

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2026 & 2025

WITH REPORT OF

INDEPENDENT AUDITORS

TABLE OF CONTENTS

Independent Auditor's Report ……..... 1

Management's Discussion and Analysis ……... 4

Basic Financial Statements:

Statements of Net Position …… 10

Statements of Revenues, Expenses and Changes in Net Position …..... 11

Statements of Cash Flows ……. 12

Notes to the Basic Financial Statements …… 14

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CPAs P.C.

Independent Auditor's Report

To the Board of Directors
San Diego Community Power

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of San Diego Community Power (Community Power), as of and for the years ended June 30, 2026 and 2025, and the related notes to the financial statements, which collectively comprise Community Power'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 Community Power, as of June 30, 2026 and 2025, and the respective changes in financial position and cash flows thereof for the years 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 Community Power 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 Community Power'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 Community Power'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 Community Power'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
November 17, 2026

SAN DIEGO COMMUNITY POWER
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2026 AND 2025

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 San Diego Community Power's (Community Power) 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 Community Power's finances. Community Power's fiscal year runs from July 1 through June 30.

If you have questions about this report or require further information, please contact Community Power at customerservice@sdcommunitypower.org

Overview of the Financial Statements

Community Power's financial report contains basic financial statements:

- The *Statements of Net Position* include all of Community Power's assets, liabilities, deferred inflows of resources 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 Community Power'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 noncapital financing activities.

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

Financial Summary

COMMUNITY POWER'S NET POSITION

	2026	2025	2024
Current assets	$ 789,230,573	$ 547,449,994	$ 533,740,155
Noncurrent assets:			
Other noncurrent assets	133,058,722	70,552,811	1,147,000
Capital assets, net	1,815,773	1,317,542	1,258,843
Total noncurrent assets	134,874,495	71,870,353	2,405,843
Total assets	**924,105,068**	**619,320,347**	**536,145,998**
Current liabilities	116,563,068	135,046,542	159,813,660
Noncurrent liabilities	18,489,785	8,041,641	949,956
Total liabilities	**135,052,853**	**143,088,183**	**160,763,616**
Deferred inflows of resources	**115,000,000**	**-**	**-**
Net position			
Net Investment in capital assets	1,217,580	-	-
Restricted for security collateral	500,000	1,147,000	1,647,000
Unrestricted	672,334,635	475,085,164	373,735,382
Total net position	**$ 674,052,215**	**$ 476,232,164**	**$ 375,382,382**

As of June 30, 2026, Community Power's total net position was approximately $674,052,000, an increase of $197,800,000 compared with June 30, 2025. Most of the increase in net position was concentrated in increases in cash, cash equivalents and investments, as a result of Community Power's operating surplus discussed in the following sections.

COMMUNITY POWER'S CHANGES IN NET POSITION

	2026	2025	2024
Operating revenues	$ 1,110,757,158	$ 1,241,251,729	$ 1,264,369,520
Nonoperating revenues	28,996,031	15,247,490	9,384,873
Total income	**1,139,753,189**	**1,256,499,219**	**1,273,754,393**
Operating expenses	941,762,041	1,155,213,375	1,082,692,389
Nonoperating expenses	171,097	436,062	1,691,953
Total expenses	**941,933,138**	**1,155,649,437**	**1,084,384,342**
Change in net position	**$ 197,820,051**	**$ 100,849,782**	**$ 189,370,051**

Total income was fairly steady during the fiscal years, after taking into account the $115,000,000 voluntary deferral into the Rate Stabilization Reserve. See the following section for a detailed discussion.

Detailed Analysis

Total current assets increased significantly year-over-year, reflecting growth in cash balances and partially offset by a decline in receivables. Unrestricted cash and cash equivalents totaled approximately $497,350,000 at June 30, 2026, compared to $292,772,000 in the prior year. Restricted cash increased to $33,258,000 from $25,756,000, due to the receipt of grants not expended by June 30, 2026. From June 30, 2025 to June 30, 2026, accounts receivable decreased from $116,027,000 to $105,004,000, and accrued revenue declined from $72,742,000 to $56,631,000. Both declines are primarily due to customer payment pattern fluctuations and price decreases.

