

WESTERN CLIMATE INITIATIVE, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



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WESTERN CLIMATE INITIATIVE, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Western Climate Initiative, Inc.
Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Western Climate Initiative, Inc. (a California nonprofit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, 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 Western Climate Initiative, Inc. as of December 31, 2021 and 2020, and the changes in its net assets 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Western Climate Initiative, 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.

Responsibilities of Management 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.

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 Western Climate Initiative, Inc.'s ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibility 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 auditors' 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 GAAS 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 GAAS, 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 Western Climate Initiative, 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 Western Climate Initiative, 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.

[\[Signature on File\]](#)

CliftonLarsonAllen LLP

Roseville, California
March 23, 2022

WESTERN CLIMATE INITIATIVE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 7,284,837	\$ 3,881,915
Investments	3,250,000	1,500,000
Receivables	1,399,236	1,774,651
Prepaid Expenses and Other Assets	136,891	415,626
Total Current Assets	<u>12,070,964</u>	<u>7,572,192</u>
PROPERTY AND EQUIPMENT, NET	<u>1,965,700</u>	<u>905,794</u>
Total Assets	<u><u>\$ 14,036,664</u></u>	<u><u>\$ 8,477,986</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 321,242	\$ 448,067
Accrued Payroll	264,883	205,486
Deferred Revenue	635,520	733,590
Total Liabilities	<u>1,221,645</u>	<u>1,387,143</u>
NET ASSETS - WITHOUT DONOR RESTRICTIONS	<u>12,815,019</u>	<u>7,090,843</u>
Total Liabilities and Net Assets	<u><u>\$ 14,036,664</u></u>	<u><u>\$ 8,477,986</u></u>

See accompanying Notes to Financial Statements.

WESTERN CLIMATE INITIATIVE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
REVENUE		
Participation Agreement Payments	\$ 9,845,732	\$ 7,460,781
EXPENSES		
Program Services - Cap and Trade	3,483,235	3,494,379
Management and General	<u>689,127</u>	<u>620,867</u>
Total Expenses	4,172,362	4,115,246
OTHER INCOME AND EXPENSES		
Interest Income	4,445	18,930
Other Income	3,654	4,360
Foreign Exchange Gain	<u>42,707</u>	<u>40,785</u>
Total Other Income, Net	<u>50,806</u>	<u>64,075</u>
INCREASE IN NET ASSETS	5,724,176	3,409,610
Net Assets - Beginning of Year	<u>7,090,843</u>	<u>3,681,233</u>
NET ASSETS - END OF YEAR	<u><u>\$ 12,815,019</u></u>	<u><u>\$ 7,090,843</u></u>

See accompanying Notes to Financial Statements.

WESTERN CLIMATE INITIATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services Cap and Trade	Management and General	Totals
Salaries and Wages	\$ 899,954	\$ 222,046	\$ 1,122,000
Payroll Taxes and Fringe Benefits	234,366	47,152	281,518
Contractor Fees	2,169,378	-	2,169,378
Professional Services	66,436	164,338	230,774
Office Supplies	-	24,146	24,146
Outreach and Communications	-	470	470
Telephone and Internet	10,363	10,363	20,726
Occupancy	44,833	19,214	64,047
Insurance	44,749	44,749	89,498
Depreciation and Amortization	-	154,354	154,354
Other Expenses	13,156	2,295	15,451
Total Expenses by Function	<u>\$ 3,483,235</u>	<u>\$ 689,127</u>	<u>\$ 4,172,362</u>

See accompanying Notes to Financial Statements.

WESTERN CLIMATE INITIATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services <u>Cap and Trade</u>	Management and General <u></u>	<u>Totals</u>
Salaries and Wages	\$ 971,881	\$ 196,295	\$ 1,168,176
Payroll Taxes and Fringe Benefits	237,766	50,031	287,797
Contractor Fees	1,862,533	-	1,862,533
Professional Services	327,397	297,972	625,369
Office Supplies	-	28,204	28,204
Outreach and Communications	4	10	14
Telephone and Internet	5,086	5,086	10,172
Occupancy	58,844	25,219	84,063
Insurance	10,720	10,720	21,440
Depreciation	-	2,293	2,293
Other Expenses	20,148	5,037	25,185
Total Expenses by Function	<u>\$ 3,494,379</u>	<u>\$ 620,867</u>	<u>\$ 4,115,246</u>

See accompanying Notes to Financial Statements.

