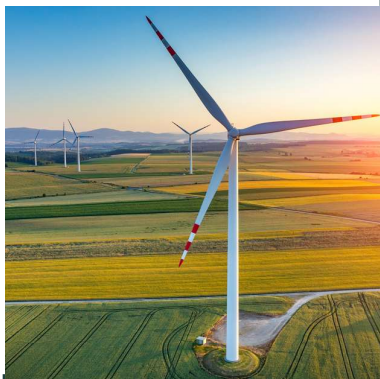
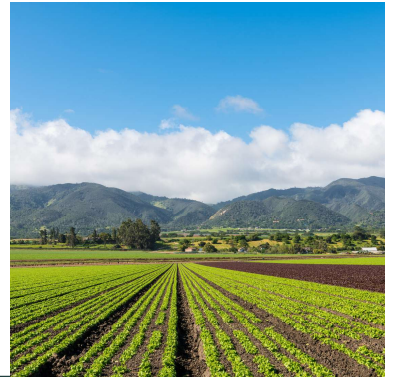


FINANCIAL STATEMENTS

Years Ended September 30, 2025 and 2024
Including Report of Independent Auditors



**CENTRAL COAST COMMUNITY ENERGY
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

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Independent Auditor's Report

To the Board of Directors
Central Coast Community Energy

Opinion

We have audited the accompanying financial statements of Central Coast Community Energy (3CE), which comprise the statements of net position as of September 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 3CE as of September 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 3CE 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 3CE'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 3CE'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 3CE'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.

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
March 2, 2026

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 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 Central Coast Community Energy's (3CE) 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 3CE's finances.

If you have questions about this report or require further information, please contact 3CE at NorthSupport@3CE.org or SouthSupport@3CE.org.

Overview of the Financial Statements

3CE's financial report contains basic financial statements, which include:

- The *Statements of Net Position* include all of 3CE'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 3CE'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.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

Financial Summary

3CE's Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Current assets	\$ 345,791,924	\$ 314,501,404	\$ 324,238,888
Noncurrent assets			
Capital assets, net	6,452,874	3,817,033	2,008,218
Other noncurrent assets	11,153,133	8,916,927	1,543,979
Total noncurrent assets	<u>17,606,007</u>	<u>12,733,960</u>	<u>3,552,197</u>
Total assets	<u>363,397,931</u>	<u>327,235,364</u>	<u>327,791,085</u>
Current liabilities	91,101,079	97,925,104	54,996,528
Noncurrent liabilities	9,603,447	11,144,817	30,923,232
Total liabilities	<u>100,704,526</u>	<u>109,069,921</u>	<u>85,919,760</u>
Net position			
Net investment in capital assets	5,611,183	2,650,082	520,678
Restricted for security collateral	2,946,601	294,000	294,000
Unrestricted	254,135,621	215,221,361	241,056,647
Total net position	<u>\$ 262,693,405</u>	<u>\$ 218,165,443</u>	<u>\$ 241,871,325</u>

As of September 30, 2025, 3CE's total net position was approximately \$262,700,000, an increase of \$44,500,000 as compared to September 30, 2024. See the discussion in the following section for the changes in the various components.

3CE's Change in Net Position

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Operating revenues	\$ 667,236,065	\$ 544,456,634	\$ 451,619,272
Nonoperating revenues	11,037,533	12,893,661	9,635,091
Total income	<u>678,273,598</u>	<u>557,350,295</u>	<u>461,254,363</u>
Operating expenses	633,699,733	580,996,244	426,540,098
Nonoperating expenses	45,903	59,933	53,498
Total expenses	<u>633,745,636</u>	<u>581,056,177</u>	<u>426,593,596</u>
Change in net position	<u>\$ 44,527,962</u>	<u>\$ (23,705,882)</u>	<u>\$ 34,660,767</u>

Electricity sales increased each year as a result of price increases and territory expansion. The cost of electricity, a component of operating expenses, also increased each year. See the following section for a detailed discussion.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

Detailed Analysis

Current assets increased from \$314,500,000 at the end of fiscal year 2024 to \$345,800,000 at the end of fiscal year 2025. The change was primarily due to increases in the balances of accounts receivable and accrued revenue that were positively affected by the territory expansion and rate increases during 2025. Current assets at the end of fiscal year 2025 were primarily comprised of cash and investments of \$212,900,000, accounts receivable of \$62,500,000, accrued revenue of \$40,300,000, and deposits of \$25,300,000.

