MIDWEST ENERGY EFFICIENCY ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

MIDWEST ENERGY EFFICIENCY ALLIANCE

CONTENT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Midwest Energy Efficiency Alliance

We have audited the accompanying financial statements of Midwest Energy Efficiency Alliance (a not-for-profit organization) which comprise the statement of financial position as of June 30, 2017, 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 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.

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, 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 Stan*dards, we have also issued our report dated November 9, 2017, on our consideration of Midwest Energy Efficiency Alliance's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, controls and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on internal controls 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 Energy Efficiency Alliance's internal control over financial reporting and compliance.

Marcum LLP

Deerfield, IL
November 9, 2017

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

Assets		
Current Assets		
Cash and Cash Equivalents:		
Cash and cash equivalents	$ 686,486	
Cash and cash equivalents - operating reserve	775,000	
Cash and cash equivalents - strategic reserve	750,999	
Total Cash and Cash Equivalents	2,212,485	
Accounts receivable, net	1,702,865	
Certificates of deposit	722,642	
Prepaid expenses	46,583	
Total Current Assets		$ 4,684,575
Property and Equipment, Net		283,993
Other Assets		
Certificates of deposit		149,846
Total Assets		$ 5,118,414

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

MIDWEST ENERGY EFFICIENCY ALLIANCE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 1,339,682	
Accrued expenses	191,196	
Deferred membership	42,000	
Grants/Sponsorships received in advance	82,704	
Current portion of deferred rent	95,127	
Total Current Liabilities		$ 1,750,709
Long-Term Liabilities		
Deferred rent		332,952
Total Liabilities		2,083,661
Net Assets		
Unrestricted	2,868,178	
Temporarily restricted	166,575	
Total Net Assets		3,034,753
Total Liabilities and Net Assets		$ 5,118,414

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, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Other Support			
Government grants	$ --	$ 5,130,518	$ 5,130,518
Foundation grants	--	356,869	356,869
Municipal utility and nonprofit grants	--	234,014	234,014
Membership	668,008	--	668,008
Tuition income	507,727	--	507,727
Conference and workshop income	552,190	--	552,190
Miscellaneous	17,700	--	17,700
Interest income	4,314	--	4,314
Program service revenue	7,058	--	7,058
Net assets released from restriction by satisfaction of program requirements	5,682,382	(5,682,382)	--
Total Revenue and Other Support	7,439,379	39,019	7,478,398
Expenses			
Program	5,655,230	--	5,655,230
Management and general	1,163,895	--	1,163,895
Fundraising and development	8,814	--	8,814
Total Expenses	6,827,939	--	6,827,939
Change in Net Assets	611,440	39,019	650,459
Net Assets - Beginning	2,256,738	127,556	2,384,294
Net Assets - Ending	$ 2,868,178	$ 166,575	$ 3,034,753

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, 2017

	Program	Management and General	Fundraising and Development	Total
Bank service and merchant account fees	$ 24,952	$ 4,244	$ --	$ 29,196
Computer expense	24,512	19,943	--	44,455
Depreciation and amortization	30,676	46,015	--	76,691
Dues, licenses and fees	1,030	7,207	--	8,237
Employee costs - retirement plan, recruitment, education, workers' compensation insurance	60,867	47,200	182	108,249
Gifts and grants	--	6,246	--	6,246
Insurance - health, life and disability	119,599	34,637	649	154,885
Insurance - organizational and liability	11,399	11,399	--	22,798
Meeting and conferences	111,240	225,841	--	337,081
Payroll taxes	90,846	24,749	475	116,070
Postage and delivery	19,260	2,675	--	21,935
Printing and reproduction - outsourced	8,366	10,326	--	18,692
Professional fees - accounting	6,855	10,282	--	17,137
Professional fees - audio/video	8,851	54,564	--	63,415
Professional fees - consulting	76,217	4,830	--	81,047
Professional fees - legal	5,208	7,811	--	13,019
Professional fees - public relations	--	11,572	--	11,572
Program expense - direct, paid to subcontractors - consumer programs	2,954,592	--	--	2,954,592
Program expense - direct - training programs	499,862	--	--	499,862
Office expenses	6,611	7,157	--	13,768
Rent	50,294	108,613	--	158,907
Salaries and wages	1,305,423	407,956	6,436	1,719,815
Sponsorship	5,600	--	--	5,600
Supplies and publications	35,883	1,643	--	37,526
Telecommunications	11,525	12,047	22	23,594
Travel, meals and entertainment	124,187	41,381	950	166,518
Unemployment taxes	18,875	5,217	100	24,192
Utilities	15,328	22,991	--	38,319
Website	27,172	27,349	--	54,521
Total Expenses	$ 5,655,230	$ 1,163,895	$ 8,814	$ 6,827,939

