

Cooperative Energy Futures

2019 Annual Report



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May 1st, 2020

Dear Cooperative Energy Futures Members,

Our first Annual Report comes during a time of increasing stress and uncertainty for all of our communities. We hope you are staying safe and well, and weathering the logistical and economic challenges these current times pose. We hope your membership provides some short-term energy relief, and we look forward to working together through the transition.

2019 was a pivotal year for Cooperative Energy Futures. We now have several mega-watts of solar in operation that will offset the bills of over 800 members for the next 25 years. We have built a reputation at the State Legislature, with many local governments, and with allies nationwide as a visionary, people-centered cooperative that gets the job done.

CEF is well positioned to help lead the way to a better, fairer, and cleaner energy future.

It has not been easy; we have had many bumps along the way, whether with financing, weather delays, or Xcel Energy's testing timelines. Thank you for sticking with us through the journey.

CEF left 2019 larger, stronger, and more prepared than we entered it. We are well-positioned for new ways to expand our membership, and to deepen how members can benefit from the transition to a clean energy future. We have the wind at our backs from the success of our initial projects, now churning out hundreds of thousands of dollars per year in member benefits.

As we have risen, the challenges have risen around us. Always – and now more than ever – we live in a world where we need to act together; both to keep each other safe, and to build a world where we all can thrive. We need to part ways with industries that hurt our health, leave us vulnerable in times of disaster, and keep so many of us struggling to make ends meet.

The energy system is just one lane – alongside food, housing, health, education, and more – in an increasingly urgent challenge our communities must face together. We must come together, both in direct response to COVID-19 and in the longer-term struggle for economic justice, community resilience, and climate solutions. With energy in particular, we are facing an unprecedented transition in the timing and structure of energy use, the collapse of oil and gas markets, and the need for an approach to energy development that can survive when Wall Street is in a tailspin.

This is what we are here for. Together, we are building an energy future that reflects and enables a society that empowers and cares for us all. We look forward to building with you.

Sincerely,

Timothy DenHerder-Thomas

General Manager, Cooperative Energy Futures

Cooperative Energy Futures 2019 Updates

2019 was a year of incredible growth for Cooperative Energy Futures as most of our current community solar gardens began operating. Our organization grew in so many ways:

	January 1 st , 2019	December 31 st , 2019
Co-op Members	588	799
Community Solar Subscribers With Monthly Bill Credits	103	642
MW of Community Solar in Operation	0.869 Megawatts (DC)	5.485 Megawatts (DC)
Clean Energy Generated to Date	112,573 kWh	1,904,784 kWh

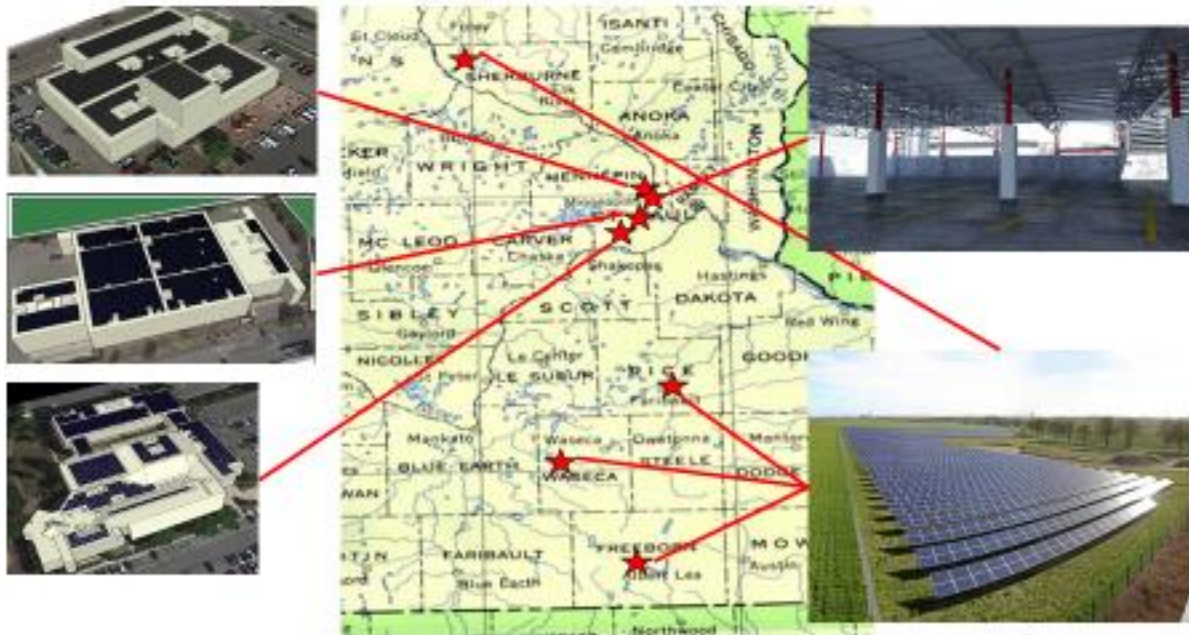


New CEF Community Solar Projects:

In 2019, CEF began operating five more community solar gardens benefiting cooperative members across the state:

- The Clarks Grove Community Solar Garden (331.5kW) in southern Minnesota, serving members in New Richland, Clarks Grove, and surrounding communities, began operating in July 2019.
- The Pax Christi Community Solar Garden (198.72kW) on the roof of Pax Christi Catholic Church in Eden Prairie, serving members of the congregation and nearby residents, began operating in August 2019.

- The Haven Community Solar Garden (1,357.2kW) outside of St. Cloud, serving members in the St. Cloud region, Becker, Monticello, and surrounding communities (including Hennepin county), began operating in August 2019.
- The Ramp A Community Solar Garden (1,371.305 kW), a canopy over Ramp A in downtown Minneapolis and serving members across the Twin Cities metro area, began operating in October 2019. This particular project included targeted outreach to nearby north Minneapolis neighborhoods as well as many subscribers living in housing supporting those with low incomes and disabilities.
- The Waseca Community Solar Garden (1,357.2 kW) outside of Janesville in Waseca County, serving residents in Mankato, Faribault, and nearby areas of southern Minnesota, began operating in December 2019 (subscribers first received bill credits in 2020).



Building Our Cooperative:

Cooperative Energy Futures also held our largest ever Annual Members meeting at Pax Christi Catholic Church in Eden Prairie with over 180 members attending and had over 250 members participate in our Annual Board elections, our largest turnout to date. Members elected new Directors Akisha Everett, Keith Dent, Kris Foner, and Mahesh Johari to the Board of Directors for a two-year term, joining existing Board members Dan Bakke, Ahmad Kian, Sean McLoughlin, Pouya Najmaie, and Benjamin Tsai, whose terms will expire at the Annual Member meeting that will be held on May 14th 2020 (held virtually due to coronavirus). Bios of all existing Board members can be found at: <https://www.cooperativeenergyfutures.com/our-team>



We also relaunched our website (<https://www.cooperativeenergyfutures.com/>) in 2019 and also launched our online administrative portal, which enables us to sign subscribers electronically and manage monthly invoices. At present the portal is mostly for staff and outreach partners use. Eventually, this online portal will allow subscribers to:

- View current and past invoices and see payments and expected bill credits to date
- Review day-by-day production of their community solar garden
- Access key documents for their solar garden – including warranty policies, insurance policies, maintenance agreements, and utility contracts – and their Membership Agreement, Subscription Agreement(s), and Subscriber Agency Agreements.



Shaping Minnesota’s Clean Energy Policy:

Cooperative Energy Futures has been engaged in shaping policy for Minnesota’s clean energy future to ensure our members and other communities are compensated fairly for clean energy. In January 2019, CEF helped secure \$0.015/kWh additional compensation approved by the MN Public Utilities Commission (PUC) that will be paid to residential subscribers receiving the Value of Solar rate that applies to community solar projects proposed in 2019 and 2020. Additionally, in 2019 CEF began efforts to secure a designation for “Community Access Projects”, which would restore the bill credit rate paid to subscribers in residentially-focused and low-income accessible projects back to the “Applicable Retail Rate” enjoyed by present subscribers. This overhaul of Minnesota’s solar garden program to advance equity and community benefit has progressed as a major policy priority of renewable energy legislation in 2020, with bi-partisan support and ongoing discussion in state policy proceedings despite the disruptions caused by the COVID-19 crisis.