WESTERN CLIMATE INITIATIVE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 5,724,176	\$ 3,409,610
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	154,354	2,293
Changes in Operating Assets and Liabilities:		
Receivables	375,415	(631,563)
Other Assets	278,735	(405,828)
Accounts Payable and Accrued Expenses	(126,825)	169,592
Accrued Payroll	59,397	124,616
Deferred Revenue	(98,070)	733,590
Net Cash Provided by Operating Activities	<u>6,367,182</u>	<u>3,402,310</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Property and Equipment	(1,214,260)	(903,871)
Purchases of Investments	(4,250,000)	(1,000,000)
Proceeds from Investments	<u>2,500,000</u>	<u>1,250,000</u>
Net Cash Used by Investing Activities	<u>(2,964,260)</u>	<u>(653,871)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,402,922	2,748,439
Cash and Cash Equivalents - Beginning of Year	<u>3,881,915</u>	<u>1,133,476</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 7,284,837</u></u>	<u><u>\$ 3,881,915</u></u>

See accompanying Notes to Financial Statements.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

General: Western Climate Initiative, Inc. (WCI, Inc.) is a non-profit corporation formed to provide administrative and technical services to support the implementation of state and provincial greenhouse gas emissions trading programs. WCI, Inc. was incorporated on October 28, 2011.

Method of Accounting

WCI, Inc. prepares its financial statements using the accrual method of accounting in conformity with accounting principles generally accepted in the United States of America (US GAAP). Revenues are recognized when earned and expenses are recognized as they are incurred.

Basis of Presentation

Financial statement presentation follows Financial Accounting Standards Board (FASB) Statement of Codification FASB ASC 958-210-45-1, Financial Statements of Not-for-Profit Organizations. Under FASB ASC 958-210-45-1, WCI, Inc. is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions based on the absence or existence of donor-imposed restrictions.

Cash and Cash Equivalents

WCI, Inc. considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for sale nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash balances in banks, as of December 31, 2021 and 2020, are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution.

Receivables and Credit Policies

Receivables are carried at the original invoice amount less an estimate made for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled receivables and by using historical experience applied to an aging of outstanding individual balances. Receivables are written off when deemed uncollectable. WCI, Inc. does not assess interest to outstanding receivable balances. Accounts Receivable amounted to \$1,399,236, \$1,774,651, and \$1,143,088 at December 31, 2021, 2020, and 2019 respectively.

Investments

WCI, Inc., records investment purchases at cost, or if donated, at fair value on the date of donation. The cost replicates the fair value in the statements of financial position, with all gains and losses included in the change in net assets in the statements of activities and consist of interest income, realized and unrealized capital gains and losses. Fair value is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the statement of financial position date.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Property and Equipment

WCI, Inc., records property and equipment additions over \$2,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 7 years. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. In addition, WCI, Inc., capitalized coding, testing and development costs associated with the development of the internal auction platform. As of July 2021, the Auction Platform software was fully developed and capitalized by WCI, Inc. The costs incurred for coding, testing and development of the auction platform amounted to \$2,115,912. As of December 31, 2020, the platform was still in development, therefore, costs incurred were added to Construction in Progress. Total costs added to Construction in Progress amounted to \$901,652 as of December 31, 2020.

WCI, Inc., review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2021 and 2020.

Accounts Payable and Accrued Expenses

Accounts payable include goods received and services incurred and invoiced, and are recognized when WCI, Inc. becomes obligated to make future payments as a result. Accrued expenses are liabilities recognized when it is probable that the future sacrifice of economic benefits will be required, and the amount of the liability can be measured reliably.

