



Minnesota Climate Innovation Finance Authority

(A Component Unit of the State of Minnesota)

FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

June 30, 2025 and 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 (the Authority), a component unit of the State of Minnesota, as of and for the years ended June 30, 2025 and 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, 2025 and 2024, and the changes in financial position and its cash flows for the years 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 requires that Management's Discussion and Analysis on pages 5 to 8 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.

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 basis 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 October 16, 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.

BDMF Assurance, LLP

Manchester, New Hampshire
October 16, 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 affect 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).

Change in Accounting Principle. As disclosed in Note 2 to the basic financial statements in 2025, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* and GASB Statement No. 102, *Certain Risk Disclosures*. The adoption of the statements and related guidance during the year ended June 30, 2025 did not have a material impact of the financial statements of Authority. The Authority did not adopt any new accounting guidance during the year ended June 30, 2024.

Net Position

	<u>2025</u>	<u>2024</u>
Total assets	\$ 107,395,726	\$ 46,415,209
Total liabilities	<u>310,730</u>	<u>32,418</u>
Total net position	\$ <u>107,084,996</u>	\$ <u>46,382,791</u>

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

Management's Discussion and Analysis
(Unaudited)

Total assets increased \$60,980,517 in 2025. The primary reason was due to a transfer of \$60,000,000 from the State Competitiveness Fund. Loans receivable increased \$11,700,000 as a result of ongoing investments in qualified clean energy projects.

Comparatively, total assets increased by \$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 \$278,312 in 2025 due primarily to professional services provided by outside vendors as well as State agencies as well as recording a liability for compensated absences due to adoption of GASB Statement No. 101, *Compensated Absences*.

Comparatively, 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 \$60,702,205 in 2025, based on operating loss of \$1,257,111, \$1,959,316 of nonoperating 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 Competitiveness Fund of \$60,000,000.

Comparatively, total net position increased by \$46,382,791 in 2024, based on operating loss of \$146,379, \$1,529,170 of nonoperating 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.

Revenues, Expenses and Changes in Net Position

	<u>2025</u>	<u>2024</u>
Total operating expenses	\$ 1,257,111	\$ (146,379)
Total nonoperating revenues	<u>1,959,316</u>	<u>1,529,170</u>
Net increase in net position	702,205	1,382,791
Net position, beginning of year	46,382,791	-
Transfers from the State of Minnesota	<u>60,000,000</u>	<u>45,000,000</u>
Net position, ending of year	\$ <u>107,084,996</u>	\$ <u>46,382,791</u>

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.

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
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Management's Discussion and Analysis
(Unaudited)

Provision for loan losses was \$0 in 2025 and 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 \$446,414 in 2025 due to the hiring of four employees, including an executive director, communications manager, administrative coordinator and chief financial officer, as well as adoption of GASB Statement No. 101, *Compensated Absences*.

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

Purchased services increased \$619,536 in 2025 due primarily to consulting services provided by Minnesota Management and Budget, support services provided by Minnesota IT Services, and legal services provided by the Minnesota Office of the Attorney General.

Comparatively, 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 \$24,782 in 2025 primarily due to additional office supplies, advertising costs, and travel costs related to the ongoing promotion of the Authority and its mission.

Comparatively, supplies, materials, and other expenses increased \$506 in 2024 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	<u>2025</u>	<u>2024</u>
Used for principal disbursed on loans	\$ (11,700,000)	\$ (4,700,000)
Used for all other operating activities	<u>(978,799)</u>	<u>(113,961)</u>
Used for operating activities	(12,678,799)	(4,813,961)
Provided by non-capital financing activities	60,000,000	45,000,000
Provided by investing activities	<u>1,959,316</u>	<u>1,529,170</u>
Net increase in cash and cash equivalents	\$ <u>49,280,517</u>	\$ <u>41,715,209</u>

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
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Management's Discussion and Analysis
(Unaudited)

Table 1 shows that in 2025, operations used net operating cash of \$12,678,799 to fund the second year of operations and project funding activity for the green bank. In 2024, operations used net operating cash of \$4,813,961 to fund the initial year of activity for the green bank. In 2025, non-capital financing activities provided \$60,000,000 of cash, primarily due to transfers of \$60,000,000 from the State Competitiveness Fund. 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 \$1,959,316 in 2025 from income on balances in the State's Invested Treasurer's Cash Pool. 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 2025 or 2024.