Noncurrent assets totaled \$17,600,000 as of September 30, 2025, up from \$12,700,000 in 2024, reflecting investments of \$10,000,000, (versus \$7,600,000 in 2024) and capital assets of \$6,500,000 (versus \$3,800,000 in 2024). See the following section for a detailed discussion of the changes in capital assets.

The largest component of current liabilities is the cost of electricity delivered to customers that was not paid by 3CE as of the end of the fiscal year. Current liabilities for the cost of energy increased each year due to changes in payment terms of certain energy products, volumes delivered, and the prices of those products. Accrued cost of electricity was approximately \$80,730,000 and \$76,800,000 at the end of fiscal years 2025 and 2024, respectively.

Noncurrent liabilities consist of supplier security deposits and the long-term portion of lease liability related to 3CE's office premises. The reduction in noncurrent liabilities each year was the result of repayment of security deposits to suppliers that had been held by 3CE and repayments of a lease obligation.

Total net position increased from \$218,200,000 in 2024 to \$262,700,000 in 2025. Of the net position at the end of 2025, \$5,600,000 represents 3CE's investment in capital assets, \$2,947,000 represents restrictions related to security collateral, and the remaining \$254,136,000 is unrestricted and available to support future operating activity.

Operating revenues increased each year from fiscal years 2023 to 2025, primarily from increases in rates charged to customers and the volume of energy delivered as the result of territory expansions. In addition to revenue from the sale of energy, 3CE receives liquidated damages revenue resulting from electricity suppliers' noncompliance with contract provisions, and income from grants provide funding to support various customer programs.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

Detailed Analysis (continued)

Operating expenses increased year-over-year primarily due to increases in the cost of energy/energy attributes and expansion of service area into unincorporated San Luis Obispo County and the City of Atascadero. 3CE procures energy from a variety of sources to reduce market risk and to maintain a balanced renewable power portfolio.

Significant Capital Asset and Long-Term Financing Activity

Capital assets include real estate, office equipment and vehicles, leasehold improvements, software, and a leased asset for 3CE's office premises. Additionally, during fiscal year 2025, 3CE purchased real estate to be used for office operations in Santa Cruz County. 3CE has no financing debt at the end of 2025.

Currently Known Facts, Decisions, or Conditions

The fiscal year ended September 30, 2025, reflected continued cost pressures as the costs of energy (COE), resource adequacy (RA) compliance, and environmental attributes moved higher. Total operating revenue of \$667,200,000 was 10.6% lower than budget, due to decreased volumes from projections. Total expenditure of \$633,700,000 was under budget by a corresponding 13.2%, representing a positive increase to net position of \$44,500,000. Nonoperating revenue, mainly investment income, was \$3,900,000 higher than budget, however experienced a year-over-year reduction of \$1,900,000 million due to lower cash reserves and decreasing Federal Treasury rates compared to the prior year. RA compliance and meeting Renewable Portfolio Standard (RPS) requirements for Compliance Period 4 contributed to high COE. 3CE faced delays in long-term PPAs caused by interconnection issues, supply chain disruptions, rising project costs, and contractual negotiations.

Regulatory risk continues to be persistent and wide, ranging from the CPUC modifying the Power Charge Indifference Adjustment (PCIA) to requiring increased collateral for Financial Security Requirement (FSR).

In 2025, the CPUC implemented significant changes to the Power Charge Indifference Adjustment (PCIA). The CPUC's modification of the Market Price Benchmark (MPB) methodology significantly increases the Power Charge Indifference Adjustment (PCIA), by retroactively applying these formulas, CPUC has created an upward pressure on unbundled customer regulatory fees, narrowing the cost-competitive margin between CCAs and investor-owned utilities. FSR is a financial instrument (such as a letter of credit, surety bond, or cash) that a Community Choice Aggregator (CCA) must maintain to protect the utility market.

