

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Midwest Renewable Energy Tracking System, Inc.  
Saint Paul, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Midwest Renewable Energy Tracking System, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

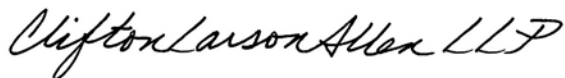
Board of Directors  
Midwest Renewable Energy Tracking System, Inc.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midwest Renewable Energy Tracking System, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2015 and 2014 schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2015 and 2014 information is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
April 11, 2015

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
Cash	\$ 372,920	\$ 697,990
Accounts Receivable	63,204	39,004
Prepaid Expenses	8,132	13,815
Equipment, Net	14,850	5,888
Total Assets	\$ 459,106	\$ 756,697
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 62,361	\$ 66,120
Accrued Payroll and Related	58,397	36,626
Capital Lease Liability	9,104	-
Total Liabilities	129,862	102,746
<b>NET ASSETS</b>		
Unrestricted Net Assets	329,244	653,951
Total Liabilities and Net Assets	\$ 459,106	\$ 756,697

See accompanying Notes to Financial Statements.

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>REVENUE</b>		
Program Service Fees:		
Subscription Fees	\$ 300,246	\$ 289,600
Issuance Fees	277,093	261,961
Retirement Fees	416,778	438,323
Total Program Service Fees	994,117	989,884
Other Fees	9,033	1,043
Rental Income	150	-
Interest Income	290	150
Total Revenue	1,003,590	991,077
<b>EXPENSES</b>		
Program	1,019,866	666,807
Management and General	308,431	350,029
Total Expenses	1,328,297	1,016,836
<b>CHANGE IN NET ASSETS</b>	(324,707)	(25,759)
Unrestricted Net Assets - Beginning of Year	653,951	679,710
<b>UNRESTRICTED NET ASSETS - END OF YEAR</b>	\$ 329,244	\$ 653,951

See accompanying Notes to Financial Statements.

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (324,707)	\$ (25,759)
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,229	3,293
Loss on Sale of Equipment	2,147	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(24,200)	2,001
Prepaid Expenses	5,683	(1,318)
Accounts payable	(3,759)	56,304
Accrued Payroll and Related	21,771	10,265
Net Cash Provided (Used) by Operating Activities	(317,836)	44,786
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the Sale of Equipment	700	-
Payments for Equipment	(6,288)	(3,546)
Net Cash Used by Investing Activities	(5,588)	(3,546)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash Payments on Capital Lease	(1,646)	-
 <b>NET INCREASE (DECREASE) IN CASH</b>	(325,070)	41,240
Cash - Beginning of Year	697,990	656,750
 <b>CASH - END OF YEAR</b>	\$ 372,920	\$ 697,990
 <b>NONCASH DISCLOSURES</b>		
Equipment Acquired through Capital Lease	\$ 10,750	\$ -

See accompanying Notes to Financial Statements.

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 ORGANIZATION**

Midwest Renewable Energy Tracking System, Inc. (M-RETS) is a non-profit organization headquartered in Saint Paul, Minnesota. M-RETS tracks renewable energy generation located within the state and provincial boundaries of Illinois, Indiana, Iowa, Manitoba, Minnesota, Montana, North Dakota, Ohio, South Dakota, and Wisconsin. It also tracks Renewable Resource Credits for the State of Wisconsin.

The mission of M-RETS is: "M-RETS efficiently tracks and verifies renewable energy generation in collaboration with stakeholders, facilitating renewable energy development in the public interest."

Participation in M-RETS is voluntary although some states may designate M-RETS as the tracking system to be used to meet State renewable energy standards. Any party, including nongenerators, such as traders, marketers, and end-use customers may establish an account in the system.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions 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. Actual results could differ from those estimates.

**Financial Statement Presentation**

Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods. M-RETS has no temporarily restricted net assets.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. M-RETS has no permanently restricted net assets.

**Credit Risk**

M-RETS maintains cash at two financial institutions. At times, such cash balances may be in excess of federally insured limits.



**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounts Receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. M-RETS provides for losses on accounts receivable using the allowance method. The allowance is based on management's analysis of outstanding receivables. Receivables are written off when deemed uncollectible. Management has determined that no allowance for doubtful accounts is necessary at December 31, 2015 and 2014.

**Equipment**

Equipment is carried at cost. Additions with a cost of \$1,000 or more are capitalized. Depreciation is recorded using the straight-line method over the estimated useful life of three years. The cost of maintenance and repairs is charged to income as incurred; significant renewals or betterments are capitalized.

**Program Service Fees**

Program service fees are charged to users of the tracking system. They include: subscription fees, issuance fees and retirement fees. Revenue from program service fees is recognized in the period the fees are earned.

**Functional Expense Allocation**

Expenses have been allocated among program and supporting services classifications based upon direct expenditures and estimates made by M-RETS' management based on employee time.

