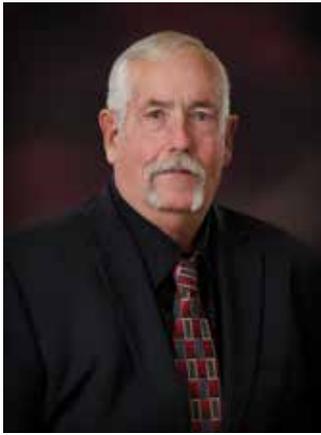




ANNUAL REPORT

CHERRYLAND ELECTRIC COOPERATIVE

2019



Tom Van Pelt
Board President

Down The Road

When you are driving a car, where are you supposed to be looking? Down the road.

Being a board director is a lot like driving a car. We need to keep in mind not only those whom we are serving now, but those whom we will be serving in the future. What are they going to need from the cooperative? How do we get ready?

Here is how we kept our eyes focused on what is down the road:

- Last April, your board decided to make a financial commitment unlike anything we've done before. Through 2022, we are committing \$100,000 annually in unclaimed capital credits to Habitat for Humanity—Grand Traverse Region to fund a program aimed at repairing low-income homes in need of weatherization improvements. In the short term, we can help out our most vulnerable members in need of critical home repairs. In the long term, we can do our part to improve the affordable housing crisis in our community by creating homes that are more energy efficient and more affordable for members to heat and cool.
- Thanks to the hard work of our power supplier, Wolverine Power Cooperative, we have an industry-leading clean energy portfolio—a benefit to us now and in the future. In 2019, your cooperative wanted to find new ways to maximize the impact of that clean energy mix. Cooperative staff created a new line of rebates aimed at replacing fossil fuel-powered appliances, vehicles, and more with smarter, cleaner electric ones. How does that help the member down the road? The more members who switch to electricity, the greater the revenue and the greater our ability to maintain stable rates (all while being environmentally conscious).
- We saw record-breaking participation in Cherryland's Board of Directors election last year, with more than 3,600 ballots cast. Over two thirds of those ballots were cast online. This is a great example of how the cooperative prepares for member engagement of the future—by providing options.
- In the spirit of creating options for member engagement, we also tripled the amount of member input sessions your board hosts throughout the year. Now, a member can provide feedback at the beginning of any regularly scheduled board meeting. Going forward, we continue to look at effective options for members to engage with the cooperative and their board.
- Sometimes doing the right thing for our members now and in the future is just continuing to do what we do best. I am proud to report that the cooperative finished 2019 with a reliability percentage of 99.988%. This is the fourth year in a row that we've achieved 99.98% or higher in system reliability. This is a testament to the hard work and determination of cooperative employees and your board's aggressive investment into electric infrastructure.



I am proud to report that the cooperative finished 2019 with a reliability percentage of 99.988%.



COVER:

A Cherryland crew wraps up line work for the day in Williamsburg.

Pictured — Dallas Knoll

We should all be proud of what's been accomplished in 2019. I look forward to hearing from you and learning your ideas for the cooperative now and the cooperative down the road.

Sincerely,

Tom Van Pelt



Notice Of Annual Meeting Cherryland Electric Cooperative

The Annual Meeting of the members of Cherryland Electric Cooperative will be called to order virtually on Facebook and YouTube from our headquarters in Grawn, Michigan, at 5:30 p.m. on Thursday, June 11, 2020. The following items will be brought before the members for their action:

1. The reports of officers, directors and committees.
2. The election of two directors, one At-Large and one from Leelanau County, for terms of three years each.
3. Other business properly brought before the membership.

In person voting will be available from 4 to 5:30 p.m.

— Gabe Schneider, Secretary

SPECIAL NOTE REGARDING ANNUAL MEETING AND THE CORONAVIRUS PANDEMIC

As a social distancing measure, we highly encourage you to attend the Annual Meeting virtually to help protect fellow members and co-op employees from the coronavirus (COVID-19). If you still wish to attend in person, we will have seating available if it is allowable under current social distancing rules.

Meet The Candidates

AT-LARGE



David Schweitzer

(Incumbent)

Grand Traverse County resident

Cherryland member since 1994

What is your occupation?

I am a Chartered Financial Analyst (CFA) and have been in the investment industry for over thirty years. I have owned Schweitzer Capital Group, a wealth management firm for individuals and businesses, since 1996.

What organizations are you currently involved with?

- CFA Institute
- NMC Business Advisory Committee
- Traverse City Economic Club
- Single MOMM
- Member of First Congregational Church for twenty-five years where I have served on the Board of Trustees

Why are you interested in serving on the board of directors?

