

ORGANIZATION OF MISO STATES, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2021 and 2020

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities.....	4
Statement of Cash Flows	5
Notes to Financial Statements.....	6



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Organization of MISO States, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and 2020 the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Organization of MISO States, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Organization of MISO States, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Notes 1 and 5 to the financial statements, Organization of MISO States, Inc. has had numerous significant transactions with an organization with people who are related to, the officers and directors of Organization of MISO States, Inc. Our opinion is not modified with respect to this matter.

As discussed in Note 6 to the financial statements, in March 2020, the World Health Organization classified COVID-19 as a pandemic and multiple jurisdictions in the United States of America have declared a state of emergency. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization of MISO States, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization of MISO States, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Organization of MISO States, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KMA, S.C.

KMA, S.C.
Madison, Wisconsin
June 17, 2022

ORGANIZATION OF MISO STATES, INC.

STATEMENTS OF FINANCIAL POSITION

December 31,

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 568,774	\$ 349,040
Prepaid expenses	49,410	58,482
Other receivables	2,347	1,030
Total current assets	<u>620,531</u>	<u>408,552</u>
FIXED ASSETS		
Furniture and equipment	5,999	5,999
Computers	5,802	11,535
Less: Accumulated depreciation	<u>(6,467)</u>	<u>(9,481)</u>
Net fixed assets	<u>5,334</u>	<u>8,053</u>
Total assets	<u>\$ 625,865</u>	<u>\$ 416,605</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 26,795	\$ 14,668
Accrued compensation absences	<u>4,979</u>	<u>4,105</u>
Total current liabilities	<u>31,774</u>	<u>18,773</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>594,091</u>	<u>397,832</u>
Total liabilities and net assets	<u>\$ 625,865</u>	<u>\$ 416,605</u>

See accompanying notes and
independent auditor's report.

ORGANIZATION OF MISO STATES, INC.

STATEMENTS OF ACTIVITIES

Years ended December 31,

	NET ASSETS WITHOUT DONOR RESTRICTIONS	
	<u>2021</u>	<u>2020</u>
REVENUES, GAINS AND OTHER SUPPORT		
MISO funding agreement	\$ 1,003,947	\$ 560,458
Interest income	47	124
Miscellaneous income	<u>2,347</u>	<u>1,030</u>
Total revenues, gains and other support	1,006,341	561,612
EXPENSES		
PROGRAM SERVICES		
Personnel compensation and benefits	343,017	355,522
Membership program support	171,905	124,884
Travel	96,752	44,803
Office	85,287	87,474
Organization meeting	<u>57,569</u>	<u>5,842</u>
Total program services	754,530	618,525
SUPPORTING SERVICES		
Office	25,242	38,291
Organizational	12,788	8,275
Other personnel expenses	9,162	8,073
Insurance	5,767	6,470
Depreciation	1,928	2,949
Loss on disposal of assets	<u>665</u>	<u>473</u>
Total supporting services	<u>55,552</u>	<u>64,531</u>
Total expenses	<u>810,082</u>	<u>683,056</u>
Net change in net assets without donor restrictions	<u>196,259</u>	<u>(121,444)</u>
Net assets at beginning of year	<u>397,832</u>	<u>519,276</u>
Net assets at end of year	<u>\$ 594,091</u>	<u>\$ 397,832</u>

See accompanying notes and
independent auditor's report.

ORGANIZATION OF MISO STATES, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 196,259	\$ (121,444)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,928	2,949
Loss on disposal of assets	665	473
Changes in:		
Prepaid expenses	9,072	(11,454)
Other receivables	(1,317)	2,296
Accounts payable	12,127	(24,578)
Accrued compensation absences	874	2,637
Net cash provided by (used in) operating activities	<u>219,608</u>	<u>(149,121)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	126	808
Purchases of fixed assets	<u>-</u>	<u>(2,184)</u>
Net cash provided by (used in) investing activities	<u>126</u>	<u>(1,376)</u>
Change in cash	219,734	(150,497)
Cash at beginning of year	<u>349,040</u>	<u>499,537</u>
Cash at end of year	<u>\$ 568,774</u>	<u>\$ 349,040</u>

See accompanying notes and
independent auditor's report.

ORGANIZATION OF MISO STATES, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Organization of MISO States, Inc. (the "Organization") is a nonprofit, self-governing organization of representatives from each state with regulatory jurisdiction over entities participating in the Midcontinent Independent System Operator, Inc. (MISO), a regional transmission organization as defined by the Federal Energy Regulatory Commission (FERC). The purpose of the Organization 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.

