



January 29, 2025

Governor Tim Walz
130 State Capitol Building
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Representative Patty Acomb, Co-Chair
Energy Finance and Policy Committee
5th Floor, Centennial Office Building
St. Paul, MN 55155

Senator Nick A. Frentz, Chair
Energy, Utilities, Environmental and Climate
Committee
95 University Avenue W.
Minnesota Senate Bldg., Room 3109
St. Paul, MN 55155

Representative Chris Swedzinski, Co-
Chair
Energy Finance and Policy Committee
5th Floor, Centennial Office Building
St. Paul, MN 55155

Senator Andrew Mathews,
Ranking Minority Member
Energy, Utilities, Environmental and Climate
Committee
95 University Avenue W.
Minnesota Senate Bldg., Room 2233
St. Paul, MN 55155

RE: Minnesota Climate Innovation Finance Authority (MnCIFA) 2024 Annual Report

Dear Governor, Chairs and Ranking Members:

This letter addresses the notification requirement set forth by the Legislature in the Laws of 2023, Chapter 53, Article 21 Section 2, Subd. 12 as outlined in the language below:

216C.441 MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY.

Beginning February 1, 2024, the authority must annually submit a comprehensive report on the authority's activities during the previous year to the governor and the chairs and ranking minority members of the legislative committees with primary jurisdiction over energy policy. The report must contain, at a minimum, information on:

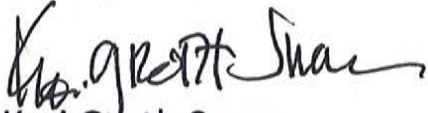
- (1) the amount of authority capital invested, by project type;*
- (2) the amount of private and public capital leveraged by authority investments, by project type;*
- (3) the number of qualified projects supported, by project type and location within Minnesota, including in environmental justice communities;*
- (4) the estimated number of jobs created for local workers and nonlocal workers, the ratio of projects subject to*

and exempt from prevailing wage requirements under subdivision 6, paragraph (b), and tax revenue generated as a result of the authority's activities;
(5) estimated reductions in greenhouse gas emissions resulting from the authority's activities;
(6) the number of clean energy projects financed in low- and moderate-income households;
(7) a narrative describing the progress made toward the authority's equity, social, and labor standards goals; and
(8) a financial audit conducted by an independent party.

As stated by Minnesota Statute 3.197: This report cost approximately \$1,000 to prepare, including staff time.

If you have any questions, please do not hesitate to contact me at (651) 539-2799 or kari.groth.swan@state.mn.us

Sincerely,



Kari Groth Swan

Executive Director

651-539-2799

kari.groth.swan@state.mn.us

Minnesota Climate Innovation Finance Authority

85 7th Place East, Suite 280 | Saint Paul, MN 55101



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Minnesota Climate Innovation Finance Authority (MnCIFA) 2024 Annual Report

Minnesota Statutes 216C.441 Subd. 12

01/31/2025

Minnesota Climate Innovation Finance Authority (MnCIFA) 2024 Annual Report

In accordance with requirements set forth in Minnesota Statutes 216C.441 Subd. 12 this report is provided to the Governor, Chairs and Ranking Members of legislative committees with primary jurisdiction over energy policy.

Program Background:

Minnesota Statutes 216C.441 created the Minnesota Climate Innovation Finance Authority (MnCIFA) during the 2023 legislative session. Subd. 12 of that statute requires MnCIFA to report on its activities during the previous year to you. There are eight (8) specific criteria that MnCIFA is required to report on and those will be outlined below. MnCIFA has made significant progress in 2024 financing projects, building the systems of a new agency, and securing additional funding from federal sources. The following are highlights of important activities that have occurred in 2024:

- January: Peter Klein began his role as interim Executive Director.
- April: Parisa Rostamkhani was hired as Executive Assistant.
- March: MnCIFA released a Request For Information for project ideas and received over \$1 billion in proposals from across the state.
- March: the Board approved a \$4.7 million financing request for The Heights Community Energy project to support a new district energy system at a redevelopment site in Saint Paul.
- April - December: MnCIFA worked with the Management Analysis Division¹ (MAD) to develop a Strategic Plan and Investment Strategy, consistent with statutory requirements. This process included significant engagement with the board through a committee and two workgroups—one dedicated to drafting an investment strategy and the other dedicated to drafting the strategic plan—facilitated by MAD. The committee and each work group met at least once per month between June and December, as well as three public input meetings. In that time, MnCIFA staff and board members also conducted extensive engagement of individuals and groups representing all perspectives required in statute and documented their conversations. From that, MAD collected and (with assistance and expertise from PSC) analyzed nearly 500 distinct public comments that informed the final versions of the documents. Both documents underwent review and approval from MnCIFA's board and counsel from the Attorney General's Office. MnCIFA delivered the final Strategic Plan and Investment Strategy to legislative leaders on December 15th.
- Throughout the year, staff worked bi-weekly with DOE consultants to advance a \$150 million Solar for Schools lending program to Phase II of the underwriting process with DOE

¹ Management Analysis and Development (MAD) is the State of Minnesota's in-house, fee-for-service management consulting practice housed within Minnesota Management and Budget.

Loan Programs Office. Staff remains committed to finding new sources of financing for this project if DOE's lending priorities change in 2025.

- Staff also worked with Minnesota State Colleges & Universities to advance a \$700 million loan for solar, district geothermal, energy efficiency, and EV chargers with the DOE Loan Programs Office. Staff remains committed to finding new sources of financing for this project if DOE's lending priorities change in 2025.
- September: Board approved a \$4.5 million financing request for the purchase and installation of a geothermal renewable energy system at the new Avenues for Youth shelter for young people experiencing homelessness.
- October: Board approved a \$1.2 million financing request with Renewable Energy Partners to purchase and install solar renewable energy systems on four Minneapolis school district buildings.
- November 6th: Kari Groth Swan started as permanent Executive Director. Peter Klein assumed a new role as Senior Advisor to MnCIFA.
- MnCIFA is finalizing an organizational structure and plans to have key hires related to investments, communications, finance, and operations completed by the end of 2025.
- Throughout the year, MnCIFA staff and consultants have been engaging throughout the state with project developers to understand clean energy financing needs in the state. As of January, 2025, MnCIFA has reviewed over \$6 billion in projects that meet minimum eligibility criteria and could be appropriate for MnCIFA support. Staff will continue working with these proposers to assess their readiness and match them with available financing.
- MnCIFA worked with the Department of Commerce to transfer \$60M from the State Competitiveness Fund to MnCIFA for the purposes of supporting financing for clean energy projects.
- The Board's Credit Committee has begun establishing standardized underwriting and processes for project selection. All projects require Board approval for funding.
- As part of MnCIFA's application for support from EPA's Greenhouse Gas Reduction Fund, and after extensive negotiations with the Coalition for Green Capital (CGC), MnCIFA secured \$25 million in balance sheet support. This will provide financing for over \$265 million in total project costs, and all projects will be deployed by the end of 2025 based on CGC requirements.

The following is a list of informational points that need to be delivered to you, on an annual basis, by February 1st of each subsequent year:

- 1) The amount of authority capital invested by project type.
 - MnCIFA has invested in three projects in 2025 totaling \$10.4 million in financing.
- 2) The amount of private and public capital leveraged by authority investments, by project type.
The three projects approved for financing in 2024 include:
 - The Heights redevelopment geothermal system - \$15M in total project costs, \$4.7M in MnCIFA financing (3X leverage)
 - Avenues For Youth - \$22.5M in total project cost, \$4.5M in MnCIFA financing (5X leverage)
 - Renewable Energy Partners: \$10.1M in total project cost, \$1.2M in MnCIFA financing (8X leverage)
- 3) The number of qualified projects supported, by project type and location within Minnesota, including in environmental justice communities.
 - MnCIFA supported three projects in 2024. Two are ground-source geothermal systems, and one is a solar PV system. All three projects are located in environmental justice communities, based

on MPCA's mapping tool:

<https://experience.arcgis.com/experience/bff19459422443d0816b632be0c25228/page/Page/?views=EJ-areas>