I have served on your board for three-and-a-half years and while I have learned so much about the electric industry and formed relationships with other cooperative leaders, I am still on the upward slope of a steep learning curve. There are many challenges that your cooperative faces, such as the de-carbonization of the automobile (electric

vehicles), demand for more carbon-free generation, fast-changing technology, and cybersecurity to name a few. I am focused on addressing these issues while at the same time ensuring that we continue to provide the affordable and reliable electricity that you have come to depend on for your homes and businesses.

How will your skills, connections, resources, and expertise benefit the cooperative?

Careful financial management is critical with the many issues facing your cooperative, especially with the ongoing effects of COVID-19. As your director and as a financial analyst, it is my duty to make sure we continue to make prudent financial decisions while at the same time being proactive and staying ahead of the curve as we face new opportunities and challenges. Cherryland is in excellent financial condition as evidenced by the capital credits you receive, our healthy equity position, and recent defensive portfolio changes we made to the retiree health care plan (currently over 100% funded). I look forward to serving you for another term and ask for your vote. Please visit my website at www.votedaveschweitzer.com for a more detailed discussion on these and other issues. Thank you.



Nicola Philpott

Grand Traverse County resident

Cherryland member since 2014

What is your occupation?

Volunteer State Coordinator and Co-leader of Grand Traverse Area Citizens' Climate Lobby (CCL).

What organizations are you currently involved with?

I'm President of Westwoods Elementary Parent Teacher Organization (PTO). Recently, I coordinated the Westwoods Solar Project to raise funds for a solar array; a great learning tool that will save the school money. I also organized rebates for parents that purchased LED light bulbs.

Why are you interested in serving on the board of directors?

I'm running for my children because they deserve an affordable, responsible, clean energy future. In northern Michigan we see how volatile weather and lake level rise threaten our homes, livelihoods, and local economy. The good news is that the energy industry is changing swiftly to mitigate these threats. We must use new, low-cost renewable energy technologies that provide local jobs, boost

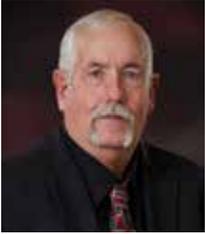
our economy, and fight climate change. I'm running because I believe Cherryland should set ambitious renewable energy goals, pursue local solar projects, and investigate opportunities to save money with large-scale clean energy projects.

How will your skills, connections, resources, and expertise benefit the cooperative?

As a scientist, I know the importance of good data and sound models in making decisions that impact people's lives. I have a doctorate in biochemistry and molecular biology, and before having children, I was a university research professor. As President of Westwoods PTO, I have become keenly aware of the double hardship of job insecurity and low pay faced by so many northern Michigan families. As Co-leader of Grand Traverse CCL, I've learned the importance of taking climate action locally.

Therefore, as a Cherryland director, I will promote local renewable energy projects which provide year-round jobs, boost our economy, and safeguard our children's future.

LEELANAU COUNTY



Tom Van Pelt

(Incumbent)

Leelanau County
resident

Cherryland member
since 1983

What is your occupation?

I own and operate our family fruit farm near Northport (I am 3rd generation, with 4th and 5th generations also living and working on the farm). In addition, I am a Captain with Leelanau Township Emergency Services.

What organizations are you currently involved with?

I am actively involved with the following organizations:

- Leelanau Township Emergency Services
- Michigan Association of Cherry Producers
- Leelanau Energy
- Region 4 (Michigan, Indiana, Ohio) NRECA Nominating Committee
- Region 4 Resolutions Committee

Why are you interested in serving on the board of directors?

I believe everyone should be involved within their community.

Electricity is a commodity that is needed and used by everyone. Reliability and affordability is the best way to impact all the members and visitors of our beautiful area.

In addition to my involvement with the Fire and Rescue, serving on the Cherryland Electric Board of Directors is another way to "give back."

How will your skills, connections, resources, and expertise benefit the cooperative?

Currently I am Chairman of the Board of Cherryland Electric Cooperative. I also represent Cherryland on the Wolverine Power Supply Cooperative Board of Directors.

Through my involvement with Cherryland, I have earned a Board Leadership Certificate from NRECA (the National organization representing electric cooperatives).

My experience as Leelanau County Board Chairman for 4 years combined with my 2 college degrees, organizational training I have received through the Fire service and my experience as an independent business owner have given me the skills to understand Budgets, Policies and proper Procedures.

I feel I am well suited to continue to represent the Members of Cherryland on their Board of Directors.

I Thank you very much for your consideration.

Director Duties And Responsibilities



The Board of Directors is the governing body of the cooperative and is responsible for establishing policies, providing strategic direction, hiring and evaluating the General Manager, providing for a plan of succession, and overseeing all major corporate decisions. It has a fiduciary responsibility to represent the members of the cooperative as provided for in state law and Cherryland Electric Cooperative Bylaws. To accomplish this, the board must structure itself so that it has the requisite knowledge and skills to carry out its duties in a manner that is efficient and cost-effective.