The Path Ahead:

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

- Getting our Faribault Community Solar Garden, the last of our eight projects in our first round, up and running after several testing delays (completed April 2020).
- Fully developing and sharing our online portal to current subscribers to access tools to manage their subscription.
- Beginning development of a new set of community solar gardens (target operation in 2021) including projects in Eden Prairie, Chisago County, and Chippewa County, along with other sites still in the works. Our goal is to roughly double the capacity of community solar projects in operation by the end of 2021.
- Exploring a new business model for on-site solar on affordable housing using Xcel Energy's state-required Solar* Rewards Low-Income incentive program. Starting in Minneapolis, this model will help affordable housing residents benefit from rooftop solar on their buildings. CEF began exploring this approach in 2020 but the combination of Xcel program rules and the COVID-19 crisis has postponed implementation until 2021.
- Exploring a new business model for community ownership of solar development in rural electric cooperative territories through a partnership in Southern Minnesota. This would allow CEF to begin inviting member participation in solar for folks not served by Xcel.
- Exploring new business models for rapidly scaling energy efficiency through no-upfront cost financing and community-based approaches to make home energy upgrades at a community scale.

In these uncertain times, we are aware that our current objective may evolve and others may arise. Whatever comes our way, Cooperative Energy Futures will continue to serve as a vehicle to build local resilience, community wealth, and a clean energy future grounded in community.



“When Cooperative Energy Futures came to our table I had a good feeling. Let’s help our community, let’s provide better energy, which is free from the sun, and let’s offset some of the costs that energy companies are charging community members”

- Bishop Richard Howell Jr., Shiloh Temple International Ministries, Host Site and Subscriber

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 its members. CEF had 799 member-owners as of the end of 2019 (membership has grown to over 860 by the time of the May 2020 Annual Meeting). All residential subscribers to community solar gardens and most of the small business or non-profit subscribers become CEF member-owners.

All member-owners have rights to run for and vote in CEF elections for the Board of Directors that sets cooperative priorities and directs the actions of the General Manager and the staff team. This means as a member, you 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 has not yet distributed profits to members due to its early stages of launching community solar gardens, but anticipates doing so as the entire set of community solar gardens it has developed operate consistently over the next few years.

Why a Cooperative?

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

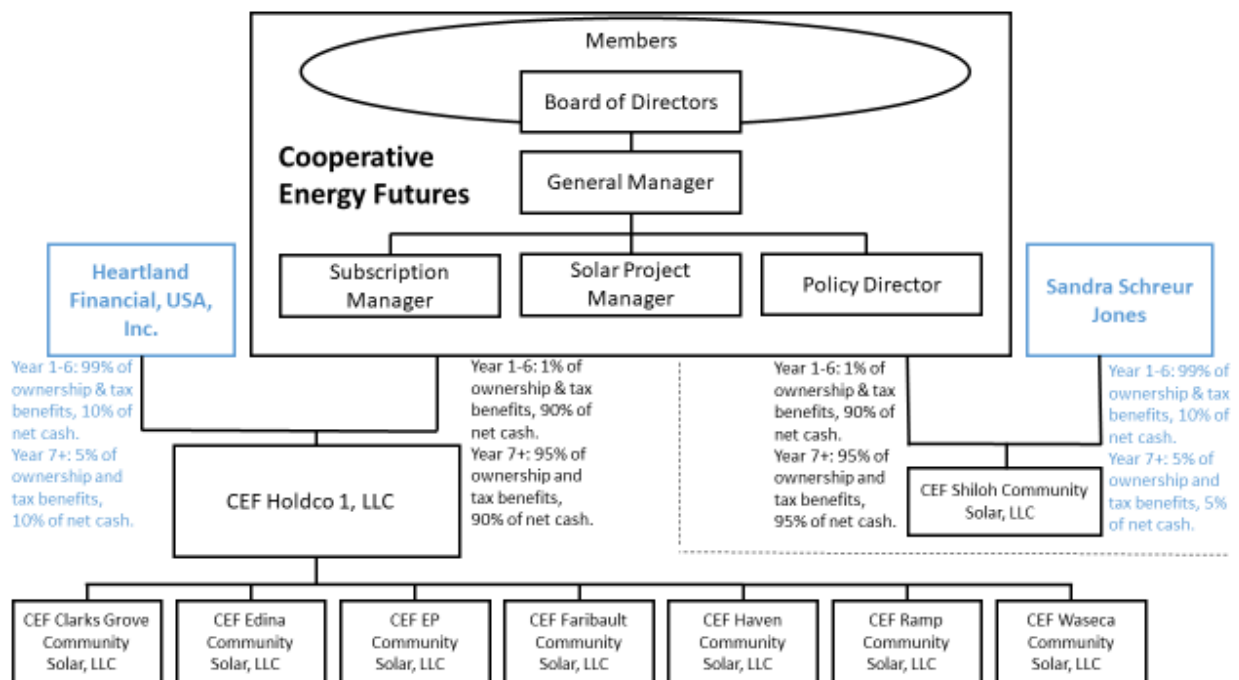
- Farmers across the Midwest in the late 19th century struggled to access markets for their crops without getting squeezed by the railroads, who took most of their profits. In response, farmers formed agricultural co-ops that built their own grain elevators and other processing facilities and built collective 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% in Minnesota) through utilities that are cooperatively owned.
- 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 organic 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're helping prove that this same approach can help us break through the urgent crises of climate change and energy insecurity. Right now, 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 financing 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?

Organizational Chart:



As a subscriber, 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 they are subscribed to through a partnership.

CEF participates in investment partnerships for each Community Solar Garden it develops as indicated by the LLC investor partnerships above. 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 will include additional similar partnerships. This design maintains cooperative control and builds wealth for our members.

2019 Project Profiles

The following section includes performance profiles for Cooperative Energy Futures community solar gardens. Summarized performance for our community solar gardens includes:

Garden	Date Operational	Production Months	Production	Subscriptions
Shiloh	June 6 th , 2018	July 2018-Dec. 2019	291,743 kWh	31
Edina	November 28 th , 2018	Dec. 2018-Dec. 2019	665,856 kWh	72
Clarks Grove	June 18 th , 2019	July-Dec. 2019	193,875 kWh	38
Pax Christi	July 30 th , 2019	August-Dec. 2019	62,076 kWh	20
Haven	July 31 st , 2019	August-Dec. 2019	435,581 kWh	147
Ramp A	September 19 th , 2019	October-Dec. 2019	152,069 kWh	193
Waseca	November 18 th , 2019	Not reported (1 month)	NA	152
Faribault	Late Spring 2020	Not reported	NA	150




Notes on Factors Affecting Solar Performance of All Projects:

Solar energy production is highly seasonal 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. This fact was significant in 2019, particularly in that:

- February 2019 was the snowiest February in recorded Minnesota history
- December 2019 had a heavy snowfall early in the month followed by a long period of cold and cloudy weather, resulting in minimal snowmelt during this time.

How to Read the Project Performance Charts:

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 expected energy if the panels were clear of snow and weather matched the historical average. The orange bars in these charts represent the expected energy production if the panels were clear of snow based on the actual amount of sunlight in that month. The blue bars represent how much energy was actually produced. 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 (July 2018-December 2019)



