NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
PLYMOUTH, NEW HAMPSHIRE

CONSOLIDATED FINANCIAL STATEMENTS AS OF DECEMBER 31, 2025 AND 2024 AND INDEPENDENT AUDITOR'S REPORT

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY

CONTENTS

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March 31, 2026

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
New Hampshire Electric Cooperative, Inc. and Subsidiary

Opinion

We have audited the consolidated financial statements of **New Hampshire Electric Cooperative, Inc. and Subsidiary**, which comprise the consolidated balance sheets as of December 31, 2025 and 2024, and the related consolidated statements of operations, changes in equities 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 present fairly, in all material respects, the financial position of New Hampshire Electric Cooperative, Inc. and Subsidiary as of December 31, 2025 and 2024 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 New Hampshire 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 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.

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 New Hampshire Electric Cooperative, Inc. 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 misstatements 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 New Hampshire 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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about New Hampshire 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.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

ASSETS
(In Thousands)

	2025	2024
Utility Plant		
Utility Plant	$ 552,883	$ 485,293
Construction Work in Progress	17,508	55,212
Gross Utility Plant	570,391	540,505
Accumulated Provision for Depreciation	(215,408)	(205,085)
	354,983	335,420
Other Property and Investments		
Investments in Associated Organizations	10,138	10,368
Nonutility Property, Net	19,118	14,203
Postretirement Benefits Other Than Pensions	-	699
Other	646	738
	29,902	26,008
Current Assets		
Cash and Cash Equivalents	2,910	983
Accounts Receivable (Net of Allowance for Credit Losses of $260 and $316 in 2025 and 2024, Respectively)	25,853	22,670
Materials and Supplies	10,022	15,335
Other	2,926	2,651
	41,711	41,639
Deferred Debits	39,426	14,492
Total Assets	$ 466,022	$ 417,559

See accompanying notes which are an integral part of these consolidated financial statements.

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

EQUITIES AND LIABILITIES
(In Thousands)

	2025	2024
Equities		
Patronage Capital	**$ 149,804**	$ 142,320
Other Equities	**5,295**	5,295
	155,099	147,615
Long-Term Liabilities		
Long-Term Debt	**217,045**	183,114
Postretirement Benefits Other Than Pensions	**1,981**	-
Long-Term Operating Lease Obligations	**4,230**	4,307
	223,256	187,421
Current Liabilities		
Current Maturities of Long-Term Debt	**10,942**	9,692
Current Maturities of Postretirement Benefits Other Than Pensions	**417**	-
Current Maturities of Long-Term Operating Lease Obligations	**577**	587
Lines-of-Credit	**38,013**	24,849
Accounts Payable	**22,182**	22,952
Member Deposits	**2,284**	2,172
Other Current Liabilities	**8,048**	5,393
	82,463	65,645
Deferred Credits	**5,204**	16,878
Total Equities and Liabilities	**$ 466,022**	$ 417,559

See accompanying notes which are an integral part of these consolidated financial statements.

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31
(In Thousands)

	2025	2024
Operating Revenues	**$ 199,402**	$ 175,460
Operating Expenses		
Cost of Power	**63,232**	56,771
Transmission Expense	**37,932**	29,830
Distribution Operations	**6,122**	5,812
Distribution Maintenance	**18,590**	17,589
Consumer Accounts	**2,732**	2,622
Consumer Service and Information	**153**	129
Administrative and General	**28,388**	29,224
Depreciation and Amortization	**16,780**	14,673
Operating Taxes	**8,304**	8,121
Total Operating Expenses	**182,233**	164,771
Operating Margins Before Interest Expense	**17,169**	10,689
Interest Expense	**10,469**	8,030
Operating Margins After Interest Expense	**6,700**	2,659
Nonoperating Margins	**184**	547
Other Capital Credits and Patronage Allocations	**600**	376
Net Margins	**$ 7,484**	$ 3,582

See accompanying notes which are an integral part of these consolidated financial statements.

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITIES
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In Thousands)

	Patronage Capital	Other Equities	Total Equities
Balance, December 31, 2023	$ 138,738	$ 5,276	$ 144,014
Net Margins	3,582	-	3,582
Other	-	19	19
Balance, December 31, 2024	142,320	5,295	147,615
Net Margins	7,484	-	7,484
Balance, December 31, 2025	**$ 149,804**	**$ 5,295**	**$ 155,099**

See accompanying notes which are an integral part of these consolidated financial statements.

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(In Thousands)

	2025	2024
Cash Flows from Operating Activities		
Net Margins	**$ 7,484**	$ 3,582
Adjustments to Reconcile Net Margins to Net Cash Provided by Operating Activities		
Depreciation and Amortization	**18,047**	17,457
Patronage Capital from Associated Organizations	**(599)**	(376)
Accumulated Provision for Postretirement Benefits	**105**	45
Postretirement Benefits Contribution	**(412)**	(240)
Change in Deferred Credits	**(11,373)**	(37)
Change in Deferred Debits	**(5,635)**	(7,278)
Change In		
Accounts Receivable	**(3,183)**	7,898
Materials and Supplies	**5,313**	(3,249)
Other Current Assets	**(277)**	(157)
Accounts Payable	**(770)**	(7,427)
Member Deposits	**112**	17
Other Current Liabilities	**2,655**	(765)
	11,467	9,470
Cash Flows from Investing Activities		
Extension and Replacement of Plant	**(61,344)**	(86,766)
Return of Equity from Associated Organizations	**829**	742
Proceeds from Grants	**-**	15,036
Postretirement Benefit Plan Asset Liquidation	**2,628**	-
	(57,887)	(70,988)
Balance - Carried Forward	**$ (46,420)**	$ (61,518)

See accompanying notes which are an integral part of these consolidated financial statements.

