



Presentation to the Board of Directors

Prepared for Midwest Reliability Organization

February 25, 2021



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Presentation overview

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- Engagement team
- Audit results and our opinion
- Required communications
- What is a financial statement audit?
- Overview of fraud discussions
- Summary of financial information
- Accounting developments
- Questions



Scope

Deliverables

- Report on audit of the financial statements, which was performed in accordance with auditing standards generally accepted in the United States of America
- Required communications letter
- Tax return





Engagement team



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Audit results and our opinion

Received full cooperation from management

The financial statements are fairly presented in Accounting Principles Generally Accepted in the U.S. (GAAP)

All appropriate disclosures have been properly reflected in the financial statements and footnotes

There were no unrecorded misstatements

There were no significant adjusting journal entries as part of the audit process

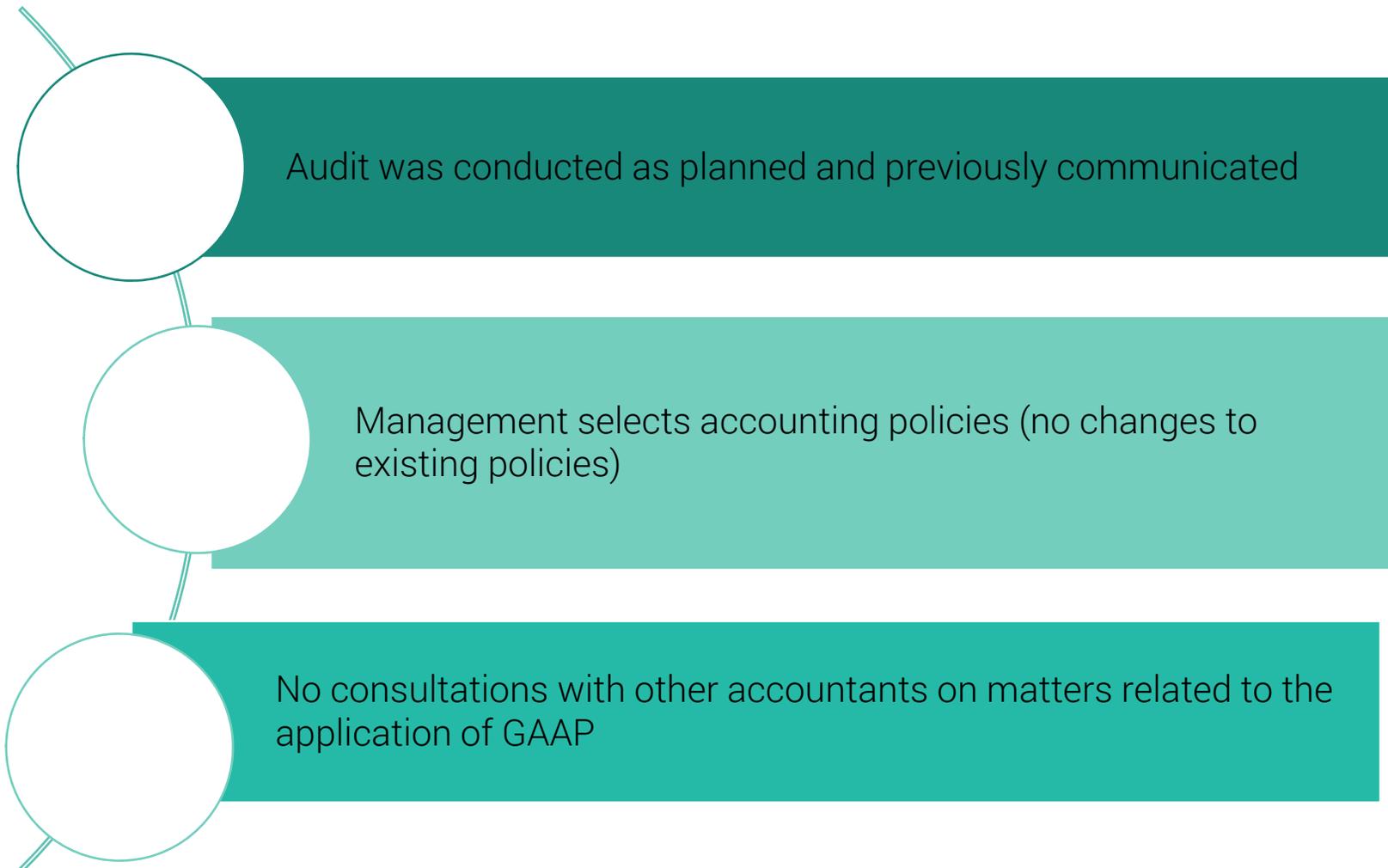
Required communications

As communicated in our engagement letter:

- Our responsibility is to form and express an opinion about whether the financial statements are presented in accordance with Accounting Principles Generally Accepted in the United States of America (“GAAP”)
- The audit does not relieve management or the Board of Directors of their responsibilities
- The audit is designed to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement
- Our consideration of internal control is to determine a basis for designing audit procedures and not for expressing an opinion on internal control
- Management is responsible not only for the appropriateness of the accounting policies and practices, but also for the quality of such policies and practices
- We will communicate significant financial statement related matters to you, but the audit is not designed to find such matters



Required communications (cont.)