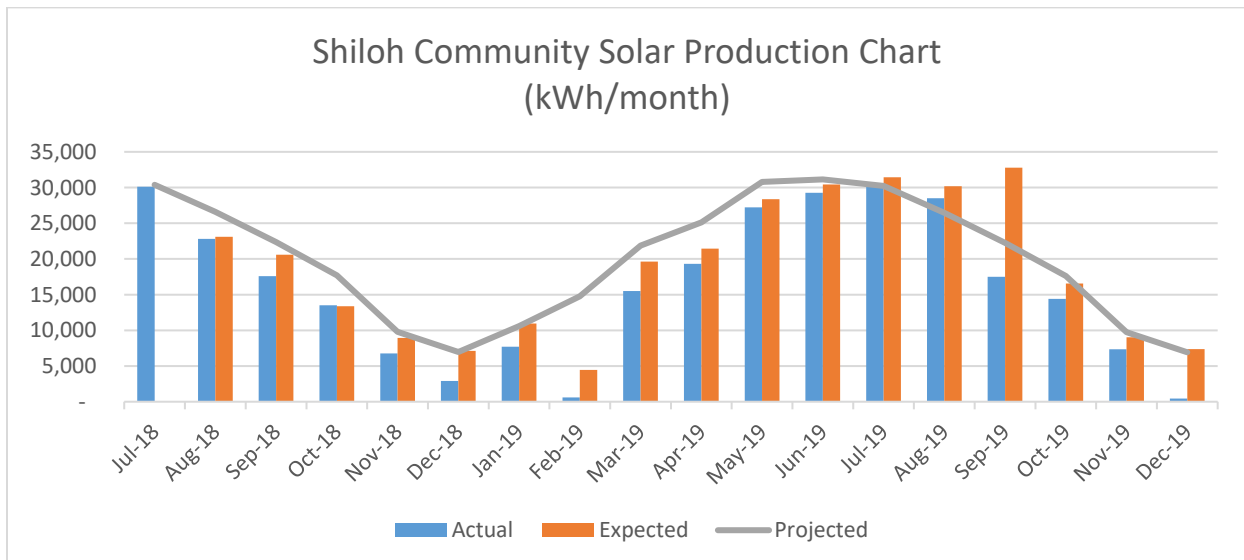
Shiloh Solar Garden Production	
Month, Year	Production (kWh)
July 2018	30,118
August 2018	22,820
September 2018	17,585
October 2018	13,505
November 2018	6,758
December 2018	2,901
January 2019	7,695
February 2019	600
March 2019	15,505
April 2019	19,310
May 2019	27,235
June 2019	29,259
July 2019	30,242
August 2019	28,512
September 2019	17,492
October 2019	14,415
November 2019	7,339
December 2019	452
TOTAL	291,743

The Shiloh solar garden began operating in July 2018 and the last 6 months of 2018 are included in this report. In February and December 2019, and to a lesser extent in other winter months, snow cover substantially obscured the array. Other operational issues included:

- Expected production is absent in July '18 because the insolation meter was not yet installed.
- Glitches in our data monitoring system resulted in a falsely high expected production reading in September 2019.
- One of the project's five inverters malfunctioned in September '18, reducing production that month. This inverter was rapidly replaced under the manufacturer's warranty.

Total Projected Bill Credit Benefit for all 31 subscribers:

\$45,598.26



Edina Community Solar Garden (December 2018-December 2019)

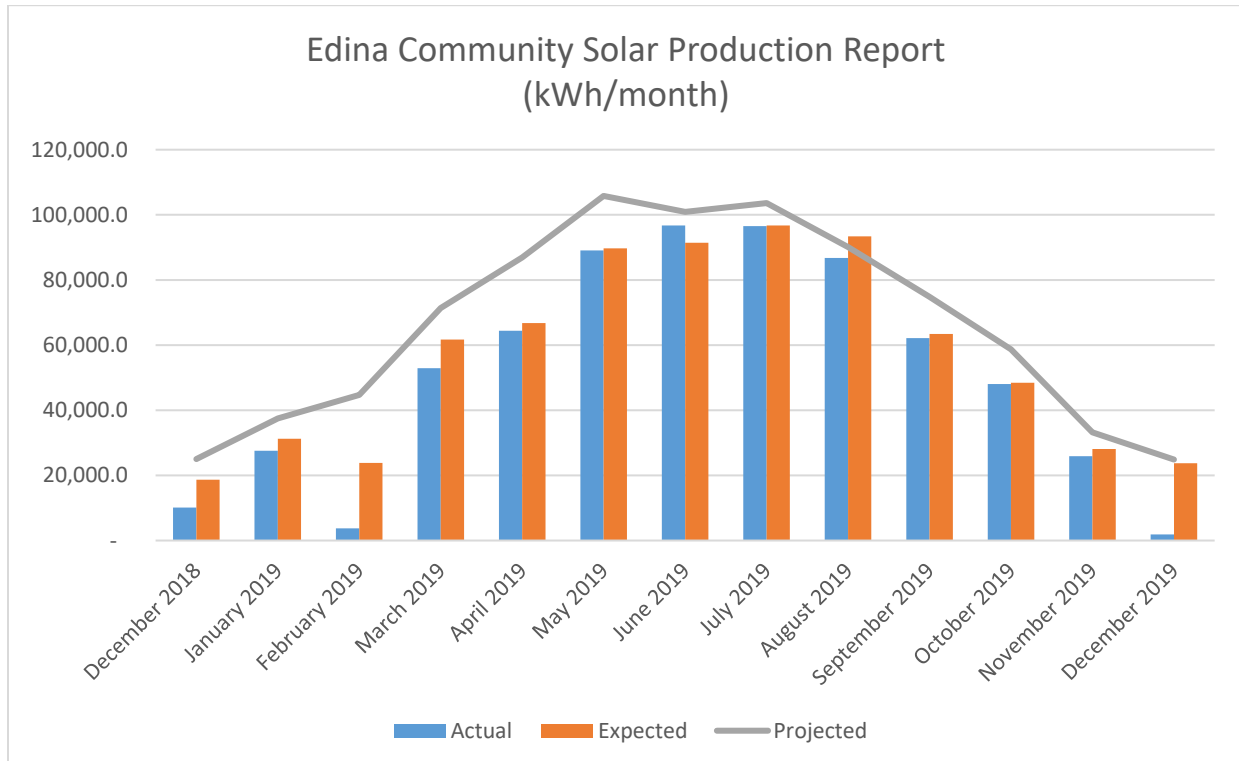


Edina Solar Garden Production	
Month, Year	Production (kWh)
December 2018	10,150
January 2019	27,588
February 2019	3,742
March 2019	52,902
April 2019	64,419
May 2019	89,054
June 2019	96,749
July 2019	96,530
August 2019	86,740
September 2019	62,147
October 2019	48,072
November 2019	25,895
December 2019	1,871
TOTAL	665,856

The Edina solar garden began operating in December 2018 and this month is included in this report. In February and December 2019, and to a lesser extent in other winter months, snow cover substantially obscured the array. In other months, the Edina solar garden performed well and experienced no major issues in 2019. In August, grid repairs by Xcel Energy caused a few days of outages, which caused a slight loss of monthly production.

Total Projected Bill Credit Benefit for all 72 subscribers:

\$103,760.30



Clarks Grove Community Solar Garden

(July-December 2019)



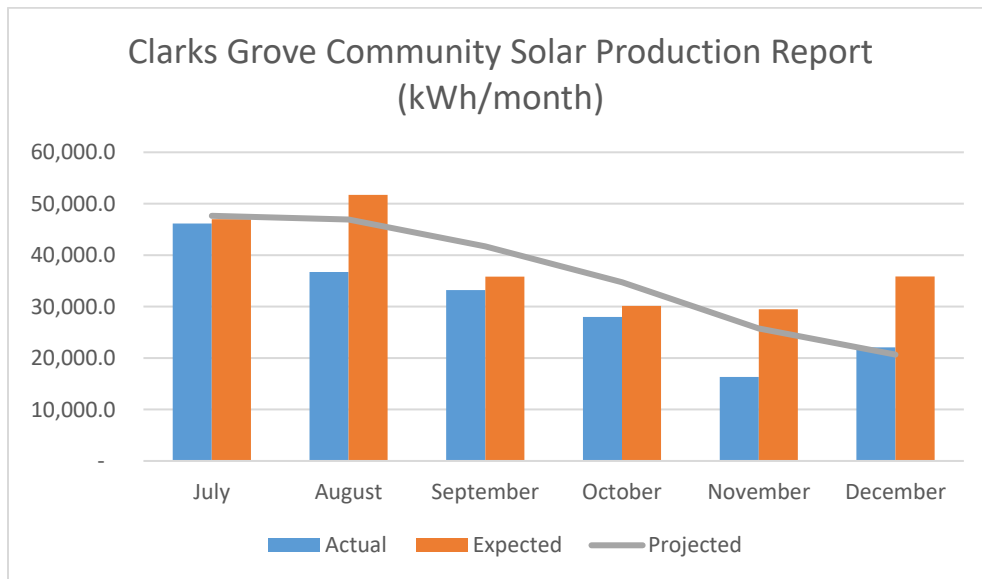
Clarks Grove Solar Garden Production	
Month, Year	Production (kWh)
July 2019	46,968.0
August 2019	47,417.0
September 2019	33,230.0
October 2019	27,955.0
November 2019	16,287.0
December 2019	22,018.0
TOTAL	193,875

The Clarks Grove solar garden began operating in July 2019 for subscribers in Clarks Grove, New Richland, and surrounding areas of Freeborn and Waseca counties.