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)

Statements of Net Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 90,995,726	\$ 41,715,209
Noncurrent assets:		
Loans receivable	<u>16,400,000</u>	<u>4,700,000</u>
Total assets	<u><u>\$ 107,395,726</u></u>	<u><u>\$ 46,415,209</u></u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 154,487	\$ 15,646
Accrued payroll and related liabilities	<u>156,243</u>	<u>16,772</u>
Total liabilities	<u><u>\$ 310,730</u></u>	<u><u>\$ 32,418</u></u>
Net Position		
Unrestricted	<u><u>\$ 107,084,996</u></u>	<u><u>\$ 46,382,791</u></u>
Total net position	<u><u>\$ 107,084,996</u></u>	<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)

Statements of Revenues, Expenses, and Changes in Net Position

For the Year Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating expenses		
Salaries and fringe benefits	\$ 577,260	\$ 110,846
Purchased services	654,536	35,000
Supplies and materials	8,547	135
Other expenses	16,768	398
	<u>1,257,111</u>	<u>146,379</u>
Total operating expenses		
	<u>1,257,111</u>	<u>146,379</u>
Operating loss	<u>(1,257,111)</u>	<u>(146,379)</u>
Nonoperating revenues		
Interest earnings	1,959,316	1,529,170
	<u>1,959,316</u>	<u>1,529,170</u>
Total nonoperating revenues		
	<u>1,959,316</u>	<u>1,529,170</u>
Net increase in net position	702,205	1,382,791
Net position, beginning of year	46,382,791	-
Transfers from State of Minnesota	60,000,000	45,000,000
	<u>60,000,000</u>	<u>45,000,000</u>
Net position, ending of year	<u>\$ 107,084,996</u>	<u>\$ 46,382,791</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)

Statements of Cash Flows

For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Operating expenses paid	\$ (978,799)	\$ (113,961)
Principal disbursed on loans receivable	<u>(11,700,000)</u>	<u>(4,700,000)</u>
Net cash used for operating activities	<u>(12,678,799)</u>	<u>(4,813,961)</u>
Cash flows from non-capital financing activities		
Transfers and appropriations from State general fund	<u>60,000,000</u>	<u>45,000,000</u>
Net cash provided by non-capital financing activities	<u>60,000,000</u>	<u>45,000,000</u>
Cash flows from investing activities		
Revenue received on cash and cash equivalents	<u>1,959,316</u>	<u>1,529,170</u>
Net cash provided by investing activities	<u>1,959,316</u>	<u>1,529,170</u>
Net increase in cash and cash equivalents	49,280,517	41,715,209
Cash and cash equivalents, beginning of year	<u>41,715,209</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 90,995,726</u>	<u>\$ 41,715,209</u>
Reconciliation of operating loss to net cash used for operating activities:		
Operating loss	\$ (1,257,111)	\$ (146,379)
Changes in assets and liabilities:		
Loans receivable	(11,700,000)	(4,700,000)
Accrued payroll and related liabilities	139,471	16,772
Accounts payable and accrued expenses	<u>138,841</u>	<u>15,646</u>
Net cash used for operating activities	<u>\$ (12,678,799)</u>	<u>\$ (4,813,961)</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, 2025 and 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 create 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 exempt 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).

Adoption of New Accounting Pronouncements

During the year ended June 30, 2025, the Authority adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The adoption of the statement did not have a material impact on the financial statements of the Authority.

During the year ended June 30, 2025, the Authority adopted new accounting guidance, GASB Statement No. 102, *Certain Risk Disclosures*. The adoption of the statement did not have a material impact on the financial statements of the Authority.

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.

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

Notes to the Financial Statements

June 30, 2025 and 2024

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 statements of net position classification and the statements 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.

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 payroll and related liabilities. The calculation is based on the salary rates in effect as of the date of the statements 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 "nonoperating" revenues or expenses.

MINNESOTA CLIMATE INNOVATION FINANCE AUTHORITY
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Notes to the Financial Statements

June 30, 2025 and 2024

3. Loans Receivable and Allowance for Loan Losses

The composition of net loans receivable at June 30, 2025 and 2024 was as follows:

	<u>2025</u>	<u>2024</u>
Secured	\$16,400,000	\$4,700,000
Less: allowance for loan losses	<u>-</u>	<u>-</u>
	\$ <u>16,400,000</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 the 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, that 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 that 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, 2025 and 2024, the loans in the Authority's portfolio were current.

As of June 30, 2025 and 2024, there were no loans on non-accrual status.

As of June 30, 2025 and 2024, there were no loans 90 days past due and still accruing interest.

As of June 30, 2025 and 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.

**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, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 16, 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.

BDM Assurance, LLP

Manchester, New Hampshire
October 16, 2025