MIDWEST ENERGY EFFICIENCY ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

MARCUM
ACCOUNTANTS ▲ ADVISORS

MIDWEST ENERGY EFFICIENCY ALLIANCE

CONTENT

MARCUM
ACCOUNTANTS ▲ ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Midwest Energy Efficiency Alliance

Report on the Financial Statements

We have audited the accompanying financial statements of Midwest Energy Efficiency Alliance (an Illinois nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, 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. 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.

MARCUMGROUP
MEMBER

Marcum LLP ▪ 111 S. Pfingsten Road ▪ Suite 300 ▪ Deerfield, Illinois 60015 ▪ **Phone** 847.282.6300 ▪ **Fax** 847.282.6301 ▪ **www.marcumllp.com**

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midwest Energy Efficiency Alliance as of June 30, 2016, 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.

Marcum LLP

Deerfield, IL
November 17, 2016

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

Assets		
Current Assets		
Cash and cash equivalents	$ 228,411	
Cash and cash equivalents - operating reserve	775,000	
Cash and cash equivalents - strategic reserve	467,090	
Accounts receivable	675,873	
Certificates of deposit	774,651	
Prepaid expenses	59,649	
Total Current Assets		$ 2,980,674
Property and Equipment, Net		360,684
Other Assets		
Certificates of deposit		150,053
Total Assets		$ 3,491,411

The accompanying notes are an integral part of these financial statements.

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 316,429	
Accrued expenses	112,805	
Deferred membership	78,050	
Grants/Sponsorships received in advance	82,704	
Current portion of deferred rent	89,050	
Total Current Liabilities		$ 679,038
Long-Term Liabilities		
Deferred rent		428,079
Total Liabilities		1,107,117
Net Assets		
Unrestricted	2,256,738	
Temporarily restricted	127,556	
Total Net Assets		2,384,294
Total Liabilities and Net Assets		$ 3,491,411

The accompanying notes are an integral part of these financial statements.

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support			
Government grants	$ --	$ 1,384,855	$ 1,384,855
Foundation grants	--	175,000	175,000
Municipal utility and nonprofit grants	--	281,671	281,671
Membership	670,944	--	670,944
Tuition income	503,445	--	503,445
Conference and workshop income	609,507	--	609,507
Miscellaneous	21,355	--	21,355
Interest income	3,937	--	3,937
Program service revenue	131,919	--	131,919
Net assets released from restriction by satisfaction of program requirements	2,012,257	(2,012,257)	--
Total Revenue and Other Support	3,953,364	(170,731)	3,782,633
Expenses			
Program	3,515,063	--	3,515,063
Management and general	782,706	--	782,706
Fundraising and development	8,088	--	8,088
Total Expenses	4,305,857	--	4,305,857
Change in Net Assets	(352,493)	(170,731)	(523,224)
Net Assets - Beginning	2,609,231	298,287	2,907,518
Net Assets - Ending	$ 2,256,738	$ 127,556	$ 2,384,294

The accompanying notes are an integral part of these financial statements.