Included in cash and investments is $115,000,000 held in the Rate Stabilization Reserve, which Community Power uses to defer revenue to future years to allow Community Power to mitigate potential future volatility in energy procurement costs and maintain stable customer rates.

A notable change in 2025 was the initial recognition of $69,906,000 in noncurrent investments, reflecting management's decision to invest funds in instruments expected to be held for more than one year. The increase in noncurrent investments in 2026 primarily reflects growth in funds available for investment and management's continued diversification of the investment portfolio across a broader range of permitted investment types and maturities.

Capital assets are reported net of depreciation and amortization. See Note 5 to the basic financial statements for a detail of changes for fiscal years 2026 and 2025. Capital assets held by Community Power include furniture and equipment, software and intangible right-of-use lease assets.

The largest component of current liabilities remains the accrued cost of electricity, which decreased to $70,311,000 from $102,447,000 in 2025. The decrease primarily reflects payment timing and energy procurement terms. In fiscal year 2025, delays in receiving certain supplier invoices contributed to a higher accrued liability at year-end. Accounts payable and other accrued liabilities were stable. Advances from grantors represent unspent San Diego Regional Energy Network (SDREN) grant funds received during the year. Noncurrent liabilities increased from 2025 to 2026 primarily as a result of increased advances from grantors. SDREN funding is received according to a predetermined multi-year payment schedule, while expenditures are recognized as program activities are implemented and costs are incurred. Although SDREN program activity and expenditures continued to increase during 2026, grant funding received to date continued to exceed cumulative program expenditures, resulting in a higher balance of unspent grant funds at year-end.

Detailed Analysis (continued)

From 2024 to 2025, revenues were relatively flat because a March 2025 rate increase was largely offset by the lower rate environment in place at the beginning of the year. In 2026, reported operating revenues decreased from $1,241,000,000 to $1,111,000,000, primarily due to a $115,000,000 rate stabilization deferral recorded during the year. Excluding the effect of this deferral, revenues from customer energy sales remained relatively consistent with the prior year, reflecting generally stable overall sales activity.

Investment income increased from 2025 to 2026 primarily due to an increase in invested assets and higher rates of return. The increase in rates of return was attributable to the diversification of the investment portfolio into higher-yielding debt instruments.

Operating expenses continued to be primarily driven by the cost of electricity, which represents Community Power's largest operating expense. The cost of electricity increased from 2024 to 2025 by approximately $53,992,000, or 5.2%, primarily due to rising costs in the resource adequacy market and the pricing of certain contracts executed to comply with the State's Renewable Portfolio Standards. From 2025 to 2026, the cost of electricity decreased by approximately $220,769,000, or 20%, primarily reflecting favorable energy market conditions and lower power supply costs during the year. Community Power continues to procure energy through a combination of short- and long-term contractual arrangements, including renewable energy, energy storage, and resource adequacy products, which are subject to changing market conditions.

Other operating expenses continued to reflect investments in personnel, customer programs, and implementation of regional energy initiatives. During fiscal year 2026, Community Power expanded administration of the SDREN and continued development of customer programs.

Significant Capital Asset and Long-Term Financing Activity

Community Power does not own assets used for electric generation or distribution. Capital assets represent office equipment, such as computers, furniture, software and right-of-use assets related to Community Power's office lease.

During fiscal year 2024, Community Power repaid its bank note of $35,730,000, reducing its outstanding financing debt to $0. Community Power borrowed $19,000,000 and $55,500,000 in fiscal years 2026 and 2025, respectively, and repaid the balances in full in the same fiscal year.

Currently Known Facts, Decisions, or Conditions

Community Power continues to operate in an evolving California energy market characterized by changing energy supply conditions, resource adequacy requirements, volatility in wholesale electricity markets, and changes in the Power Charge Indifference Adjustment (PCIA). Changes in Market Price Benchmarks used in determining the PCIA may affect Community Power's future rate competitiveness and financial results. Costs associated with resource adequacy procurement, renewable energy compliance, and long-term reliability planning also remain important drivers of future rates and operating results.

