

# CHAR500

NYS Annual Filing for Charitable Organizations  
www.CharitiesNYS.com

Send with fee and attachments to:  
NYS Office of the Attorney General  
Charities Bureau Registration Section  
28 Liberty Street  
New York, NY 10005

**2018**  
**Open to Public Inspection**

## 1. General Information

For Fiscal Year Beginning (mm/dd/yyyy) **01/01/2018** and Ending (mm/dd/yyyy) **12/31/2018**


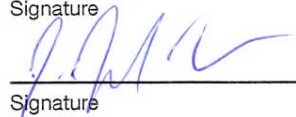
Check if Applicable: <input type="checkbox"/> Address Change <input type="checkbox"/> Name Change <input type="checkbox"/> Initial Filing <input type="checkbox"/> Final Filing <input type="checkbox"/> Amended Filing <input type="checkbox"/> Reg ID Pending	Name of Organization: <b>REGIONAL GREENHOUSE GAS INITIATIVE, INC.</b>	Employer Identification Number (EIN): <b>35-2316710</b>
	Mailing Address: <b>90 CHURCH STREET, 4TH FLOOR</b>	NY Registration Number: <b>40-91-69</b>
	City / State / ZIP: <b>NEW YORK, NY 10007</b>	Telephone: <b>212 417-7329</b>
	Website: <b>WWW.RGGI.ORG</b>	Email:

Check your organization's registration category:  7A only  EPTL only  DUAL (7A & EPTL)  EXEMPT\* Confirm your Registration Category in the Charities Registry at www.CharitiesNYS.com.

## 2. Certification

See instructions for certification requirements. Improper certification is a violation of law that may be subject to penalties. The certification requires two signatories.

We certify under penalties of perjury that we reviewed this report, including all attachments, and to the best of our knowledge and belief, they are true, correct and complete in accordance with the laws of the State of New York applicable to this report.

President or Authorized Officer:		<b>BEN GRUMBLES</b>	<b>10/3/19</b>
	Signature	Print Name and Title	Date
Chief Financial Officer or Treasurer:		<b>Jared Snyder</b>	<b>10/16/19</b>
	Signature	Print Name and Title	Date

## 3. Annual Reporting Exemption

Check the exemption(s) that apply to your filing. If your organization is claiming an exemption under one category (7A or EPTL only filers) or both categories (DUAL filers) that apply to your registration, complete only parts 1, 2, and 3, and submit the certified Char500. No fee, schedules, or additional attachments are required. If you cannot claim an exemption or are a DUAL filer that claims only one exemption, you must file applicable schedules and attachments and pay applicable fees.

- 3a. 7A filing exemption:** Total contributions from NY State including residents, foundations, government agencies, etc. did not exceed \$25,000 and the organization did not engage a professional fund raiser (PFR) or fund raising counsel (FRC) to solicit contributions during the fiscal year.
- 3b. EPTL filing exemption:** Gross receipts did not exceed \$25,000 and the market value of assets did not exceed \$25,000 at any time during the fiscal year.

## 4. Schedules and Attachments

See the following page for a checklist of schedules and attachments to complete your filing.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	4a. Did your organization use a professional fund raiser, fund raising counsel or commercial co-venturer for fund raising activity in NY State? If yes, complete Schedule 4a.
	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	4b. Did the organization receive government grants? If yes, complete Schedule 4b.

## 5. Fee

See the checklist on the next page to calculate your fee(s). Indicate fee(s) you are submitting here:	7A filing fee: \$ <u>25.</u>	EPTL filing fee: \$ <u>25.</u>	Total fee: \$ <u>50.</u>	Make a single check or money order payable to: <b>"Department of Law"</b>
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CHAR500 Annual Filing for Charitable Organizations (Updated January 2019)

\*The "Exempt" category refers to an organization's NYS registration status. It does not refer to its IRS tax designation.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.

CHAR500

Annual Filing Checklist

- Simply submit the certified CHAR500 with no fee, schedule, or additional attachments IF:
  - Your organization is registered as 7A only and you marked the 7A filing exemption in Part 3.
  - Your organization is registered as EPTL only and you marked the EPTL filing exemption in Part 3.
  - Your organization is registered as DUAL and you marked both the 7A and EPTL filing exemption in Part 3.

