

Cooperative Energy Futures

2022 Annual Report



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COOPERATIVE ENERGY FUTURES

COMMUNITY POWERED ENERGY

May 1st, 2023

Dear Cooperative Energy Futures Members,

We are pleased to share our fourth CEF Annual Report. 2022 was a year of big challenges and new opportunities, especially for new project development. Ongoing slowdowns in equipment supply chains and the threat of new tariffs on solar early in 2022 dramatically delayed development of new projects. The second half of the year, however, led to historic federal climate policy that provides sustained and lasting incentives for solar projects, with specific support for the types of equitable community solar projects that CEF develops. We are excited to have the wind at our backs as we engage hundreds of new member-owners and build out our next set of community solar projects over the coming year.

We enter 2023 in a local, state, and national energy landscape that increasingly focuses on equity. The federal Inflation Reduction Act has focused the deepest renewable energy tax credits on projects that benefit energy burdened communities and is prioritizing federal resources to support a just transition. Similarly, reforms to Minnesota's community solar program to ensure residents who have little access to rooftop solar receive fair compensation for the clean energy we generate have the strongest chance of becoming law since CEF began pushing for these changes in 2019. As CEF innovates new models like our no-cost rooftop solar program for low-income households and expands our community-owned community solar offerings, communities across the state and around the country are looking to us as an example.

This is all possible because of you. CEF member subscriptions have enabled CEF to secure over \$16.5 million in completed solar projects, with a similar volume on the way. Our projects have so far generated over \$3.9 million in member utility bill savings. Members are helping us site new clean energy projects, preparing to engage their neighbors as subscribers, and pushing for better state and local policy. Thank you for being a part of it, and keep it up!

We are hosting the 2023 Annual Members meeting as a series of local member meet-ups to encourage stronger connections between members. Member meetings will take place from May 9th through May 30th – all members are welcome at any member meetup, but we need advance registration as some meeting venues have limited capacity. Learn more and register at <https://www.cooperativeenergyfutures.com/annual-meeting-and-annual-report>

We look forward to building with you.

Sincerely,

Timothy DenHerder-Thomas

General Manager, Cooperative Energy Futures

Cooperative Energy Futures 2020 Updates

Last year was one of both challenges and new opportunities for Cooperative Energy Futures. Ongoing supply chain disruptions and the threat of new tariffs on solar panels brought the entire US solar industry to a crawl in the early part of the year, only for historic federal climate policy to open the floodgates in the latter part of the year. While this process delayed construction of our second set of community solar projects until 2023-24, it has created a much stronger foundation for our ongoing expansion. Throughout, we've continued to double down on the clean energy benefits we are providing to members, while innovating new approaches that make solar accessible to all. Here's some of the key numbers:

	January 1 st , 2022	December 31 st , 2022
Co-op Members	938	1,057
Community Solar Subscribers With Monthly Bill Credits	643	650
MW of Community Solar in Operation	6.795 Megawatts (DC)	6.795 Megawatts (DC)
Clean Energy Generated to Date	17,527,105 kWh	25,264,417 kWh
Total Utility Bill Savings Generated To Date	\$2,684,202	\$3,913,142
Member Dividends (cash distributions)	\$47,000	\$47,000
Member Dividends (equity accounts)	\$188,000	\$188,000



Building Our Cooperative:

Cooperative Energy Futures held a hybrid Annual Members meeting in May 2022 with over 70 members attending in person and online and 72 members participating in our online Annual Board elections. Recordings of the CEF Annual Members Meeting are available at: <https://www.cooperativeenergyfutures.com/annual-meeting-and-annual-report>

Members elected new Directors Rizwan Bankwala, Whitney Terrill and Brett Thompson to the Board of Directors and returned Directors Sean McLoughlin, Ahmad Kian, Roger Steinkamp to the Board for another term. They join existing Board members Sachiko Graber, Holly Buchanan, and Keith Dent, whose terms will expire at the 2023 Annual Member meeting.

New hires in 2022 to the staff team focused on building out our team's capacity to support a new wave of community solar projects and launch our new Affordable Housing Solar program. CEF welcomes new team members Bryn Shank and Fadumo Hassan as Subscriptions Outreach Associates.

Our new staff join Timothy DenHerder-Thomas, Dan Grantier, Alan Henderson, Bruce Konewko, Toya Lopez, Mary Kay Olson, and Pouya Najmaie to serve our membership and build out our cooperative to the next level. Bios of all existing Board members and staff can be found at: <https://www.cooperativeenergyfutures.com/our-team>

Upcoming Community Solar Projects:

Despite supply chain disruptions, changing federal policy, and ongoing utility delays, CEF's next wave of community solar projects continued to move towards the finish line:

- Following changes in solar panel availability, the Eden Prairie project on the rooftop of the Eden Prairie Community Center was updated to 1,084kW (previously 947 kW). The project signed its installation contract, finalized construction financing, and began procuring equipment after the redesign was approved by Xcel in December 2022.
- The Clara City project, a 1,470kW ground-mounted solar array west of Clara City, began recruiting subscribers, secured construction financing, and entered final design.
- The Midtown project, a 1,167kW parking canopy project, finally received its Interconnection Agreement from Xcel Energy in November 2022 after several utility delays in review. This allowed the project to begin final design at the end of the year. The parking ramp on which the project will be built was also completed in 2022.
- The Mankato project, a 1,210 kW ground-mounted solar array west of Mankato, finalized its land use permits, Interconnection Agreement, and final landowner leases in late 2022 and is prepared to move into subscriber engagement and construction in 2023.
- The Lake Elmo project, a 1,200kW ground-mounted solar array in Lake Elmo, secured its utility Interconnection Agreement in 2022. The project ran into permitting obstacles that have delayed its construction, but we anticipate a resolution in 2023.
- The Watertown project, a 1,240kW ground-mounted solar array east of Watertown, secured its Interconnection Agreement and county land use permit. The project is currently facing permitting obstacles from a local township, which CEF anticipates will be resolved by mid-late 2023.
- The Chisago project remains on hold with Xcel, though we expect to hear results in 2023.

The first 6 of these solar gardens are expected to begin construction in 2023 and come online in early 2024.

CEF Launches Affordable Solar Program for Renters in Affordable Housing

After multiple years of advocacy to reshape Minnesota's solar incentive program for low-income residents to create access for renters, CEF launched its pilot round of rooftop solar in 2022 with a focus on renters with low incomes. Partnering with Beacon Interfaith Housing Collaborative and Project for Pride in Living, CEF signed up over 60 low-income renter households across a dozen buildings in Minneapolis to receive rooftop solar. Using incentive funding from the Income-Qualified Solar* Rewards program and the Minneapolis Green Cost Share program, CEF developed a model that installs rooftop solar on multi-family buildings connected directly to individual unit meters. This provides power to renters at a roughly 35% discount on the cost of utility electricity. While financing and equipment delays led to installations starting in September, the first projects received utility approval to operate in early 2023. CEF is eager to welcome our new members to the benefits of rooftop solar and expand this program for low-income households across Minnesota in the years to come.

