

TREC SOLARSHARE CO-OPERATIVE (NO.1) INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

TREC SOLARSHARE CO-OPERATIVE (NO.1) INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021

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INDEPENDENT AUDITORS' REPORT

To the members of
TREC SolarShare Co-operative (No.1) Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TREC SolarShare Co-operative (No.1) Inc., which comprise the statement of financial position as at December 31, 2021, and the statement of operations and changes in net assets (deficiency) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of TREC SolarShare Co-operative (No.1) Inc. as at December 31, 2021, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 independent of TREC SolarShare Co-operative (No.1) Inc. in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (Continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Co-operative's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Co-operative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Co-operative's financial reporting process.

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 a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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.

INDEPENDENT AUDITORS' REPORT (Continued)

- 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 Co-operative's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KRIENS~LAROSE, LLP



Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 15, 2022

TREC SOLARSHARE CO-OPERATIVE (NO.1) INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

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	2021	2020
	\$	\$
ASSETS		
CURRENT		
Cash	865,631	1,700,867
Accounts receivable	423,478	310,507
Prepaid expenses	667,776	671,457
Inventory (Note 3)	228,192	230,332
Loan receivable (Note 4)	14,693	20,773
	2,199,770	2,933,936
Goodwill (Note 13)	2,486	2,486
Debt service reserve fund (Note 5,6)	768,835	1,509,070
Maintenance reserve fund (Note 6)	184,052	104,264
Projects, land and equipment (Note 7)	44,593,442	43,885,691
	45,548,815	45,501,511
	47,748,585	48,435,447

See accompanying notes to the financial statements

TREC SOLARSHARE CO-OPERATIVE (NO.1) INC.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

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	2021 \$	2020 \$
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	400,566	353,276
Debt financing (Note 9)	1,646,460	1,661,640
Community solar bonds (Note 11)	5,454,600	8,343,107
Developer loans (Note 12)	52,397	28,462
Deferred revenue (Note 10)	4,116	4,116
Government remittances payable	144,065	2,767
	7,702,204	10,393,368
LONG-TERM DEBT		
Debt financing (Note 9)	11,045,698	11,955,100
Community solar bonds (Note 11)	34,373,157	30,980,925
Developer loans (Note 12)	344,372	379,421
Deferred revenue (Note 10)	12,347	16,462
	45,775,574	43,331,908
	53,477,778	53,725,276
NET ASSETS (DEFICIENCY)		
CONTRIBUTED SURPLUS	48,980	42,820
NON-CONTROLLING INTEREST (Note 13)	157,898	131,266
UNRESTRICTED NET ASSETS (DEFICIENCY)	(5,936,071)	(5,463,915)
	(5,729,193)	(5,289,829)
	47,748,585	48,435,447

APPROVED ON BEHALF OF THE BOARD

, Director , Director

See accompanying notes to the financial statements

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (DEFICIENCY)
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	\$	\$
REVENUES		
Generation revenues	7,067,652	6,895,559
Miscellaneous	21,456	18,691
Interest	7,268	13,205
Membership fees	6,160	3,560
Government assistance (Note 19)	-	9,761
Reimbursement for lost revenue	-	7,021
	7,102,536	6,947,797
EXPENSES		
Amortization	3,141,388	2,960,668
Bond interest	1,844,408	1,745,150
Operations and maintenance (Note 3)	1,301,066	1,230,482
Debt financing interest	702,486	750,788
Salaries and wages	251,691	313,858
Project management	154,907	212,771
Interest on notes payable	62,122	164,807
Professional fees	52,299	56,981
Insurance	21,125	19,213
Marketing	17,107	24,738
Office and general	14,310	12,278
Bank charges	5,623	22,502
Travel	-	72
	7,568,532	7,514,308
(DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	(465,996)	(566,511)
NET ASSETS (DEFICIENCY), beginning of year	(5,421,095)	(4,854,584)
NET ASSETS (DEFICIENCY) , end of year	(5,887,091)	(5,421,095)

TREC SOLARSHARE CO-OPERATIVE (NO.1) INC.
STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2021

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	2021 \$	2020 \$
CASH FROM OPERATING ACTIVITIES		
Cash receipts from generation revenues	6,961,308	6,834,417
Cash receipts from membership fees and other revenue	16,874	25,156
Cash receipts from government assistance	-	9,761
Interest received	7,268	13,205
Cash paid to suppliers and employees	(4,206,103)	(4,642,587)
	2,779,347	2,239,952
CASH FROM FINANCING ACTIVITIES		
Debt financing	(264,135)	(4,752,071)
Bonds payable	503,725	3,611,634
Advances to developers	(11,114)	(21,245)
	228,476	(1,161,682)
CASH FROM INVESTING ACTIVITIES		
Purchase of equipment	(3,849,139)	(19,738)
Loan advanced (net of repayments)	6,080	(20,773)
	(3,843,059)	(40,511)
Change in cash	(835,236)	1,037,759
Cash, beginning of year	1,700,867	663,108
Cash, end of year	865,631	1,700,867

See accompanying notes to the financial statements

STATUS AND NATURE OF ACTIVITIES

TREC SolarShare Co-operative (No. 1) Inc. (the Co-operative and/or SolarShare) is a Non-Profit Co-operative under the Ontario Co-operative Corporations Act.

SolarShare's objective is to promote the development of renewable energy resources in the Province of Ontario.

SolarShare allows Ontarians to invest in renewable energy and help promote its acceptance. Using the SolarShare enterprise model, SolarShare provides triple-bottom line benefits to members by offering the opportunity to invest in a democratically controlled, locally owned organization that owns renewable energy projects and promotes further development of renewable energy resources.