NEW HAMPSHIRE ELECTRIC COOPERATIVE, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(In Thousands)

	2025	2024
Balance - Brought Forward	**$ (46,420)**	$ (61,518)
Cash Flows from Financing Activities		
Advances of Long-Term Debt	**45,500**	70,000
Principal Payments of Long-Term Debt	**(10,319)**	(8,565)
Lines-of-Credit	**13,164**	(454)
Other Equities	**-**	19
	$ 48,345	$ 61,000
Net Increase (Decrease) in Cash and Cash Equivalents	**1,925**	(518)
Cash and Cash Equivalents - Beginning	**983**	1,501
Cash and Cash Equivalents - Ending	**$ 2,910**	$ 983
Supplemental Disclosure of Noncash Financing and Investing Activities		
Establishment of Lease Liability and Right-of-Use Asset	**$ -**	$ 851

See accompanying notes which are an integral part of these consolidated financial statements.

(1) Nature of Operations

New Hampshire Electric Cooperative, Inc. and Subsidiary (the Corporation) provides electric and internet services to residential, businesses, governmental, and industrial customers in certain areas within the State of New Hampshire.

New Hampshire Electric Cooperative, Inc.

New Hampshire Electric Cooperative, Inc. (NHEC) is a member-owned, not-for-profit corporation organized to provide electric service to its members. NHEC operates as a cooperative whereby all monies in excess of the cost of providing electric service are capital, at the moment of receipt, and are credited to each member's capital account. NHEC is currently subject to limited regulation by the New Hampshire Public Utilities Commission (NHPUC) and New Hampshire Department of Energy (NHDOE). NHEC currently serves active service locations throughout 118 communities in New Hampshire.

New Hampshire Broadband, LLC

New Hampshire Broadband, LLC (NHB), a wholly owned subsidiary of NHEC, offers retail broadband services to members and was organized for the purpose of providing fiber-to-the-home broadband access to the full spectrum of online resources, tools, and applications.

(2) Summary of Significant Accounting Policies

Accounting policies of the Corporation reflect practices appropriate to the electric utility industry, retail broadband industry, and generally accepted accounting principles of the United States of America (U.S. GAAP). The records of the Corporation are maintained in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The following describes the more significant of those policies.

Basis of Accounting

The Corporation's consolidated financial statements have been prepared in accordance with U.S. GAAP. The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the *Accounting Standards Codification (ASC)* and related Accounting Standards Updates (ASUs).

Consolidation

The consolidated financial statements include the accounts and results of operations of NHEC and its wholly-owned subsidiary, NHB. All significant intercompany transactions have been eliminated in consolidation.

(2) Summary of Significant Accounting Policies (Continued)

Regulated Operations

NHEC, in its rate-making capacity, has the ability to account for certain revenue and expense deferrals in accordance with *ASC 980.*

In accordance with New Hampshire statute, NHEC members have the option to vote to reduce the level of NHPUC regulation that affects the Corporation. The NHPUC retains limited regulatory jurisdiction for some aspects of NHEC's operations that pertain to the restructuring of the electric industry. All regulatory assets and liabilities associated with energy efficiency, energy assistance, and some aspects of restructuring continue to be regulated by the NHPUC and NHDOE. The board of directors, rather than the NHPUC, regulates NHEC's rates for distribution, transmission, and default energy supply.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Long-Lived Assets

The Corporation evaluates long-lived assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance or an estimate of undiscounted future cash flows attributable to the assets, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by estimating the fair value of the assets and recording a provision for loss if the carrying value is greater than the fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment provision is required. Until the assets are disposed of, their estimated fair value is reevaluated when circumstances or events change.

U.S. GAAP requires the present value of the ultimate cost for an asset's future retirement be recorded in the period in which the liability is incurred. The cost should be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. The Corporation has no legal retirement obligations related to its distribution facilities; therefore, a liability for the removal of these assets will not be recorded. Management believes the actual cost of removal, even though not a legal obligation, will be recovered through rates over the life of the distribution assets.

Utility Plant

Construction work in progress (CWIP) consists of construction and retirement costs associated with the Corporation's distribution system. CWIP charges principally include labor and applicable overheads, major materials, and contractor costs.

Utility plant is capitalized at cost less related contributions in aid of construction. In general, utility plant is capitalized at the time it becomes part of an operating unit and has been energized. However, certain items of plant referred to as special equipment items (meters, oil circuit reclosers, etc.) are capitalized at the time of purchase along with related estimated cost of installation.

(2) Summary of Significant Accounting Policies (Continued)

Non-Utility Plant

Non-utility plant is capitalized at cost less related contributions in aid of construction. In general, non-utility plant is capitalized at the time it becomes part of an operating unit and is ready to provide related services to members and customers.

Leases

The Corporation determines if an arrangement is a lease at inception. Operating leases are included as a component of utility plant as right-of-use (ROU) assets, other current liabilities, and long-term liabilities on the consolidated balance sheets.

ROU assets represent the Corporation's right to use an underlying asset for the lease term, and lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the Corporation's leases do not provide an implicit rate, the Corporation uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Corporation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Corporation's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Depreciation and Maintenance

Depreciation of distribution plant is provided using composite rates. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its capitalized cost and its cost of removal less salvage are charged to the accumulated provision for depreciation.

Provision has been made for depreciation of distribution plant at a weighted average straight-line rate of 4.54 percent per annum, except automated metering equipment which is depreciated at 6.67 percent per annum.

Depreciation of general plant is provided on a straight-line and composite basis over the estimated useful lives of the various assets. The rates range from 2.5 percent to 33.0 percent per annum.

The costs of maintenance, repairs, and replacements of minor items of property are charged to maintenance expense accounts.