- 4) The estimated number of jobs created for local workers and nonlocal workers, the ratio of projects subject to and exempt from prevailing wage requirements under subdivision 6, paragraph (b), and tax revenue generated as a result of the authority's activities.
 - The Heights will employ 500 full time employees for construction
 - Renewable Energy Partners project will employ 100 FTEs construction
 - Avenues For Youth will employ 100 FTEs for construction, and create 8 new permanent jobs
 - All projects supported in 2024 are subject to prevailing wage requirements
 - Tax revenue will be calculated once projects are complete and data on taxes is available
 - MnCIFA will follow up with project developers upon completion to collect data on the breakdown of local versus non-local workers that were employed during construction
- 5) Estimated reductions in greenhouse gas emissions resulting from the authority's activities.
 - Renewable Energy Partners - 1,824,000 kWh generated annually, 1,224 metric tons of greenhouse gases avoided annually
 - Avenues For Youth - 1,739,000,000 BTUs saved annually, or 92 metric tons of greenhouse gas emissions avoided
 - The Heights - 2,333 metric tons of greenhouse gases avoided annually
 - These estimates may change as projects are implemented and MnCIFA receives more detailed data on system performance.
- 6) The number of clean energy projects financed in low- and moderate-income households
 - The Heights includes 1,000 units of affordable housing
 - Avenues For Youth is 31 units of shelter housing for young adults experiencing homelessness
- 7) A narrative describing the progress made toward the authority's equity, social, and labor standard goals. All of the projects financed in 2024 by MnCIFA are required to pay prevailing wages to workers, and all projects were located in environmental justice communities. The Strategic Plan and Investment Policy, adopted this year, contain further descriptions of the Authority progress and plan for achieving goals.
<https://mn.gov/commerce/energy/consumer/energy-programs/climate-innovation.jsp>
- 8) A financial audit conducted by an independent party.
 - Audit completed in January, 2025. See attachment.

MnCIFA has accomplished a great deal in 2024 with a small staff of two full time employees and two consultants. A key task of MnCIFA, identified in statute, is to leverage all available federal funds to support Minnesota communities with clean energy projects. The Environmental Protection Agency (EPA) had been charged with deploying \$27 billion of funding through the Greenhouse Gas Reduction Fund (GGRF), authorized by the Inflation Reduction Act (IRA). Commerce staff successfully positioned MnCIFA to be a named sub-awardee to an applicant for the National Clean Investment Fund. MnCIFA has secured a \$25 million award, in addition to access to a national lending pool that will support projects in Minnesota.

MnCIFA supported three other coalitions that sought awards via the GGRF. Three of the coalitions that MnCIFA supported were collectively awarded over \$13 billion to finance clean energy deployment across the US, with a focus on underserved and environmental justice communities. In addition to being a named subawardee of one coalition, MnCIFA staff have built strong relationships with the other two coalitions, creating the opportunity for financing Minnesota projects directly with each entity, when project needs exceed MnCIFA's financial capacity. MnCIFA staff have also been working closely with the Department of Energy to develop opportunities to greatly leverage MnCIFA's funds for financing large projects and programs. As of the writing of this report, great uncertainty exists with the new administration's energy priorities, and in particular whether the DOE's Loan

Programs Office will continue to support State Energy Financing Institutions (SEFIs) like MnCIFA with complimentary financing, as authorized in the Inflation Reduction Act. Staff will continue to monitor federal opportunities, and seek to maximize financing support for clean energy projects in the state.

In addition, much work in 2024 has been focused on organizational start-up, including hiring the Authority's first Executive Director, and completing extensive public outreach to develop the first Investment Strategy and Strategic Plan. The work ahead includes continuing to build organizational capacity, and ramping up the deployment of financing resources to a long and growing list of eligible clean energy projects in Minnesota. Early priorities for 2025 include increasing the Authority's capacity for communications and outreach functions, as well as internal financial and underwriting capacity.