1. ECONOMIC DEPENDENCE

SolarShare is economically dependent on the electricity generated from the solar PV installations (over 99% of revenue) and the continued financing which they currently have in place. The ability of SolarShare to continue as a viable entity is dependent on this financing. The volume of transactions is normal for SolarShare and is consistent with the industry.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

SolarShare has elected to apply the standards in Part III of the Chartered Professional Accountants of Canada (CPAC) Accounting Handbook for Not-For-Profit Organizations (NFPOs) in accordance with Canadian generally accepted accounting principles and includes following significant accounting policies.

Consolidation

These consolidated financial statements include the assets, liabilities, and the results of operations of TREC SolarShare Co-operative (No.1) Inc. and its wholly owned subsidiaries:

- Community Solar Assets 1 Limited - CSA1
- Community Solar Assets 2 Limited - CSA2
- Community Solar Assets 4 Limited - CSA4
- Community Solar Assets 5 Limited - CSA5

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

These consolidated financial statements also include SolarShare's interest in the following joint ventures:

- TREC SolarShare and 1477400 Ontario Ltd Joint Venture
- Claremont Solar Joint Venture

SolarShare and TREC SolarShare and 1477400 Ontario Ltd Joint Venture are related by means of a 50.9% ownership interest. The purpose of the joint venture is to generate power at two solar projects located in Brampton, Ontario. SolarShare and Claremont Solar Joint Venture are related by means of a 51% ownership interest. The purpose of the joint venture is to generate power at a solar project located in Claremont, Ontario.

The joint ventures have been accounted for using a combined consolidation and proportionate consolidation approach. Assets and liabilities are fully consolidated whereas revenues and expenses are consolidated in proportion to SolarShare's interest in the joint venture. The non-controlling interest in the net assets of the joint ventures are disclosed separately in equity. Refer to Note 13 for additional details. All intercompany transactions and balances have been eliminated.

Revenue Recognition

Power Production

SolarShare holds FIT 1 Contracts, FIT 2 Contracts, FIT 3 Contracts and MicroFIT Contracts with the Independent Electricity System Operator (formerly Ontario Power Authority) under Ontario's Feed-In Tariff (FIT) program, which specify tariffs per kilowatt hour for fixed 20 year contracts.

Electricity revenue is recognized based on the electricity produced and delivered to the grid. Revenue is recognized based on energy measured by the Local Distribution Companies (LDCs) as determined by the LDCs meters at periodic dates through the year. Electricity produced from the LDC's last meter reading date to the year end is recognized based on the SolarShare's meters.

Deferred Revenue

SolarShare has received proceeds for hosting a cell system transmitter on a tower at one of the projects and has recorded the payment of future revenue as deferred revenue. Funds are recognized equally on an annual basis over the length of the contract.

Miscellaneous Revenue

Miscellaneous revenue consists of revenue generated from servicing the administrative needs of the Joint Ventures, hosting for an internet provider, from other small services rendered to industry partners, reimbursement for lost revenue and any administrative fees charged to members.

Continued...

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest Revenue

Interest revenue is recognized as revenue when earned.

Prepaid Leases

Prepaid leases are amortized on a straight-line basis over the life of the lease.

Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on the first-in, first-out basis. Inventory is reassessed annually against replacement cost and for any obsolescence. Parts held in inventory are expensed as they are put into service. The write-down of inventory to net realizable value is recognized as an expense in the period the write-down occurs. The reversal of a write-down is recognized as a reduction in expense in the period in which the reversal occurs.

Amortization

Amortization on energy production assets is charged using the straight line method over 20 years from start of commercial operation. Amortization on capital spare inverters is charged using the straight line method over 10 years commencing with the installation date. Amortization commences only after the asset reaches commercial operation.

Capital Assets

SolarShare capitalizes all project-related costs incurred related to the construction and/or purchase of the project. Those costs include equipment costs, soft costs and related financing charges for each project. Spare inverters are capitalized if they are considered standby equipment, are only used in connection with the projects, and expect to be used during more than one period.

Financial Instruments

Recognition of Financial Instruments

SolarShare initially recognizes its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions. SolarShare subsequently recognizes all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are recognized at fair value. Changes in fair value are recognized in net income.

Financial assets measured at cost or amortized include cash, term deposits, accounts receivable and notes receivable. Financial liabilities measured at cost or amortized cost include the accounts payable, notes payable, amounts due to members and long-term debt.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transaction Costs

SolarShare recognizes its transaction costs in net income in the period incurred. However, the carrying amount of the financial instruments that will not be subsequently measured at fair value is reflected in the transaction costs that are directly attributable to their origination, issuance or assumption.

Use of Estimates

The preparation of financial statements requires management to make assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant estimates SolarShare uses are:

1. Accrued energy revenue based on SolarShare's meters
2. Accrued interest payable based on debt instrument involved
3. Accrued site lease expense based on revenue
4. Accrued audit and insurance recorded based on contracts in place.

3. INVENTORY

	2021	2020
	\$	\$
Inventory is comprised as follows:		
Miscellaneous parts	198,835	200,193
AE central inverter parts	18,000	18,000
Solar panels	8,610	8,610
Sunfield parts	2,747	3,529
Total inventory carried at cost	228,192	230,332

During the year, the change in inventory is recognized in operations and maintenance and the allowance for inventory obsolescence is included therein as follows:

Inventory use	1,700	3,175
Write down of inventory for obsolescence	440	24,899
	2,140	28,074

Continued...

