

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2026 & 2025

WITH REPORT OF

INDEPENDENT AUDITORS

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CPAs P.C.

Independent Auditor's Report

To the Board of Directors
Clean Energy Alliance

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Clean Energy Alliance (CEA), as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise CEA's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of CEA, as of June 30, 2026 and 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 CEA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CEA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (continued)

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

In performing an audit in accordance with GAAS, we:

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

Independent Auditor's Report (continued)

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Sorren CPAs P.C.

Santa Rosa, California
October 22, 2026

The purpose of management's discussion and analysis (MD&A) is to help stakeholders and other readers understand what the financial statements and notes in this report say about Clean Energy Alliance's (CEA) financial health and why it has changed since last year. It contains information drawn from other parts of the report, accompanied by explanations informed by the finance staff's knowledge of CEA's finances.

If you have questions about this report or require further information, please contact CEA at askcea@thecleanenergyalliance.org.

Overview of the Financial Statements

CEA's financial report contains basic financial statements:

- The *Statements of Net Position* include all of CEA's assets, liabilities, and net position and provide information about the nature and amounts of resources and obligations at a specific point in time.

- The *Statements of Revenues, Expenses, and Changes in Net Position* report all of CEA's revenue and expenses for the years shown.

- The *Statements of Cash Flows* report the cash provided and used by operating activities, as well as other sources and uses, such as capital and investing activities.

- The notes to the Basic Financial Statements provide additional details and information related to the basic financial statements.

Financial Summary

CEA's Net Position

	2026	2025	2024
Current assets	$ 131,317,564	$ 92,814,822	$ 55,948,350
Noncurrent assets	8,578	1,037,313	55,376
Total assets	**131,326,142**	**93,852,135**	**56,003,726**
Current liabilities	27,984,390	44,274,624	38,522,410
Noncurrent liabilities	4,486,862	28,198,400	34,446,150
Total liabilities	**32,471,252**	**72,473,024**	**72,968,560**
Net position			
Unrestricted (deficit)	98,854,890	21,379,111	(16,964,834)
Total net position	**$ 98,854,890**	**$ 21,379,111**	**$ (16,964,834)**

As of June 30, 2026, CEA's total net position was approximately $98,855,000, an increase in net position of $77,476,000 as compared to June 30, 2025. The increase in net position was the result of CEA's increase in operating income as discussed below.

CEA's Changes in Net Position

	2026	2025	2024
Operating revenues	$ 383,597,717	$ 352,477,963	$ 198,067,134
Nonoperating revenues	1,435,017	319,034	218,449
Total income	**385,032,734**	**352,796,997**	**198,285,583**
Operating expenses	306,588,724	313,128,523	203,233,184
Nonoperating expenses	968,231	1,324,529	1,480,137
Total expenses	**307,556,955**	**314,453,052**	**204,713,321**
Change in net position	**$ 77,475,779**	**$ 38,343,945**	**$ (6,427,738)**

During the year ended June 30, 2026, operating revenues increased by approximately $31,120,000, or 9%, from $352,478,000 to $383,598,000. Operating expenses decreased by approximately $6,540,000, or 2%, from $313,129,000 to $306,589,000. As a result, operating income increased by approximately $37,660,000, from $39,349,000 in fiscal year 2025 to $77,009,000 in fiscal year 2026. While CEA did not expand its service territory in fiscal year 2026, the increase in revenue was primarily associated with commercial customer electricity sales. Total operating expenses decreased slightly resulting in an increased operating surplus, mostly driven by lower market prices for certain energy products. During the year ended June 30, 2025, CEA's operating revenues expanded significantly as a result of growth in the volume of energy delivered to customers in its expanded service territory and price increases made in response to changes in the prices paid to energy suppliers.