Shaping Minnesota's Clean Energy Policy:

Cooperative Energy Futures has continued to shape Minnesota's clean energy landscape to ensure our members and other communities have full access to a just clean energy transition:

1. CEF's partnered with Vote Solar, the Institute for Local Self-Reliance, the Environmental Law and Policy Center, and Earthjustice to intervene in Xcel Energy's Integrated Resource Plan which paid off in a big way in 2022. For the first time ever, the Minnesota Public Utilities Commission has ordered Xcel to:
 - a. Develop a method for modelling local, distributed clean energy as a resource in future plans so that regulators can ensure that Xcel is adequately supporting locally-owned clean energy development as a way to replace expensive power plants and transmission lines and lower energy costs for all Minnesotans.
 - b. Requiring the utility to prioritize equity in its energy system planning by creating an environmental justice accountability Board, requiring Xcel to build a diverse workforce, and ensuring that low-income communities and communities of color have equitable access to local clean energy.
 - c. Requiring that utilities design future resource plans in ways that comply with municipal clean energy goals.
 - d. Evaluate all future proposals for gas plants or other traditional power plants against solar plus storage or other clean energy based models for energy back-up.
2. CEF doubled down on its engagement in rewriting the rules for energy utilities by partnering with Community Power, MN Interfaith Power and Light, MN Renewable Now, and Vote Solar to intervene in the Xcel Energy Rate case through the Just Solar Coalition. While this rate case will be decided in mid 2023, the Just Solar Coalition's engagement has already brought historic attention to energy injustice to the rate case, challenging Xcel Energy's plans to raise consumer's energy bills by 21%, and pushing for requirements that any new rate increases to Xcel be based on Xcel's delivery of an equitable and community-empowering clean energy grid.
3. CEF's past work at the Minnesota legislature continued to build support for fair compensation for residential community solar subscribers.

4. CEF's past successes with the Value of Solar tariff continue to be used in setting the compensation rates for new rounds of community solar.

The Path Ahead:

As we look to the year ahead, Cooperative Energy Futures is focused on:

- Bringing our next round of community solar gardens online, bringing in another 700-900 new members into the co-op.
- Our first round of rooftop solar for renters in affordable housing coming online in early 2023, and expansion of the program across the Twin Cities and to low-income homeowners as well.
- Securing the Minnesota-level policy changes we will need to scale up our model of community solar.
- Building out our member engagement and project development teams to support you – our member owners, in helping create the next wave of local clean energy in our communities.

We look forward to an exciting year of growth for our projects and member communities in 2023!



“Solar is such a great energy to harness, and our community is really excited about ... lowering their carbon footprint and also keeping the generation of energy local.” Tara Brown, former Sustainability Manager, City of Edina

How Your Co-op Works:

Cooperative Energy Futures (CEF) is a Minnesota 308B Cooperative Association, which means we are a for-profit business owned by our members and operated to benefit current and future members. CEF had 1,057 member-owners at the end of 2022. All residential subscribers to community solar gardens and most of the small business or non-profit subscribers become CEF member-owners.

If you are a member, you have a right to run for and vote in CEF elections for the Board of Directors, which sets cooperative priorities and directs the actions of the General Manager and the staff team. Members can run each year as a Board member of the cooperative. If you don't want to run yourself, use your vote to weigh in on who you want to represent you and other members in managing the cooperative. Full bios of the current Board of Directors and the staff team are available at: <https://www.cooperativeenergyfutures.com/our-team>

All member-owners also have rights to profit sharing based on their portion of the business of the co-op. In the case of community solar subscriptions, this profit sharing right is based on the portion of kWh of CEF's community solar gardens that their subscription represents. CEF did not have net income during 2022, so we will not issue a 2022 member dividend in 2023.

Why a Cooperative?

Cooperatives have a long history of helping local communities solve urgent problems when markets and governments are failing to meet their needs. Just a few examples in our area:

- Farmers across the Midwest in the late 19th century struggled to access markets for their crops without getting squeezed by the railroads, who took most of their profits. In response, farmers formed agricultural co-ops that built their own grain elevators and other processing facilities and built collective power to negotiate with the railroads.
- In the 1930s and 1940s, urban communities across the country had been electrified by public (city-owned) and private (corporate-owned) electric companies, but rural areas were left in the dark. In response, rural communities formed rural electric co-ops that now provide electricity to over 70% of the geographic area and over 12% of the people in the United States (and 35% of Minnesotans) through cooperative rural utilities.
- In the 1960s and 1970s, a growing interest in sustainable, local, and healthy food was not being met by major grocery retailers. In response, communities nationwide formed grocery cooperatives that sparked a national movement towards local and healthy food.

Cooperatives have been used by a vast range of communities all across the world, both in formal cooperative structure and in informal shared enterprises where everyone votes and everyone shares in the benefits. From cooperatives of black farmers in Georgia to cooperatives of coffee growers and garment workers in Latin America, to worker co-ops in Spain and Italy with thousands of workers and billions in revenue, cooperatives have helped people build a better world and confront long-standing injustices by working together.

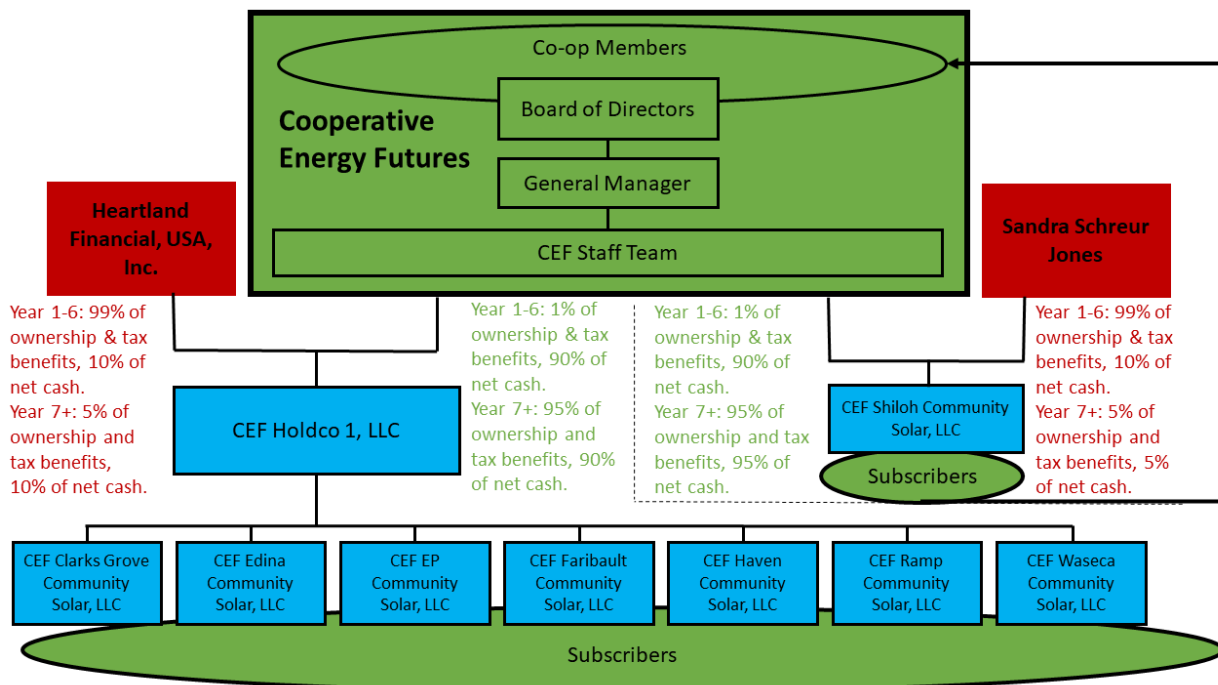
By being a part of Cooperative Energy Futures, you are helping prove that this same approach can address the urgent crises of climate change and energy insecurity. Our communities face rising energy bills, monopoly energy companies that are moving too slowly to shift away from polluting energy sources, and a mainstream approach to clean energy development that leaves those without wealth or property out in the cold.

