Jo-Carroll Energy, Inc.

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2021 and 2020

Jo-Carroll Energy, Inc.

December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Jo-Carroll Energy, Inc.
Elizabeth, Illinois

Opinion

We have audited the consolidated financial statements of Jo-Carroll Energy, Inc. and its subsidiary (collectively the "Cooperative") which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of margin, members' 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 Jo-Carroll Energy, Inc. and its subsidiary as of December 31, 2021 and 2020, 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 the Cooperative and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued or within one year after the date that these consolidated financial statements are 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 judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative'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 the Cooperative'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.

BKD, LLP

St. Louis, Missouri
March 25, 2022

Jo-Carroll Energy, Inc.
Consolidated Balance Sheets
December 31, 2021 and 2020

Assets

	2021	2020	Increase (Decrease)
Utility Plant, at Cost			
Electric, gas and broadband plant in service	$ 174,259,239	$ 164,222,176	$ 10,037,063
Construction work in progress	10,240,470	7,884,285	2,356,185
	184,499,709	172,106,461	12,393,248
Accumulated depreciation and amortization	(64,505,611)	(60,253,652)	4,251,959
Net utility plant	119,994,098	111,852,809	8,141,289
Investments and Other Assets			
Investments in associated organizations, at cost	13,390,286	12,147,187	1,243,099
Long-term notes receivable	423,932	545,648	(121,716)
Non-utility property, net of accumulated depreciation: 2021 - $192,986, 2020 - $89,751	552,527	245,079	307,448
Other investments, at cost	1,562,109	1,593,698	(31,589)
Total investments and other assets	15,928,854	14,531,612	1,397,242
Current Assets			
Cash and cash equivalents	1,540,332	2,441,661	(901,329)
Accounts receivable:			
Customers, net of allowance: 2021 - $58,000 and 2020 - $75,000	3,590,073	2,825,911	764,162
Unbilled revenues	1,989,538	2,236,457	(246,919)
Other	519,772	431,603	88,169
Notes receivable	121,715	121,715	-
Inventories:			
Materials and supplies	3,926,279	2,903,533	1,022,746
Natural gas	520,788	405,098	115,690
Prepaid expenses and other	311,671	330,358	(18,687)
Total current assets	12,520,168	11,696,336	823,832
Deferred Charges	7,767,185	11,756,665	(3,989,480)
Total assets	$ 156,210,305	$ 149,837,422	$ 6,372,883

See Notes to Consolidated Financial Statements.

Members' Equities and Liabilities

	2021	2020	Increase (Decrease)
Equities			
Membership fees	$ -	$ 5,530	$ (5,530)
Patronage capital	27,052,233	26,469,711	582,522
Retained earnings	11,397,781	10,494,803	902,978
Members' equities	38,450,014	36,970,044	1,479,970
Accumulated other comprehensive deficit	(145,350)	(258,740)	113,390
Total equities	38,304,664	36,711,304	1,593,360
Long-Term Debt	94,418,119	91,173,874	3,244,245
Postretirement Benefits	1,306,166	1,346,093	(39,927)
Current Liabilities			
Accounts payable	4,181,077	3,787,749	393,328
Current maturities of long-term debt	5,172,816	4,884,521	288,295
Lines of credit	6,000,000	6,500,000	(500,000)
Postretirement benefits	74,663	85,966	(11,303)
Customer deposits	369,391	373,955	(4,564)
Other current liabilities	1,594,561	1,507,221	87,340
Total current liabilities	17,392,508	17,139,412	253,096
Deferred Credits	4,788,848	3,466,739	1,322,109
Total equities and liabilities	$ 156,210,305	$ 149,837,422	$ 6,372,883

Jo-Carroll Energy, Inc.
Consolidated Statements of Margin
Years Ended December 31, 2021 and 2020

