

REPORT FROM THE SECRETARY-TREASURER



It is my pleasure to provide a summary report of NRECA's December 2022 financial results. The report describes the financial highlights of the Association's General Fund activities that include general membership, fee-for-service and cost reimbursable programs.

NRECA ended 2022 with a General Fund net operating margin of \$3.6 million before the Retirement Security (RS) Plan Voluntary Contribution Acceleration Program (VCAP) payment and Cooperative Research Network (CRN) Contribution.

The General Fund net operating margin was \$3.6M better than budget. The results for Training & Conferences, PowerXchange and TechAdvantage® are significantly better than 2021.

The December Treasurer's report is available for all NRECA members on the cooperative.com homepage in the NRECA Governance and Reporting section.

Joe Martin
Secretary-Treasurer

A handwritten signature in black ink that reads "Joe Martin". The signature is fluid and cursive, with a long horizontal flourish extending from the end of the name.

2022 Financial Highlights

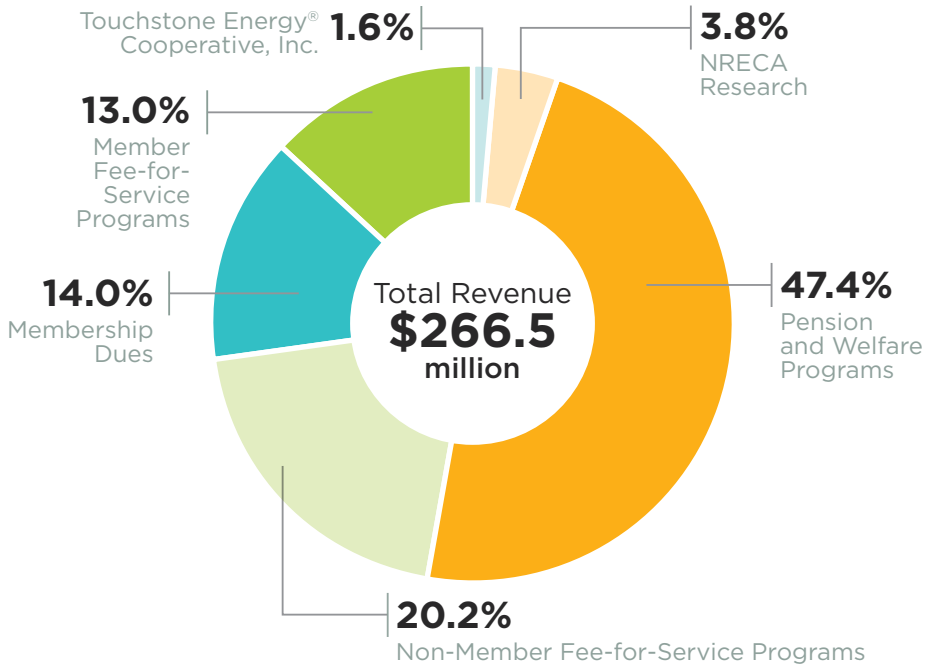
The Association

Summary of Operations (Revenue by Source)

NRECA's General Fund ended 2022 with total revenue of \$266.5 million and total operating expenses of \$262.9 million before the Retirement Security (RS) Plan Voluntary Contribution Acceleration Program (VCAP) payment. After the VCAP payment, the remaining \$2.3 million margin was contributed to the Cooperative Research Network (CRN) Fund to assist co-ops with the infrastructure bill as directed by the NRECA Board.

