | $ 53,795,705 | $ 52,906,947 |
| FINANCE LEASE OBLIGATIONS, less current portion | 222,904 | 278,099 |
| RETIREMENT BENEFITS OTHER THAN PENSIONS | 2,097,464 | 2,087,178 |
| DEFERRED TAX OBLIGATONS | - | 205,444 |
| MEMBERS' EQUITY | | |
| Patronage capital/retained earnings | 83,459,359 | 82,503,899 |
| TOTAL MEMBERS' EQUITY | 83,459,359 | 82,503,899 |
| CURRENT LIABILITIES | | |
| Accounts payable | 3,421,418 | 2,957,573 |
| Accrued expenses | 771,964 | 752,850 |
| Customer prepaid liabilities | 404,344 | 532,374 |
| Current portion of long-term debt | 2,341,595 | 2,177,292 |
| Current portion of finance lease obligations | 107,464 | 136,461 |
| Accrued taxes | 1,551,737 | 1,626,399 |
| Customer deposits | 220,022 | 219,066 |
| TOTAL CURRENT LIABILITIES | 8,818,544 | 8,402,015 |
| TOTAL MEMBERS' EQUITY AND LIABILITIES | $ 148,393,976 | $ 146,383,582 |

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, 2025 and 2024**

| | Amount | | Percent | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| OPERATING REVENUES | $ 57,701,050 | $ 55,999,520 | 100.0 | 100.0 |
| OPERATING EXPENSES | | | | |
| Purchased power/cost of sales | 35,876,601 | 33,278,663 | 62.3 | 59.4 |
| Operations | 2,612,232 | 2,760,216 | 4.5 | 4.9 |
| Maintenance | 1,988,515 | 1,775,847 | 3.4 | 3.2 |
| Customer account expense | 530,726 | 670,435 | 0.9 | 1.2 |
| Administrative and general expense | 5,986,819 | 5,772,952 | 10.4 | 10.3 |
| Depreciation | 4,598,134 | 4,393,331 | 8.1 | 7.8 |
| Taxes other than income taxes | 1,508,614 | 1,470,005 | 2.6 | 2.6 |
| Income taxes | | | | |
| Deferred | (252,644) | 8,641 | (0.4) | 0.0 |
| Currently payable | 92,690 | 25,531 | 0.2 | 0.0 |
| TOTAL OPERATING EXPENSES | 52,941,687 | 50,155,621 | 92.0 | 89.4 |
| OPERATING MARGINS BEFORE OTHER ITEMS | 4,759,363 | 5,843,899 | 8.0 | 10.6 |
| OTHER OPERATING ITEMS, NET | | | | |
| Patronage revenue | 1,104,567 | 1,727,448 | 1.9 | 3.0 |
| Interest expense | (2,040,646) | (1,971,509) | (3.5) | (3.5) |
| TOTAL OTHER OPERATING ITEMS, NET | (936,079) | (244,061) | (1.6) | (0.5) |
| OPERATING MARGINS | 3,823,284 | 5,599,838 | 6.4 | 10.1 |
| NON-OPERATING ITEMS, NET | | | | |
| Gain (loss) on disposition and exchange of property and equipment | 32,610 | 20,790 | 0.1 | 0.0 |
| Interest and dividend revenue | 213,912 | 208,220 | 0.4 | 0.4 |
| All other, net | (20,642) | 2,177 | 0.0 | 0.0 |
| TOTAL NON-OPERATING ITEMS, NET | 225,880 | 231,187 | 0.5 | 0.4 |
| NET MARGINS | $ 4,049,164 | $ 5,831,025 | 6.9 | 10.5 |

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
**Years Ended March 31, 2025 and 2024**

| | Amount | | Percent | |
|---|---|---|---|---|
| | 2025 | 2024 | 2025 | 2024 |
| NET MARGINS | $ 4,049,164 | $ 5,831,025 | 6.9 | 10.5 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Unrealized gain (loss) on postretirement benefit obligation | (128,715) | (68,674) | (0.2) | (0.1) |
| COMPREHENSIVE INCOME | $ 3,920,449 | $ 5,762,351 | 6.7 | 10.4 |

