

FINANCIAL STATEMENTS  
OF  
ORGANIZATION OF MISO STATES, INC.  
AT  
DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, and the related statements of activities, functional expenses 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, 2018 and 2017, 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.

### **Change in Accounting Principles**

As described in Note 1 to the financial statements, the Organization adopted ASU 2016-14, the new accounting pronouncement for the presentation of financial statements of not-for-profit entities and has adjusted the presentation of these statements accordingly. Our opinion is not modified with respect to this matter.

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

  
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Certified Public Accountants

May 20, 2019

**ORGANIZATION OF MISO STATES, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>ASSETS:</b>		
Cash	\$ 374,889	\$ 155,609
Prepaid Expenses	42,360	40,504
Property and Equipment	16,216	24,109
Other Receivable	<u>2,037</u>	<u>2,833</u>
Total Assets	<u>\$ 435,502</u>	<u>\$ 223,055</u>
 <b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 27,345	\$ 17,689
Accrued Expenses	<u>-</u>	<u>7,500</u>
Total Liabilities	<u>27,345</u>	<u>25,189</u>
 <b>Net Assets:</b>		
Net Assets Without Donor Restrictions	<u>408,157</u>	<u>197,866</u>
Total Liabilities and Net Assets	<u>\$ 435,502</u>	<u>\$ 223,055</u>

**ORGANIZATION OF MISO STATES, INC.**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues, Gains, and Other Support:		
MISO Grant	\$ 1,348,959	\$ 1,222,615
Interest Income	37	5
Grant Income	43,998	-
Miscellaneous Income	-	4,581
Total Revenues, Gains, and Other Support	1,392,994	1,227,201
Expenses:		
Insurance Expense	5,976	5,599
Membership Program Support	175,106	99,990
Office Expense	174,247	191,669
OMS Meeting Expense	93,688	71,033
Organizational Expenses	5,959	6,031
Other Personnel Expenses	5,992	8,058
Personnel Compensation and Benefits	361,656	360,792
Travel Expenses	351,390	318,357
Depreciation	6,844	6,701
Loss on Disposal of Assets and Miscellaneous	1,845	-
Total Expenses	1,182,703	1,068,230
Change in Net Assets	210,291	158,971
Net Assets, Beginning of Year	197,866	38,895
Net Assets, End of Year	\$ 408,157	\$ 197,866

**ORGANIZATION OF MISO STATES, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018		
	Program	Management and General	Total
Expenses:			
Insurance Expense	\$ -	\$ 5,976	\$ 5,976
Membership Program Support	175,106	-	175,106
Office Expense	130,740	43,507	174,247
OMS Meeting Expense	93,688	-	93,688
Organizational Expenses	-	5,959	5,959
Other Personnel Expenses	-	5,992	5,992
Personnel Compensation and Benefits	361,099	557	361,656
Travel Expenses	351,390	-	351,390
Depreciation	-	6,844	6,844
Loss on Disposal of Assets and Miscellaneous	-	1,845	1,845
<b>Total Expenses</b>	<b>\$ 1,112,023</b>	<b>\$ 70,680</b>	<b>\$ 1,182,703</b>

	2017		
	Program	Management and General	Total
Expenses:			
Insurance Expense	\$ -	\$ 5,599	\$ 5,599
Membership Program Support	99,133	857	99,990
Office Expense	164,303	27,366	191,669
OMS Meeting Expense	71,033	-	71,033
Organizational Expenses	238	5,793	6,031
Other Personnel Expenses	-	8,058	8,058
Personnel Compensation and Benefits	360,047	745	360,792
Travel Expenses	318,357	-	318,357
Depreciation	-	6,701	6,701
<b>Total Expenses</b>	<b>\$ 1,013,111</b>	<b>\$ 55,119</b>	<b>\$ 1,068,230</b>

**ORGANIZATION OF MISO STATES, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ 210,291	\$ 158,971
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	6,844	6,701
Loss on Disposal of Assets	1,049	-
(Increase) Decrease In:		
Prepaid Expenses	(1,856)	3,055
Other Receivables	796	(1,488)
Increase (Decrease) In:		
Accounts Payable	9,656	4,912
Accrued Expense	(7,500)	(2,634)
Net Cash Provided (Used) by Operating Activities	219,280	169,517
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	-	(15,532)
Net Cash Provided (Used) by Investing Activities	-	(15,532)
Net Increase (Decrease) in Cash	219,280	153,985
Cash, Beginning of Year	155,609	1,624
Cash, End of Year	\$ 374,889	\$ 155,609



# ORGANIZATION OF MISO STATES, INC.

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

### 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 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, 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 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 financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

##### Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed restrictions and 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.

##### Net Assets With Donor Restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

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.

#### **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.

## **ORGANIZATION OF MISO STATES, INC.**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED) DECEMBER 31, 2018 AND 2017**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **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 which is seven years for furniture and equipment and five years for computers.

##### **Funding Agreement**

The Midcontinent Independent System Operator, Inc. (“Midcontinent ISO” or “MISO”), provides 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.

##### **Functional Expenses**

The costs of providing program and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on a reasonable basis that is consistently applied. The management and general expenses include insurance, office costs, audit and accounting, payroll fees, and depreciation. All other expenses are reported as program expense.

##### **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 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

##### **Reclassifications**

Certain items in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications were for the reporting of expenses in the statements of activities. Such reclassifications have no effect on the 2017 increase (decrease) in net assets as previously stated.

**ORGANIZATION OF MISO STATES, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**New Accounting Pronouncement**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The new accounting pronouncement has been applied retrospectively to all periods presented.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following represents the Organization’s financial assets available for general expenditures within one year at December 31, 2018 and 2017:

	2018	2017
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ <u>374,889</u>	\$ <u>155,609</u>
Financial Assets Available for General Expenditures Within One Year	\$ <u>374,889</u>	\$ <u>155,609</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 - CONCENTRATIONS OF CREDIT RISK

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

NOTE 4 - PROPERTY AND EQUIPMENT

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

	2018	2017
Furniture and Equipment	\$ 10,499	\$ 20,330
Computers	<u>30,785</u>	<u>57,857</u>
Total Property and Equipment	41,284	78,187
Less: Accumulated Depreciation	<u>25,068</u>	<u>54,078</u>
Net Property and Equipment	\$ <u>16,216</u>	\$ <u>24,109</u>

Depreciation expense was \$6,844 and \$6,701 for the years ended December 31, 2018 and 2017, respectively.

**ORGANIZATION OF MISO STATES, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2018 AND 2017**

**NOTE 5 - RENTALS UNDER OPERATING LEASES**

OMS leases office space under an operating lease that expired March 31, 2019. After June 30, 2016, 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 2018 and 2017 was \$22,737 and \$21,347, respectively. Future minimum lease payments are \$4,843 for 2019.

**NOTE 6 - NET ASSETS**

Net assets without donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Undesignated	<u>\$ 408,157</u>	<u>\$ 197,866</u>

**NOTE 7 - RETIREMENT PLAN**

OMS has a 401(k) plan covering its employees. Employer matching contributions to the plan were \$12,732 and \$12,479 for the years ended December 31, 2018 and 2017, respectively.

**NOTE 8 - SUBSEQUENT EVENT**

The date to which events occurring after December 31, 2018, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is May 20, 2019, which is the date the financial statements were available to be issued.