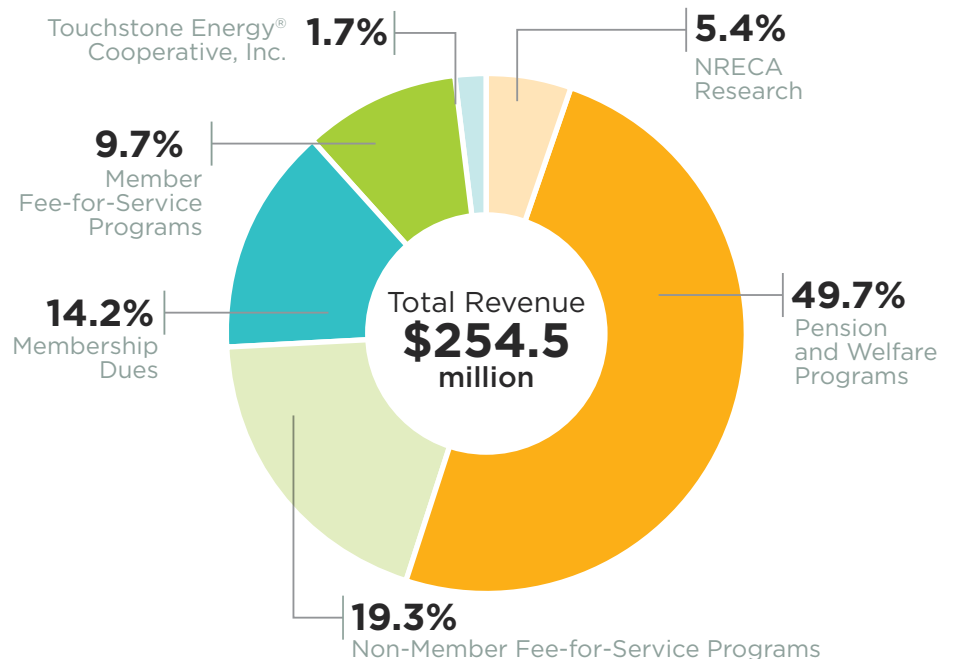
The NRECA Broadband fund ended the year with \$437,000 in service fee revenue and \$244,000 in operating expenses resulting in \$193,000 net margin. The ending equity balance was \$193,000.

The Political Advocacy, Communications and Education (PACE) Account ended the period with net negative return on investments of \$87,000 consisting of realized and unrealized losses. The ending equity balance was \$6.0 million.