In December and for part of November 2019, snow cover substantially obscured the array. A few strings on one of the inverters also went offline periodically in the fall due to a faulty inverter component, but this issue was fixed during November. Otherwise, the Clarks Grove project performed as expected given the weather conditions.

Total Projected Bill Credit Benefit for all 38 subscribers:

\$32,150.29



Pax Christi Community Solar Garden (August-December 2019)



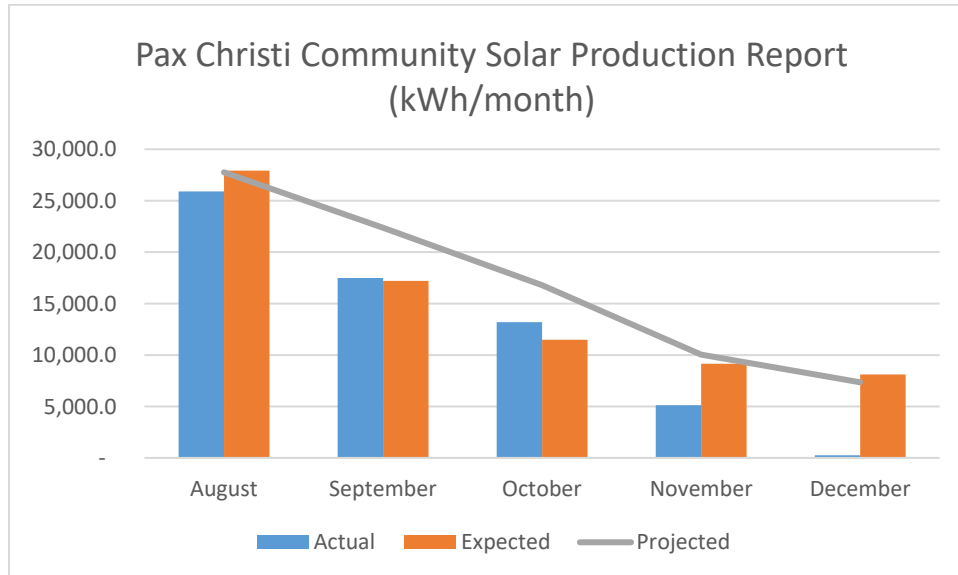
Pax Christi Solar Garden Production	
Month, Year	Production (kWh)
August 2019	25,964.0
September 2019	17,535.0
October 2019	13,226.0
November 2019	5,121.0
December 2019	230.0
TOTAL	62,076.0

The Pax Christi solar garden on the roof of Pax Christi Catholic Church began operating in August 2019, CEF's second congregational solar garden and most recent rooftop array.

In December 2019 and to a lesser extent in November 2019, snow cover substantially obscured the array. Otherwise, the Pax Christi project performed as expected given the weather conditions, which were shadier than in an average year in September and October. Several testing delays with Xcel Energy caused the Pax Christi project to miss many of the high producing summer months early in the season, as the system was ready for operation by late April but was not approved by Xcel until late July.

Total Projected Bill Credit Benefit for all 20 subscribers:

\$9,504.95



Haven Community Solar Garden (August-December 2019)

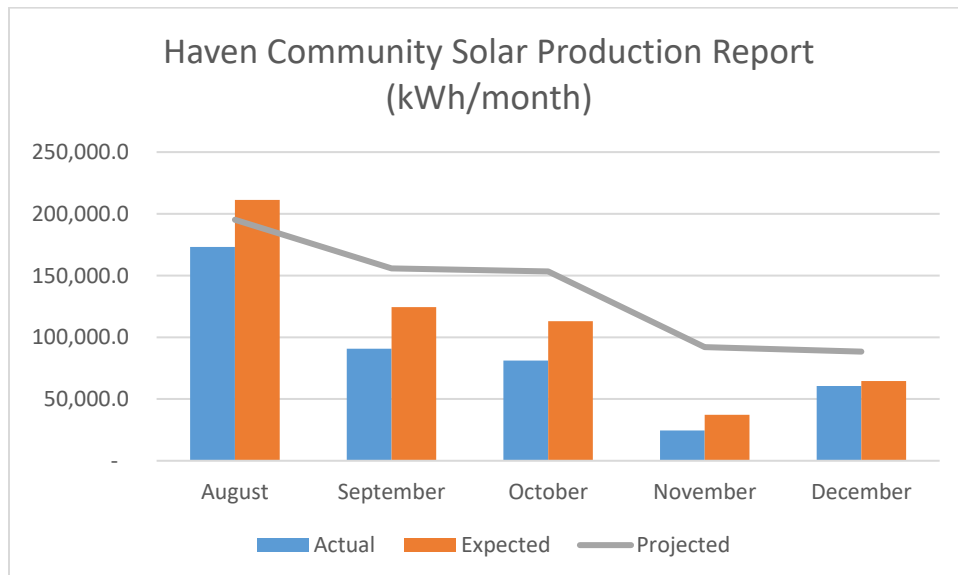


Haven Solar Garden Production	
Month, Year	Production (kWh)
August 2019	187,888
September 2019	98,740
October 2019	87,768
November 2019	27,064
December 2019	34,121
TOTAL	435,581

The Haven solar garden outside of St. Cloud began operating in August 2019, roughly doubling Cooperative Energy Future’s community solar capacity installed at the time.

In December 2019, snow cover substantially obscured the array. The other primary issue facing the Haven project was Xcel Energy’s repeated shut downs of the local power lines in order to enable grid work relating to other community solar gardens in the area. Though this grid work is designed as “hot” work where Xcel performs operations while power lines are live, it is Xcel Energy’s policy to shut down any community solar garden that is located on any line on which they are doing hot work. The Haven array experienced a cumulative total of multiple weeks of off time between late August and early November, mostly in the form of shut downs of 1-3 days each. Cooperative Energy Futures is participating in a stakeholder group focused on developing a safe operational alternative to Xcel’s policy of shutting down solar gardens for hot grid work. Otherwise, the Haven project performed as expected given the weather conditions.

Total Projected Bill Credit Benefit for all 147 subscribers: **\$64,415.90**



Ramp A Community Solar Garden (October-December 2019)



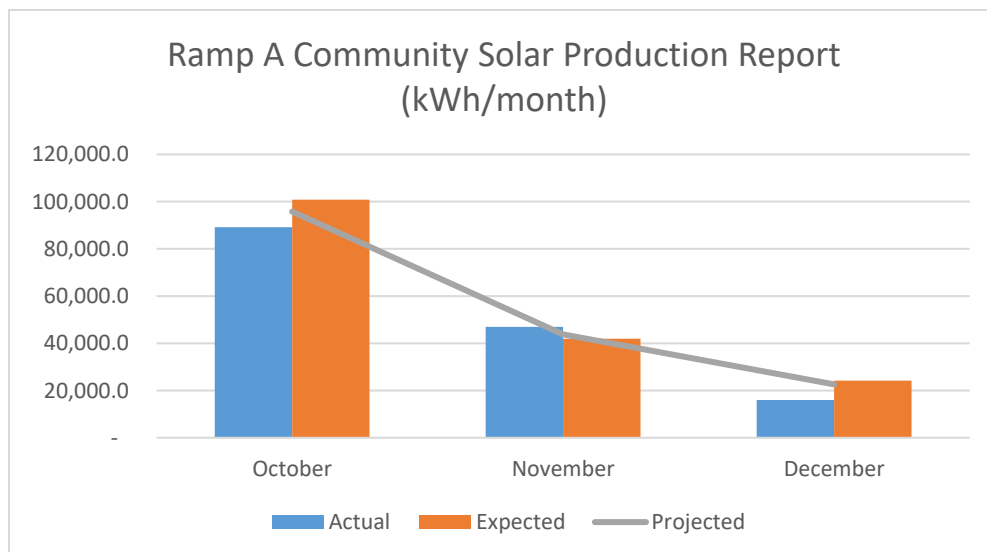
The Ramp A solar garden in downtown Minneapolis began operating in October 2019, CEF’s largest and most publicly visible project.