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Program	Management and General	Fundraising and Development	Total
Bank service and merchant account fees	$ 32,454	$ 5,950	$ --	$ 38,404
Computer expense	44,505	4,054	--	48,559
Depreciation and amortization	70,663	7,851	--	78,514
Dues, licenses and fees	252,182	1,234	--	253,416
Employee costs - retirement plan, recruitment, education, workers' compensation insurance	83,063	21,577	303	104,943
Gifts and grants	--	6,257	--	6,257
Insurance - health, life and disability	106,950	27,428	528	134,906
Insurance - organizational and liability	20,286	2,254	--	22,540
Meeting and conferences	173,140	192,675	--	365,815
Payroll taxes	92,715	24,319	474	117,508
Postage and delivery	5,417	216	--	5,633
Printing and reproduction - outsourced	10,595	775	--	11,370
Professional fees - accounting	4,032	16,129	--	20,161
Professional fees - audio/video	15,598	58,678	--	74,276
Professional fees - consulting	80,098	4,852	--	84,950
Professional fees - legal	5,096	12,888	--	17,984
Professional fees - public relations	11,304	31,034	--	42,338
Program expense - direct, paid to subcontractors - consumer programs	494,425	--	--	494,425
Program expense - direct - training programs	328,984	--	--	328,984
Office expenses	12,937	1,323	--	14,260
Rent	131,611	32,653	--	164,264
Salaries and contract labor	1,283,484	317,782	6,308	1,607,574
Sponsorship	5,100	--	--	5,100
Supplies and publications	5,586	264	--	5,850
Telecommunications	23,952	2,293	6	26,251
Travel, meals and entertainment	179,464	1,911	388	181,763
Unemployment taxes	15,205	3,873	81	19,159
Utilities	13,608	3,402	--	17,010
Website	12,609	1,034	--	13,643
Total Expenses	$ 3,515,063	$ 782,706	$ 8,088	$ 4,305,857

The accompanying notes are an integral part of these financial statements.

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows From Operating Activities		
Change in net assets		$ (523,224)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	78,514	
Decrease in deferred rent	(83,121)	
Changes in operating assets and liabilities:		
Accounts receivable	639,438	
Prepaid expenses	(16,480)	
Accounts payable	(518,998)	
Accrued expenses	(172,938)	
Deferred membership	22,333	
Total Adjustments		(51,252)
Net Cash Used in Operating Activities		(574,476)
Cash Flows From Investing Activities		
Purchases of certificates of deposit	(924,704)	
Proceeds from certificates of deposit	672,930	
Net Cash Used in Investing Activities		(251,774)
Net Decrease in Cash and Cash Equivalents		(826,250)
Cash and Cash Equivalents - Beginning		2,296,751
Cash and Cash Equivalents - Ending		$ 1,470,501

The accompanying notes are an integral part of these financial statements.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Midwest Energy Efficiency Alliance ("MEEA") was incorporated under the laws of Illinois on March 22, 2000, as a not-for-profit corporation. The purpose of the corporation is to develop, design, implement and coordinate energy efficiency and renewable energy resource programs, projects and educational activities in the Midwest.

CASH FLOWS

MEEA considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased.

CASH BALANCES IN EXCESS OF INSURED AMOUNTS

MEEA maintains its cash in accounts which, at times, may exceed federally insured limits. MEEA has not experienced any losses due to these limits.

CLASSES OF NET ASSETS

The accounts of MEEA are maintained in accordance with the principles of fund accounting, whereby resources are classified for accounting and reporting purposes into net assets established according to their nature and purposes.

Unrestricted Net Assets
Represents the portion of expendable funds that are available for the daily operations of MEEA, which are not limited by donor restriction as to use.

Temporarily Restricted Net Assets
Consists of donor-restricted contributions for specified projects as well as contributions received with time restrictions. When a temporary restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. At June 30, 2016, temporarily restricted net assets consist of purpose restrictions of $127,556 for education related to savings from building codes, access to programs, and utility program best practices, as well as outreach to cities for interacting with future code development. This amount represents revenue for programs to be implemented in the future, and although the revenue is recognized in the current period, the related expenses will not be recognized until they are incurred.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE RECOGNITION AND ACCOUNTS RECEIVABLE

MEEA receives support and revenue from various funding sources in order to accomplish their energy efficiency programs. Revenue and other support is recognized in the period earned or awarded and is available for unrestricted use unless explicit donor stipulations specify how or when the funds may be used. Grants may be recognized as revenue either when received or based on a cost-reimbursement methodology as stated in the grant agreement. Dues from members are recognized in the membership year. Dues received in advance of the membership year are reflected as deferred membership on the statement of financial position.