As members across Minnesota, we know we can do better, and by working together, we are.

As a cooperative, CEF enables community members to participate in and benefit from local renewable energy. We ensure that people without the economic means to invest can nevertheless share in the wealth built through clean energy by subscribing to offset their utility bills. We ensure that decision-making power and wealth from our energy system stays in the hands of people who use the energy – all of us. We invite you to join us in the next stages of the conversation: what should we do next to build an energy future that works for all of us?

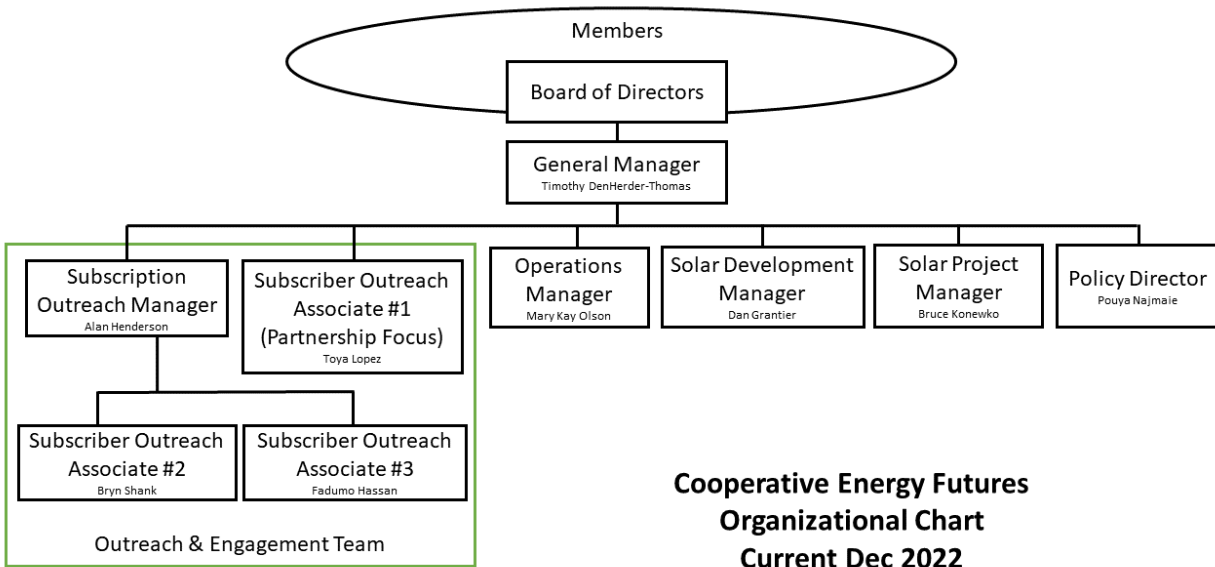
Project Ownership Structure

As subscribers, members are customers with a contractual relationship to their project company. By since subscribers are also members, they are joint owners of Cooperative Energy Futures, which owns the project company through a partnership. These partnerships allow an outside investor (red in the above chart) to use the federal solar tax credits that CEF cannot. The Shiloh project is owned directly through a stand-alone investor partnership, while the other 7 projects are owned through a holding company (CEF Holdco 1, LLC) with an investor partner. Both investment partnerships are structured so that CEF maintains majority cash benefits from the first year and majority legal ownership starting in year 7. Future projects in 2023 and beyond will include additional similar partnerships. This design maintains cooperative control and builds member wealth while enabling CEF to tap outside capital to use federal tax credits.



CEF Staff Structure

As of the end of 2022, Cooperative Energy Futures had a 9 member staff (approximately 8 full-time equivalent) including a four-person subscriber outreach and member engagement team and other members focused on ongoing operations, solar project development, new project origination, and policy, regulatory, and coalitions work.



Looking into 2023, we expect significant expansion of our team to enable CEF to take advantage of upcoming opportunities around community solar, the Affordable Solar program, and other emerging models that create access, build community wealth, and foster local control over our energy future. Some of the new roles we will be seeking to fill include:

- A Chief Operations Officer to structure and coordinate broader team activities
- An Outreach and Engagement Team Manager to guide new subscriber outreach and general member engagement and activation
- A Communications Director to build out our social media, member communications, and subscriber-facing materials
- A Affordable Solar Program Director to focus and grow our rooftop solar program for low-income households
- A National Partnerships and Technical Assistance Manager to support growing partnerships and consulting to help groups in other communities spread CEF's model.

We are excited to open these opportunities over the coming year, and we invite members to help us grow. We will keep members in touch as these new positions open.




2022 Project Profiles

The following section includes performance profiles for all eight operating Cooperative Energy Futures community solar gardens. Performance for these community solar gardens includes:

Garden	Date Operational	2022 Production	Bill Credits Earned	Subscribers
Shiloh	June 6 th , 2018	208,792 kWh	\$ 33,751	31
Edina	November 28 th , 2018	725,659 kWh	\$115,510	77
Clarks Grove	June 18 th , 2019	351,546 kWh	\$ 59,265	33
Pax Christi	July 30 th , 2019	199,031 kWh	\$ 31,779	20
Haven	July 31 st , 2019	1,681,558 kWh	\$263,008	148
Ramp A	September 19 th , 2019	1,338,221 kWh	\$211,465	185
Waseca	November 18 th , 2019	1,684,664 kWh	\$263,957	123
Faribault	May 1 st , 2020	1,575,558 kWh	\$250,205	79
TOTAL		7,765,029 kWh	\$1,228,940	696

Solar energy production is highly seasonal and can be substantially restricted during snowy winter months both due to low sunlight and potential snow cover. The impact of snow cover is usually especially pronounced on rooftop projects that have a lower panel mounting angle for structural reasons (usually 10° for rooftop systems versus 30° for ground mounts). Since winter is the lowest production time of year regardless of snow cover, it is rarely cost effective to clear panels of snow, especially given that subsequent snowfalls are unpredictable. The performance of a solar array will vary widely year to year (up to 20% variation from average is normal) based on the amount of cloud cover and snow cover.

For each project profile that follows, a month-by-month production chart compares:

-  The actual monthly energy production (represented as blue bars)
-  The expected production based on the irradiance sensor on site that detects the amount of sunlight to the site over the year (represented by the orange bars)
-  The projected production based on historical weather conditions and projected amount of sunlight for the average year in this location (represented by the gray line).

Put another way, the gray line in these charts represents the energy production that would be expected from the solar array if the panels were not obstructed by snow and the weather for each month of the year was as sunny as the historical average. The orange bars in these charts represent the amount of energy production that would be expected from the solar array if the panels were not obstructed by snow based on the actual amount of sunlight received by the system in that month. The blue bars represent how much energy was actually produced. The impact of cloudier than average weather can be seen when the orange bar is substantially below the gray line. Snow cover or other disruptions such as Xcel Energy grid shutdowns or equipment malfunctions can be seen when the blue bar is substantially below the orange bar.

