

1. General Information

a. For the fiscal year beginning (mm/dd/yyyy) _____ / 2013 and ending (mm/dd/yyyy) _____														
b. Check if applicable for NYS: <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"/> NY registration pending	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td colspan="2" style="padding: 5px;"> c. Name of organization REGIONAL GREENHOUSE GAS INITIATIVE, INC. </td> <td style="padding: 5px;"> d. Fed. employer ID no. (EIN) (##-####-####) 35-2316710 </td> </tr> <tr> <td style="padding: 5px;"> Number and street (or P.O. box if mail not delivered to street address) </td> <td style="padding: 5px;"> Room/suite </td> <td style="padding: 5px;"> e. NY State registration no. (###-##-###) 40-91-69 </td> </tr> <tr> <td colspan="2" style="padding: 5px;"> 90 CHURCH STREET, 4TH FLOOR </td> <td style="padding: 5px;"> f. Telephone number (212) 417-7327 </td> </tr> <tr> <td colspan="2" style="padding: 5px;"> City or town, state or country and zip + 4 NEW YORK, NY 10007 </td> <td style="padding: 5px;"> g. Email </td> </tr> </table>	c. Name of organization REGIONAL GREENHOUSE GAS INITIATIVE, INC.		d. Fed. employer ID no. (EIN) (##-####-####) 35-2316710	Number and street (or P.O. box if mail not delivered to street address)	Room/suite	e. NY State registration no. (###-##-###) 40-91-69	90 CHURCH STREET, 4TH FLOOR		f. Telephone number (212) 417-7327	City or town, state or country and zip + 4 NEW YORK, NY 10007		g. Email	
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2. Certification - Two Signatures Required

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.

a. President or Authorized Officer		
b. Chief Financial Officer or Treas.	Signature: _____ Printed Name: Nickle Singh Title: Director Date: 5/16/14	Signature: _____ Printed Name: David Littell Title: _____ Date: 6 May 2014

3. Annual Report Exemption Information

a. **Article 7-A** annual report exemption (Article 7-A registrants and dual registrants)
 Check if total contributions from NY State (including residents, foundations, corporations, 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 this fiscal year.

NOTE: An organization may claim this exemption if no PFR or FRC was used **and** either: 1) it received an allocation from a federated fund, United Way or incorporated community appeal **and** contributions from other sources did not exceed \$25,000 **or** 2) it received all or substantially all of its contributions from one government agency to which it submitted an annual report similar to that required by Article 7-A.

b. **EPTL** annual report exemption (EPTL registrants and dual registrants)
 Check if gross receipts did not exceed \$25,000 **and** assets (market value) did not exceed \$25,000 at any time during this fiscal year.

For EPTL or Article-7A registrants claiming the annual report exemption under the one law under which they are registered and for dual registrants claiming the annual report exemptions under both laws, simply complete part 1 (General Information), part 2 (Certification) and part 3 (Annual Report Exemption Information) above.

Do not submit a fee, **do not** complete the following schedules and **do not** submit any attachments to this form.

4. Article 7-A Schedules

If you did **not** check the Article 7-A annual report exemption above, complete the following for this fiscal year:

a. Did the organization use a professional fund raiser, fund raising counsel or commercial co-venturer for fund raising activity in NY State? . . . Yes* No
 * If "Yes", complete **Schedule 4a**.

b. Did the organization receive government contributions (grants)? . . . Yes* No
 * If "Yes", complete **Schedule 4b**.

5. Fee Submitted: See last page for **summary of fee requirements**.

Indicate the filing fee(s) you are submitting along with this form:		Submit only one check or money order for the total fee, payable to "NYS Department of Law"
a. Article 7-A filing fee	\$ <u>25.</u>	
b. EPTL filing fee	\$ <u>25.</u>	
c. Total fee	\$ <u>50.</u>	

6. Attachments - For organizations that are not claiming annual report exemptions under both laws, see last page for required attachments → → →

5. Fee Instructions

The filing fee depends on the organization's Registration Type. For details on Registration Type and filing fees, see the Instructions for Form CHAR500.