Board of Directors
Minnesota Climate Innovation Finance Authority
(A Component Unit of the State of Minnesota)

We have audited the financial statements of Minnesota Climate Innovation Finance Authority (MnCIFA or the Authority) as of and for the year ended June 30, 2024, and have issued our report thereon dated January 17, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 6, 2024, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles (U.S. GAAP). Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the system of internal control of the Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks

In our engagement letter, we identified the risks we expected would meet the definition of "significant risks" pursuant to U.S. generally accepted auditing standards, which are risks toward the upper end of the risk spectrum based on their likelihood and potential magnitude. Through conclusion of our audit of the financial statements, we have identified management override of controls and improper revenue recognition as significant risks.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Authority is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2024. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimate affecting the financial statements was management's estimate of the allowance for loan losses, which is based on management's evaluation of the collectability of the loan portfolio, including the nature of the loan portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions. We evaluated the key factors and assumptions used to develop the accounting estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting MnCIFA's financial statements relate to the disclosure of loans receivable in Note 3 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered during the Audit

We encountered no difficulties in dealing with management relating to the performance of the audit.

Corrected and Uncorrected Misstatements

For purposes of this communication, professional standards also require us to accumulate all misstatements identified during the audits, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no significant audit adjustments noted during our audit.

Disagreements with Management

For purposes of this communication, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to MnCIFA's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the letter dated January 17, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Audit Findings or Issues

In the normal course of our professional association with MnCIFA, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as MnCIFA's auditor.

Other Matters

With respect to the management's discussion and analysis (MD&A) accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. GAAP, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the MD&A to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This communication is intended solely for the information and use of the Board of Directors and management of Minnesota Climate Innovation Finance Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

BMP Assurance, LLP

Manchester, New Hampshire
January 17, 2025

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Minnesota Climate Innovation Finance Authority
(A Component Unit of the State of Minnesota)

We have audited, in accordance with the U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the business-type activities of Minnesota Climate Innovation Finance Authority (MnCIFA or the Authority) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 17, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered MnCIFA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of MnCIFA's internal control. Accordingly, we do not express an opinion on the effectiveness of MnCIFA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MnCIFA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether MnCIFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MnCIFA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MnCIFA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BMP Assurance, LLP

Manchester, New Hampshire
January 17, 2025




Minnesota Climate Innovation Finance Authority (A Component Unit of the State of Minnesota)

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

Year ended June 30, 2024

With Independent Auditor's Report



MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)

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**MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)**

Board of Directors

Bali Kumar, Chair – member with expertise in investment fund management, financing and deploying clean energy technologies

Tessa Haagenon, Vice Chair – member representing either a municipal electric utility or a cooperative electric association

Melanie Benjamin, Chief Executive – Mille Lacs Band of Ojibwe

Joe Fowler – representative of a labor union with experience in working on clean energy projects

Frank Kohlasch – designee for Minnesota Pollution Control Agency

Kevin McKinnon – designee for Department of Employment & Economic Development

Marcus Mills – member with expertise in environmental justice

Julia Nelmark – member with expertise in financing projects at a community bank, credit union, community development institution or local government

Kate Perushek – designee for Minnesota Department of Labor & Industry

Axaule Sultanova – member with expertise in sustainable development and energy conservation

Katherine Teiken – designee for Minnesota Housing Finance Agency

Jenna Warmuth – member with expertise in the impact of climate change on Minnesota communities, particularly low-income communities

Pete Wyckoff – designee for Minnesota Department of Commerce

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minnesota Climate Innovation Finance Authority
(A Component Unit of the State of Minnesota)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Minnesota Climate innovation Finance Authority (MnCIFA), a component unit of the State of Minnesota, as of and for the period ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2024, and the changes in financial position and its cash flows for the period then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Basis for Opinion

We conducted our audits in accordance with U.S. generally accepted auditing standards (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audits.

Required Supplementary Information

U.S. GAAP require that Management's Discussion and Analysis on pages 5 to 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
Minnesota Climate Innovation Finance Authority
(A Component Unit of the State of Minnesota)

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the listing of the Board of Directors on page 1 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BMP Assurance, LLP

Manchester, New Hampshire
January 17, 2025

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)

Management's Discussion and Analysis
(Unaudited)

Introduction

The Minnesota Climate Innovation Finance Authority ("MnCIFA" or the "Authority") is a publicly accountable financing authority ("green bank") of the State of Minnesota (the "State") whose purpose is to remove financial barriers to, and create financial tools for, the adoption of qualified clean energy and greenhouse gas emissions reduction projects. MnCIFA will partner with Minnesota's clean energy service providers, using additional investment to increase the adoption of existing products and reduce barriers for underserved and low-income populations.

