EMC NATURAL GAS, INC.
D/B/A TRUE NATURAL GAS
PALMETTO, GEORGIA

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

EMC NATURAL GAS, INC.
D/B/A TRUE NATURAL GAS

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CERTIFIED PUBLIC ACCOUNTANTS

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September 23, 2025

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
EMC Natural Gas, Inc.

Opinion

We have audited the financial statements of **EMC Natural Gas, Inc. d/b/a True Natural Gas**, which comprise the balance sheets as of May 31, 2025 and 2024, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of EMC Natural Gas, Inc. d/b/a True Natural Gas as of May 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 Financial Statements section of our report. We are required to be independent of EMC Natural Gas, Inc. d/b/a True Natural Gas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about EMC Natural Gas, Inc. d/b/a True Natural Gas's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

EMC NATURAL GAS, INC.
BALANCE SHEETS
MAY 31

ASSETS

	2025	2024
Current Assets		
Cash and Cash Equivalents	**$ 7,960,685**	$ 1,199,249
Short-Term Investments	**13,216,485**	14,117,000
Restricted Cash	**11,024,500**	10,601,500
Accounts Receivable (Net of Allowance for Credit Losses of $1,670,892 and $1,545,724 in 2025 and 2024, Respectively)	**7,718,150**	6,312,710
Lease Receivable - Current Portion	**99,980**	99,942
Gas Inventory	**3,111,842**	3,558,456
Other	**1,121,225**	639,545
	44,252,867	36,528,402
Property and Equipment, Net	**2,420,146**	2,664,274
Other Assets		
AGLC Prepayment	**5,206,876**	4,525,433
Customer List (Net)	**2,933,334**	3,333,334
Lease Receivable	**1,118,241**	1,210,826
	9,258,451	9,069,593
Total Assets	**$ 55,931,464**	$ 48,262,269

LIABILITIES AND STOCKHOLDER'S EQUITY

Current Liabilities		
Accounts Payable - Trade	**$ 8,728,972**	$ 7,814,136
Customer Deposits	**871,436**	839,932
Accrued and Withheld Taxes	**1,987,026**	2,116,762
Other	**-**	639
	11,587,434	10,771,469
Deferred Tax Liability	**738,000**	805,000
Deferred Credits	**49,478**	46,742
Stockholder's Equity		
Common Stock	**10,000**	10,000
Retained Earnings	**43,546,552**	36,629,058
	43,556,552	36,639,058
Total Liabilities and Stockholder's Equity	**$ 55,931,464**	$ 48,262,269

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

EMC NATURAL GAS, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED MAY 31

	2025	2024
Operating Revenues	**$ 150,535,892**	$ 142,300,908
Cost of Revenues	**126,688,864**	117,558,088
Gross Profit	**23,847,028**	24,742,820
Operating Expenses		
Customer Accounts	**5,803,220**	5,803,593
Customer Service and Information	**3,713,730**	3,255,274
Administrative and General	**4,202,670**	3,013,415
Depreciation and Amortization	**579,203**	589,370
Other	**91,205**	51,982
	14,390,028	12,713,634
Operating Margins Before Interest Expense	**9,457,000**	12,029,186
Interest Expense	**65,338**	207,458
Operating Margins After Interest Expense	**9,391,662**	11,821,728
Nonoperating Margins	**1,417,372**	939,967
Net Margins Before Income Taxes	**10,809,034**	12,761,695
Income Tax Expense	**2,891,540**	3,378,167
Net Margins	**$ 7,917,494**	$ 9,383,528

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

EMC NATURAL GAS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED MAY 31, 2025 AND 2024

	Total Stockholder's Equity	Common Stock	Retained Earnings
Balance, May 31, 2023	$ 27,305,530	$ 10,000	$ 27,295,530
Net Margins	9,383,528	-	9,383,528
Payment of Dividends	(50,000)	-	(50,000)
Balance, May 31, 2024	36,639,058	10,000	36,629,058
Net Margins	7,917,494	-	7,917,494
Payment of Dividends	(1,000,000)	-	(1,000,000)
Balance, May 31, 2025	**$ 43,556,552**	**$ 10,000**	**$ 43,546,552**