Balance Sheet

ASSETS	Audited Dec. 31, 2019	Audited Dec. 31, 2018
Current		
Cash	\$ 142,830	\$ 5,355
Receivables, net	6,364,207	6,601,614
Short-term investments	5,000,000	-
Inventories	605,918	638,052
Other	520,938	693,459
Total Current Assets	12,633,893	7,938,480
Property, Plant and Equipment		
Electric distribution plant	106,311,259	101,509,836
Nonutility plant	11,475,515	11,894,808
	117,786,774	113,404,644
Less accumulated depreciation	40,109,983	37,945,353
Net Property, Plant and Equipment	77,676,791	75,459,291
Other Assets and Investments		
Restricted cash	59,357	173,900
Investments in associated cooperatives	32,807,597	33,069,749
Capital term certificates	875,084	891,048
Post-retirement benefits, other than pensions	381,316	103,122
Other assets	1,479,368	1,522,337
Total Other Assets and Investments	35,602,722	35,760,156
TOTAL ASSETS	\$ 125,913,406	\$ 119,157,927
LIABILITIES AND EQUITIES		
Current Liabilities		
Lines of credit	\$ 1,750,140	\$ 3,607,332
Checks issued against future deposits	322,468	477,550
Accounts payable	3,247,835	3,501,772
Accrued expenses	2,123,832	2,462,310
Member deposits and advances	847,101	609,806
Current maturities of long-term debt	3,170,408	2,928,422
Total Current Liabilities	11,461,784	13,587,192
Unamortized Gain on Early Extinguishments of Debt	152,600	218,000
Long-term Debt, less current maturities	63,000,884	56,222,531
Total Liabilities	74,615,268	70,027,723
Equities		
Patronage capital	46,957,367	45,388,678
Current year margins	4,340,771	3,741,526
Total Equities	51,298,138	49,130,204
TOTAL LIABILITIES AND EQUITIES	\$ 125,913,406	\$ 119,157,927

The balance sheet and statement of operations show the results of the cooperative's electric operations for the calendar year 2019. The Dec. 31, 2019, balance sheet and the related statement of operations for Cherryland's electric operations were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of preceding years. In my opinion, the statements shown here present the financial position of the cooperative's electric operations as of Dec. 31, 2019, and the results of its electric operations for the year under review, according to the information and explanation shown in the records of Cherryland Electric Cooperative.

– Melinda Lautner, Treasurer

Statement Of Operations

	Audited Dec. 31, 2019	Audited Dec. 31, 2018
Operating Revenues	\$ 53,057,139	\$ 51,391,541
Operating Expenses		
Cost of power	32,649,497	33,210,388
Depreciation and amortization	3,750,059	3,624,445
Distribution—maintenance	3,750,038	3,259,930
Administrative and general	2,901,449	2,621,198
Distribution—operations	1,631,363	1,404,646
Member service and information	1,512,445	1,617,408
Taxes—property and other	1,277,232	1,144,014
Member accounts	1,084,379	1,078,051
Total Operating Expenses	48,556,462	47,960,080
Operating Margin	4,500,677	3,431,461
Other Income (Expense)		
Interest expense on long-term debt	(2,747,967)	(2,510,665)
Income from associated cooperatives	2,240,670	2,816,948
Other income	347,391	3,782
Total Other Income (Expense), Net	(159,906)	310,065
Net Margins	\$ 4,340,771	\$ 3,741,526

Copies of the Cooperative's audited financial statements are available upon request.