Cash and Cash Equivalents

Cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

(2) Summary of Significant Accounting Policies (Continued)

Receivables and Allowance for Credit Losses

Accounts receivable includes billed receivables and accrued utility revenue and are stated at the amount management expects to collect. Once an electric consumer or broadband customer's service is shut off and the account is deemed uncollectible, the Corporation writes off the associated accounts receivable. An allowance for credit losses is based on experience and other circumstances which may affect the ability of members to meet their obligations. Accounts considered uncollectible are charged against the allowance. Delinquent receivables are written off based on individual credit evaluations and specific circumstances of the members. Recoveries of accounts receivable previously written off are recorded against the allowance when received.

Credit evaluations are performed on most potential electric consumers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required. If an electric consumer does not pay its bill based on the terms of the service agreement, the Corporation may require an additional deposit as a condition of continued service. Expected credit losses are determined on the basis of how long a receivable has been outstanding, current economic conditions, supportable forecasts, and historical loss information.

The allowance for credit loss activity was as follows for the years ended December 31:

	(In Thousands)	
	2025	2024
Beginning Balance	**$ 316**	$ 393
Credit Loss Accruals	**67**	74
Write-Offs, Net of Recoveries	**(123)**	(151)
	$ 260	$ 316

Materials and Supplies

Materials and supplies are generally used for construction and for operation and maintenance work and are not for resale. Cost is determined by the moving average method of inventory valuation. Materials and supplies are charged to construction or operations at moving average cost when used.

Patronage Capital and Margins

The Corporation is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of individual consumption of electric energy.

Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 20 percent of the total assets of the Corporation, the return to patrons of capital contributed by them is limited. The Corporation's equities were 33.28 percent and 35.35 percent of total assets as of December 31, 2025 and 2024, respectively.

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Sales of Electricity

Electric revenue is generated from contracts (service agreements) with the Corporation's retail electric customers. This revenue, generated from the integrated service to deliver electricity when and if called upon by the customer, is recognized as a single performance obligation satisfied over time and as electricity is delivered to the customer during the month. Unbilled distribution revenue related to retail sales is accrued at the end of each fiscal period and is included as a component of accounts receivable on the consolidated balance sheets.

Electric revenue is billed monthly to consumers on a cycle basis. The Corporation's electric rates include provisions to permit the board of directors to adjust billings for fluctuations in fuel costs, purchased power costs, and certain other costs. Any underrecovery of wholesale power cost, regional access fees or transmission costs are reflected as a component of deferred debits on the consolidated balance sheets. Conversely, an overrecovery of wholesale power cost, regional access fees or transmission costs are reflected as a component of deferred credits on the consolidated balance sheets. Overrecovery and underrecovery of wholesale power cost, regional access fees, or transmission costs represents amounts due to/from members for power costs which have yet to be billed, or will be billed in the future, as a component of the corresponding power or regional access rates. Overrecovery and underrecovery components to be billed in the future will be applied to "Co-op Power" or "Regional Access Charge" rates based on the source nature of the costs incurred.

Pole Attachments and Joint Facilities

The Corporation has contractual agreements with customers for the attachment of other utility services to existing utility plant which it owns. Revenue is recognized monthly over the term of the agreements. Customers are billed in accordance with the respective contracts; either annually in arrears or semi-annual in advance depending on the type of utility service attached to the poles. Payment is due within 30 days of the bill date.

Broadband

Broadband service revenue is recognized when the applicable service is provided, and control is transferred. Broadband services are billed on the first day of the customer's cycle in advance and are recognized during the month as the service is provided in alignment with the customer's receipt of the service. Accordingly, there is no unbilled retail broadband revenue as of December 31, 2025 and 2024.

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Revenue is comprised of the following for the years ended December 31:

	(In Thousands)	
	2025	2024
Electric Revenue	**$ 187,054**	$ 166,738
Broadband Revenue	**6,330**	3,277
Pole Attachment and Joint Facility Revenue	**3,645**	3,295
Other Electric Fees and Charges	**1,571**	1,448
Other Broadband Revenue	**802**	702
	$ 199,402	$ 175,460

Cost of Purchased Power

NHEC's "Co-op Power" energy service rates reflect estimates of the cost of purchased power, including contract power costs, costs for renewable energy certificates, Independent System Operator of New England (ISO-NE) administered wholesale market costs for energy, capacity costs, ancillary services, and related administrative costs. Retail members who purchase their energy from NHEC are billed through a seasonally adjusted "Co-op Power" rate that is based on projected data for the cost of wholesale power. NHEC's "Regional Access Charge" rates include estimates of ISO-NE regional transmission related costs, local transmission services, and distribution interconnection service costs. These rates also reflect estimates of costs associated with services and administration necessary for members to access energy services from NHEC or competitive suppliers. To the extent that actual costs incurred for a rate period differ from estimates used in setting rates for the period, the differences are deferred and refunded or charged to members in subsequent periods through the periodic rate adjustments as approved by NHEC's board of directors in accordance with New Hampshire statutes.

The Corporation has evaluated its wholesale power contracts and determined them to be capacity contracts that meet the criteria of *ASC 815-10-15-45-51*, qualifying them for the normal purchase and normal sales scope exception from the requirements of derivative accounting and reporting. For these contracts, the Corporation has elected to apply the normal purchase and normal sales scope exception. As such, the cost of power is expensed as consumed.

Investments in Associated Organizations

Investments in associated organizations primarily include investments in other cooperative organizations. Investments in other cooperative organizations represent capital investments made primarily to obtain an economical source of supply, financing, product, or service. Investments in other cooperative organizations are carried at cost plus allocated equities in accordance with *ASC 905-325-30*.

Capital credit allocations from associated organizations are included on the consolidated statement of operations as other capital credits and patronage capital allocations.

(2) Summary of Significant Accounting Policies (Continued)

Investments in Associated Organizations (Continued)

The Corporation's investments in associated organizations include debt securities invested at the National Rural Utilities Cooperative Finance Corporation (NRUCFC) as capital term certificates.