	2021	2020	Increase (Decrease)	% to Total Operating Revenue 2021	% to Total Operating Revenue 2020
Operating Revenues					
Electric	$ 48,737,261	$ 50,424,576	$ (1,687,315)	80.0%	85.0%
Natural gas	9,009,317	6,593,482	2,415,835	14.8%	11.1%
Broadband	2,452,156	1,664,827	787,329	4.0%	2.8%
Other operating revenue	713,659	671,868	41,791	1.2%	1.1%
Total operating revenue	60,912,393	59,354,753	1,557,640	100.0%	100.0%
Operating Expenses					
Purchased power	34,761,064	35,775,028	(1,013,964)	57.1%	60.3%
Distribution - Operations	3,969,278	3,921,479	47,799	6.5%	6.6%
Distribution - Maintenance	4,576,125	4,222,885	353,240	7.5%	7.1%
Consumer accounts	1,767,582	1,626,378	141,204	2.9%	2.7%
Customer services and information	922,928	863,380	59,548	1.5%	1.5%
Sales	318,159	231,814	86,345	0.5%	0.4%
General and administrative	4,441,474	4,754,169	(312,695)	7.3%	8.0%
Depreciation and amortization	5,062,623	4,765,419	297,204	8.3%	8.0%
Taxes, other than income	145,466	137,935	7,531	0.2%	0.2%
Other deductions	158,613	112,115	46,498	0.3%	0.2%
Total operating expenses	56,123,312	56,410,602	(287,290)	92.1%	95.0%
Operating Margin Before Interest Expense	4,789,081	2,944,151	1,844,930	7.9%	5.0%
Interest Expense	3,994,046	3,889,231	104,815	6.6%	6.6%
Operating Margin (Loss) After Interest Expense	795,035	(945,080)	1,740,115	1.3%	-1.6%
Generation and Transmission and Other Capital Credits	1,537,723	1,442,488	95,235	2.6%	2.4%
Operating Margin	2,332,758	497,408	1,835,350	3.8%	0.8%
Non-Operating Margin					
Interest income	17,010	44,721	(27,711)	0.0%	0.1%
Gain (loss) on disposal of equipment	(12,192)	12,370	(24,562)	0.0%	0.0%
Other non-operating margin	5,921	27,591	(21,670)	0.0%	0.1%
	10,739	84,682	(73,943)	0.0%	0.2%
Net Margin	2,343,497	582,090	1,761,407	3.8%	1.0%
Other Comprehensive Margin					
Change in postretirement benefit plan	113,390	191,975	(78,585)	0.2%	0.3%
Comprehensive Margin	$ 2,456,887	$ 774,065	$ 1,682,822	4.0%	1.3%

Jo-Carroll Energy, Inc.
Consolidated Statements of Members' Equities
Years Ended December 31, 2021 and 2020

	Membership Fees	Patronage Capital	Retained Earnings	Accumulated Other Comprehensive Deficit	Total
Balance, January 1, 2020	$ 5,530	$ 26,969,753	$ 10,361,965	$ (450,715)	$ 36,886,533
Net margin	-	497,408	84,682	-	582,090
Other comprehensive margin	-	-	-	191,975	191,975
Patronage capital retirement	-	(1,744,838)	795,544	-	(949,294)
Transfers of non-operating margins	-	747,388	(747,388)	-	-
Balance, December 31, 2020	5,530	26,469,711	10,494,803	(258,740)	36,711,304
Net margin	-	2,332,758	10,739	-	2,343,497
Other comprehensive margin	-	-	-	113,390	113,390
Patronage capital retirement	-	(1,750,236)	892,239	-	(857,997)
Other	(5,530)	-	-	-	(5,530)
Balance, December 31, 2021	$ -	$ 27,052,233	$ 11,397,781	$ (145,350)	$ 38,304,664

Jo-Carroll Energy, Inc.