Consumer Cooperative Act Disclosure

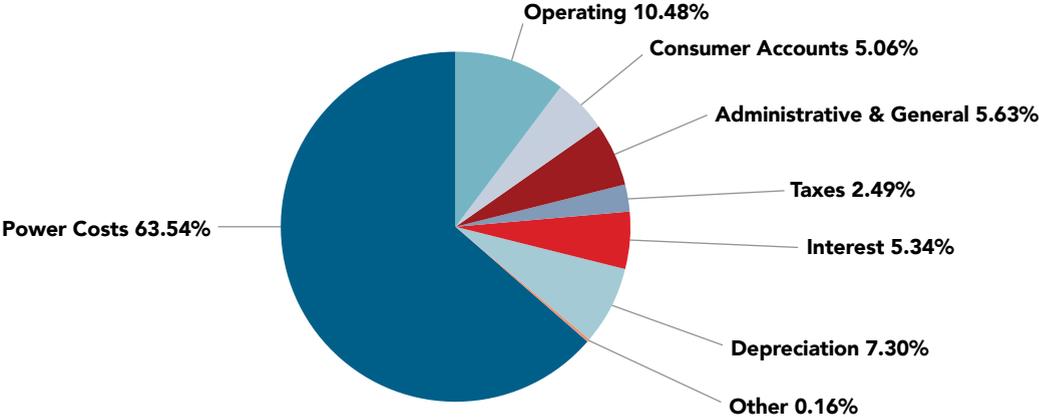
Name	Address	Email	Title	Term*
Tony Anderson	5930 U.S.-31 South Grawn, MI 49637	tanderson@cherrylandelectric.coop	General Manager	
Tom Van Pelt	6961 N. Overlook Road Northport, MI 49670	tvanpelt@cherrylandelectric.coop	Director, Leelanau President	2020
David Schweitzer	4562 Ground Pine Trail Traverse City, MI 49686	dschweitzer@cherrylandelectric.coop	Director At-Large Senior Vice President	2020
Gabe Schneider	5119 Silver Cove Drive Traverse City, MI 49685	gschneider@cherrylandelectric.coop	Director, Grand Traverse/Kalkaska Secretary	2021
Melinda Lautner	12708 S. Solon Road Cedar, MI 49621	mlautner@cherrylandelectric.coop	Director At-Large Treasurer	2022
Terry Lautner	13718 S. Bugai Road Traverse City, MI 49684	tlautner@cherrylandelectric.coop	Director At-Large	2021
John Olson	3846 Bay Valley Williamsburg, MI 49690	jolson@cherrylandelectric.coop	Director At-Large	2022
Jon Zickert	15811 Nuthatch Drive Thompsonville, MI 49683	jzickert@cherrylandelectric.coop	Director, Benzie/Manistee/Wexford	2022

*All terms expire in June.

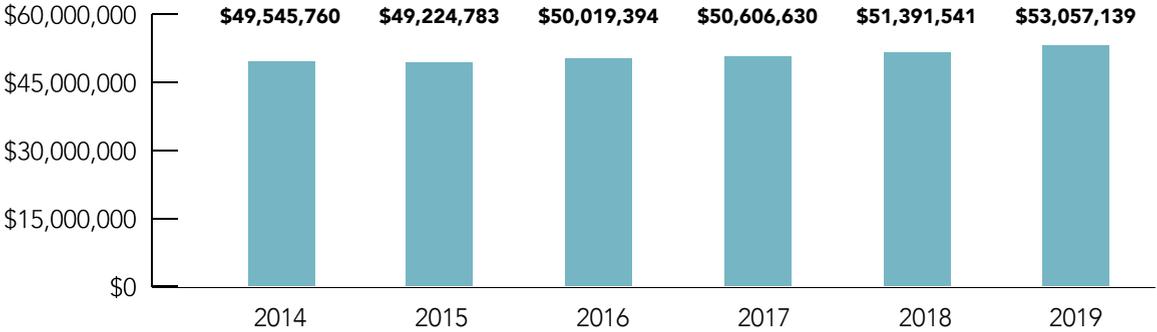
Board members are compensated \$1,000 per board meeting. General Manager is compensated \$266,510 annually.

Financial Overview

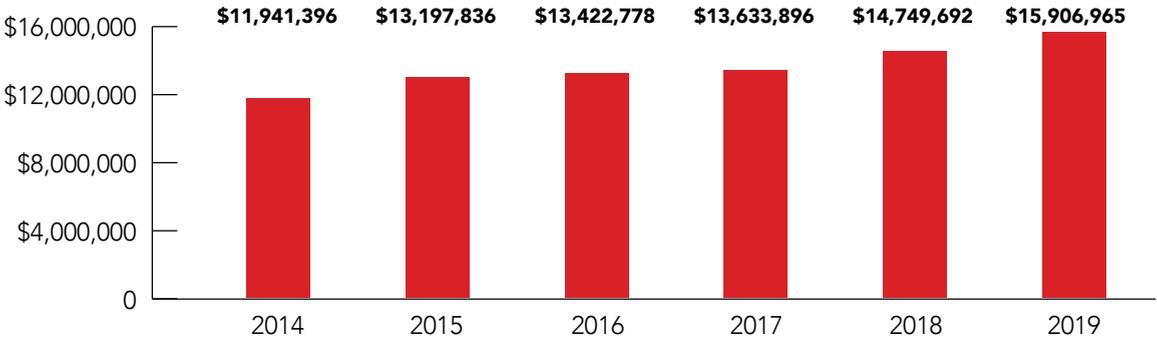
2019 Cherryland Electric Cooperative Expenses Per Dollar



Cherryland Electric Cooperative Revenues



Cherryland Electric Cooperative Operating Expenses



Schedule Of Patronage Assigned To Members