To strengthen its ability to manage these financial risks, Community Power continues to build and maintain financial reserves. In December 2025, the Board of Directors revised its Financial Reserves Policy to establish a minimum reserve level of 180 days cash on hand, a target of 225 days, and a maximum of 270 days. The policy also permits reserves between the target and maximum levels to be designated for rate stabilization purposes. In March 2026, the Board adopted a Rate Stabilization Reserve framework intended to mitigate the financial effects of future electricity procurement cost volatility and support greater stability in customer rates. These policies are intended to provide financial flexibility during periods of unfavorable market conditions while supporting Community Power's long-term financial sustainability.

Community Power continues to manage its exposure to energy market volatility through a diversified procurement portfolio, including long-term power purchase and energy storage agreements. Community Power has executed 17 long-term power purchase and energy storage agreements, with approximately 1,670 megawatts of renewable generation and more than 2,000 megawatts of energy storage expected to become operational between 2026 and 2029. These resources are intended to provide greater long-term cost certainty and reduce exposure to short-term energy and resource adequacy markets while supporting compliance with state reliability and clean energy requirements.

Federal policy developments may also affect the cost and development timelines of renewable energy and energy storage projects throughout California and the western United States. Changes to federal tax incentives, trade policies, equipment supply chains, or financing conditions could influence the economics of future energy projects and market prices. Management continues to evaluate these developments and incorporate potential impacts into long-term financial and procurement planning.

Community Power's customer base may also expand in future periods. The City of Coronado has expressed its intent to join Community Power, which, if completed, would expand Community Power's service territory and customer base.

Currently Known Facts, Decisions, or Conditions (continued)

Community Power continues to administer the SDREN program, which provides energy efficiency programs funded through the California Public Utilities Commission. SDREN activities are expected to continue expanding as previously awarded grant funding is used to implement programs throughout the region.

Community Power has also identified approximately $344,300,000 of planned strategic investments through its Fiscal Year 2026–2030 Capital Investment Plan. Planned investments include customer programs, distributed energy resources, and other initiatives intended to manage energy usage and reduce future energy procurement and resource adequacy costs.

BASIC FINANCIAL STATEMENTS

SAN DIEGO COMMUNITY POWER
STATEMENTS OF NET POSITION
JUNE 30, 2026 AND 2025

	2026	2025
ASSETS		
Current assets		
Cash and cash equivalents - unrestricted	$ 497,350,424	$ 292,771,532
Cash and cash equivalents - restricted	33,257,761	25,755,714
Accounts receivable, net of allowance	105,003,948	116,027,223
Accrued revenue	56,631,259	72,742,359
Prepaid expenses	6,606,887	23,802,135
Other receivables	7,699,229	4,099,991
Deposits	1,692,159	11,094,211
Investments	80,988,906	1,156,829
Total current assets	789,230,573	547,449,994
Noncurrent assets		
Cash and cash equivalents - restricted	15,183,975	647,000
Investments	117,874,747	69,905,811
Capital assets, net of depreciation and amortization	1,815,773	1,317,542
Total noncurrent assets	134,874,495	71,870,353
Total assets	924,105,068	619,320,347
LIABILITIES		
Current liabilities		
Accrued cost of electricity	70,310,875	102,447,166
Accounts payable	6,581,656	3,565,972
Other accrued liabilities	4,867,146	2,159,955
State surcharges payable	551,706	535,146
Deposits - energy suppliers	895,731	228,731
Lease liability	598,193	853,858
Advances from grantors	32,757,761	25,255,714
Total current liabilities	116,563,068	135,046,542
Noncurrent liabilities		
Lease liability	-	598,191
Deposits - energy suppliers	3,305,810	7,443,450
Advances from grantors	15,183,975	-
Total noncurrent liabilities	18,489,785	8,041,641
Total liabilities	135,052,853	143,088,183
DEFERRED INFLOWS OF RESOURCES		
Rate Stabilization Reserve	115,000,000	-
NET POSITION		
Net investment in capital assets	1,217,580	-
Restricted for security collateral	500,000	1,147,000
Unrestricted	672,334,635	475,085,164
Total net position	$ 674,052,215	$ 476,232,164