In December 2019, snow cover partially obscured the array, but otherwise, the Ramp A project performed as expected. CEF has also identified that the unique canopy structure with periodic gaps to allow for access has generated the occasional unexpected problem of cornices of snow and ice forming through the gaps in the array. This winter, CEF has addressed this issue through manual removal of these cornices, but plans to install removable panels to fill these gaps to avoid similar issues in future winter seasons.

Ramp A Solar Garden Production	
Month, Year	Production (kWh)
October 2019	89,270
November 2019	46,954
December 2019	15,976
TOTAL	152,200

Total Projected Bill Credit Benefit for all 193 subscribers:

\$23,390.40



Waseca Community Solar Garden

(December 2019)



The Waseca solar garden outside of Janesville, MN began operating in December 2019, serving residents in the Mankato, Faribault, Northfield, and nearby areas of Southern Minnesota. Because the project had only one production month in 2019, production analysis is not provided here and will be included in our 2020 Annual Report.

As a large ground-mounted community solar garden (identical in size to the Haven project and with 152 subscribers, CEF expects the Waseca project to be a major generator of subscriber benefits in 2020. The project has faced no major issues in its first few months of operation.

Faribault Community Solar Garden

(May 2020)



The Faribault solar garden outside of Faribault, MN has been mostly constructed since June 2019, yet did not begin operation by the end of the year. A variety of Xcel Energy delays pushed the completion of grid connection equipment from May 2019 to late October 2019, which pushed a series of critical final testing procedures into dark and snowy time periods in November-January. CEF has received Xcel Energy approval for this project after final testing in April 2020.

Subscribers to the Faribault solar garden will be notified shortly once the project receives formal permission to operate. We know it has been a long wait!

Faribault is one of our large ground-mounted solar gardens (only slightly smaller than the Ramp A, Haven, and Waseca projects) and once up and running, will be a major generator of subscriber benefits in 2020 and beyond.

Cooperative and Project Financials:

As a member-owned business, CEF is committed to transparency in our co-op operates and how money flows through our organization to sustain our clean energy projects and build wealth for members and their communities. Like any other business, CEF and its projects bring in revenue that must cover our expenses and allow us to meet our financing obligations, both repayment of loans and returns to holders of equity. Our key differences as a cooperative:

1. We invite our members to participate as investors for as much of our capital as possible
2. After expenses and financing costs are met, profits are returned to members rather than accumulating to the benefit of a business owner or outside shareholders.

Because of the partnership structure of developing solar projects alongside an investor partner that can use federal tax credits, our financial operations take place on two separate levels, which are each described and have included financial statements in this report:

- **The project level**, where projects receive income from subscriber’s payments, expenses to maintain and operate our solar arrays are paid, financing costs and equity returns are paid, and any remaining project profits are divided between CEF and the investor partner.
- **The cooperative level**, where CEF receives income through contracts to operate each of the projects and its share of profits from the projects and uses that income to pay staff salaries and other operating expenses, invest in future clean energy solutions to benefit our members, and distribute any remaining cooperative profits back to members.

Member-Sourced Capital Through Preferred Stock (cooperative level):

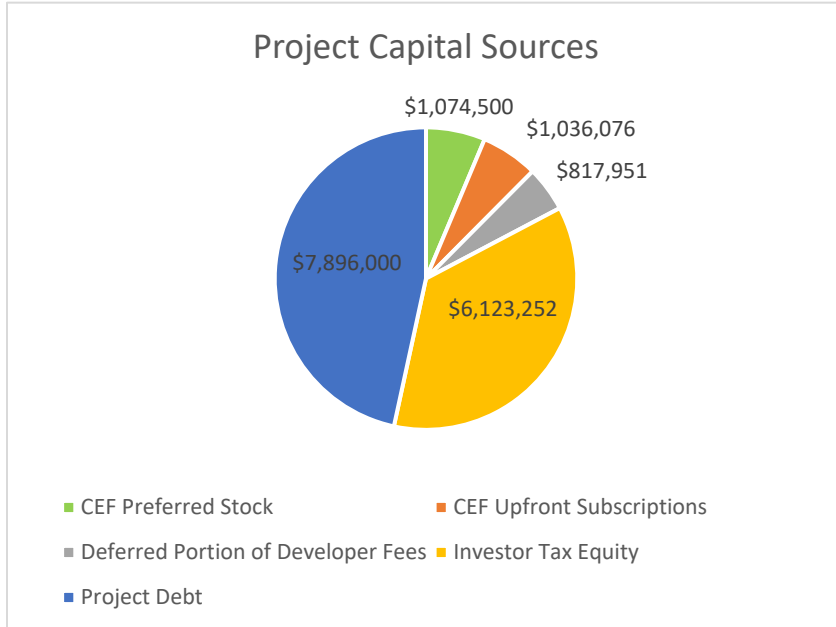
CEF member-owners have the opportunity to invest in Cooperative Energy Futures Preferred Stock. As of the close of the first year of CEF’s second Minnesota Preferred Stock offering on March 31st, 2020, CEF had secured Preferred Stock investments of:

Round	Timeframe Offered	Total Investments	Dividends Paid
Class A (Minnesota)	April 7-December 31, 2017	\$501,000	8% dividend paid on 2018 and 2019 revenue (paid early the following years)
Class A-1 (Minnesota)	March 18 th , 2019- March 31 st , 2020	\$521,500	First 6% dividend will be paid on 2020 revenue in early 2021.
Class B (Interstate)	June 10 th , 2019 – September 30 th , 2020 (still open)	\$53,000	First 6% dividend will be paid on 2020 revenue in early 2021.
Total		\$1,074,500	

In addition to the Interstate Offering still open through the end of September, Cooperative Energy Futures has extended its current Class A-1 Preferred Stock offering through March 31st, 2021. Any Minnesota resident who becomes a member of Cooperative Energy Futures is eligible to invest in this Class A-1 Preferred Stock. For more details, contact General Manager Timothy DenHerder-Thomas (timothy@cooperativeenergyfutures.com) and review more details at: <https://www.cooperativeenergyfutures.com/invest>

Capital Sources for Project Development (project level):

Preferred Stock, along with the small number of upfront subscriptions, enables CEF to contribute equity to the community solar projects we develop. This enables CEF ensure cooperative control of the majority of project revenues from the start and majority legal ownership after year 7.



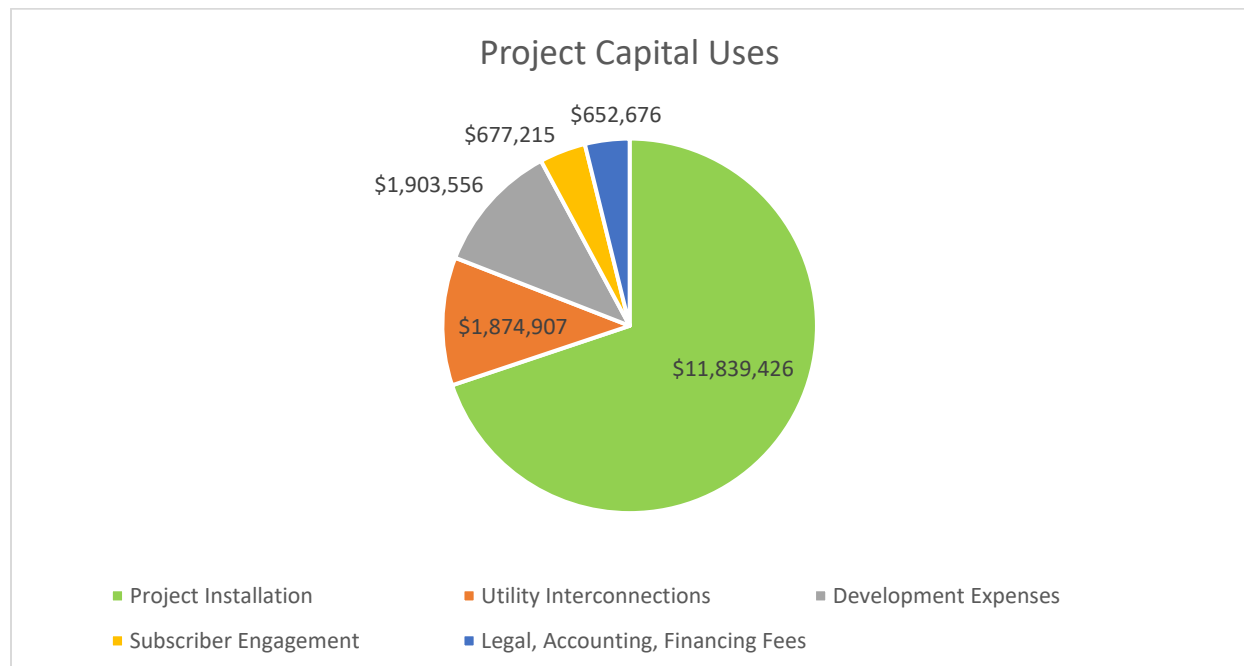
Partnering with a tax equity investor who invests in order to receive tax benefits allows CEF to harness millions of dollars of solar tax credits that neither CEF nor its members could use due to state law and IRS tax policy. A chart of capital sources is provided at left.