Checklist of Schedules and Attachments

Check the schedules you must submit with your CHAR500 as described in Part 4:

- If you answered "yes" in Part 4a, submit Schedule 4a: Professional Fund Raisers (PFR), Fund Raising Counsel (FRC), Commercial Co-Venturers (CCV)
- If you answered "yes" in Part 4b, submit Schedule 4b: Government Grants

Check the financial attachments you must submit with your CHAR500:

- IRS Form 990, 990-EZ, or 990-PF, and 990-T if applicable
- All additional IRS Form 990 Schedules, including Schedule B (Schedule of Contributors). Schedule B of public charities is exempt from disclosure and will not be available for public review.
- Our organization was eligible for and filed an IRS 990-N e-postcard. Our revenue exceeded \$25,000 and/or our assets exceeded \$25,000 in the filing year. We have included an IRS Form 990-EZ for state purposes only.

If you are a 7A only or DUAL filer, submit the applicable independent Certified Public Accountant's Review or Audit Report:

- Review Report if you received total revenue and support greater than \$250,000 and up to \$750,000.
- Audit Report if you received total revenue and support greater than \$750,000
- No Review Report or Audit Report is required because total revenue and support is less than \$250,000
- We are a DUAL filer and checked box 3a, no Review Report or Audit Report is required

Calculate Your Fee

For 7A and DUAL filers, calculate the 7A fee:

- \$0, if you checked the 7A exemption in Part 3a
- \$25, if you did not check the 7A exemption in Part 3a

For EPTL and DUAL filers, calculate the EPTL fee:

- \$0, if you checked the EPTL exemption in Part 3b
- \$25, if the NET WORTH is less than \$50,000
- \$50, if the NET WORTH is \$50,000 or more but less than \$250,000
- \$100, if the NET WORTH is \$250,000 or more but less than \$1,000,000
- \$250, if the NET WORTH is \$1,000,000 or more but less than \$10,000,000
- \$750, if the NET WORTH is \$10,000,000 or more but less than \$50,000,000
- \$1500, if the NET WORTH is \$50,000,000 or more

Send Your Filing

Send your CHAR500, all schedules and attachments, and total fee to:

NYS Office of the Attorney General  
 Charities Bureau Registration Section  
 28 Liberty Street  
 New York, NY 10005

Need Assistance?

Visit: [www.CharitiesNYS.com](http://www.CharitiesNYS.com)  
 Call: (212) 416-8401  
 Email: [Charities.Bureau@ag.ny.gov](mailto:Charities.Bureau@ag.ny.gov)

Is my Registration Category 7A, EPTL, DUAL or EXEMPT?

Organizations are assigned a Registration Category upon registration with the NY Charities Bureau:

7A filers are registered to solicit contributions in New York under Article 7-A of the Executive Law ("7A")

EPTL filers are registered under the Estates, Powers & Trusts Law ("EPTL") because they hold assets and/or conduct activities for charitable purposes in NY.

DUAL filers are registered under both 7A and EPTL.

EXEMPT filers have registered with the NY Charities Bureau and meet conditions in Schedule E - Registration Exemption for Charitable Organizations. These organizations are not required to file annual financial reports but may do so voluntarily.

Confirm your Registration Category and learn more about NY law at [www.CharitiesNYS.com](http://www.CharitiesNYS.com).

Where do I find my organization's NET WORTH?

NET WORTH for fee purposes is calculated on:

- IRS Form 990 Part I, line 22
- IRS Form 990 EZ Part I, line 21
- IRS Form 990 PF, calculate the difference between Total Assets at Fair Market Value (Part II, line 16(c)) and Total Liabilities (Part II, line 23(b)).

**REGIONAL GREENHOUSE  
GAS INITIATIVE, INC.**

**Financial Statements  
for the year ended  
December 31, 2018**

## **Independent Auditor's Report**

To the Board of Directors  
Regional Greenhouse Gas Initiative, Inc.