Deferred Revenue

Deferred revenue represents revenue collected but not earned at year end. This deferred revenue consists of revenue related to the California Jurisdiction ARB-398 project that will be completed in future years. Revenue related to this project is deferred and recognized in the period it is earned. Deferred Revenue amounted to \$635,520, \$733,590 and \$-0- at December 31, 2021, 2020, and 2019 respectively.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Net Assets (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Participation agreement payments are recognized as earned on the accrual basis of accounting in the period services are provided. Each jurisdiction requires different services, but WCI Inc., has performance obligations covering two-year periods, to provide certain jurisdictions with access to the administrative system, access to the auction platform, access to the tracking system, access to a help desk, system security, and monitoring transactions of emissions allowances. Jurisdiction amounts are determined annually based on the price per the funding agreement and the level of services provided from WCI, Inc., to the jurisdiction.

Payments collected in advance of the membership period are recorded as deferred revenue until earned. Due to the nature and timing of the performance of the services, substantially all deferred revenue at year end is recognized in the following year.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees and other fees and expenses, which are allocated based on the amount of program related activities during the year, as well as salaries and wages, which are allocated based on job tasks and duties.

Foreign Currency Policy

WCI, Inc.'s functional currency for all operations is the U.S. dollar. Nonmonetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at exchange rates in effect at the end of the year. Statement of Activities accounts are translated at average rates for the year. Gains and losses from translation of foreign currency financial statements into U.S. dollars are included in current results of operations. Gains and losses resulting from foreign currency transactions are also included in the statements of activities. During the years ended December 31, 2021 and 2020, there were \$42,707 and \$40,785 of gains, respectively.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Income Taxes

Western Climate Initiative, Inc. is organized as a nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3). The entity is required annually to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, WCI, Inc. is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. WCI, Inc. is not subject to unrelated business income tax and does not have to file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Uncertain Tax Positions

Accounting guidance issued by the FASB prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. WCI, Inc., did not have unrecognized tax benefits as of December 31, 2021 and 2020 and does not expect this to change significantly over the next twelve months. WCI, Inc., will recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of December 31, 2021 and 2020, WCI, Inc., has not accrued interest or penalties related to uncertain tax positions.

Estimates

The preparation of financial statements in conformity with US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Concentrations

Participation Agreement Payments:

In 2020, the WCI, Inc. Board of Directors approved funding agreements, with each Participating Jurisdiction as follows: on February 5, 2020, approval of the funding agreement with CARB for services from January 1, 2020 through June 30, 2020; on March 23, 2020 approval of the funding agreement with the Government of Quebec for services from January 1, 2020 to December 31, 2021; on May 14, 2020, approval of the funding agreement with the government of Nova Scotia for services from January 1, 2020 to December 31, 2021, and of the funding agreement with CARB for services from July 1, 2020 through December 31, 2021.

**WESTERN CLIMATE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

**NOTE 1 PRINCIPAL ACTIVITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Concentrations (Continued)

Participation Agreement Payments (Continued):

The agreement with CARB accounted for approximately 76% and 74% of total participation agreement payments revenue for the years ended December 31, 2021 and 2020, respectively. For the years ended December 31, 2021 and 2020 the agreement between WCI, Inc. and the Government of Quebec accounted for approximately 18% and 19% respectively, of the total participation agreement payments revenue. For the years ended December 31, 2021 and 2020 the agreement between WCI, Inc. and the Government of Nova Scotia accounted for approximately 6% and 7% of the total participation agreement payments revenue.

On December 17, 2021, the WCI, Inc. Board of Directors approved the funding agreement with CARB for services from January 1, 2022 through June 30, 2024 and a new funding agreement with Washington Department of Ecology for services from January 1, 2022 through December 31, 2023.

Subsequent to year end, on March 14, 2022, the WCI, Inc. Board of Directors approved funding agreements with the Government of Quebec for services from January 1, 2022 through December 31, 2023; and with the government of Nova Scotia for services from January 1, 2022 through December 31, 2023.

