

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

CliftonLarsonAllen LLP



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING



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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, 2017, and the related statements of activities, functional expenses, 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 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, 2017, and the changes in its net assets and its cash flows for the year 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 January 24, 2018, 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 solely 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 the effectiveness of Midwest Renewable Energy Association, Inc.'s 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
January 24, 2018

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	17,026
Accounts Receivable, Net		76,390
Inventories		14,939
Prepaid Expenses		33,251
Total Current Assets		141,606

PROPERTY AND EQUIPMENT

Land		309,665
Land Improvements		89,901
Buildings and Improvements		484,105
Furniture and Fixtures		40,896
Equipment		477,439
Vehicles and Trailers		104,601
Work in Progress		823
Total, at Cost		1,507,430
Less: Accumulated Depreciation		(659,262)
Total Property and Equipment		848,168

Total Assets	\$	989,774
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$	149,840
Accrued Expenses		40,547
Line of Credit		133,599
Deferred Revenue		102,648
Current Portion of Long-Term Debt		3,585
Total Liabilities		430,219

NET ASSETS

Unrestricted		559,555
Total Liabilities and Net Assets	\$	989,774

See accompanying Notes to Financial Statements.

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND PUBLIC SUPPORT			
Grants	\$ 766,919	\$ -	\$ 766,919
Contributions	33,669	10,624	44,293
In-Kind Contributions	136,443	-	136,443
Memberships	122,800	-	122,800
Workshops and Programs Fees	448,825	-	448,825
Sponsorships	125,569	-	125,569
Merchandise Sales, Net Cost of Goods Sold of \$26,367	(5,697)	-	(5,697)
Advertising	17,595	-	17,595
Interest	30	-	30
Rental Income	2,420	-	2,420
Other	7,426	-	7,426
Net Assets Released from Restriction	10,624	(10,624)	-
Total Revenue and Public Support	<u>1,666,623</u>	<u>-</u>	<u>1,666,623</u>
EXPENSES			
Program Services	1,462,962	-	1,462,962
Management and General	296,340	-	296,340
Total Expenses	<u>1,759,302</u>	<u>-</u>	<u>1,759,302</u>
CHANGE IN NET ASSETS	(92,679)	-	(92,679)
Net Assets - Beginning of Year	<u>652,234</u>	<u>-</u>	<u>652,234</u>
NET ASSETS - END OF YEAR	<u>\$ 559,555</u>	<u>\$ -</u>	<u>\$ 559,555</u>

See accompanying Notes to Financial Statements.

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services							Total Program Services	Management and General	Total
	Energy Fair	Ed Institute	DOE- RSCII	DOE - SMP	Membership	Group Buy Program	Other Programs			
Salaries and Wages	\$ 103,605	\$ 80,859	\$ 149,369	\$ 119,537	\$ 27,094	\$ 13,985	\$ 64,862	\$ 559,311	\$ 139,129	\$ 698,440
Payroll Taxes	8,053	6,625	12,468	10,241	2,129	1,160	4,109	44,785	14,573	59,358
Advertising	13,347	100	-	-	-	784	5	14,236	81	14,317
Bank and Credit Card Fees	3,644	4,158	118	-	1,245	-	220	9,385	430	9,815
Dues and Subscriptions	744	12,429	350	-	393	86	8,727	22,729	7,512	30,241
Depreciation	-	-	-	-	-	-	-	-	74,915	74,915
Insurance	-	800	-	-	-	-	-	800	16,186	16,986
Licenses and Permits	1,131	-	100	-	-	-	106	1,337	126	1,463
Other	2,181	1,140	442	14	100	-	6,516	10,393	8,055	18,448
Member Benefits	-	-	-	-	10,982	-	-	10,982	-	10,982
Postage and Delivery	2,197	725	312	-	2,744	384	318	6,680	1,783	8,463
Printing and Reproduction	12,729	2,494	760	-	6,792	5,340	2,456	30,571	156	30,727
Program Expenses	18,228	634	9,870	2,860	795	1,539	113,703	147,629	1,089	148,718
Outside Services	57,311	20,470	150,185	155,874	135	2,429	3,904	390,308	17,180	407,488
Food and Beverage	27,495	1,678	139	-	227	68	598	30,205	1,586	31,791
Rent	62,311	5,561	-	-	-	370	7,959	76,201	593	76,794
Repairs	-	-	-	-	-	-	1,428	1,428	494	1,922
Education	-	300	-	-	-	-	-	300	371	671
Travel	1,450	8,316	3,537	9,620	-	91	2,328	25,342	2,739	28,081
Stipends	-	-	6,178	4,803	-	-	120	11,101	-	11,101
Supplies	4,237	1,569	135	-	18	-	2,220	8,179	4,320	12,499
Telephone and Utilities	1,270	594	-	-	-	20	5,007	6,891	4,989	11,880
Trade Expenses	35,780	2,050	-	-	2,131	-	12,708	52,669	33	52,702
Scholarships	-	-	-	-	-	-	1,500	1,500	-	1,500
Total Expenses	\$ 355,713	\$ 150,502	\$ 333,963	\$ 302,949	\$ 54,785	\$ 26,256	\$ 238,794	\$ 1,462,962	\$ 296,340	\$ 1,759,302