4. LOAN RECEIVABLE

SolarShare has provided a loan to an individual who supplies grass maintenance services to SolarShare for the purpose of expanding the provider's business.

Date	May 29, 2020
Limit	\$26,500
Type	Limited Recourse Grid Note
Description	Payable to TREC SolarShare Co-operative (No.1) Inc. by Gerald Gemmil.
Interest Rate	4% annually, calculated on a daily basis.
Repayment Terms	3 equal payments per year.
Security	Claim against sheep purchased with loan.

5. DEBT SERVICE RESERVE FUND

The debt service reserve fund represents funds held in trust controlled by the Lender, or an institutional trust company as its agent, which may be invested upon direction of CSA1 and CSA2, respectively. Interest earned is recorded as an addition to the reserve fund principal on the CSA1 and CSA2 statements.

The funds are held as security for the financing provided from the Lenders, as described in Note #9.

If CSA1 or CSA2 are unable to meet the debt service coverage ratio of 1.5:1 as outlined in Note #9, the Lender will be empowered to access the funds and withdraw a sufficient amount to meet debt payments, operating costs and working capital requirements.

6. MAINTENANCE RESERVE FUND

Funds in the maintenance reserve fund may be used for major maintenance replacement with the approval of the Lender. CSA1 and CSA2 have begun making contributions to the maintenance fund as per the the borrowing agreement.

	CSA1	CSA2	Total 2021	Total 2020
Debt Service Reserve	94,637	674,198	768,835	1,509,070
Maintenance Reserve	37,738	146,314	184,052	104,264

6. **MAINTENANCE RESERVE FUND (Continued)**

CSA1 has not used any portion of its Maintenance Reserve Fund. CSA2 has used its Maintenance Reserve Fund to finance the purchase of new inverters for one of the projects. These inverters were purchased prior to the end of the useful life of the initial inverters. The original inverters are to be held in inventory and used as rotating stock on the CSA2 sites to reduce downtime as inverters need to be swapped out for repair.

CSA2 Major Maintenance Reserve Accounting	2021	2020
Opening balance	72,230	22,021
Contributions to the Reserve	74,000	74,000
Interest earned in the Reserve	84	229
Major maintenance costs incurred	-	(24,020)
Closing balance	146,314	72,230

7. **PROJECTS, LAND AND EQUIPMENT**

Project Capital Assets Include:

1. Equipment Costs: All purchase and construction costs.
2. Project Costs: Costs relating to project development prior to commercial operation or acquisition including loan interest expenses, legal fees, banking fees, staff time, development fees and engineering studies and reports.
3. Land Assets: Purchases of land associated with or required by project development.

Capital Assets are described in Appendix 1.

8. OPERATIONAL LOANS

TREC SolarShare Co-operative (No.1) Inc.

Date	January 29, 2020
Limit	\$2,000,000
Type	Limited Recourse Grid Note
Description	This note is payable to Glen Estill.
Interest rate	This loan carries an interest rate of 6% annually, calculated on a daily basis.
Repayment terms	Loan is to be repaid through the confirmation of reinvestment of bonds, and new bond sales. SolarShare may repay the loan at any time without notice of penalty.
Security	None

	2021	2020
Principal at year end	N/A	-
Interest in the year	N/A	59,038
Balanced owed at year end	N/A	-

The loan was repaid in full in August 2020 and the promissory note was cancelled.

Community Solar Assets 4

Date	October 25, 2019
Limit	\$5,000,000
Type	Limited Recourse Grid Note
Description	This note is payable to 227118 Holdings Ltd.
Interest rate	This loan carries an interest rate of 3.5% annually, calculated on a daily basis.
Repayment terms	CSA4 may repay the loan at any time without notice or penalty.
Security	None

	2021	2020
Principal at year end	-	-
Interest in the year	49,758	92,582
Balanced owed at year end	-	-

An additional \$300,000 was called on the loan in January 2022.

9. DEBT FINANCING

Both CSA1 and CSA2 have secured long term debt against their respective assets as described in the tables below.

	CSA1	CSA2																								
Type	Term loan	Term loan																								
Lender	Equitable Life Insurance Company of Canada	CorpFinance International Ltd.																								
Interest Rate:	4.789% compounded monthly and payable monthly in arrears.	5.262% compounded monthly and payable monthly in arrears.																								
Term:	February 20, 2015 to February 20, 2031.	September 6, 2017 to March 31, 2033.																								
Repayment:	Monthly and sculpted over the life of the loan as per the amortization schedule.	Monthly, sculpted and declining rate changing June/December each year for the term of the loan as per the amortization schedule.																								
Security:	A first-ranking charge and perfected security interest against all assets of CSA1.	A first-ranking charge and perfected security interest against all assets of CSA2.																								
Debt Service Coverage Ratio (DSCR)	<p>The CSA1 and CSA2 portfolios have non-recourse commercial term loans in place. The terms of the commercial loans require that if the Debt Service Coverage Ratio (DSCR) (calculated on the latest four quarters' results) falls below 1.50, the level of cash reserves must be increased; if the DSCR falls below 1.20, the loan is in default. The following table shows the DSCR ratios for CSA1 and CSA2:</p> <table><tr><td>2021</td><td>1.49:1</td><td>2021</td><td>1.51:1</td></tr><tr><td>2020</td><td>1.69:1</td><td>2020</td><td>1.51:1</td></tr><tr><td>2019</td><td>1.45:1</td><td>2019</td><td>1.36:1</td></tr><tr><td>2018</td><td>1.43:1</td><td>2018</td><td>1.43:1</td></tr><tr><td>2017</td><td>1.64:1</td><td>2017</td><td>5.27:1</td></tr><tr><td>2016</td><td>1.73:1</td><td>2016</td><td>N/A</td></tr></table>		2021	1.49:1	2021	1.51:1	2020	1.69:1	2020	1.51:1	2019	1.45:1	2019	1.36:1	2018	1.43:1	2018	1.43:1	2017	1.64:1	2017	5.27:1	2016	1.73:1	2016	N/A
2021	1.49:1	2021	1.51:1																							
2020	1.69:1	2020	1.51:1																							
2019	1.45:1	2019	1.36:1																							
2018	1.43:1	2018	1.43:1																							
2017	1.64:1	2017	5.27:1																							
2016	1.73:1	2016	N/A																							