Consolidated Statements of Cash Flows

Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
Net margin	$ 2,343,497	$ 582,090
Items not requiring (providing) cash		
Depreciation and amortization	5,255,256	4,840,914
Capital credits	(1,537,723)	(1,442,488)
Postretirement benefits	62,160	74,173
Accounts receivable allowance	(17,000)	26,549
Loss (gain) on disposal of equipment	12,192	(12,370)
Deferred charges	3,638,787	3,388,787
Deferred credits	1,322,109	(2,631,649)
Changes in		
Accounts receivable - customers and other	(835,331)	280,739
Unbilled revenues	246,919	(443,409)
Inventories	(1,138,436)	(166,810)
Prepaid expenses and other	18,687	23,524
Deferred charges	(4,995)	250,002
Accounts payable	393,328	(729,750)
Customer deposits and other current liabilities	82,776	165,365
Net cash provided by operating activities	9,842,226	4,205,667
Investing Activities		
Proceeds from disposal of utility plant	-	16,197
Additions to utility plant, net and non-utility property	(13,360,497)	(10,757,793)
Proceeds from capital credit retirements	155,870	437,165
Collections on notes receivable	121,716	121,716
Decrease in investments and other assets	170,343	103,596
Net cash used in investing activities	(12,912,568)	(10,079,119)
Financing Activities		
Patronage capital retirement	(857,997)	(949,294)
Changes in other equities	(5,530)	-
Gross proceeds from line of credit agreements	8,000,000	6,500,000
Repayments on line of credit agreements	(8,500,000)	-
Proceeds from issuance of long-term debt	8,500,000	-
Principal payments on long-term debt	(4,845,744)	(4,691,009)
Payments under USDA REDL program	(121,716)	(121,716)
Net cash provided by financing activities	2,169,013	737,981
Net Decrease in Cash and Cash Equivalents	(901,329)	(5,135,471)
Cash and Cash Equivalents, Beginning of Year	2,441,661	7,577,132
Cash and Cash Equivalents, End of Year	$ 1,540,332	$ 2,441,661
Supplemental Cash Flows Information		
Interest paid	$ 3,838,846	$ 3,865,719
Deferred charges capitalized as utility plant	$ 355,688	$ 355,688

See Notes to Consolidated Financial Statements.

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Jo-Carroll Energy, Inc. ("Cooperative" or "Jo-Carroll") is a not-for-profit organization engaged in the distribution of electric, natural gas and wireless broadband service to its members located throughout northwest Illinois. The primary purpose of the Cooperative is to provide electricity, natural gas, and broadband services to its members through the purchase of electricity, natural gas, and broadband services from wholesale providers and the subsequent distribution of these services to its members. The Cooperative extends unsecured credit to its members.

The Cooperative's rates charged to members are established by the board of directors. The board of directors consists of 10 members elected by the members of the Cooperative to serve three-year terms. Such rates charged to members are determined on a cost of service basis. The Cooperative is not subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC) or the regulatory authority of the Illinois Commerce Commission.

Principles of Consolidation

The consolidated financial statements include the accounts of the Cooperative and its wholly-owned subsidiary, Cooperative Community Solar, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The accounting records of the Cooperative are substantially maintained in accordance with the Uniform System of Accounts prescribed by FERC. In accordance with FERC guidelines, the Cooperative also maintains its accounts in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 980, *Regulated Operations*. The accompanying consolidated financial statements and the related notes have been prepared on the basis of U.S. generally accepted accounting principles (GAAP).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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. Significant estimates include the allowance for doubtful accounts, unbilled revenues and postretirement benefits.

Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021 and 2020, cash equivalents consisted primarily of a daily investment sweep account.

At December 31, 2021, the Cooperative's cash accounts exceeded federally insured limits by approximately $1,374,000.

Accounts Receivable

Accounts receivable include billed and unbilled amounts for goods and services provided to members for which the Cooperative has an unconditional right to payment. The Cooperative provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions.

Accounts receivable are generally due within 21 days after the date of the billing. Accounts that are unpaid after the due date are charged a late payment penalty. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the member.

During the years ended December 31, 2021 and 2020, bad debt expense related to doubtful accounts receivable, where collectibility is not reasonably assured, was approximately $17,500 and $118,000, respectively.

Notes Receivable

Notes receivable are stated at the outstanding principal amount. The Cooperative provides an allowance for uncollectible notes, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. The Cooperative determined no allowance was necessary at December 31, 2021 and 2020.

Inventory Pricing

Materials and supplies inventory is valued at the lower of cost or net realizable value using the average unit cost method. Natural gas is valued at the average cost of the gas constituting the common supply of the system.

Utility Plant

Utility plant is stated at cost less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset group. Maintenance, repairs, and major renewals are expensed as incurred.

Intangible plant includes acquisition adjustments from purchase of electric and gas distribution assets. Acquisition adjustments are amortized on a straight-line basis over the estimated life of the assets acquired, ranging from 26 - 27 years.

Electric transmission and distribution plants is depreciated on the group basis using the straight-line method at an average composite rate of 2.95 and 2.96 percent per annum in 2021 and 2020, respectively, except for certain underground conductor, which is being depreciated at rates up to 6.66 percent.

Gas distribution plant is depreciated on the group basis using the straight-line method at an average composite rates of 2.62 and 2.58 percent per annum in 2021 and 2020, respectively.

