



ANNUAL REPORT

CHERRYLAND ELECTRIC COOPERATIVE

2022

BUILDING A FOUNDATION



Cherryland is a best-in-class electric cooperative. From reliability and efficiency to safety, we are statistically one of the top cooperatives in the country. That doesn't happen overnight. There's a lot of planning and thinking two steps ahead that goes into providing top-notch service for our members.

In 2022, your board of directors invested a lot of time into figuring out what steps we can take now to make sure Cherryland stays in that best-in-class category and provide the kind of service you expect and deserve. I wanted to take this opportunity to walk you through some of the decisions we firmly believe are setting us up for success in the future:

- The board spent most of 2022 meticulously examining our rates through an in-depth analysis that ultimately concluded a rate increase was necessary and even overdue. Cherryland's last rate increase was in 2018. We are extremely proud to have found a way to keep this most recent rate increase to roughly 3% for the average member. Inflation and supply chain issues continue to nearly double the price of things like trucks, poles, and wire. That, in addition to increasing energy market volatility, made it clear that it was time to readjust rates to help us better prepare for cost pressures that lie ahead.
- As large-scale power plants shut down earlier than expected, new sources of electric generation aren't being brought online fast enough to fill the void left behind. Pair that with growing demand and increasingly electrified homes and vehicles – and we have a concerning problem when it comes to electric reliability. Over the course of last
- year, we worked to make those concerns known not only to you, but to our lawmakers and community leaders. It's the first step on a long road to finding a viable solution.
- The board approved an \$8.3 million investment over three years to replace the cooperative's current metering system. The meters on your home right now are aging out and costing the cooperative roughly \$350,000 a year to continually replace them. With this new system, you won't have to tell us your power is out because your meter will. That means we'll be able to get to work and get your lights back on faster. These new meters will also give you access to more up-to-date information regarding how much energy you use and when, giving you more tools to take control of your usage and ultimately your bill. By replacing an increasingly obsolete metering system with the most modern system available, we'll have the option to take advantage of new technologies in the future.
- It feels like we're finally emerging from the grips of COVID-19 and I can't stress enough the commitment demonstrated by Cherryland's leadership team and employees to making sure they're providing the highest level of service and reliability, despite the challenges that come with navigating all the changes we've experienced the past

few years. We're constantly taking the lessons we learn today to help us improve for tomorrow.

- After 20 years, Cherryland General Manager Tony Anderson is retiring. For 20 years, he's demonstrated his unwavering commitment to our mission: Member-focused. Safe. Reliable. Affordable. It has been a great privilege to work alongside him to make your cooperative one of the best in the country. On June 15, Tony will address the membership one last time at our Annual Meeting and begin his retirement. After that, Rachel Johnson will step into the role of CEO. The board chose Rachel knowing that her in-depth knowledge, experience, and passion for our members will be exactly what Cherryland needs to lead us into the future.

These decisions weren't always easy, but it's our job to make sure your cooperative is prepared for what lies ahead. We're proud of the foundation we're laying to build upon in the years to come. Thank you for trusting us with this important responsibility. I look forward to celebrating what's ahead and honoring where we've been together at our 85th Annual Meeting in June.

Sincerely,
David Schweitzer, board president



20 YEARS WITH TONY ANDERSON

General Manager Tony Anderson started at Cherryland in March of 2003. At our 85th Annual Meeting on June 15, 2023, he'll retire. For 20 years, Tony worked tirelessly to make sure your cooperative was safe, reliable, affordable, and above all—member-focused. In retirement, Tony will serve as president of the National Rural Electric Cooperative Board of Directors, where his passion and cooperative leadership will benefit the more than 900 electric cooperatives across the country.

Thank you for 20 years of service, Tony!

FIVE-YEAR MEMBER STATISTICS

	2022	2021	2020	2019	2018	1983
Average No. Members Served	37,421	36,915	36,487	36,075	35,628	16,364
Average No. Members per Employee	645.01	659.20*	663.40	621.98	614.28	N/A**
Miles of Line	3,228	3,199	3,176	3,162	3,137	1,880
Services per Mile	12	12	12	11	11	9
Property Taxes	\$1,441,309	\$1,396,103	\$1,316,913	\$1,277,174	\$1,144,014	\$213,104
Property Taxes per Member	\$38.52	\$37.82	\$36.09	\$35.40	\$32.11	\$13.02
Residential Member's Average Monthly Kilowatt-Hour Usage	713	717	723	690	717	579
Reliability	99.99%	99.91%	99.98%	99.98%	99.96%	N/A**

*Most efficient co-op in the country when compared to co-ops of similar size.

**Historic data not available.

NOTICE OF ANNUAL MEETING CHERRYLAND ELECTRIC COOPERATIVE

The Annual Meeting of the members of Cherryland Electric Cooperative will be called to order at Incredible Mo's in Grawn, Michigan, at 5:30 p.m. on Thursday, June 15, 2023. The following 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 4:00–5:30 p.m.

—Gabe Schneider, secretary



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.