NHEC classifies all of its debt securities as held-to-maturity (HTM). HTM debt securities are those debt securities in which the Corporation has the ability and intent to hold the security until maturity. HTM debt securities are recorded at cost, as there are no associated premiums and discounts to amortize. A decline in the market value of any HTM security below cost that is deemed to be other than temporary, results in an impairment to reduce the carrying amount to fair value. To determine whether impairment is other than temporary, NHEC considers all available information relevant to the collectibility of the security, including past events, current conditions, and reasonable and supportable forecasts when developing estimates of cash flows expected to be collected. Evidence considered in this assessment includes the reasons for impairment, the severity and duration of the impairment, changes in value subsequent to year-end, forecasted performances of the investee and the general market conditions in the geographical area or industry in which the investee operates.

The $3,215,000 and $3,317,000 carrying value of the debt securities investments, included in investments in associated organizations, approximated fair value with interest rates ranging from zero percent to 5.4 percent at December 31, 2025 and 2024, respectively. The debt securities investments have maturity dates ranging from August 1, 2030 through October 1, 2080. Based on ongoing credit evaluations of these investments, NHEC does not expect payment defaults or delinquencies and has not recorded an allowance for credit losses for these securities as of December 31, 2025 and 2024.

Deferred Debits

NHEC establishes deferred debits for costs associated with the under-recovery of certain tariff rates that are deferred and collected from members through periodic rate adjustments. Deferred debits are regulatory in nature and are approved by either the board of directors or the NHPUC. Deferred debits also include amounts related to the National Rural Electric Cooperative Association (NRECA) Retirement Security Program (RS Plan) that are amortized over a defined period as well as amounts related to postretirement benefits, renewable energy certificates, grant programs and major storm restoration costs.

Other Regulated Rates

NHEC's tariff rates include an Energy Efficiency System Benefit Charge (EE SBC) and an Energy Assistance Program System Benefit Charge (EAP SBC) at rates set by the NHPUC for all State of New Hampshire jurisdictional utilities. The EE SBC recovers the costs of those NHEC energy efficiency program services that are subject to NHPUC approval. The funds collected through NHEC's EAP SBC are reconciled to the benefits provided to NHEC's income qualified members and any under- or over- recovery of benefits paid to members is received from or submitted to, respectively, the State of New Hampshire which administers the pooled funds of all jurisdictional utilities.

(2) Summary of Significant Accounting Policies (Continued)

Amounts Collected on Behalf of Third Parties

Certain portions of the Corporation's sales are subject to taxes that must be remitted to a third party. When required, the Corporation collects these taxes from customers and remits it to applicable jurisdictions. The Corporation's accounting policy is to exclude the tax collected and remitted from revenues and cost of sales.

Income Taxes

NHEC is exempt from federal and state income taxes under Section 501(c)(12) of the Internal Revenue Code (IRC) which provides, in part, that NHEC derive at least 85 percent of its annual gross income from members to retain the exemption. NHEC expects to meet the requirement for the tax year ended December 31, 2025. Accordingly, no provision for income taxes has been made in the consolidated financial statements. Currently, the Corporation's federal information returns for calendar year 2022 and after are subject to examination by the Internal Revenue Service.

NHB is a wholly-owned subsidiary of NHEC and treated as a disregarded entity for tax purposes and the results of its operations are included in NHEC's information return.

Subsequent Events

In preparing these consolidated financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through March 31, 2026, the date the consolidated financial statements were available to be issued.

(3) Accounts Receivable, Contract Assets, and Contract Liabilities

Billed receivables, contract assets and contract liabilities are as follows as of December 31:

	(In Thousands)		
	2025	2024	2023
	End of Year	End of Year	End of Year
Accounts Receivable, Net			
Billed Receivables - Electric	**$ 19,159**	$ 16,800	$ 25,973
Accrued Utility Revenue - Electric	**6,145**	5,452	4,494
Billed Receivables - Broadband	**549**	418	101
	$ 25,853	$ 22,670	$ 30,568
Contract Assets			
Deferred Debits			
Underrecovery of Wholesale Power Cost	**$ 5,097**	**$ -**	$ 1,195
Braintree Electric Light	**2,400**	3,021	3,615
BEA Grant Performance Bond	**242**	485	727
BEA Grant	**20,000**	-	**-**
Underrecovery of Regional Access Fees	**2,263**	1,991	-
	$ 30,002	$ 5,497	$ 5,537
Contract Liabilities			
Overrecovery of Energy Efficiency	**$ 4,468**	$ 3,811	$ 3,177
Electric Renewable Portfolio Standard (RPS)	**382**	1,603	628
Social and Environmental Responsibilities	**354**	204	63
Overrecovery of Wholesale Power Cost	**-**	357	-
Overrecovery of Regional Access Fees	**-**	**-**	376
	$ 5,204	$ 5,975	$ 4,244

(4) Utility Plant

Listed below are the major classes of the electric utility plant as of December 31:

	(In Thousands)	
	2025	2024
Distribution Plant	**$ 455,631**	$ 411,884
Generation and Transmission Plant	**5,011**	5,011
Right-of-Use Assets - Operating Lease	**4,807**	4,894
General Plant	**87,434**	63,504
Electric Plant in Service	**552,883**	485,293
Construction Work in Progress	**17,508**	55,212
	$ 570,391	$ 540,505

(5) Investments in Associated Organizations

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

	(In Thousands)	
	2025	2024
National Rural Utilities Cooperative Finance Corporation		
Capital Term Certificates	**$ 3,215**	$ 3,317
Capital Credits	**6,132**	6,367
Other		
Capital Credits	**791**	684
	$ 10,138	$ 10,368

(6) Deferred Debits

Deferred debits are comprised of the following as of December 31:

	(In Thousands)	
	2025	2024
Braintree Electric Light	**$ 2,400**	$ 3,021
BEA Grant	**20,000**	-
BEA Grant Performance Bond	**242**	485
Underrecovery of Wholesale Power Cost	**5,097**	-
Underrecovery of Regional Access Fees	**2,263**	1,991
Major Storm Restoration	**7,743**	7,765
Other	**1,681**	1,230
	$ 39,426	$ 14,492