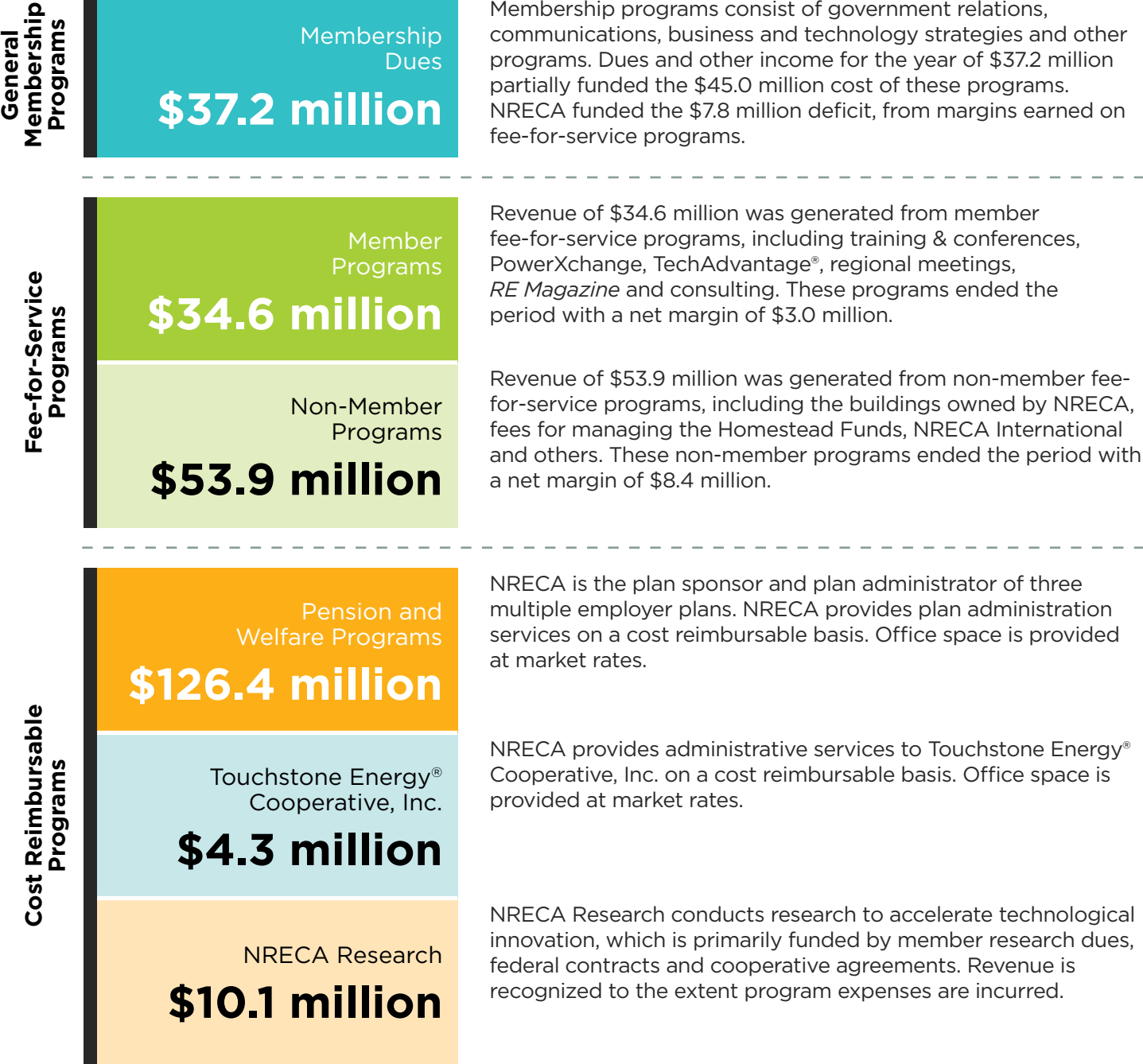


2022 Revenue

2021 Revenue



Revenue



Membership programs consist of government relations, communications, business and technology strategies and other programs. Dues and other income for the year of \$37.2 million partially funded the \$45.0 million cost of these programs. NRECA funded the \$7.8 million deficit, from margins earned on fee-for-service programs.

Revenue of \$34.6 million was generated from member fee-for-service programs, including training & conferences, PowerXchange, TechAdvantage®, regional meetings, *RE Magazine* and consulting. These programs ended the period with a net margin of \$3.0 million.

Revenue of \$53.9 million was generated from non-member fee-for-service programs, including the buildings owned by NRECA, fees for managing the Homestead Funds, NRECA International and others. These non-member programs ended the period with a net margin of \$8.4 million.

NRECA is the plan sponsor and plan administrator of three multiple employer plans. NRECA provides plan administration services on a cost reimbursable basis. Office space is provided at market rates.

NRECA provides administrative services to Touchstone Energy® Cooperative, Inc. on a cost reimbursable basis. Office space is provided at market rates.

NRECA Research conducts research to accelerate technological innovation, which is primarily funded by member research dues, federal contracts and cooperative agreements. Revenue is recognized to the extent program expenses are incurred.

Consolidated Summary Balance Sheet

[in thousands]

ASSETS	2022	2021
Cash & Cash Equivalents	\$ 50,078	\$ 28,782
Accounts Receivable, Net	12,067	16,974
Receivables - Due from the Plans	21,767	15,074
Investments	40,196	42,674
Deferred Compensation Fund	11,997	14,248
Property and Equipment, Net	77,034	81,509
Other Assets	35,925	39,224
TOTAL ASSETS	\$ 249,064	\$ 238,485