**CENTRAL COAST COMMUNITY ENERGY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

Currently Known Facts, Decisions, or Conditions (continued)

3CE holds a portfolio of contracts that mitigate exposure to energy price spikes in the CAISO markets. However, in the past fiscal year, CAISO market prices, as well as electricity futures prices in liquid forward markets, declined, leading to cost pressures for counterparty suppliers. At the same time, the overall market for electricity and related commodity products is experiencing a rising price environment. The rising price environment is driven by elevated costs to enter into long-term offtake agreements such as power purchase agreements (PPAs) and energy storage offtake agreements, elevated prices for RA, and environmental attributes such as Renewable Energy Certificates (RECs). While the forward prices for energy indicate some price relief on wholesale prices for the foreseeable future, with every new fixed-price PPA project to come online, 3CE limits its exposure to these spot market prices.

3CE is working towards a 100% clean and renewable energy portfolio and is currently negotiating several agreements to add generation and energy storage to move closer to that goal. While the targeted timeline for achieving this goal is 2030, 3CE may choose to extend it to a later date if interconnection wait times do not improve or customer affordability becomes a concern. 3CE has also taken steps to mitigate the elevated prices for RA. 3CE's RA procurement strategy seeks long-term fixed-price contracts for RA that will help reduce our exposure to the spot market RA prices. Beginning in 2026, 3CE has long-term contracts with two hybrid natural gas resources paired with energy storage that will provide valuable dispatchable energy and an RA benefit at fixed prices.

3CE regularly reviews its Energy Risk Management Policy (ERMP) to ensure it continues to meet 3CE's business needs while maintaining sufficient risk tolerances. 3CE targets hedging 63-110% of its exposure in energy products on a short-duration basis of under a year. 3CE continues to comply with its ERMP.

3CE retains a strong customer and revenue base with low opt-out levels. 3CE started serving the City of Atascadero and the County of San Luis Obispo beginning January 1, 2025. These two enrollments will add around 70,000 customer accounts, bringing the total customer count to about 515,000. 3CE serves approximately 91% of all eligible customer load in the service area and that rate of participation is expected to remain stable.

BASIC FINANCIAL STATEMENTS

CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF NET POSITION
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	\$ 114,208,038	\$ 150,245,681
Cash - restricted	2,946,601	294,000
Accounts receivable, net of allowance	62,462,592	44,437,895
Accrued revenue	40,344,310	30,948,530
Other receivables	4,117,653	6,363,531
Investments	95,737,842	68,632,549
Prepaid expenses	454,280	1,829,224
Deposits	25,326,307	11,559,276
Loan receivable	194,301	190,718
Total current assets	345,791,924	314,501,404
Noncurrent assets		
Investments	9,996,300	7,563,666
Deposits	21,055	23,182
Loan receivable	1,135,778	1,330,079
Capital assets, net of depreciation and amortization	6,452,874	3,817,033
Total noncurrent assets	17,606,007	12,733,960
Total assets	363,397,931	327,235,364
LIABILITIES		
Current liabilities		
Accrued cost of electricity	80,730,464	76,773,246
Accounts payable	3,328,646	4,864,146
Due to investment broker	-	12,035,076
Other accrued liabilities	2,089,490	800,930
User taxes and energy surcharges due to other governments	2,224,911	1,977,148
Security deposits - energy suppliers	2,376,000	1,149,299
Lease liability	351,568	325,259
Total current liabilities	91,101,079	97,925,104
Noncurrent liabilities		
Security deposits - energy suppliers	9,113,324	10,303,125
Lease liability	490,123	841,692
Total noncurrent liabilities	9,603,447	11,144,817
Total liabilities	100,704,526	109,069,921
NET POSITION		
Net investment in capital assets	5,611,183	2,650,082
Restricted for security collateral	2,946,601	294,000
Unrestricted	254,135,621	215,221,361
Total net position	\$ 262,693,405	\$ 218,165,443