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

EMC NATURAL GAS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31

	2025	2024
Cash Flows from Operating Activities		
Net Margins	**$ 7,917,494**	$ 9,383,528
Adjustments to Reconcile Net Margins to		
Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization	**579,203**	589,370
Deferred Income Taxes	**(67,000)**	339,000
Inventory Carrying Value Adjustment	**-**	(1,130,674)
Provision for Credit Losses	**637,032**	774,199
Loss on Disposition of Property and Equipment	**64,925**	-
Change In		
Accounts Receivable	**(2,042,472)**	170,257
Lease Receivable	**92,547**	(1,310,768)
Gas Inventory	**446,614**	1,673,234
Other Current Assets	**(481,680)**	(287,726)
Other Assets	**(681,443)**	(218,546)
Accounts Payable - Trade	**914,836**	(263,133)
Customer Deposits	**31,504**	88,381
Accrued and Withheld Taxes	**(129,736)**	168,297
Other Current Liabilities	**(639)**	(44,009)
Deferred Credits	**2,736**	6,036
	7,283,921	9,937,446
Cash Flows from Investing Activities		
Additions of Property and Equipment	**-**	1,034,151
Short-Term Investments	**900,515**	(14,117,000)
	900,515	(13,082,849)
Cash Flows from Financing Activities		
Payment of Dividends	**(1,000,000)**	(50,000)
	(1,000,000)	(50,000)
Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash	**7,184,436**	(3,195,403)
Cash, Cash Equivalents, and Restricted Cash - Beginning	**11,800,749**	14,996,152
Cash, Cash Equivalents, and Restricted Cash - Ending	**$ 18,985,185**	$ 11,800,749
Balance Sheet Reconciliation		
Cash and Cash Equivalents	**$ 7,960,685**	$ 1,199,249
Restricted Cash	**11,024,500**	10,601,500
	$ 18,985,185	$ 11,800,749
Supplemental Disclosures of Cash Flow Information		
Cash Payments of Interest	**$ 54,257**	$ 196,937
Cash Payments of Income Tax	**$ 3,215,393**	$ 2,814,201

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

(1) Nature of Operations

EMC Natural Gas, Inc. (the Corporation) is certified as a natural gas marketer whose purpose is to provide natural gas service to its customers within the state of Georgia. The Corporation operates under the name True Natural Gas within the state of Georgia natural gas market. The Corporation is wholly-owned by Coweta-Fayette Electric Membership Corporation (Coweta-Fayette EMC).

(2) Summary of Significant Accounting Policies

Accounting policies of the Corporation are in compliance with the Georgia Natural Gas Competition and Deregulation Act. These policies comply with the cost allocation manual the Corporation has on file with the Georgia Public Service Commission (GPSC). The following describes the more significant of those policies.

Basis of Presentation

The Corporation has adopted the Financial Accounting Standards Board (the FASB) *Accounting Standards Codification (ASC)*. The *ASC* is the single official source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP) recognized by the FASB to be applied by nongovernmental entities.

Use of Estimates

The preparation of the 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Depreciation

Depreciation of property and equipment is computed principally by the straight-line method over the estimated useful lives of the various assets. The Corporation depreciates all of its operating property and equipment over 5 years and solar facilities over 20 years.

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. The debt securities are held to maturity and are recorded at cost.

(2) Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Revenues of the Corporation are primarily generated from contracts with natural gas marketing customers.

Natural gas revenues, which arise from gas deliveries requested by the customer, are recognized as a single performance obligation fulfilled over time. These revenues are recorded at the contract rate as the gas is delivered to the customer throughout the month. Gas is consumed based upon meter reading data provided by the AGLC. Natural gas revenues are billed monthly to customers on a cycle basis.

The standalone selling price is primarily determined by the price charged to customers for the natural gas services transferred with the performance obligations. The charges for the natural gas are not based on any variable consideration and the Corporation offers no right of refund to its customers. The performance obligations related to natural gas services are satisfied, and revenue is recognized, at a point in time when natural gas is delivered to the customer.