Accounts receivable represent amounts charged to grants that are not yet received as well as dues owed from members. Accounts receivable are recorded at their net realizable value. MEEA provides an allowance for doubtful accounts based upon historical collection experience, coupled with an annual review of the current status of existing accounts. The allowance for doubtful accounts was $21,000 as of June 30, 2016.

INCOME TAXES

MEEA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, MEEA has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Therefore, MEEA has made no provision for income taxes in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by MEEA and recognize a tax liability (or asset) if MEEA has taken uncertain positions that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by MEEA, and has concluded that as of June 30, 2016, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. MEEA is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

USE OF 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. While actual results may differ from those estimates, management does not expect the differences, if any, to have a material effect on the financial statements.

SUBSEQUENT EVENTS

MEEA evaluated all significant events or transactions that occurred through November 17, 2016, the date the financial statements were available to be issued.

NOTE 2 - PROPERTY AND EQUIPMENT

Equipment, furniture, and leasehold improvements are recorded at cost or fair value if contributed. It is MEEA's policy to capitalize expenditures for long-lived assets if they are over $2,500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Property and equipment consists of the following at June 30, 2016:

		Estimated Useful Lives
Computer equipment and software	$103,362	3-5
Leasehold improvements	532,680	10
Furniture and equipment	153,430	5-10
Total Cost	789,472	
Less: accumulated depreciation	(428,788)	
Property and Equipment, Net	$360,684	

NOTE 3 - RETIREMENT PLAN

MEEA has a tax deferred savings plan covering eligible employees, as defined by the plan documents. Employees are allowed to make elective deferrals up to the maximum allowed by the Internal Revenue Code. MEEA, at its discretion, may contribute on behalf of each of the employees who are participants of the plan, an amount up to 50% of the first 6% of compensation. The match expense under the plan was $89,078 for the year ended June 30, 2016.

NOTE 4 - CERTIFICATES OF DEPOSIT

At June 30, 2016, MEEA held certificates of deposits in the amount of $924,704 with interest rates ranging from 0.15% to 0.65% and maturity dates ranging from October 2016 through August 2017. Subsequent to year end, certificates of deposit that matured were renewed.

NOTE 5 - LINE OF CREDIT

MEEA has a $250,000 line of credit available with Fifth Third Bank which expires on November 30, 2016. The note is secured by corporate assets of MEEA as defined by the agreement. Interest is computed at the bank's prime interest rate plus 1.00% (prime rate was 3.50% as of June 30, 2016), with a floor of 4.00%. During the year, no advance was taken on the line of credit, and as of June 30, 2016 there was no amount due. Management intends to renew the line of credit with substantially similar terms.

NOTE 6 - LEASE

MEEA has a lease agreement for office space in Chicago, Illinois. The lease, which began March 1, 2011 and expires August 1, 2021, requires monthly rent in the range of $17,941 to $22,406 as the lease progresses. The lessor provided various incentives to MEEA upon the signing of the lease. First, the lessor contributed $532,680 towards improvements made to the leased space. In addition, the lessor provided furniture in the amount of $62,401. The lessor also provided full rent abatement for the period from March 2011 through May 2012 totaling $179,410 and partial rent abatement for the period from June 2012 through January 2013 totaling $32,943. These incentives have been included as part of the deferred rent payable. As part of the lease agreement, MEEA is required to keep a letter of credit in the amount of $210,000 for the first four years of the lease. On August 1, 2015, the required letter of credit amount reduced to $175,000. Cash and cash equivalents of $210,000 serves as collateral for the letter of credit.

In accordance with accounting principles generally accepted in the United States of America, rent expense is recorded on a straight-line basis over the life of the lease. Rent expense for the year ended June 30, 2016 is $164,264. The deferred rent payable balance is $517,129 at June 30, 2016.