Organization's Registration Type	Fee Instructions
• Article 7-A	Calculate the Article 7-A filing fee using the table in part a below. The EPTL filing fee is \$0.
• EPTL	Calculate the EPTL filing fee using the table in part b below. The Article 7-A filing fee is \$0.
• Dual	Calculate both the Article 7-A and EPTL filing fees using the tables in parts a and b below. Add the Article 7-A and EPTL filing fees together to calculate the total fee. Submit a single check or money order for the total fee.

a) Article 7-A filing fee

Total Support & Revenue	Article 7-A Fee
more than \$250,000	\$25
up to \$250,000 *	\$10

* Any organization that contracted with or used the services of a professional fund raiser (PFR) or fund raising counsel (FRC) during the reporting period must pay an Article 7-A filing fee of \$25, regardless of total support and revenue.

b) EPTL filing fee

Net Worth at End of Year	EPTL Fee
Less than \$50,000	\$25
\$50,000 or more, but less than \$250,000	\$50
\$250,000 or more, but less than \$1,000,000	\$100
\$1,000,000 or more, but less than \$10,000,000	\$250
\$10,000,000 or more, but less than \$50,000,000	\$750
\$50,000,000 or more	\$1500

6. Attachments - Document Attachment Check-List

Check the boxes for the documents you are attaching.

For All Filers		
<u>Filing Fee</u>		
<input checked="" type="checkbox"/> Single check or money order payable to "NYS Department of Law"		
<u>Copies of Internal Revenue Service Forms</u>		
<input checked="" type="checkbox"/> IRS Form 990	<input type="checkbox"/> IRS Form 990-EZ	<input type="checkbox"/> IRS Form 990-PF
<input type="checkbox"/> All required schedules (including Schedule B)	<input type="checkbox"/> All required schedules (including Schedule B)	<input type="checkbox"/> All required schedules (including Schedule B)
<input type="checkbox"/> IRS Form 990-T	<input type="checkbox"/> IRS Form 990-T	<input type="checkbox"/> IRS Form 990-T

Additional Article 7-A Document Attachment Requirement
<u>Independent Accountant's Report</u>
<input checked="" type="checkbox"/> Audit Report (total support & revenue more than \$250,000)
<input type="checkbox"/> Review Report (total support & revenue \$100,001 to \$250,000)
<input type="checkbox"/> No Accountant's Report Required (total support & revenue not more than \$100,000)

**CONDON
O'MEARA
MCGINTY &
DONNELLY LLP**

Certified Public Accountants

One Battery Park Plaza
New York, NY 10004-1405
Tel: (212) 661 - 7777
Fax: (212) 661 - 4010

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. (the "Corporation") which comprise the statement of financial position as of December 31, 2013 and December 31, 2012 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.

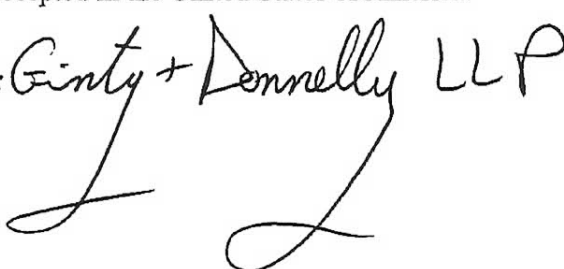
Auditor's Responsibility

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, 2013 and December 31, 2012 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.

Condon O'Meara McGinty + Donnelly LLP



April 10, 2014

REGIONAL GREENHOUSE GAS INITIATIVE, INC.

Statement of Financial Position

	Assets	
	December 31	
	2013	2012
Current assets		
Cash	\$ 803,535	\$ 1,057,668
Prepaid expenses	18,044	21,011
Total current assets	821,579	1,078,679
Property and equipment, net of accumulated depreciation of \$11,234 in 2013 and \$8,738 in 2012	1,266	3,762
Cash held by the Corporation as agent	-	4,794
Total assets	\$ 822,845	\$ 1,087,235

Current Liabilities and Unrestricted Net Assets

Current liabilities		
Accounts payable and accrued expenses	\$ 82,198	\$ 163,214
Deferred state revenue	663,850	848,028
Deferred state revenue – program meeting support	37,538	38,221
Total current liabilities	783,586	1,049,463
Unrestricted net assets	39,259	37,772
Total current liabilities and unrestricted net assets	\$ 822,845	\$ 1,087,235

See notes to financial statements.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.