The Corporation has elected to recognize revenue for sales of natural gas using the invoice practical expedient as it generally has a right to consideration in an amount that corresponds directly with the value to the customer of the performance completed to date and that may be invoiced. Payment for services rendered is typically due in the subsequent month following satisfaction of the Corporation's performance obligation.

The Corporation serves as an agent for gas distribution services in its retail market in the form of AGLC passthrough charges. The Corporation has rate structures that include volumetric rate designs that allow the opportunity to recover certain costs based on gas usage and passthrough charges. Revenues from sales and transportation services are recognized in the same period in which the related volumes are delivered to customers. Revenues from residential and certain commercial and industrial customers are recognized on the basis of scheduled meter readings.

Additionally, unbilled revenues are recognized for estimated deliveries of gas not yet billed to these customers, covering the period from the last meter reading date to the end of the accounting period. For other commercial and industrial customers, revenues are based on actual deliveries through the end of each period. Unbilled receivables are included as accounts receivable on balance sheets.

Revenues from solar sales are billed monthly on meter readings of solar generation output for the Corporation's solar facility and is recognized as a single performance obligation satisfied over time as solar power is consumed. Meter readings of solar generation output are recorded at month end and billed according to contractual rates. There were no unbilled receivables related to solar sales for the years ended May 31, 2025 and 2024.

(2) Summary of Significant Accounting Policies (Continued)

Short-Term Investments

Short-term investments include time deposits, certificates of deposit, and all highly liquid debt instruments which mature in less than one year.

The Corporation 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, the Corporation considers all available information relevant to the collectability 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. Management has determined that, as of May 31, 2025 and 2024, there is no expectation of a credit loss related to the Corporation's debt securities, therefore, no allowance for credit losses was recorded.

The Corporation's debt securities consists of commercial paper and select notes which are invested at the National Rural Utilities Cooperative Finance Corporation (NRUCFC). Debt securities totaled $13,216,485 and $14,117,000 for the years ended May 31, 2025 and 2024, respectively.

The carrying value of the debt securities investments included in short-term investments approximated fair value with an interest rate ranging from 5.33 percent to 5.61 percent at May 31, 2025 and have various maturity dates ranging from June 2025 through October 2025.

Restricted Cash

The Corporation has elected to provide cash deposits to satisfy AGLC's Tariff for liquidity support and collateral for fixed forward rate supply contracts.

The AGLC's Tariff for liquidity support can be replaced at the discretion of the Corporation with a letter-of-credit at any time throughout the term of the winter or nonwinter security requirement agreement. Liquidity support requirements are adjusted semiannually. Interest is accrued monthly on cash deposits at the prevailing Federal Funds Target Range, midpoint of range, and paid at the time of replacement.

For the year ended May 31, 2024, the Corporation had a deposit with a natural gas vendor in the amount of $284,900 included as a component of restricted cash.

Gas Inventory

Inventory is valued at the lower of cost or net realizable value, with cost determined by using the weighted-average cost within the month purchased and first-in, first-out layers for each full month. If it is determined that a decline in net realizable value below the weighted average cost of the inventory is other than temporary, an adjustment is recorded to reduce the weighted average cost of the inventory to net realizable value. There were no adjustments for changes in net realizable value for years ended May 31, 2025 and 2024, respectively.

(2) Summary of Significant Accounting Policies (Continued)

Receivables and Allowance for Credit Losses

Accounts receivable are stated at the amount billed to the customer plus contract assets that are comprised of unbilled natural gas consumption, unbilled local distribution charges, and unbilled fees. The total of these contract assets was $1,075,368, $1,066,814, and $1,196,193 at May 31, 2025, 2024, and 2023, respectively. Accounts receivable were $6,642,782, $5,245,896, and $6,060,973 as of May 31, 2025, 2024, and 2023, respectively.

Accounts receivable are stated at the amount management expects to collect. Billed accounts receivable are stated at original invoice amounts less an estimate made for expected credit losses based on a monthly review of all outstanding amounts. A valuation allowance is provided for known and anticipated credit losses, as determined by management. Expected credit losses are determined based on how long a receivable has been outstanding, current economic conditions, and historical loss information. Recoveries of accounts receivable previously written off are recorded when received. There was no material activity for credit losses as of May 31, 2025.