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- five 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
- Northwestern Michigan College (NMC) Business Advisory Committee
- Single MOMM Ministry
- First Congregational Church Board of Trustees member for two years and congregation member for twenty-five years

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

I have served on your board for six years, the last year and half as president. During this time, I have learned a great deal about the electric industry and formed important relationships with other cooperative leaders. Near term, your

cooperative faces many challenges such as grid reliability, added demand from electric vehicles, cybersecurity, fast-changing technologies, regulatory requirements, increasing costs, and physical protection of the coop assets. I am focused on addressing these issues while simultaneously ensuring that we continue to provide the safe, 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?

COVID-19 was a challenging period for your co-op. We began and completed the search for your new CEO and careful financial management was critical with the many issues that we faced during that time. In fact, we are still dealing with the ongoing effects of COVID-19 as it relates to financial management, supply chain issues, and steep price increases. As your director and as a financial analyst, it is my duty to make sure we continue to make prudent financial decisions as we proactively face new opportunities and challenges. Cherryland is best in class as evidenced by its excellent financial condition, the capital credits you receive, our healthy equity position, and our top-notch employees. I intend to work with the other board members to keep it that way. 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.

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
- Leelanau Energy
- Michigan's Representative on:
 - Region 4 NRECA Nominating Committee
 - Region 4 NRECA 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 Treasurer of the Board of Cherryland Electric Cooperative. I also represent Cherryland on the Wolverine Power Supply Cooperative Board of Directors.

I am extremely proud that Cherryland is consider an Industry Leader with it's:

- 64% carbon free portfolio
- Outage texting
- Smart metering

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 of Commissioners 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.

BALANCE SHEET

ASSETS	Audited Dec. 31, 2022	Audited Dec. 31, 2021
Current		
Cash	\$ 156,472	\$ 91,268
Receivables, net	8,542,704	6,644,197
Inventories	1,173,272	923,351
Other	620,618	446,229
Total Current Assets	10,493,066	8,105,045
Property, Plant, and Equipment		
Electric distribution plant	119,833,134	115,099,058
Non-utility plant	13,501,449	11,843,223
Finance lease right-of-use assets	863,087	-
	134,197,670	126,942,281
Less accumulated depreciation	48,035,500	44,846,145
Net Property, Plant, and Equipment	86,162,170	82,096,136
Other Assets and Investments		
Restricted cash	105,006	391,208
Investments in associated cooperatives	34,461,898	33,230,616
Capital term certificates	792,835	810,732
Post-retirement benefits, other than pensions	-	22,074
Other assets	3,341,137	3,641,356
Total Other Assets and Investments	38,700,876	38,095,986
TOTAL ASSETS	\$ 135,356,112	\$ 128,297,167
LIABILITIES AND EQUITIES		
Current Liabilities		
Lines of credit	\$ 6,380,173	\$ 4,995,646
Checks issued against future deposits	163,161	536,757
Accounts payable	4,991,465	3,821,910
Accrued expenses	2,061,315	1,921,789
Member deposits and advances	688,123	758,489
Current maturities of long-term debt	2,834,125	3,017,355
Current portion of finance lease obligations	184,042	-
Total Current Liabilities	17,302,404	15,051,946
Post-retirement Benefit Obligation, Other than Pensions	61,173	-
Unamortized Gain on Early Extinguishments of Debt	-	21,800
Long-term Debt, less current maturities	61,762,482	59,600,212
Finance Lease Obligations, net of current portion	480,230	-
Total Liabilities	79,606,289	74,673,958
Equities		
Patronage capital	52,377,276	49,072,559
Current year margins	3,372,547	4,550,650
Total Equities	55,749,823	53,623,209
TOTAL LIABILITIES AND EQUITIES	\$ 135,356,112	\$ 128,297,167

The balance sheet and statement of operations show the results of the cooperative's electric operations for the calendar year 2022. The Dec. 31, 2022, 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, 2022, 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.

-Tom Van Pelt, treasurer

STATEMENT OF OPERATIONS

	Audited Dec. 31, 2022	Audited Dec. 31, 2021
Operating Revenues	\$ 58,746,530	\$ 55,355,235
Operating Expenses		
Cost of power	37,655,708	34,550,907
Distribution—maintenance	4,320,593	4,010,536
Depreciation and amortization	4,249,731	4,063,767
Administrative and general	3,444,464	2,952,954
Distribution—operations	1,755,830	1,600,525
Member service and information	1,617,221	1,493,348
Taxes—property and other	1,441,309	1,396,104
Member accounts	1,214,851	1,165,256
Total Operating Expenses	55,699,707	51,233,397
Operating Margin	3,046,823	4,121,838
Other (Expense) Income		
Interest expense on long-term debt	(2,531,524)	(2,661,607)
Income from associated cooperatives	3,011,309	2,935,351
Other income (loss)	(154,061)	155,068
Total Other (Expense) Income, net	325,724	428,812
Net Margins	\$ 3,372,547	\$ 4,550,650