Shiloh Community Solar Garden

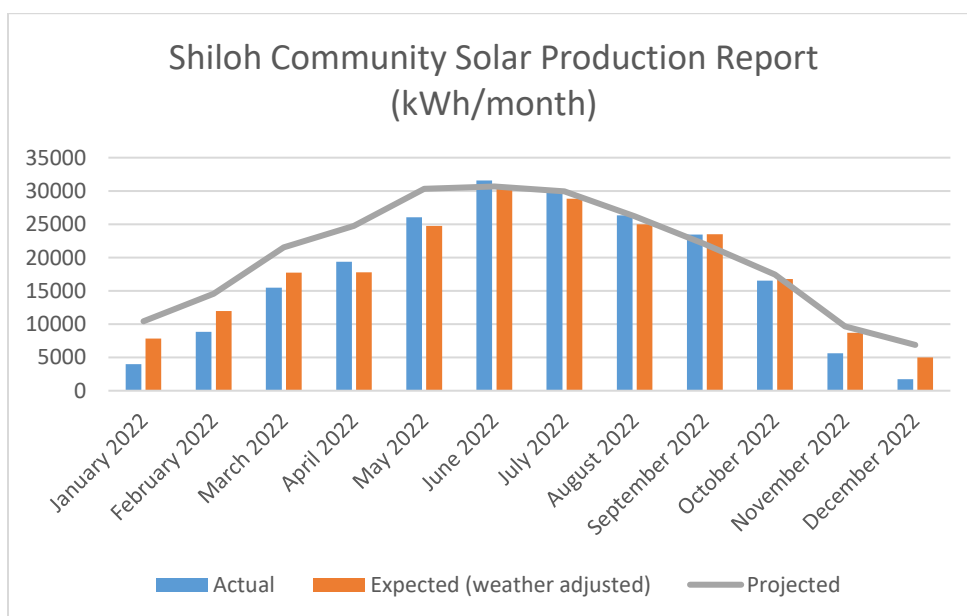
Total annual bill credits for Shiloh subscribers: \$33,751

Production Details:



Month	kWh
January 2022	3,978
February 2022	8,842
March 2022	15,490
April 2022	19,386
May 2022	26,045
June 2022	31,579
July 2022	29,805
August 2022	26,314
September 2022	23,473
October 2022	16,520
November 2022	5,620
December 2022	1,740
TOTAL	208,792

Weather-adjusted Performance	2022 Sunshine vs Average Year	Actual vs Projected Performance
95.6%	89.3%	85.4%



Our original projections are based on historical data that accounts for uneven sunshine year to year. Weather-adjusted performance compares actual performance to how the system would ideally have performed given the amount of sunshine in a given year. Shiloh both had 10.7% (100% - 89.3%) less sunshine than an average year, and the system underperformed slightly to weather adjusted expectations by 4.4% (100% - 95.6%). We believe heavy snow then cold weather is the major factor. There were no known significant equipment or production issues at this site in 2022.

Edina Community Solar Garden

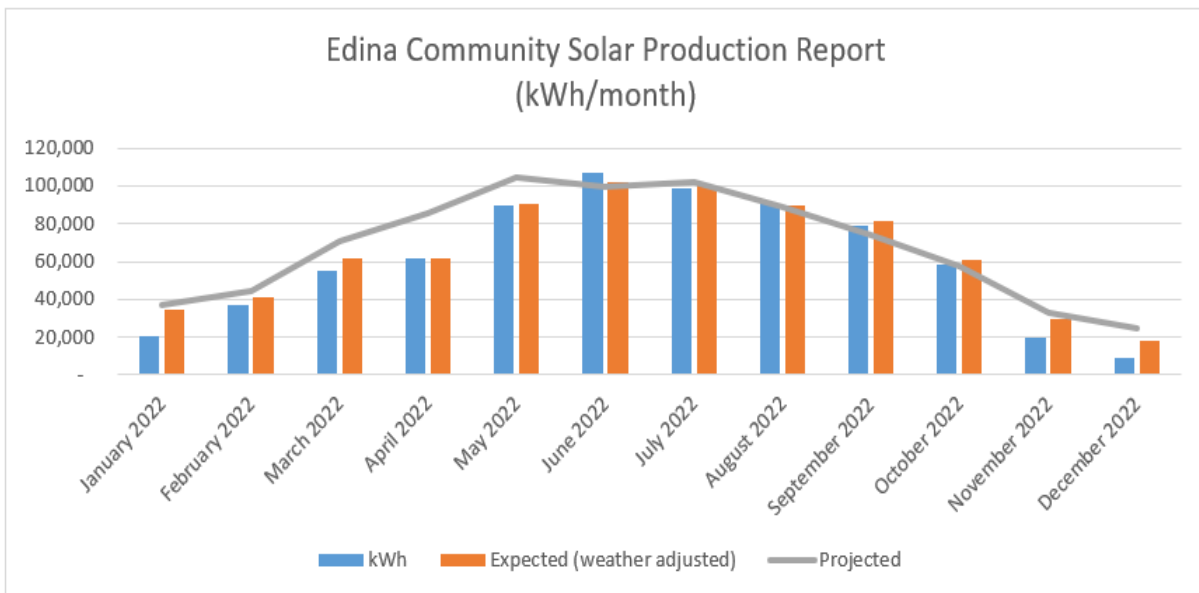
Total annual bill credits for Edina subscribers: \$115,510

Production Details:



Month	kWh
January 2022	20,495
February 2022	36,714
March 2022	54,914
April 2022	61,779
May 2022	89,627
June 2022	106,902
July 2022	98,795
August 2022	90,399
September 2022	79,347
October 2022	57,980
November 2022	19,779
December 2022	8,928
TOTAL	725,659

2022 Key Performance Metrics		
% Weather-Adjusted Performance	2022 sunshine vs average year	Actual Energy vs Projected
94.1%	93%	88.5%



Our original projections are based on historical data that accounts for uneven sunshine year to year. Weather-adjusted performance compares actual performance to how the system would ideally have performed given the amount of sunshine in a given year. Edina both had 7% (100% - 93%) less sunshine than an average year, and the system underperformed to weather adjusted expectations by 5.9% (100% - 94.1%). We believe snow then cold was a major factor. There were no known significant equipment or production issues at this site in 2022.

Clarks Grove Community Solar Garden

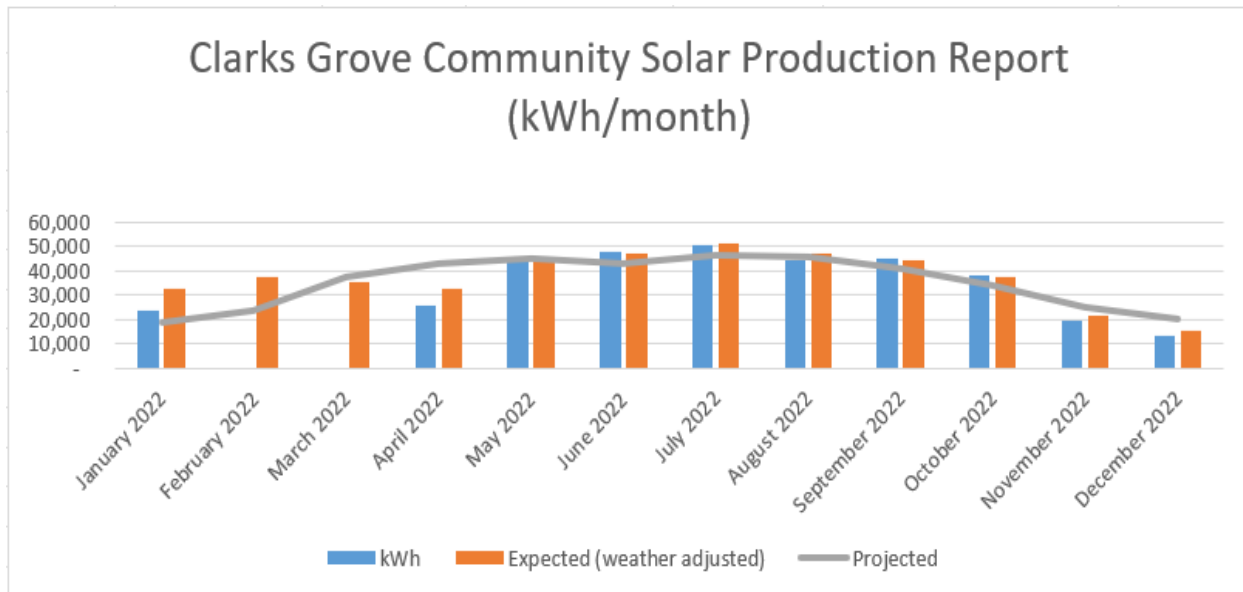
Total annual bill credits for Clarks Grove subscribers: \$59,265