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, 2025 and 2024**

| | Total | Patronage Capital Assigned | Patronage Capital Assignable | Donated Capital | Unallocated Margins | Accumulated Other Comprehensive Income | Retained Earnings |
|---|---|---|---|---|---|---|---|
| BALANCE, March 31, 2023 | $ 79,551,772 | $ 75,966,614 | $ (2,807,981) | $ 1,976,564 | $ 947,019 | $ 22,383 | $ 3,447,173 |
| Net margins | 5,831,025 | - | 5,820,235 | - | - | - | 10,790 |
| Transfers at 12/31/2023 | - | 3,812,230 | (3,927,601) | - | 115,371 | - | - |
| General retirement of capital credits | (2,880,408) | (2,871,663) | - | - | - | - | (8,745) |
| Estates | (225,751) | (341,406) | - | 115,655 | - | - | - |
| Voided capital credit | 295,935 | - | 295,935 | - | - | - | - |
| Unrecognized postretirement benefit cost | (68,674) | - | - | - | - | (68,674) | - |
| 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 | - | - |
| Retirement of capital credits/dividends | (2,775,424) | (3,087,845) | 323,148 | - | - | - | (10,727) |
| Estates | (188,809) | (292,811) | - | 104,002 | - | - | - |
| Voided capital credits | (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 |

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS
### Years Ended March 31, 2025 and 2024

| | 2025 | 2024 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from consumers | $ 57,477,308 | $ 55,001,018 |
| Cash paid to suppliers and vendors | (47,345,625) | (44,737,767) |
| Interest and dividends received | 213,912 | 208,220 |
| Interest paid | (2,040,646) | (1,971,509) |
| Income taxes paid | (67,890) | (50,331) |
| All other, net | (20,642) | 2,177 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 8,216,417 | 8,451,808 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of utility plant in service, net | (6,696,752) | (7,573,652) |
| Proceeds from sale of utility plant in service | 32,610 | 129,313 |
| Proceeds from / issuance of note receivable | 4,112 | - |
| Purchase of deferred assets | (538) | (979) |
| Purchase of investments | (58,167) | (288,000) |
| Proceeds from sale/redemption of investments | 1,423,944 | 1,215,097 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (5,294,791) | (6,518,221) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments on borrowings | (2,196,939) | (2,689,520) |
| Borrowings of long-term funds | 3,250,000 | 3,760,000 |
| Borrowings on capital lease obligations | 47,020 | 129,878 |
| Repayments on capital lease obligations | (131,212) | (113,425) |
| Retirement of capital credits/dividends | (2,964,989) | (2,810,224) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | (1,996,120) | (1,723,291) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 925,506 | 210,296 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 5,090,481 | 4,880,185 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | $ 6,015,987 | $ 5,090,481 |

The accompanying notes are an integral part of these statements.

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

| | 2025 | 2024 |
|---|---|---|
| RECONCILIATION OF NET MARGINS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | |
| Net margins | $ 4,049,164 | $ 5,831,025 |
| Non-cash items | | |
| Depreciation | 4,598,134 | 4,393,331 |
| Amortization | 116,946 | 44,541 |
| Patronage revenue / non-cash revenue | (1,104,567) | (1,727,448) |
| (Gain) loss on sale or exchange of property and equipment | (32,610) | (20,790) |
| Deferred tax benefit | (252,644) | 8,641 |
| Decrease (increase) in assets | | |
| Accounts receivable, consumer | (223,742) | (998,502) |
| Materials and supplies | (663,405) | 65,105 |
| Income tax receivable | 24,800 | (24,800) |
| Prepaid expenses | 1,541,547 | 1,030,227 |
| Increase (decrease) in liabilities | | |
| Accounts payable | 463,845 | (231,884) |
| Customer deposits | 956 | (1,779) |
| Customer prepaid liabilities | (128,030) | 53,277 |
| Post retirement expense | (118,429) | (100,309) |
| Accrued expenses | (55,548) | 131,173 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | $ 8,216,417 | $ 8,451,808 |

The accompanying notes are an integral part of these statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
**Years Ended March 31, 2025 and 2024**

### 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.

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, 2025 and 2024.

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.

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.

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.

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.

## 1. Summary of significant accounting policies (continued)

Revenue recognition – HWE has adopted 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. The adoption of the Contract Revenue standard did not result in any prior period adjustments. 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 $6,745 and $15,952 for 2025 and 2024, respectively

Subsequent events – Subsequent events have been evaluated through May 27, 2025,the date of which the consolidated financial statements were available to be issued.