Detailed Analysis

CEA continued to strengthen its financial position during fiscal year 2026. Net position increased by approximately $77,476,000, driven primarily by operating income of approximately $77,009,000. The strong operating results also contributed to increased cash balances and enabled CEA to reduce the outstanding balance on its revolving line of credit to $0 by the end of the fiscal year.

Current assets increased from $92,815,000 at the end of fiscal year 2025 to $131,318,000 at the end of fiscal year 2026. The increase was primarily attributable to cash and cash equivalents, which increased by approximately $43,724,000 to $55,547,000. At June 30, 2026, accounts receivable, net of allowance, totaled $37,044,000, accrued revenue totaled $23,499,000, and prepaid expenses totaled $10,603,000. The increase in cash was partially offset by decreases in accrued revenue and prepaid expenses compared with the prior year.

Noncurrent assets increased from $55,000 in fiscal year 2024 to $1,037,000 in fiscal year 2025. At the end of fiscal year 2026 it decreased to approximately $9,000. The fluctuations from year to year were attributable to changes in deposits associated with power purchase agreements.

CEA's largest current liability is the cost of electricity delivered to customers that remained unpaid at the end of the fiscal year. Accrued cost of electricity decreased from approximately $41,817,000 at June 30, 2025 to $24,068,000 at June 30, 2026. The decrease was primarily attributable to a reduction in the estimated cost of unbilled renewable energy certificates, reflecting significantly lower average prices during the fiscal year. Current liabilities overall decreased from approximately $44,275,000 to $27,984,000.

Noncurrent liabilities decreased substantially during fiscal year 2026, from approximately $28,198,000 at June 30, 2025 to approximately $4,487,000 at June 30, 2026. The decrease was primarily attributable to repayment of the $22,000,000 outstanding balance on CEA's revolving line of credit. The remaining noncurrent liabilities at June 30, 2026 consisted of energy supplier security deposits.

CEA recorded significant revenue growth from fiscal year 2024 to fiscal year 2025, primarily as a result of continued service territory expansion. The April 2024 onboarding of the cities of Oceanside and Vista increased CEA's customer load by approximately 70%, resulting in a full year of additional electricity sales during fiscal year 2025. Operating expenses also increased during this period, primarily due to the higher volume of electricity required to serve the expanded customer base and changes in energy market prices.

Detailed Analysis (continued)

During fiscal year 2026, operating revenues increased by approximately $31,120,000, or 9%, from $352,478,000 to $383,598,000. The increase was primarily attributable to additional commercial load that began contributing to revenues during the latter half of fiscal year 2025 and was reflected for the full fiscal year in 2026. The cost of electricity decreased by approximately $7,919,000, or 3%, from $303,710,000 to $295,791,000. Contract services and staff compensation increased, while other operating expenses decreased slightly. Overall, total operating expenses decreased by approximately 2%, compared with the 9% increase in operating revenues.

As a result, operating income increased from approximately $39,349,000 in fiscal year 2025 to $77,009,000 in fiscal year 2026. Investment income also increased from approximately $319,000 to $1,435,000, reflecting higher cash and investment balances during the year. Interest and financing-related expenses decreased from approximately $1,325,000 to $968,000 as CEA reduced and ultimately repaid its outstanding revolving line of credit balance.

Significant Capital Asset and Long-Term Financing Activity

CEA does not own generation or distribution assets. Financing activities during fiscal years 2025 and 2026 primarily consisted of borrowings and repayments under CEA's revolving line of credit. During fiscal year 2026, CEA borrowed $47,000,000 and repaid $69,000,000, resulting in a net decrease of $22,000,000 for the year. During fiscal year 2025, CEA borrowed $58,300,000 and repaid $70,250,000, resulting in a net decrease of $11,950,000 for the year. At the end of fiscal year 2026, the outstanding revolving line of credit balance was $0. See Note 4 to the financial statements for further discussion regarding debt.