Production Details:



Month	kWh
January 2022	23,934
February 2022	-
March 2022	-
April 2022	25,954
May 2022	43,248
June 2022	48,013
July 2022	50,372
August 2022	44,536
September 2022	44,763
October 2022	38,095
November 2022	19,307
December 2022	13,324
TOTAL	351,546

2022 Key Performance Metrics		
Weather-adjusted Performance	2022 Sunshine vs Average year	Actual vs Projected Performance
78.7%	111.9%	83.1%



Our original projections are based on historical data that accounts for uneven sunshine year to year. Weather-adjusted performance compares actual performance to how the system would ideally have performed given the amount of sunshine in a given year. While Clarks Grove had 11.9% (111.9% - 100%) more sunshine than an average year, the system underperformed to weather adjusted expectations by 21.3% (100% - 78.7%). The major reason for this was the transformer blew out and needed replacing, causing the garden to be down for two months.

Pax Christi Community Solar Garden

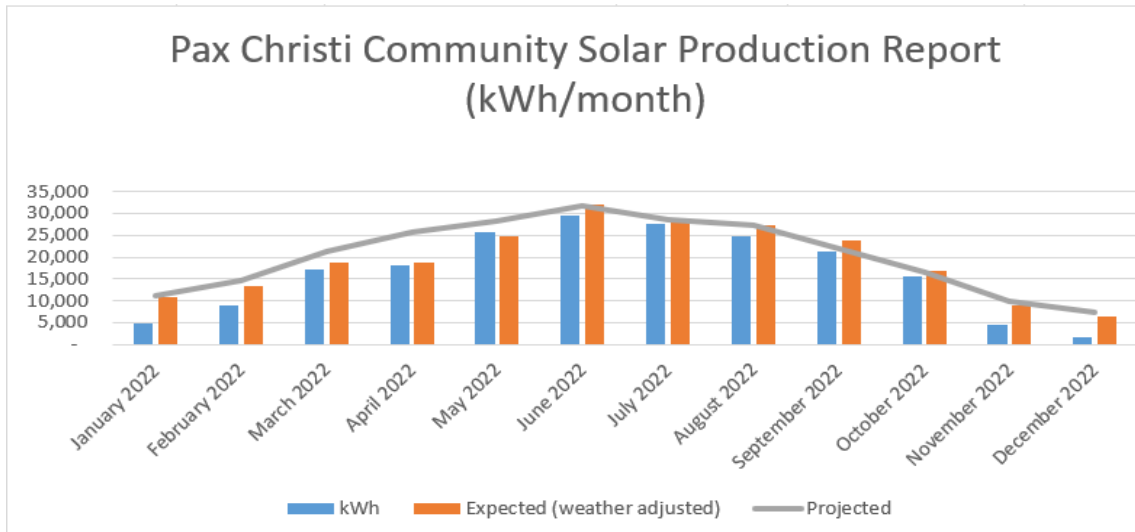
Total annual bill credits for Pax Christi subscribers: \$31,779

Production Details:



Month	kWh
January 2022	4,717
February 2022	8,852
March 2022	17,075
April 2022	18,014
May 2022	25,637
June 2022	29,638
July 2022	27,646
August 2022	24,765
September 2022	21,161
October 2022	15,474
November 2022	4,549
December 2022	1,503
TOTAL	199,031

2022 Key Performance Metrics		
Weather-adjusted Performance	2022 Sunshine vs Average year	Actual vs Projected Performance
86.8%	93.4%	81.6%



Our original projections are based on historical data that accounts for uneven sunshine year to year. Weather-adjusted performance compares actual performance to how the system would ideally have performed given the amount of sunshine in a given year. Pax Christi both had 6.6% (100% - 93.4%) less sunshine than an average year, and the system underperformed to weather adjusted expectations by 13.2% (100% - 86.8%). Snow then cold was a factor. As well, there have been some technical issues with one of the inverters that has affected overall system performance. We are working to resolve these issues.

Haven Community Solar Garden

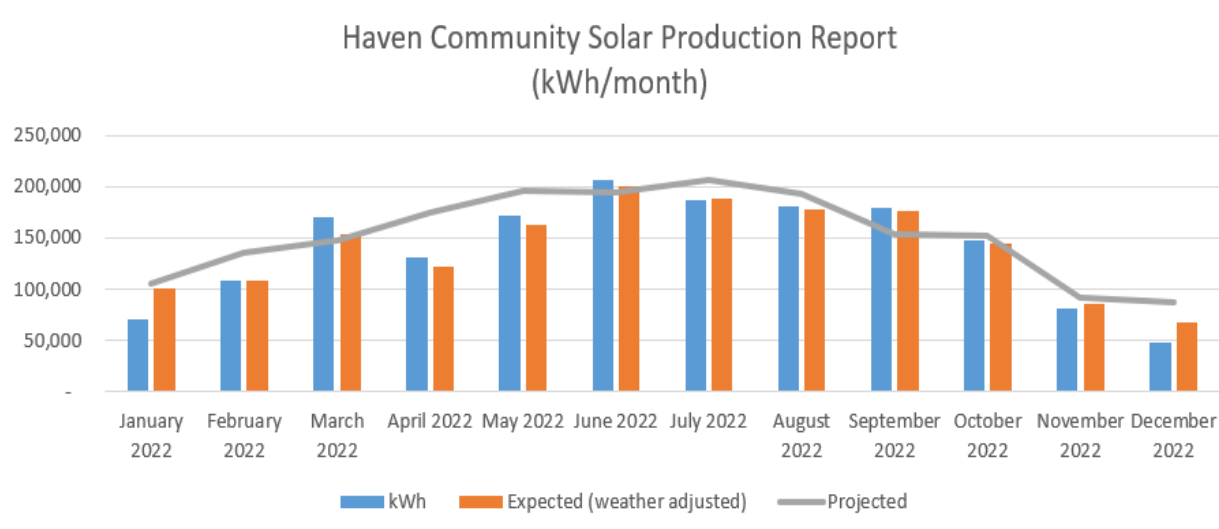
Total annual bill credits for Haven subscribers: \$263,008

Production Details:



Month	kWh
January 2022	71,206
February 2022	108,380
March 2022	169,785
April 2022	130,952
May 2022	171,439
June 2022	206,369
July 2022	187,074
August 2022	180,522
September 2022	178,889
October 2022	147,180
November 2022	81,196
December 2022	48,566
TOTAL	1,681,558

2022 Key Performance Metrics		
Weather-adjusted Performance	2022 Sunshine vs Average year	Actual vs Projected Performance
99.4%	92.4%	91.4%



Our original projections are based on historical data that accounts for uneven sunshine year to year. Weather-adjusted performance compares actual performance to how the system would ideally have performed given the amount of sunshine in a given year. While Haven had 7.6% (100% - 92.4%) less sunshine than an average year, the system was on par to weather adjusted expectations (99.4% compared to 100%). There were no known significant equipment or production issues at this site in 2022.