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, 2017

Cash Flows From Operating Activities		
Change in net assets		$ 650,459
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	$ 76,691	
Decrease in deferred rent	(89,050)	
Changes in operating assets and liabilities:		
Accounts receivable	(1,026,992)	
Prepaid expenses	13,066	
Accounts payable	1,023,254	
Accrued expenses	78,390	
Deferred membership	(36,050)	
Total Adjustments		39,309
Net Cash Provided by Operating Activities		689,768
Cash Flows From Investing Activities		
Purchases of certificates of deposit	(872,488)	
Proceeds from certificates of deposit	924,704	
Net Cash Provided by Investing Activities		52,216
Net Increase in Cash and Cash Equivalents		741,984
Cash and Cash Equivalents - Beginning		1,470,501
Cash and Cash Equivalents - Ending		$ 2,212,485

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
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
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, 2017, temporarily restricted net assets consist of purpose restrictions of $166,575 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 $15,250 as of June 30, 2017.

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, 2017, 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 pending or 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.

DATE OF MANAGEMENT'S REVIEW

MEEA has evaluated subsequent events through November 9, 2017, the date the financial statements were available to be issued. No events requiring recognition or disclosure in the financial statements were identified.

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, 2017:

		Estimated Useful Lives
Leasehold improvements	$532,680	10
Furniture and equipment	153,430	5-10
Computer equipment and software	103,362	3-5
Total Cost	789,472	
Less: accumulated depreciation	(505,479)	
Property and Equipment, Net	$283,993	

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 contribution expense under the plan was $95,974 for the year ended June 30, 2017.

NOTE 4 - CERTIFICATES OF DEPOSIT

At June 30, 2017, MEEA held certificates of deposits in the amount of $872,488 with interest rates ranging from 0.15% to 1.35% and maturity dates ranging from September 2017 through August 2018. Subsequent to year end, certificates of deposit that matured were renewed. Certificates of deposit in the amount of $149,846 hold maturity dates beyond one year from the statement of financial position date.

NOTE 5 - LINE OF CREDIT

MEEA has a $250,000 line of credit available with Fifth Third Bank which expires on November 30, 2017. 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 4.25% as of June 30, 2017), with a floor of 4.00%. During the year, no advance was taken on the line of credit, and as of June 30, 2017 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, 2017 is $158,907. The deferred rent payable balance is $428,079 at June 30, 2017.

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

For the Years Ending June 30,	Amount
2018	$ 249,165
2019	255,394
2020	261,779
2021	268,323
2022	22,406
Total	$1,057,067

NOTE 7 - CONCENTRATIONS

MEEA receives support and program revenue from the Illinois Department of Commerce and Economic Opportunity ("DCEO"). Total support and program revenue from DCEO aggregated $1,977,917 for the year ended June 30, 2017 representing 26% of revenues. Revenues associated with the DCEO is included in the statement of activities in government grants.