Statement of Activities

	Year Ended	
	December 31	
	2013	2012
Revenue		
State revenue	\$ 1,773,312	\$ 1,900,514
Interest	<u>1,487</u>	<u>1,091</u>
Total revenue	<u>1,774,799</u>	<u>1,901,605</u>
Expenses		
Program services		
Direct	869,790	1,070,964
Indirect	554,684	506,912
Management and general	<u>348,838</u>	<u>322,638</u>
Total expenses	<u>1,773,312</u>	<u>1,900,514</u>
Increase in unrestricted net assets	1,487	1,091
Unrestricted net assets, beginning of year	<u>37,772</u>	<u>36,681</u>
Unrestricted net assets, end of year	<u>\$ 39,259</u>	<u>\$ 37,772</u>

See notes to financial statements.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2013
(with Summarized Comparative Information For the Year Ended December 31, 2012)**

Expenses	2013				2012
	Program Services		Management and General	Total	Total
	Direct	Indirect			
Salaries and wages	\$ -	\$ 365,912	\$ 149,457	\$ 515,369	\$ 456,045
Auctions	420,000	-	-	420,000	420,000
Program review and evaluation	61,248	-	-	61,248	332,060
Market monitoring	186,190	-	-	186,190	147,820
Emissions Allowance Tracking System	163,162	-	-	163,162	130,743
Payroll taxes and employees' benefits	-	102,856	50,669	153,525	125,585
Financial and accounting services	-	-	69,300	69,300	68,700
Occupancy	-	29,542	12,661	42,203	51,848
Technical papers	39,190	-	-	39,190	40,341
Telephone, internet and service contracts	-	19,553	8,751	28,304	34,269
Meetings and other	-	13,116	11,119	24,235	29,519
Audit	-	-	26,000	26,000	25,700
Insurance	-	12,301	5,274	17,575	18,811
Legal fees	-	4,117	4,164	8,281	9,939
Program meeting support	-	683	-	683	3,491
Depreciation	-	-	2,496	2,496	2,496
Office supplies	-	-	1,899	1,899	1,561
Website maintenance	-	4,935	4,321	9,256	1,513
Furniture and fixtures	-	-	1,759	1,759	221
Outreach and communications	-	-	25	25	(42)
Travel-net	-	1,669	943	2,612	(106)
Total expenses	\$ 869,790	\$ 554,684	\$ 348,838	\$1,773,312	\$1,900,514

See notes to financial statements.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.

Statement of Cash Flows

	Year Ended December 31	
	2013	2012
Cash flows from operating activities		
Increase in unrestricted net assets	\$ 1,487	\$ 1,091
Adjustment to reconcile increase in unrestricted net assets to net (decrease) in cash		
Depreciation	2,496	2,496
(Increase) decrease in current assets		
State receivables	-	95,596
Prepaid expenses	2,967	13,780
(Decrease) in current liabilities		
Accounts payable and accrued expenses	(81,016)	(45,668)
Auction deposits returnable to bidders	-	(37,801)
Deferred state revenue	(184,178)	(255,198)
Deferred state revenue – program meeting support	(683)	(3,491)
Net (decrease) in cash	(258,927)	(229,195)
Cash, beginning of year	<u>1,062,462</u>	<u>1,291,657</u>
Cash, end of year	<u>\$ 803,535</u>	<u>\$ 1,062,462</u>
Consists of:		
Cash – operations	\$ 803,535	\$ 1,057,668
Cash held by the Corporation as agent	-	4,794
Total	<u>\$ 803,535</u>	<u>\$ 1,062,462</u>