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

SAN DIEGO COMMUNITY POWER
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
OPERATING REVENUES		
Electricity sales, net	$ 1,222,642,099	$ 1,239,973,471
Rate Stabilization Reserve transfer	(115,000,000)	-
Liquidated damages revenue	2,348,023	-
Other income	767,036	1,278,258
Total operating revenues	1,110,757,158	1,241,251,729
OPERATING EXPENSES		
Cost of electricity	880,776,239	1,101,545,238
Contract services	26,044,160	19,487,406
Staff compensation	20,903,693	17,159,242
Other operating expenses	13,152,155	16,295,134
Depreciation and amortization	885,794	726,355
Total operating expenses	941,762,041	1,155,213,375
Operating income	168,995,117	86,038,354
NONCAPITAL SUBSIDIES		
Grant revenue	9,864,177	1,780,217
Operating income and noncapital subsidies	178,859,294	87,818,571
NONOPERATING REVENUES (EXPENSES)		
Investment income	19,131,854	13,467,273
Interest expense	(171,097)	(436,062)
Nonoperating revenues (expenses), net	18,960,757	13,031,211
CHANGE IN NET POSITION	197,820,051	100,849,782
Net position at beginning of year	476,232,164	375,382,382
Net position at end of year	$ 674,052,215	$ 476,232,164

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

SAN DIEGO COMMUNITY POWER
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2026 AND 2025

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 1,253,224,032	$ 1,233,997,068
Receipts of supplier security deposits	29,860,990	15,196,186
Receipts from wholesale sales and other operating activities	10,772,540	13,235,888
Payments to suppliers for electricity	(923,064,362)	(1,155,287,321)
Payments for other goods and services	(37,250,599)	(35,849,830)
Payments for deposits and collateral	(5,380,351)	(1,984,371)
Payments for staff compensation	(19,482,535)	(17,174,536)
Payments of state surcharges	(2,370,998)	(2,411,387)
Net cash provided by operating activities	306,308,717	49,721,697
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from bank note	19,000,000	55,500,000
Receipts from grantors	32,550,198	27,035,931
Principal payments - bank note	(19,000,000)	(55,500,000)
Interest payments	(89,170)	(393,962)
Net cash provided by noncapital financing activities	32,461,028	26,641,969
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Lease payments	(935,784)	(643,272)
Purchases of capital assets	(1,384,024)	-
Net cash used by capital and related financing activities	(2,319,808)	(643,272)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income received	18,165,013	11,828,321
Proceeds from investment sales and maturities of investments	15,046,247	3,195,096
Purchase of investments	(143,043,283)	(73,011,675)
Net cash used by investing activities	(109,832,023)	(57,988,258)
Net change in cash and cash equivalents	226,617,914	17,732,136
Cash and cash equivalents at beginning of year	319,174,246	301,442,110
Cash and cash equivalents at end of year	$ 545,792,160	$ 319,174,246
Reconciliation to the Statements of Net Position		
Unrestricted cash and cash equivalents - current	$ 497,350,424	$ 292,771,532
Restricted cash and cash equivalents - current	33,257,761	25,755,714
Restricted cash and cash equivalents - noncurrent	15,183,975	647,000
Cash and cash equivalents	$ 545,792,160	$ 319,174,246
NONCASH INVESTING ACTIVITIES		
Change in fair value of investments	$ (196,023)	$ 1,638,952
Change in interest income receivable	$ 1,162,864	$ 392,891
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of lease asset	$ -	$ 1,284,053

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

SAN DIEGO COMMUNITY POWER
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	$ 168,995,117	$ 86,038,354
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization expense	885,794	726,355
(Increase) decrease in:		
Accounts receivable, net	11,023,275	(12,515,058)
Accrued revenue	16,111,100	4,121,064
Prepaid expenses	17,195,248	11,216,265
Other receivables	(2,436,374)	2,181,758
Deposits	9,402,052	1,067,988
Increase (decrease) in:		
Accrued cost of electricity	(31,891,291)	(45,914,150)
Accounts payable	2,770,685	(1,196,904)
Other accrued liabilities	2,707,191	996,640
State surcharges payable	16,560	6,204
Deposits - energy suppliers	(3,470,640)	2,993,181
Rate Stabilization Reserve	115,000,000	-
Net cash provided by operating activities	$ 306,308,717	$ 49,721,697

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

San Diego Community Power (Community Power) is a California Joint Powers Authority created on October 1, 2019. As of June 30, 2026, parties to its Joint Powers Agreement (JPA) consist of the following local governments:

County	Cities	
San Diego (Unincorporated)	Chula Vista	La Mesa
	Encinitas	National City
	Imperial Beach	San Diego

Community Power is separate from and derives no financial support from its members. Community Power is governed by a Board of Directors whose membership is composed of elected officials or other representatives of the member governments.