See accompanying Notes to Financial Statements.

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ (92,679)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	74,915
Donated Property and Equipment	(17,680)
Effects of Changes in Operating Assets and Liabilities:	
Accounts Receivable	60,163
Inventories	(239)
Prepaid Expenses	(32,018)
Accounts Payable	(9,848)
Accrued Expenses	576
Deferred Revenue	95,648
Net Cash Provided by Operating Activities	78,838

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Property and Equipment	(101,734)
Net Cash Used by Investing Activities	(101,734)

CASH FLOWS FROM FINANCING ACTIVITIES

Net Change in Line of Credit	38,620
Payments on Long-Term Debt	(3,912)
Net Cash Provided by Financing Activities	34,708

NET INCREASE IN CASH AND CASH EQUIVALENTS

11,812

Cash and Cash Equivalents - Beginning of Year

5,214

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 17,026

SUPPLEMENTAL INFORMATION

Interest Paid	\$ 7,405
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See accompanying Notes to Financial Statements.

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017.

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, 2017.

Revenue Recognition

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Program revenues are recorded when the program begins. The unearned program revenues are recorded as deferred revenue on the statement of financial position.

Membership dues are recognized as revenue when received.

Merchandise sales and costs of goods sold are reported net of discounts, estimated returns, and sales taxes.

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017.

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 of \$3,680 has been established for accounts management has deemed unlikely to be collectible as of June 30, 2017.

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 year ended June 30, 2017 was \$74,915.

In-Kind Contributions

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 year ended June 30, 2017 was \$17,680.

Professional service labor and materials were donated to the Association for program services in the amount of \$136,444 for the year ended June 30, 2017.

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.

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses (Continued)

There were no material fundraising expenses for the year ended June 30, 2017.

Advertising

The Association expenses advertising costs as incurred. Advertising expense for the year ended June 30, 2017 was \$32,847. Of the total advertising expense, \$18,530 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, 2017.

Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through January 24, 2018, the date the financial statements were available to be issued.

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 4.95% as of June 30, 2017. The balance was \$133,599 at June 30, 2017. The line of credit is secured by a real estate mortgage. The line of credit has been renewed subsequent to year end at 5.2% through August 28, 2018.

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2017:

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

Future payments on long-term debt are as follows:

Year Ending June 30,	Amount
2018	\$ 3,585

NOTE 4 LEASES

The Association has a lease for office space for \$650/month thru April 2017, after which, the lease was terminated.

The Association also leases equipment and meeting rooms on a short term basis each year. Total rent of equipment and facilities was \$76,794 for the period ended June 30, 2017.

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 year ended June 30, 2017 was \$-0-.

NOTE 6 MAJOR FUNDING SOURCES

The Association has a major funding source which contributed to 45% of revenue and 51% receivables for the year ended June 30, 2017.

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 7 LIQUIDITY

As shown in the accompanying financial statements, the Association incurred a net loss of \$92,679 during the year ended June 30, 2017. This factor, as well as a reduction in federal grant funding in the next fiscal year and significant payables due, including a line of credit balance with limited available cash, created an uncertainty about the Association's ability to continue as a going concern. Management of the Association is developing a plan to reduce its expenses and increase other funding sources. The ability of the Association to continue as a going concern is dependent on the plan's success. The financial statements do not include any adjustments that might be necessary if the Association is unable to continue as a going concern. Subsequent to year end with the significant reduction in the major revenue source due to a federal contract ending, expenses were reduced accordingly by management. Accounts payable at year end were subsequently paid with new unrestricted contributions received.

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, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2018.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 2017-001, to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 2017-002, to be a significant deficiency.