Required communications (cont.)

Accounting Estimates

- Prepared by management and based on current judgments and assumptions
- Accounting estimates are sensitive because of their significance to their statements and because of the possibility that future events may cause actual results to differ from those estimates

Accounting Estimates

- Postretirement Medical Benefit Obligation
 - Discount rate
 - Mortality
 - Expected rate of return on plan assets
 - Health care cost trend rate
- Functional expense allocations

We agree with management's judgments relating to such estimates.

Required communications (cont.)

We have no matters to report that would bear on our independence

Other permissible non-attest services performed for MRO:

- Preparation of the tax return

No difficulties, disagreements or significant issues discussed with management

What is a financial statement audit?

Risk Assessment and Internal Controls

- Evaluate the design and implementation of internal controls relevant to the audit by performing inquiries and walk-throughs
- Fraud discussions
- Plan substantive tests to address risks

Perform substantive testing procedures

- Perform tests of details, utilizing scopes and sampling
- Perform analytical review procedures
- Assertions: Existence, completeness, rights/obligation, valuation, accuracy, cut-off

Overview of fraud discussions

Generally accepted auditing standards require that we make inquiries of those charged with governance, management and other employees about the risk of fraud within the Organization. Fraud is an intentional act that results in a material misstatement of the financial statements, or an intentional misappropriation of assets that belong to the Organization. While fraud is difficult to detect, the identification of risk factors helps to determine if fraud may be occurring or if there is a heightened risk for fraud.

No additional risks were identified as a result of our fraud inquiries performed in the current year.

Overview of fraud discussions

We use professional judgment to determine which members of management and employees to interview, the extent of inquiries, and whether it is necessary to obtain corroborating information. The following are examples of questions used during our fraud interviews:

How would you describe management's values and ethical standards?

Are you aware of any employees who are experiencing financial pressure?

Are you aware of any actual or suspected instances of fraud within the Organization?

Have you ever been asked to circumvent a control policy or procedure?

Are you aware of any processes or types of transactions where there could be a higher risk for fraud?

Summary of financial information

	2020	2019	2018
Assets	\$13,305,901	\$10,752,213	\$8,980,130
Liabilities	4,401,705	3,359,745	3,682,314
Net Assets - Without donor restrictions	8,904,196	7,392,468	5,297,816
Revenues	16,994,881	15,787,439	15,567,793
Expenses	15,842,503	14,152,014	13,525,539
Change in net assets before pension items	1,152,378	1,635,425	2,042,254
Postretirement medical benefit obligation – changes other than net periodic benefit costs	(359,350)	220,886	(729,519)
Change in net assets	1,511,728	1,414,539	2,771,773
Cumulative effect of the adoption of ASC 606	N/A	680,113	N/A

Accounting developments

Sign up for thought leadership

- Visit bt.bakertilly.com/subscribe
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- Select “Submit”

The image shows a 'Subscribe' form with a blue header. The form contains several input fields: 'Email Address*' (filled with 'jdoe@company.com'), 'First Name*' (filled with 'Jane'), 'Last Name*' (filled with 'Doe'), 'Business Phone', 'Title', and 'Company*' (filled with 'Great Com'). A pop-up window titled 'Please check the following categories you would like to receive emails for:' is overlaid on the form. It contains a list of 24 categories, each with a checkbox. The categories are: Accounting & Assurance (checked), Agribusiness, Automotive Manufacturing, Construction, Dealership, Distribution, Doing Business in China, Energy & Utilities, Forensic, Valuation, and Litigation, Healthcare, Human Capital, International, Manufacturing, Private Equity, Real Estate, Risk and Internal Audit, SEC, State & Local Government, Technology (checked), Affordable Housing, Asset Management Industry, Banking, Craft Brewing, Dental, Doing Business in Canada, Employee Benefits Plans, Food & Beverage, Government Contracting, Higher Education, Insurance, Life Sciences, Not-For-Profit (checked), Professional Services, Retail, Sales and Marketing, Senior Living Services, Tax, and Transactions/M&A.



Accounting developments

- Leases
- Others*

* Based on our review of recently issued accounting updates, no other updates will significantly impact the Organization's financial statements.



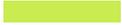
Reminder: Board Governance – Best Practices

A board of directors is a body of elected or appointed members who jointly oversee the activities of an organization.

Some best practices in the area of governance over the financial statements and financial reporting process include:

- > Review and approval of financial statements
- > Review and approval of the Form 990
- > Review and approval of capital and operating budgets
- > Understanding the internal controls and accounting policies and practices of the organization
- > Appointment and evaluation of independent auditors





This report is intended solely for the use of management and the board of directors.

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