

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**TABLE OF CONTENTS**  
**EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>3</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>4</b>
<b>STATEMENT OF FUNCTIONAL EXPENSES</b>	<b>5</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>6</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>7</b>
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>12</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>14</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>17</b>
<b>NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>18</b>
<b>SCHEDULE OF FINDINGS AND RESPONSES</b>	<b>19</b>
<b>CORRECTIVE ACTION PLAN</b>	<b>22</b>



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Midwest Renewable Energy Association, Inc.  
Custer, Wisconsin

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

We have audited the accompanying financial statements of Midwest Renewable Energy Association, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the period from January 1, 2015 through June, 30, 2016, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Association, Inc.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midwest Renewable Energy Association, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2016, on our consideration of Midwest Renewable Energy Association, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midwest Renewable Energy Association, Inc.'s internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Stevens Point, Wisconsin  
September 15, 2016

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	5,214
Accounts Receivable		136,553
Inventories		14,700
Prepaid Expenses		1,233
Total Current Assets		157,700

**PROPERTY AND EQUIPMENT**

Land		309,665
Land Improvements		27,858
Buildings and Improvements		484,105
Furniture and Fixtures		42,196
Equipment		527,456
Vehicles and Trailers		48,335
Work in Progress		823
Total, at Cost		1,440,438
Less Accumulated Depreciation		(636,769)
Total Property and Equipment		803,669

Total Assets	<b>\$</b>	961,369
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	159,688
Accrued Expenses		39,971
Line of Credit		94,979
Deferred Revenue		7,000
Current Portion of Long-Term Debt		3,912
Total Current Liabilities		305,550

**LONG-TERM LIABILITIES**

Long-Term Debt, Less Current Portion		3,585
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Total Liabilities		309,135
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**NET ASSETS**

Unrestricted		652,234
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Total Liabilities and Net Assets	<b>\$</b>	961,369
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See accompanying Notes to Financial Statements.

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**

**REVENUE AND PUBLIC SUPPORT**

Contributions and Grants	\$ 2,061,703
Memberships	202,882
Workshops and Programs Fees	700,991
Sponsorships	227,331
Merchandise Sales, Net	(4,420)
Advertising	27,975
Interest	46
Rental Income	760
Other	41,732
Total Revenue and Public Support	<u>3,259,000</u>

**EXPENSES**

Program Services	2,806,770
Management and General	492,956
Total Expenses	<u>3,299,726</u>

**CHANGE IN NET ASSETS**

(40,726)

Unrestricted Net Assets - Beginning of Period

692,960

**UNRESTRICTED NET ASSETS - END OF PERIOD**

\$ 652,234

See accompanying Notes to Financial Statements.

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**

Program Services

	Energy Fair	Ed Institute	DOE- RSCII	DOE - SMP	Membership	Other Programs	Total Program Services	Management and General	Total
Salaries and Wages	\$ 118,897	\$ 133,159	\$ 333,599	\$ 83,420	\$ 27,770	\$ 112,427	\$ 809,272	\$ 240,882	\$ 1,050,154
Payroll Taxes	11,276	12,462	30,502	7,119	2,501	10,459	74,319	21,381	95,700
Advertising	49,086	10	115	-	24	260	49,495	34	49,529
Bank and Credit Card Fees	3,340	4,543	-	-	1,388	616	9,887	3,061	12,948
Dues and Subscriptions	1,464	14,968	1,142	-	193	3,901	21,668	9,594	31,262
Depreciation	-	-	-	-	-	-	-	115,396	115,396
Insurance	-	-	-	-	-	800	800	25,473	26,273
Licenses and Permits	1,634	-	-	-	-	341	1,975	-	1,975
Other	1,797	4,551	-	-	-	22,867	29,215	22,814	52,029
Member Benefits	-	-	-	-	19,548	42	19,590	-	19,590
Postage and Delivery	6,152	772	385	-	10,304	1,686	19,299	3,082	22,381
Printing and Reproduction	27,107	7,614	2,206	-	9,362	2,837	49,126	1,074	50,200
Program Expenses	9,210	6,696	21,849	20,887	111	99,114	157,867	157	158,024
Outside Services	59,003	43,160	693,011	311,309	-	27,711	1,134,194	13,381	1,147,575
Food and Beverage	25,175	3,415	708	-	200	18,357	47,855	2,927	50,782
Rent	105,860	7,914	570	-	-	19,719	134,063	14,349	148,412
Repairs	-	-	-	-	-	1,228	1,228	-	1,228
Education	-	240	400	-	-	-	640	735	1,375
Travel	2,038	22,422	12,726	16,678	-	7,329	61,193	3,809	65,002
Stipends	-	-	24,550	30,488	-	6,743	61,781	-	61,781
Supplies	5,113	3,806	43	-	31	2,373	11,366	8,181	19,547
Telephone and Utilities	2,472	2,803	-	-	-	10,212	15,487	6,001	21,488
Trade Expenses	86,765	2,810	-	4	1,301	2,570	93,450	625	94,075
Scholarships	-	-	-	-	-	3,000	3,000	-	3,000
<b>Total Expenses</b>	<b>\$ 516,389</b>	<b>\$ 271,345</b>	<b>\$ 1,121,806</b>	<b>\$ 469,905</b>	<b>\$ 72,733</b>	<b>\$ 354,592</b>	<b>\$ 2,806,770</b>	<b>\$ 492,956</b>	<b>\$ 3,299,726</b>