During 2022, the New Hampshire Business and Economic Affairs (BEA) Agency entered into an agreement with NHEC for the planning, construction, and installation of all necessary broadband infrastructure and equipment for providing access to broadband for unserved properties in the state of New Hampshire funded by the Coronavirus Capital Projects Fund of the US Department of the Treasury in the amount of $50,000,000. The agreement was approved by the Governor and Executive Council of New Hampshire. The Corporation received $15,000,000 in funding for the year ended December 31, 2024. In accordance with practices appropriate to the utility industry, the Corporation applied the funds as contribution in aid of construction to related utility and non-utility plant. During the year ended December 31, 2025, the Corporation applied $20,000,000, the remainder of the available funding, as contribution in aid of construction in preparation for final approval and receipt during the subsequent year. As of December 31, 2025, the Corporation had received cumulative funding totaling $30,000,000.

(7) Deferred Credits

Deferred credits are comprised of the following as of December 31:

	(In Thousands)	
	2025	2024
Regulatory Liability - Postretirement Benefits	**$ -**	$ 301
Overrecovery of Tariff Rates (Note 3)	**5,204**	5,975
Regulatory Liability - Depreciation Study	**-**	10,602
	$ 5,204	$ 16,878

(7) Deferred Credits (Continued)

In 2018, NHEC revised its depreciation rates for certain utility plant based on the results of a depreciation rate study conducted. The revised depreciation rates reflect longer estimated useful lives and greater net salvage values. As a result of this depreciation rate study, the NHEC reduced accumulated depreciation and amortization and recognized a regulatory liability. The liability was recognized as depreciation expense annually over a period of twelve years. During 2025, NHEC conducted an additional depreciation study due to significant utility plant additions since the inception of NHB. As a result of the study, the Corporation elected to unrecognize and discontinue its regulatory liability to more closely align its depreciation accruals with those recommended in the study.

NHEC establishes deferred credits for costs associated with the overrecovery of certain tariff rates that are deferred and refunded to members through periodic rate adjustments. Deferred credits are regulatory in nature and are approved by either the board of directors or the NHPUC.

(8) Patronage Capital

Patronage capital is comprised of the following as of December 31:

	(In Thousands)	
	2025	2024
Assignable	**$ (2,743)**	$ (3,394)
Assigned	**162,592**	155,759
	159,849	152,365
Cumulative Retirements	**(10,045)**	(10,045)
	$ 149,804	$ 142,320

(9) Debt

Long-Term Debt

Long-term debt consists of mortgage notes payable to the National Rural Utilities Cooperative Finance Corporation (NRUCFC) and the Federal Agricultural Mortgage Corporation (Farmer Mac). The notes are secured by a mortgage agreement among the Corporation, NRUCFC and Farmer Mac. Substantially, all the assets of the Corporation are pledged as security for long-term debt of the Corporation. The notes generally have maturity periods ranging from 5 years to 35 years and are payable on a monthly, quarterly, and semiannually installment basis. The notes contain certain affirmative and negative covenants, including maintenance of certain financial ratios as defined in the agreement. At December 31, 2025 and 2024, the Corporation was in compliance with the covenants.

Holder of Note	Weighted Average Interest Rate as of December 31, 2025	(In Thousands) 2025	2024
NRUCFC - Electric	5.07%	**$ 115,770**	121,028
NRUCFC - Broadband	5.39%	**102,562**	61,134
NRUCFC - Farmer Mac	4.04%	**9,655**	10,644
		227,987	192,806
Maturities Due Within One Year		**(10,942)**	(9,692)
		$ 217,045	$ 183,114

Principal maturities of long-term debt are as follows:

Year	(In Thousands) Amount
2026	$ 10,942
2027	11,695
2028	11,686
2029	8,594
2030	7,464
Thereafter	177,605
	$ 227,987

(9) Debt (Continued)

Long-Term Debt (Continued)

The Corporation has $29,000,000 in unadvanced loan funds on commitment from NRUCFC as of December 31, 2025. Availability of the funds is contingent on the Corporation's compliance with one or more preconditions set forth in the mortgage agreements.

Cash payments of interest totaled approximately $10,117,000 and $7,471,000 for the years ended December 31, 2025 and 2024, respectively.

Lines-of-Credit

The Corporation has a $20,000,000 unsecured perpetual revolving line-of-credit with NRUCFC with an outstanding balance of $11,317,000 and $14,189,000 at December 31, 2025 and 2024, respectively. The line-of-credit with NRUCFC carries a variable rate of 5.75 percent as of December 31, 2025.

The Corporation has a $20,000,000 unsecured revolving line-of-credit with NRUCFC with an outstanding balance of $8,978,000 and $5,487,000 at December 31, 2025 and 2024, respectively. The line-of-credit with NRUCFC carries a variable rate of 5.75 percent as of December 31, 2025.

The Corporation had an revolving line-of-credit with NRUCFC with an outstanding balance of $5,173,000 at December 31, 2024. The facility had an available amount of $20,000,000 for the year ended December 31, 2023, and was modified during 2024 to carry an available amount of $5,500,000. The line-of-credit with NRUCFC matured on November 10, 2025. The purpose was to provide interim financing for the construction of the broadband project.

The Corporation has a $15,000,000 unsecured revolving line-of-credit with NRUCFC with an outstanding balance of $2,138,000 and $-0- at December 31, 2025 and 2024, respectively. The line-of-credit with NRUCFC carries a variable rate of 5.75 percent as of December 31, 2025. The purpose is to provide interim financing for power supply.

During the year ended December 31, 2025, the Corporation had a secured and non-revolving line-of-credit with NRUCFC with an available amount of $30,000,000, for the purpose to provide interim financing for the construction of the broadband project. Permanent financing was secured on October 24, 2025, converting the interim financing to long-term debt through an associated facility with NRUCFC in the amount of $30,000,000 at a weighted average fixed rate of 5.01 percent.