Currently Known Facts, Decisions, or Conditions

CEA's financial position continues to strengthen as it manages customer load growth and advances strategic energy procurement and financing initiatives. CEA expects to continue integrating new renewable energy resources, including long-term contracts that include both generation and battery storage capacity as part of its long-term energy portfolio strategy. CEA also expects to execute its first energy prepayment transaction, which will support future predictability in energy costs and provide long-term savings. In addition, CEA remains committed to its mission statement to provide sustainable and affordable energy for all customers. Future performance will continue to be influenced by energy market conditions, customer load and participation, rate-setting decisions, and the management of energy supply and financing costs.

Along with customer expansion, CEA is also adding to its organizational capacity with the hiring of additional staff to support customer programs, marketing, and rate study initiatives.

BASIC FINANCIAL STATEMENTS

CLEAN ENERGY ALLIANCE
STATEMENTS OF NET POSITION
JUNE 30, 2026 AND 2025

ASSETS	**2026**	**2025**
Current assets		
Cash and cash equivalents	$ 55,547,095	$ 11,822,779
Accounts receivable, net of allowance	37,044,413	32,562,347
Accrued revenue	23,498,739	24,251,823
Other receivables	3,588,741	1,829,991
Prepaid expenses	10,602,638	19,348,919
Deposits	1,035,938	2,998,963
Total current assets	131,317,564	92,814,822
Noncurrent assets		
Deposits	8,578	1,037,313
Total noncurrent assets	8,578	1,037,313
Total assets	131,326,142	93,852,135
LIABILITIES		
Current liabilities		
Accrued cost of electricity	24,067,917	41,816,876
Accounts payable	786,849	1,257,688
Deferred revenue	588,960	-
Other accrued liabilities	540,664	362,102
Security deposits - energy suppliers	2,000,000	797,750
Interest and financing cost payable	-	40,208
Total current liabilities	27,984,390	44,274,624
Noncurrent liabilities		
Security deposits - energy suppliers	4,486,862	6,198,400
Revolving line of credit	-	22,000,000
Total noncurrent liabilities	4,486,862	28,198,400
Total liabilities	32,471,252	72,473,024
NET POSITION		
Unrestricted	$ 98,854,890	$ 21,379,111

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

CLEAN ENERGY ALLIANCE
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Electricity sales, net	$ 383,597,717	$ 352,477,963
OPERATING EXPENSES		
Cost of electricity	295,791,456	303,710,341
Contract services	7,175,512	6,824,080
Staff compensation	2,720,254	1,627,734
Other operating expenses	901,502	966,368
Total operating expenses	306,588,724	313,128,523
Operating income	77,008,993	39,349,440
NONOPERATING REVENUES (EXPENSES)		
Investment income	1,435,017	319,034
Interest and financing related expenses	(968,231)	(1,324,529)
Nonoperating revenues (expenses), net	466,786	(1,005,495)
CHANGE IN NET POSITION	77,475,779	38,343,945
Net position at beginning of year	21,379,111	(16,964,834)
Net position at end of year	$ 98,854,890	$ 21,379,111

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

CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 380,579,486	$ 338,914,734
Receipts of supplier security deposits	5,296,713	6,500,000
Receipts from wholesale sales and other operating activities	3,346,591	8,900,724
Payments to suppliers for electricity	(309,406,268)	(321,676,472)
Payments for other goods and services	(8,578,615)	(7,628,058)
Payments for deposits and collateral	(2,814,240)	(3,210,900)
Payments for staff compensation	(2,477,781)	(1,640,384)
Payments for state surcharges	(697,152)	(619,543)
Net cash provided by operating activities	65,248,734	19,540,101
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from revolving line of credit	47,000,000	58,300,000
Principal payments - revolving line of credit	(69,000,000)	(70,250,000)
Interest payments	(1,008,439)	(1,491,110)
Net cash used by noncapital financing activities	(23,008,439)	(13,441,110)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	1,484,021	270,030
Net change in cash and cash equivalents	43,724,316	6,369,021
Cash and cash equivalents at beginning of year	11,822,779	5,453,758
Cash and cash equivalents at end of year	$ 55,547,095	$ 11,822,779