Accounts Receivable:

The agreement with CARB accounted for approximately 100% of the total outstanding accounts receivable balances at years ended December 31, 2021 and 2020, respectively. All receivables have been collected as of March 23, 2022.

Subsequent Events

WCI, Inc., have evaluated subsequent events through March 23, 2022, the date the financial statements were available to be issued. Except as disclosed in Note 1 Concentrations, there were no other subsequent events that would require adjustments or disclosure in these financial statements.

NOTE 2 LIQUIDITY AND AVAILABILITY

WCI, Inc., strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

The following table reflects WCI, Inc., financial assets as of December 31, 2021 and 2020, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of contractual restrictions. Amounts not available to meet general expenditures within one year may also include net assets with donor restrictions. There were no net assets with donor restrictions at December 31, 2021 and 2020.

	2021	2020
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 7,284,837	\$ 3,881,915
Investments	3,250,000	1,500,000
Receivables	1,399,236	1,774,651
Total Financial Assets	<u>11,934,073</u>	<u>7,156,566</u>
Financial Assets Available to Meet Cash Need For		
General Expenditures within One Year	<u>\$ 11,934,073</u>	<u>\$ 7,156,566</u>

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Fair Value Measurements Topic of FASB Codification establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the Fair Value Measurements Topic are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that WCI, Inc., has the ability to access.

Level 2 – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value of measurement.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2021 and 2020.

The methods described above may produce a fair value calculation that may not be as indicative of net realizable value or reflective of future fair values. Furthermore, while WCI, Inc., believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The certificates of deposit are reported at cost plus any accrued interest which approximates fair value as of December 31, 2021 and 2020.

The following table presents assets measured at fair value on a recurring basis, at

As of December 31, 2021		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Certificate of Deposits	\$ 3,250,000	\$ -	\$ 3,250,000	\$ -
Total	<u>\$ 3,250,000</u>	<u>\$ -</u>	<u>\$ 3,250,000</u>	<u>\$ -</u>
As of December 31, 2020		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Certificate of Deposits	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -
Total	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2021	2020
Computers, Printers and Copiers	\$ 7,729	\$ 7,729
Auction Platform	2,115,912	-
Construction in Progress	-	901,652
Less: Accumulated Depreciation and Amortization	157,941	3,587
Property and Equipment, Net	<u>\$ 1,965,700</u>	<u>\$ 905,794</u>

WCI, Inc. had depreciation and amortization expenses in the amount of \$154,354 and \$2,293 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5 NET ASSET CLASSIFICATION

The net asset composition as of December 31, consists of the following:

	2021	2020
Net Assets at Year End:		
Board Designated Resources	\$ 176,871	\$ 176,871
Undesignated Net Assets	12,638,148	6,913,972
Total Net Assets - Without Donor Restrictions	<u>\$ 12,815,019</u>	<u>\$ 7,090,843</u>

Board Designated Resources: The Board of Directors has designated the funds contributed by the Western Governors' Association for logistical and technical support for discussions about carbon pricing among U.S. states and Canadian provinces.

NOTE 6 LEASES

WCI, Inc., leases a portion of an office building under an operating lease in Sacramento, California. The office lease has a term of 40 months, which expires February 2024. Minimum commitments for the lease in effect at December 31, 2021 for the next three years are:

<u>Year Ending December 31,</u>	<u>Total</u>
2022	\$ 61,029
2023	61,029
2024	15,257

In addition, WCI, Inc., leases office space under a month to month lease in Quebec, Canada. Total occupancy expense for the years ended December 31, 2021 and 2020 totaled \$64,047 and \$84,063, respectively.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 EMPLOYEE BENEFITS

The WCI, Inc. 401(k) Profit Sharing Plan and Trust commenced January 1, 2013 and is available to employees who have attained the age of 21. Under the Plan, eligible employees are able to defer a selected percentage of their annual compensation. WCI, Inc. may make discretionary profit-sharing contributions to the Plan. WCI, Inc.'s contribution to the Plan totaled \$55,316 and \$47,860 for the years ended December 31, 2021 and 2020, respectively.

