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Isle au Haut Electric Power Company

FINANCIAL STATEMENTS

December 31, 2025 and 2024

With Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Isle au Haut Electric Power Company

Opinion

We have audited the financial statements of Isle au Haut Electric Power Company (the Company), which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. 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 the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, 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 the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Board of Directors
Isle au Haut Electric Power Company

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 U.S. 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 U.S. GAAS*,* we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 the Company'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.

BDMP Assurance, LLP

Portland, Maine
August 17, 2026

ISLE AU HAUT ELECTRIC POWER COMPANY

Balance Sheets

December 31, 2025 and 2024

ASSETS

	2025	2024
Electric plant		
In service, at cost	**$ 639,729**	$ 638,029
Construction work-in-progress	**18,532**	4,901
	658,261	642,930
Less accumulated depreciation	**(541,155)**	(535,157)
Net electric plant	**117,106**	107,773
Noncurrent assets – solar array investment	**252,073**	252,073
Current assets		
Cash	**97,217**	84,945
Restricted cash	**64,762**	285,126
Accounts receivable, less allowance for credit losses of $7,366 in 2025 and 2024	**17,180**	22,645
Inventory	**6,376**	5,521
Prepaid expenses	**2,620**	2,677
Total current assets	**188,155**	400,914
	$ 557,334	$ 760,760

The accompanying notes are an integral part of these financial statements.

EQUITIES AND LIABILITIES

	2025	2024
Net assets		
Other equity	$ 1,989	$ 1,989
Unrestricted net assets	413,701	397,330
Total net assets	415,690	399,319
Current liabilities		
Accounts payable	15,432	12,580
Promissory notes payable, current	33,250	-
Deferred revenue, current	1,125	1,125
Total current liabilities	49,807	13,705
Deferred revenue, long-term	54,962	280,000
Promissory notes payable, long-term	-	30,861
Membership payable	36,875	36,875
Total liabilities	141,644	361,441
	$ 557,334	$ 760,760

ISLE AU HAUT ELECTRIC POWER COMPANY

Statements of Operations and Changes in Net Assets

Years Ended December 31, 2025 and 2024

	2025	2024
Operating revenue	**$ 189,238**	$ 168,465
Operating expenses		
Cost of purchased power	**60,392**	49,334
Repairs and maintenance	**1,459**	15,940
Payroll	**50,479**	58,274
Payroll taxes	**4,670**	5,412
License and fees	**8,478**	5,996
Bad debt	**-**	7,366
Office supplies	**6,896**	4,161
Professional fees	**21,721**	10,895
Utilities and telephone	**7,870**	9,363
Insurance	**6,300**	6,475
Depreciation	**5,998**	7,201
Miscellaneous	**2,342**	6,255
Total operating expenses	**176,605**	186,672
Operating income (loss)	**12,633**	(18,207)
Other income, net	**3,738**	12,402
Net income (loss)	**16,371**	(5,805)
Net assets, beginning of year	**399,319**	405,124
Net assets, end of year	**$ 415,690**	$ 399,319

The accompanying notes are an integral part of these financial statements.

ISLE AU HAUT ELECTRIC POWER COMPANY

Statements of Cash Flows

Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Net income (loss)	**$ 16,371**	$ (5,805)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation	**5,998**	7,201
(Increase) decrease in		
Accounts receivable	**5,465**	10,084
Inventory	**(855)**	-
Prepaid expenses	**57**	-
Increase (decrease) in		
Accounts payable	**2,852**	1,155
Accrued interest on promissory notes payable	**2,389**	786
Deferred revenue	**-**	(2,304)
Net cash provided by operating activities	**32,277**	11,117
Cash flows from investing activities		
Extension and replacement of electric plant	**(389,643)**	(758)
Proceeds from grants	**149,274**	280,000
Cash (used) provided by investing activities	**(240,369)**	279,242
Net (decrease) increase in cash and restricted cash	**(208,092)**	290,359
Cash and restricted cash, beginning of year	**370,071**	79,712
Cash and restricted cash, end of year	**$ 161,979**	$ 370,071
Cash and restricted cash as of December 31 consist of the following:		
Cash	**$ 97,217**	$ 84,945
Restricted cash	**64,762**	285,126
Total cash and restricted cash	**$ 161,979**	$ 370,071
Supplemental cash flow information		
Purchase of electric plant with deferred revenue – grant proceeds	**$ 225,038**	$ -

The accompanying notes are an integral part of these financial statements.

Nature of Business

Isle au Haut Electric Power Company (the Company) is a privately owned cooperative corporation created for the purpose of acquiring and providing electric power and related services for the island of Isle au Haut, Maine. Previously, members owned a share of member equity with a $5 par value that is now due back to the members when they are no longer a member and is reported as a liability on the balance sheets.