The annual depreciation rates for each major depreciable classification of the general plant and non-utility property are as follows:

Structures and improvements	3 - 10%
Office furniture and equipment	6 - 20%
Certain computer equipment	20 - 33%
Transportation equipment	10 - 15%
Power operated equipment	6 - 20%
Communications equipment	3 - 15%
Broadband/SCADA equipment	5 - 20%
Other general plant	6 - 20%

Nonutility Property

Nonutility property consists of land and improvements not currently used for utility purposes.

Long-Lived Asset Impairment

The Cooperative evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair market value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2021 and 2020.

Investments in Associated Organizations

Investments in associated organizations consist of allocated patronage capital and capital term certificates. Patronage capital allocations are generally recorded in the year in which the assignments are related to. Retirements of patronage capital are generally recorded when cash is received or upon notification from the association organization. Patronage capital allocations are included in G&T and other capital credits in the statements of margin. These equity investments are measured under the practicability exception and do not have readily determinable fair values and are accounted for at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. No impairment or observable price changes were recording during 2021 and 2020.

Jo-Carroll Energy, Inc.
Notes to Consolidated Financial Statements
December 31, 2021 and 2020

Patronage Capital

Current and future margins will be assigned as patronage capital.

Income Taxes

The Cooperative is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Cooperative is subject to federal and certain state income tax on any unrelated business taxable income. The Cooperative files income tax returns in the U.S. federal and state of Illinois jurisdictions. Cooperative Community Solar, LLC is treated as a disregarded entity for tax purposes.

Revenue Recognition

The Cooperatives revenues are primarily derived from the sale of electric power, natural gas, and broadband services to members.

Revenue is recognized when control of electricity, natural gas, and broadband services is transferred to the Cooperative's members in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods or services provided and the terms and conditions of the customer contract. Unbilled revenues of $1,989,538 and $2,236,457 at December 31, 2021 and 2020, respectively, represent amounts delivered through December 31 and not billed to the members until the following month. See Note 12 for additional information about the Company's revenue.

Taxes Collected from Members and Remitted to Governmental Authorities

Taxes collected from customers and remitted to governmental authorities are presented in the accompanying consolidated statements of margin on a net basis.

Comprehensive Margin

Comprehensive margin consists of net margin and other comprehensive margin. Other comprehensive margin includes changes in the funded status of the postretirement benefit plan.

Note 2: Utility Plant

Utility plant consists of the following at December 31, 2021 and 2020:

	2021	2020
Intangible plant	$ 7,532,686	$ 7,532,686
Electric transmission plant	499,221	499,941
Electric distribution plant	122,928,099	120,185,546
Gas distribution plant	17,003,599	15,490,201
General plant	26,295,634	20,513,802
	174,259,239	164,222,176
Construction work in progress	10,240,470	7,884,285
	184,499,709	172,106,461
Accumulated depreciation and amortization	(64,505,611)	(60,253,652)
	$ 119,994,098	$ 111,852,809

Note 3: Investments

Associated Organizations

The Cooperative is a voting member in both Dairyland Power Cooperative and Prairie Power, Inc., generation and transmission facilities supplying power to distribution cooperatives. As voting members or owners, the Cooperative share margins, on the cooperative principle, based on power purchased. These investments or patronage capital earned by voting members are being returned annually as approved by their Board of Directors. These investments are recorded at cost, minus impairment, if any, plus undistributed patronage capital allocations.

National Rural Utilities Cooperative Finance Cooperation (“NRUCFC”) investments and capital term certificates are required pursuant to certain loan and guarantee agreements held by the Cooperative. NRUCFC capital term certificates include investments in NRUCFC capital term certificates, loan term certificates and zero term certificates. Capital term certificates bear interest at 5 percent and begin maturing in the year 2070; loan term certificates bear interest at 3 percent and begin maturing in the year 2025; and zero term certificates bear interest of 0 percent and begin maturing in the year 2025. Such investments and investments in other associated organizations are carried at cost.

Investments in associated organizations consist of the following at December 31, 2021 and 2020:

	2021	2020
Dairyland Power Cooperative - patronage capital	$ 7,363,536	$ 6,392,982
NRUCFC - patronage capital	2,624,384	2,461,470
NRUCFC capital term certificates	1,249,949	1,257,341
Prairie Power, Inc. - patronage capital	1,239,077	1,124,033
Four County Renewable Energy, LLC	161,428	161,432
Other associated organizations	751,912	749,929
	$ 13,390,286	$ 12,147,187

Other Investments

Other investments include investments in organizations that are related to the operations of the Cooperative or are expected to enhance the performance of the Cooperative. These investments are carried at cost.