The Corporation has an additional secured and non-revolving line-of-credit with NRUCFC with an available amount of $29,000,000 and an outstanding balance of $15,580,000 and $-0- at December 31, 2025 and 2024, respectively. The line-of-credit with NRUCFC carries a variable rate of 5.75 percent as of December 31, 2025. The purpose is to provide interim financing for the construction of the broadband project. The Corporation has an associated and approved long-term debt facility in the amount of $29,000,000 which includes restrictions that any advanced amounts must first satisfy the outstanding amounts of the secured and non-revolving credits facility previously described.

(9) Debt (Continued)

Letters-of-Credit

Various NHEC's power supply contract counterparties rely on NHEC's for primary performance credit support. NHEC has executed agreements with NRUCFC for the issuance of letters-of-credit specifically for power supply agreements should primary or back-up collateral be demanded to meet the performance requirements for some power supply and other agreements. The total authority under these facilities is $15,000,000. The letters-of-credit outstanding under these facilities totaled $4,500,000 and $4,000,000 for the years ended December 31, 2025 and 2024, respectively. Annual fee expenses for the master facility and issuance of these letters approximated $45,000 and $84,000 for December 31, 2025 and 2024, respectively and are recovered through the members' rates.

NHB is required to obtain and maintain a letter of credit equivalent to one year of support for each year of participation in the Rural Digital Opportunity Fund (RDOF). The Corporation has executed agreements with NRUCFC for the issuance of letters-of-credit specifically for RDOF support as required by Universal Service Administrative Company in the amount of $653,000 and $1,959,000 for the years ended December 31, 2025 and 2024, respectively. Annual fee expenses for the master facility and issuance of these letters approximated $14,000 and $4,000 for December 31, 2025 and 2024, respectively.

In addition, NHEC is required to provide a letter-of-credit to Eversource (formerly known as Public Service of New Hampshire). This requirement is in accordance with the third party attachment agreement with Eversource in order for NHB to attach to Eversource poles within Eversource's service territory. The amount of the letter-of-credit is based on the number of poles that are expected to be utilized under the agreement. The Corporation has executed agreements with NRUCFC for the issuance of letters-of-credit for this purpose in the amount of $450,000 for the years ended December 31, 2025 and 2024. Annual fee expenses for the master facility and issuance of these letters approximated $3,000 and $4,000 for December 31, 2025 and 2024, respectively.

Allowance for Funds Under Construction

The allowance for funds used during construction represents the cost of borrowed funds used for construction of utility plant. The allowance is capitalized as a component of the cost of utility plant. The Corporation capitalized $1,862,000 and $1,640,000 of interest as of December 31, 2025 and 2024, respectively.

(10) Leases

The Corporation has entered into various lease obligations for towers under operating leases. The leased towers have been recorded as right-of-use assets and are amortized on a straight-line basis of 2-30 years.

The outstanding obligations for the years ended December 31, 2025 and 2024 totaled $4,807,000 and $4,894,000, respectively. The discount rate utilized was a risk-free rate of 4.18 percent with maturity dates extending to December 2054. The weighted average remaining lease term for the Corporation's operating leases was 18.07 and 16.24 years as of December 31, 2025 and 2024, respectively. The operating lease costs under these leases totaled $539,000 and $372,000 for the years ended December 31, 2025 and 2024, respectively.

(10) Leases (Continued)

The following is a schedule of future minimum payments required under the leases together with the present value as of December 31, 2025:

Year Ending	(In Thousands) Amount
2026	$ 577
2027	586
2028	606
2029	472
2030	469
Thereafter	3,756
Total Minimum Lease Payments	6,466
Less Amount Representing Interest	(1,659)
Present Value of Minimum Lease Payments	$ 4,807

(11) Retiree Benefits

Pension Plan (Defined Benefit)

Pension benefits for substantially all employees of the Corporation are provided through participation in the NRECA RS Plan, a defined benefit plan qualified under Section 401 and tax-exempt under 501(a) of the IRC. 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 Corporation's annual contributions to the program represented less than 5 percent of total contributions made to the plan by all participating employers and are equal to the amounts recorded for pension cost. Contributions were $3,786,000 and $3,446,000 for the years ended December 31, 2025 and 2024, respectively.

In the RS Plan, a "zone status" determination is not required, and therefore not determined, under the Pension Protection Act (PPA) of 2006. In addition, the accumulated benefit obligations and plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was between 65 percent and 80 percent funded at January 1, 2025 and 2024 based on the PPA funding target and PPA actuarial value of assets on those dates.

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

(11) Retiree Benefits (Continued)

Pension Plan (Defined Contribution Plan)

The Corporation also provides additional employee benefits to substantially all employees through a sponsored defined contribution Savings Plan (401-k). In this defined contribution plan, the Corporation's contributory portion of costs of this plan totaled $944,000 and $924,000 for the years ended December 31, 2025 and 2024, respectively.

Postretirement Healthcare Benefits

The Corporation provides healthcare benefits and life insurance to qualified retirees. The Corporation follows U.S. GAAP for postretirement benefits other than pensions. This standard requires cooperatives to recognize the estimated future cost of providing healthcare and any other postretirement benefits on an accrual basis.