See accompanying Notes to Financial Statements.

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.  
STATEMENT OF CASH FLOWS  
EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (40,726)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation	115,396
Loss on Sale of Property and Equipment	6,637
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable	(65,320)
Inventories	2,434
Prepaid Expenses	1,581
Accounts Payable	103,153
Accrued Expenses	(3,635)
Deferred Revenue	(91,161)
Net Cash Provided by Operating Activities	28,359

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Property and Equipment	(18,722)
Proceeds from Sale of Property and Equipment	475
Net Cash Used by Investing Activities	(18,247)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from Line of Credit	612,785
Payments on Line of Credit	(653,778)
Payments on Long-Term Debt	(5,868)
Net Cash Used by Financing Activities	(46,861)

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(36,749)

Cash and Cash Equivalents - Beginning of Period

41,963

**CASH AND CASH EQUIVALENTS - END OF PERIOD**

\$ 5,214

*See accompanying Notes to Financial Statements.*

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

The Midwest Renewable Energy Association, Inc. (Association) promotes renewable energy, energy efficiency, and sustainable living through education and demonstration. The Association's primary sources of revenue are membership dues, sponsorships, contributions, grants and program fees.

**Basis of Accounting**

The Association's policy is to prepare its financial statements on the accrual basis of accounting; consequently, most revenues are recognized when earned rather than when received, and expenses are recognized when the obligation is incurred rather than when cash is disbursed.

**Basis of Presentation**

Net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of Midwest Renewable Energy Association, Inc. and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Midwest Renewable Energy Association, Inc. and/or by the passage of time. The Association had no temporarily restricted net assets at June 30, 2016.

Permanently restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by Midwest Renewable Energy Association, Inc. The Association had no permanently restricted net assets at June 30, 2016.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenditures are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassification between the applicable classes of net assets.

**Revenue Recognition**

Revenues are recognized in the period earned except membership income which is recognized when received. Contributions of assets other than cash are recorded at their estimated fair value.

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For purposes of reporting cash flows, the Association considers all unrestricted highly liquid debt instruments with an initial maturity of three months or less to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation up to certain limits. There were no uninsured cash balances at June 30, 2016.

**Accounts Receivable**

Accounts receivable are due within thirty days of the billing date and are considered delinquent if not paid within that period.

An allowance for doubtful accounts has not been established as it is the management's policy to use the direct write-off method for accounts deemed to be uncollectible.

**Inventories**

Inventories consist of promotional items and reference materials and are stated at the lower of cost or market, on a first-in, first-out basis.

**Property and Equipment**

Property and equipment are stated at cost at the date of acquisition, or at fair value if donated. The Association's policy is to capitalize property and equipment purchased or donated with a value in excess of \$500. Expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation of property and equipment is provided over the estimated useful lives (ranging from 5 to 40 years) of the respective assets on a straight-line basis. Depreciation expense for the eighteen months ended June 30, 2016 was \$115,396.

**Donated Property and Equipment**

Donated property and equipment are reflected in the financial statements at their fair value at the date of donation. Donation of property and equipment are recorded as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose.

Donated property for the eighteen months ended June 30, 2016 was \$5,800.

Professional service labor and materials were donated to the Association for general operations and program services in the amount of \$121,156 for the period ended June 30, 2016.

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Functional Allocation of Expenses**

The costs of providing the Association's various programs and supporting services have been summarized on a functional basis in the statement of activities and by natural classification in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

There were no material fundraising expenses for the eighteen months ended June 30, 2016.

**Advertising**

The Association expenses advertising costs as incurred. Advertising expense for the eighteen months ended June 30, 2016 was \$79,864. Of the total advertising expense, \$30,335 was traded advertising with various vendors.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount 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.