Ramp A Community Solar Garden

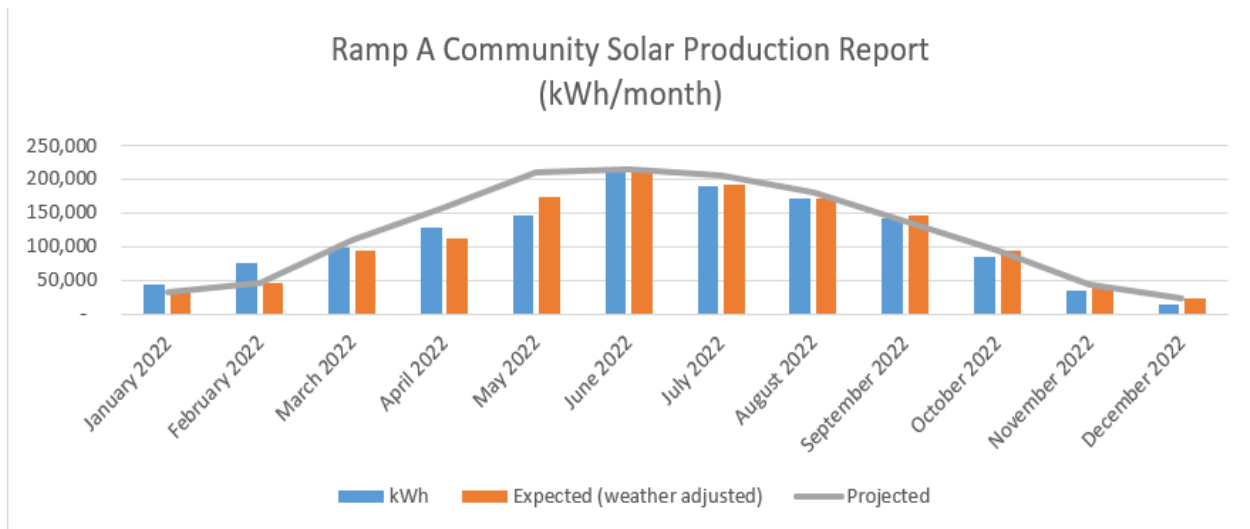
Total annual bill credits for Ramp subscribers: \$211,465

Production Details:



2022 Key Performance Metrics		
Weather-adjusted Performance	2022 Sunshine vs Average year	Actual vs Projected Performance
99.9%	94.1%	92.1%

Month	kWh
January 2022	42,976
February 2022	76,588
March 2022	98,642
April 2022	127,962
May 2022	145,342
June 2022	209,977
July 2022	189,786
August 2022	171,529
September 2022	140,951
October 2022	85,304
November 2022	34,246
December 2022	14,918
Total	1,338,221



Our original projections are based on historical data that accounts for uneven sunshine year to year. Weather-adjusted performance compares actual performance to how the system would ideally have performed given the amount of sunshine in a given year. While Ramp A had 5.9% (100% - 94.1%) less sunshine than an average year, the system was on par to weather adjusted expectations (99.99% compared to 100%). May's derecho (straight line windstorm) damaged the array taking out 3% of the solar panels we are still working on restoring in 2023 along with adding more resilience to array overall to better withstand future storms of this magnitude.

Waseca Community Solar Garden

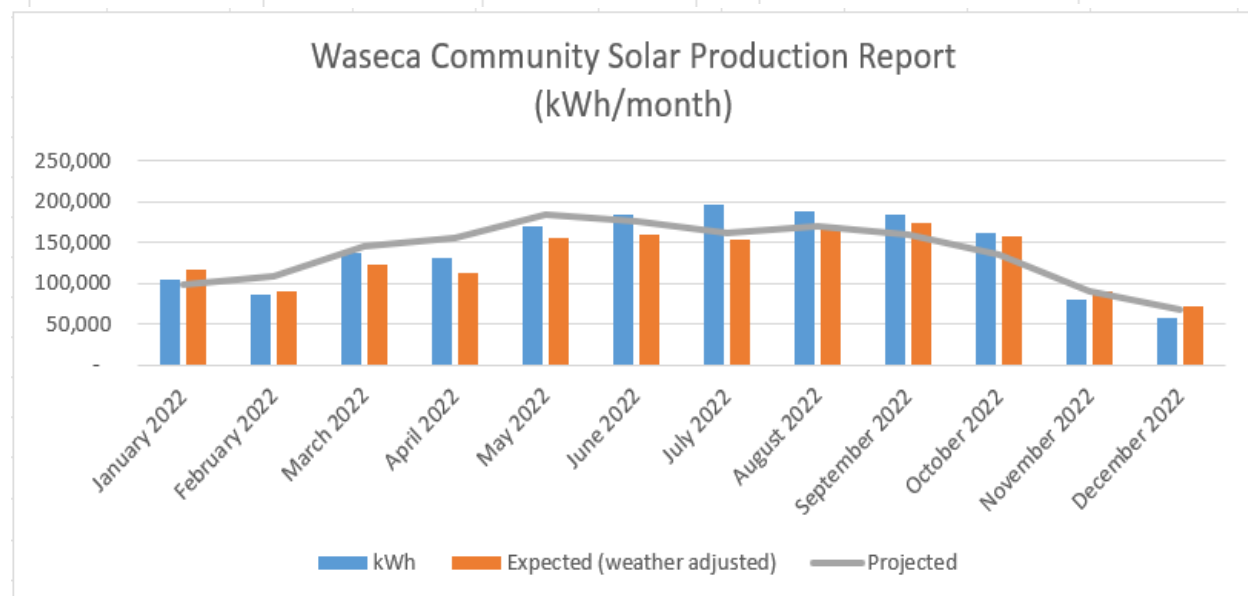
Total annual bill credits for Waseca subscribers: \$263,957

Production Details:



2022 Key Performance Metrics		
Weather-adjusted Performance	2022 Sunshine vs Average year	Actual vs Projected Performance
107.2%	98.6%	102.0%

Month	kWh
January 2022	104,889
February 2022	85,198
March 2022	137,922
April 2022	131,848
May 2022	169,088
June 2022	184,972
July 2022	197,627
August 2022	189,211
September 2022	183,875
October 2022	162,761
November 2022	79,815
December 2022	57,458
TOTAL	1,684,664



Our original projections are based on historical data that accounts for uneven sunshine year to year. Weather-adjusted performance compares actual performance to how the system would ideally have performed given the amount of sunshine in a given year. While Waseca had 1.4% (100% - 98.6%) less sunshine than an average year, the system outperformed weather adjusted expectations by 7.2% (107.2% - 100%). There were no known significant equipment or production issues at this site in 2022.