The Company is governed by a Board of Directors elected by its members at the Company's annual meeting. The Directors outline annually the accomplishments and priorities of the Company. Management of the Company is expected to follow the objective of the Board of Directors as well as maintain compliance with Maine Public Utilities Commission (MPUC), State of Maine, and federal laws and regulations. The Company is a Maine corporation, incorporated in 1969.

The Company extends credit based on guidelines set by the MPUC, and payment for electrical services is due within 25 days of receipt of invoices.

1. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Regulatory Accounting

The Company follows the accounting prescribed by the Federal Energy Regulatory Commission (FERC) chart of accounts and the MPUC, and Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*. This accounting recognizes the economic effects of rate regulation by recording costs and a return on investment as such amounts are recovered through rates authorized by regulatory authorities. The Company annually reviews the continued applicability of ASC Topic 980 based on the current regulatory and competitive environment.

Electric Plant

Plant and equipment are depreciated by the straight-line method over the estimated useful lives of the respective assets of 5 to 20 years for equipment and 39 years for buildings. When depreciable plant is retired in the normal course of business, the capitalized costs and cost of removal less salvage are charged to the applicable accumulated depreciation account. Costs of maintenance, repairs, and similar replacement of minor items of plant are expensed as incurred. Customer contributions to plant are credited to the respective plant accounts to reduce the original costs. Contributions from the Town of Isle au Haut are credited to the respective plant accounts to reduce the original costs as the electric plant is under construction or placed in service.

Noncurrent Assets - Solar Array Investment

The solar array investment represents costs incurred related to infrastructure that a future solar array will be built upon.

Cash

The Company maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk on cash.

Restricted Cash

Restricted cash consists of amounts received during 2024 from the Town of Isle au Haut to be used for the power and broadband cable project.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances and are reported net of any allowance for credit losses. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical experience, current conditions, and reasonable and supportable forecasts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of January 1, 2024, accounts receivable balances related to contracts with customers were $32,729.

Inventory

Inventory is determined by the first-in first-out method and represents the cost of generator fuel on hand at year end as well as the cost of heat pumps on hand at year end.

Revenues

The Company recognizes revenues in accordance with FASB ASC Topic 606, *Revenue from Contracts with Customers*, which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

Operating revenues are primarily based on rates which are authorized by the MPUC. The rates are applied to customers' usage, which the Company bills to its customers on a monthly basis. Revenues are recognized in the amount to which the Company has the right to invoice, over the period of time the services are rendered.

Current deferred revenues represent amounts customers have paid in advance of services provided. Current deferred revenues at January 1, 2024 were $3,429. Long-term deferred grant revenues consist of amounts received from the Town of Isle au Haut in advance for use in the power and broadband project. Amounts are recognized as contributions to electric plant as constructed.

Income Taxes

The Company is a nonprofit organization and is exempt from federal income tax under Internal Revenue Code Section 501(c)(12) as long as 85% or more of its gross income consists of amounts applicable to members for the sole purpose of meeting operating costs and expenses, and the Company does not engage in business not related to its exemption.

Taxes Collected from Customers and Remitted to Taxing Authorities

The Company reports taxes collected from customers and remitted to taxing authorities as a liability when billed to customers and is excluded from revenues and expenses.

2. Electric Plant

Listed below are the major classes of the electric plant:

	2025	2024
Land and buildings	**$ 166,940**	$ 166,940
Submarine cable	**115,191**	115,191
Transmission equipment	**270,766**	269,066
Vehicles	**48,000**	48,000
Software	**4,875**	4,875
Other equipment	**33,957**	33,957
Construction work-in-progress	**18,532**	4,901
	$ 658,261	$ 642,930

3. Promissory Notes Payable

The Company has three 3.5% promissory notes payable in the amount of $5,500 each, which assisted with cash flow in relation to the Company's heat pump project. The outstanding principal balance and all accrued interest is due and payable by December 31, 2026.

The Company has two 3.5% promissory notes payable in the amount of $6,000 each, which assisted with cash flow in relation to the Company's solar investment. The outstanding principal balance and all accrued interest is due and payable by December 31, 2026.

Accordingly, at December 31, 2025, the promissory notes payable, plus all accrued interest, are presented in current liabilities.

4. Commitments and Contingencies

The Company is involved in legal complaints and proceedings in the normal course of business operations. In the opinion of management, these proceedings will not have a material adverse impact on the financial condition of the Company.

The Company received a grant award from the Northern Border Regional Commission (NBRC) to fund a portion of the costs associated with replacement of the submarine electric transmission cable and installation of broadband fiber infrastructure. The award provides up to $300,696 of federal assistance and requires an equal nonfederal matching contribution by the Company. The Company has received $186,974 as of December 31, 2025. Management expects the remaining amount to be requested and received during 2026.

5. Subsequent Events

For purposes of the preparation of these financial statements in conformity with U.S. GAAP, the Company has considered transactions or events occurring through August 17, 2026, which was the date that the financial statements were available to be issued.