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

**CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	2025	2024
OPERATING REVENUES		
Electricity sales, net	\$ 658,974,802	\$ 544,358,419
Liquidated damages	8,101,745	-
Other income	159,518	98,215
Total operating revenues	667,236,065	544,456,634
 OPERATING EXPENSES		
Cost of electricity	591,911,994	547,248,240
Contract services	13,817,292	13,030,382
Staff compensation	10,765,707	7,830,528
Program incentives	13,804,054	10,248,121
Other operating expenses	2,786,389	2,053,215
Depreciation and amortization	614,297	585,758
Total operating expenses	633,699,733	580,996,244
Operating income (loss)	33,536,332	(36,539,610)
 NONOPERATING REVENUES (EXPENSES)		
Investment income	11,037,533	12,893,661
Interest expense	(45,903)	(59,933)
Nonoperating revenues (expenses)	10,991,630	12,833,728
 CHANGE IN NET POSITION		
Net position at beginning of year	218,165,443	241,871,325
Net position at end of year	\$ 262,693,405	\$ 218,165,443

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

CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 642,511,551	\$ 536,022,766
Receipts of liquidated damages	8,101,745	-
Receipts from wholesale sales and other operating revenues	27,093,261	23,814,719
Receipts of deposits and collateral	57,281,458	49,873,965
Payments to suppliers for electricity	(609,756,063)	(550,573,743)
Payments for other goods and services	(16,365,833)	(15,088,564)
Payments of deposits and collateral	(71,484,667)	(69,256,483)
Payments for program incentives	(15,018,960)	(8,250,194)
Payments for staff compensation	(10,583,966)	(7,654,438)
Payments of taxes and energy surcharges to other governments	(10,709,463)	(9,199,968)
Net cash provided (used) by operating activities	1,069,063	(50,311,940)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments of lease	(371,164)	(360,354)
Purchases of capital assets	(3,211,032)	(2,413,580)
Net cash used by capital and related financing activities	(3,582,196)	(2,773,934)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	6,941,117	10,981,615
Proceeds from sales and maturities of investments	157,897,000	127,312,461
Loan principal received	190,718	187,201
Investment purchases	(195,900,744)	(130,889,591)
Net cash provided (used) by investing activities	(30,871,909)	7,591,686
Net change in cash and cash equivalents	(33,385,042)	(45,494,188)
Cash and cash equivalents at beginning of year	150,539,681	196,033,869
Cash and cash equivalents at end of year	\$ 117,154,639	\$ 150,539,681
Reconciliation to the Statement of Net Position		
Cash and cash equivalents - unrestricted	\$ 114,208,038	\$ 150,245,681
Cash - restricted	2,946,601	294,000
Cash and cash equivalents	\$ 117,154,639	\$ 150,539,681
NONCASH INVESTING ACTIVITIES		
Change in fair value of investments	\$ 3,716,685	\$ 1,597,869
Change in interest income receivable	\$ 379,731	\$ 314,177

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

**CENTRAL COAST COMMUNITY ENERGY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 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)	\$ 33,536,332	\$ (36,539,610)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization expense	614,297	585,758
(Increase) decrease in:		
Accounts receivable, net of allowance	(18,024,697)	(11,678,620)
Accrued revenue	(9,395,779)	(6,083,425)
Other receivables	2,625,609	(1,775,892)
Prepaid expenses	1,374,944	(1,449,013)
Deposits	(13,617,478)	(4,805,654)
Increase (decrease) in:		
Accrued cost of electricity	3,957,218	27,850,770
Accounts payable	(1,574,606)	2,106,052
Other accrued liabilities	1,288,560	59,129
User taxes and energy surcharges due to other governments	247,763	223,421
Security deposits - energy suppliers	36,900	(18,804,856)
Net cash provided (used) by operating activities	<u>\$ 1,069,063</u>	<u>\$ (50,311,940)</u>

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

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Central Coast Community Energy (3CE) is a joint powers authority created on February 21, 2017. As of September 30, 2025, parties to its Joint Powers Agreement consist of the following local governments:

Counties	Cities and Towns	
Monterey	Arroyo Grande	Morro Bay
San Benito	Atascadero	Pacific Grove
San Luis Obispo	Buellton	Paso Robles
Santa Barbara	Capitola	Pismo Beach
Santa Cruz	Carmel-by-the-Sea	Salinas
	Carpinteria	San Juan Bautista
	Del Rey Oaks	San Luis Obispo
	Goleta	Sand City
	Gonzales	Santa Cruz
	Greenfield	Santa Maria
	Grover Beach	Scotts Valley
	Guadalupe	Seaside
	Hollister	Soledad
	Marina	Solvang
	Monterey	Watsonville

3CE is separate from and derives no financial support from its members. 3CE is governed by two Governing Boards: a Policy Board and an Operations Board. Each Board is comprised of 19 members with 19 alternates representing the participating communities. Some of the 19 members represent more than one jurisdiction. Policy Board Members are elected officials from 3CE member communities. Operations Board Members are executives leading the member cities and counties.

3CE was formed to acquire retail electricity for the residents and businesses within its members' jurisdictions, and to study, promote, conduct, operate, and manage energy and energy-related climate change programs, and to exercise all other powers necessary and incidental to accomplishing these objectives.

A core function of 3CE is to provide electric service that includes renewable sources as it operates as a Community Choice Aggregation Program subject to California Public Utilities Code (CPUC) Section 366.2.

3CE began its energy delivery operations in March 2018. It acquires electricity from electricity suppliers to be delivered through existing physical infrastructure and equipment managed by Pacific Gas and Electric Company (PG&E) and Southern California Edison (SCE).

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BASIS OF ACCOUNTING

3CE'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.

3CE'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: net investment in capital assets, restricted and unrestricted.

When both restricted and unrestricted resources are available for use, it is 3CE's policy to use restricted resources first, and then unrestricted resources as they are needed.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Cash Flows, 3CE 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.

3CE is required to maintain certain cash balances on deposit with its bank as collateral for letters of credit issued to counterparties. These balances are restricted under the terms of the related banking agreements and are not available for general operating purposes and is reported as restricted assets in the Statements of Net Position.

ACCRUED REVENUE

Accrued revenue reflects the estimated value of electricity delivered to customers during the reporting period for which invoices have not been issued by the end of the fiscal year.

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS

Investments are stated at fair value based on prices listed on a national exchange for debt securities. 3CE intends to hold its debt securities to maturity. Investments with a maturity of less than one year are shown as current assets in the Statements of Net Position. Investments with a maturity of one year or more are shown as noncurrent assets in the Statements of Net Position.

3CE's Investment Policy permits the following types of investments:

Deposits at banks	Notes or bonds of the other 49 states
U.S. Treasury obligations	Commercial paper
U.S. Agency obligations	Repurchase agreements
Obligations of the State of California	Local Agency Investment Fund
Municipal obligations within California	County investment pool

PREPAID EXPENSES

Payments made to vendors that will provide benefit in periods after the end of the fiscal year are recorded as prepaid expenses.

DEPOSITS

Contracts to purchase energy may require 3CE to provide the supplier with advanced payments or security deposits. 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.

LEASE ASSET AND LEASE LIABILITY

3CE recognizes an asset and liability when it enters into certain leasing arrangements. The leased asset is amortized over the term of the lease. The lease liability is the present value of payments expected to be paid to the lessor during the lease term. 3CE's leased asset and lease liability relate to its office premises.

CAPITAL ASSETS AND DEPRECIATION

3CE's policy is to capitalize all capital assets valued over \$1,000 that is expected to be in service for over one year. Depreciation is computed according to the straight-line method over estimated useful lives of three years for electronic equipment, seven years for furniture, and six years for leasehold improvements. Buildings and improvements are depreciated over 30 years. 3CE does not own any electric generation, transmission, or distribution assets.

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DUE TO BROKER

Investments purchased before the end of the fiscal year, but settled after the fiscal year, are recorded as due to broker.