NOTE 8 LITIGATION AND UNCERTAINTIES

In the ordinary course of business, WCI, Inc. is involved in various claims and litigation. Subsequent to year end, WCI, Inc., was involved in litigation in regard to one claim. While the outcome of these matters are not presently determinable, in the opinion of management, these matters are not expected to have a material effect on the financial position or operating results of WCI, Inc.



Board of Directors
Western Climate Initiative, Inc.
Sacramento, California

We have audited the financial statements of Western Climate Initiative, Inc. as of and for the year ended December 31, 2021, and have issued our report thereon dated March 23, 2022. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our engagement agreement dated February 21, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Western Climate Initiative, Inc. are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2021.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

- Management's estimate of the functional allocation of expenses shared between programs and management and general is based on a reasonable and consistent basis using factors such as direct payroll allocation, square footage, full time equivalents within each department, and total direct expenses. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of depreciation is based on the estimated useful lives of the buildings, leasehold improvements, equipment, and furniture. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements are the disclosures surrounding investments including the fair value measurements.

The financial statement disclosures are neutral, consistent, and clear.

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the separate management representation letter dated March 23, 2022.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the entity's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the information and use of the Board of Directors and management of Western Climate Initiative, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

[\[Signature on File\]](#)

CliftonLarsonAllen LLP

Roseville, California
March 23, 2022



CliftonLarsonAllen LLP
CLAconnect.com

Board of Directors and Management
Western Climate Initiative, Inc.
Sacramento, California

In planning and performing our audit of the financial statements of Western Climate Initiative, Inc. as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the entity and is not intended to be, and should not be, used by anyone other than these specified parties.

[\[Signature on File\]](#)

CliftonLarsonAllen LLP

Roseville, California
March 23, 2022



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2021 Audit – Management Representation Letter

March 23, 2022

CliftonLarsonAllen LLP
915 Highland Pointe Drive, Suite 300
Roseville, CA 95678

This representation letter is provided in connection with your audit of the financial statements of Western Climate Initiative, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to misstatements that are material. Misstatements, including omissions, 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.

We confirm, to the best of our knowledge and belief, as of March 23, 2022, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement agreement dated February 21, 2022, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge and have fulfilled our responsibility 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.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions used by us in making accounting estimates are reasonable.
5. Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We have not identified or been notified of any uncorrected financial statement misstatements.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

10. Material concentrations have been properly disclosed in accordance with U.S. GAAP. Concentrations refer to individual or group concentrations of contributors, grantors, clients, customers, suppliers, lenders, products, services, fund-raising events, sources of labor or materials, licenses or other rights, or operating areas or markets for which events could occur that would significantly disrupt normal finances within the next year.
11. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
12. Designations of net assets, or reclassifications of net assets, have been properly authorized, approved, and reflected in the financial statements.
13. The cost allocation methods used to allocate the entity's expenses to the appropriate functional classification as program services, management and general, and fundraising are properly supported by the entity's books and records. The cost allocation methods used are rational, systematic, and consistently applied. The bases used for allocation of functional expenses are reasonable.

Information Provided

1. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records (including information obtained from within and outside of the general and subsidiary ledgers), documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
5. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management;

- b. Employees who have significant roles in internal control; or
 - c. Others when the fraud could have a material effect on the financial statements.
6. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
 7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
 8. There are no known related-party relationships or transactions which need to be accounted for or disclosed in accordance with U.S. GAAP.
 9. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Western Climate Initiative, Inc.; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
 10. Western Climate Initiative, Inc. is an exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the entity's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.
 11. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes. We have also ensured that the entity's data and records are complete and received sufficient information to oversee the service.

Signature: Greg Tamblyn [Signature on File] Title: Executive Director

Signature: William Simi [Signature on File] Title: Shareholder, CPA Corp