The *Financial Statements with Supplementary Information* consist of three main parts: management's discussion and analysis ("MD&A"); the basic financial statements, which provide both short-term and long-term information about the Authority's overall financial status; and the notes to the financial statements, which are an integral part of the report as they provide additional explanation and more detailed information regarding the amounts in the basic financial statements and other significant aspects of the Authority's operations.

The Basic Financial Statements

There are three statements that comprise the Authority's enterprise fund basic financial statements.

The ***Statement of Net Position*** presents information on the Authority's assets and liabilities with the difference between the two reported as Net Position (also referred to as capital or equity). This statement is presented as of the Authority's year end, June 30.

The ***Statement of Revenues, Expenses, and Changes in Net Position*** reports operating revenues and expenses incurred in the normal course of business (operating income or loss) plus non-operating revenues and expenses such as non-exchange transactions including grants, transfers between entities, and other transactions of an unusual or non-recurring nature.

The ***Statement of Cash Flows*** reports on the sources and uses of changes in cash and cash equivalents for the year. Activities that effect a change in cash are grouped into four categories: (1) operating activities; (2) non-capital financing activities (debt related activities and non-operating income); (3) investing activities; and (4) capital related financing activities (purchase and financing of capital assets).

Net Position

Total assets increased \$46,415,209 in 2024. The primary reason was due to transfers of \$25,000,000 and appropriations of \$20,000,000 received from the State general fund. These assets were utilized for the Authority's funding of its first investment in a qualified clean energy project resulting in an increase in loans receivable of \$4,700,000.

Total liabilities increased by \$32,418 in 2024 due primarily to professional services provided by Minnesota Management Analysis and Development to facilitate creation of the Authority's Investment Strategy and Strategic Plan. Additional liabilities in 2024 include accrued expenses for salaries and benefits payable for the Authority's two employees.

Total net position increased by \$46,382,791 in 2024, based on operating loss of \$146,379 and \$1,529,170 of non-operating revenue representing interest earnings earned from the Authority's cash balances maintained by the State Board of Investment in the Invested Treasurer's Cash Pool, and the transfers from the State of \$45,000,000.

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)

Management's Discussion and Analysis
(Unaudited)

Revenues, Expenses and Changes in Net Position

Nonoperating revenue consists of interest earned from the Authority's cash balances maintained by the State Board of Investment in the Invested Treasurer's Cash Pool.

Provision for loan losses was \$0 in 2024. More detailed information regarding loan loss provisions and the changes in the allowance for loan losses ("reserves") can be found in Note 3 to the basic financial statements.

Salaries and fringe benefits increased \$110,846 in 2024 due to hiring of the Authority's first two employees, including an interim executive director.

Purchased services increased \$35,000 in 2024 due primarily to consulting services provided by Minnesota Management Analysis and Development and legal services provided by the Minnesota Office of the Attorney General.

Supplies, materials, and other expenses increased \$506 in 2024 primarily due to initial office supplies and related needs of the Authority in its initial year of operation.

Cash Flows

Table 1 is a presentation that provides important information about the sources and uses of the Authority's cash inflows and outflows from its business operations. Cash flows are grouped by 4 categories, when applicable: (1) Operating Activities include disbursing and collecting on loans receivable and paying for operating expenses; (2) Non-Capital Financing Activities include proceeds and payments on notes payable and commercial paper, as well as non-operating revenues or expenses; (3) Investing Activities are the result of investment purchases and sales and related income; and (4) Capital and Related Financing Activities that includes the purchase and the financing of capital assets and related repayments.

Fiscal Year	2024
Used for principal disbursed on loans	\$ (4,700,000)
Used for all other operating activities	<u>(113,961)</u>
Used for operating activities	(4,813,961)
Provided by non-capital financing activities	45,000,000
Provided by investing activities	<u>1,529,170</u>
Net increase in cash and cash equivalents	\$ <u>41,715,209</u>

Table 1 shows that in 2024, operations used net operating cash of \$4,813,961 to fund the initial year of activity for the green bank. In 2024, non-capital financing activities provided \$45,000,000 of cash, primarily due to transfers of \$25,000,000 from the State general fund following formation of the Authority and appropriations of \$20,000,000 from the State general fund. Investing activities provided cash of \$1,529,170 in 2024 from income on balances in the State's Invested Treasurer's Cash Pool. There were no capital and related financing activities in 2024.