## 2. Utility plant in service, net

Utility plant in service consists of the following:

| | 2025 | 2024 |
|---|---|---|
| Cost | | |
| General plant | $ 22,802,460 | $ 23,118,121 |
| Transmission plant | 411,204 | 414,062 |
| Distribution plant | 116,902,849 | 110,961,499 |
| Propane property and equipment | 9,882,087 | 10,067,196 |
| Construction in progress | 2,045,177 | 4,417,710 |
| Total cost | 152,043,777 | 148,978,588 |
| Accumulated depreciation | 41,195,832 | 39,982,569 |
| UTILITY PLANT IN SERVICE, NET | $ 110,847,945 | $ 108,996,019 |

The aggregate depreciation charged to operations was $4,598,134 for 2025 and $4,393,331 for 2024. 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:

| | 2025 | 2024 |
|---|---|---|
| Patronage capital | | |
| Buckeye Power, Inc. | $ 20,090,005 | $ 20,425,047 |
| National Rural Utilities Cooperative Finance Corporation (CFC) | 222,665 | 235,795 |
| Rural Electric Supply Cooperative | 172,824 | 150,377 |
| CoBank | 680,577 | 614,371 |
| Federated Rural Electric Insurance Exchange | 281,142 | 271,467 |
| Capital term certificates issued by CFC | 628,871 | 629,442 |
| All other | 550,987 | 561,782 |
| TOTAL INVESTMENTS | $ 22,627,071 | $ 22,888,281 |

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.

## 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.

Investments held at March 31, 2025 and 2024, valued at $22,627,071 and $22,888,281, 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 $1,104,567 and $1,727,448 for the years ended March 31, 2025 and 2024, respectively. Increases resulting from additional purchases totaled $58,167 and $288,000 for the years ended March 31, 2025 and 2024, respectively. Redemptions of level 3 investments totaled $1,423,944 and $1,215,097 for the years ended March 31, 2025 and 2024, respectively.

## 5. Long-term debt

Long-term debt consists of the following:

| | 2025 | 2024 |
|---|---|---|
| 1.753% - 5.22% notes, payable to RUS in quarterly installments of approximately $600,000, including interest, with final maturities ranging from 2036 to 2052. Secured by all assets. | $ 40,239,352 | $ 38,289,932 |
| 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 2039. Secured by all assets. | 15,301,879 | 16,140,144 |
| 6.60% note, payable to CFC in quarterly installments of approximately $19,000, including interest, with final maturity in 2029. Secured by all assets. | 236,069 | 294,163 |
| 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. | 360,000 | 360,000 |
| Total long-term debt | 56,137,300 | 55,084,239 |
| Less current portion | 2,341,595 | 2,177,292 |
| LONG-TERM DEBT, less current portion | $ 53,795,705 | $ 52,906,947 |

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

| | |
|---|---|
| 2025 | $ 2,341,595 |
| 2026 | 2,375,714 |
| 2027 | 2,471,218 |
| 2028 | 2,536,521 |
| 2029 | 2,607,149 |
| Thereafter | 43,805,103 |

Unadvanced long-term loan fund are available to HWE from RUS in the amount of $13,810,000.

HWE maintains a perpetual line of credit with CFC in the amount of $3,850,000 bearing an interest rate of 7.25% and 6.50% at March 31, 2024 and 2023, respectively. There was no outstanding balance at March 31, 2025 and 2024.

## 5. Long-term debt (continued)

HWE also has a line of credit with CoBank with a maximum borrowing capacity of $4,000,000. The outstanding balance was $0 and $0 at March 31, 2025 and 2024, respectively. The interest rate was 7.39% and 6.814% at March 31, 2025 and 2024, respectively. The line of credit matures on January 31, 2026.

