

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6
SUPPLEMENTARY INFORMATION	
SCHEDULES OF FUNCTIONAL EXPENSES	10

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, 2016 and 2015, 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, 2016 and 2015, 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 2016 and 2015 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 2016 and 2015 information is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 10, 2017

MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
Cash	\$ 560,830	\$ 372,920
Accounts Receivable	50,663	63,204
Prepaid Expenses	10,711	8,132
Equipment, Net	8,550	14,850
Total Assets	\$ 630,754	\$ 459,106
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 52,319	\$ 62,361
Accrued Payroll and Related	38,443	58,397
Capital Lease Liability	7,500	9,104
Total Liabilities	98,262	129,862
NET ASSETS		
Unrestricted Net Assets	532,492	329,244
Total Liabilities and Net Assets	\$ 630,754	\$ 459,106

See accompanying Notes to Financial Statements.

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
REVENUE		
Program Service Fees:		
Subscription Fees	\$ 327,225	\$ 300,246
Issuance Fees	354,032	277,093
Retirement Fees	530,215	416,778
Total Program Service Fees	1,211,472	994,117
Other Fees	10,083	9,183
Interest Income	393	290
Total Revenue	1,221,948	1,003,590
 EXPENSES		
Program	817,895	1,019,866
Management and General	200,805	308,431
Total Expenses	1,018,700	1,328,297
 CHANGE IN NET ASSETS	203,248	(324,707)
Unrestricted Net Assets - Beginning of Year	329,244	653,951
 UNRESTRICTED NET ASSETS - END OF YEAR	\$ 532,492	\$ 329,244

See accompanying Notes to Financial Statements.

MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 203,248	\$ (324,707)
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	5,742	5,229
Loss on Sale of Equipment	1,187	2,147
Changes in Operating Assets and Liabilities:		
Accounts Receivable	12,541	(24,200)
Prepaid Expenses	(2,579)	5,683
Accounts payable	(10,042)	(3,759)
Accrued Payroll and Related	(19,954)	21,771
Net Cash Provided (Used) by Operating Activities	190,143	(317,836)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Equipment	-	700
Payments for Equipment	(629)	(6,288)
Net Cash Used by Investing Activities	(629)	(5,588)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Payments on Capital Lease	(1,604)	(1,646)
NET INCREASE (DECREASE) IN CASH	187,910	(325,070)
Cash - Beginning of Year	372,920	697,990
CASH - END OF YEAR	\$ 560,830	\$ 372,920
NONCASH DISCLOSURES		
Equipment Acquired through Capital Lease	\$ 11,378	\$ 10,750

See accompanying Notes to Financial Statements.

MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 ORGANIZATION

Midwest Renewable Energy Tracking System, Inc. (M-RETS) is a Wisconsin non-profit 501(c)4 headquartered in Minneapolis, Minnesota. M-RETS tracks the attributes of energy generation for the purpose of issuing Renewable Energy Certificates, Renewable Resource Credits, Recycled Energy Credits and other environmental compliance instruments. Account holders in more than 30 U.S. states and 4 Canadian provinces track these instruments in M-RETS to facilitate compliance with state, provincial and federal energy policies and to substantiate voluntary claims for the use of renewable energy.

The mission of M-RETS is: "M-RETS validates the environmental attributes of energy to serve as a trusted centralized gateway to environmental markets."

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 one financial institution. 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, 2016 AND 2015

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, 2016 and 2015.

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, retirement fees, import and export fees and some fees associated with attendance at the annual fall stakeholder meeting. 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 2016 or 2015.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to agree with the current year presentation. The reclassification had no effect on the change in unrestricted net assets or total net assets as previously reported.

Subsequent Events

Management has evaluated subsequent events through April 10, 2017, the date on which the financial statements were available for issue and identified no events deemed necessary to be disclosed.

MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 3 EQUIPMENT

Equipment consists of the following:

	2016	2015
Computers	\$ 16,807	\$ 21,672
Accumulated Depreciation	(8,257)	(6,822)
Total	\$ 8,550	\$ 14,850

NOTE 4 CONCENTRATIONS

For the years ended December 31, 2016 and 2015, 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 \$481,000 and \$510,000 in 2016 and 2015, respectively.

Under the Agreement, M-RETS completes the invoicing and collecting payments from authorized users. M-RETS pays the corporation a flat-fee of \$481,000 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 entered into an operating lease for office space on a month-to-month basis with Industrious starting January 1, 2016. Rent expense was \$21,656 in 2016 and \$9,308 in 2015.

MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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 2016 and 2015 were \$21,878 and \$14,293, 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 \$-0- and \$2,250 for these services for the years 2016 and 2015, respectively. M-RETS has a designated board committee that authorizes payments for these services, which is independent of the relationship.

NOTE 9 CAPITAL LEASES

The organization entered into a capital lease in 2015. As of December 31, 2016, the cost of the equipment was \$11,378 and the accumulated depreciation was \$3,878. The future payments for this lease are as follows as of December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 2,267
2018	2,359
2019	2,455
2020	419
Total	<u>\$ 7,500</u>

MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Program Expenses	Management and General	Total	Program Expenses	Management and General	Total
Payroll and Related:						
Salaries	\$ 223,240	\$ 105,470	\$ 328,710	\$ 180,817	\$ 120,507	\$ 301,324
Payroll Taxes	17,782	-	17,782	16,318	14,930	31,248
Benefits	14,840	7,038	21,878	8,107	6,186	14,293
Total Payroll and Related	<u>255,862</u>	<u>112,508</u>	<u>368,370</u>	<u>205,242</u>	<u>141,623</u>	<u>346,865</u>
System Administration	481,000	-	481,000	510,000	-	510,000
Insurance	-	6,191	6,191	-	3,956	3,956
Legal and Professional	19,120	16,564	35,684	41,067	19,494	60,561
		-				
Consulting	22,084	23,590	45,674	201,851	87,509	289,360
Meetings and Travel - Staff	12,053	792	12,845	22,481	2,520	25,001
Meetings and Travel - Board	17,815	324	18,139	29,297	4,592	33,889
Office	2,465	12,001	14,466	2,281	27,365	29,646
	-	-				
Other	7,496	1,437	8,933	7,647	6,835	14,482
Occupancy	-	21,656	21,656	-	9,308	9,308
Depreciation	-	5,742	5,742	-	5,229	5,229
Total Expenses	<u>\$ 817,895</u>	<u>\$ 200,805</u>	<u>\$ 1,018,700</u>	<u>\$ 1,019,866</u>	<u>\$ 308,431</u>	<u>\$ 1,328,297</u>