Note 4: Notes Receivable

The Cooperative participates in the U.S. Department of Agriculture ("USDA") Rural Economic Development Loans ("REDL") Program. In the REDL Program, the USDA provides zero interest loans to local utility companies, who then provide loans to local business recipients. The local business recipients repay the utility companies in accordance with promissory notes.

During 2016, the Cooperative entered into two 10-year loans through the REDL Program. In February 2016, the Cooperative received the first loan for $447,155 which went to a large family owned potato and vegetable farm who received the loan to expand business and add equipment. In August 2016, the Cooperative received the second loan for $770,000 which went to a local agricultural cooperative who received the loan to build a Fast Stop station. Each note is payable in monthly installments of $3,716 and $6,417, respectively, and is secured by an irrevocable letter of credit. The Company receives monthly payments then, in turn, repays the USDA. At December 31, 2021 and 2020, the total notes receivable balance was $545,647 and $667,363, respectively.

Note 5: Deferred Charges

Deferred charges consist of the following at December 31, 2021 and 2020:

	2021	2020
Fiber capacity - DPC N-38 line	$ 310,825	$ 323,598
Preliminary survey and investigation - natural gas	801,513	866,064
NRECA RS pension prepayments	2,444,610	3,050,298
Morgan Stanley settlement (See Note 13)	4,125,000	7,425,000
Other	85,237	91,705
	$ 7,767,185	$ 11,756,665

The Cooperative is amortizing these charges over various periods ranging from two to 30 years.

Note 6: Patronage Capital and Retained Earnings

The following is a summary of patronage capital assignable and assigned at December 31, 2021 and 2020:

	2021	2020
Assignable	$ 2,332,758	$ 497,408
Assigned	24,719,475	25,972,303
	$ 27,052,233	$ 26,469,711

Outstanding loan agreements restrict the retirement of patronage capital unless after retirement, the capital of the Cooperative equals at least 20 percent of total assets of the Cooperative; provided, however, that retirements can be made if such distributions do not exceed 30 percent of the preceding year's margin. No distribution can be made if there are unpaid, when due, any installments of principal and interest on the notes.

The Cooperative's capital credit retirement policy is a hybrid calculation where the margins 25 years ago along with 5 percent of every year from 1995 through 2020 at the Cooperative's weighted average cost of capital is paid out.

Distributions to estates are made at the request of the estates on a discounted basis. Special retirements may also be recorded on a discounted basis to recover from patrons who are indebted to the Cooperative. Discounts are retained by the Cooperative and transferred to gain on retirement of patronage capital. As of December 31, 2020, capital credits through 1995 for the Cooperative's system had been fully retired.

Retained earnings consist of the following at December 31, 2021 and 2020:

	2021	2020
Reserve for storm damage contingency	$ 1,494,775	$ 2,242,163
Non-operating margin	1,714,170	1,703,431
Donated capital	182,328	182,328
Gain on retirement of patronage capital	7,259,118	6,366,878
	$ 10,650,391	$ 10,494,800

The Cooperative segregates electric patronage capital margin in order to provide for contingency and other reserves as determined by the board of directors and Cooperative By-Laws. These contingency and other reserves are based on the results of prior year margin using a formula approved by the Board of Directors.

The Cooperative, with By-Law authority, allocates interest and dividend non-operating margin to Retained Earnings.

Note 7: Lines of Credit

The Cooperative has a $10,000,000 unsecured, perpetual line of credit with NRUCFC. The line of credit has an annual paydown requirement. For each 12 month period and for a period of at least five consecutive business days, the Cooperative shall pay down the entire outstanding principal balance. At December 31, 2021 and 2020, there was $6,000,000 and $6,500,000, borrowed against this line, respectively. Interest varies with the CFC's line of credit rate, which was 2.45 percent on December 31, 2021 and 2020.

The Cooperative also has a $3,000,000 unsecured line of credit with Illinois Bank & Trust expiring in August 2022. At December 31, 2021 and 2020, there were no borrowings against this line. Interest varied with the bank's prime rate, which was 1.9 percent on December 31, 2021 and 2020, and is payable quarterly.