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

CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2026 AND 2025

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2026	2025
Operating income	$ 77,008,993	$ 39,349,440
Adjustments to reconcile operating income to net cash provided by operating activities		
(Increase) decrease in:		
Accounts receivable, net	(4,482,066)	(10,880,363)
Accrued revenue	753,084	(3,337,441)
Other receivables	(1,807,754)	(1,747,987)
Prepaid expenses	8,746,281	(12,253,693)
Deposits	2,991,760	(3,210,900)
Increase (decrease) in:		
Accrued cost of electricity	(17,748,959)	4,653,612
Accounts payable	(470,839)	370,950
Deferred revenue	588,960	-
Other accrued liabilities	178,562	96,483
Supplier security deposits	(509,288)	6,500,000
Net cash provided by operating activities	$ 65,248,734	$ 19,540,101

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Clean Energy Alliance (CEA) is a California Joint Powers Authority created on November 4, 2019. As of June 30, 2026, parties to its Joint Powers Agreement consist of the following local governments:

Cities and Towns	
Carlsbad	San Marcos
Del Mar	Solana Beach
Escondido	Vista
Oceanside	

CEA is separate from and derives no financial support from its members. CEA is governed by a Board of Directors (Board) whose membership is composed of elected officials of the member governments.

The core function of CEA is to provide electric service that includes renewable sources under the Community Choice Aggregation Program under California Public Utilities Code Section 366.2.

CEA began its energy delivery operations in May 2021. Electricity is acquired from electricity suppliers and delivered through existing physical infrastructure and equipment managed by San Diego Gas and Electric (SDG&E).

BASIS OF ACCOUNTING

CEA's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements.

CEA's operations are accounted for as a governmental enterprise fund and are reported using the economic resources measurement focus and the accrual basis of accounting – similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund-type operating statements present increases (revenues) and decreases (expenses) in total net position. Reported net position is segregated into three categories, if applicable – investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is CEA's policy to use restricted resources first, and then unrestricted resources as they are needed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

CEA defines cash and cash equivalents to include cash on hand, demand deposits and short-term investments with an original maturity of three months or less.

ACCOUNTS RECEIVABLE AND ACCRUED REVENUE

CEA invoices customers for energy delivered each month on staggered billing cycles. Each reporting period, management records revenue for energy delivered but not yet invoiced based on energy volume and applicable rate.

PREPAID EXPENSES

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid expenses.

DEPOSITS

Contracts to purchase energy may require CEA to provide a supplier with advanced payments or security deposits. Security deposits are generally held for the term of the contract and are classified as current or noncurrent assets depending on the length of time the deposits will be outstanding.

DEFERRED REVENUE

Deferred revenue consists of payments received in advance from customers for which revenue has not been earned and is shown as a current liability in the Statements of Net Position.

SECURITY DEPOSITS - ENERGY SUPPLIERS

Various energy contracts require the supplier to provide CEA with a security deposit. These deposits are generally held for the term of the contract or until the completion of certain benchmarks. Deposits are classified as current or noncurrent, depending on the length of time the deposits will be held.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET POSITION

Net position is presented in the following components:

Investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation. CEA did not have any capital assets as of June 30, 2026 and 2025.

Restricted: This component of net position consists of constraints placed on the use of net assets through external constraints, such as those imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. CEA did not have any restrictions as of June 30, 2026 and 2025.

Unrestricted: This component of net position consists of net position that does not meet the definition of "investment in capital assets" or "restricted."

OPERATING AND NONOPERATING REVENUES

Operating revenues include energy sales to customers.

Investment income that is not earned from the delivery of program activities are considered "nonoperating revenue."