LIABILITIES & MEMBERS' EQUITY	2022	2021
Liabilities		
Accounts Payable & Accrued Expenses	\$ 31,858	\$ 31,703
Health Reimbursement Arrangement Payable	7,200	7,200
Deferred Revenue	94,118	83,262
Post-Retirement Benefit Obligations Other Than Pensions	8,136	9,634
Deferred Compensation Fund	11,997	14,248
Other Liabilities	6,279	3,068
Total Liabilities	\$ 159,588	\$ 149,115
Members' Equity		
General Fund		
Net Assets of 501(c)(6) and For-Profit Entities	\$ 79,468	\$ 79,386
Net Assets of 501(c)(3) Affiliated Entities	3,825	3,907
General Fund Subtotal	83,293	83,293
Political Advocacy, Communications and Education Fund	5,990	6,077
NRECA Broadband	193	-
Total Members' Equity	89,476	89,370
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 249,064	\$ 238,485

Summary of Operations*

[in thousands]

	2022				2021
	GENERAL MEMBERSHIP	FEE-FOR-SERVICE	COST REIMBURSABLE	GENERAL FUND TOTAL	GENERAL FUND TOTAL
Revenue	\$ 37,235	\$ 88,548	\$ 140,721	\$ 266,504	\$ 254,535
Expense	45,009	77,177	140,721	262,907	250,805
Net Operating (Loss) Margin Before Board Authorized Payments	(7,774)	11,371	-	3,597	3,730
Less Board Authorized Payments:					
RS Plan VCAP Payment	864	405	-	1,269	4,742
CRN Contribution:					
General Membership	2,328	-	-	2,328	-
Net (Loss) Margin (Change in Members' Equity)	\$ (10,966)	\$ 10,966	\$ -	\$ -	\$ (1,012)

*Excludes Political Advocacy, Communications and Education (PACE) Fund and NRECA Broadband.

Total 2022 RS VCAP Payment was \$3.1M of which \$1.8M was cost reimbursable and included in the total \$140.7M Cost Reimbursable 2022 expense.

Summary of Changes in Members' Equity

[in thousands]

Members' Equity	Net Assets of 501(c)(6) and For-Profit Entities	Net Assets of 501(c)(3) Affiliated Entities	General Fund Subtotal	PACE Fund	NRECA Broadband	Total
Balance, December 31, 2021	\$ 79,386	\$ 3,907	\$ 83,293	\$ 6,077	\$ -	\$ 89,370
Net Margin (Loss)	82	(82)	-	(87)	193	106
Ending Balance, December 31, 2022	\$ 79,468	\$ 3,825	\$ 83,293	\$ 5,990	\$ 193	\$ 89,476

2022 Financial Highlights

Pension and Welfare Programs

NRECA Multiple Employer Plans

The pension and welfare programs administered by NRECA consist of the Retirement Security Plan (RS Plan), the 401(k) Pension Plan (401(k) Plan) and the Group Benefits Program (Group Program) (collectively, the Plans). During 2022, NRECA continued its commitment to ensure that member cooperatives, regardless of their size and location, have access to comprehensive, flexible, and affordable employee benefit programs for current and former employees, and their dependents. In addition, NRECA continued its commitment to support legislation to preserve members' access to these programs, reduce cost pressure on co-ops utilizing these programs, and ensure the delivery of high quality services to the participants covered under these programs. Additionally, NRECA adopted a number of important relief measures to help our cooperative members and their employees navigate the challenges of the pandemic.