The status of the Corporation's postretirement healthcare plan as of December 31 is detailed as follows:

	(In Thousands)			
	2025		2024	
Accumulated Benefit Obligation - Beginning of Year	**$**	**(1,669)**	$	(2,015)
Service Cost		**(57)**		(65)
Interest Cost		**(145)**		(95)
Changes in Actuarial Assumptions		**(939)**		266
Benefits Paid		**412**		240
Accumulated Benefit Obligation - End of Year		**(2,398)**		(1,669)
Fair Value of Plan Assets - Beginning of Year		**2,368**		2,242
Actual Return on Plan Assets		**260**		126
Employer Contribution		**412**		240
Actual Distributions		**(3,040)**		(240)
Fair Value of Plan Assets - End of Year		**-**		2,368
Funded Status - End of Year	**$**	**(2,398)**	$	699

(11) Retiree Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

Amounts recognized on the consolidated balance sheets consisted of the following as of December 31:

	(In Thousands)	
	2025	2024
Component of Long-Term Liabilities	**$ 1,981**	$ -
Component of Current Liabilities	**417**	-
Component of Other Property and Investments	**-**	699
	$ 2,398	$ 699

Net postretirement benefit cost consisted of the following for the years ended December 31:

	(In Thousands)	
	2025	2024
Net Postretirement Benefit Cost		
Service Cost	**$ 57**	$ 65
Interest Cost	**145**	95
Amortization of Actuarial Assumptions	**(97)**	(115)
	$ 105	$ 45

Amounts recognized as a component of regulatory assets and liabilities:

	(In Thousands)	
	2025	2024
Deferred Actuarial Components - Beginning of Year	**$ 301**	$ 24
Amortization of Prior Service Cost	**(4)**	(4)
Amortization of Actuarial Gain	**22**	-
Actuarial Gain (Loss)	**(1,054)**	281
Deferred Actuarial Components - End of Year	**$ (735)**	$ 301

(11) Retiree Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

The Corporation's accumulated postretirement benefit obligation and net periodic postretirement benefit cost are calculated using various actuarial assumptions and methodologies. The assumptions include discount rates, medical trend rates, mortality rates, and other factors. Actuarial assumptions are reviewed on an annual basis.

The components of net periodic postretirement benefit cost, other than the service cost component, are included in the line item nonoperating margins for the years ended December 31, 2025 and 2024.

The Corporation has elected to recognize actuarial gains and losses and other changes in obligation as a component of regulatory assets and liabilities. As a result, the Corporation does not recognize other comprehensive income related to actuarial changes in assumptions.

The Corporation does not anticipate contributing funds to the plan during the year ended December 31, 2026, other than the current year amount paid for retirees.

The following table shows key assumptions used for the measurement of obligations for the plan as of December 31:

Description	**2025**	2024
Discount Rate on Net Postretirement Benefit Cost	**6.05%**	5.35%
Discount Rate on Net Postretirement Benefit Obligation	**5.95%**	6.05%
Expected Return on Plan Assets	**N/A**	4.86%
Medical Trend Rate		
Initial	**7.00%**	9.98%
Ultimate	**4.75%**	4.75%
Fiscal Year Reached	**2034+**	2031+

The following benefits are expected to be paid:

(In Thousands)	
Year	**Amount**
2026	$ 417
2027	401
2028	371
2029	340
2030	319
2031-2035	683

(11) Retiree Benefits (Continued)

Postretirement Healthcare Benefits (Continued)

During the year ended December 31, 2025, the Corporation formally terminated and liquidated the investments held in its plan asset investment following approval by the Board of Directors. Because the termination and subsequent liquidation does not affect participant benefits or future benefit obligations under the plan, it does not trigger a curtailment of the plan. The termination was completed in accordance with applicable regulatory and plan governance requirements. As a result of the liquidation, the Corporation recorded a postretirement benefit obligation of approximately $2,398,000 at December 31, 2025, representing the unfunded status of the plan. No plan assets remain on the Corporation's consolidated balance sheets as of December 31, 2025.

(12) Commitments and Contingencies

Power Contracts

NHEC procures wholesale energy, capacity, ancillary services, and renewable energy certificates (together, "bundled energy service") from a variety of resources. These resources are available in New England's deregulated competitive wholesale capacity, energy, ancillary services, and renewable attributes markets. They are purchased to meet the needs of NHEC members who elect, or default to, NHEC's "Co-op Power" bundled energy service option rather than choosing to purchase energy service from retail competitive suppliers or community power aggregations.

NHEC's wholesale procurement arrangements include bilateral purchase agreements of various term lengths, with various suppliers, for various products or combinations of products. Current resource portfolio contract terms are from one month up to 20 years. The longest remaining contract term ends in 2038. These products may include daily, weekly, monthly, seasonal, or annual, on-peak and off-peak fixed volume or load following energy. Bilateral contract pricing may be fixed or indexed and may include optionality. NHEC may also meet a portion of its wholesale requirements through contract arrangements tied to the output of specific generating plants or demand resources and may engage in ownership of such resources. NHEC uses competitive bidding and direct negotiation to establish terms, conditions, and pricing of its bilateral wholesale procurements. NHEC may participate with other entities in joint or group procurement.

To the extent NHEC's wholesale requirements are not fully met through bilateral contract arrangements or ownership, they are met through NHEC's participation in the New England Power Pool markets administered by ISO-NE, such as the day-ahead and real-time energy markets and the forward capacity market that imposes an obligation on load serving entities to provide or make payments for capacity.

Should a significant number of NHEC's members choose to purchase competitively supplied power or from community power aggregations instead of purchasing Co-op Power from the Corporation, NHEC would still have the obligation to purchase the power contracted for bilaterally. If such contracted volumes exceed NHEC's needs, NHEC would sell any excess contracted power into the marketplace. However, management does not anticipate the likelihood of this happening and if so, such an event is not expected to be long in duration, as the volume of members who do not purchase Co-op Power from the Corporation has been relatively limited and consistent, and NHEC manages its bilateral procurements taking into account members' use of competitive suppliers and community power aggregations as it changes over time.