See notes to financial statements.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.**Notes to Financial Statements
December 31, 2013 and December 31, 2012****Note 1 – Nature of organization**

Regional Greenhouse Gas Initiative, Inc. (the “Corporation”) is a non-profit, non-stock, corporation with no members 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 purposes for which the Corporation is formed are to provide technical and scientific advisory services to the Signatory States in the development and implementation of a multi-state cap and trade, greenhouse gas control program, known as the Regional Greenhouse Gas Initiative (“RGGI”) (or its successor), 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 at the request 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. As of December 31, 2013, no amounts have been recognized for uncertain income tax positions. In addition, the Corporation’s tax returns for 2010 and forward are subject to the usual review by the appropriate authorities.

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.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.**Notes to Financial Statements (continued)
December 31, 2013 and December 31, 2012****Note 2 – Summary of significant accounting policies (continued)**

Unrestricted net assets consist of amounts that can be spent at the discretion of the Board of Directors. Temporarily restricted net assets consist of contributions that are restricted by the donor for a specific purpose or relate to future periods. Permanently restricted net assets consist of contributions that are restricted by the donor in perpetuity. The Corporation did not receive any temporarily or permanently restricted contributions during 2013 or 2012.

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.

Cash equivalents

The Corporation deems highly liquid investments with original maturity dates of 90 days or less to be cash equivalents. The Corporation had no cash equivalents at December 31, 2013 or December 31, 2012.

Property and equipment

Property and equipment, which consists of furniture and fixtures, is recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is five (5) years. Acquisitions of property and equipment exceeding \$5,000 and with a useful life greater than one year are capitalized.

Allocation of expenses

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services. Program services are divided into two categories:

Direct program services

These are expenses incurred by the Corporation for direct costs related to the five main functions of the Corporation: auctions, emissions allowance tracking systems, market monitoring, program review and evaluation and technical papers, 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 five main functions of the Corporation as described above.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.**Notes to Financial Statements (continued)
December 31, 2013 and December 31, 2012****Note 2 – Summary of significant accounting policies (continued)****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.

Subsequent events

The Corporation has evaluated subsequent events and transactions for potential recognition or disclosure through April 10, 2014, which is the date the financial statements were available to be issued.

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 placed 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.

Note 3 – 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 2013 and 2012 was \$1,773,312 and \$1,900,514, respectively. In addition, during 2013 and 2012, several states paid an aggregate of \$663,850 and \$848,028, 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, 2013 and December 31, 2012****Note 4 – Auction process**

One of the main functions of the Corporation is to administer the entire auction process of carbon dioxide (CO₂) allowances for the participating states. The Corporation administered four (4) auctions during 2013 and 2012.

Each CO₂ allowance auction is conducted in accordance with the statutory and/or regulatory authority of each Signatory State offering CO₂ 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 6).

Each State's number of allowances is specified in the statutes and/or regulations authorizing its CO₂ allowance budget. Allowances of any participating state are recognized by the CO₂ Budget Trading Program of each of the participating states even if that particular state is not participating in the auction.

Note 5 – 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 eighteen months of employment. The Corporation's cost for the years ended December 31, 2013 and December 31, 2012 totaled \$45,301 and \$39,430, respectively.

Note 6 – Commitments and contingencies

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.

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.

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 Corporation has an agreement with an independent contractor to serve as the market monitor for the RGGI CO₂ 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.

REGIONAL GREENHOUSE GAS INITIATIVE, INC.

**Notes to Financial Statements (continued)
December 31, 2013 and December 31, 2012**

Note 6 – Commitments and contingencies (continued)

Effective May 1, 2013, the Corporation has a two-year and eight-month space license agreement with the New York State Office of General Services 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 \$42,203 and \$51,848 for the years ended December 31, 2013 and December 31, 2012, 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.

The Corporation has not accounted for this licensed space expense using the straight-line method because the difference between the amortized and paid amounts would be immaterial.

Future minimum payments under the license agreement are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 40,303
2015	<u>40,303</u>
Total	<u>\$ 80,606</u>