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, 2025 and 2024, respectively. The interest rate was 7.39% and 6.814% at March 31, 2025 and 2024, 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 $783,003 and $775,563 as of March 31, 2025 and 2024, respectively. Accumulated depreciation was $604,145 and $450,244 as of March 31, 2025 and 2024, respectively. Finance leases are included in utility plant in service, net, on the balance sheet. The components of lease expense are as follows:

| | 2025 | 2023 |
|---|---|---|
| Finance lease cost | | |
| Amortization of right-of-use assets | $ 168,036 | $ 146,279 |
| Interest on lease liabilities | 14,897 | 11,658 |
| Total finance lease cost | $ 182,933 | $ 157,937 |

Supplemental cash flow information related to leases is as follows:

| | 2025 | 2023 |
|---|---|---|
| Cash paid for amounts included in the measurement of lease liabilities | | |
| Operating cash flows from finance leases | $ 14,897 | $ 11,658 |
| Financing cash flows from finance leases | 131,212 | 113,425 |

The weighted average remaining lease term is 3 years. The weighted average discount rate is 2.6%.

## 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, 2025 are as follows:

| | | |
|---|---|---|
| Year Ended March 31, | | |
| 2025 | $ | 121,682 |
| 2026 | | 116,367 |
| 2027 | | 85,022 |
| 2028 | | 34,327 |
| 2029 | | 1,831 |
| Thereafter | | - |
| Total future minimum lease payments | | 359,229 |
| Less amounts representing interest | | 28,861 |
| Present value of net minimum lease payments | | 330,368 |
| Less current portion of capital lease obligations | | 107,464 |
| Long-term capital lease obligations | $ | 222,904 |

## 7. Deferred charges and credits

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

| | 2025 | 2024 |
|---|---|---|
| Work plan and system studies | $ 64,757 | $ 181,165 |
| TOTAL DEFERRED CHARGES | $ 64,757 | $ 181,165 |

The prepaid pension was being amortized over ten years on the straight-line method, and was fully amortized during 2024. Work plan and system studies are being amortized over the life of the plan, from four years 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.

## 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 2025 and in 2024 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 $835,889 in 2025 and $836,500 in 2024.

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, 2025 and 2024 based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of the PPA do not apply to the RS Plan, funding improvement plans and surcharges are not applicable. Future contribution requirements are determined each year as part of the actuarial valuation of the plan and may change as a result of plan experience.

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participants in the RS Plan to make a contribution prepayment and reduce future required contributions. The prepayment amount is a company's share, as of January 1, 2013, of future contributions required to fund the RS Plan's unfunded value of benefits earned to date using RS Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a company's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most companies the billing rate is reduced approximately 25%, retroactive to January 1, 2013. The 25% differential in billing rates is expected to continue for approximately 15 years. However changes in interest rates, asset returns and other plan experience different from expected, plan assumption changes and other factors may have an impact on the differential in billing rates and the 15 year period.

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 $204,824 and $221,573 for 2025 and 2024, respectively.

## 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, 2025.

The accumulated postretirement benefit obligation was $2,097,464 and $2,087,178 at March 31, 2025 and 2024. The accumulated other comprehensive income (loss) was $(175,006) and $(46,291) at March 31, 2025 and 2024. The accrued benefit cost of $1,922,458 and $2,040,887 as of March 31, 2025 and 2024. The plan assets were $0 for 2025 and 2024. The following table details the net periodic benefit cost for 2025 and 2024.

| | 2025 | 2024 |
|---|---|---|
| Service cost | $ 26,802 | $ 31,729 |
| Interest cost | 114,822 | 105,620 |
| Net prior service cost amortization | (121,100) | (121,100) |
| Net loss / (gain) amortization | 13,521 | 9,418 |
| Net periodic benefit cost | $ 34,045 | $ 25,667 |

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

| | 2025 | 2024 |
|---|---|---|
| Net actuarial gain / (loss) | $ (21,136) | $ 43,008 |
| Amortization of gain / (loss) | 13,521 | 9,418 |
| Prior service amortization | (121,100) | (121,100) |
| Net periodic benefit cost | $ (128,715) | $ (68,674) |

Amounts recognized in accumulated other comprehensive income include the following:

| | 2025 | 2024 |
|---|---|---|
| Net actuarial loss / (gain) | $ 268,506 | $ 260,891 |
| Net prior service cost / (credit | (93,500) | (214,600) |
| Net periodic benefit cost | $ 175,006 | $ 46,291 |

## 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 $5,441. The estimated prior service cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next year is ($93,500).

The study used a weighted average discount rate of 6.00% at March 31, 2025 and 5.60% at March 31, 2024. For measurement purposes, a 10.13% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2025. The rate was assumed to gradually decrease to 4.75% in the year 2032 and remain at that level thereafter.

