

ORGANIZATION OF MISO STATES, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended December 31, 2022 and 2021

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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 statements of financial position as of December 31, 2022, and 2021 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, 2022 and 2021, 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.

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

July 28, 2023

ORGANIZATION OF MISO STATES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31,

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 412,245	\$ 568,774
Prepaid expenses	58,753	49,410
Other receivables	2,946	2,347
Total current assets	473,944	620,531
FIXED ASSETS		
Furniture and equipment	5,999	5,999
Computers	4,319	5,802
Less: Accumulated depreciation	(4,789)	(6,467)
Net fixed assets	5,529	5,334
Operating lease right-of-use asset	38,691	-
Total assets	\$ 518,164	\$ 625,865
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 21,656	\$ 26,795
Accrued compensation absences	6,466	4,979
Current portion of long-term operating lease liabilities	21,038	-
Total current liabilities	49,160	31,774
LONG-TERM LIABILITIES		
Operating lease liabilities	17,653	-
NET ASSETS WITHOUT DONOR RESTRICTIONS	451,351	594,091
Total liabilities and net assets	\$ 518,164	\$ 625,865

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	
	2022	2021
REVENUES, GAINS AND OTHER SUPPORT		
MISO funding agreement	\$ 866,710	\$ 1,003,947
Interest income	40	47
Miscellaneous income	4,768	2,347
Total revenues, gains and other support	871,518	1,006,341
EXPENSES		
PROGRAM SERVICES		
Personnel compensation and benefits	351,584	343,017
Membership program support	134,615	171,905
Travel	267,812	96,752
Office	121,691	85,287
Organization meeting	84,039	57,569
Total program services	959,741	754,530
SUPPORTING SERVICES		
Office	29,382	25,242
Organizational	10,016	12,788
Other personnel expenses	5,364	9,162
Insurance	5,816	5,767
Depreciation	2,242	1,928
Loss on disposal of assets	1,697	665
Total supporting services	54,517	55,552
Total expenses	1,014,258	810,082
Net change in net assets without donor restrictions	(142,740)	196,259
Net assets at beginning of year	594,091	397,832
Net assets at end of year	\$ 451,351	\$ 594,091

See accompanying notes and independent auditor's report.

ORGANIZATION OF MISO STATES, INC.

STATEMENTS OF CASH FLOWS

Years ended December 31,

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (142,740)	\$ 196,259
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,242	1,928
Loss on disposal of assets	1,697	665
Changes in:		
Prepaid expenses	(9,343)	9,072
Other receivables	(599)	(1,317)
Accounts payable	(5,139)	12,127
Accrued compensation absences	1,487	874
Net cash provided by (used in) operating activities	<u>(152,395)</u>	<u>219,608</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	185	126
Purchases of fixed assets	<u>(4,319)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(4,134)</u>	<u>126</u>
Change in cash	(156,529)	219,734
Cash at beginning of year	<u>568,774</u>	<u>349,040</u>
Cash at end of year	<u>\$ 412,245</u>	<u>\$ 568,774</u>

See accompanying notes and
independent auditor's report.

ORGANIZATION OF MISO STATES, INC.

STATEMENTS OF ACTIVITIES

Years ended December 31,

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Total expenses	<u>1,014,258</u>	<u>810,082</u>
Net change in net assets without donor restrictions	<u>(142,740)</u>	<u>196,259</u>
Net assets at beginning of year	<u>594,091</u>	<u>397,832</u>
Net assets at end of year	<u>\$ 451,351</u>	<u>\$ 594,091</u>

See accompanying notes and independent auditor's report.

ORGANIZATION OF MISO STATES, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31,

	2022	2021
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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, 2022 and 2021

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, 2022 and 2021

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, 2022 and 2021 were approximately \$170,000 and \$328,000, 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, 2022 and 2021

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash	<u>\$ 412,245</u>	<u>\$ 568,774</u>
Financial assets available for general expenditures within one year	<u>\$ 412,245</u>	<u>\$ 568,774</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 – DESCRIPTION OF LEASING ARRANGEMENTS

The Organization leases its office space under operating leases with one to three years as initial terms. The lease agreements do not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the balance sheet which include amounts for the operating leases as of December 31, 2022:

Operating lease right -of-use assets	<u>\$38,691</u>
Current portion of long-term debt and operating lease liabilities	\$21,038
Operating lease liabilities	<u>\$17,653</u>
Total Operating lease liabilities	<u>\$38,691</u>

The components of operating lease included in office expense under “Supporting Services” in the Statement of Activities for the year ended December 31, 2022 were \$17,119. This was included in the net cash used in operating activities in the statement of cash flows.

Weighted average lease term and discount rate as of December 31, 2022 were as follows:

Weighted average remaining lease term	2.17 years
Weighted average discount rate	0.77%

The maturities of operating lease liabilities as of December 31, 2022, were as follows:

2023	17,878
2024	18,108
2025	<u>3,018</u>
Total lease payments	\$ 39,004
Less : Interest	<u>313</u>
Present value of Lease Liability	<u>\$ 38,691</u>

ORGANIZATION OF MISO STATES, INC.
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended December 31, 2022 and 2021

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, 2022 and 2021, the Organization made matching contributions totaling \$11,609 and \$11,310, respectively. No discretionary contributions were made in 2022 or 2021.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Organization received revenue from MISO. The total amount received for the years ended December 31, 2022 and 2021 totaled \$866,710 and \$1,003,947, respectively. See Note 1.