Faribault Community Solar Garden

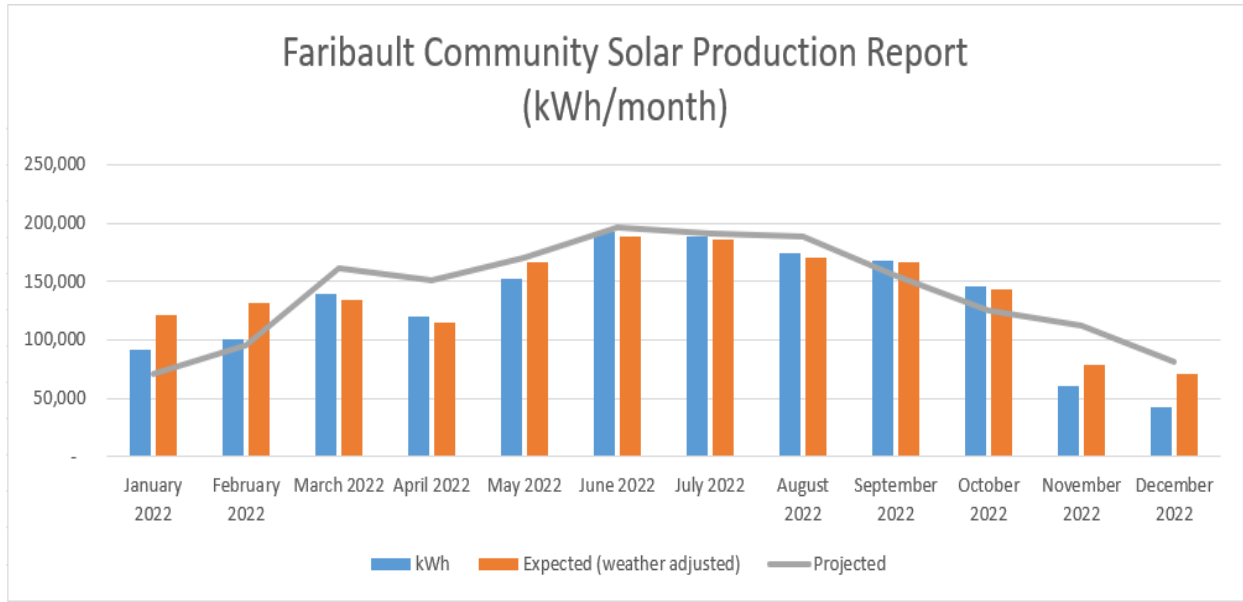
Total annual bill credits for Faribault subscribers: \$250,205

Production Details:



2022 Key Performance Metrics		
Weather-adjusted Performance	2022 Sunshine vs Average year	Actual vs Projected Performance
94.1%	102.2%	92.8%

Month	kWh
January 2022	91,896
February 2022	100,926
March 2022	139,398
April 2022	119,411
May 2022	152,247
June 2022	191,854
July 2022	188,745
August 2022	174,856
September 2022	167,894
October 2022	145,489
November 2022	60,849
December 2022	41,993
TOTAL	1,575,558



Our original projections are based on historical data that accounts for uneven sunshine year to year. Weather-adjusted performance compares actual performance to how the system would ideally have performed given the amount of sunshine in a given year. While Faribault had 2.2% (102.2% - 100%) more sunshine than an average year, the system underperformed to weather adjusted expectations by 5.9% (100% - 94.1%). We believe heavy snow then cold were the major issues. There were no known significant equipment or production issues at this site in 2022.

Cooperative and Project Financials:

As a member-owned cooperative, CEF is committed to transparency with how the cooperative operates and this includes our financials.

Members can currently join the coop for a one-time \$25 fee which entitles them to vote in cooperative elections and even run for the board as well. Members are also eligible to purchase preferred stock, one of the primary ways CEF raises the cash it needs to grow the cooperative.

Each year, net profits are distributed to members as cash dividends or equity according to their share of energy benefits delivered by CEF. Cash dividends are credited directly to member accounts or paid by check, while equity is retained by CEF for reinvestment in organizational growth and distributed to members at the discretion of the member-elected Board.

How CEF Equity has been raised and used to date

CEF has issued the following preferred stock offerings to date:

Round	When Offered	Total Investments	Dividends (paid early the following year for prior year's revenue)
Class A (MN)	April 2017 – Dec 2017	\$ 501,000	8% dividend paid annually on 2018-2021
Class A-1 (MN)	Mar 2019 – Mar 2021	\$1,021,000	First 6% dividend paid on 2020 revenue in early 2021 for those who invested by 3/31/20. First dividends paid for later investors on 2021 revenue in early 2022.
Class B (Interstate)	Jun 2019 – Sep 2020	\$153,000	5% dividend paid on 2020 revenue in early 2021.
Class B-1 (National)	June 2021 – May 2022	\$1,000,000	3% dividends on partial year (2021) paid in 2022.
Total		\$2,675,000	

CEF has used this investment in the following way:

CEF Equity Investment in first solar project portfolio (Holdco 1)	\$1,056,813
CEF loan to Holdco to be repaid (Holdco activities are not on CEF's statements except as intercompany loans, or other payables/receivables)	\$ 176,673
CEF development used for operations (an intra-CEF balance sheet category)	\$ 32,872
CEF development expenses to date for second project portfolio (Holdco 2) most or all of which will be converted to CEF Equity upon project completion	\$1,146,449
CEF capital on hand available for development (equal to cash on hand unrelated to operations activities and otherwise unrestricted):	\$ 262,193
Total:	\$2,675,000

Starting about four years from now, CEF will begin redeeming the original value of preferred stock investments depending on co-op position and investor needs for stock redemption.

What the Income Statement and Balance Sheet Show

Any cash received or spent will be shown on the income statement, which covers organizational activity *over a certain time period* (typically a year). Balance sheets, on the other hand, show the status of all accounts *at a given point in time* (usually 12/31/yyyy) so are more of a snapshot. The value of all assets and cash on hand is shown in the Current and Long-Term Assets, and amounts owed by CEF are shown in Current and Long-Term Liabilities. Current assets are those that can be liquidated quickly (e.g., converted to cash), expected to be received soon (e.g., accounts receivable), or are eventually moved to owner equity (e.g., future sites investments listed above). Current liabilities are expected to be paid off within a year's time. By extension, longer-term assets are those held for greater than a year and are not typically or as easily converted unless needed (e.g., selling property or equipment), or liabilities that will take longer than a year to pay off.

Sources of Cash for CEF on the Income Statement and Balance Sheet

CEF receives income for and from the solar projects it develops, and fees for service once the projects are active, all of which show up on the income statement. Income Statement sources of revenue:

1. Developer fees for solar garden portfolios: These fees typically start getting paid once the project financing has been secured, during construction and into the first years of operations. Project development cycles are about three years long, so the developer fees tend to show up in income following this pattern.
2. Developer fees for PV systems for affordable housing: In 2022 we begin to see the net profit from our newest program. The net benefit in 2022 was \$598,539 income less \$524,265 expense (listed as costs of goods sold) = \$74,274.
3. Subscription management fees for managing active garden subscriber onboarding, transfers, and exits.
4. In 2022, CEF also received a grant of \$175,000 from the Builders Initiative to focus on outreach to low income households, renters, and/or members of black and brown communities.

CEF may take out loans that will need to be repaid, which will show up on the balance sheet as a debt obligation, or may raise equity via Preferred stock or other methods. Balance Sheet sources of cash:

1. Loans, which show up in both current and long-term liabilities on the balance sheet, that either:
 - a. are paid off with the return of fees paid (i.e., Refundable Deposits will be returned by Xcel, paying off the associated loan entirely);
 - b. are paid off with long term debt to be held by the project portfolio (i.e., PSEF loan, subscription deposits, and Decorah Bank and Trust loan); or
2. Deferred Revenue, which for CEF are deferred developer fees that are eligible to be taken within the first five years of project operations only. If the project portfolio is unable to support paying out this deferred fee, it will be written off.
3. Preferred stock and other sources of equity investment, which show up as Equity on the balance sheet.