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

CONSUMER COOPERATIVE ACT DISCLOSURE

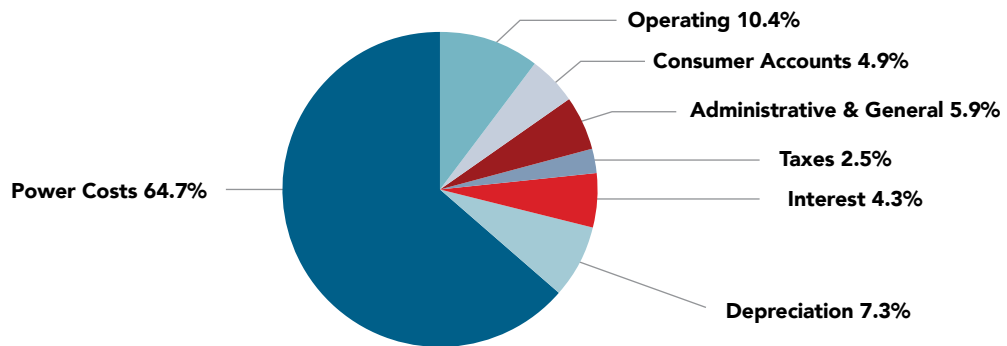
Name	Address	Email	Title	Term*
Tony Anderson	5930 U.S.-31 South Grawn, MI 49637	tanderson@cherrylandelectric.coop	General Manager	
Tom Van Pelt	6961 N. Overlook Road Northport, MI 49670	tvanpelt@cherrylandelectric.coop	Director, Leelanau Treasurer	2023
David Schweitzer	4562 Ground Pine Trail Traverse City, MI 49686	dschweitzer@cherrylandelectric.coop	Director At-Large President	2023
Gabe Schneider	5119 Silver Cove Drive Traverse City, MI 49685	gschneider@cherrylandelectric.coop	Director, Grand Traverse/Kalkaska Secretary	2024
Terry Lautner	13718 S. Bugai Road Traverse City, MI 49684	tlautner@cherrylandelectric.coop	Director At-Large	2024
Dean Adams	1980 Evergreen Ave. Traverse City, MI 49696	dadams@cherrylandelectric.coop	Director At-Large	2025
Valarie Handy	3858 Lazy Forest Trail Interlochen, MI 49643	vhandy@cherrylandelectric.coop	Director, Benzie/Manistee/Wexford	2025
Melinda Lautner	12708 S. Solon Road Cedar, MI 49621	mlautner@cherrylandelectric.coop	Director At-Large Senior Vice President	2025

*All terms expire in June.

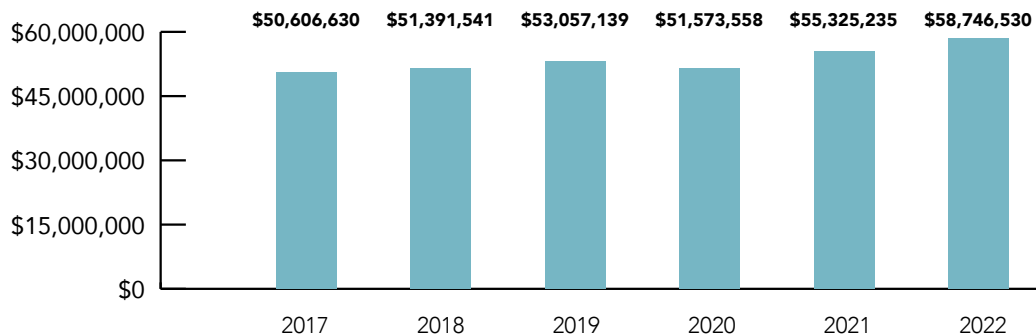
Board members are compensated \$1,000 per board meeting. General manager is compensated \$283,275 annually.

BALANCE SHEET

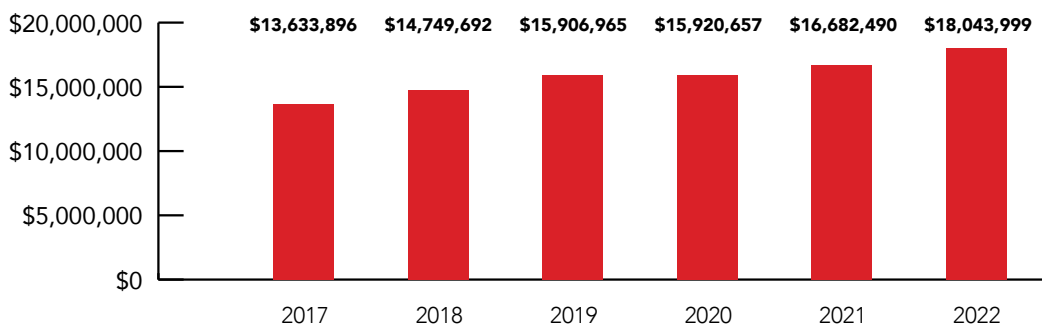
2022 Cherryland Electric Cooperative Expenses Per Dollar



Cherryland Electric Cooperative Revenues



Cherryland Electric Cooperative Operating Expenses



Schedule Of Patronage Assigned To Members

