

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

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.  
TABLE OF CONTENTS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

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

## 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 statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, and cash flows for the year 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 audit. We conducted our audit 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.

**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, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

The financial statements of Midwest Renewable Energy Tracking System, Inc. as of December 31, 2013, were audited by other auditors whose report dated August 11, 2014, expressed an unmodified opinion on those statements.

**Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 2014 information is fairly stated in all material respects in relation to the financial statements as a whole. The 2013 schedule of functional expenses was subjected to the auditing procedures applied in the 2013 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2013 financial statements as a whole.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 29, 2015

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>ASSETS</b>		
Cash	\$ 697,990	\$ 656,750
Accounts Receivable	39,004	41,005
Prepaid Expenses	13,815	12,497
Equipment, Net	5,888	5,635
Total Assets	\$ 756,697	\$ 715,887
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 66,120	\$ 9,816
Accrued Payroll and Related	36,626	26,361
Total Liabilities	102,746	36,177
<b>NET ASSETS</b>		
Unrestricted Net Assets	653,951	679,710
Total Liabilities and Net Assets	\$ 756,697	\$ 715,887

*See accompanying Notes to Financial Statements.*

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>REVENUE</b>		
Program Service Fees:		
Subscription Fees	\$ 289,600	\$ 266,600
Issuance Fees	261,961	258,117
Retirement Fees	438,323	476,606
Total Program Service Fees	989,884	1,001,323
Other Fees	1,043	165
Interest Income	150	309
Total Revenue	991,077	1,001,797
<b>EXPENSES</b>		
Program	666,807	712,868
Management and General	350,029	338,543
Total Expenses	1,016,836	1,051,411
<b>CHANGE IN NET ASSETS</b>	(25,759)	(49,614)
Unrestricted Net Assets - Beginning of Year	679,710	729,324
<b>UNRESTRICTED NET ASSETS - END OF YEAR</b>	\$ 653,951	\$ 679,710

See accompanying Notes to Financial Statements.

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (25,759)	\$ (49,614)
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	3,293	2,200
Changes in Operating Assets and Liabilities:		
Accounts Receivable	2,001	(16,492)
Prepaid Expenses	(1,318)	(7,298)
Accounts payable	56,304	4,216
Accrued Payroll and Related	10,265	9,667
Net Cash Provided (Used) by Operating Activities	44,786	(57,321)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for Equipment	(3,546)	(4,633)
<b>NET INCREASE (DECREASE) IN CASH</b>	41,240	(61,954)
Cash - Beginning of Year	656,750	718,704
<b>CASH - END OF YEAR</b>	\$ 697,990	\$ 656,750

See accompanying Notes to Financial Statements.

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**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, 2014 AND 2013**

**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, 2014 and 2013.

**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 2014 or 2013.

**Subsequent Events**

Management has evaluated subsequent events through June 29, 2015, the date on which the financial statements were available for issue and identified the following event for disclosure: subsequent to the end of the fiscal year, M-RETS entered into an agreement for consulting services to be provided March 15, 2015 through December 31, 2015 in the amount of \$100,250.

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 3 EQUIPMENT**

Equipment consists of the following:

	2014	2013
Computers	\$ 12,631	\$ 9,085
Accumulated Depreciation	(6,743)	(3,450)
Total	\$ 5,888	\$ 5,635

**NOTE 4 CONCENTRATIONS**

For the years ended December 31, 2014 and 2013, 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 and collecting. Until December 31, 2013, the program service fees are negotiated annually between the corporation and M-RETS. The corporation provides monthly reporting to M-RETS including the amount of program service fees received. The corporation retains 68% of fees collected for its share of costs prior to remitting the balance to M-RETS. The gross amount of fees and expenses is recorded as revenue and expense by M-RETS. Administration expense was \$510,000 in 2014 and \$689,807 in 2013.

On October 10, 2013, the Agreement was amended effective January 1, 2014, which extended the expiration date from December 31, 2014, to December 31, 2015. The Agreement automatically renews for one additional year unless either party provides proper notice under the agreement.

Under the amended agreement, M-RETS has taken over 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 first audit will be performed by an independent certified public accountant conducting a Service Organization Controls (SOC) audit.

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.

**MIDWEST RENEWABLE ENERGY TRACKING SYSTEM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 5 MASTER SERVICES AGREEMENT (CONTINUED)**

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 \$9,435 in 2014 and \$5,700 in 2013.

**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 2014 and 2013 were \$12,099 and \$9,069, 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 \$9,000 for these services for each of the years 2014 and 2013. 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.**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			2013		
	Program Expenses	Management and General	Total	Program Expenses	Management and General	Total
Payroll and Related:						
Salaries	\$ 90,689	\$ 139,783	\$ 230,472	\$ 48,293	\$ 117,016	\$ 165,309
Payroll Taxes	6,898	12,382	19,280	4,302	10,191	14,493
Benefits	4,719	7,380	12,099	2,581	6,488	9,069
Total Payroll and Related	<u>102,306</u>	<u>159,545</u>	<u>261,851</u>	<u>55,176</u>	<u>133,695</u>	<u>188,871</u>
System Administration	510,000	-	510,000	620,826	68,981	689,807
Insurance	-	2,251	2,251	-	2,253	2,253
Legal and Professional	2,693	28,958	31,651	-	44,233	44,233
Consulting	23,211	53,937	77,148	21,015	33,020	54,035
Meetings and Travel - Staff	13,317	4,952	18,269	9,131	5,956	15,087
Meetings and Travel - Board	4,734	46,992	51,726	1,118	16,722	17,840
Office	1,248	26,756	28,004	935	20,882	21,817
Other	9,298	14,845	24,143	4,667	4,901	9,568
Occupancy	-	8,500	8,500	-	5,700	5,700
Depreciation	-	3,293	3,293	-	2,200	2,200
Total Expenses	<u>\$ 666,807</u>	<u>\$ 350,029</u>	<u>\$ 1,016,836</u>	<u>\$ 712,868</u>	<u>\$ 338,543</u>	<u>\$ 1,051,411</u>