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 Questioned Costs. 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
January 24, 2018



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 year ended June 30, 2017. 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 questioned costs.

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 year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances 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 Questioned Costs as items 2017-003 and 2017-004. 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 finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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 a 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 have not been identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003 that we consider to be significant deficiencies and as item 2017-004 that we consider to be a material weakness.

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 Questioned Costs. 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 year ended June 30, 2017, and have issued our report thereon dated January 24, 2018, 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
January 24, 2018

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Energy, Direct Program		
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance	81.117	\$ 405,984
Renewable Energy Research and Development	81.087	<u>348,435</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 754,419</u></u>

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017
(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 the year ended December 31, 2015. Midwest Renewable Energy Association, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

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, 2017.

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

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? x yes 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? x yes 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 QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings

2017 – 001

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: Material adjusting journal entries were required to be made in response to audit procedures.

Criteria or specific requirement: A strong system of internal control would ensure all material entries are made during the fiscal year.

Context: Entries need to be made in to adjust books to be in accordance with generally accepted accounting principles in the United States of America (GAAP).

Cause: The internal control procedures in place did not catch these adjustments needed.

Effect: There is an increased possibility that material misstatement of the financial statements could occur and not be prevented or detected on a timely basis.

Recommendation: We recommend that the Association review the nature of these entries in order to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process.

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

2017 – 002

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: The auditors noted during the audit that there was lack of consistency of documentation in department approval of invoices for payment. Of the 26 general disbursements sampled, 15 did not have documentation of review on them.

Criteria or specific requirement: Generally, a strong system of internal control would have proper authorization by supervisors for any invoices prior to payment.

Questioned Costs: None.

Context: Invoices need to be approved prior to payment, so the Association can ensure all invoices are for proper business expenses. Sample was a statistically valid sample.

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Section II – Financial Statement Findings (Continued)

Cause: The staff did not enforce strict invoice approval documentation procedures due to detailed invoice review as part of grant reimbursement process.

Effect: Lack of supervisor approval could result in an improper business expense being paid for by the Association.

Recommendation: We recommend that the Association ensure all invoices are either stamped, signed off, or documentation kept for email approval.

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

Section III – Findings and Questioned Costs – Major Federal Programs

2017 – 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: 8/1/14-10/31/17

Type of Finding:

- Significant Deficiency in Internal Control over Compliance

See financial statement finding 2017-002.

2017 – 003

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: 8/1/14-10/31/17

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Criteria or specific requirement: Federal awards require that wages paid for labor time allocated to the grant be based on approved rates.

Condition: Of the 14 payroll disbursements sampled, we noted two individuals were receiving wages in excess of their approved personnel file pay rate. In addition for one of those individuals, the rate charged to the grant was greater than the grant budget justification worksheet rate for that position title.

Questioned Costs: N/A

Context: The Association was not reviewing employee payroll settings within their system to ensure employees were being paid based on their approved rate or comparing that rate to what was noted in the grant budget justification worksheet to ensure they do not exceed the budgeted line item when submitting reimbursement requests. Sample was a statistically valid sample.

Cause: Salary amounts were not being properly entered into the financial software.

Effect: Could result in claiming unallowable costs which may result in denial of payment for the services.

Recommendation: We recommend the Association contact the Department of Energy to revise the budget or obtain approval for pay rate used and monitor amounts being charged so that they do not exceed the budgeted line item. We also recommend the Association design controls to ensure an adequate review process is in place to review employee pay rates or rate changes in the financial software.

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

2017 – 004

Federal Agency: Department of Energy

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

CFDA Number: 81.087 and 81.117

Award Period: 1/1/15-12/31/17 (81.087) and 8/1/14-10/31/17 (81.117)

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Other Matters

MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2017

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Criteria or specific requirement: Billings and charges to contracts and grants must be adjusted if the final rate varies from the provisional rate. If the final rate is greater than the provisional rate, the organization may not automatically recover indirect costs, dependent on the terms of the award(s). Conversely, if the final rate is less than the provisional, the organization will be required to pay back the difference to the funding agency. Reimbursement requests were also not adjusted to true up the provisional rate used for the first three quarters of 2016 to the updated provisional rate. The Association should have internal controls designed to ensure compliance with these provisions.

Condition: The Association did not have internal controls designed to ensure when an updated provisional rate and a final rate were established that upward or downward adjustments would need to be made on the actual allowable costs incurred for the periods involved.