Note: the Deferred Developer Fees are a portion of the fees CEF earns developing solar projects paid in the years following project construction based on project performance.

They are included in the Development Expenses category below.

Uses of Capital for Project Development (project level):

These capital sources are used to finance project construction, shown below in the aggregate of the eight projects CEF has financed and developed.



Usage of Project Operating Cash (project level):

Once operational, project revenue from subscription payments is paid to the individual project companies for each solar garden, and are used to cover the following obligations in order:

1. **Operating Expenses:** including lease payments, project insurance, payments to Operations and Maintenance providers, and payments to Cooperative Energy Futures to manage the project and support and replace subscribers.
2. **Debt Service:** paying down interest and principal on long-term project debt
3. **Tax Investor Priority Return:** Each year, the tax investor must be paid a priority return of roughly 2% of their original investment (varies by project).
4. **CEF Loan Repayments:** Any cash advances that CEF has made to the project companies to cover operating cost shortfalls must be repaid.
5. **Payments of Deferred Developer Fee:** Based on any that remain owed.
6. **Distributions to CEF and the Investor:** 90% to CEF and 10% to the Investor Member.

Sources of Income and Cash Flow for Cooperative Energy Futures (cooperative level):

Now that projects are operational, CEF anticipates the following sources of income (and repayments of previous income that contribute to cash flow) to enable its ongoing operations:

- **Subscription Management Agreements:** These are contractual payments paid as project operating expenses paid to CEF to manage each solar garden, totaling ~ \$110,000/yr.
- **Repayments of CEF Loans:** To cover early operational costs before projects began producing energy, CEF has loaned the project companies around \$500,000 which will be paid back over the coming years as the projects move into full-time production.
- **Deferred Developer Fees:** CEF is still owed over \$690,000 in Deferred Developer fees, which are payable out of project revenue over the coming 5 years.
- **Distributions from Project Companies:** While expected to be minimal during the next several years as repayments of CEF loans and Deferred Developer Fees are made using most of remaining income, in the long run, CEF will receive 90% of the net cash of the project companies as annual distributions.

In addition to cash flow from community solar projects, CEF generates limited additional income through sales of efficiency project and commissions of residential and small commercial solar installations but these are generally minimal.

Uses of Cooperative Energy Futures Income and Cash Flow (cooperative level):

Cash flow received by Cooperative Energy Futures is to cover the following obligations in order:

1. **Operating Expenses:** including salaries and benefits, office expenses, legal, insurance, subscriber management software, and other standard operating expenses.
2. **Any Debt Service at the Cooperative Level:** Currently the co-op holds debt (separate from project debt held by the solar project companies) only on refundable application deposit loans for future solar gardens and makes interest only payments on these loans.
3. **Development Expenses:** including initial site lease payments, Xcel Energy application fees, legal costs, permitting costs, and engineering costs needed to prepare future solar

projects for financing. These expenses are usually included as part of CEF's equity contribution into future projects for projects that move forward.

4. **Preferred Stock Dividends/ Eventual Redemption:** Paying annual dividends to Preferred Stock holders. Starting about 5 years from now, this will also include redeeming the original value of Preferred Stock investments depending on co-op position and investor needs for stock redemption.
5. **Operating Reserves:** Retained earnings to enable ongoing operations and manage variability in income and expenses.
6. **Distributions to Members:** Paying cash and equity to members based on their share of cooperative business.

How to Read Our Financial Reports:

Appendix A includes detailed financial reports for Cooperative Energy Futures (the cooperative level), as well as a summarized financial report for activities at the project level. The project level reports include columns for CEF Shiloh Community Solar, LLC (the Shiloh project), items that are exclusive to CEF Holdco 1, LLC as an entity, items that are exclusive to each of the 7 project companies within CEF Holdco 1, LLC, and a sum total for CEF Holdco 1, LLC. This total column includes the CEF Holdco-specific items as well as all of the items for the 7 project companies it owns, but does not include the total for the Shiloh project because CEF Shiloh Community Solar, LLC is owned separately from the other 7 project companies.

Each level (the Cooperative Energy Futures financials and the project financials) includes:

- A Profit and Loss Sheet, which shows all of the sources of income and expenses for the company over the course of 2019 (January 1-December 31 2019). This does not include any starting balances or financing or capital transactions that affect cash flow.
- A Balance Sheet, which shows the Assets, Liabilities, and Equity for the company as of December 31st, 2019. This provides a clear snapshot of the cash position and long-term liabilities and long-term assets as of the end of the year.

Many of the project companies had only a partial year of income from solar energy production in 2019 but in many cases had to cover a full year of expenses and financing costs, so it is unsurprising that many of these companies experienced higher expenses than income in 2019. Similarly, at the cooperative level, CEF was responsible for managing development and operations of projects over the full year, but primarily received payments for development in 2018 and only began to receive payments for most project operations late in 2019.

In general, you should expect all solar project revenues, operating expenses, and debt service paying off solar projects to show up on the project level financials. You should expect all staff, organizational operating expenses, and expenses related to developing new projects and new cooperative business opportunities to show up on the cooperative level financials.

Glossary of Financial Statement Terms:

- **A/P, Payables, or Accounts Payable** are all terms for amounts that the company owes and expects to have to pay for.
- **A/R, Receivables, or Accounts Receivable** are all terms for amounts owed to the company that we expect to receive.
- **Construction Payables** are amounts still owed to installation contractors for solar garden construction contracts that are not yet fully completed.
- **Current Assets** are either already cash or expected to be converted to cash within 1 year.
- **Deferred Developer Fee** is the portion of the fees paid to CEF for developing solar projects that is not paid prior to construction but instead over the subsequent years based on project performance. A portion of these fees are listed as a liability for CEF as they may not be earned based on project performance. The full amount owed to CEF is listed as a liability of the project company.
- **Energy Property and Land Improvements Minus Accumulated Depreciation** is the outstanding value of the solar array and other physical infrastructure built in the construction of the solar garden minus the annual reduction in this value as it ages.
- **Interconnection Refunds Receivable** are refunds expected to be received by the company for payments to Xcel Energy that have already been made in excess of the ultimate cost of connecting to the grid.
- **Interest Reserve/ Escrow Funds** are reserves required by either financing agreements of county permitting agencies to hold funds in a special account either for operating losses or future decommissioning obligations.
- **K-1 Earnings** are profit distributions of taxable income from project companies. K-1 refers to an IRS form used to report the earnings of each partner in a partnership, in this case, the project companies that own community solar projects.
- **Lease Assets and Interconnection Assets Minus Accumulated Depreciation** are the outstanding value of the lease agreements and Interconnection agreements held by each solar garden minus the annual reduction in this value as it ages.
- **Long-Term Assets** are physical property or other receivables expected to be converted to cash over longer than a year.
- **Long-Term Debt Service** is the outstanding liabilities of debt held on solar projects.
- **Membership Stock** is the value of members' \$25 ownership shares in CEF.
- **Preferred Stock** is the value of members' voluntary purchases of Class A or B stock.
- **Preferred Stock Dividends** are annual dividend payments to holders of Preferred Stock
- **Prepaid Expenses** are assets because they will be owed but we have already paid for.
- **Refundable Deposit Loans** are loans held by a company to provide the refundable deposit that is required by Xcel Energy to host a solar garden.
- **Subscription Deposits** are the value of upfront subscription payments that are theoretically at risk (the portion, which declines each year as projects age) that would have to be repaid to upfront subscribers who cancelled.

