



FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2025 & 2024

WITH REPORT OF

INDEPENDENT AUDITORS

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Independent Auditor's Report

To the Board of Directors
Clean Energy Alliance

Report on the Audits of the Financial Statements

Opinion

We have audited the accompanying financial statements of Clean Energy Alliance (CEA), which comprise the statements of net position as of June 30, 2025 and 2024, the related statements of revenue, expenses and changes in net position, 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 CEA as of June 30, 2025 and 2024, and the results of its operations and 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 CEA 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 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 within one year after the date that the financial statements are issued or available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audits 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 audits.
- 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 audits 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

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.

Required Supplementary Information (continued)

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 15, 2025

**CLEAN ENERGY ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024**

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, which include:

- The *Statements of Net Position* include all of CEA's assets, liabilities, and net position and provides 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.

CLEAN ENERGY ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024

Financial Summary

CEA's Net Position

	2025	2024	2023
Current assets	\$ 92,814,822	\$ 55,948,350	\$ 32,926,762
Noncurrent assets	1,037,313	55,376	978,376
Total assets	93,852,135	56,003,726	33,905,138
Current liabilities	44,274,624	38,522,410	25,996,084
Noncurrent liabilities	28,198,400	34,446,150	18,446,150
Total liabilities	72,473,024	72,968,560	44,442,234
Net position			
Unrestricted (deficit)	21,379,111	(16,964,834)	(10,537,096)
Total net position	\$ 21,379,111	\$ (16,964,834)	\$ (10,537,096)

As of June 30, 2025, CEA's total net position was approximately \$21,379,000, an increase in net position of \$38,344,000 as compared to June 30, 2024. The increase in net position was the result of CEA's increase in operating income as discussed below.

CEA's Changes in Net Position

	2025	2024	2023
Operating revenues	\$ 352,477,963	\$ 198,067,134	\$ 86,873,952
Nonoperating revenues	319,034	218,449	323,223
Total income	352,796,997	198,285,583	87,197,175
Operating expenses	313,128,523	203,233,184	92,752,374
Nonoperating expenses	1,324,529	1,480,137	1,207,902
Total expenses	314,453,052	204,713,321	93,960,276
Change in net position	\$ 38,343,945	\$ (6,427,738)	\$ (6,763,101)

During the year ended June 30, 2025, CEA's operating revenues expanded by 75% as a result of (a) growth of the volume of energy delivered to customers in its expanded territory and (b) price increases made in response to changes in the prices paid to energy suppliers. While the cost of energy increased due to factors similar to those affecting revenue, total operating costs rose less than revenue, resulting in an operating surplus.

**CLEAN ENERGY ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024**

Detailed Analysis

CEA experienced significant financial growth during fiscal year 2025, driven primarily by continued territory expansion and increased customer load. As a result, CEA's statements of net position and statements of revenues, expenses and changes in net position reflect both a higher net position balance and higher revenues, while also demonstrating prudent financial management through reductions in outstanding credit balances.

Current assets increased from \$55,948,000 at the end of fiscal year 2024 to \$92,815,000 at the end of fiscal year 2025. The growth was largely attributable to higher cash balances and accounts receivable, reflecting CEA's expanding customer base. At the close of fiscal year 2025, current assets were composed of:

- Cash and cash equivalents: \$11,823,000
- Accounts receivable, net of allowance: \$32,562,000
- Accrued revenue: \$24,252,000
- Prepaid expenses: \$19,349,000

Noncurrent assets increased to \$1,037,000 in fiscal year 2025, compared to \$55,000 in 2024. This increase was primarily related to performance assurance deposits required under power purchase agreements.

CEA's largest current liability continues to be the cost of electricity delivered to customers but not yet paid at year-end. Current liabilities rose slightly during fiscal year 2025, reflecting:

- Changes in payment terms for certain energy products
- Increases in market prices, particularly for renewable energy and resource adequacy

Noncurrent liabilities consist of supplier security deposits and the portion of CEA's revolving line of credit due after one year. The outstanding balance of the revolving line of credit decreased by \$11,950,000 from fiscal year 2024 to fiscal year 2025, reflecting stronger cash availability from increased operating income.

**CLEAN ENERGY ALLIANCE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2025 AND 2024**

Detailed Analysis (continued)

CEA recorded revenue growth each year from fiscal 2023 through 2025, with expansion efforts as the key driver.

- April 2023: Onboarding of the cities of Escondido and San Marcos more than doubled CEA's existing customer load, contributing significantly to fiscal year 2024 revenues.
- April 2024: Onboarding of Oceanside and Vista increased customer load by approximately 70%, driving additional revenues in fiscal year 2025.