The Cooperative also has a $1,000,000 unsecured line of credit with CoBank expiring in December 31, 2022. At December 31, 2021 and 2020, there were no borrowings against this line. Interest varies with the bank's prime rate, which was 2.61 percent and 2.65 percent on December 31, 2021 and 2020, respectively, and is payable monthly.

Note 8: Long-Term Debt

	2021	2020
NRUCFC secured promissory notes 2.74% - 7.40% notes due 2022 - 2051	$ 89,405,001	$ 83,888,018
USDA Rural Development, maturing in 2026; payable approximately $10,000 monthly, no interest; secured by a letter of credit guarantee	545,647	667,363
Morgan Stanley Termination and Transition Agreement, maturing in 2028; payable monthly based on power consumption estimated at $155,000 per month, no interest (See Note 13)	9,560,045	11,411,309
Unamortized premium	80,242	91,705
	99,590,935	96,058,395
Less current maturities	5,172,816	4,884,521
	$ 94,418,119	$ 91,173,874

The NRUCFC loan agreements impose certain restrictions upon the Cooperative relating to the purchase, sale, construction, and maintenance of distribution plant, as well as future financing and retirement of patronage capital. These notes are secured by substantially all assets of the Cooperative.

As of December 31, 2021, the Cooperative has an additional available borrowing balance with NRUCFC beyond the operating line of credit of approximately $16,750,000.

Aggregate annual maturities of long-term debt at December 31, 2021, are:

2022	$ 5,172,816
2023	5,305,940
2024	5,468,754
2025	5,579,680
2026	5,651,483
Thereafter	72,412,262
	$ 99,590,935

Note 9: Postretirement Benefits

The Cooperative has a postretirement health care benefit plan whereby the Cooperative pays 80 percent of the cost of health insurance premiums for retired employees and dependents when the retiree's age is between 62 and 65 years old. Outside union employees are eligible for benefits prior to age 62, upon completion of 30 years of service. The Cooperative pays 80 percent of the cost of health insurance premiums between retirement and age 65, for those eligible outside union employees. All other employees are required to pay 100 percent of their premiums between retirement and age 62, in order to participate in the plan between ages 62 and 65. The plan does not provide for the payment of benefits after age 65 and is unfunded as of December 31, 2021 and 2020.

The Cooperative uses a December 31 measurement date for the plan. Information about the plan's funded status follows:

	2021	2020
Benefit obligation	$ (1,380,829)	$ (1,432,059)
Fair value of plan assets	-	-
Funded status	$ (1,380,829)	$ (1,432,059)

Amounts recognized in the consolidated balance sheets:

	2021	2020
Current liability	$ 74,663	$ 85,966
Noncurrent liability	1,306,166	1,346,093
	$ 1,380,829	$ 1,432,059

Amounts recognized in accumulated other comprehensive deficit not yet recognized as components of net periodic benefit cost consist of:

	2021	2020
Net loss	$ 145,350	$ 258,740

The accumulated benefit obligation for the plan was $1,380,829 and $1,432,059 at December 31, 2021 and 2020, respectively.

Employer contributions were $85,966 and $102,698 for 2021 and 2020, respectively.

The discount rate used to determine the benefit obligation was 3.40 percent and 3.20 percent for 2021 and 2020, respectively.

For measurement purposes, a 6.80 percent annual rate of increase in the per capita cost of covered medical care benefits was assumed for 2021. The rate for 2021 is assumed to decrease by 0.20 to 0.40 percent annually until reaching 5.0 percent and remain at that level thereafter. Further, the annual rate of increase in the per capita costs of covered dental and vision care benefits was assumed to be 5.00 percent and 5.75 percent for 2021 and 2020, respectively.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of December 31:

2022	$ 74,663
2023	45,569
2024	44,549
2025	83,572
2026	91,850
2026 - 2030	540,393

The Cooperative applies ASU 2017-07, *Compensation - Retirement Benefits* (Topic 715): *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which was deemed to be immaterial to the consolidated financial statements as there was no effect on net margins.

Note 10: Employee Benefit Plans

Multiemployer Pension Plan

Substantially all of the employees of the Cooperative participate in the National Rural Electric Cooperative Association ("NRECA") Retirement Security Plan ("RS Plan"). The 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.