(12) Commitments and Contingencies (Continued)

Power Contracts (Continued)

NHEC is subject to New Hampshire Statute RSA Chapter 362 F, an "Electric Renewable Portfolio Standard" (RPS). The law requires providers of electricity, including utilities and competitive providers, to acquire Renewable Energy Certificates (RECs) equal to a specified percentage of their energy from four classes of state qualified resources. By statute, some of the percentages increase over time. RSA Chapter 362F establishes guidelines for resource qualification for the creation of RECs allowing for the trading of these renewable attributes to meet annual RPS obligations by mid-June of the following year. Finally, the law establishes standards and prices for alternative compliance payments (ACP) made by electricity providers in lieu of REC acquisition in certain circumstances. Final REC transactions for 2025 are not required to be completed until June 15, 2026, as a function of relevant RPS rules, but the Corporation anticipates meeting most of its 2025 obligations through unit contracts and REC purchases.

The approximately 9 percent of 2025 RPS obligations that may not be met by REC purchases include Thermal RECs (6 percent) and Class III Biomass and Landfill Gas RECs (3 percent). Thermal RECs are obtained from renewable energy resources that do not produce electricity but produce useful thermal energy. The New Hampshire Department of Energy (NHDOE) conducted an investigation beginning in January 2025 to consider if the Class III REC obligation should be reduced due to unavailability of those RECs. The NHDOE determined by order dated August 29, 2025 that the 2025 Class III obligation should be set at 5 percent, reduced from the 8 percent originally established in the RPS legislation. NHEC expects to make ACP to meet its obligations not met by REC purchases.

To deliver energy from the New England regional wholesale markets to NHEC's retail distribution network, it settles Regional Network transmission services from multiple providers through ISO-NE, and Local Network transmission service is provided by Eversource Energy (formerly Northeast Utilities), Vermont Electric Power Company, Green Mountain Power, and National Grid. Interconnection and delivery service is provided by Eversource Energy pursuant to FERC regulated contracts and tariffs.

Fiber Network Assets

During 2020, the New Hampshire Governor's Office of Strategic Initiative issued Broadband Expansion Program Grants (Grants) funded by the Coronavirus Aid, Relief, and Economic Security Act Coronavirus Relief Fund. NHEC was awarded two Grants to provide high-speed broadband internet service to certain unserved properties and received grant proceeds of \$3,407,000 and \$3,283,000 during 2020. The Corporation is subject to certain requirements, including establishing individual property connections to connect customers, for a period of five years after the completion of the projects. The total estimated cost of the Project is \$9,500,000, of which \$6,690,000 was received in Grants funds and the remaining costs to connect customers are expected to be funded by NHEC.

(12) Commitments and Contingencies (Continued)

Fiber Network Assets (Continued)

During 2022, the BEA Agency entered into an agreement with NHEC for the planning, construction, and installation of all necessary broadband infrastructure and equipment for providing access to broadband for unserved properties in the state of New Hampshire funded by the Coronavirus Capital Projects Fund of the US Department of the Treasury in the amount of $50,000,000. Accordingly, the corporation is responsible for the following:

1. A performance bond for the duration of the Grant Agreement and for 3 months following acceptance of the Project by the State ("Acceptance").
2. Broadband access to Unserved Properties in New Hampshire as identified by NHEC in their response to RFP proposal dated July 29, 2022.
3. Designed to deliver upon completion, service that reliably meets or exceeds symmetrical download and upload speeds of 100 Mbps.
4. Must be completed, including all financial reporting closeout documents as soon as possible, but no later than December 31, 2026.
5. Ongoing operations and maintenance of the system will be the sole responsibility of the NHEC.
6. Low-cost option offered at speeds that are sufficient for a household with multiple users to simultaneously telework and engage in remote learning. Any future, low-cost option mandated by the federal government would negate this requirement. Effective June 1, 2024, funding under the Affordable Connectivity Program ended. Accordingly, the ACP discounts received by eligible households ended as of that date and those customers no longer receive discounts under the program.
7. Project and Expenditure Report (P&E): A quarterly report to provide information on the Project funded, obligations, expenditures, project status, outputs, performance indicators, address list modifications, and other information.

Litigation

NHEC is involved in various legal proceedings incidental to the conduct of its normal business operations. After consultation with legal counsel, management estimates that these matters will be resolved without a material adverse effect on the Corporation's future financial position or results from operations.

(13) Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist principally of cash and cash equivalents and consumer accounts receivable. The Corporation maintains its cash balances in financial institutions; cash balances throughout the year periodically exceed federally insured deposit limits of $250,000. At December 31, 2025, the amount exceeding insured limits totaled $2,498,000.

The Corporation serves consumers in the state of New Hampshire. The geographic concentration of the Corporation's consumers results in a concentration of credit risk with respect to the collection of accounts receivable. Credit evaluations are performed on most potential consumers before accepting them for service. Depending upon the results of the credit evaluation, a deposit may be required.

(14) Fair Value of Financial Instruments

Fair Value Hierarchy

The Corporation records certain financial and nonfinancial assets using fair value measurements. The Corporation uses a hierarchical disclosure framework that prioritizes the level of market price observability to measure investments at fair value.

The guidance establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value as follows:

- Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

- Level 2. Valuations based on quoted market prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

- Level 3. Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following valuation techniques are used to estimate the fair value of each class of financial instrument:

(1) *Market approach*. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities (including a business) and deriving fair value based on these inputs.

(2) *Income approach*. The income approach uses valuation techniques to convert future amounts (for example, cash flows or earnings) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts.

(3) *Cost approach.* The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (often referred to as current replacement cost). This approach assumes that the fair value would not exceed what it would cost a market participant to acquire or construct a substitute asset or comparable utility, adjusted for obsolescence.

		(In Thousands)	
Description	**Level**	**December 31, 2025**	December 31, 2024
Postretirement Benefit Plan Assets	(1)		
Cash and Money Markets		**$ -**	$ 95
Short-Term Bond Fund		**-**	1,233
Stock Index Fund		**-**	319
Value Fund		**-**	114
Small-Company Stock Fund		**-**	363
International Value Fund		**-**	244
		$ -	$ 2,368