We have audited the accompanying financial statements of Regional Greenhouse Gas Initiative, Inc. which comprise the statement of financial position as of December 31, 2018 and December 31, 2017 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Regional Greenhouse Gas Initiative, Inc. as of December 31, 2018 and December 31, 2017 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.

March 21, 2019

**REGIONAL GREENHOUSE GAS INITIATIVE, INC.**

**Statement of Financial Position**

**Assets**

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Current assets</b>		
Cash	\$ 896,054	\$ 703,999
Cash designated for deposit returnable to a bidder	-	1,400,000
Prepaid expenses and other assets	30,662	17,054
<b>Total current assets</b>	<b>\$ 926,716</b>	<b>\$ 2,121,053</b>

**Current Liabilities and Net Assets**

**Current liabilities**

Accounts payable and accrued expenses	\$ 246,816	\$ 194,441
Auction deposit returnable to a bidder	-	1,400,000
Deferred state revenue	595,672	443,664
Deferred state revenue – program meeting support	37,538	37,538
Total current liabilities	880,026	2,075,643

**Net assets**

Without donor restrictions	46,690	45,410
<b>Total current liabilities and net assets</b>	<b>\$ 926,716</b>	<b>\$ 2,121,053</b>

See notes to financial statements.

**REGIONAL GREENHOUSE GAS INITIATIVE, INC.**

**Statement of Activities**

	<b>Year Ended</b>	
	<b>December 31</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Revenue</b>		
State revenue	\$ 1,846,627	\$ 2,172,534
Interest and other	<u>1,280</u>	<u>823</u>
Total revenue	<u>1,847,907</u>	<u>2,173,357</u>
<b>Expenses</b>		
Program services		
Direct	803,220	1,213,041
Indirect	720,853	662,701
Supporting activities		
Management and general	<u>322,554</u>	<u>296,792</u>
Total expenses	<u>1,846,627</u>	<u>2,172,534</u>
<b>Increase in net assets</b>	<b>1,280</b>	<b>823</b>
<b>Net assets, beginning of year</b>	<b><u>45,410</u></b>	<b><u>44,587</u></b>
<b>Net assets, end of year</b>	<b><u>\$ 46,690</u></b>	<b><u>\$ 45,410</u></b>

See notes to financial statements.

## REGIONAL GREENHOUSE GAS INITIATIVE, INC.

**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**  
 (with Summarized Comparative Information For the Year Ended December 31, 2017)

Expenses	<u>2018</u>				<u>2017</u>
	<u>Program Services</u>		<u>Supporting Activities Management and</u>	<u>Total</u>	<u>Total</u>
	<u>Direct</u>	<u>Indirect</u>	<u>General</u>		
Salaries and wages	\$ -	\$ 453,136	\$ 129,334	\$ 582,470	\$ 565,496
Auctions	340,000	-	-	340,000	340,000
Technical analysis and evaluation	7,984	-	-	7,984	437,069
Market monitoring	246,730	-	-	246,730	192,000
Emissions Allowance Tracking System	208,506	-	-	208,506	243,972
Payroll taxes and employees' benefits	-	158,882	44,216	203,098	174,172
Financial and accounting services	-	-	77,994	77,994	77,989
Occupancy	-	33,278	9,662	42,940	39,581
Telephone, internet and service contracts	-	18,478	5,121	23,599	23,640
Meetings and other	-	3,343	7,670	11,013	14,803
Professional fees	-	16,663	34,307	50,970	26,625
Insurance	-	12,399	4,557	16,956	16,252
Legal fees	-	19,002	5,157	24,159	6,070
Depreciation	-	-	-	-	641
Office supplies	-	-	1,494	1,494	1,943
Website maintenance	-	2,331	590	2,921	5,383
Outreach and communications	-	802	1,732	2,534	4,601
Travel	-	2,539	720	3,259	2,297
<b>Total expenses</b>	<b><u>\$ 803,220</u></b>	<b><u>\$ 720,853</u></b>	<b><u>\$ 322,554</u></b>	<b><u>\$1,846,627</u></b>	<b><u>\$2,172,534</u></b>

See notes to financial statements.