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

The Cooperative's contributions to the RS Plan in 2021 and 2020 represented less than 5 percent of the total contributions made to the plan by all participating employers. The Cooperative made contributions to the Plan totaling $1,250,055 and $1,157,268 in 2021 and 2020, respectively.

For the RS Plan, a "zone status" determination is not required, and therefore not determined, under the *Pension Protection Act* (PPA) of 2006. In addition, the accumulated benefit obligations and Plan assets are not determined or allocated separately by individual employer. In total, the RS Plan was over 80 percent funded on January 1, 2021 and 2020, based on the PPA funding target and PPA actuarial value of assets on those dates.

Because the provisions of 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.

RS Plan Prepayments

At the December 2012 meeting of the I&FS Committee of the NRECA Board of Directors, the Committee approved an option to allow participating cooperatives in the RS Plan to make a prepayment and reduce future required contributions. The prepayment amount is a cooperative'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 Plan actuarial valuation assumptions. The prepayment amount will typically equal approximately 2.5 times a cooperative's annual RS Plan required contribution as of January 1, 2013. After making the prepayment, for most cooperatives the billing rate is reduced by approximately 25 percent, retroactive to January 1, 2013. The 25 percent 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 that expected, plan assumption changes, and other factors may have an impact on the differential in billing rates and the 15 year period.

Two prepayment options were available to participating cooperatives:

1. Use current assets to make the prepayment over a period of not more than four years.
2. Borrow funds sufficient to make the prepayment in a lump sum, with the repayment of the borrowed amount determined by the loan's amortization schedule.

On March 31, 2013, the Cooperative made a prepayment of $3,532,278 to the NRECA RS Plan. This prepayment was funded with the line of credit through NRUCFC. The Cooperative recorded this prepayment on the balance sheets as a deferred charge. The Cooperative is amortizing this amount over 10 years and amortized $355,688 for 2021 and 2020.

Starting in 2018, participating cooperatives in the NRECA RS Plan may make an additional contribution prepayment as a Voluntary Contribution Acceleration Program ("VCAP") contribution in order to reduce future required contributions. The reduction in future contributions (contribution discount) and the length of the period over which the contribution reduction extends (discount period), is selected by the Cooperative. The VCAP contribution amount is then determined such that it is expected to fund the contribution discount over the discount period. After making the VCAP contribution, the RS Plan billing rate is reduced to reflect the selected contribution discount, which becomes effective the subsequent January 1. The VCAP contribution is accounted for on a monthly basis by crediting it with the actual monthly RS Plan investment return, and reducing it by the reduction in monthly contributions obtained through the contribution discount, until the account value reduces to zero. Note that change in plan provisions, demographic changes, asset returns different from the long term expected return on plan assets, and other factors will have an impact on the length of the discount period. On December 13, 2019, the Cooperative made a VCAP contribution of $2,500,000 to the NRECA RS Plan. The Cooperative recorded this prepayment on the consolidated balance sheets as a deferred charge. The Cooperative is amortizing this amount over 10 years and amortized $250,000 for 2020.

Defined Contribution Plan

The Cooperative has a 401(k) defined-contribution plan covering substantially all employees, which allows for both employee and Cooperative contributions. The Cooperative contribution consists of matching contributions of employee contributions, up to 4 percent of participating non-union employees' compensation and up to 2 percent of participating union employee's compensation. Contributions to the Plan were approximately $216,000 and $215,000 for 2021 and 2020, respectively. Effective January 1, 2022, the matching contributions of employee contributions increased to up to 5 percent and 3 percent for non-union and union employees' compensation, respectively.

Note 11: Deferred Credits

Deferred credits consist of the following at December 31, 2021 and 2020:

	2021	2020
Customer prepayments	$ 464,524	$ 439,694
Unclaimed capital credit checks	79,864	98,460
Special equipment installation charges	21,170	105,950
Deferred revenue	3,750,000	2,054,010
Unamortized gain on reacquired debt	3,474	5,936
Over recovered purchased gas	469,816	732,835
Other	-	29,854
	$ 4,788,848	$ 3,466,739

The board of directors has established a deferred revenue plan, which seek to stabilize members' rates to mitigate the effects of expected increases in rates. The plans defers margins resulting from reduced capacity charges.

Note 12: Revenue from Contracts with Customers

Performance Obligations

Rates charged for distribution of electric, natural gas, and wireless broadband service are established at least annually by the Cooperative's Board of Directors. The Cooperative provides energy and capacity to members as one stand-ready performance obligation. Revenue is recognized by the Cooperative upon transfer of control of promised services to members in an amount that reflects the consideration expected to be received in exchange for those services.