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

Community Power began its energy delivery operations in March 2021. Electricity is acquired from commercial suppliers and delivered through existing physical infrastructure and equipment managed by San Diego Gas and Electric.

BASIS OF ACCOUNTING

Community Power'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.

Community Power'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 related 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 – net investment in capital assets, restricted and unrestricted.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CASH AND CASH EQUIVALENTS

For the purpose of the Statements of Cash Flows, Community Power 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. The Statements of Net Position presents restricted cash balances separately. Restricted cash reported on the Statements of Net Position includes advanced funding from grantors, collateral related to a bank line of credit, as well as a required minimum balance to be maintained in one of its bank accounts.

INVESTMENTS

Investments are stated at fair value based on prices listed on a national exchange for debt securities and by the Local Agency Fund (LAIF) for an investment pool. 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.

Community Power's investment policy permits the following types of investments:

Deposits at banks	Money market funds
Local Agency Investment Fund	Commercial paper
Federal agency securities	Medium-term notes
Bankers' acceptances	Pass-through securities
Negotiable certificates of deposits	Municipal securities
Placement service deposits	Supranationals

ACCOUNTS RECEIVABLE

Accounts receivable represents amounts billed to retail customers for electricity delivered through the end of the fiscal year that remain uncollected.

ACCRUED REVENUE

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

OTHER RECEIVABLES

Other receivables primarily consist of amounts due from wholesale energy sales, accrued interest income, and other miscellaneous receivables.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Community Power 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 the time the deposits will be outstanding.

CAPITAL ASSETS AND DEPRECIATION

Community Power's policy is to capitalize furniture and equipment valued over $5,000 that is expected to be in service for over one year. Software costs are capitalized when they meet the applicable criteria for capitalization. Depreciation and amortization are computed using the straight-line method over estimated useful lives of three years for electronic equipment, five years for furniture, and the estimated useful lives of capitalized software. Leasehold improvements are depreciated over the lesser of seven years or the length of the original lease term. Capitalized software is amortized beginning when placed into service. Community Power does not own any electric generation, transmission, or distribution assets.

LEASE ASSETS AND LEASE LIABILITIES

Community Power recognizes an asset and liability when it enters into certain leasing arrangements. The leased assets are amortized over the term of the leases. The lease liabilities are the present value of payments expected to be paid to the lessors during the leases' terms. Community Power's leased assets and liabilities relate to its office premises.

DEPOSITS - ENERGY SUPPLIERS

Various energy contracts entered into by Community Power require the supplier to provide Community Power 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.

ADVANCES FROM GRANTORS

Community Power received grant funding from various grantors. The amount in this category represents funds received by Community Power but not yet expended to carry out specific goals.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RATE STABILIZATION RESERVE

In March 2026, Community Power created a Rate Stabilization Reserve (RSR) that is reported in accordance with GASB Statement No. 62. The purpose of the RSR is to allow Community Power to defer revenue in years when financial results are strong for use in future years when financial results may decline. Withdrawals from the RSR may be used to mitigate rate volatility, maintain competitive customer rates, and support compliance with financial covenants and contractual obligations. The amount deposited into the RSR is shown as a reduction in operating revenues and reported on the Statements of Net Position as a deferred inflow of resources. Transfers to the RSR were $115,000,000 and $0 in fiscal years 2026 and 2025, respectively.

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 improvements of those assets.

Restricted: This component of net position consists of restraints placed on net asset use through external constraints 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.

Unrestricted: This component of net position consists of net position that does not meet the definition “restricted.”

OPERATING AND NONOPERATING REVENUE

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 revenue.

REVENUE RECOGNITION

Community Power 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. Revenue is presented net of estimated uncollectible accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

OPERATING AND NONOPERATING EXPENSES

Operating expenses include the costs of electricity, services, administrative expenses, and depreciation of capital assets. Nonoperating expenses are expenses related to financing.

