

WESTERN CLIMATE INITIATIVE, INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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WESTERN CLIMATE INITIATIVE, INC.
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INDEPENDENT AUDITORS' REPORT

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

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, 2020 and 2019, 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.

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.

Auditors' 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 audit 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 auditors' 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.

Opinion

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, 2020 and 2019, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
March 24, 2021

**WESTERN CLIMATE INITIATIVE, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,881,915	\$ 1,133,476
Investments	1,500,000	1,750,000
Receivables	1,774,651	1,143,088
Total Current Assets	7,156,566	4,026,564
PROPERTY AND EQUIPMENT, NET	905,794	4,216
OTHER ASSETS	415,626	9,798
Total Assets	\$ 8,477,986	\$ 4,040,578
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 448,067	\$ 279,399
Accrued Payroll	205,486	79,946
Deferred Revenue	733,590	-
Total Liabilities	1,387,143	359,345
NET ASSETS - WITHOUT DONOR RESTRICTIONS	7,090,843	3,681,233
Total Liabilities and Net Assets	\$ 8,477,986	\$ 4,040,578

See accompanying Notes to Financial Statements.

WESTERN CLIMATE INITIATIVE, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
REVENUE		
Participation Agreement Payments	\$ 7,460,781	\$ 3,253,116
EXPENSES		
Program Services - Cap and Trade	3,494,379	3,206,456
Management and General	620,867	382,596
Total Expenses	4,115,246	3,589,052
OTHER INCOME AND EXPENSES		
Interest Income	18,930	49,678
Other Income	4,360	5,580
Foreign Exchange Gain (Loss)	40,785	6,406
Total Other Income, Net	64,075	61,664
INCREASE (DECREASE) IN NET ASSETS	3,409,610	(274,272)
Net Assets - Beginning of Year	3,681,233	3,955,505
NET ASSETS - END OF YEAR	\$ 7,090,843	\$ 3,681,233

See accompanying Notes to Financial Statements.

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

	<u>Program Services</u> <u>Cap and Trade</u>	<u>Management</u> <u>and General</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.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Program Services Cap and Trade	Management and General	Totals
Salaries and Wages	\$ 438,640	\$ 103,340	\$ 541,980
Payroll Taxes and Fringe Benefits	84,914	22,089	107,003
Contractor Fees	2,132,640	-	2,132,640
Professional Services	451,327	160,243	611,570
Office Supplies	-	3,466	3,466
Outreach and Communications	5,315	15,946	21,261
Telephone and Internet	3,764	3,763	7,527
Occupancy	39,037	39,038	78,075
Insurance	20,264	20,265	40,529
Travel	9,079	9,079	18,158
Other Expenses	21,476	5,367	26,843
Total Expenses by Function	<u>\$ 3,206,456</u>	<u>\$ 382,596</u>	<u>\$ 3,589,052</u>

See accompanying Notes to Financial Statements.

WESTERN CLIMATE INITIATIVE, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,409,610	\$ (274,272)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	2,293	-
Changes in Operating Assets and Liabilities:		
Receivables	(631,563)	(48,710)
Other Assets	(405,828)	(1,126)
Accounts Payable and Accrued Expenses	169,592	(80,928)
Accrued Payroll	124,616	15,400
Deferred Revenue	733,590	-
Net Cash Provided (Used) by Operating Activities	3,402,310	(389,636)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Paid for Property and Equipment	(903,871)	(4,216)
Purchases of Investments	(1,000,000)	(250,000)
Proceeds from Investments	1,250,000	-
Net Cash Used by Investing Activities	(653,871)	(254,216)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,748,439	(643,852)
Cash and Cash Equivalents - Beginning of Year	1,133,476	1,777,328
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,881,915	\$ 1,133,476

See accompanying Notes to Financial Statements.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND 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, 2020 and 2019, 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.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Property and Equipment

WCI, Inc., records property and equipment additions over \$1,000 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 5 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. The costs were added to Construction in Progress as the development of the software was not completed as of December 31, 2020. Total costs incurred 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, 2020 and 2019.

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 \$733,590 and \$0 for the years ended December 31, 2020 and 2019, respectively.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. As of December 31, 2020 and 2019 there were \$40,785 and \$6,406 of gains, respectively.

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, the entity 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 Financial Accounting Standards Board (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, 2020 and 2019 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, 2020 and 2019, WCI, Inc., has not accrued interest or penalties related to uncertain tax positions.

Contingencies

From time to time, WCI, Inc. could be party to certain legal proceedings arising out of the ordinary course of business, the outcomes of which individually or in aggregate, in the opinion of WCI, Inc.'s management, would not have a material adverse effect on WCI, Inc.'s business, financial position or results of operations.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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:

On March 2, 2018 the WCI, Inc. Board of Directors approved funding agreements, through December 31, 2019, with the California Air Resources Board (CARB) and the Government of Quebec, to provide coordinated administrative and technical support, with access to administrative systems being developed and administered to support the implementation of state and provincial greenhouse gas trading programs. On May 14, 2018, the WCI, Inc. Board of Directors also approved a funding agreement with the Government of Nova Scotia for similar services through December 31, 2019.

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.