REVENUE RECOGNITION

CEA recognizes revenue according to the accrual basis. This includes invoices issued to customers during the reporting period and electricity estimated to have been delivered but not yet invoiced. Management estimates that a portion of the invoiced amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded.

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the cost of electricity, services, and administrative expenses. Nonoperating expenses relate to interest and financing costs.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COST OF ELECTRICITY

During the normal course of business, CEA purchases electrical power from numerous suppliers. Electricity costs include the cost to purchase electricity and generation capacity arising from bilateral contracts with energy suppliers, the cost of generation credits, and load and other charges arising from CEA's participation in the California Independent System Operator's (CAISO) centralized market. The cost of electricity and capacity is recognized as "Cost of Electricity" in the Statements of Revenues, Expenses and Changes in Net Position.

To comply with the State of California's Renewable Portfolio Standards (RPS) and self-imposed benchmarks, CEA acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. CEA obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive.

CEA purchases capacity commitments from qualifying generators to comply with the California Public Utilities Commission's Resource Adequacy Program. The goals of the Resource Adequacy (RA) Program are to provide sufficient resources to the CAISO to ensure the safe and reliable operation of the electricity grid in real-time and to provide appropriate incentives for the construction of new resources needed for reliability in the future.

STAFFING COSTS

CEA pays employees semi-monthly and fully satisfies its monthly obligations for health benefits and contributions to its defined contribution retirement plan.

CEA provides a Retiree Health Reimbursement Arrangement for its Chief Executive Officer. Under this plan, CEA credits an annual amount to a notional account with 4% compounded earnings, which may be used after retirement to reimburse qualified medical expenses. CEA does not provide post-employment healthcare or other benefits to any other employees.

CEA provides for compensated absences, including paid time off, which is accrued when earned and recorded as part of other accrued liabilities. The liability includes leave that is attributable to services already rendered, accumulates, and is more likely than not to be used or paid. The liability is measured using the employee's pay rate as of the financial statement date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

CEA is a joint powers authority under the provision of the California Government Code and is not subject to federal or state income or franchise taxes.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

RECLASSIFICATIONS

Certain amounts reported in the prior year's financial statements have been reclassified for comparison purposes to conform to the presentation of the current year's financial statements. These reclassifications did not result in any changes to previously reported net position or change in net position.

2. CASH AND CASH EQUIVALENTS

CEA maintains its cash in both interest-bearing and non-interest-bearing accounts at River City Bank. CEA's deposits are subject to California Government Code Section 16521, which requires banks to collateralize public funds in excess of the Federal Deposit Insurance Corporation limit of $250,000 by 110%. CEA does not have an investment policy that addresses a specific type of risk that would impose restrictions beyond this code. Accordingly, the amount of risk is not disclosed. CEA monitors its risk exposure on an ongoing basis.

3. ACCOUNTS RECEIVABLE

The balances of accounts receivable were as follows as of June 30:

	2026	2025
Accounts receivable from customers	$48,105,413	$39,764,370
Allowance for uncollectible accounts	(11,061,000)	(7,202,023)
Net accounts receivable	$37,044,413	$32,562,347

The majority of account collections occur within the first few months following the issuance of customer invoices. CEA estimates that a portion of the invoiced accounts will not be collected. CEA continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Amounts estimated to be uncollectible are reported as a reduction in electricity sales on the Statement of Revenues, Expenses, and Changes in Net Position.

4. DEBT

In February 2021, CEA arranged to borrow up to $6,000,000 through a revolving credit agreement from JPMorgan Chase to provide cash for working capital until sufficient revenue was to be collected from customers. An amendment in March 2024 increased the available amount to $40,000,000. In April 2025, an amendment extended the maturity date to February 2, 2029. At June 30, 2026 and 2025, CEA's outstanding balances were $0 and $22,000,000, respectively. CEA granted a security interest in all customer revenues to the lender.