As at December 31, 2021, the DSCR was below 1.50:1 for CSA1 and thus subject to deemed compliance per the credit agreements although not to the point of default (1.20:1) of this specific requirement of the respective lender. When the DSCRs are not in compliance but have not defaulted, CSA1 and CSA2 are required to deposit all available cash, post expenses, on a monthly basis, to the Reserve Fund, until the account has a balance equal to 6 months (CSA1) or 12 months (CSA2) worth of scheduled payments or the DSCR is back in compliance.

Continued...

9. DEBT FINANCING (Continued)

As at December 31, 2020, the DSCR was greater than 1.50:1 for both CSA1 and CSA2. Under the terms of the loan, when the DSCR is greater than 1.50:1, a reserve of 3 months (CSA1) or 6 months (CSA2) of principal and interest is set aside.

CSA1	2020	2021	2022	2023	2024	2025	2026
Loan Balance	2,934,034	2,689,991	2,437,989	2,177,644	1,908,549	1,630,282	1,342,399
Less: Amortized Financing Costs	(139,555)	(125,728)	(111,900)	(98,073)	(84,246)	(70,417)	(56,590)
	2,794,479	2,564,263	2,326,089	2,079,571	1,824,303	1,559,865	1,285,809
Current Portion	379,226	375,324	371,418	367,509	363,595	359,676	355,751
Long Term Portion	2,415,253	2,188,939	1,954,671	1,712,062	1,460,708	1,200,189	930,058

CSA2	2020	2021	2022	2023	2024	2025	2026
Loan Balance	10,934,828	10,229,665	9,498,793	8,740,835	7,954,340	7,137,781	6,289,549
Less: Amortized Financing Costs	(319,162)	(293,325)	(267,412)	(241,537)	(215,662)	(189,787)	(163,950)
	10,615,666	9,936,340	9,231,381	8,499,298	7,738,678	6,947,994	6,125,599
Current Portion	1,267,373	1,255,325	1,243,271	1,231,207	1,219,133	1,207,045	1,194,942
Long Term Portion	9,348,293	8,681,015	7,988,110	7,268,091	6,519,545	5,740,949	4,930,657

A non-revolving term loan was made available to the Claremont Solar Joint Venture, effective September 2, 2016 in the aggregate amount of up to \$263,760. The loan is to be used for working capital purposes in connection with the Project of the Joint Venture Agreement. The loan shall bear interest a rate equal to 5% per annum on the unpaid principal amount of the Loan and accrues daily.

Claremont JV	2020	2021	2022	2023	2024	2025	2026
Loan Balance	206,595	191,555	175,743	159,124	141,653	123,289	103,986
Current Portion	15,041	15,811	16,619	17,471	18,364	19,303	20,291
Long Term Portion	191,554	175,744	159,124	141,653	123,289	103,986	83,695

Continued...

10. DEFERRED REVENUE

The deferred revenue balance relates to a hosting agreement paid by an internet provider as a result of the Dane Tower that exists on the purchased land. The term of the agreement is 7 years of which the revenue was paid upfront. The revenue to be earned in the next 12 months is presented as current. The revenue will be recognized on a straight line basis as follows:

	2019	2020	2021	2022	2023	2024	2025
Revenue	\$4,116	\$4,116	\$4,116	\$4,116	\$4,116	\$4,116	\$4,114
Deferred	\$24,694	\$20,578	\$16,462	\$12,346	\$8,230	\$4,114	\$0

11. COMMUNITY SOLAR BONDS

SolarShare has been authorized by the Financial Services Regulatory Authority of Ontario (formerly the Financial Services Commission of Ontario), to offer Solar Bonds to the public under a series of sequential Offering Statements as follows:

Date of Offering Statement	Expiry	Total Bonds Issued by Offering (to December, 31 2021)
As of July 2019: Regulated by the Financial Services Regulatory Authority		
Jan 1, 2021	Dec 31, 2021	\$9,923,977
Nov 22 2019	Nov 21 2020	\$14,545,496
Prior to 2019: Regulated by the Financial Services Commission of Ontario		
May 17 2018	May 17 2019	3,393,000
May 16 2017	May 16 2018	10,620,000
May 16 2016	April 30 2017	9,863,250
May 01 2015	April 30 2016	7,444,793
Nov 01 2014	April 13 2015	6,694,775
Oct 13 2013	Oct 12 2014	3,031,000
Oct 12 2012	Oct 11 2013	2,148,000
Aug 2011-Oct 2012	Not receipted, co-op exemption	156,000

Description:

Security:

SolarShare is currently issuing one type of Solar Bond.

Solar Bonds are secured by mortgages of the leases of properties where Solar projects are located and by security interests in certain assets of SolarShare.

The security of Solar bonds stand in first position, but behind Long Term Debt in the case of CSA1 and CSA2.