**Income Tax Status**

The Association is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and similar state statutes. However, income from certain activities not directly related to the Association's tax- exempt purpose is subject to taxation as unrelated business income.

The Association evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2016.

**Subsequent Events**

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 15, 2016, the date the financial statements were available to be issued.

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 LINE OF CREDIT**

The Association has a line of credit with a limit of \$225,000 at a local bank. The line renews annually and the interest rate was 5.05% as of June 30, 2016. The balance was \$94,979 at June 30, 2016. The line of credit is secured by a real estate mortgage. The line of credit has been renewed subsequent to year end at 4.95% through August 29, 2017.

**NOTE 3 LONG TERM DEBT**

Long-Term debt consisted of the following at June 30, 2016:

Note Payable to Kubota Credit Corporation in monthly installments of \$326, including interest at 0%. Final payment due June 2018. Secured by equipment.	\$ 7,497
Less: Current Maturities	<u>(3,912)</u>
Net Long-Term Debt	<u>\$ 3,585</u>

Future payments on long-term debt are as follows:

<u>Years Ending June 30:</u>	<u>Amount</u>
2017	\$ 3,912
2018	<u>3,585</u>
	<u>\$ 7,497</u>

**NOTE 4 LEASES**

The Association has a lease for office space for \$450/month thru October 2016.

The Association leased copying equipment for \$753 monthly through April, 2016.

The Association also leases equipment and meeting rooms are leased on a short term basis each year by the Association. Total rent of equipment and facilities was \$148,411 for the period ended June 30, 2016.

Future payments required are as follows:

	<u>Amount</u>
Year Ending June 30, 2017	<u>\$ 1,800</u>

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 EMPLOYEE BENEFIT PLAN**

The Association currently offers full-time and part-time employees (20 hours a week or more) a Cafeteria Plan benefit program. The Cafeteria Plan allows employees to purchase certain benefits with pre-tax dollars. Employees can choose to use their pre-tax dollars on a Flexible Spending Account (FSA).

In addition to the employee's contributions to this plan, the Association may choose (but is not obligated) to give an employer contribution. The amount of this contribution will be determined by the Board of Directors prior to the start of the Cafeteria plan year. Employees can use the Employer contribution to pay for health and dependent care expenses through the Flex Plan. The amount of the employer contribution for the eighteen months ended June 30, 2016 was \$-0-.

**NOTE 6 MAJOR FUNDING SOURCES**

The Association has a major funding source which contributed to 54% of revenue and receivables for the period ended June 30, 2016.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Midwest Renewable Energy Association, Inc.  
Custer, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Midwest Renewable Energy Association, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the eighteen months then ended, and the related notes to the financial statements, and have issued our report thereon dated September 15, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Midwest Renewable Energy Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Midwest Renewable Energy Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Midwest Renewable Energy Association, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency as item 2016-001.

Board of Directors  
Midwest Renewable Energy Association, Inc.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Midwest Renewable Energy Association, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Midwest Renewable Energy Association, Inc.'s Responses to Findings**

Midwest Renewable Energy Association, Inc.'s responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Midwest Renewable Energy Association, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Stevens Point, Wisconsin  
September 15, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Midwest Renewable Energy Association, Inc.  
Custer, Wisconsin

**Report on Compliance for Each Major Federal Program**

We have audited Midwest Renewable Energy Association, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Midwest Renewable Energy Association, Inc.'s major federal programs for the eighteen months ended June 30, 2016. Midwest Renewable Energy Association, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and responses.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Midwest Renewable Energy Association, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Midwest Renewable Energy Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Midwest Renewable Energy Association, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Midwest Renewable Energy Association, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the eighteen months ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and responses as item 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

Midwest Renewable Energy Association, Inc.'s response to the noncompliance findings identified in our audit are described in the accompanying Schedule of findings and responses. Midwest Renewable Energy Association, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Midwest Renewable Energy Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Midwest Renewable Energy Association, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Midwest Renewable Energy Association, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and responses as item 2016-2002, that we consider to be a significant deficiency.

Board of Directors  
Midwest Renewable Energy Association, Inc.

Midwest Renewable Energy Association, Inc.'s response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and responses. Midwest Renewable Energy Association, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Midwest Renewable Energy Association, Inc. as of and for the eighteen months ended June 30, 2016, and have issued our report thereon dated September 15, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



**CliftonLarsonAllen LLP**

Stevens Point, Wisconsin  
September 15, 2016

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARD**  
**EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Energy, Direct Program</b>		
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance	81.117	\$ 1,223,222
Renewable Energy Research and Development	81.087	<u>517,010</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 1,740,232</u></u>

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2016**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Midwest Renewable Energy Association, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**NOTE 2 INDIRECT COSTS**

The expenditures reported on the schedule include indirect costs based upon the Association's incurred cost electronic model approved for calendar year ended December 31, 2014.