## REGIONAL GREENHOUSE GAS INITIATIVE, INC.

**Statement of Functional Expenses**  
**For the Year Ended December 31, 2017**

<b>Expenses</b>	<b>Program Services</b>		<b>Supporting Activities Management and General</b>	<b>Total</b>
	<b>Direct</b>	<b>Indirect</b>		
Salaries and wages	\$ -	\$ 452,397	\$ 113,099	\$ 565,496
Auctions	340,000	-	-	340,000
Technical analysis and evaluation	437,069	-	-	437,069
Market monitoring	192,000	-	-	192,000
Emissions Allowance Tracking System	243,972	-	-	243,972
Payroll taxes and employees' benefits	-	139,369	34,803	174,172
Financial and accounting services	-	-	77,989	77,989
Occupancy	-	27,707	11,874	39,581
Telephone, internet and service contracts	-	16,548	7,092	23,640
Meetings and other	-	9,944	4,859	14,803
Audit	-	-	26,625	26,625
Insurance	-	6,808	9,444	16,252
Legal fees	-	3,035	3,035	6,070
Depreciation	-	-	641	641
Office supplies	-	-	1,943	1,943
Website maintenance	-	3,768	1,615	5,383
Furniture and fixtures	-	-	-	-
Outreach and communications	-	1,549	3,052	4,601
Travel	-	1,576	721	2,297
<b>Total expenses</b>	<b><u>\$ 1,213,041</u></b>	<b><u>\$ 662,701</u></b>	<b><u>\$ 296,792</u></b>	<b><u>\$2,172,534</u></b>

See notes to financial statements.



**REGIONAL GREENHOUSE GAS INITIATIVE, INC.**

**Statement of Cash Flows**

	<b>Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Increase in net assets	\$ 1,280	\$ 823
Adjustment to reconcile increase in net assets to net increase (decrease) in cash		
Depreciation	-	641
(Increase) decrease in prepaid expenses and other assets	(13,608)	10,957
Increase (decrease) in current liabilities		
Accounts payable and accrued expenses	52,375	21,581
Auction deposit returnable to a bidder	(1,400,000)	1,400,000
Deferred state revenue	152,008	253,999
<b>Net increase (decrease) in cash</b>	<b>(1,207,945)</b>	<b>1,688,001</b>
<b>Cash, beginning of year</b>	<b>2,103,999</b>	<b>415,998</b>
<b>Cash, end of year</b>	<b>\$ 896,054</b>	<b>\$ 2,103,999</b>
 <b>Cash consists of:</b>		
Cash – operating	\$ 896,054	\$ 703,999
Cash designated for deposit returnable to a bidder	-	1,400,000
	<b>\$ 896,054</b>	<b>\$ 2,103,999</b>

See notes to financial statements.

**REGIONAL GREENHOUSE GAS INITIATIVE, INC.****Notes to Financial Statements  
December 31, 2018 and December 31, 2017****Note 1 – Nature of organization**

Regional Greenhouse Gas Initiative, Inc. (the “Corporation”) is a non-profit, non-stock, corporation established pursuant to a Memorandum of Understanding (the “MOU”) entered into by a number of U.S. states. The current signatories to the MOU are Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont (the “Signatory States”). The exclusive purpose for which the Corporation is formed is to provide technical and scientific advisory services to the Signatory States in the development and implementation of a multi-state cap and trade program, known as the Regional Greenhouse Gas Initiative (“RGGI”) (or its successor) established, to reduce air pollutants that contribute to climate change, and to perform any other charitable or scientific function related to the reduction of greenhouse gas emissions or the increase in carbon sequestration on behalf of the Signatory States. The Internal Revenue Service has determined that the Corporation is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code (“IRC”) and is not a private foundation pursuant to Section 509 (a) (1) of the IRC. Contributions to the Corporation are deductible pursuant to Section 170 of the IRC.