Cooperative Energy Futures

PROFIT AND LOSS

January - December 2019

	CEF	TOTAL
Income		
40000 Product Sales	390.15	\$390.15
41000 Service Fee Income	2,000.00	\$2,000.00
41200 Commercial Commissions	11,000.00	\$11,000.00
43000 Grant Income	75,000.00	\$75,000.00
44000 Developer Fee	69,372.00	\$69,372.00
44020 Subscriber Management	38,722.75	\$38,722.75
44030 Subscriber Recruitment Fee	152,875.00	\$152,875.00
49999 Miscellaneous Income	36,242.87	\$36,242.87
Total Income	\$385,602.77	\$385,602.77
GROSS PROFIT		
	\$385,602.77	\$385,602.77
Expenses		
51000 Subscriber Acquisition	158,609.48	\$158,609.48
51100 Commissions	1,080.00	\$1,080.00
55000 Refundable Deposit Loan Interest Expense	32,846.47	\$32,846.47
55100 Loan Fees	8,650.99	\$8,650.99
55500 Development Loan Interest	2,957.45	\$2,957.45
56000 Governmental Fees (Development)	290.00	\$290.00
58000 Professional Fees (Development)	9,027.75	\$9,027.75
58300 Legal Fees (Development)	3,848.00	\$3,848.00
58305 Legal Fees (future projects)	7,500.12	\$7,500.12
59000 Portal Development	19,811.25	\$19,811.25
60000 Rent Expense	3,359.17	\$3,359.17
61000 Utilities	1,131.90	\$1,131.90
62000 Insurance Expense	5,260.39	\$5,260.39
64000 Computer and Internet Expenses	11,659.27	\$11,659.27
64400 Phones	2,937.60	\$2,937.60
65000 Office Supplies	2,332.50	\$2,332.50
70000 Professional Fees	13,500.00	\$13,500.00
70100 Accountant Fees	23,674.12	\$23,674.12
70200 Legal Fees	11,000.00	\$11,000.00
71000 Salaries and Wages	137,280.24	\$137,280.24
71010 Payroll Tax Expense	12,719.71	\$12,719.71
71020 Health Benefits	17,809.26	\$17,809.26
71030 HSA Contributions	5,286.00	\$5,286.00
71040 Professional Development	200.00	\$200.00
72000 Advertising and Promotion	1,960.45	\$1,960.45
73000 Meals and Entertainment	2,319.90	\$2,319.90
74000 Transportation	-949.03	\$ -949.03
74100 Parking Meter Fees	31.25	\$31.25
76000 Bank Service Charges	4,390.73	\$4,390.73
76100 Paypal Fees	111.54	\$111.54
78000 Federal Taxes	133.00	\$133.00
78100 State Taxes	24,551.00	\$24,551.00

Cooperative Energy Futures

PROFIT AND LOSS

January - December 2019

	CEF	TOTAL
Total Expenses	\$525,320.51	\$525,320.51
NET OPERATING INCOME	\$ -139,717.74	\$ -139,717.74
Other Income		
16010 Interest income	22,002.44	\$22,002.44
Total Other Income	\$22,002.44	\$22,002.44
NET OTHER INCOME	\$22,002.44	\$22,002.44
NET INCOME	\$ -117,715.30	\$ -117,715.30

Cooperative Energy Futures

BALANCE SHEET

As of December 31, 2019

	CEF	TOTAL
ASSETS		
Current Assets		
Bank Accounts		
12999 Cash Account Balances by Class	115,215.00	\$115,215.00
Total Bank Accounts	\$115,215.00	\$115,215.00
Other Current Assets		
15001 A/R By LLC	263.96	\$263.96
15100 Employee Loan	2,100.00	\$2,100.00
15375 Receivable from Shiloh	1,497.08	\$1,497.08
16300 Stocks Owned by Coop	500.00	\$500.00
17000 Inventory Asset	1,891.90	\$1,891.90
19000 Prepaid Expenditures	3,212.52	\$3,212.52
Total Other Current Assets	\$9,465.46	\$9,465.46
Total Current Assets	\$124,680.46	\$124,680.46
Fixed Assets		
17500 Energy Property - Future Site	9,088.50	\$9,088.50
Total Fixed Assets	\$9,088.50	\$9,088.50
Other Assets		
15500 Long Term Receivables		\$0.00
15501 Receivable from CEF Holdco (Co-op)	503,473.57	\$503,473.57
Total 15500 Long Term Receivables	503,473.57	\$503,473.57
19550 Investment in CEF Holdco	744,971.16	\$744,971.16
19555 Investment in CEF Holdco - K1 Earnings	-13,617.00	\$ -13,617.00
19655 Investment in Shiloh - K1 Earnings	-4,472.00	\$ -4,472.00
Total Other Assets	\$1,230,355.73	\$1,230,355.73
TOTAL ASSETS	\$1,364,124.69	\$1,364,124.69
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
20000 Accounts Payable	712.36	\$712.36
Total Accounts Payable	\$712.36	\$712.36
Other Current Liabilities		
20999 A/P By LLC	15,735.26	\$15,735.26
22100 Refundable Deposit Loans	84,661.14	\$84,661.14
27000 Payroll Taxes Payable	1,108.68	\$1,108.68
Total Other Current Liabilities	\$101,505.08	\$101,505.08
Total Current Liabilities	\$102,217.44	\$102,217.44
Long-Term Liabilities		
25300 Deferred Developer Fee	580,531.78	\$580,531.78
Total Long-Term Liabilities	\$580,531.78	\$580,531.78

Cooperative Energy Futures

BALANCE SHEET

As of December 31, 2019

	CEF	TOTAL
Total Liabilities	\$682,749.22	\$682,749.22
Equity		
30000 Membership Stock	19,775.00	\$19,775.00
31000 Preferred Stock	858,500.00	\$858,500.00
31100 Preferred Stock Dividends	-40,455.00	\$ -40,455.00
39000 Retained Earnings	-38,729.23	\$ -38,729.23
Net Income	-117,715.30	\$ -117,715.30
Total Equity	\$681,375.47	\$681,375.47
TOTAL LIABILITIES AND EQUITY	\$1,364,124.69	\$1,364,124.69

Project Companies Profit & Loss

	Shiloh	CEF Holdco	Edina	Clarks Grove	Pax Christi	Haven	Ramp A	Waseca	Faribault	Total CEF Holdco
Income										
Unsubscribed Energy Payments from Xcel Payments from			\$ 28.35	\$ 754.71	\$ 804.61	\$ 1,403.36	\$ 1,798.84	\$ 1,629.57	\$ -	\$ 6,419.44
Subscribers	\$ 24,098.22		\$ 100,589.87	\$ 22,522.30	\$ 9,193.82	\$ 55,995.85	\$ 21,003.82	\$ 6,696.13		\$ 216,001.79
TOTAL INCOME:	\$ 24,098.22	\$ -	\$ 100,618.22	\$ 23,277.01	\$ 9,998.43	\$ 57,399.21	\$ 22,802.66	\$ 8,325.70	\$ -	\$ 222,421.23
Expenses										
Operating Expenses (maintenance, site lease, insurance, utilities, etc.)	\$ 7,023.13		\$ 18,743.64	\$ 10,326.97	\$ 2,830.84	\$ 18,012.66	\$ 3,705.42	\$ 13,267.99	\$ 9,573.19	\$ 76,460.71
Subscription Management Payments to CEF			\$ 12,012.00	\$ 3,418.33	\$ 1,661.00	\$ 12,139.80	\$ 7,604.20	\$ 1,887.42	\$ -	\$ 38,722.75
Interest (long-term debt and deposits)	\$ 9,168.59		\$ 32,978.80	\$ 9,084.91	\$ 5,424.43	\$ 32,682.29	\$ 49,121.52	\$ (10,103.48)	\$ 301.15	\$ 119,489.62
Administrative (taxes, legal, bank, etc.)	\$ 6,759.64	\$ 3,749.76	\$ 2,651.20	\$ 1,669.54	\$ 530.00	\$ 5,922.02	\$ 3,131.02	\$ 3,105.15	\$ 2,979.00	\$ 23,737.69
TOTAL EXPENSES	\$ 22,951.36	\$ 3,749.76	\$ 66,385.64	\$ 24,499.75	\$ 10,446.27	\$ 68,756.77	\$ 63,562.16	\$ 8,157.08	\$ 12,853.34	\$ 258,410.77
NET OPERATING INCOME										
	\$ 1,146.86	\$ (3,749.76)	\$ 34,232.58	\$ (1,222.74)	\$ (447.84)	\$ (11,357.56)	\$ (40,759.50)	\$ 168.62	\$ (12,853.34)	\$ (35,989.54)
Depreciation, Amortization, net other income	\$ 24,648.80	\$ 23,785.95	\$ 65,269.04	\$ 16,971.96	\$ 9,511.93	\$ 45,472.07	\$ 47,024.95	\$ 10,744.00	\$ 450.17	\$ 219,230.07
NET INCOME	\$ (23,501.94)	\$ (27,535.71)	\$ (31,036.46)	\$ (18,194.70)	\$ (9,959.77)	\$ (56,829.63)	\$ (87,784.45)	\$ (10,575.38)	\$ (13,303.51)	\$ (255,219.61)