11. **COMMUNITY SOLAR BONDS (Continued)**

Fair Value of Security: Based on internal valuations, SolarShare is obliged to maintain the net present value of future cashflows net of Debt Financing, in excess of the face value of the outstanding Solar Bonds. Based on internal valuation, estimated net present value of future cash flows net of Debt Financing at December 31, 2021 exceeds outstanding Solar Bonds.

Bond Type	Interest Rate	Conditions	Maturity	Outstanding balance, net of redemption	
				2021	2020
Original Bond	5%	Paid semi-annually	Pre-2014: 5 years after issue date Offering 201411: Oct 31 2019 Offering 201505: April 30 2020 Offering 201605: April 30 2021 Offering 201705: 5 years after issue date Offering 201805: 5 years after issue date. Not currently offered.	10,073,000	16,120,000
CWCF Bond	5%	Compounded annually on anniversary. Bonds held in RRSP/RRIF/TFSA.	Offering 201411: Oct 31 2019 Offering 201505: April 30 2020 Offering 201605: April 30 2021 Offering 201705: 5 years after issue date. Offering 201805: 5 years after issue date. Not currently offered.	2,304,073	4,309,073
Long Bond	6%	Principal and Interest payments commencing 6 months after issue	Offering 201505: April 30 2030 Offering 201605: April 30 2031 Offering 201705: 5 years after issue date. Offering 201805: 5 years after issue date. Not currently offered.	4,093,306	4,373,464
Original Bond	4%	Paid semi-annually	Offering 201911: 5 years after issue date. Offering 202101: 5 years after issue date.	19,980,000	12,053,000
CWCF	4%	Compounded annually on anniversary. Bonds held in RRSP/RRIF/TFSA.	Offering 201911: 5 years after issue date. Offering 202101: 5 years after issue date.	4,410,007	2,492,495
			Holding Accounts	(1,032,629)	(24,000)
				39,827,757	39,324,032

Continued...

11. COMMUNITY SOLAR BONDS (Continued)

In fiscal year 2021, the holding accounts include \$1,046,000 of early redeemed principal not yet reflected in the bond system. An additional \$432,000 in 5% annual interest, 5 year term Solar bonds were redeemed in January 2022.

The maximum amount of Community Solar Bonds to be redeemed or reinvested in the next five years are as follows:

	2020	2021	2022	2023	2024	2025	2026
Long Bond	266,426	282,644	299,855	317,229	337,540	358,109	379,844
Other	8,076,681	5,171,956	5,535,072	634,930	14,466,009	9,923,998	-
Current Portion	8,343,107	5,454,600	5,834,927	952,159	14,803,549	10,282,107	379,844
Long Term Portion	30,980,925	34,373,157	28,538,230	27,586,071	12,782,522	2,500,415	2,120,571
Total	39,324,032	39,827,757	34,373,157	28,538,230	27,586,071	12,782,522	2,500,415

12. DEVELOPER LOANS

Developer Loan	Solera Sustainable Energies Companies Ltd.	Morgan Solar
Type	Deferred payment	Holdback on Invoices Payable
Description:	This deferred payment is payable to Solera Sustainable Energies Company Limited.	An amount retained from payment due to Lender to provide security against a Limited Product Warranty. In the event the Lender defaults on its obligations under the terms of the warranty, SolarShare can reduce the principal repayment of the loan and rectify the default.
Amount	Maximum of \$341,915 as per agreement.	\$109,637.46
Interest Rate:	2.5% per year	5.5% per annual from the Advance date (Sept 30 2017)
Term:	11 years commencing October 27, 2015	10 years commencing Sept 30, 2017
Repayment:	Commencing on the fifth anniversary of the agreement. Annual payments based on terms of the agreement	Annual repayments of \$10,963.75 CAD principal plus interest for the period on the anniversary date of the advance.
Security:	None	None.

Continued...

12. DEVELOPER LOANS (Continued)

Solera Sustainable Energies Company Ltd.	2020	2021	2022	2023	2024	2025	2026
Opening balance	340,212	330,082	330,082	288,649	259,096	224,644	185,924
Principal payments	10,130	-	41,433	29,553	34,452	38,720	38,720
Interest (2.5% per annum)	8,505	8,252	7,815	7,216	6,477	5,616	4,648
Interest payments	8,505	8,252	7,815	7,216	6,477	5,616	4,648
Closing balance	330,082	330,082	288,649	259,096	224,644	185,924	143,490
Current portion	17,498	41,433	29,553	34,452	38,720	42,434	45,662
Long term portion	312,584	288,649	259,096	224,644	185,924	143,490	97,828

Morgan Solar	2020	2021	2022	2023	2024	2025	2026
Opening balance	88,916	77,801	66,687	55,573	44,458	33,343	22,229
Principal payments	10,964	10,963	10,964	10,964	10,964	10,964	10,964
Interest (5.5% per annum)	4,673	4,070	3,467	2,864	2,261	1,658	1,055
Interest payments	4,824	4,221	3,618	3,015	2,412	1,809	1,206
Closing balance	77,801	66,687	55,573	44,458	33,343	22,229	11,115
Current portion	10,964	10,964	10,964	10,964	10,964	10,693	10,693
Long term portion	66,837	55,723	44,609	33,494	22,379	11,265	151

13. NON-CONTROLLING INTEREST

SolarShare has entered into two Joint Venture agreements to operate projects located on commercial rooftops in Brampton and a Community Centre roof in Durham Region. The investment in the Vankirk Joint Venture (50.9%) and Claremont Solar Joint Venture (51.0%) are accounted for as follows:

Joint Venture Accounting	2021	2020
Total Assets	\$590,746	\$504,405
Total Liabilities	\$269,161	\$237,097
Net Assets	\$321,585	\$267,308
SolarShare Interest in JV	\$163,687	\$136,042
Partner Interest In JV	\$157,898	\$131,266

The 51% acquisition of the Claremont Solar Joint Venture on May 29, 2019 resulted in \$2,486 of goodwill upon consolidation based on the SolarShare's investment in the Project. Goodwill is not amortized. It is tested for impairment when events or changes in circumstances indicate the carrying amount may exceed the fair value. There has been no impairment loss to date.

