

FINANCIAL STATEMENTS
OF
ORGANIZATION OF MISO STATES, INC.
AT
DECEMBER 31, 2014 AND 2013

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Organization of MISO States, Inc.

We have audited the accompanying financial statements of the Organization of MISO States, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditor's 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.

To the Board of Directors
Organization of MISO States, Inc.
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization of MISO States, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

RYUN, GIVENS & COMPANY, P.L.C.



Certified Public Accountants

May 18, 2015

ORGANIZATION OF MISO STATES, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
ASSETS:		
Cash	\$ 122,486	\$ 178,633
Prepaid Expenses	40,166	9,901
Property and Equipment	<u>22,496</u>	<u>22,933</u>
Total Assets	<u>\$ 185,148</u>	<u>\$ 211,467</u>
 LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts Payable	\$ 16,805	\$ 18,141
Accrued Expense	<u>50,299</u>	<u>39,062</u>
Total Liabilities	<u>67,104</u>	<u>57,203</u>
 Net Assets:		
Unrestricted Net Assets	<u>118,044</u>	<u>154,264</u>
Total Liabilities and Net Assets	<u>\$ 185,148</u>	<u>\$ 211,467</u>

ORGANIZATION OF MISO STATES, INC.

**STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Revenues, Gains, and Other Support:		
MISO Grant	\$ 829,000	\$ 720,000
Interest Income	<u>28</u>	<u>23</u>
Total Revenues, Gains, and Other Support	<u>829,028</u>	<u>720,023</u>
Expenses:		
Personnel Expenses	369,270	231,851
Office Expenses	119,986	109,294
Insurance	6,709	6,382
Professional Fees and Consultants	6,936	15,071
Meetings and Travel	<u>362,347</u>	<u>217,725</u>
Total Expenses	<u>865,248</u>	<u>580,323</u>
Change in Net Assets	(36,220)	139,700
Net Assets, Beginning of Year	<u>154,264</u>	<u>14,564</u>
Net Assets, End of Year	<u>\$ 118,044</u>	<u>\$ 154,264</u>

ORGANIZATION OF MISO STATES, INC.

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ (36,220)	\$ 139,700
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	6,065	4,449
(Increase) Decrease In:		
Prepaid Expenses	(30,265)	398
Increase (Decrease) In:		
Accounts Payable	(1,336)	4,143
Accrued Expense	<u>11,237</u>	<u>6,152</u>
Net Cash Provided (Used) by Operating Activities	<u>(50,519)</u>	<u>154,842</u>
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	<u>(5,628)</u>	<u>(19,150)</u>
Net Cash Provided (Used) by Investing Activities	<u>(5,628)</u>	<u>(19,150)</u>
Net Increase (Decrease) in Cash	(56,147)	135,692
Cash, Beginning of Year	<u>178,633</u>	<u>42,941</u>
Cash, End of Year	<u>\$ 122,486</u>	<u>\$ 178,633</u>

ORGANIZATION OF MISO STATES, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Organization of MISO States, Inc. (OMS) is a nonprofit, self-governing organization of representatives from each state with regulatory jurisdiction over entities participating in the Midcontinent Independent Transmission System Operator, Inc. (MISO), a regional transmission organization as defined by the Federal Energy Regulatory Commission (FERC). The purpose of the OMS is to coordinate regulatory oversight among the states, including recommendations to MISO, the MISO Board of Directors, the FERC, other relevant government entities, and state commissions as appropriate.

OMS member states and provinces are Arkansas, City of New Orleans, Illinois, Indiana, Iowa, Kentucky, Louisiana, Manitoba, Michigan, Minnesota, Missouri, Mississippi, Montana, North Dakota, South Dakota, Texas, and Wisconsin. The Organization has an office located in Des Moines, Iowa.

OMS was incorporated in the State of Indiana on June 11, 2003. OMS is a nonprofit organization and is exempt from federal income tax under Section 501(C)(4) of the Internal Revenue Code.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. OMS has no restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, OMS considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Property and Equipment

OMS capitalizes all acquisitions of property and equipment in excess of \$500. Property and equipment are stated at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

ORGANIZATION OF MISO STATES, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funding Agreement

The Midcontinent Independent Transmission System Operator, Inc. (“Midcontinent ISO” or “MISO”), will provide administrative funding to the Organization of MISO States, Inc. (“OMS”) in connection with implementing the OMS function as it relates to the Midcontinent ISO. The purpose of the funding agreement is to establish between the OMS and the Midcontinent ISO a long and productive relationship between the two organizations, working together with all industry participants to create and maintain efficient and reliable wholesale electric markets throughout the Midwest region.

Accounting for Uncertain Tax Positions

The Organization has adopted the accounting standard regarding “Accounting for Uncertain Tax Positions.” This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the entity’s financial statements. It requires an entity to recognize the financial statement benefit of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Organization’s financial position, results of operations, or cash flow. The Organizations’ Forms 990 for 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

OMS receives all of its revenue through a funding agreement with Midcontinent Independent Transmission System Operation, Inc. Any changes to the funding agreement will have a significant impact on OMS operating revenues.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, consists of the following:

	<u>2014</u>	<u>2013</u>
Furniture and Equipment	\$ 15,488	\$ 14,092
Computers	<u>46,960</u>	<u>42,728</u>
Total Property and Equipment	62,448	56,820
Less: Accumulated Depreciation	<u>39,952</u>	<u>33,887</u>
Net Property and Equipment	<u>\$ 22,496</u>	<u>\$ 22,933</u>

Depreciation expense was \$6,065 and \$4,449 for the years ended December 31, 2014 and 2013, respectively.

NOTE 4 - RENTALS UNDER OPERATING LEASES

OMS leases office space under an operating lease that expires December 31, 2015. After June 30, 2014, either party shall have the right to terminate the lease upon six months written notice to the other party. The annual base rent is \$19,371 and is payable in monthly installments. In addition, the lease required payment for operating expenses, parking, and tenant improvements. Total rent expense during 2014 and 2013 was \$22,623 and \$20,712, respectively. Future minimum lease payments are \$19,371 for 2015.

ORGANIZATION OF MISO STATES, INC.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014 AND 2013**

NOTE 5 - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by function for the years ended December 31, 2014 and 2013 are:

	<u>2014</u>	<u>2013</u>
Expenses:		
Program Services	\$ 655,230	\$ 435,998
Management and General	<u>210,018</u>	<u>144,325</u>
Total Expenses	<u>\$ 865,248</u>	<u>\$ 580,323</u>

NOTE 6 - RETIREMENT PLAN

OMS has a 401(k) plan covering its employees. Employer matching contributions to the plan were \$11,634 and \$8,024 for the years ended December 31, 2014 and 2013, respectively. The plan expenses were \$725 for both of the years ended December 31, 2014 and 2013.

NOTE 7 - SUBSEQUENT EVENT

The date to which events occurring after December 31, 2014, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is May 18, 2015, which is the date the financial statements were available to be issued.