COST OF ELECTRICITY

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

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

STAFFING COSTS

Community Power pays employees semi-monthly and fully satisfies its obligation for health benefits and contributions to its defined contribution retirement plan. Community Power is not obligated to provide post-employment healthcare or other fringe benefits and, accordingly, no related liability is recorded in these financial statements.

Community Power 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAXES

Community Power 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 in the prior year's financial statements have been reclassified for comparative purposes to conform to the presentation of these financial statements. These reclassifications did not result in any change in previously reported net position or change in net position.

2. CASH AND CASH EQUIVALENTS

Community Power maintains its cash in both interest-bearing and non-interest-bearing accounts. Community Power deposits are subject to California Government Code Section 16521 which requires banks to provide collateral of 110% of balances in excess of the $250,000 insurance coverage provided by the Federal Deposit Insurance Corporation. Accordingly, the amount of risk is not disclosed for bank deposits. The risk disclosures in Note 4 address the risks related to certain short-term investments with original maturities of less than three months that are classified as cash and cash equivalents in the Statements of Net Position and Statements of Cash Flows. Community Power monitors its risk on an ongoing basis.

3. ACCOUNTS RECEIVABLE

Accounts receivable were as follows as of June 30:

	2026	2025
Accounts receivable from customers	$ 162,503,948	$ 164,527,223
Allowance for uncollectible accounts	(57,500,000)	(48,500,000)
Net accounts receivable	$ 105,003,948	$ 116,027,223

The majority of account collections occur within the first few months following the issuance of customer invoices. Community Power estimates that a portion of the invoiced accounts will not be collected. Community Power 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, Community Power continues to have success in collecting older accounts.

4. INVESTMENTS

During the year ended June 30, 2026 and 2025, Community Power held investments with original maturities of three months or more. As of June 30, the fair value of investments was as follows:

	2026	2025	Level
Current Investments:			
U.S. Treasury securities	$ 5,374,342	$ 1,006,055	1
U.S. agency obligations	699,721	-	2
Corporate bonds - U.S.	-	150,774	2
Local Agency Investment Fund	74,914,843	-	NA
Total current investments	$ 80,988,906	$ 1,156,829	

	2026	2025	Level
Noncurrent Investments:			
U.S. Treasury securities	$ 55,153,357	$ 36,261,017	1
U.S. agency obligations	13,632,326	9,007,232	2
Corporate bonds - U.S.	49,089,064	21,457,839	2
Corporate bonds - foreign	-	2,302,456	2
Municipal bonds	-	877,267	2
Total noncurrent investments	$ 117,874,747	$ 69,905,811	

4. INVESTMENTS (continued)

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.

U.S. Treasury securities are classified as Level 1 inputs because they rely on unadjusted, quoted prices in active markets for identical assets.

Other investments, other than LAIF, are classified as Level 2 inputs as they were valued using institutional bond quotes or valuations based on market 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. Community Power's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Deposits and withdrawals from LAIF are made on the basis of $1, which is substantially equal to fair value. Investments with LAIF are not required to be categorized under the fair value hierarchy.

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 not considered to have credit risk. As of June 30, 2026, Community Power's investments were rated from A3 to Aaa, as measured by Moody's Investment Service.

Community Power's investment policy addresses this risk. Community Power limits investments to those allowed by Section 53601 of the California Government Code that addresses the risk allowable for each investment.

4. INVESTMENTS (continued)

CUSTODIAL CREDIT RISK

Cash and cash equivalents

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

As of June 30, 2026 and 2025, none of Community Power's bank balances are known to be individually exposed to credit risk.

Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, Community Power 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 Community Power's investments are exposed to credit risk.

Community Power's investment policy addresses custodial credit risk. All investments owned by Community Power shall be held in safekeeping by a third-party custodian, acting as an agent for Community Power 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. Duration 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. Community Power 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 June 30, 2026:

		Investment Maturities	
Investment Type	Fair Value	Less Than 1 Year	1-5 Years
U.S. Treasury securities	$ 60,527,699	$ 5,374,342	$ 55,153,357
U.S. agency obligations	14,332,047	699,721	13,632,326
Local Agency Investment Fund	74,914,843	74,914,843	-
Corporate bonds-U.S.	49,089,064	-	49,089,064
	$ 198,863,653	$ 80,988,906	$ 117,874,747