The Organization's member-states, provinces and other governmental entities are Arkansas, City of New Orleans, Illinois, Indiana, Iowa, Kentucky, Louisiana, Manitoba, Michigan, Minnesota, Mississippi, Missouri, Montana, North Dakota, South Dakota, Texas and Wisconsin. The Organization relocated to Madison, Wisconsin in April 2020 from Des Moines, Iowa.

The Organization was incorporated in the State of Indiana on June 11, 2003. The Organization 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 financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions are net assets not subject to donor-imposed restrictions may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. The organization has no donor restricted net assets.

Cash

Cash includes amounts in a checking account and savings account.

Fixed Assets

The Organization capitalizes all acquisitions of fixed assets over \$500. Lesser amounts are expensed. Purchased fixed assets are stated at cost. Fixed assets are depreciated using the straight-line method over five to seven years.

ORGANIZATION OF MISO STATES, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

MISO Funding Agreement

MISO provides administrative funding to the Organization in connection with implementing the Organization's function as it relates to MISO. The purpose of the funding agreement is to establish 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 MISO region. MISO receives direct benefit from the Organization's use of the funds. Monthly remittances are based on MISO sanctioned budget and paid out subject to cash thresholds stipulated in the agreement. Performance obligation is deemed completed when cash is received and recognized as unrestricted revenue. See Note 5.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risk Management

The Organization is exposed to various risks of losses to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The Organization maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses.

Concentrations of Credit Risk

The Organization maintains cash accounts in financial institutions, which from time to time exceeds the insured amount of \$250,000 provided by the Federal Deposit Insurance Corporation. The Organization's cash balances in excess of the FDIC insurance limits at December 31, 2021 and 2020 were approximately \$328,000 and 103,000, respectively.

The Organization receives substantially all of its revenue through a funding agreement with MISO. Any changes to the funding agreement will have a significant impact on the Organization's operating revenues. See Note 5.

Subsequent Events

The Organization has evaluated subsequent events through the date of this report, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the Organization's financial statements.

ORGANIZATION OF MISO STATES, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets at December 31:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash	<u>\$ 568,774</u>	<u>\$ 349,040</u>
Financial assets available for general expenditures within one year	<u>\$ 568,774</u>	<u>\$ 349,040</u>

As part of the Organization’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 3 – OPERATING LEASES, AS LESSEE

The Organization, as lessee, leases office space on a long-term operating lease. Total rental expense totaled \$15,625 and \$23,262 for the years ended December 31, 2021 and 2020, respectively. Future minimum lease payments required under the operating lease agreement for the years ending December 31 are as follows:

2022	\$ 16,522
2023	<u>2,788</u>
Total	<u>\$ 19,310</u>

NOTE 4 – EMPLOYEE RETIREMENT PLAN

The Organization has a 401(k) Plan (the “Plan”) to provide retirement and incidental benefits for its employees. Employees may contribute up to 100% of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Organization matches employee contributions dollar for dollar up to a maximum of 4% of an employee’s compensation per payroll period. All matching contributions vest immediately. In addition, the Plan provides for discretionary contributions as determined by the board of directors. Such contributions to the Plan are allocated among eligible participants in the proportion of their salaries to the total salaries of all participants.

For the years ended December 31, 2021 and 2020, the Organization made matching contributions totaling \$11,310 and \$11,518, respectively. No discretionary contributions were made in 2021 or 2020.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Organization received revenue from MISO. The total amount received for the years ended December 31, 2021 and 2020 totaled \$1,003,947 and \$560,458, respectively. See Note 1.

ORGANIZATION OF MISO STATES, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2021 and 2020

NOTE 6 – COVID-19

During 2020, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. As a result, the Organization agreed to suspend remittances from the MISO Funding Agreement during the 2020 year in response to the interruptions to travel, meetings and events. Management does not believe COVID-19 will have a significant impact on revenues but will continue to interrupt operations by limiting travel. While such changes were factored into the forecast used to assess assets for reserves and impairment, any changes to the profitability for the next fiscal year could impact the realizability of assets and earnings. Given that developments concerning the COVID-19 pandemic have been constantly evolving, additional impacts and risks may arise that we are not aware of or able to appropriately respond to at this time.