SECURITY DEPOSITS-ENERGY SUPPLIERS

Various energy purchase contracts entered into by 3CE require the supplier to provide 3CE 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:

Net investment in capital assets: This component of net position consists of capital assets, net of accumulated depreciation and amortization, and reduced by a lease obligation that is attributable to the acquisition, construction, or improvement of those assets.

Restricted: This component of net position consists of net assets subject to external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or by constraints imposed through constitutional provisions or enabling legislation.

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

OPERATING AND NONOPERATING REVENUES

Operating revenues include energy sales to retail and wholesale customers, and liquidated damages from suppliers that fail to meet delivery commitments.

Investment income is considered nonoperating revenues.

REVENUE RECOGNITION

3CE 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 billed. Management estimates that a portion of the billed amounts will be uncollectible. Accordingly, an allowance for uncollectible accounts has been recorded.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the cost of electricity, contractor services, staffing, program incentives, other operating expenses, and depreciation and amortization of capital assets. Nonoperating expenses are related to financing of capital assets.

COST OF ELECTRICITY

During the normal course of business, 3CE purchases electrical power from numerous suppliers. Electricity costs include the cost of energy and capacity arising from contracts with energy suppliers as well as generation credits, and load and other charges arising from 3CE'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, 3CE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System. 3CE obtains Certificates with the intent to retire them and does not sell or build surpluses of Certificates with a profit motive. An expense is recognized at the point that the cost of the Certificate is due and payable to the supplier.

3CE purchases capacity commitments from qualifying electricity generators to comply with the CPUC's Resource Adequacy (RA) Program. The goals of the RA Program are to provide sufficient resources to CAISO to ensure the safe and reliable operation of the electricity grid in real-time and to provide appropriate incentives for the siting and construction of new resources needed for reliability in the future.

STAFF COMPENSATION

3CE pays employees bi-weekly and fully satisfies its obligation for health benefits and contributions to its defined contribution retirement plan. 3CE does not provide post-employment healthcare or other fringe benefits, and accordingly, no related liability is recorded in these financial statements.

3CE provides compensated absences, including paid time off, which are accrued when earned and recorded as part of 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.

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

3CE is a joint powers authority under the provisions of the California Government Code and is not subject to federal or state income or franchise tax.

ESTIMATES

The preparation of financial statements in conformity with GAAP 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 to conform to the presentation in these financial statements. These reclassifications did not result in any change in the previously reported net position or change in net position.

2. CASH AND CASH EQUIVALENTS

3CE maintains its cash in both interest-bearing and non-interest-bearing deposit accounts in several banks. 3CE’s deposits are subject to California Government Code Section 16521, which requires banks to provide collateral of 110% of account balances in excess of the \$250,000 insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Accordingly, the amount of risk is not disclosed for bank deposits. 3CE monitors its risk exposure on an ongoing basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable was as follows as of September 30:

	2025	2024
Accounts receivable from customers	\$ 75,688,252	\$ 54,437,895
Allowance for uncollectible accounts	(13,225,660)	(10,000,000)
Net accounts receivable	\$ 62,462,592	\$ 44,437,895

The majority of account collections occur within the first few months following the issuance of customer invoices. 3CE estimates that a portion of the billed accounts will not be collected. 3CE continues collection efforts on accounts in excess of *de minimis* balances regardless of the age of the account. Although collection success generally decreases with the age of the receivable, 3CE continues to have success in collecting older accounts.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

4. INVESTMENTS

During the years ended September 30, 2025 and 2024, 3CE held investments with original maturities of three months or more. The investments consisted of U.S. Treasury Securities of approximately \$105,734,000 and \$76,196,000 as of September 30, 2025 and 2024, respectively.

FAIR VALUE MEASUREMENT

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. 3CE's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of September 30, 2025 and 2024, 3CE's investments are considered Level 1 inputs. Quoted prices in active markets were used for determining fair value measurement.

CREDIT RISK

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. Certain investments, such as obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are considered to have no credit risk.

CUSTODIAL CREDIT RISK

Cash and cash equivalents

Custodial credit risk is the risk that in the event of a financial institution failure, 3CE's deposits may not be returned to 3CE. 3CE's deposits are fully insured or collateralized.