**Income Taxes**

M-RETS is exempt from income taxes under Internal Revenue Code Section 501(c)(4) and applicable Minnesota and Wisconsin Statutes, except to the extent it has taxable income that is not related to its tax exempt purpose. Management believes there are no uncertain tax positions. M-RETS did not have any unrelated business income in 2015 or 2014.

**Subsequent Events**

Management has evaluated subsequent events through April 11, 2015, the date on which the financial statements were available for issue and identified no events deemed necessary to be disclosed.

**NOTE 3 EQUIPMENT**

Equipment consists of the following:

	2015	2014
Computers	\$ 21,672	\$ 12,631
Accumulated Depreciation	(6,822)	(6,743)
Total	\$ 14,850	\$ 5,888

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 4 CONCENTRATIONS**

For the years ended December 31, 2015 and 2014, one customer provided 14% of total program fee income to the organization.

**NOTE 5 MASTER SERVICES AGREEMENT**

M-RETS has a Master Services Agreement (Agreement) with a corporation to manage the energy tracking system (System). Under the Agreement, the corporation manages usage of the tracking system, including billing. The gross amount of fees and expenses is recorded as revenue and expense by M-RETS. Administration expense was \$510,000 in 2015 and 2014.

Under the Agreement, M-RETS completes the invoicing and collecting payments from authorized users. M-RETS pays the corporation a flat-fee of \$510,000 annually. Included in the Agreement is the ability for M-RETS to pay for and perform an annual "System Operations Audit." The audit costs will be split between M-RETS and the corporation provided the corporation's share of audit costs will not exceed \$40,000 over two years.

The addendum provides for a Service Level Agreement (SLA) to ensure the proper elements and commitments are in place for the corporation to deliver consistent IT service to support M-RETS' mission. M-RETS can impose service level credits for the failure of the corporation to deliver or meet the requirements specified under the SLA. Annual total service level credits cannot exceed \$50,000 per year.

In the case that either M-RETS or the corporation elect not to extend or renew the amended agreement, the corporation will facilitate the transition of the System maintenance and technical operations to another entity with minimum disruption to the System users and state administrators of renewable energy-related programs.

**NOTE 6 LEASES**

M-RETS subleases office space on a month-to-month basis. Rent expense was \$9,308 in 2015 and \$8,500 in 2014.

**NOTE 7 RETIREMENT PLAN**

M-RETS provides a Simplified Employee Pension (SEP) plan which covers its employees. M-RETS contributes a maximum of 7% of the employees' annual earnings. M-RETS contributions for 2015 and 2014 were \$14,293 and \$12,099, respectively.

**NOTE 8 RELATED PARTY**

A non-director officer of M-RETS is employed by an organization that provides accounting and facilitation services. The organization was paid \$2,500 and \$9,000 for these services for the years 2015 and 2014, respectively. M-RETS has a designated board committee that authorizes payments for these services, which is independent of the relationship.

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 9 CAPITAL LEASES**

The organization entered into a capital lease in 2015. As of December 31, 2015, the cost of the equipment was \$10,750 and the accumulated depreciation was \$1,646. The future payments for this lease are as follows as of December 31:

<u>Year Ended December 31,</u>	<u>Amount</u>
2016	\$ 2,049
2017	2,132
2018	2,219
2019	2,310
2020	394
Total	<u>\$ 9,104</u>

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015			2014		
	Program Expenses	Management and General	Total	Program Expenses	Management and General	Total
Payroll and Related:						
Salaries	\$ 180,817	\$ 120,507	\$ 301,324	\$ 90,689	\$ 139,783	\$ 230,472
Payroll Taxes	16,318	14,930	31,248	6,898	12,382	19,280
Benefits	8,107	6,186	14,293	4,719	7,380	12,099
Total Payroll and Related	<u>205,242</u>	<u>141,623</u>	<u>346,865</u>	<u>102,306</u>	<u>159,545</u>	<u>261,851</u>
System Administration	510,000	-	510,000	510,000	-	510,000
Insurance	-	3,956	3,956	-	2,251	2,251
Legal and Professional	41,067	19,494	60,561	2,693	28,958	31,651
Consulting	201,851	87,509	289,360	23,211	53,937	77,148
Meetings and Travel - Staff	22,481	2,520	25,001	13,317	4,952	18,269
Meetings and Travel - Board	29,297	4,592	33,889	4,734	46,992	51,726
Office	2,281	27,365	29,646	1,248	26,756	28,004
Other	7,647	6,835	14,482	9,298	14,845	24,143
Occupancy	-	9,308	9,308	-	8,500	8,500
Depreciation	-	5,229	5,229	-	3,293	3,293
Total Expenses	<u>\$ 1,019,866</u>	<u>\$ 308,431</u>	<u>\$ 1,328,297</u>	<u>\$ 666,807</u>	<u>\$ 350,029</u>	<u>\$ 1,016,836</u>