4. INVESTMENTS (continued)

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

		Investment Maturities	
Investment Type	Fair Value	Less Than 1 Year	1-5 Years
U.S. Treasury securities	$ 37,267,072	$ 1,006,055	$ 36,261,017
U.S. agency obligations	9,007,232	-	9,007,232
Corporate bonds-U.S.	21,608,613	150,774	21,457,839
Corporate bonds-foreign	2,302,456	-	2,302,456
Municipal bonds	877,267	-	877,267
	$ 71,062,640	$ 1,156,829	$ 69,905,811

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss to the magnitude of Community Power's investment in a single issuer. Community Power manages the concentration of credit risk by diversifying its portfolio so that reliance on any one issuer will not place an undue burden on Community Power.

As of June 30, 2026 and 2025, Community Power's investment portfolio was concentrated as follows:

		Percentage of Portfolio	
Issuer	Investment Type	2026	2025
Federal Home Loan Mortgage Corporation (Freddie Mac)	U.S. agency implicitly guaranteed	0.0%	11.4%

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026 was as follows:

	Beginning balance	Increases	Decreases	Ending balance
Capital assets not being depreciated:				
Software	$ -	$ 530,485	$ -	$ 530,485
Capital assets being depreciated and amortized:				
Furniture and equipment	163,138	-	-	163,138
Software	-	853,540	-	853,540
Lease assets	2,238,129	-	(954,076)	1,284,053
Total capital assets being depreciated and amortized:	2,401,267	853,540	(954,076)	2,300,731
Less accumulated depreciation and amortization:				
Furniture and equipment	(74,655)	(33,627)	-	(108,282)
Software	-	(51,128)	-	(51,128)
Lease assets	(1,009,070)	(801,039)	954,076	(856,033)
Total accumulated depreciation and amortization	(1,083,725)	(885,794)	954,076	(1,015,443)
Total capital assets, net of depreciation and amortization	$ 1,317,542	$ 498,231	$ -	$ 1,815,773

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

	Beginning balance	Increases	Decreases	Ending balance
Capital assets being depreciated and amortized:				
Furniture and equipment	$ 163,138	$ -	$ -	$ 163,138
Lease assets	2,076,825	1,284,053	(1,122,749)	2,238,129
Total capital assets being depreciated and amortized:	2,239,963	1,284,053	(1,122,749)	2,401,267
Less accumulated depreciation and amortization:				
Furniture and equipment	(39,354)	(35,301)	-	(74,655)
Lease assets	(941,766)	(691,054)	623,750	(1,009,070)
Total accumulated depreciation and amortization	(981,120)	(726,355)	623,750	(1,083,725)
Total capital assets, net of depreciation and amortization	$ 1,258,843	$ 557,698	$ (498,999)	$ 1,317,542

6. DEBT

BANK NOTE PAYABLE

In February 2023, Community Power entered into a revolving credit agreement with JPMorgan (JPM) to borrow up to $150,000,000. In October 2024, Community Power amended its credit agreement with JPM to increase the borrowing limit to $250,000,000 and Community Power assigned a security interest in all customer accounts receivable, revenues, debt service reserve accounts, and cash collateral accounts. Principal can be drawn as needed and interest is accrued on the outstanding balance. In the event of default, the note becomes immediately due and payable. In addition to borrowings, Community Power issues Standby Letters of Credit secured by the line of credit agreement that reduces the available portion of the line but is not considered debt to Community Power. As of June 30, 2026, Community Power had $27,000,000 in outstanding standby letters of credit issued under the credit agreement, reducing the amount available for borrowing under the line of credit. The line of credit matures in February 2028.

During fiscal year 2026 and 2025, Community Power borrowed and repaid $19,000,000 and $55,500,000, respectively.

7. LEASES

Lease assets and lease liabilities are reported in accordance with Government Accounting Standards Board No. 87.

PROPERTY LEASES

In October 2023 and February 2025, Community Power entered into non-cancelable leases for its office space. The lease expires in February 2027. Future minimum lease payments are projected to be approximately $598,000 for principal and $14,000 for interest, which totals $612,000.