Continued...

14. FINANCIAL INSTRUMENTS

SolarShare is exposed to various risks through its financial instruments. The following represents SolarShare's exposures to risk at December 31, 2021.

Risk Management

SolarShare manages its exposure to risks associated with financial instruments by not dealing in any financial instruments that will have a detrimental effect upon its operating or financial performance. The objective is to avoid exposure to the risks.

Liquidity Risk

Liquidity risk is the risk that SolarShare will not be able to meet a demand for cash or fund its obligations as they come due. Liquidity risk also includes the risk of SolarShare not being able to liquidate assets in a timely manner at a reasonable price.

SolarShare meets its liquidity requirements by preparing and monitoring detailed forecasts of cashflows from obligations, anticipating investing and financing activities, securing access to short term capital and holding assets that can be readily converted into cash.

Credit Risk

SolarShare's credit risk exists with the local distribution companies (LDC). See Appendix 1 for LDCs by project.

Interest Rate Risk

SolarShare has the following investment that earn interest income:

Item	Community Solar Assets 2
Description	Debt Service Coverage Reserve Fund
Invested with	HSBC
Investment	GIC
Term	September 9, 2021 to March 8, 2022
Rate	0.54% per annum
Principal	\$673,000
Maturity Value	\$674,792

Note: The remaining balance of the Debt Service Coverage Reserve Fund is held in a bank account controlled by the lender on behalf of CSA2.

SolarShare also has loan obligations that carry interest including developer loans at 2.5% and 5.5%, operational loans at 3.5%, short term private loan at 6% and Solar Bonds payable carry an interest rate of 4%, 5% or 6%. Interest rates on future bond offerings may vary from rates stated here.

Continued...

14. FINANCIAL INSTRUMENTS (Continued)

Fair Value

The fair values of cash, accounts receivable and accounts payable are approximately equal to their carrying value due to their short term nature.

The fair value of notes payable is determined using the present value of future cash flows under current financing agreements, based on market interest rates for loans with similar conditions and maturities.

Change in Risk

There has been no significant change in the SolarShare's risk exposure from the prior year.

15. CONTRACTUAL OBLIGATIONS

TREC Renewable Energy Fund

SolarShare has entered into an agreement with TREC to transfer all accounting surplus after allowances for cash flow needs and required maintenance reserves (at the Board's discretion) to a Renewable Energy Fund managed by TREC. Transfers to the fund are subject to the terms and conditions in the agreement. The funds will be reinvested in approved community power projects.

TREC Services

SolarShare has entered into an agreement where TREC will provide some back-office services for the Co-operative according to agreed upon schedules. This Agency Agreement is effective April 1st, 2021 for a term of 12 months.

Community Wealth Co-operative

SolarShare has an agreement with Community Wealth to transfer to them 25% of the surplus resulting from the operations of the eight projects which SolarShare took over from the Green Timiskaming Co-operative. The surplus is to be calculated by SolarShare at the end of the FIT Contracts on these projects.

16. DONATED PROPERTY AND SERVICES

During the year, substantial amounts of voluntary services were provided. Because these services are not normally purchased by SolarShare, and because of the difficulty of determining their fair value, donated services are not recognized in these statements.

17. LEASE COMMITMENTS

SolarShare is committed to 20-year lease agreements on each of the properties where it has energy assets located. Future lease obligations are estimated to be as follows:

Lease Commitments	2021 Actual	2022	2023	2024	2025	2026	Future
Operational Projects	594,254	522,375	522,375	522,375	522,375	522,375	4,005,317

A portion of the lease payments are based on percentage 3.3%-10% of gross revenue earned by those projects. Future amounts cannot be estimated at this point and are not included above, while some projects have prepaid leases. These amounts are not included in the future lease obligations above.

18. RELATED PARTY TRANSACTIONS

Related Party Transactions	Relationship	Transaction	2021	2020
TREC Renewable Energy Co-operative	Under the terms of an Agency Agreement, TREC was engaged to provide the following services	Services fees for:	\$165,751	\$222,560
		Campaign Mgmt	\$12,768	\$16,585
		Finance Mgmt	\$77,685	\$72,825
		Investment	\$63,278	\$93,572
		Mgmt		
		Hr Mgmt	\$6,098	\$8,424
		Sublet	\$0	\$25,993
		Reimbursement for cost	\$5,922	\$5,161
Iler Campbell LLP	One of the partners of the legal firm is the Trustee of the bondholders, and a former SolarShare Secretary and Director.	Legal Fees Paid	\$46,924	\$17,234
Ambrose Raftis	Former SolarShare Director and former Operations and Maintenance Committee member.	Snow removal, site maintenance, landlord and member relations for the Timiskaming area	\$4,232	\$6,692
DLS Robertson Professional Corporation	The owner of the accounting consulting firm is a former SolarShare Director and current member of the Finance Committee.	Accounting Services	\$0	\$1,265
227118 Holdings Ltd.	The owner of this company is the president of SolarShare.	Interest paid	\$49,758	\$92,582
		Amount due	\$0	\$0

Related party transactions are measured at the exchange amount. Related party transactions that result in a financial liability are recorded using undiscounted cashflows, excluding interest.