- **NRECA's retirement program**, composed of both the RS Plan and the 401(k) Plan, serves over 100,000 active and retired participants of member systems.
- **The RS Plan** is a defined benefit, multiple employer pension plan, as defined under the Employee Retirement Income Security Act of 1974 (ERISA). Employees enter the RS Plan upon satisfaction of the eligibility requirements elected by their member system. The basic benefit, payable upon attainment of the normal retirement age, is based on the highest five-year average of compensation. Normal retirement age can be 65, 62, 60, or the earlier of age 62 or any age with 30 years of participation, as elected by the member system.
- **The 401(k) Plan** is a defined contribution, multiple employer pension plan, as defined under ERISA. Employees enter the 401(k) Plan upon satisfaction of the eligibility requirements elected by their member system. Participating systems may choose to make an annual base contribution to an employee's account and/or match a percentage of the participant's own contributions.
- **The Group Program** provides benefits such as medical, pharmacy, disability, vision, dental and life insurance to participants. The Group Program is self-insured for the medical, dental, vision, and short-term and long-term disability plans. The Group Program receives all premium contributions, pays participant claims and premiums due to insurance carriers, and holds reserves for the benefit and protection of program participants. Participants must contribute as required by the participating member system. The life, AD&D, business travel accident and VSP Vision plans are insured with third party insurance companies.
- **Net assets** available for benefits at the end of the year totaled \$23.0 billion, which was \$4.6 billion, or 16.8%, lower than the previous year. The main driver of the decrease in net assets was the \$3.8 billion net depreciation in the market value of plan assets.
- **Contributions and premiums** totaled \$2.7 billion, which was \$69.7 million, or 2.6%, higher than the previous year. The increase was due to Retirement Security Plan and 401(k) Pension Plan contributions increasing by \$15.4 and \$11.5 million respectively. The Group Benefits Program premiums increased \$42.7 million compared to the prior year.
- **Benefits and claims** paid totaled \$3.8 billion, which was \$47.1 billion, or 1.2%, lower than the previous year. This variance is due to the decrease of Retirement Security Plan benefits paid of \$40.6 million, 401(k) Pension Plan benefits paid of \$19.2 million and an increase in claims paid by the Group Benefits Program of \$12.7 million.
- **Administrative expenses** paid directly by the Plans totaled \$107.7 million, which was \$2.0 million, or 1.9% higher than the previous year. The increase in administrative expenses is directly related to the overall increase in participation in the Group Benefits Program in 2022.

2022 Financial Highlights

Pension and Welfare Programs

NRECA Multiple Employer Plans

Total Assets [in thousands]

			Variance	
	2022	2021	Amount	%
Retirement Security Plan	\$ 9,341,181	\$ 11,712,369	\$ (2,371,188)	(20.3%)
401(k) Pension Plan	13,089,449	15,331,124	(2,241,675)	(14.6%)
Group Benefits Program	694,415	760,100	(65,685)	(8.6%)
Total	\$ 23,125,045	\$ 27,803,593	\$ (4,678,548)	(16.8%)

Net Assets Available for Benefits [in thousands]

			Variance	
	2022	2021	Amount	%
Retirement Security Plan	\$ 9,296,704	\$ 11,616,631	\$ (2,319,927)	(20.0%)
401(k) Pension Plan	13,061,470	15,315,293	(2,253,823)	(14.7%)
Group Benefits Program	682,780	748,838	(66,058)	(8.8%)
Total	\$ 23,040,954	\$ 27,680,762	\$ (4,639,808)	(16.8%)

Total Contributions/Premiums [in thousands]

			Variance	
	2022	2021	Amount	%
Retirement Security Plan	\$ 1,063,197	\$ 1,047,750	\$ 15,447	1.5%
401(k) Pension Plan	924,585	913,076	11,509	1.3%
Group Benefits Program	750,152	707,422	42,730	(6.0)%
Total	\$ 2,737,934	\$ 2,668,248	\$ 69,686	2.6%

Benefits/Claims Paid [in thousands]

			Variance	
	2022	2021	Amount	%
Retirement Security Plan	\$ 2,028,682	\$ 2,069,323	\$ (40,641)	(2.0)%
401(k) Pension Plan	1,035,711	1,054,938	(19,227)	(1.8%)
Group Benefits Program	686,235	673,502	12,733	1.9%
Total	\$ 3,750,628	\$ 3,797,763	\$ (47,135)	(1.2%)

Administrative Expenses Paid by the Plans

[in thousands]

			Variance	
	2022	2021	Amount	%
Retirement Security Plan	\$ 27,974	\$ 30,938	\$ (2,964)	(9.6)%
401(k) Pension Plan	40,978	40,455	523	1.3%
Group Benefits Program	38,778	34,362	4,416	12.9%
Total	\$ 107,730	\$ 105,755	\$ 1,975	1.9%

Contact



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