Future minimum rental payments due under the lease are as follows:

For the Years Ended June 30,	Amount
2017	$ 243,087
2018	249,165
2019	255,394
2020	261,779
2021	268,323
Thereafter	22,406
Total	$1,300,154

NOTE 7 - SUPPORT AND REVENUE

MEEA's various programs and amounts received including the outstanding accounts receivable as of and for the year ended June 30, 2016 are as follows:

Program Name	Description	Revenue 2016	Accounts Receivable at June 30, 2016
Membership	Donations from MEEA members to support the Energy Efficiency mission of the organization.	$ 670,944	$ 49,845
Midwest Energy Solutions Conference	A regional conference to promote energy efficiency and educate stakeholders throughout the Midwest.	603,385	10,000
Building Operator Certification	An educational program targeted to building operators to inform them about low to no cost methods of improving the energy efficiency of their facilities.	567,875	174,130
DOE Regional Energy Efficiency Organization Programs	U.S. Department of Energy funded programs to advance energy efficiency through the Advanced Manufacturing Office, Building Technologies Program and Weatherization and Intergovernmental Affairs Programs.	515,605	99,715
HVAC SAVE	Quality installation and quality maintenance program for residential HVAC systems based on performance.	426,999	810
Kentucky Codes	State of Kentucky funded technical assistance for Energy Code Compliance program.	247,455	78,166
Missouri SEP Data	Contracted by the State of Missouri to complete building codes compliance study.	160,000	--
STEP	Provides specific energy efficiency measures to public sector facilities.	112,201	112,201
IL Home Performance (EEPS)	Coordinate with State of Illinois and utilities to manage Illinois Home Performance with ENERGY STAR Program.	99,683	99,683
(Subtotal Forward)		$3,404,147	$624,550

NOTE 7 - SUPPORT AND REVENUE (CONTINUED)

Program Name	Description	Revenue 2016	Accounts Receivable at June 30, 2016
(Subtotal Forward)		$3,404,147	$624,550
Building Codes – Midwest Program	Energy Foundation funded to support increase energy efficiency savings from building codes in Michigan and Minnesota.	75,000	--
MultiFamily	Energy Foundation funded program to educate policymakers and stakeholders to improve access to energy efficiency programs in the multifamily sector.	75,000	--
Kentucky EM&V	U.S. DOE funded program to coordinate and run a statewide energy efficiency stakeholder process in Kentucky.	57,977	7,597
MacArthur Multi Family	MacArthur Foundation funded program to research and present utility programs best practices for multi-family housing in Midwest.	50,000	--
GTI – (Building America)	Research into advanced techniques for residential retrofits.	49,752	8,376
2018 ICC Hearings	Energy Foundation funded outreach to cities for interacting with the International Code Council's International Energy Conservation Code 2018 development process.	25,000	25,000
Interest and Other Income	Bank account interest revenue, certificate of deposit interest revenue, and other miscellaneous income.	25,292	3,080
TINSSL	Assist U.S. DOE on promoting and staffing the annual DOE conference.	6,803	--
Lights for Learning	An educational program for Illinois schools and other nonprofit organizations to raise money for their activities by selling energy efficient light bulbs and other energy efficient products.	5,151	5,151
(Subtotal Forward)		$3,774,122	$673,754

NOTE 7 - SUPPORT AND REVENUE (CONTINUED)

Program Name	Description	Revenue 2016	Accounts Receivable at June 30, 2016
(Subtotal Forward)		$3,774,122	$673,754
Navigant Michigan	Subcontractors on Navigant residential baseline study. Services were mostly outreach planning, data collection research and data analysis.	3,263	369
MW LUMEN	Midwest LUMEN	2,748	--
ReAmp Clean Power Plan	Educate Illinois stakeholders on the opportunities presented by the EPA's Clean Energy Incentive Program.	2,500	500
Local Energy Aggregate Network	A collaborative project with CUB and LEAN US to promote energy efficiency and develop municipal aggregator resource guide.	--	1,250
Total		$3,782,633	$675,873