The Cooperative transfers control of the electric power and natural gas to members at each member's meter point and the members simultaneously receive and consume the benefits of the energy provided. Electric power and natural gas provided to members is accounted for as a series of performance obligations. Progress towards completion is measured using the output method (kilowatt hour (Kwh) received by the customer), meter readings are taken at the end of each month for billing purposes, the quantity of power and gas transferred is determined after the meter readings. Payments from members are typically received in accordance with each member's contract, which is less than 21 days from the invoice date.

The Cooperative transfers control of broadband services as members receive and consume the benefits over the service period. The transfer of service is accounted for as one performance obligation and revenue is recognized primarily based on monthly billings for the service period as this corresponds directly with the services provided to date. Payments from members are typically received in accordance with each member's contract, which is less than 21 days from the invoice date.

Revenue associated with electric power, natural gas, and wireless broadband performance obligations to members are recorded as sales to members in our accompanying consolidated statements of margin.

The Cooperative has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are primarily affected by factors that impact demand.

Contract Balances

The following table provides information about the Company's receivables from contracts with members:

	2021	2020
Accounts receivable - customers, beginning of year	$ 3,210,453	$ 3,210,453
Accounts receivable - customers, end of year	$ 2,825,911	$ 2,825,911
Unbilled revenues, beginning of year	$ 1,793,048	$ 1,793,048
Unbilled revenues, end of year	$ 2,236,457	$ 2,236,457

Note 13: Commitments and Contingencies

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Concentration of Credit

The Cooperative provides electric, natural gas and broadband services to its members located in northwest Illinois. The accounts receivable balance represents amounts due from these consumers. The collectability of the accounts receivable arising from sales is based on the economy of the service area. Credit is issued after payment of a deposit and approval by the board of directors.

Power Supply

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Dairyland Power Cooperative ("Dairyland Power") through December 31, 2055, for the legacy service area. The rates are subject to review annually.

Under its wholesale power agreement, the Cooperative is committed to purchase its electric power and energy requirements from Prairie Power, Inc. through December 31, 2060, for the Farmers Mutual Electric Company service area. The rates are subject to review annually.

The Cooperative entered into a five year agreement on May 13, 2014, with Morgan Stanley Capital Group ("Morgan Stanley"), to purchase its electric power and energy requirements currently supplied by Interstate Power and Light Company ("IPL") beginning April 1, 2018 through March 31, 2023. On October 27, 2017, the Cooperative, Morgan Stanley and Dairyland Power agreed to a Termination and Release Agreement which released the Cooperative from the five year agreement with Morgan Stanley. At that time, a Termination and Transition Agreement was signed with Dairyland Power to transition the former IPL load to Dairyland Class "A" Member load, beginning April 1, 2018, and through the end date of the current Wholesale Power Contract between Jo-Carroll and Dairyland Power, which is December 31, 2055. The Termination and Release Agreement also requires the Cooperative to pay $16,500,000 to Dairyland Power over a period of 10 years from April 1, 2018 through March 31, 2028, as a pass-through cost from Dairyland Power to Jo-Carroll as a result of the assumption by Dairyland Power of release fees owed to Morgan Stanley relating to the original five year agreement between Jo-Carroll and Morgan Stanley. This amount was recorded as a deferred charge as of April 1, 2018, and is being amortized over a period of five years.

The Cooperative entered into a natural gas purchase agreement on September 7, 2007, with the Illinois Public Energy Agency (IPEA). This agreement extends through March 31, 2024.

Jo-Carroll Energy, Inc.
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Labor Agreements

Approximately 60 percent of the Company's employees are covered by collective bargaining agreements, none of which will expire within the next year.

Letter of Credit

The Company had $333,355 at December 31, 2021 and 2020, in an outstanding letter of credit to be used for the purchase of natural gas.

Inventory Futures – Natural Gas

As of December 31, 2021, the Cooperative has committed to purchase natural gas in various periods through October 2024, for a total value of approximately $1,994,000.

Risks and Uncertainties

As a result of the continuing effects of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Company. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 14: Subsequent Events

Subsequent events have been evaluated through March 25, 2022, which is the date the consolidated financial statements were available to be issued.