Continued...

19. IMPACT OF THE NOVEL CORONAVIRUS ("COVID-19")

In March 2020, the World Health Organization declared a global pandemic due to the outbreak of the novel Coronavirus ("COVID-19"). The situation is continuously developing, and the economic impact has been substantial to both Canada and the globe.

The pandemic has not resulted in significant changes to SolarShare's operations as the core operation of selling electricity generated from solar projects throughout the province has been largely unaffected.

In 2021, SolarShare moved to a smaller and more cost effective office and completed the majority of transactions electronically to minimize paper based transactions and to facilitate remote working. Management does not feel there will be a material impact on future operations.

In 2020, SolarShare received government assistance in the amount of \$9,761 for the Temporary Wage Subsidy for Employers (TWS). The TWS served as a reduction in the amount of payroll deductions required to be remitted to the Canada Revenue Agency (CRA). The assistance received was not repayable albeit is subject to audit by the Canada Revenue Agency (CRA). The TWS was temporary and was available from March 18, 2020 to June 19, 2020. Government assistance is a restricted contribution and is accounted for using the deferral method. Wage subsidies are recognized as revenue in the year the related wages are incurred.

The duration of the pandemic is unknown at this time. As a result, it is not possible to reliably estimate the length or severity of these developments, nor the impact on the financial position of SolarShare.

TREC SOLARSHARE CO-OPERATIVE (NO.1) INC.
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Operational Projects									
TREC SolarShare Co-op (No.1) Inc.									
	Total Capital Assets	Sunfields	Waterview	Panjetan	Earlton	Dewey	Keeler	Joint Venture 111 Vankirk 153 Vankirk	Joint Venture Claremont
Description		17 Groundmount PV Trackers	Rooftop Array	Rooftop Array	Rooftop Array	Groundmount	Groundmount	Rooftop Arrays	Rooftop Arrays
Size (DC)		204kW (17x12kW)	438kW	162kW	250kW	250kW	599kW	1200kW (600x2)	100kW
Location		Across southern Ontario	Mississauga	GTA	Timiskaming	Kingston	McNab/Braeside	GTA	Pickering
Commercial Operation Date		Mar 6 - Sept 30 2011	Nov 19 2011	Aug 24 2015	Aug 2 2016	Aug 23 2018	Dec 19 2016	May 28-2015, Apr 13-2015	June 15, 2015
Contract End Date		Mar 6 -Sept 30 2031	Nov 18 2031	Feb 25 2035	Feb 28 2036	Aug 27 2037	Aug 26 2036	Feb 20 2035	Feb 25 2035
Local Distribution Company		HydroONE	Alectra	Alectra	Hydro One	Hydro One	Hydro One	Alectra	Elxicon
Pre-COD Interest	293,434	57,674	159,799	4,861	366	13,470	-	57,264	-
Equipment Costs	7,910,699	1,726,840	1,899,686	653,381	657,151.00	725,627.00	-	1,918,415	329,599
Project Costs	700,687	141,232	225,099	39,531	11,411	158,111	1,672	109,010	14,621
Amortization to Dec 31 2021	(3,568,480)	(1,027,064)	(1,151,811)	(226,627)	(192,844.00)	(157,405.00)	-	(700,736)	(111,993)
Balance as at Dec 31 2021	5,336,340	898,682	1,132,773	471,146	476,084	739,803	1,672	1,383,953	232,227

Operational projects						
Community Solar Assets 1 Ltd						
	Total	Ontario St	Champion	Michael Street	GoodMark	Vanastra
Description		Rooftop Array	Rooftop Array	Rooftop Array	Rooftop Array	Rooftop Array
Size (DC)		140kW	249kW	150kW	134kW	366kW
Location		St Catherine's	Moose Creek	Ottawa	GTA	Vanastra
Commercial Operation Date		Nov 14 2012	July 15 2013	Sept 24 2013	Nov 20 2013	April 14 2014
Contract End Date		Nov 13 2032	July 14 2033	Sept 23 2033	Nov 19 2033	April 13 2034
Local Distribution Company		Alectra	HydroONE	Hydro Ottawa	Toronto Hydro E.S.	HydroONE
Pre-COD Interest	65,010		27	16,986	8,172	39,825
Equipment Costs	5,819,469	745,081	1,484,566	910,455	491,310	2,188,057
Project Costs	487,059	54,756	69,539	58,415	206,944	97,405
Amortization to Dec 31 2021	(2,600,830)	(363,260)	(654,030)	(406,666)	(285,514)	(891,360)
Balance as at Dec 31 2021	3,770,708	436,577	900,102	579,190	420,912	1,433,927

Operational projects		
Community Solar Assets 5 Ltd		
	Total	Renfrew
Description		Ground Mount
Size (DC)		600kW
Location		Braeside ON
Commercial Operation Date		Dec 19 2016
Contract End Date		Aug 26 2036
Local Distribution Company		Hydro One
Pre-COD Interest	-	
Equipment Costs	3,271,537	3,271,537
Project Costs	14,304	14,304
Land	200,000	200,000
Amortization to Dec 31 2021	(176,658)	(176,658)
Balance as at Dec 31 2021	3,309,183	3,309,183

Continued...