As of September 30, 2025 and 2024, none of 3CE's bank balances are known to be exposed to custodial credit risk.

**CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

4. INVESTMENTS (continued)

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, 3CE would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. All of 3CE's investments are exposed to custodial credit risk.

3CE's investment policy addresses custodial credit risk. All investments owned by 3CE shall be held in safekeeping by a third-party custodian, acting as an agent for 3CE under the terms of a custody agreement.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates. 3CE manages its exposure to declines in fair values by limiting the weighted average maturity of its investments.

Following is a summary of investment maturities as of September 30, 2025:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>More than 5 years</u>
U.S. Treasury securities	\$ 105,734,142	\$ 95,737,842	\$ 9,996,300	\$ -

Following is a summary of investment maturities as of September 30, 2024:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>More than 5 years</u>
U.S. Treasury securities	\$ 76,196,215	\$ 68,632,549	\$ 7,563,666	\$ -

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2025 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated				
Building - construction in progress	\$ 74,068	\$ 968,224	\$ (74,068)	\$ 968,224
Land	898,658	1,339,211	-	2,237,869
Total capital assets not being depreciated	972,726	2,307,435	(74,068)	3,206,093
Capital assets being depreciated and amortized:				
Furniture and equipment	710,589	383,468	-	1,094,057
Leasehold improvements	90,661	9,226	-	99,887
Software	400,126	-	-	400,126
Building	1,407,974	624,077	-	2,032,051
Lease asset	1,678,196	-	-	1,678,196
Total capital assets being depreciated and amortized	4,287,546	1,016,771	-	5,304,317
Less accumulated depreciation and amortization:				
Furniture, equipment and leasehold improvements	(655,806)	(145,281)	-	(801,087)
Software	(200,064)	(133,376)	-	(333,440)
Lease asset	(587,369)	(335,640)	-	(923,009)
Total accumulated depreciation and amortization	(1,443,239)	(614,297)	-	(2,057,536)
Total capital assets, net of depreciation and amortization	<u>\$ 3,817,033</u>	<u>\$ 2,709,909</u>	<u>\$ (74,068)</u>	<u>\$ 6,452,874</u>

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

5. CAPITAL ASSETS (continued)

Capital asset activity for the year ended September 30, 2024 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Building - construction in progress	\$ -	\$ 74,068	\$ -	\$ 74,068
Land	-	898,658	-	898,658
Total capital assets not being depreciated	-	972,726	-	972,726
Capital assets being depreciated and amortized:				
Furniture and equipment	696,716	13,873	-	710,589
Leasehold improvements	90,661	-	-	90,661
Software	400,126	-	-	400,126
Building	-	1,407,974	-	1,407,974
Lease asset	1,678,196	-	-	1,678,196
Total capital assets being depreciated and amortized	2,865,699	1,421,847	-	4,287,546
Less accumulated depreciation and amortization:				
Furniture, equipment and leasehold improvements	(539,063)	(116,743)	-	(655,806)
Software	(66,688)	(133,376)	-	(200,064)
Lease asset	(251,730)	(335,639)	-	(587,369)
Total accumulated depreciation and amortization	(857,481)	(585,758)	-	(1,443,239)
Total capital assets, net of depreciation and amortization	<u>\$ 2,008,218</u>	<u>\$ 1,808,815</u>	<u>\$ -</u>	<u>\$ 3,817,033</u>

6. LEASE

A lease asset is reported in accordance with GASB No. 87.

On October 27, 2022, 3CE entered into a 3-year non-cancelable lease for its office premises for a term commencing on January 1, 2023. The lease agreement includes an option to renew the lease for two additional one-year terms.