The Corporation is governed by a Board of Directors, made up of two agency heads from each Signatory State who serve as directors of the Corporation *ex officio*. As provided in the By-laws of the Corporation, the directors serving *ex officio* are as follows: (1) the chair, or the commissioner designated by the chair, of the Signatory State’s energy regulatory agency; (2) the chief executive of the Signatory State’s environmental regulatory agency or department; or (3) in the event that the Governor of a Signatory State determines that a state official other than the aforementioned individuals is the appropriate representative to act as a director, the Governor of that Signatory State must notify the chair of the Corporation in writing and such other official shall be a director from that Signatory State.

The Signatory States provide funds for the Corporation’s activities. Each Signatory State has entered into a contract with the Corporation, which establishes, among other things, the amount to be contributed by that Signatory State to the Corporation for its services and the specific technical and advisory services to be provided by the Corporation to or on behalf of that Signatory State.

The technical and scientific advisory services to be provided to the Signatory States generally include the development and implementation of (1) a regional system for tracking emissions and emissions allowances, to support emissions inventory management, allowance trading, compliance and program analysis and user security; (2) guidance for offset projects and an accreditation process for independent verifiers of offset projects; (3) a tracking system for offset project submittals, approvals and supporting documentation; (4) a regional allowance auction platform, including pre-auction services, conduct of the auction, and post-auction services; and (5) monitoring and auditing services for both allowance auctions and the secondary allowance market. The Corporation is authorized to subcontract with outside vendors to fulfill its duties under its contracts with the Signatory States.

**REGIONAL GREENHOUSE GAS INITIATIVE, INC.****Notes to Financial Statements (continued)  
December 31, 2018 and December 31, 2017****Note 1 – Nature of organization (continued)**

One aspect of the auction services the Corporation provides are financial settlement services on behalf of the Signatory States offering emissions allowances at each auction. Financial security from auction participants is deposited into an account currently maintained at Bank of New York Mellon under the title “RGGI, Inc. as agent for the Signatory States of the Regional Greenhouse Gas Initiative” and is held in that account subject to the terms in the auction notice issued by the Signatory States offering emissions allowances. At the conclusion of each auction, the Corporation arranges for the transfer of funds in appropriate amounts to the Signatory States in payment for the emissions allowances purchased at that auction, and excess funds are returned to auction participants. The Corporation’s receipt and management of these funds is solely as agent for the Signatory States. The Corporation has no legal right to retain any portion of these funds or to transfer them to its own account. The interest earned, if any, will be used to defray the cost of future auctions.

The Corporation is a technical assistance organization only. It has no regulatory or enforcement authority with respect to any existing or future program of any Signatory State. All such sovereign authority is reserved to each Signatory State.

**Note 2 – Summary of significant accounting policies****Recent accounting pronouncement****Not-for-Profit Financial Statement Presentation**

During 2018, the Corporation adopted Accounting Standards Update (“ASU”) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve, among other things, the information presented in the financial statements about a not-for-profit entity’s liquidity and expenses by both their natural and functional classification.

**Basis of presentation**

The financial statements of the Corporation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The following comprise the significant accounting policies of the Corporation.

**Net assets**

Under accounting principles generally accepted in the United States of America, net assets and revenue, expenses, 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 net assets without restrictions and net assets with restrictions.

**REGIONAL GREENHOUSE GAS INITIATIVE, INC.****Notes to Financial Statements (continued)  
December 31, 2018 and December 31, 2017****Note 2 – Summary of significant accounting policies (continued)**Net Assets Without Donor RestrictionsUnrestricted

Net assets that are not subject to donor-imposed restrictions and amounts can be spent at the discretion of the Corporation for general operations. Contributions with donor-imposed restrictions that are met in the same year the contributions are received are recorded as contributions without donor restrictions.

Net Assets With Donor RestrictionsTemporarily restricted

Net assets with donor restrictions are temporary in nature and are subject to donor-imposed restrictions that will be met either by actions of the Corporation and/or the passage of time. Contributions with donor-imposed restrictions are reported as increases in contribution with donor restrictions. When a donor-imposed restriction is accomplished, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. The Corporation did not receive any contributions with donor restrictions during 2018 or 2017.

Revenue recognition

Once the Corporation's budget is determined, an amount is billed to each Signatory State based upon an emissions allocation. These amounts are recorded as deferred state revenue on the statement of financial position. Revenue is recorded on a monthly basis equal to the Corporation's operating and program expenses.