Cost of Revenues

Cost of revenues for natural gas, other than adjustments for change in net realizable value of inventory, is expensed as consumed.

Customer List

The Corporation acquired a customer list during 2017, which is accounted for under Accounting Standards Update 2017-01 guidance as asset acquisitions. The customer list is being amortized over its useful life using the straight-line method provided in Note 4.

Asset Impairment

The Corporation monitors the recoverability of long-lived tangible assets and performs a review of assets or asset groups when circumstances indicate that the carrying amount may not be recoverable. The carrying amount of an asset held and used is not recoverable if it exceeds the undiscounted sum of cash flows expected to result from the use and eventual disposition of the asset. If the carrying value is not recoverable, the impairment loss is measured as the excess of the asset's carrying value over its fair value. There were no such impairment losses for the years ended May 31, 2025 and 2024.

Advertising

The Corporation expenses its advertising costs as incurred and includes these amounts as customer service and information on the statements of operations. For the years ended May 31, 2025 and 2024, the Corporation incurred $3,644,547 and $3,240,603 of advertising costs, respectively.

Transportation and Storage Costs

The Corporation expenses all transportation and storage costs as incurred and includes these amounts in cost of revenues. Transportation and storage costs were $15,354,541 and $15,016,118 for the years ended May 31, 2025 and 2024, respectively.

(2) Summary of Significant Accounting Policies (Continued)

Income Taxes

The assessment of valuation allowances and other differences are based on significant judgement and extensive analysis of the Corporation's current financial position and results of operations, including currently available information about future years, to estimate when future taxable income will be realized. Current and deferred state income tax assets and liabilities are estimated based on state laws that determine the income to be apportioned to their jurisdictions.

The Corporation recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on technical merits of the position. As of May 31, 2025 and 2024, there were no known items which would result in a material accrual resulting from the Corporation's federal or state tax positions. Currently, the Corporation's federal and state tax returns for 2020 and after are subject to examination. Additional information pertinent to the valuation of income taxes is provided in Note 7.

The Corporation made cash payments for income taxes of $3,215,393 and $2,814,201 for the years ended May 31, 2025 and 2024, respectively.

Sales Tax

Certain portions of the Corporation's sales are subject to sales tax imposed by jurisdictions. When required, the Corporation collects sales tax from customers and remits it to the applicable jurisdiction. The Corporation's accounting policy is to exclude the tax collected and remitted from operating revenues and cost of revenues.

Leases

On April 1, 2024, the Corporation agreed to lease a Battery Energy Storage Facility (BESS) to Coweta-Fayette EMC, a related party. The lease has been classified as a sales-type lease in accordance with *ASC Topic 842 – Leases*. The lease is 10 years with payments due monthly and includes an Option to Purchase Facility which allows for Coweta-Fayette EMC to purchase the BESS at its book value on the date of purchase. Accordingly, no profit or lost has been recognized in the statement of operations. Management has determined that, as of May 31, 2025, there is no expectation of a credit loss related to net investment of leases.

(3) Property and Equipment

Property and equipment are comprised of the following at May 31:

	2025	2024
Solar Facility	**$ 3,319,056**	$ 3,319,056
Furniture, Equipment, and Computers	**353,156**	353,156
Other Equipment and Software	**302,763**	302,763
Vehicles	**-**	79,500
	3,974,975	4,054,475
Accumulated Depreciation	**(1,554,829)**	(1,390,201)
	$ 2,420,146	$ 2,664,274

(4) Customer List

The Corporation agreed to acquire a customer list in October of 2017. The customer list is being amortized on the straight-line basis which appropriately reflects the expected cash flows from this asset, which is fifteen years. Amortization expense of $400,000 related to the customer list is included with depreciation and amortization for the years ended May 31, 2025 and 2024.