The agreement with CARB accounted for approximately 74% and 61% of total participation agreement payments revenue for the years ended December 31, 2020 and 2019, respectively. For the years ended December 31, 2020 and 2019 the agreement between WCI, Inc. and the Government of Quebec accounted for approximately 19% and 26% respectively, of the total participation agreement payments revenue. For the years ended December 31, 2020 and 2019 the agreement between WCI, Inc. and the Government of Nova Scotia accounted for approximately 7% and 13% of the total participation agreement payments revenue.

Accounts Receivable:

The agreement with CARB accounted for approximately 100% and 88% of the total outstanding accounts receivable balances at years ended December 31, 2020 and 2019, respectively. The agreement with the Government of Nova Scotia accounted for approximately 0% and 12% of the total outstanding accounts receivable balances at years ended December 31, 2020 and 2019, respectively.

**WESTERN CLIMATE INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

WCI, Inc., have evaluated subsequent events through March 24, 2021, the date the financial statements were available to be issued.

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.

The following table reflects WCI, Inc., financial assets as of December 31, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement 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, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Financial Assets at Year End:		
Cash and Cash Equivalents	\$ 3,881,915	\$ 1,133,476
Investments	1,500,000	1,750,000
Receivables	<u>1,774,651</u>	<u>1,143,088</u>
Total Financial Assets	<u>7,156,566</u>	<u>4,026,564</u>
 Financial Assets Available To Meet Cash Need For General Expenditures within One Year	 <u>\$ 7,156,566</u>	 <u>\$ 4,026,564</u>

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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.

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, 2020 and 2019.

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, 2020 and 2019.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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

As of December 31, 2020	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of Deposits	\$ 1,500,000	\$ -	\$ 1,500,000	\$ -
Total	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 1,500,000</u>	<u>\$ -</u>
As of December 31, 2019	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of Deposits	\$ 1,750,000	\$ -	\$ 1,750,000	\$ -
Total	<u>\$ 1,750,000</u>	<u>\$ -</u>	<u>\$ 1,750,000</u>	<u>\$ -</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2020	2019
Computers, Printers and Copiers	\$ 7,729	\$ 5,510
Construction in Progress	901,652	-
Less: Accumulated Depreciation	3,587	1,294
Property and Equipment, Net	<u>\$ 905,794</u>	<u>\$ 4,216</u>

WCI, Inc. had depreciation expense in the amount of \$2,293 and \$0 for the years ended December 31, 2020 and 2019, respectively.

**WESTERN CLIMATE INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5 NET ASSET CLASSIFICATION

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

	2020	2019
Net Assets at Year End.		
Board Designated Resources	\$ 176,871	\$ 176,871
Other Net Assets	6,913,972	3,504,362
Total Net Assets - Without Donor Restrictions	\$ 7,090,843	\$ 3,681,233

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, 2020 for the next four years are:

Year Ending December 31,	Total
2021	\$ 55,106
2022	60,115
2023	60,115
2024	15,029

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, 2020 and 2019 totaled \$84,063 and \$78,075, respectively.

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 \$47,860 and \$13,747 for the years ended December 31, 2020 and 2019, respectively.

WESTERN CLIMATE INITIATIVE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 LITIGATION AND UNCERTAINTIES

In the ordinary course of business, the Organization is involved in various claims and litigation. Subsequent to year end, WCI, Inc., was involved in litigation in regard to two claims. 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 the Organization.



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, 2020, and have issued our report thereon dated March 24, 2021. 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 audit. 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.

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.

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.

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

The attached schedule summarizes all misstatements (material and immaterial) detected as a result of audit procedures that were corrected by management.

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 24, 2021.

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.

Board of Directors
Western Climate Initiative, Inc.
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CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
March 24, 2021



Board of Directors
and Management of 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, 2020, 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. 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. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

Significant deficiencies

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the entity's internal control to be a significant deficiency:

Criteria – Proper Reporting of Expenses in the Correct Period

Proper recording and reporting of expenditures are an important component of internal control. During the audit engagement related to testing of accounts payable, invoices in the amount of \$43,488 were discovered to be incorrectly excluded from Accounts Payable as of year-end December 31, 2020. The finding has the potential to understate accounts payable and understate expenses as of year-end. We recommend the Organization implement additional procedures to ensure that all outstanding invoices as of year-end are recorded in the accounts payable system in the proper period.

Board of Directors and Management
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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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Roseville, California
March 24, 2021

2020 Audit – Management Representation Letter

March 24, 2021

CliftonLarsonAllen LLP
925 Highland Pointe Drive, Suite 450
Roseville, CA 95678

This representation letter is provided in connection with your audits of the financial statements of Western Climate Initiative, Inc., which comprise the statements of financial position as of December 31, 2020 and 2019 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 matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of March 24, 2021, 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 letter dated August 3, 2020, 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. No events have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
8. You have proposed adjusting journal entries that have been posted to the entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.

9. We have not identified or been notified of any uncorrected financial statement misstatements.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
11. 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.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.
13. Designations of net assets, or reclassifications of net assets, have been properly authorized, approved, and reflected in the financial statements.
14. The cost allocation methods used to allocate the entity's expenses to the appropriate functional classification as program services and management and general 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, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audits.
 - 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 other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
 9. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
 10. 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.
 11. 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.
 12. As part of your audits, 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. In addition, based on your assessment you do not provide Hosting Services to us as a nonattest service and have assessed our data, books, and records as complete.

Signature: _____ Greg Tamblyn [Signature on file] _____ Title: Executive Director, WCI, Inc.

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