Questioned Costs: \$38,090 - going back to project period starting 8/1/14 for award DE-EE0006544 thru 6/30/17 and project period starting 1/1/15 for award DE-EE0006910 thru 6/30/17.

Context: The Association was notified of final rates through calendar year 2015 in an Indirect Cost Negotiation agreement dated October 5, 2016. The auditors noted during testing that the Association had not updated their indirect cost allocation to the final rates to the period up to December 31, 2015. The final approved rates were lower than the provisional rates charged to the grant thru that period. The auditors also noted during testing that the Association had not adjusted reimbursement requests to true up the provisional rate used for the first three quarters of 2016 to the updated provisional rate.

Cause: The Association was unaware of the procedure once the funding agency updated the provisional rate and finalized rates and therefore didn't have internal controls in place to ensure compliance with these provisions.

Effect: Return of funds to the funding agency.

Recommendation: We recommend the Association contact the Department of Energy to resolve prior year adjustments needed due to final rates that were issued and the new provisional rate issued for 2016. We also recommend the Association design controls to ensure when a final rate is established that upward or downward adjustments would need to be made on the actual allowable costs incurred for the period involved and ensure payment back to the funding agency when required.

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



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Wealth Advisors, LLC, an SEC-registered investment advisor.



**MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017**

Department of Energy

Midwest Renewable Energy Association, Inc. respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2017.

Audit period: July 1, 2016 - June 30, 2017

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

2016 – 001 Cash Receipts Process

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

Status: Corrected. The Association has implemented a new cash receipting process with proper segregation of duties.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

2016 – 002 Procurement Policy

Condition: Federal awards require a written procurement policy be in place and followed.

Status: Corrected. The Association has a written procurement policy in place.

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



MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2017

Department of Energy

Midwest Renewable Energy Association, Inc. respectfully submits the following corrective action plan for the year ended June 30, 2017.

Audit period: July 1, 2016 – June 30, 2017

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

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS

2017-001 Material adjusting journal entries made to the trial balance during the audit.

Recommendation: We recommend that the Association review the nature of these entries in order to determine if these types of adjustments could be made during the year as part of the ordinary financial reporting process.

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: January 31, 2018.

SIGNIFICANT DEFICIENCY

2017-002 Lack of consistency in department approval of invoices for payment.

Recommendation: We recommend that the Association ensure all invoices are either stamped, signed off, or documentation kept for email approval.

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



MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2017

Planned completion date for corrective action plan: January 31, 2018.

FINDINGS—FEDERAL AWARD PROGRAMS AUDITS

DEPARTMENT OF ENERGY

2017-002 Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance – CFDA No. 81.117.

See financial statement finding 2017-002.

2017-003 Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance – CFDA No. 81.117.

Two individuals were receiving wages in excess of their approved personnel file pay rate. In addition for one of those individuals, the rate charged to the grant was greater than the grant budget justification worksheet rate for that position title.

Recommendation: We recommend the Association contact the Department of Energy to revise the budget or obtain approval for pay rate used and monitor amounts being charged so that they do not exceed the budgeted line item. We also recommend the Association design controls to ensure an adequate review process is in place to review employee pay rates or rate changes in the financial software.

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

Action taken in response to finding: Management notified employees of the mistake and immediately adjusted wages. Management to contact the Department of Energy regarding incorrect wage rate charged.

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

Planned completion date for corrective action plan: January 31, 2018

2017-004 Renewable Energy Research and Development – CFDA No. 81.087.
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training, and Technical Analysis/Assistance – CFDA No. 81.117.



MIDWEST RENEWABLE ENERGY ASSOCIATION, INC.
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2017

Final indirect cost rates were established thru December 31, 2015 that were lower than the provisional rates charged to the grant and adjustments to the actual allowable costs incurred for the periods involved were not made and funds were not returned to the funding agency. Reimbursement requests were also not adjusted to true up the provisional rate used for the first three quarters of 2016 to the updated provisional rate.

Recommendation: We recommend the Association contact the Department of Energy to resolve prior year adjustments needed due to final rates that were issued and the new provisional rate issued for 2016. We also recommend the Association design controls to ensure when a final rate is established that upward or downward adjustments would need to be made on the actual allowable costs incurred for the period involved and ensure payment back to the funding agency when required.

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

Action taken in response to finding: Management to contact the Department of Energy regarding excess indirect costs charged.

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

Planned completion date for corrective action plan: January 31, 2018

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