TREC SOLARSHARE CO-OPERATIVE (NO.1) INC.
NOTES TO THE FINANCIAL STATEMENTS - APPENDIX 1
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Operational Projects											
Community Solar Assets 2 Ltd											
	Total	Summerville	Holtby	80 VanKirk	Midair	Keele	Basaltic	Abeline	Keeler	Stronach	Orenda
Description		Rooftop Array	Rooftop Array	Rooftop Array	Rooftop Array	Rooftop Array	Rooftop Array	Rooftop Array	Rooftop Array	Rooftop Array	Rooftop Array
Size (DC)		300kW	600kW	600kW	600kW	300kW	300kW	550kW	300kW	500kW	320kW
Location		GTA	GTA	GTA	GTA	GTA	GTA	GTA	Colborne ON	GTA	GTA
Commercial											
Operating Date		Oct 6 2014	Oct 2 2014	March 27-2015	April 20 2015	May 22 2015	Feb 20 2015	July 13 2015	Nov 10 2017	Sept 2 2016	Oct 22 2015
Contract End Date		Oct 5 2034	Oct 1 2034	Feb 20 2035	Feb 20 2035	Feb 25 2035	Feb 19 2035	Feb 25 2035	Nov 9 2037	Mar 1 2036	April 22 2035
Local Distribution Company		Alectra	Alectra	Alectra	Alectra	Alectra	Alectra	Alectra	Hydro One	Alectra	Alectra
Pre-COD Interest	308,999	24,662	55,679	48,120	63,231	41,833	20,623	24,608	-	23,807	6,436
Equipment Costs	18,007,782	1,188,756	2,446,806	2,825,309	3,303,496	1,107,948	1,080,865	3,111,055	370,000	1,322,101	1,251,446
Project Costs	923,373	25,212	49,818	44,465	55,684	533,135	110,709	23,006	12,848	16,431	52,065
Inverters	51,991	-	-	-	-	-	-	-	-	-	-
Amortization to Dec 31, 2021	(6,334,016)	(445,699)	(918,402)	(988,909)	(1,150,390)	(560,972)	(414,167)	(1,034,968)	(13,535)	(368,358)	(414,256)
Balance as at Dec 31, 2021	12,958,129	792,931	1,633,901	1,928,985	2,272,021	1,121,944	798,030	2,123,701	369,313	993,981	895,691

Operational Projects													
Description Size (DC) - Estimated Location Commercial Operating Date Contract End Date Local Distribution Company Pre-COD Interest Equipment Costs Project Costs Land Snow Machinery Amortization to Dec 31, 2021 Balance at Dec 31, 2021	Community Solar Assets 4 Ltd												
	Total	Wintergreen	Lovell	Kaladar	Sundance 1	Sundance 2	Sundance 3	Sundance 4	Sundance 5	Sundance 6	Sundance 7	Sundance 8	Sundance General
	Rooftop Array	Ground Mount	Ground Mount	Ground Mount	Ground Mount	Ground Mount	Ground Mount	Ground Mount	Ground Mount	Ground Mount	Ground Mount	Ground Mount	
	600kW	600kW	300kW	600kW	600kW	600kW	600kW	600kW	600kW	600kW	600kW	600kW	
	Kingston	Kingston	Kingston	Timiskaming	Timiskaming	Timiskaming	Timiskaming	Timiskaming	Timiskaming	Timiskaming	Timiskaming	Timiskaming	
	Jun 7 2017	Jun 8 2017	Jun 19 2017	Jan 22 2018	Dec 22 2017	Oct 11 2017	Sept 22 2017	Aug 31 2017	Sept 22 2017	Aug 31 2017	Aug 31 2017	Aug 31 2017	
	Jun 7 2037	Jun 7 2037	Jun 18 2037	Aug 27 2037	Aug 27 2037	Aug 27 2037	Aug 26 2037	Aug 26 2037	Aug 27 2037	Aug 26 2037	Aug 26 2037	Aug 26 2037	
	HydroOne	HydroOne	HydroOne	HydroOne	HydroOne	HydroOne	HydroOne	HydroOne	HydroOne	HydroOne	HydroOne	HydroOne	
	24,779	904	5,392	1,600	(13,797)	(13,297)	5,202	4,921	8,729	7,731	8,697	8,697	-
	24,025,899	2,331,928	2,210,410	1,179,496	2,268,334	2,292,924	2,308,239	2,279,198	2,307,549	2,279,258	2,283,588	2,283,488	1,487
	245,700	36,161	55,122	34,744	13,865	15,065	14,658	15,858	14,658	14,658	15,858	15,053	-
	77,856	-	-	-	-	-	-	-	-	-	-	-	77,856
	72,591	-	-	-	-	-	-	-	-	-	-	-	72,591
	(5,227,743)	(535,254)	(513,096)	(273,564)	(461,370)	(458,938)	(489,096)	(490,790)	(505,036)	(491,146)	(500,097)	(499,902)	(9,454)
19,219,082	1,833,739	1,757,828	942,276	1,807,032	1,835,754	1,839,003	1,809,187	1,825,900	1,810,501	1,808,046	1,807,336	142,480	

Consolidated	Operational	Assets within JVs	Consolidated Total
Pre-COD Interest	634,958	57,264	692,222
Equipment Costs	56,787,372	2,248,014	59,035,386
Project Costs	2,247,492	123,631	2,371,123
Inverters	51,991	-	51,991
Land	277,856	-	277,856
Snow Machinery	72,591	-	72,591
Amortization to Dec 31 2021	(17,094,998)	(812,729)	(17,907,727)
Balance of Capital Assets Dec 31 2021	42,977,262	1,616,180	44,593,442