**NOTE 3 TRAINING SUBSIDIES PAID**

The expenditures on the schedule include training subsidies paid to the Association using federal award funding for classes relative to the award's purpose, as approved in the award budget.

**NOTE 4 SUBRECIPIENTS**

Midwest Renewable Energy Association, Inc. had no subrecipients of federal funds during the period ended June 30, 2016.

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

**Section I – Summary of Auditors' Results**

**Financial Statements**

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

**Federal Awards**

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   yes      \_\_\_\_\_ no

**Identification of Major Federal Programs**

**CFDA Number(s)**

81.117

**Name of Federal Program or Cluster**

Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance

Dollar threshold used to distinguish between Type A and Type B programs:

\$   750,000  

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        x   no

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

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***Section II – Financial Statement Findings***

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**2016 – 001**

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

**Condition:** The auditors noted during the audit that there was not proper segregation of duties within cash receipts process.

**Criteria or specific requirement:** Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

**Context:** The Association has one person responsible for receiving the cash/checks, doing the bank deposit, entering the amounts received in the accounting system, and recording any writeoffs in the accounting system.

**Effect:** Lack of segregation of duties could result in a financial statement misstatement, caused by error or fraud, that would not be detected or prevented by Association staff.

**Cause:** The condition is due to limited staff available.

**Recommendation:** We recommend that the Association have the receptionist receiving the mail make a list of checks/cash received. This listing can be compared to what is deposited and recorded in the accounting system.

**Views of responsible officials and planned corrective actions:** The Board of Directors will review the suggested internal control improvements and implement if possible.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2016 – 002**

Federal Agency: Department of Energy

Federal Program Title: Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance.

CFDA Number: 81.117

Award Period: 8/1/14-1/31/17

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Compliance

**Criteria or specific requirement:** Federal awards require a written procurement policy be in place and followed.

**Condition:** The auditors noted during the audit that the Association does not have written procurement policies.

**Questioned Costs:** None

**Context:** The Association has purchasing policies as part of its accounting policies and all vendors that would fall over \$25,000 procurement limit are approved by the Department of Energy as part of the grant agreement. The Association verifies all vendors are not on suspended/disbarred listing.

**Cause:** Due to the Department of Energy approving the vendors, the Association was unaware of requirement to have separate written procurement policies.

**Effect:** No effect on these financial statements.

**Repeat Finding:** No

**Recommendation:** We recommend the Association develop and the board of directors approve written procedure policies.

**Views of responsible officials:** There is no disagreement with the finding.

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***Section IV – Prior Year Findings***

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**2014 – 001**

During the current period, the Association implemented policies to review financial statements prepared by the auditor.

**2014 – 002**

During this period's testing of cost share reporting, no instances of noncompliance were noted.

**2014 – 003**

During this period's testing of cost share reporting, no instances of noncompliance were noted.

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**CORRECTIVE ACTION PLAN**  
**EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

Department of Energy

Midwest Renewable Energy Association, Inc. respectfully submits the following corrective action plan for the period ended June 30, 2016.

Audit period: January 1, 2015-June 30, 2016

The findings from the schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

**FINDINGS—FINANCIAL STATEMENT AUDIT**

**SIGNIFICANT DEFICIENCY**

2016-001      Lack of segregation of duties in cash receipts process

Recommendation: We recommend that the Association have the receptionist receiving the mail make a list of checks/cash received. This listing can be compared to what is deposited and recorded in the accounting system.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned/taken in response to finding: The Board of Directors will review the suggested internal control improvements and implement if possible.

Name(s) of the contact person(s) responsible for corrective action: Nick Hylla

Planned completion date for corrective action plan: December 31, 2016

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.**  
**CORRECTIVE ACTION PLAN**  
**EIGHTEEN MONTH PERIOD ENDED JUNE 30, 2016**  
**(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)**

**FINDINGS—FEDERAL AWARD PROGRAMS AUDITS**

DEPARTMENT OF ENERGY

2016-002      Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance – CFDA No. 81.117.

Recommendation: We recommend the Association develop and the board of directors approve written procedure policies.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action taken in response to finding: The Association will implement written procurement policies.

Name(s) of the contact person(s) responsible for corrective action: Nick Hylla

Planned completion date for corrective action plan: December 31, 2016

If the Department of Energy has questions regarding this plan, please call Nick Hylla at 715-592-6595 ext. 107.