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)

Management's Discussion and Analysis
(Unaudited)

Currently known facts, decisions or conditions that are expected to have a significant effect on net position or results of operations

In September 2024, the Authority provided \$4,500,000 to fund a qualified project for the purchase and installation of a geothermal renewable energy system and associated heating, ventilation, and air conditioning components. In October 2024, the Authority provided \$1,200,000 to fund a qualified project for a solar and storage installation project.

In January 2025, the Authority received a transfer from the State of Minnesota State Competitiveness Fund totaling \$60,000,000.

This financial report is designed to provide a general overview of MnCIFA' s finances. If you have questions about this report or need additional financial information, please contact Kari Groth Swan, Executive Director, at 85 7th Place East, Suite 280, Saint Paul, MN 55101, via email at Kari.Groth.Swan@state.mn.us, or by telephone at 651.539.2799. Visit the MnCIFA website at <https://mn.gov/commerce/energy/consumer/energy-programs/climate-innovation.jsp>.

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)

Statement of Net Position

June 30, 2024

Assets

Current assets:

Cash and cash equivalents \$ 41,715,209

Noncurrent assets:

Loans receivable 4,700,000

Total assets \$ 46,415,209

Liabilities

Current liabilities:

Accounts payable \$ 15,646

Accrued expenses and other liabilities 16,772

Total liabilities \$ 32,418

Net Position

Unrestricted \$ 46,382,791

Total net position \$ 46,382,791

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

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)

Statement of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2024

Operating expenses	
Salaries and fringe benefits	\$ 110,846
Purchased services	35,000
Supplies and materials	135
Other expenses	<u>398</u>
Total operating expenses	<u>146,379</u>
Operating loss	<u>(146,379)</u>
Nonoperating revenues	
Interest earnings	<u>1,529,170</u>
Total nonoperating revenues	<u>1,529,170</u>
Net increase in net position	1,382,791
Net position, beginning of year	-
Transfers from State of Minnesota	<u>45,000,000</u>
Net position, ending of year	<u><u>\$ 46,382,791</u></u>

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

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)

Statement of Cash Flows

For the Year Ended June 30, 2024

Cash flows from operating activities	
Operating expenses paid	\$ (113,961)
Principal disbursed on loans receivable	<u>(4,700,000)</u>
Net cash used for operating activities	<u>(4,813,961)</u>
Cash flows from non-capital financing activities	
Transfers and appropriations from State general fund	<u>45,000,000</u>
Net cash provided by non-capital financing activities	<u>45,000,000</u>
Cash flows from investing activities	
Revenue received on cash	<u>1,529,170</u>
Net cash provided by investing activities	<u>1,529,170</u>
Net increase in cash and cash equivalents	41,715,209
Cash and cash equivalents, beginning of year	<u>-</u>
Cash and cash equivalents, end of year	<u><u>\$ 41,715,209</u></u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating loss	\$ (146,379)
Changes in assets and liabilities:	
Loans receivable	(4,700,000)
Accounts payable and accrued expenses	<u>32,418</u>
Net cash used for operating activities	<u><u>\$ (4,813,961)</u></u>

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

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)

Notes to the Financial Statements

June 30, 2024

1. Authorizing Legislation

The Minnesota Climate Innovation Finance Authority (MnCIFA or the Authority) is a public body corporate and politic and a public instrumentality of the State of Minnesota (the State). It was created by the Minnesota Legislature in 2023 and began operations in 2024. The Authority's mission is to remove financial barriers to, and creates financial tools for, the adoption of qualified clean energy and greenhouse gas emissions reduction projects; center equity; and create and foster communication between potential investing entities and qualified projects. MnCIFA invests in projects that reduce the economic burden of energy costs, maintain energy reliability, accelerate deployment of clean energy projects, create more local clean energy jobs, increase Minnesotan's ownership of and contribution to the clean energy system, and support the achievement of statewide greenhouse gas reduction targets. The Authority is reported as a component unit in the State's financial statements and is generally exempts from federal income taxes.