Operating expenses also rose during the same period, reflecting higher electricity volumes associated with increased load and higher energy market prices. The largest expense across all periods remained the cost of electricity. CEA continued to mitigate risk by procuring energy from diverse sources and maintaining a balanced renewable portfolio.

Significant Capital Asset and Long-Term Financing Activity

CEA does not own generation or distribution assets. Financing activities were limited to revolving line of credit transactions and repayments of member agency loans.

- Fiscal Year 2025: Borrowings totaled \$58,300,000, with repayments of \$70,250,000, resulting in a net decrease of \$11,950,000.
- Fiscal Year 2024: Borrowings totaled \$30,000,000, with repayments of \$19,000,000, for a net increase of \$11,000,000. Additionally, CEA repaid \$504,000 in loans from member agencies.

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 new communities are integrated and customer load grows. Future performance will depend on energy market dynamics, customer adoption, and ongoing management of supply and financing costs. CEA remains focused on expanding its renewable energy portfolio, maintaining financial flexibility, and ensuring reliable service to its communities.

BASIC FINANCIAL STATEMENTS

CLEAN ENERGY ALLIANCE
STATEMENTS OF NET POSITION
JUNE 30, 2025 AND 2024

ASSETS	2025	2024
Current assets		
Cash and cash equivalents	\$ 11,822,779	\$ 5,453,758
Accounts receivable, net of allowance	32,562,347	21,681,984
Accrued revenue	24,251,823	20,914,382
Other receivables	1,829,991	33,000
Prepaid expenses	19,348,919	7,095,226
Deposits	2,998,963	770,000
Total current assets	92,814,822	55,948,350
Noncurrent assets		
Deposits	1,037,313	55,376
Total assets	93,852,135	56,003,726
LIABILITIES		
Current liabilities		
Accrued cost of electricity	41,816,876	37,065,092
Accounts payable	1,257,688	886,739
Other accrued liabilities	362,102	363,791
Security deposits - energy suppliers	797,750	-
Interest and financing cost payable	40,208	206,788
Total current liabilities	44,274,624	38,522,410
Noncurrent liabilities		
Security deposits - energy suppliers	6,198,400	496,150
Revolving line of credit	22,000,000	33,950,000
Total noncurrent liabilities	28,198,400	34,446,150
Total liabilities	72,473,024	72,968,560
NET POSITION		
Unrestricted (deficit)	\$ 21,379,111	\$ (16,964,834)

CLEAN ENERGY ALLIANCE
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
OPERATING REVENUES		
Electricity sales, net	\$ 352,477,963	\$ 198,067,134
OPERATING EXPENSES		
Cost of electricity	303,710,341	197,129,829
Contract services	6,824,080	4,914,137
Staff compensation	1,627,734	780,082
Other operating expenses	966,368	409,136
Total operating expenses	<u>313,128,523</u>	<u>203,233,184</u>
Operating income (loss)	<u>39,349,440</u>	<u>(5,166,050)</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	319,034	218,449
Interest expense	<u>(1,324,529)</u>	<u>(1,480,137)</u>
Nonoperating revenues (expenses), net	<u>(1,005,495)</u>	<u>(1,261,688)</u>
CHANGE IN NET POSITION	38,343,945	(6,427,738)
Net position at beginning of year	<u>(16,964,834)</u>	<u>(10,537,096)</u>
Net position at end of year	<u><u>\$ 21,379,111</u></u>	<u><u>\$ (16,964,834)</u></u>

CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 338,914,734	\$ 178,837,630
Receipts of supplier security deposits	6,500,000	345,000
Receipts from wholesale sales and other operating activities	8,900,724	1,654,371
Payments to suppliers for electricity	(321,676,472)	(182,928,997)
Payments for other goods and services	(7,628,058)	(5,000,777)
Payments for deposits and collateral	(3,210,900)	(345,000)
Payments for staff compensation	(1,640,384)	(679,423)
Payments for state surcharges	(619,543)	(362,008)
Net cash provided (used) by operating activities	<u>19,540,101</u>	<u>(8,479,204)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from revolving line of credit	58,300,000	30,000,000
Principal payments - revolving line of credit	(70,250,000)	(19,000,000)
Principal payments - loan	-	(504,017)
Interest and related expense payments	(1,491,110)	(1,443,868)
Net cash provided (used) by noncapital financing activities	<u>(13,441,110)</u>	<u>9,052,115</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	<u>270,030</u>	<u>218,449</u>
Net change in cash and cash equivalents	6,369,021	791,360
Cash and cash equivalents at beginning of year	<u>5,453,758</u>	<u>4,662,398</u>
Cash and cash equivalents at end of year	<u><u>\$ 11,822,779</u></u>	<u><u>\$ 5,453,758</u></u>

CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2025 AND 2024

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

	<u>2025</u>	<u>2024</u>
Operating income (loss)	\$ 39,349,440	\$ (5,166,050)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
(Increase) decrease in:		
Accounts receivable, net	(10,880,363)	(12,016,995)
Accrued revenue	(3,337,441)	(7,622,821)
Other receivables	(1,747,987)	946,621
Prepaid expenses	(12,253,693)	(2,959,033)
Deposits	(3,210,900)	345,000
Increase (decrease) in:		
Accrued cost of electricity	4,653,612	17,511,695
Accounts payable	370,950	293,091
Other accrued liabilities	96,483	189,288
Supplier security deposits	6,500,000	-
Net cash provided (used) by operating activities	<u>\$ 19,540,101</u>	<u>\$ (8,479,204)</u>

CLEAN ENERGY ALLIANCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

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, 2025, 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.

A 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.

CLEAN ENERGY ALLIANCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

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.

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.

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, 2025 and 2024.

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, 2025 and 2024.

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

CLEAN ENERGY ALLIANCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING REVENUES

Operating revenues include energy sales to customers.

Investment income and grants that are 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 sales and services, and administrative expenses. Operating expenses are expenses other than nonoperating expenses. Nonoperating expenses are expenses related to financing.

ELECTRICAL POWER PURCHASED

During the normal course of business, CEA purchases electrical power from numerous suppliers. Cost of electricity includes the cost to purchase electricity and 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.

CLEAN ENERGY ALLIANCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

STAFFING COSTS

CEA pays employees on a semi-monthly basis and fully pays 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.

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 financial statements. These reclassifications did not result in any changes to previously reported net position or change in net position.

CLEAN ENERGY ALLIANCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

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

Accounts receivable were as follows as of June 30:

	2025	2024
Accounts receivable from customers	\$39,764,370	\$24,977,984
Allowance for uncollectible accounts	(7,202,023)	(3,296,000)
Net accounts receivable	<u>\$32,562,347</u>	<u>\$21,681,984</u>

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. The allowance for uncollectible accounts at the end of a year includes amounts invoiced during the current and prior fiscal years. 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

BANK NOTE PAYABLE

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, 2025 and 2024, CEA outstanding balances were \$22,000,000 and \$33,950,000, 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. The interest rate is computed at the three-month Chicago Mercantile Exchange (CME) Term Secured Overnight Financing Rate (SOFR) plus 2.25% per annum, subject to a floor of 2.25% per annum. As of June 30, 2025 and 2024, the interest rate was approximately 7.9% and 8.8%, respectively .

CLEAN ENERGY ALLIANCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

4. DEBT (continued)

DUE TO MEMBER AGENCIES

During its initial year ended June 30, 2020, CEA borrowed \$504,017 from the cities of Carlsbad, Del Mar and Solana Beach to be used as working capital associated with CEA's launch. The non-interest-bearing loans were repaid during fiscal year 2024.

Changes in debt are summarized in the table below:

	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
	Beginning	Additions	Payments	Ending
Year ended June 30, 2024				
Due to member agencies	\$ 504,017	\$ -	\$ (504,017)	\$ -
Revolving line of credit	22,950,000	30,000,000	(19,000,000)	33,950,000
Total	\$ 23,454,017	\$ 30,000,000	\$ (19,504,017)	33,950,000
Amounts due within one year				-
Amounts due after one year				\$ 33,950,000

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, 2025, there were 10 plan members. CEA is required to contribute up to 12.5% of annual covered payroll (5% contingent on employee matching) to the Plan. CEA contributed \$164,000 and \$66,000 during the fiscal years ended June 30, 2025 and 2024, 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.

CLEAN ENERGY ALLIANCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

6. RISK MANAGEMENT

CEA is exposed to various risks of loss related to torts and 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 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 resource adequacy (RA) contracts as of June 30, 2025:

Year ending June 30,	
2026	\$ 276,374,000
2027	226,993,000
2028	159,473,000
2029	106,495,000
2030	74,072,000
2031-2047	302,746,000
Total	<u>\$ 1,146,153,000</u>

CLEAN ENERGY ALLIANCE
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2025 AND 2024

8. RECENTLY ADOPTED AND FUTURE ACCOUNTING PRONOUNCEMENTS

CEA adopted GASB Statement No. 101, Compensated Absences, which establishes revised guidance for the presentation of compensated absences in financial statements by state and local governments. The adoption of this statement did not have a material effect on CEA's financial statements.

CEA also 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 early adopted 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. Implementation of this statement did not have a material effect on the financial statements.