The following benefit payments, which reflect expected future service, are expected to be paid to the plan participants: 2026 - $130,385; 2027 - $152,148; 2028 - $133,226; 2029 - $132,435; 2030 - $135,000; 2031-2035 - $688,648.

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, 2025, Propane has contracts to purchase propane, which require the purchase of 250,00 gallons of propane at priced at $0.70 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, 2025 and 2024 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:

| | 2025 | 2024 |
|---|---|---|
| Property and equipment | $ 13,944 | $ (280,140) |
| Net operating loss carryforward | - | 58,554 |
| Allowance for doubtful accounts | 5,932 | 16,142 |
| DEFERRED TAX ASSET / (LIABILITY) | $ 19,876 | $ (205,444) |

HWE and Solutions have open tax years for 2024, 2023, and 2022 for income tax filings. No interest or penalties related to income tax are included in these financial statements.

## 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 27 are represented under union contract. The current contract expires on February 28, 2026.

## 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, 2025 and 2024, HWE had unbilled revenues of $4,175,171 and $4,045,793, included in accounts receivable, respectively.

## 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 form 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, 2025 and 2024, the contract liability associated with the "pre-buy" program and prepaid propane are $404,344 and $532,374, respectively. The following table provides operating revenues disaggregated for the years ended March 31, 2025 and 2024.

| | 2025 | 2024 |
|---|---|---|
| Residential electric | $ 25,607,083 | $ 24,714,703 |
| Commerical electric | 26,591,915 | 25,970,799 |
| Residential propane | 3,520,337 | 3,277,076 |
| Commercial propane | 570,656 | 511,737 |
| Propane cylinder | 793,271 | 935,687 |
| Other revenues | 617,788 | 589,518 |
| TOTAL REVENUES | $ 57,701,050 | $ 55,999,520 |

# ADDITIONAL INFORMATION

# HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

## ADDITIONAL INFORMATION – 2025 CONSOLIDATED BALANCE SHEET

| | Consolidated Balance | Consolidating Entries | Cooperative | Solutions | Propane |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| 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 |
| NOTE 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 |
|---|---|---|---|---|---|
| **EQUITIES AND LIABILITIES** | | | | | |
| LONG-TERM DEBT, less current portion | $ 53,795,705 | $ - | $ 52,733,326 | $ - | $ 1,062,379 |
| FINANCE 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 finance 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.

# HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

## ADDITIONAL INFORMATION – 2024 CONSOLIDATED BALANCE SHEET

| | Consolidated Balance | Consolidating Entries | Cooperative | Solutions | Propane |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| UTILITY PLANT IN SERVICE, NET | $ 108,996,019 | $ - | $ 105,419,958 | $ - | $ 3,576,061 |
| INVESTMENTS | 22,888,281 | (4,262,892) | 25,564,425 | 1,574,666 | 12,082 |
| DEFERRED ASSETS | 181,165 | - | 181,165 | - | - |
| GOODWILL | 731,892 | - | - | 731,892 | - |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | 5,090,481 | - | 3,486,214 | 7,000 | 1,597,267 |
| Accounts receivable, consumers | 5,021,596 | (52,125) | 4,884,407 | - | 189,314 |
| Materials, supplies and inventories | 1,403,792 | - | 1,209,821 | - | 193,971 |
| Prepaid expenses | 2,045,556 | - | 1,908,526 | - | 137,030 |
| Income tax receivable | 24,800 | - | - | 24,800 | - |
| TOTAL CURRENT ASSETS | 13,586,225 | (52,125) | 11,488,968 | 31,800 | 2,117,582 |
| TOTAL ASSETS | $ 146,383,582 | $ (4,315,017) | $ 142,654,516 | $ 2,338,358 | $ 5,705,725 |

See independent auditors' report.

# HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

## ADDITIONAL INFORMATION – 2024 CONSOLIDATED BALANCE SHEET

| | Consolidated Balance | Consolidating Entries | Cooperative | Solutions | Propane |
|---|---|---|---|---|---|
| **EQUITIES AND LIABILITIES** | | | | | |
| LONG-TERM DEBT, less current portion | $ 52,906,947 | $ - | $ 51,777,741 | $ - | $ 1,129,206 |
| CAPITAL LEASE OBLIGATIONS, less current portion | 278,099 | - | 105,013 | - | 173,086 |
| RETIREMENT BENEFITS OTHER THAN PENSIONS | 2,087,178 | - | 2,087,178 | - | - |
| DEFERRED TAX | 205,444 | - | - | 205,444 | - |
| PATRONAGE CAPITAL AND OTHER EQUITIES | 82,503,899 | (4,262,892) | 81,117,376 | 2,079,420 | 3,569,995 |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | 2,957,573 | - | 2,917,727 | - | 39,846 |
| Accrued expenses | 752,850 | (52,125) | 686,649 | 53,494 | 64,832 |
| Customer prepaid liabilities | 532,374 | - | - | - | 532,374 |
| Current portion of long-term debt | 2,177,292 | - | 2,125,986 | - | 51,306 |
| Current portion of capital lease obligations | 136,461 | - | 64,271 | - | 72,190 |
| Accrued taxes | 1,626,399 | - | 1,626,399 | - | - |
| Customer deposits | 219,066 | - | 146,176 | - | 72,890 |
| TOTAL CURRENT LIABILITIES | 8,402,015 | (52,125) | 7,567,208 | 53,494 | 833,438 |
| TOTAL EQUITIES AND LIABILITIES | $ 146,383,582 | $ (4,315,017) | $ 142,654,516 | $ 2,338,358 | $ 5,705,725 |

See independent auditors' report.

# HANCOCK-WOOD ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

## ADDITIONAL INFORMATION – 2024 CONSOLIDATED STATEMENT OF REVENUE

| | Consolidated Balance | Consolidating Entries | Cooperative | Solutions | Propane |
|---|---|---|---|---|---|
| OPERATING REVENUES | $ 55,999,520 | $ - | $ 51,245,451 | $ - | $ 4,754,069 |
| OPERATING EXPENSES | | | | | |
| Purchased power/cost of sales | 33,278,663 | - | 30,423,808 | - | 2,854,855 |
| Operations | 2,760,216 | - | 2,760,216 | - | - |
| Maintenance | 1,775,847 | - | 1,775,847 | - | - |
| Customer account expense | 670,435 | - | 670,435 | - | - |
| Administrative and general | 5,772,952 | (34,276) | 4,425,950 | 8,745 | 1,372,533 |
| Depreciation | 4,393,331 | - | 3,926,667 | - | 466,664 |
| Taxes other than income taxes | 1,470,005 | - | 1,450,636 | - | 19,369 |
| Income taxes | | | | | |
| Deferred | 8,641 | - | - | 8,641 | - |
| Currently payable | 25,531 | 25,531 | - | - | - |
| TOTAL OPERATING EXPENSES | 50,155,621 | (8,745) | 45,433,559 | 17,386 | 4,713,421 |
| OPERATING MARGINS BEFORE OTHER ITEMS | 5,843,899 | 8,745 | 5,811,892 | (17,386) | 40,648 |
| OTHER OPERATING ITEMS, NET | | | | | |
| Patronage revenue | 1,727,448 | - | 1,726,732 | - | 716 |
| Interest expense | (1,971,509) | - | (1,933,335) | - | (38,174) |
| TOTAL OTHER OPERATING ITEMS, NET | (244,061) | - | (206,603) | - | (37,458) |
| OPERATING MARGINS | 5,599,838 | 8,745 | 5,605,289 | (17,386) | 3,190 |
| NON-OPERATING ITEMS, NET | | | | | |
| Gain (loss) on disposition and exchange of property and equipment | 20,790 | - | 20,790 | - | - |
| Interest and dividend revenue | 208,220 | - | 199,239 | (18) | 8,999 |
| All other, net | 2,177 | - | (5,083) | - | 7,260 |
| TOTAL NON-OPERATING ITEMS, NET | 231,187 | - | 214,946 | (18) | 16,259 |
| NET MARGINS | $ 5,831,025 | $ 8,745 | $ 5,820,235 | $ (17,404) | $ 19,449 |

See independent auditors' report.

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# 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, 2025, 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 27, 2025. In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2025, 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 27, 2025

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# 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, 2025 and 2024, 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 27, 2025.

## 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 27, 2025

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May 27, 2025

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, 2025, and have issued our report thereon, dated May 27, 2025. 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

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May 27, 2025

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, 2025, and have issued our report thereon dated May 27, 2025. 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 27, 2025.

## 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 2025. 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 27, 2025.

**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