NOTE 8 - SUPPORT AND REVENUE

MEEA's various programs and amounts received including the outstanding accounts receivable as of and for the year ended June 30, 2017 are as follows:

Program Name	Description	Revenue 2017	Accounts Receivable at June 30, 2017
STEP	Provides specific energy efficiency measures to public sector facilities.	$2,022,609	$ 352,643
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.	871,565	181,463
Rebate Distribution	Rebate distribution for Energy Resource Center Boiler Tune Up Program	787,171	473,403
Membership	Membership Dues from MEEA members to support the Energy Efficiency mission of the organization.	668,008	46,677
Midwest Energy Solutions Conference	A regional conference to promote energy efficiency and educate stakeholders throughout the Midwest.	552,190	13,500
IL Home Performance (EEPS)	Coordinate with State of Illinois and utilities to manage Illinois Home Performance with ENERGY STAR Program.	527,626	93,012
HVAC SAVE	Quality installation and quality maintenance program for residential HVAC systems based on performance.	444,512	146,649
(Subtotal Forward)		$5,874,300	$1,307,347

NOTE 8 - SUPPORT AND REVENUE (CONTINUED)

Program Name	Description	Revenue 2017	Accounts Receivable at June 30, 2017
(Subtotal Forward)		$5,874,300	$1,307,347
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.	386,172	51,506
Kentucky Codes	State of Kentucky funded technical assistance for Energy Code Compliance program.	318,922	142,395
STEP Data Center	Funding to perform data center assessments and outreach for public facilities.	217,762	115,672
Joyce Foundation	Joyce Foundation funded project to educate public utilities commissions and advocates on energy efficiency.	200,000	--
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.	139,098	66,645
KY EMV - DEDI/ Kentucky	Program to coordinate and run a statewide energy efficiency stakeholder process.	95,223	--
(Subtotal Forward)		$7,231,477	$1,683,565

NOTE 8 - SUPPORT AND REVENUE (CONTINUED)

Program Name	Description	Revenue 2017	Accounts Receivable at June 30, 2017
(Subtotal Forward)		$7,231,477	$1,683,565
Multi Family	Energy Foundation funded program to educate policymakers and stakeholders to improve access to energy efficiency programs in the multifamily sector.	75,619	--
Building Codes – Midwest Program	Energy Foundation funded to support increase energy efficiency savings from building codes in Michigan and Minnesota.	75,000	--
IMT	Institute for Market Transformation. Commercial Base Line Study for DOE	29,143	14,571
Interest and Other Income	Bank account interest revenue, certificate of deposit interest revenue, travel reimbursements and other miscellaneous income.	22,014	3,464
MacArthur Multi Family	MacArthur Foundation funded program to research and present utility programs best practices for multi-family housing in Midwest	13,500	--
GTI – (Building America)	Research into advanced techniques for residential retrofits.	11,925	--
UIUC	University of Il White Paper on tax law related to commercial properties	9,500	--
IL McKnight	Promote value of energy efficiency to IL Commerce Commission	5,000	--
(Subtotal Forward)		$7,473,178	$1,701,600

NOTE 8 - SUPPORT AND REVENUE (CONTINUED)

Program Name	Description	Revenue 2017	Accounts Receivable at June 30, 2017
(Subtotal Forward)		$7,473,178	$1,701,600
EPA Industrial	Ohio Energy meeting with Dayton Power and Light	4,106	1,265
General Policy	Miscellaneous income.	2,893	--
MW LUMEN	Midwest Lumen is a regional lighting collaborative.	90	--
Lean 13	Local Energy Aggregate Network. Collaborative project w/ CUB, ICCAN, Galvin Ct., & Lean Energy	(1,250)	--
Total		$7,478,398	$1,702,865

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*

To the Board of Directors
Midwest Energy Efficiency Alliance

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 Energy Efficiency Alliance, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year ended June 30, 2017, and have issued our report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Midwest Energy Efficiency Alliance'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 Energy Efficiency Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of Midwest Energy Efficiency Alliance'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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Midwest Energy Efficiency Alliance'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*.

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 results 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.

Marcum LLP

Deerfield, IL
November 9, 2017