	2025	2024
Acquisition Cost	**$ 6,000,000**	$ 6,000,000
Accumulated Amortization	**(3,066,666)**	(2,666,666)
	$ 2,933,334	$ 3,333,334

Future amortization expense of the customer list as of May 31 is as follows:

Year	**Amount**
2026	$ 400,000
2027	400,000
2028	400,000
2029	400,000
2030	400,000
Thereafter	933,334

(5) AGLC Prepayment

AGLC charges reported by the Corporation are related to cost for pipeline, storage, and supporting services to be incurred the month following actual billing. The Corporation accounts for the charges as a deferred item and expenses these charges in the appropriate month.

(6) Leases

The components of lease receivables for the net investment in the sales-type lease as of May 31 are as follows:

	2025	2024
Total Minimum Lease Receivable	**$ 1,218,221**	$ 1,310,768
Less: Current Portion	**(99,980)**	(99,942)
	$ 1,118,241	$ 1,210,826

The following is a maturity analysis of the annual undiscounted cash flows of the sales-type lease payments to be received as of May 31, 2025:

Year	**Amount**
2026	$ 99,980
2027	98,687
2028	105,928
2029	113,702
2030	122,045
Thereafter	577,899

Interest income from the sales type-lease were $98,343 and $17,074 for the years ended May 31, 2025 and 2024, respectively.

(7) Line-of-Credit

The Corporation also has a $35,000,000 line-of-credit with NCSC with an interest rate of 7.00 percent. This line-of-credit, which has a maturity date of December 29, 2028, had no outstanding balance as of May 31, 2025 and 2024. The availability of the funds is contingent on the Corporation's compliance with one or more preconditions set for in the loan agreement.

(8) Income Taxes

The Corporation is a taxable entity and files its federal and state tax returns on a calendar-year basis. Currently, the Corporation's tax returns for years ended on or after December 31, 2022 are subject to examination by the Internal Revenue Service and State of Georgia.

Details of income tax expense (benefit) are as follows as of May 31:

	2025	2024
Federal		
Current	**$ 2,380,274**	$ 2,363,797
Deferred	**(50,250)**	250,000
State		
Current	**578,266**	675,370
Deferred	**(16,750)**	89,000
	$ 2,891,540	$ 3,378,167

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their respective tax basis, which give rise to deferred tax assets and liabilities computed at statutory rates, are as follows as of May 31:

	2025	2024
Deferred Tax Assets	**$ -**	$ -
Deferred Tax Liabilities		
Accelerated Depreciation and Other Property Basis Differences	**(738,000)**	(805,000)
	$ (738,000)	$ (805,000)

Deferred tax liabilities are the result of property-related timing differences for depreciation.

The Corporation estimated an income tax payable of $1,619,538 and $1,766,800 for the years ended May 31, 2025 and 2024, respectively.

(9) Related Party Transactions

Coweta-Fayette EMC provides administrative services, management services, corporate support services, customer care, and certain marketing functions to the Corporation. These services totaled $9,718,292 and $9,205,221 for the years ended May 31, 2025 and 2024, respectively. Amounts due to the Corporation from Coweta-Fayette EMC and included in accounts receivable were $442,047 and $467,897 at May 31, 2025 and 2024, respectively. Amounts payable from the Corporation to Coweta-Fayette EMC and included in accounts payable at May 31, 2025 and 2024 were $730,343 and $782,696, respectively.

On June 27, 2019, the Corporation entered into a Purchase Power Agreement with Coweta-Fayette EMC. Under the agreement, Coweta-Fayette EMC agrees to receive and to purchase all of the net energy output from the Corporation's solar facility. Revenues from solar sales were $453,489 and $412,989 for the years ended May 31, 2025 and 2024, respectively.

On January 5, 2023, Coweta-Fayette EMC agreed to provide financial resources to the Corporation through stock purchases, loans or guarantees for loans in the manner and to the extent provided by law to provide and execute a parental guaranty to Colonial Energy, Inc. (Colonial) in an amount not to exceed $6,000,000 to cover the Corporation's obligation to Colonial.