When a loan payment is made, the principal portion will be reduced on the balance sheet in liabilities. The best way to see progress in reducing outstanding loans is to compare balance sheets as of the same date across different years.

Notes on CEF Income Statement Expenses

The largest ongoing expense shown on the income statement are salaries and related payroll expenses and fringe benefits, comprising over 87% of all operating expenses. This was somewhat offset by CEF qualifying for the employee retention credit, a COVID relief tax credit, of \$57,614. CEF doubled its staff in the last year, with plans to add more to help support its growth initiatives. The challenge here is to balance staff expansion with the income we expect to receive from these growth initiatives so we can stabilize the organization over the long term.

CEF Equity on the Balance Sheet

Equity CEF holds is made up of three major components:

1. Membership equity, including membership fees and preferred stock, with preferred stock dividends paid showing as a negative;
2. Net Income from the present year; and
3. Retained earnings, which is the total of all past years' net incomes.

Organizations begin and grow initially through equity investments from owners that offset negative net income until income-generating activities begin to produce a stable and growing profit.

Two of the key ways to evaluate the health of an organization include:

1. Is income sufficient to cover the organization's debt obligations?
2. On the balance sheet, $\text{assets} = \text{liabilities} + \text{equity}$. If assets are healthy and liabilities are low, equity (as a balancing figure that also represents the organization's overall net worth) will be higher. If assets are declining and/or liabilities are increasing, then owner equity and overall organizational net worth will also show a commensurate decline.

CEF is at an inflection point in our growth as an organization: while our equity has grown from an initial \$501,000 in 2018 to \$2,675,000 as of 12/31/22, our retained earnings are still negative, though improving. We are in the in between space of absorbing staff expansion expenses but before the fruits of that labor have been realized in additional projects coming online or receipt of other program income.

Cooperative Energy Futures

Profit and Loss

January - December 2022

	TOTAL
Income	
43000 Grant Income	175,000.00
44002 Aff Hsg Proj Mgmt	
44005 Aff Hsg Proj Mgmt-Income	598,538.50
Total 44002 Aff Hsg Proj Mgmt	598,538.50
44020 Subscriber Management	115,185.51
49100 Consulting Fee Income	26,128.50
Total Income	\$914,852.51
Cost of Goods Sold	
44008 Aff Hsg Proj Mgmt - Expense	524,265.41
Total Cost of Goods Sold	\$524,265.41
GROSS PROFIT	\$390,587.10
Expenses	
55000 Refundable Deposit Loan Interest Expense	12,286.80
55500 Development Loan Interest	16,000.01
59100 Translation Services	266.50
60000 Rent Expense	4,655.94
61000 Utilities	1,848.78
62000 Insurance Expense	14,042.90
64000 Computer and Internet Expenses	25,501.19
64400 Phones	4,237.51
65000 Office Supplies	2,702.46
70000 Professional Fees	3,612.06
70100 Accountant Fees	26,253.22
70200 Legal Fees	1,435.00
71000 Salaries and Wages	385,436.22
71010 Payroll Tax Expense	28,985.22
71015 Employee Retention Credit	-57,614.13
71020 Health Benefits	48,432.48
71030 HSA Contributions	12,017.00
71040 Professional Development	140.00
71075 Dues & Subscriptions	2,000.00
72000 Advertising and Promotion	5,400.97
74000 Transportation	3,057.99
76000 Bank Service Charges	5,480.81
76100 Paypal Fees	108.80
78000 Federal Taxes	-17,843.86
79999 Miscellaneous Expense	2,508.00
Total Expenses	\$530,951.87
NET OPERATING INCOME	\$ -140,364.77
Other Income	
80000 Interest Earned	192.64
80100 Interest Income - Promissory Note from CEF Holdco	19,952.05

	TOTAL
81000 CEF Holdco - K1 Income (Loss)	-11,280.00
82000 Shiloh - K1 Income (Loss)	142.00
Total Other Income	\$9,006.69
NET OTHER INCOME	\$9,006.69
NET INCOME	\$ -131,358.08

Cooperative Energy Futures

Balance Sheet

As of December 31, 2022

	TOTAL
ASSETS	
Current Assets	
Bank Accounts	
10000 Operating Cash	262,887.06
11000 Bremer Savings - CEF	22,916.61
11005 Bremer Money Market - CEF	3,006.69
Total Bank Accounts	\$288,810.36
Accounts Receivable	\$87,105.55
Other Current Assets	
15200 Loan to Green Energy Justice Coop	55,171.09
15375 Receivable from Shiloh	1,678.00
16000 Refundable Deposits	189,600.00
16300 Stocks Owned by Coop	500.00
17000 Inventory Asset	1,849.09
19000 Prepaid Expenditures	5,941.20
19100 Future Sites	
19105 Future Sites - Site Leases	10,500.00
19110 Future Sites - Legal	122,106.25
19115 Future Sites - Interconnection	344,953.00
19118 Future Sites - Interconnection Study Fee	73,672.00
19120 Future Sites - Other Professional Fees	36,233.09
19125 Future Sites - Bank Fees	33,399.03
19130 Future Sites - Permits and Fees	2,546.00
19135 Future Sites - Owner Supplied Materials	305,096.56
19140 Future Sites - EPC	140,903.39
19150 Future Sites - Site Acquisition	77,040.00
Total 19100 Future Sites	1,146,449.32
Total Other Current Assets	\$1,401,188.70
Total Current Assets	\$1,777,104.61
Fixed Assets	
17000 Subscriber Management System	64,028.45
17150 Accumulated Depreciation	-4,944.00
Total Fixed Assets	\$59,084.45
Other Assets	
15500 Long Term Receivables	
15501 Receivable from CEF Holdco (Co-op)	20,185.11
Total 15500 Long Term Receivables	20,185.11
15520 Deferred Developer Fee Receivable	566,597.38
17800 Promissory Note from CEF Holdco	332,534.15
17801 Accrued Interest - Promissory Note from CEF Holdco	10,058.02
Total 17800 Promissory Note from CEF Holdco	342,592.17

	TOTAL
19955 Investment in Shiloh - K1 Earnings	-4,030.00
19960 Investment in CEF Holdco	1,056,813.00
19965 Investment in CEF Holdco - K1 Earnings	-119,943.00
Total Other Assets	\$1,862,214.66
TOTAL ASSETS	\$3,698,403.72
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	\$13,072.60
Other Current Liabilities	
20200 Accrued Professional Fees	1,400.00
22100 Refundable Deposit Loans	189,600.00
23100 PSEF Loan - Current Portion	228,449.33
25000 Subscription Deposits	24,600.00
26000 Accrued Payroll Expenses	4,596.36
Total Other Current Liabilities	\$448,645.69
Total Current Liabilities	\$461,718.29
Long-Term Liabilities	
23400 Decorah Bank & Trust Loan	249,427.50
25002 Future Site Contributions	140,903.39
25310 Deferred Developer Fee	566,597.38
Total Long-Term Liabilities	\$956,928.27
Total Liabilities	\$1,418,646.56
Equity	
30000 Membership Stock	26,350.00
31000 Preferred Stock	2,675,000.00
31100 Preferred Stock Dividends	-298,170.00
32000 Retained Patronage Dividends	188,000.00
39000 Retained Earnings	-180,064.76
Net Income	-131,358.08
Total Equity	\$2,279,757.16
TOTAL LIABILITIES AND EQUITY	\$3,698,403.72