Contributed services

Organizations are required to recognize contributions of services if they create or enhance non-financial assets, or require specialized skills, are provided by individuals possessing those skills and typically would have been purchased if not provided in-kind. Board members volunteer their time and perform a variety of tasks that assist the Corporation. These services do not meet the criteria to be recorded and have not been included in the accompanying financial statements.

Cash equivalents

The Corporation deems highly liquid investments with original maturities of 90 days or less to be cash equivalents. The Corporation had no cash equivalents at December 31, 2018 or December 31, 2017.

**REGIONAL GREENHOUSE GAS INITIATIVE, INC.****Notes to Financial Statements (continued)  
December 31, 2018 and December 31, 2017****Note 2 – Summary of significant accounting policies (continued)**Cash designated for deposit returnable to a bidder

As of December 31, 2017, the Corporation was holding cash, as an agent, for a returned ACH transaction for the unused financial security to be returned to a bidder. The ACH transaction cleared the bank during January 2018.

Property and equipment

Property and equipment, which consist of furniture and fixtures, is recorded at cost. Depreciation was computed using the straight-line method over the estimated useful lives of the assets. Acquisitions of property and equipment exceeding \$5,000 and with a useful life greater than one year are capitalized. As of December 31, 2018, the Corporation's property and equipment with a cost of \$18,811 were fully depreciated.

Functional of expense allocation

The cost of providing the various programs and other supporting activities of the Corporation have been summarized on a functional basis in the accompanying statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques primarily consisting of salary and wages, time and effort reporting and other equitable basis. Program services are divided into two categories:

Direct program services

These are expenses incurred by the Corporation for direct costs related to the four main functions of the Corporation: auctions, emissions allowance tracking systems, market monitoring, technical analysis and evaluation, that is paid to outside contractors.

Indirect services

These are expenses incurred by the Corporation for direct costs that are incurred by management of the Corporation relating to the four main functions of the Corporation as described above.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

**REGIONAL GREENHOUSE GAS INITIATIVE, INC.**

**Notes to Financial Statements (continued)  
December 31, 2018 and December 31, 2017**

**Note 2 – Summary of significant accounting policies (continued)**

Concentrations of credit risk

The Corporation's financial instruments that are potentially exposed to concentrations of credit risk consist of cash. The Corporation places its cash with what it believes to be quality financial institutions. In addition, the Corporation places its cash holdings in different financial institutions to have the full benefit of the Federal Deposit Insurance Corporation (FDIC) coverage. The Corporation believes no significant risk of loss is likely as a result of credit risk concentrations with respect to its cash.

Subsequent events

The Corporation has evaluated subsequent events and transactions for potential recognition or disclosure through March 21, 2019, which is the date the financial statements were available to be issued. This evaluation did not result in any subsequent events that necessitated additional disclosures and/or adjustments.

**Note 3 – Liquidity and availability of financial assets**

As of December 31, 2018, financial assets available within one year of the statement of financial position date, for general expenditures, such as operating expenses, were as follows:

<b>Financial assets</b>	
Cash	\$ 896,054
Financial assets available to meet cash needs for general expenditures within one year	\$ 896,054

**Note 4 – Funding**

The Corporation is funded by contributions from the nine (9) Signatory States of proportionate shares of the cost of the annual budget as approved by the Corporation's Board of Directors. Each Signatory State has two seats on the Corporation's Board of Directors, and these board members are usually selected from the directors of a State's public utilities commission, environmental protection agency, or energy department, as described in note 1.

The total contributed by all Signatory States during 2018 and 2017 was \$1,846,627 and \$2,172,534, respectively. In addition, during 2018 and 2017, several states paid an aggregate of \$595,672 and \$443,664, respectively, in advance for proportional funding costs, which are shown as deferred state revenue on the statement of financial position.

**REGIONAL GREENHOUSE GAS INITIATIVE, INC.****Notes to Financial Statements (continued)  
December 31, 2018 and December 31, 2017****Note 5 – Auction process**

One of the main functions of the Corporation is to administer the entire auction process of carbon dioxide (CO<sub>2</sub>) allowances for the participating states. The Corporation administered four (4) auctions during 2018 and 2017.