(10) Commitments

The Corporation enters into various fixed forward rate supply contracts to secure natural gas for those customers that have locked in a price rate for a certain period of time. The price locks are for periods of 6, 12, 18 or 24 months and are for both residential and commercial accounts. The Corporation has entered into these agreements to meet its obligation to maintain a sufficient capacity and supply for its customers. Under *ASC 815, Derivatives and Hedging*, natural gas purchase or sales agreements (whether a forward contract, an option contract, or a combination of both) for the purchase or sale of natural gas qualify for the normal purchase and normal sales exception by which each is recorded as normal purchases or normal sales when the contract expires or is terminated. The value of these fixed forward rate contracts was $20,866,080 and $24,514,709 for the years ended May 31, 2025 and 2024, respectively.

The Corporation has an obligation to deliver a volume of natural gas required by AGLC. If a natural gas marketer does not deliver the required amount of natural gas, penalties may apply in accordance with the AGLC Tariff. Since the amounts required by AGLC are based on estimates, an imbalance, either positive or negative, occurs with some natural gas marketers delivering more natural gas than their customers actually consume and other natural gas marketers delivering less natural gas than their customers actually consume. An imbalance in deliveries of natural gas results in some marketers owing other marketers for excess natural gas (short marketer) and some marketers being owed by other marketers for deficient deliveries of natural gas (long marketer). An imbalance from the short marketers is settled with the long marketers, pursuant to the AGLC Tariff.

GPSC approved an order on December 12, 2008 which changed the methodology to determine the amount of natural gas each marketer is required to deliver, established an escrow fund to receive imbalance amounts from short marketers, required letters-of-credit to secure payment obligations, and shortened the time period associated with the settlement process. GPSC conducts an audit to approve the Corporation's letter-of-credit requirement as determined by AGLC. As a result of the audit, the Corporation's letter-of-credit requirement totaled $720,907 at May 31, 2025 and was obtained from NCSC. The letter-of-credit requirement is determined on a quarterly basis. The letter-of-credit contains certain covenants, including maintenance of certain financial ratios as defined in the agreement. For the year ended May 31, 2025, the Corporation met the minimum required ratio in the agreement.

(10) Commitments (Continued)

The Corporation is also required by AGLC's Tariff to provide liquidity support to secure payment of their obligations to AGLC. The liquidity support required is adjusted semiannually based upon a calculation defined in the AGLC Tariff. The liquidity support requirement can be satisfied by a cash deposit, a letter-of-credit or a combination of both. The Corporation elected to secure with a cash deposit in the amount of $11,024,500 and $10,316,600 for the years ended May 31, 2025 and 2024, respectively. This cash deposit has been recorded as restricted cash on the balance sheets.

On February 1, 2024, the National Cooperative Services Corporation (NCSC) agreed to provide financial resources to the Corporation through loans or guarantees for loans in the manner and to the extent provided by law through an executed standby letter of credit to Transcontinental Gas Pipeline Corporation, LLC in the amount of $1,200,000.

(11) Concentrations of Credit Risk

The Corporation is a certified natural gas marketer serving customers in the state of Georgia. The geographic concentration of the Corporation's customers results in a concentration of credit risk with respect to the collection of accounts receivable. Credit evaluations are performed on most potential customers before accepting them for service. Losses pertaining to this credit risk have not exceeded management's expectations.

The Corporation maintains its cash balances in several financial institutions. Cash balances throughout the year periodically exceed federally insured deposit limits of $250,000. At May 31, 2025, the Corporation had uninsured cash balances totaling $7,658,546.

At May 31, 2025, AGLC's Tariff for liquidity support and collateral for fixed forward rate supply contracts in the amount of $11,024,500 are included in restricted cash. These amounts are not secured or otherwise subject to federally insured deposit liability coverage.

(12) Major Suppliers

The Corporation's wholesale purchases for retail natural gas commodity costs were $45,019,244 and $43,261,902 for the years ended May 31, 2025 and 2024, respectively. The Corporation has three service providers that accounted for 88 percent and 76 percent of the commodity costs incurred by the Corporation for the years ended May 31, 2025 and 2024, respectively.

The Corporation had three suppliers of storage and transportation services that accounted for substantially all storage and transportation expenses.

(13) Subsequent Events

In preparing these financial statements, the Corporation has evaluated events and transactions for potential recognition or disclosure through September 23, 2025, the date the financial statements were available to be issued.