Funds may be drawn as needed and interest is accrued on the outstanding balance. The stated maturity date is February 2, 2029, with interest payable each month. Interest on Secured Overnight Financing Rate (SOFR) borrowings is based on the applicable one- or three-month CME Term SOFR, plus a 0.10% credit spread adjustment and an applicable margin of 3.45% per annum. As of June 30, 2026 and 2025, the interest rate was approximately 7.3% and 7.9%, respectively.

Changes in debt are summarized in the table below:

	Beginning	Additions	Payments	Ending
Year ended June 30, 2026				
Revolving line of credit	$ 22,000,000	$ 47,000,000	$ (69,000,000)	$ -
Amounts due within one year				-
Amounts due after one year				$ -

	Beginning	Additions	Payments	Ending
Year ended June 30, 2025				
Revolving line of credit	$ 33,950,000	$ 58,300,000	$ (70,250,000)	$ 22,000,000
Amounts due within one year				-
Amounts due after one year				$ 22,000,000

5. DEFINED CONTRIBUTION RETIREMENT PLAN

The Clean Energy Alliance Plan (Plan) is a defined contribution retirement plan established by CEA to provide benefits at retirement to its employees. The Plan is administered by Empower Retirement. As of June 30, 2026, there were 17 plan participants. CEA is required to contribute up to 12.5% of annual covered payroll (5% contingent on employee matching) to the Plan. CEA contributed $279,000 and $164,000 during the fiscal years ended June 30, 2026 and 2025, respectively. The Plan includes vesting provisions intended to encourage employee retention. Plan provisions and contribution requirements are established and may be amended by the Board.

6. RISK MANAGEMENT

CEA is exposed to various risks of loss related to torts, errors, and omissions. During each year, CEA purchased insurance policies from investment-grade commercial carriers to mitigate risks associated with general liability, and errors and omissions. There were no significant reductions in coverage compared to the prior year. There is no self-insured retention amount in CEA's insurance policies.

CEA maintains risk management policies, procedures and systems that help mitigate credit, liquidity, market, operating, regulatory and other risks that arise from participation in the California energy market. Credit guidelines include a preference for transacting with investment-grade counterparties, evaluating counterparties' financial condition and assigning credit limits as applicable. These credit limits are established based on risk and return considerations under terms customarily available in the industry. In addition, CEA enters into netting arrangements whenever possible and where appropriate and obtains collateral and other performance assurances from counterparties.

7. PURCHASE COMMITMENTS

In the ordinary course of business, CEA enters into various power purchase agreements to acquire renewable and other energy and electric capacity. The price and volume of purchased power may be fixed or variable. Variable pricing is generally based on the market price of electricity at the date of delivery. Variable volume is generally associated with contracts to purchase energy from as-available resources such as solar, wind, and hydroelectric facilities.

The following table details the obligations to purchase existing energy, renewable, and RA contracts as of June 30, 2026:

Year ending June 30,	Total
2027	$ 274,900,000
2028	228,200,000
2029	204,900,000
2030	154,600,000
2031	130,400,000
2032-2048	898,300,000
Total	**$ 1,891,300,000**

8. RECENTLY ADOPTED AND FUTURE ACCOUNTING PRONOUNCEMENTS

CEA implemented GASB Statement No. 102, *Certain Risk Disclosures*, which requires additional disclosures regarding concentrations and constraints that could impact CEA's financial position or results of operations. Implementation of this statement did not have a material effect on the financial statements.

CEA also implemented GASB Statement No. 103, *Financial Reporting Model Improvements*, which establishes revised guidance for the presentation of financial statements by state and local governments. The adoption of this statement did not have a material effect on CEA's financial statements.

In addition, CEA adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*, which establishes additional disclosure requirements for certain types of capital assets, including capital assets held for sale and certain intangible assets. Implementation of this statement did not have a material effect on the financial statements.

GASB Statement No. 105, *Subsequent Events*, is effective for fiscal years beginning after June 15, 2026. Management is evaluating the effect of implementation of this statement.