Project Companies Balance Sheet

	Shiloh	CEF Holdco	Edina	Clarks Grove	Pax Christi	Haven	Ramp A	Waseca	Faribault	Total CEF Holdco
Assets										
Bank Accounts	\$ 2,762.11	\$ 210,232.71	\$ 16,835.33	\$ 14,683.03	\$ 1,995.20	\$ 49,008.78	\$ 12,292.24		\$ 87.19	\$ 305,134.48
Interest Reserves/ Escrow Funds	\$ 17,064.99	\$ 150,000.00		\$ 10,000.00		\$ 25,000.00		\$ 35,000.00	\$ 50,064.56	\$ 270,064.56
Accounts Receivable	\$ 565.97		\$ 831.97	\$ 4,233.55	\$ 124.29	\$ 19,860.64	8068.61	\$ 6,654.00		\$ 39,773.06
Receivable from other LLCs			\$ 9,296.48			\$ 14,968.75				\$ 24,265.23
Interconnection Refunds Receivable		\$ 347,273.34								\$ 347,273.34
Prepaid Expenditures	\$ 396.28		\$ 1,286.03	\$ 1,026.99	\$ 912.63	\$ 3,216.63	3810.38	\$ 3,888.20	\$ 2,536.10	\$ 16,676.96
Total Current Assets	\$ 20,789.35	\$ 707,506.05	\$ 28,249.81	\$ 29,943.57	\$ 3,032.12	\$ 112,054.80	\$ 24,171.23	\$ 45,542.20	\$ 52,687.85	\$ 1,003,187.63
Energy Property and Land										
Improvements minus Accumulated Depreciation	\$ 579,256.20		\$ 1,333,995.33	\$ 726,674.90	\$ 441,296.42	\$ 2,384,495.81	\$ 4,253,198.40	\$ 2,626,346.24	\$ 2,555,417.00	\$ 14,321,424.10
Lease Assets and Interconnection Assets minus Accumulated Depreciation			\$ 254,855.34	\$ 107,161.02	\$ 99,079.27	\$ 206,897.51	\$ 234,375.32	\$ 280,345.07	\$ 760,270.08	\$ 1,942,983.61
Other Fixed Assets		\$ 45,589.73								\$ 45,589.73
Total Long-Term Assets	\$ 579,256.20	\$ 45,589.73	\$ 1,588,850.67	\$ 833,835.92	\$ 540,375.69	\$ 2,591,393.32	\$ 4,487,573.72	\$ 2,906,691.31	\$ 3,315,687.08	\$ 16,309,997.44
TOTAL ASSETS:	\$ 600,045.55	\$ 753,095.78	\$ 1,617,100.48	\$ 863,779.49	\$ 543,407.81	\$ 2,703,448.12	\$ 4,511,744.95	\$ 2,952,233.51	\$ 3,368,374.93	\$ 17,313,185.07
Liabilities										
Accounts Payable	\$ 1,567.50		\$ 630.77							\$ 630.77
Construction Payables			\$ 5,825.00	\$ 5,825.00	\$ 22,779.20	\$ 100,119.00	\$ 194,287.58	\$ 129,174.40	\$ 248,455.00	\$ 706,465.18
Deferred CEF Developer Fee		\$ 693,018.31								\$ 693,018.31
Subscription Deposits	\$ 90,189.20				\$ 147,371.24	\$ 151,724.85	\$ 501,982.59	\$ 11,028.02	\$ 33,787.75	\$ 845,894.45
Accrued Interest - Long Term Debt			\$ 9,433.24	\$ 4,706.18	\$ 2,821.16	\$ 19,267.67	\$ 38,736.23		\$ 18,603.27	\$ 93,567.75
Total Current Liabilities	\$ 91,756.70	\$ 693,018.31	\$ 15,889.01	\$ 10,531.18	\$ 172,971.60	\$ 271,111.52	\$ 735,006.40	\$ 140,202.42	\$ 300,846.02	\$ 2,339,576.46
Long-Term Debt Service Finance Fees and Accumulated Depreciation	\$ 190,748.39		\$ 775,385.05	\$ 386,834.83	\$ 231,890.85	\$ 1,583,747.32	\$ 1,600,259.28	\$ 1,583,747.32	\$ 1,529,135.35	\$ 7,691,000.00
Payable to Cooperative Energy Futures	\$ 101,497.08		\$ 44,929.91	\$ (29,048.63)	\$ 11,793.55	\$ 127,356.89	\$ 100,735.21	\$ 120,369.51	\$ 127,337.13	\$ 503,473.57
Payable to other LLCs	\$ 7,110.46			\$ 502.65	\$ 301.31	\$ 2,057.89	\$ 3,979.35	\$ 2,057.89	\$ 1,986.93	\$ 10,886.02
Lease Liabilities			\$ 142,876.42	\$ 56,244.89	\$ 14,841.47	\$ 131,963.21	\$ 96,388.56	\$ 127,235.38	\$ 103,430.53	\$ 672,980.46
Total Long-Term Liabilities	\$ 299,355.93	\$ -	\$ 950,462.38	\$ 408,182.74	\$ 254,432.18	\$ 1,819,124.31	\$ 1,775,091.40	\$ 1,807,409.10	\$ 1,736,785.94	\$ 8,751,488.05
TOTAL LIABILITIES:	\$ 391,112.63	\$ 693,018.31	\$ 966,351.39	\$ 418,713.92	\$ 427,403.78	\$ 2,090,235.83	\$ 2,510,097.80	\$ 1,947,611.52	\$ 2,037,631.96	\$ 11,091,064.51
Equity										
Syndication costs		\$ (96,000.00)								\$ (96,000.00)
Investor Equity	\$ 167,715.49	\$ 202,505.93	\$ 640,864.16	\$ 431,197.89	\$ 105,367.99	\$ 530,026.00	\$ 1,958,435.79	\$ 875,939.08	\$ 1,211,200.16	\$ 5,955,537.00
Cooperative Energy Futures Equity			75105.9	\$ 37,469.87	\$ 22,461.58	\$ 153,406.07	\$ 155,005.46	\$ 153,406.08	\$ 148,116.20	\$ 744,971.16
Retained Earnings	\$ 64,719.37	\$ (18,892.75)	\$ (34,184.51)	\$ (5,407.49)	\$ (1,865.77)	\$ (13,390.15)	\$ (24,009.65)	\$ (14,147.79)	\$ (15,269.88)	\$ (127,167.99)
Net Income/ Syndication costs	\$ (23,501.94)	\$ (27,535.71)	\$ (31,036.46)	\$ (18,194.70)	\$ (9,959.77)	\$ (56,829.63)	\$ (87,784.45)	\$ (10,575.38)	\$ (13,303.51)	\$ (255,219.61)
TOTAL EQUITY	\$ 208,932.92	\$ 60,077.47	\$ 650,749.09	\$ 445,065.57	\$ 116,004.03	\$ 613,212.29	\$ 2,001,647.15	\$ 1,004,621.99	\$ 1,330,742.97	\$ 6,222,120.56
TOTAL LIABILITIES AND EQUITY	\$ 600,045.55	\$ 753,095.78	\$ 1,617,100.48	\$ 863,779.49	\$ 543,407.81	\$ 2,703,448.12	\$ 4,511,744.95	\$ 2,952,233.51	\$ 3,368,374.93	\$ 17,313,185.07