The Authority is governed by a 13-member Board of Directors (the Board). The Board is comprised of six State officials: Commissioner of Commerce; Commissioner of Labor and Industry; Commissioner of the Minnesota Pollution Control Agency; Commissioner of Employment and Economic Development; the Commissioner of the Minnesota Housing Finance Agency; and the Chair of the Minnesota Indian Affairs Council. The remaining seven Board members are citizens of the State appointed by the Governor.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Authority follows the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when incurred in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Use of Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statements of financial condition and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses.

Cash and Cash Equivalents

For purposes of statement of net position classification and the statement of cash flows, the Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Authority's cash and cash equivalents are managed by the State Board of Investment in the Invested Treasurer's Cash (ITC) Pool which is a short-term pooled fund.

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)

Notes to the Financial Statements

June 30, 2024

Loans Receivable

Loans receivable are recorded at the uncollected principal balance.

Allowance for Loan Losses

The allowance for loan losses (loss reserves) are maintained at a level estimated to be adequate to absorb probable losses. Management determines the adequacy of the loss reserves based upon review of each credit relationship, historic loss experience, current economic conditions, and risk characteristics of the various loan types and other pertinent factors. Future changes in economic and risk conditions could affect the adequacy of the loss reserves.

Compensated Absences

Employees are granted sick and vacation leave in varying amounts. Upon retirement, termination, or death, employees are compensated for unused sick and vacation leave at their then current rates of pay. The liability for vacation leave is based on the amount earned, but not used, for vacation leave. It is an estimated amount based on the amount accumulated at the balance sheet date that would be paid upon retirement. The liability for sick leave and vacation leave are included in accrued expenses and other liabilities. The calculation is based on the salary rates in effect as of the date of the statement of net position.

Income Taxes

The Authority is exempt from federal and state taxes on income under provisions of the Internal Revenue Code and state statutes.

Operating Revenues and Expenses

All revenues and expenses related to the origination and servicing of loans and managing the Authority's assets and liabilities, including all overhead expenses, are considered "operating" revenues or expenses. Inter-governmental transfers such as appropriations and other items of an unusual or nonrecurring nature are considered "non-operating" revenues or expenses.

Subsequent Events

For the purposes of the presentation of these financial statements in conformity with U.S. GAAP, management has considered transactions or events occurring through January 17, 2025, which is the date that the financial statements were available to be issued. Management has not evaluated subsequent events after that date for inclusion in the financial statements.

Subsequent to June 30, 2024, the Authority funded two qualified projects totaling \$5,700,000.

Subsequent to June 30, 2024, the Authority received a transfer from the State of Minnesota State Competitiveness Fund totaling \$60,000,000.

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
(A Component Unit of the State of Minnesota)

Notes to the Financial Statements

June 30, 2024

3. Loans Receivable and Allowance for Loan Losses

The composition of net loans receivable at June 30, 2024 is as follows:

Secured	\$4,700,000
Less: allowance for loan losses	<u> -</u>
	<u>\$4,700,000</u>

The Authority manages its loan portfolio proactively to effectively identify problem credits and assess trends early, implement effective work-out strategies, and take charge-offs as promptly as practical. In addition, the Authority reassesses its underwriting standards in response to credit risk posed by changes in economic conditions. The Authority monitors and manages credit risk through its governance structure and established policies.

Management believes, based on the current loan portfolio, an allowance for loan losses is not warranted.

Credit Quality Indicators

The Authority's loans are not individually risk rated, but rather analyzed as groups taking into account delinquency rates and other economic conditions which may affect the ability of borrowers to meet debt service requirements. Performing loans include loans that are current and loans that are past due less than 90 days. Loans that are past due over 90 days and non-accrual loans are considered non-performing.

As of June 30, 2024, the sole loan in the Authority's portfolio was current.

As of June 30, 2024, there were no loans on non-accrual status.

At June 30, 2024, there were no loans 90 days past due and still accruing interest.

At June 30, 2024, there were no loans individually analyzed by the Authority and, therefore, no loans that were collateral-dependent.

4. Legal Contingencies

Various legal claims arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Authority's financial position or operations.