8. GRANTS

During the years ended June 30, 2026 and 2025, Community Power served as the lead administrator of the SDREN, a regional partnership focused on delivering energy efficiency, electrification, and climate resilience programs. In this role, Community Power is responsible for managing program design, contracting, and implementation. Community Power received approximately $30,934,000 and $26,682,000 in SDREN funding approved by the CPUC during fiscal years 2026 and 2025, respectively.

8. GRANTS (continued)

SDREN funding is received in accordance with a multi-year funding schedule, while grant revenue is recognized as program activities are performed and applicable eligibility requirements are met. During fiscal year 2026, Community Power recognized approximately $9,219,000 of SDREN grant revenue. Community Power also recognized approximately $645,000 of grant revenue from other programs, resulting in total grant revenue of approximately $9,864,000 for the year. During fiscal year 2025, Community Power recognized approximately $1,780,000 of grant revenue.

Unspent SDREN grant funds of approximately $47,942,000 and $25,256,000 as of June 30, 2026 and 2025, respectively, represent amounts received in advance for which applicable eligibility requirements had not yet been met and are reported as Advances from Grantors in the Statements of Net Position as current or noncurrent liabilities.

9. DEFINED CONTRIBUTION RETIREMENT PLAN

The San Diego Community Power Plan (Plan) is a defined contribution retirement plan established by Community Power to provide benefits at retirement to its employees. The Plan is administered by Empower Retirement. As of June 30, 2026, there were 93 plan members. Community Power is required to contribute 10% of annual covered payroll to the Plan and contributed $1,504,000 and $1,216,000 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.

10. RISK MANAGEMENT

Community Power 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, Community Power purchased insurance policies from highly rated commercial carriers to mitigate risks that include those associated with earthquakes, theft, general liability, errors and omissions, cybersecurity, and property damage. There were no significant reductions in coverage compared to the prior year. Community Power has general liability coverage of $2,000,000 with a deductible of $100,000. From time to time, Community Power may be party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and Community Power’s legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on Community Power’s financial position or results of operations.

10. RISK MANAGEMENT (continued)

Community Power maintains a comprehensive risk management framework to identify and mitigate credit, liquidity, market, operational, regulatory, and other risks associated with participation in the California energy market. The framework employs credit risk strategies, including a preference for transacting with highly rated counterparties, establishing credit limits, and securing collateral when necessary. To address market risks, Community Power utilizes hedging strategies, netting arrangements, and liquidity monitoring. Internal controls and compliance mechanisms are in place to manage operational and regulatory risks, ensuring adherence to legal and market regulations. Risk monitoring and oversight are continuously performed through frequent reporting, with key risks communicated promptly to stakeholders. This integrated approach enables Community Power to maintain a balanced risk profile while adapting to evolving market conditions.

11. PURCHASE COMMITMENTS

In the ordinary course of business, Community Power enters into various power purchase agreements in order 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 hydro-electric facilities.

Community Power enters into power purchase agreements to comply with state law and voluntary targets for renewable and greenhouse free products and to ensure stable and competitive electric rates for its customers.

The following table represents the expected, undiscounted, contractual obligations outstanding as of June 30, 2026:

Year ending June 30,	
2027	$ 750,900,000
2028	557,200,000
2029	616,500,000
2030	613,300,000
2031	607,600,000
2032-2049	6,777,400,000
Total	$ 9,922,900,000

12. JOINT VENTURE

Community Power participates in a 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 bonds which are to be used to finance energy purchases that will be delivered to Community Power. No debt, liability, or obligation of CCCFA is a debt, liability or obligation of Community Power.

Community Power purchases energy from CCCFA in the same manner as it purchases energy from other suppliers. Community Power purchased approximately $59,809,000 and $12,836,000 from CCCFA during fiscal years 2026 and 2025, respectively. The outstanding commitments to purchase from CCCFA are included in Note 11. This amount represents executed energy contracts assigned to CCCFA at June 30, 2026. Additional contracts may be assigned while the bond is outstanding. The financial statements of CCCFA are available online at http://www.cccfa.org/key-documents.html.

13. RECENTLY ADOPTED AND FUTURE ACCOUNTING PRONOUNCEMENTS

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

Community Power 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 Community Power's financial statements.

In addition, Community Power adopted GASB Statement No. 104, *Disclosure of Certain Capital Assets*, which establishes additional disclosure requirements for certain types of capital 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.