As of September 30, 2025, future minimum lease payments under this lease were projected as follows:

Year ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 351,568	\$ 30,731	\$ 382,299
2027	379,426	14,342	393,768
2028	110,697	878	111,575
Total	<u>\$ 841,691</u>	<u>\$ 45,951</u>	<u>\$ 887,642</u>

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

7. DEFINED CONTRIBUTION RETIREMENT PLAN

3CE provides retirement benefits to eligible employees through a 401(a) Retirement Plan (Plan). The Plan is a defined contribution (Internal Revenue Code 401(a)) retirement plan established to provide benefits at retirement to employees of certain qualified employers admitted by the Plan. The Plan is administered by the Public Agency Retirement System (PARS). The number of Plan participants was 56 and 41 as of September 30, 2025 and 2024, respectively. 3CE is required to contribute 10% of covered payroll as a match to required employee contributions. 3CE contributed approximately \$808,000 and \$591,000 for the years ended September 30, 2025 and 2024, respectively. Plan provisions and contribution requirements as they apply to 3CE are established and may be amended by the Governing Board. 3CE elected out of the Social Security system for employees eligible for the Plan. 3CE also provides a 457(b) Retirement Plan through which employees may make tax deferred contributions.

8. RISK MANAGEMENT

3CE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; and errors and omissions. During the year, 3CE purchased insurance policies from highly rated commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, and property damage. 3CE has general liability coverage of \$1,000,000, with a deductible of \$1,000.

3CE 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 highly rated 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, 3CE enters into netting arrangements whenever possible and, where appropriate, obtains collateral and other performance assurances from counterparties.

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

9. PURCHASE COMMITMENTS

POWER AND ELECTRIC CAPACITY

In the ordinary course of business, 3CE enters into power purchase agreements to acquire energy and electric capacity. The price and volume of purchased power is largely fixed. Variable priced power, which is a small part of 3CE’s portfolio, is generally linked to the market price of either natural gas or power at the date of delivery. Variable volume is generally associated with contracts to purchase energy from resources with varying availability and production, such as solar, wind and hydroelectric facilities.

3CE enters into long-term power purchase agreements to ensure stable competitive rates for its customers and to comply with state law and voluntary targets for renewable and greenhouse gas free products.

The following table represents the expected, undiscounted, contractual obligations outstanding as of September 30, 2025:

Year ending September 30	
2026	\$ 412,000,000
2027	363,000,000
2028	322,000,000
2029	354,000,000
2030	359,000,000
2031-2054	4,613,000,000
Total	<u><u>\$ 6,423,000,000</u></u>

CENTRAL COAST COMMUNITY ENERGY
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2025 AND 2024

10. JOINT VENTURE

3CE participates in a joint powers agreement (JPA) through the California Community Choice Financing Authority (CCCFA). CCCFA was formed to assist its members by undertaking the financing or refinancing of energy prepayments through tax-advantaged bonds on behalf of one or more of the members by issuing or incurring bonds and entering into related contracts with its members. Any debt or liability incurred by CCCFA on behalf of a member to prepay for renewable energy is not a debt or liability of that member. Furthermore, the assets of CCCFA in the form of prepaid energy or reserves held by the respective bond trustees for any prepayment transaction undertaken on behalf of a member do not constitute an asset or reserve of that member.

CCCFA issued the following bonds, excluding original issue premium, which are to be used to finance energy purchases that will be delivered to 3CE. No debt, liability, or obligation of CCCFA is a debt, liability, obligation of 3CE.

Deal	Date issued	Amount
2023F	December 2023	\$ 647,750,000

3CE will purchase energy from CCCFA in the same manner as it purchases energy from other suppliers. 3CE purchased approximately \$37,926,000 and \$22,579,000 from CCCFA during fiscal years 2025 and 2024, respectively. The outstanding purchase commitments related to these financing facilities are included in Note 9. This amount represents executed energy contracts assigned to CCCFA as of September 30, 2025. Additional contracts will be assigned throughout the full bond period.

The financial statements of CCCFA are available online at <http://www.cccfa.org/key-documents.html>.

11. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

3CE implemented GASB Statement No. 102, *Certain Risk Disclosures*, which requires additional disclosures regarding concentrations and constraints that could impact 3CE’s financial position or results of operations. Implementation of this statement did not have a material effect on the financial statements.

3CE 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 3CE’s financial statements.

In addition, 3CE adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*. Implementation of this statement did not have a material effect on the financial statements.