Each CO<sub>2</sub> allowance auction is conducted in accordance with the statutory and/or regulatory authority of each Signatory State offering CO<sub>2</sub> allowances for sale in that auction. These uniform price sealed quarterly auctions are designed to prevent price collusion by the bidders and are monitored by an independent third party vendor (see note 7).

Each State's number of allowances is specified in the statutes and/or regulations authorizing its CO<sub>2</sub> allowance budget. Allowances of any participating state are recognized by the CO<sub>2</sub> Budget Trading Program of each of the participating states even if that particular state is not participating in the auction.

**Note 6 – Retirement plan**

The Corporation maintains a 403(b) plan whereby eligible employees may elect to defer contributions from their salary up to the limits established by the Internal Revenue Code. The Corporation will contribute up to 10% of an employee's annual compensation. Employees are vested in the Corporation matching contribution after 18 months of employment. The Corporation's cost for the years ended December 31, 2018 and December 31, 2017 totaled \$58,247 and \$56,540, respectively. These costs are included in payroll taxes and employees benefits in the statement of functional expenses.

**Note 7 – Commitments****Program commitments**

The Corporation receives funding under contracts and agreements from the Signatory States. Payments received under these arrangements are subject to audit by each Signatory State. Upon audit, if discrepancies are discovered, the Corporation could be held responsible for reimbursing the amount in question. As of the date of this report, no audit has been requested by any of the Signatory States.

**Auctions**

The auction platform was created and is monitored by an unrelated independent contractor who is responsible for the integrity of the process. In addition, this independent contractor is responsible for verifying the collateral issued by the underlying institution for each bid made by an auction bidder. As of December 31, 2018 and December 31, 2017, the total cost provided was \$340,000, annually.

**REGIONAL GREENHOUSE GAS INITIATIVE, INC.****Notes to Financial Statements (continued)  
December 31, 2018 and December 31, 2017****Note 7 – Commitments (continued)****Technical analysis and evaluation**

The Corporation has a program contract with an independent contractor to provide services supporting the offset of the signatory States' CO<sub>2</sub> budget trading programs through development of model application and submittal materials and model guidance, as defined in the program contract. The Corporation had agreements with two independent contractors to provide for supporting services with respect to its technical analysis and evaluation of the signatory states CO<sub>2</sub> budget trading programs. During 2018, a comprehensive, periodic program review to consider various impacts and design elements was not deemed necessary and therefore, the level of these services were not provided as in the prior year. The total expenses, labeled technical analysis and evaluation, for the years ended December 31, 2018 and December 31, 2017 were \$7,984 and \$437,069, respectively.

**Market monitoring**

The Corporation has an agreement with an independent contractor to serve as the market monitor for the RGGI CO<sub>2</sub> allowance market. This independent contractor monitors the conduct of the market participants in both the primary auctions and the secondary market to identify indications of market manipulation or collusion. It also reviews the administration of the auctions performed by the independent contractor referred to above. The total expenses for the years ended December 31, 2018 and December 31, 2017 were \$246,730 and \$192,000, respectively.

**Emissions allowance tracking system**

The Corporation has an agreement with an independent contractor to administer and otherwise manage the development and implementation of an emissions and allowance tracking system. The total expenses for the years ended December 31, 2018 and December 31, 2017 were \$208,506 and \$243,972, respectively.

**Office space**

Effective December 1, 2018, the Corporation has a nine-year and nine-month space license agreement with the New York State Office of General Services that expires on August 31, 2028 for space in common with the New York State Department of Public Service (DPS) for conducting its programs.

The occupancy costs and related charges totaled \$42,940 and \$39,581 for the years ended December 31, 2018 and December 31, 2017, respectively.

During the license period, the Corporation is permitted to use the furniture, electronic, and computer equipment in the licensed space. The use of some of this equipment is subject to an additional monthly charge. Minimum aggregate annual base rental payments under the lease for the next five years are as follows: 2019 \$57,681 through 2022 and in year 2023 \$58,667.